

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

INDEPENDENCE ONE MUTUAL FUNDS

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Business Address
*FEDERATED INVESTORS
TWR
PITTSBURGH PA 15222
4122881229*

1933 Act File No. 33-26516
1940 Act File No. 811-5752

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X

Pre-Effective Amendment No.

Post-Effective Amendment No. 19 X

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 X

Amendment No. 19 X

INDEPENDENCE ONE MUTUAL FUNDS

(Exact Name of Registrant as Specified in Charter)

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

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

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

It is proposed that this filing will become effective:

immediately upon filing pursuant to paragraph (b)
X on August 31, 1996 pursuant to paragraph (b)(1)(v)
60 days after filing pursuant to paragraph (a)(i)
on pursuant to paragraph (a)(i)
75 days after filing pursuant to paragraph (a)(ii)
on pursuant to paragraph (a)(ii) of Rule 485.

If appropriate, check the following box:

This post-effective amendment designates a new effective date for a previously filed post-effective amendment.

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

X filed the Notice required by that Rule on June 14, 1996; or
intends to file the Notice required by that Rule on or about
; or

during the most recent fiscal year did not sell any securities pursuant to Rule 24f-2 under the Investment Company Act of 1940, and, pursuant to Rule 24f-2(b)(2), need not file the Notice.

Copies To:

Matthew G. Maloney, Esquire
Dickstein, Shapiro & Morin, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037

CROSS REFERENCE SHEET

This Amendment to the Registration Statement of INDEPENDENCE ONE MUTUAL FUNDS which consists of seven portfolios: (1) Independence One Michigan Municipal Cash Fund; (2a) Independence One Prime Money Market Fund - Class A Shares; (2b) Independence One Prime Money Market Fund - Class B Shares; (3) Independence One U.S. Treasury Money Market Fund; (4) Independence One U.S. Government Securities Fund, (5) Independence One Equity Plus Fund; (6) Independence One Fixed Income Fund; and (7) Independence One Michigan Municipal Bond Fund, relates only to Independence One U.S. Government Securities Fund, Independence One Fixed Income Fund and Independence One Michigan Municipal Bond Fund and is comprised of the following (all Funds have been referenced below to maintain consistency among the Registrant's filings and to facilitate the cross-referencing process):

PART A. INFORMATION REQUIRED IN A PROSPECTUS.

	Prospectus Heading (Rule 404(c) Cross Reference)
Item 1.	Cover Page.....(1-7) Cover Page.
Item 2.	Synopsis.....(1-4,6,7) Synopsis; (1-7) Summary of Fund Expenses.
Item 3.	Condensed Financial Information.....(1-7) Financial Highlights.(1-7) Performance Information.
Item 4.	General Description of Registrant.....(1-4,6,7) Investment Information; (1-4,6,7) Investment Objective of Each Fund; (1-4,6,7) Portfolio Investments and Strategies; (5) General Information; (5) Investment Information; (5) Investment Objective; (5) Investment Policies; (5) Acceptable Investments; (1-7) Investment Limitations; (5) Equity Investment Considerations (5) Derivative Contracts and Securities; (5) Standard & Poor's.
Item 5.	Management of the Fund... (1-7) Independence One Mutual Funds Information; (1-7) Management of the Trust; (1-7) Distribution of Fund Shares; (1-7) Fund Administration (5) Brokerage Transactions.
Item 6.	Capital Stock and Other Securities.....(1-7) Dividends; (1-7) Capital Gains; (1-7) Shareholder Information; (1-7) Voting Rights; (1-7) Effect of Banking Laws; (1-7) Tax Information; (1-7) Federal Income Tax; (1,7) Michigan Tax Considerations.
Item 7.	Purchase of Securities Being Offered.....(1-7) Net Asset Value; (1-4,6,7) Investing in the Funds; (5) Investing in the Fund; (1-7) Share Purchases; (1-7) Minimum Investment Required; (1-3) Cash Sweep Program; (1-7) What Shares Cost; (1-7) Certificates and Confirmations; (1-7) Systematic Investment Program.
Item 8.	Redemption or Repurchase.(1-4,6,7) Redeeming Shares; (5) Redeeming Fund Shares; (1-7) Systematic Withdrawal Program; (1-7) Accounts with Low Balances; (1-3) Redemption in Kind (1-7) Exchange Privilege; (5-7) Exchanging Securities for Fund Shares.
Item 9.	Pending Legal Proceedings None.

PART B. INFORMATION REQUIRED IN A STATEMENT OF ADDITIONAL INFORMATION.

Item 10.	Cover Page.....(1-7) Cover Page.
Item 11.	Table of Contents.....(1-7) Table of Contents.
Item 12.	General Information and History.....(1-4,6,7) General Information About the Funds; (5) General Information About the

	Fund;.
Item 13.	Investment Objectives and Policies.....(1-4,6,7) Investment Objective and Policies of the Funds; (4,6,7) Acceptable Investments; (5) Types of Investments; (5) Investment Objective and Policies; (4-7) Portfolio Turnover; (1-7) Investment Limitations; (1-3) Regulatory Compliance; (1,7) Michigan Investment Risks.
Item 14.	Management of the Fund...(1-7) Independence One Mutual Funds Management; (1-7) Officers and Trustees; (1-7) Fund Ownership; (1-7) Trustee Liability; (1-7) Trustees Compensation; (1-7)Massachusetts Partnership Law.
Item 15.	Control Persons and Principal Holders of Securities.... Not applicable.
Item 16.	Investment Advisory and Other Services.....(1-7) Investment Advisory Services; (1-3,5) Adviser to the Fund; (4,6-7) Adviser and Sub-Adviser to the Funds; (1-3,5) Advisory Fees; (4,6-7) Advisory and Sub-Advisory Fees;(1-7) Other Services; (1-7) Trust Administration; (1-7) Custodian; (1-7) Transfer Agent and Dividend Disbursing Agent; (1-7) Independent Auditors.
Item 17.	Brokerage Allocation.....(1-7) Brokerage Transactions.
Item 18.	Capital Stock and Other Securities.....Not applicable.
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered.....(1-7) Purchasing Shares; (1-7) Determining Net Asset Value; (1-3) Use of Amortized Cost Method; (4-7) Determining Market Value of Securities; (1-7) Redeeming Shares; (1-7) Redemption in Kind; (1-7) Exchange Privilege; (4-7) Capital Gains.
Item 20.	Tax Status.....(1-7) Tax Status; (1-7) The Funds' Tax Status; (1-7) Shareholders' Tax Status.
Item 21.	Underwriters.....(1,3) Distribution Plan; (2a) Shareholder Services Plan; (1-7) Conversion to Federal Funds.
Item 22.	Calculation of Yield Quotations of Money Market Funds.....(1-7) Performance Comparisons; (1-7) Economic and Market Information; (1,7) Tax Equivalent Yield;(1-3) Effective Yield; (1-7) Yield; (1-7) Total Return; (4-7) Appendix.
Item 23.	Financial Statements (5) Filed in Part A; (1-4,6,7) Incorporated by reference to the Annual Reports of the Funds dated April 30, 1996 (File Nos. 33-26526 and 811-5752).

INDEPENDENCE ONE U.S. GOVERNMENT SECURITIES FUND
 INDEPENDENCE ONE FIXED INCOME FUND
 INDEPENDENCE ONE MICHIGAN MUNICIPAL BOND FUND
 (PORTFOLIOS OF INDEPENDENCE ONE MUTUAL FUNDS)

PROSPECTUS

Independence One Mutual Funds (the "Trust") is an open-end management investment company (a mutual fund) comprising a series of investment portfolios. This prospectus offers investors interests in the following three separate investment portfolios (collectively referred to as the "Funds" and individually as the "Fund"), each having a distinct investment objective and policies:

Independence One U.S. Government Securities Fund;

Independence One Fixed Income Fund; and

Independence One Michigan Municipal Bond Fund.

MICHIGAN NATIONAL BANK PROFESSIONALLY MANAGES THE FUNDS' PORTFOLIOS. THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF MICHIGAN NATIONAL BANK, ARE NOT ENDORSED OR GUARANTEED BY MICHIGAN NATIONAL BANK, AND ARE NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

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

The Funds have also filed a Statement of Additional Information, dated August 31, 1996, with the Securities and Exchange Commission. The information contained in the Statement is incorporated by reference into this prospectus. You may request a copy of the Statement by calling toll-free 1-800-334-2292. To obtain other information, or make inquiries about the Trust, contact the Trust at the address listed in the back of this prospectus.

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 August 31, 1996

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SYNOPSIS

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 9, 1989. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. This prospectus relates only to the three Funds described herein. The Funds are designed as a convenient means of accumulating interests in professionally managed portfolios.

The following three Funds are offered in this prospectus:

Independence One U.S. Government Securities Fund ("Government Securities Fund") seeks to provide high current income. In pursuing this objective, the Government Securities Fund's portfolio will also be managed in an effort to seek total return. The Government Securities Fund invests only in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Independence One Fixed Income Fund ("Fixed Income Fund") seeks to provide total return by investing primarily in a diversified portfolio of high-grade fixed income securities.

Independence One Michigan Municipal Bond Fund ("Michigan Municipal Bond Fund") seeks to provide current income exempt from federal regular income tax and the personal income taxes imposed by the State of Michigan and Michigan municipalities. The municipal securities in which Michigan Municipal Bond Fund invests primarily include those issued by or on behalf of the State of Michigan and Michigan municipalities, as well as those issued by other states, territories and possessions of the United States which are exempt from federal regular income tax and the personal income taxes of the State of Michigan and Michigan municipalities ("Michigan Municipal Securities"). In addition, Michigan Municipal Bond Fund intends to qualify as an investment substantially exempt from the Michigan intangibles tax.

Shares of the Funds are intended to be sold as an investment vehicle for

institutions, corporations, fiduciaries and individuals. For information on how to purchase shares of the Funds, please refer to "Investing in the Funds." A minimum initial investment of \$1,000 is required for each Fund. Subsequent investments must be in the amount of at least \$100. See "Minimum Investment Required."

Fund shares are currently sold and redeemed at net asset value. Information on redeeming shares can be found under "Redeeming Shares." Shareholders can invest, reinvest, or redeem shares at any time without charge or penalty imposed by the Funds. Shareholders have access to other portfolios of the Trust through an exchange program. Information regarding the exchange privilege offered with respect to the Trust can be found under "Exchange Privilege."

Michigan National Bank is the investment adviser (the "Adviser") to the Funds and receives compensation for its services. Independence One Capital Management Corporation serves as sub-adviser to Government Securities Fund.

One or more of the Funds may make certain investments and employ certain investment techniques that involve risks, including entering into repurchase agreements, investing in when-issued securities, restricted and illiquid securities, and securities of other investment companies. These risks and those associated with investing in debt securities generally, Michigan Municipal Securities, variable rate securities, bank instruments, short-term credit facilities, asset-backed securities, participation interests, and demand features are described under "Investment Objective of Each Fund" and "Portfolio Investments and Strategies."

INDEPENDENCE ONE MUTUAL FUNDS
SUMMARY OF FUND EXPENSES

<TABLE>
<CAPTION>

	GOVERNMENT SECURITIES FUND	FIXED INCOME FUND	MICHIGAN MUNICIPAL BOND FUND
<S>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES			
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....	None	None	None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price).....	None	None	None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable).....	None	None	None
Redemption Fee (as a percentage of amount redeemed, if applicable).....	None	None	None
Exchange Fee.....	None	None	None

<CAPTION>

	GOVERNMENT SECURITIES FUND	FIXED INCOME FUND	MICHIGAN MUNICIPAL BOND FUND
<S>	<C>	<C>	<C>
ANNUAL FUND OPERATING EXPENSES*			
(As a percentage of average net assets)			
Management Fees (after waivers) (1).....	0.25%	0.25%	0.00%
12b-1 Fees.....	None	None	None
Total Other Expenses (after waivers) (2).....	0.33%	0.31%	0.68%
Total Fund Operating Expenses (after waivers) (3).....	0.58%	0.56%	0.68%

</TABLE>

(1) The management fees for Government Securities Fund, Fixed Income Fund and Michigan Municipal Bond Fund were reduced to reflect the voluntary waiver by the Adviser. The Adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee for Government Securities Fund is 0.70%. The maximum management fee for the Fixed Income Fund and Michigan Municipal Bond Fund is 0.75%.

(2) Total Other Expenses for Michigan Municipal Bond Fund have been reduced to reflect the voluntary waiver of a portion of the administration fee. The administrator can terminate this voluntary waiver at any time at its sole discretion.

(3) The Total Fund Operating Expenses for Government Securities Fund, Fixed Income Fund and Michigan Municipal Bond Fund for the fiscal year ended April 30, 1996 were 0.40%, 0.54% and 0.57%, respectively. The Total Fund Operating Expenses for Government Securities Fund and Fixed Income Fund for the fiscal year ended April 30, 1996 were 1.06% and 1.15%, respectively, absent the voluntary waivers of the management fee and administrative fee. The Total

Fund Operating Expenses for Michigan Municipal Bond Fund for the fiscal year ended April 30, 1996 was 1.33% absent the voluntary waivers of the management fee, administrative fee and certain other operating expenses. The Total Fund Operating Expenses for Government Securities Fund, Fixed Income Fund and Michigan Municipal Bond Fund for the fiscal year ending April 30, 1997 are expected to be 1.03%, 1.06%, and 1.52% absent the voluntary waivers described in Note 1 and 2.

* The expenses in this table are estimated based on average expenses expected to be incurred during the fiscal year ending April 30, 1997. During the course of this period, expenses may be more or less than the average amount shown.

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

<TABLE>

<S> <C> <C> <C>

EXAMPLE

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.

<CAPTION>

	GOVERNMENT SECURITIES FUND	FIXED INCOME FUND	MICHIGAN MUNICIPAL BOND FUND
<S>	<C>	<C>	<C>
1 Year.....	\$6	\$6	\$7
3 Years.....	\$19	\$18	\$22
5 Years.....	\$32	\$31	\$38
10 Years.....	\$73	\$70	\$85

</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.

INDEPENDENCE ONE U.S. GOVERNMENT SECURITIES FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

The following table has been audited by KPMG Peat Marwick LLP, the Fund's independent auditors. Their report, dated June 14, 1996, on the Fund's Financial Statements for the year ended April 30, 1996, and on the following table for each of the periods presented, is included in the Fund's Annual Report, which is incorporated herein by reference. This table should be read in conjunction with the Fund's Financial Statements and Notes thereto, contained in the Fund's Annual Report, which may be obtained from the Fund.

<TABLE>

<CAPTION>

	YEAR ENDED APRIL 30,			
	1996	1995	1994	1993 (a)
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 9.79	\$ 9.84	\$ 10.31	\$ 10.00

INCOME FROM INVESTMENT OPERATIONS				

Net investment income	0.59	0.60	0.55	0.33
Net realized and unrealized gain (loss) on investments	0.19	(0.05)	(0.47)	0.31
Total from investment operations	0.78	0.55	0.08	0.64

LESS DISTRIBUTIONS				

Distributions from net investment income	(0.59)	(0.60)	(0.55)	(0.33)
NET ASSET VALUE, END OF PERIOD	\$ 9.98	\$ 9.79	\$ 9.84	\$ 10.31

TOTAL RETURN (b)	7.97%	5.90%	0.66%	4.61%

RATIOS TO AVERAGE NET ASSETS				

Expenses	0.40%	0.35%	0.31%	0.17%*
Net investment income	5.85%	6.23%	5.32%	5.59%*

Expense waiver/reimbursement (c)	0.66%	0.70%	0.70%	0.83%*
SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$72,291	\$62,514	\$72,866	\$87,704
Portfolio turnover	104%	75%	20%	0%

</TABLE>

* Computed on an annualized basis.

(a) Reflects operations for the period from January 11, 1993 (date of initial public investment) to April 30, 1993.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

Further information about the Fund's performance is contained in the Annual Report for the fiscal year ended April 30, 1996, which can be obtained free of charge.

INDEPENDENCE ONE FIXED INCOME FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

The following table has been audited by KPMG Peat Marwick LLP, the Fund's independent auditors. Their report, dated June 14, 1996, on the Fund's Financial Statements for the year ended April 30, 1996, and on the following table for the period presented, is included in the Fund's Annual Report, which is incorporated herein by reference. This table should be read in conjunction with the Fund's Financial Statements and Notes thereto, contained in the Fund's Annual Report, which may be obtained from the Fund.

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30, 1996 (a)
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.30
Net realized and unrealized loss on investments	(0.18)
Total from investment operations	0.12
LESS DISTRIBUTIONS	
Distributions from net investment income	(0.30)
NET ASSET VALUE, END OF PERIOD	\$ 9.82
TOTAL RETURN (b)	1.15%
RATIOS TO AVERAGE NET ASSETS	
Expenses	0.54%*
Net investment income	5.73%*
Expense waiver/reimbursement (c)	0.61%*
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$62,256
Portfolio turnover	4%

</TABLE>

* Computed on an annualized basis.

(a) Reflects operations for the period from October 23, 1995 (date of initial public investment) to April 30, 1996.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

Further information about the Fund's performance is contained in the Annual Report for the fiscal year ended April 30, 1996, which can be obtained free of charge.

INDEPENDENCE ONE MICHIGAN MUNICIPAL BOND FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

The following table has been audited by KPMG Peat Marwick LLP, the Fund's independent auditors. Their report, dated June 14, 1996, on the Fund's Financial Statements for the year ended April 30, 1996, and on the following table for the period presented, is included in the Fund's Annual Report, which is incorporated herein by reference. This table should be read in conjunction with the Fund's Financial Statements and Notes thereto, contained in the Fund's Annual Report, which may be obtained from the Fund.

	YEAR ENDED APRIL 30, 1996 (a)
<S>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00

INCOME FROM INVESTMENT OPERATIONS	

Net investment income	0.17

Net realized and unrealized loss on investments	(0.05)

Total from investment operations	0.12

LESS DISTRIBUTIONS	

Distributions from net investment income	(0.17)

NET ASSET VALUE, END OF PERIOD	\$ 9.95

TOTAL RETURN (b)	1.21%

RATIOS TO AVERAGE NET ASSETS	

Expenses	0.57%*

Net investment income	3.83%*

Expense waiver/reimbursement (c)	0.76%*

SUPPLEMENTAL DATA	

Net assets, end of period (000 omitted)	\$25,123

Portfolio turnover	39%

</TABLE>	

* Computed on an annualized basis.

(a) Reflects operations for the period from November 20, 1995 (date of initial public investment) to April 30, 1996.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net

investment income ratios shown above.

Further information about the Fund's performance is contained in the Annual Report for the fiscal year ended April 30, 1996, which can be obtained free of charge.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE OF EACH FUND

The investment objective and policies of each Fund appear below. The investment objective of a Fund cannot be changed without the approval of holders of a majority of that Fund's shares. While there is no assurance that a Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

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

Each Fund's investment limitations are discussed below under "Investment Limitations."

Additional information about investment limitations, strategies that one or more Funds may employ, and certain investment policies mentioned below appear in the "Portfolio Investments and Strategies" section of this prospectus and in the Statement of Additional Information.

GOVERNMENT SECURITIES FUND

INVESTMENT OBJECTIVE AND POLICIES. The investment objective of the Fund is to seek high current income. As a matter of investment policy, the Fund's portfolio will also be managed in an effort to seek total return.

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

- direct obligations of the U.S. Treasury such as U.S. Treasury bills, notes and bonds; and

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

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

- the issuer's right to borrow an amount limited to a specific line of credit from the U.S. Treasury;

- the discretionary authority of the U.S. government to purchase certain obligations of an agency or instrumentality; or

- the credit of the agency or instrumentality.

As discussed above, U.S. government securities are subject to varying levels of backing as to payment of principal and interest by the United States. Of course, this does not mean that the Fund itself, or the value of its shares, is guaranteed. As with all debt securities, prices of U.S. government securities move inversely to interest rates. A decline in market interest rates generally results in a rise in the market prices of outstanding U.S. government or other debt securities. Conversely, an increase in market interest rates results in a decline in market prices. In either case, the amount of change in market prices of U.S. government or other debt securities in response to changes in market interest rates generally depends on the duration of the securities; the securities with the highest duration will experience the greatest market price changes. As noted above, the Fund will be managed with a view toward minimizing decreases in the value of the Fund's shares. See the discussion of "Risks" under "Portfolio Investments and Strategies."

In addition, the Fund may engage in repurchase agreements and when-issued and delayed delivery transactions. See "Portfolio Investments and Strategies."

FIXED INCOME FUND

INVESTMENT OBJECTIVE AND POLICIES. The investment objective of the Fund is to seek total return. Total return consists of income and capital gains. The Fund pursues its investment objective by investing primarily in a diversified portfolio of high-grade fixed income securities that, at the time of purchase, are rated A or higher by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P"), or Fitch Investors Service, Inc. ("Fitch") or which, if unrated, are deemed to be of comparable quality to securities with such ratings, as determined by the Adviser.

In pursuing its investment objective, the Fund will attempt to deliver share price and/or income performance in excess of the bond market in general as measured by such broad indices as the Lehman Brothers Intermediate Government/Corporate Bond Index. The Fund presently expects to maintain an average dollar-weighted maturity of between 5 and 10 years, although securities of longer or shorter maturities may be purchased. The Fund will invest, under normal circumstances, at least 65% of the value of its total assets in fixed income securities.

The Adviser will use a multi-disciplined management approach which combines judgments about the interest rate environment with other active management techniques, such as emphasizing or de-emphasizing particular industry groups, in selecting the Fund's investments. Fixed income securities will be purchased for the Fund based on the Adviser's expectations regarding general market interest rate trends and the impact such trends would have on the total return of the fixed income securities. As a secondary consideration, the Adviser will attempt to reduce loss of principal relative to the fixed income markets. However, the primary consideration will be total return.

The Adviser attempts to manage the Fund's total performance, which includes both changes in principal value of the Fund's portfolio and interest income earned, to anticipate the opportunities and risks of changes in market interest rates. The Adviser does not select securities purely to maximize the current yield of the Fund. When the Adviser expects that market interest rates may decline, which would cause prices of outstanding debt obligations to rise, it generally extends the average maturity of the Fund's portfolio. When, in the Adviser's judgment, market interest rates may rise, which would cause market prices of outstanding debt obligations to decline, it generally shortens the average maturity of the Fund's portfolio. The amount of change in market prices of debt obligations in response to changes in market interest rates generally depends on the maturity of the debt obligations; as noted below under "Portfolio Investments and Strategies," "Risks," the debt obligations with the longest maturities will generally experience the greatest market price changes. The Adviser also attempts to improve the Fund's total return by weighing the relative value of fixed income securities issues having similar maturities in selecting portfolio securities. By actively managing the Fund's portfolio in this manner, the Adviser seeks to provide capital appreciation during periods of falling interest rates and protection against capital depreciation during periods of rising rates.

ACCEPTABLE INVESTMENTS. The Fund invests primarily in a professionally-managed,

diversified portfolio of fixed income securities which include:

domestic issues of corporate debt obligations, including demand master notes, rated at the time of purchase Aaa, Aa, or A by Moody's, AAA, AA, or A by S&P or by Fitch or, if unrated, of comparable quality as determined by the Adviser;

obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities, as described above under "Government Securities Fund";

asset-backed securities, including mortgage-backed securities;

repurchase agreements collateralized by high quality, liquid investments; and

money market instruments.

If a security loses its rating or has its rating reduced after the Fund has purchased it, the Fund is not required to sell or otherwise dispose of the security, but may consider doing so. A description of the ratings categories is contained in the Appendix to the Statement of Additional Information.

The Fund may also borrow money, lend portfolio securities, and invest in restricted and illiquid securities, convertible securities and securities of other investment companies. The Fund may engage in repurchase agreements, reverse repurchase agreements, when-issued and delayed delivery transactions, put and call options, futures, and options on futures. See "Portfolio Investments and Strategies."

CORPORATE DEBT OBLIGATIONS. The Fund invests in corporate debt obligations, including corporate bonds, notes, and debentures, which may have floating or fixed rates of interest.

FIXED RATE CORPORATE DEBT OBLIGATIONS. The Fund may invest in fixed rate securities, including fixed rate securities with short-term characteristics. Fixed rate securities with short-term characteristics are long-term debt obligations but are treated in the market as having short maturities because call features of the securities may make them callable within a short period of time. A fixed rate security with short-term characteristics would include a fixed income security priced close to the call or redemption price or a fixed income security approaching maturity, where the expectation of call or redemption is high.

Fixed rate securities tend to exhibit more price volatility during times of rising or falling interest rates than securities with floating rates of interest. This is because floating rate securities, as described below, may behave more like short-term instruments in that the rate of interest they pay is subject to periodic adjustments based on a designated interest rate index. Fixed rate securities pay a fixed rate of interest and are more sensitive to fluctuating interest rates. In periods of rising interest rates the value of a fixed rate security is likely to fall. Fixed rate securities with short-term characteristics are not subject to the same price volatility as fixed rate securities without such characteristics. Therefore, they behave more like floating rate securities with respect to price volatility.

FLOATING RATE CORPORATE DEBT OBLIGATIONS. The Fund may invest in floating rate corporate debt obligations. Floating rate securities are generally offered at an initial interest rate which is at or above prevailing market rates. The interest rate paid on these securities is then reset periodically (commonly every 90 days) to an increment over some predetermined interest rate index. Commonly utilized indices include the three-month Treasury bill rate, the six-month Treasury bill rate, the one-month or three-month London Interbank Offered Rate (LIBOR), the prime rate of a bank, the commercial paper rates, or the longer-term rates on U.S. Treasury securities.

DEMAND MASTER NOTES. The Fund may invest in variable amount demand master notes. Demand notes are short-term borrowing arrangements between a corporation or government agency and an institutional lender (such as the Fund) payable upon

demand by either party. The notice period for demand typically ranges from one to seven days, and the party may demand full or partial payment. Many master notes give the Fund the option of increasing or decreasing the principal amount of the master note on a daily or weekly basis within certain limits. Demand master notes usually provide for floating or variable rates of interest.

CONVERTIBLE SECURITIES. Convertible securities are fixed income securities that may be exchanged or converted into a predetermined number of the issuer's underlying common stock at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants, or a combination of the features of several of these securities. The investment characteristics of each convertible security vary widely, which allows convertible securities to be employed for different investment objectives.

Convertible securities generally retain the investment characteristics of fixed income securities until they have been converted, but also react to movements in the underlying equity securities. The holder is entitled to receive the fixed income of a bond or the dividend preference of a preferred stock until the holder elects to exercise the conversion privilege. Usable bonds are corporate bonds that can be used in whole or in part, customarily at full face value, in lieu of cash to purchase the issuer's common stock. When owned as part of a unit along with warrants, which are options to buy the common stock, they function as convertible bonds, except that the warrants generally will expire before the bond's maturity. Convertible securities are senior to equity securities and, therefore, have a claim to assets of the corporation prior to the holders of common stock in the case of liquidation. However, convertible securities are generally subordinated to similar nonconvertible securities of the same company. The interest income and dividends from convertible bonds and preferred stocks provide a stable stream of income with generally higher yields than common stocks, but lower than non-convertible securities of similar quality.

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

ZERO COUPON CONVERTIBLE SECURITIES. Zero coupon convertible securities are debt securities which are issued at a discount to their face amount and do not entitle the holder to any periodic payments of interest prior to maturity. Rather, interest earned on zero coupon convertible securities accretes at a stated yield until the security reaches its face amount at maturity. Zero coupon convertible securities are convertible into a specific number of shares of the issuer's common stock. In addition, zero coupon convertible securities usually have features that provide the holder with the opportunity to put the bonds back to the issuer at a stated price before maturity. Generally, the prices of zero coupon convertible securities may be more sensitive to market interest rate fluctuations than conventional convertible securities. Additionally, federal tax law requires that interest on zero coupon bonds be reported as income to the Fund even though the Fund received no cash interest until the maturity or payment date of such securities.

MORTGAGE-BACKED SECURITIES. Mortgage-backed securities are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. There are currently three basic types of mortgage-backed securities: (i) those issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, such as the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"); (ii) those issued by private issuers that represent an interest in or are collateralized by mortgage-backed securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities; and (iii) those issued by private issuers that represent an interest in or are collateralized by whole loans or mortgage-backed securities without a government guarantee but usually having some form of private credit enhancement.

ADJUSTABLE RATE MORTGAGE SECURITIES. Adjustable rate mortgage securities

("ARMS") are pass-through mortgage securities representing interests in adjustable rather than fixed interest rate mortgages. The ARMS in which the Fund invests are issued by Ginnie Mae, Fannie Mae or Freddie Mac, and are actively traded. The underlying mortgages which collateralize ARMS issued by Ginnie Mae are fully guaranteed by the Federal Housing Administration or Veterans Administration, while those collateralizing ARMS issued by Fannie Mae or Freddie Mac are typically conventional residential mortgages conforming to strict underwriting size and maturity constraints.

COLLATERALIZED MORTGAGE OBLIGATIONS. Collateralized mortgage obligations ("CMOs") are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac Certificates, but may be collateralized by whole loans or private pass-through securities.

The Fund will only invest in CMOs which, at the time of purchase, are rated AAA by an NRSRO or are of comparable quality as determined by the Adviser, and which may be: (a) collateralized by pools of mortgages in which each mortgage is guaranteed as to payment of principal and interest by an agency or instrumentality of the U.S. government; (b) collateralized by pools of mortgages in which payment of principal and interest is guaranteed by the issuer and such guarantee is collateralized by U.S. government securities; or (c) collateralized by pools of mortgages without a government guarantee as to payment of principal and interest, but which have some form of credit enhancement.

REAL ESTATE MORTGAGE INVESTMENT CONDUITS. Real estate mortgage investment conduits ("REMICs") are offerings of multiple class real estate mortgage-backed securities which qualify and elect treatment as such under provisions of the Internal Revenue Code. Issuers of REMICs may take several forms, such as trusts, partnerships, corporations, associations, or segregated pools of mortgages. Once REMIC status is elected and obtained, the entity is not subject to federal income taxation. Instead, income is passed through the entity and is taxed to the person or persons who hold interests in the REMIC. A REMIC interest must consist of one or more classes of "regular interests." To qualify as a REMIC, substantially all the assets of the entity must be in assets directly or indirectly secured principally by real property.

ASSET-BACKED SECURITIES. Asset-backed securities have structural characteristics similar to mortgage-backed securities but have underlying assets that are not mortgage loans or interests in mortgage loans. The Fund may invest in asset-backed securities which, at the time of purchase, are rated A or higher by a nationally recognized statistical rating organization ("NRSRO") including, but not limited to, interests in pools of receivables, such as motor vehicle installment purchase obligations and credit card receivables. These securities may be in the form of pass-through instruments or asset-backed bonds. The securities are issued by non-governmental entities and carry no direct or indirect government guarantee.

RISKS OF MORTGAGE-BACKED AND ASSET-BACKED SECURITIES. Mortgage-backed and asset-backed securities generally pay back principal and interest over the life of the security. At the time the Fund reinvests the payments and any unscheduled prepayments of principal received, the Fund may receive a rate of interest which is actually lower than the rate of interest paid on these securities ("prepayment risks"). Mortgage-backed and asset-backed securities are subject to higher prepayment risks than most other types of debt instruments with prepayment risks because the underlying mortgage loans or the collateral supporting asset-backed securities may be prepaid without penalty or premium. Prepayment risks on mortgage-backed securities tend to increase during periods of declining mortgage interest rates because many borrowers refinance their mortgages to take advantage of the more favorable rates. Prepayments on mortgage-backed securities are also affected by other factors, such as the frequency with which people sell their homes or elect to make unscheduled payments on their mortgages. Prepayments may result in a capital loss to the Fund to the extent that the prepaid securities were purchased at a market premium over their stated principal amount. Conversely, the prepayment of a security purchased at a market discount from its stated principal amount will accelerate the recognition of interest income by the Fund, which would be taxed as ordinary income when distributed to the shareholders. Although asset-backed securities generally are less likely to experience substantial prepayments than are mortgage-backed securities, certain of the factors that affect the rate of prepayments on mortgage-backed securities also affect the rate of prepayments on asset-backed securities.

Asset-backed securities present certain risks that are not presented by

mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of asset-backed securities backed by motor vehicle installment purchase obligations permit the servicer of such receivables to retain possession of the underlying obligations. If the servicer sells these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related asset-backed securities. Further, if a vehicle is registered in one state and is then reregistered because the owner and obligor moves to another state, such reregistration could defeat the original security interest in the vehicle in certain cases. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of asset-backed securities backed by automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

DEMAND FEATURES. The Fund may acquire securities that are subject to puts and standby commitments ("demand features") to purchase the securities at their principal amount (usually with accrued interest) within a fixed period (usually seven days) following a demand by the Fund. The demand feature may be issued by the issuer of the underlying securities, a dealer in the securities or by another third party, and may not be transferred separately from the underlying security. The Fund uses these arrangements to provide the Fund with liquidity and not to protect against changes in the market value of the underlying securities. The bankruptcy, receivership or default by the issuer of the demand feature, or a default on the underlying security or other event that terminates the demand feature before its exercise, will adversely affect the liquidity of the underlying security. Demand features that are exercisable even after a payment default on the underlying security may be treated as a form of credit enhancement.

LENDING OF PORTFOLIO SECURITIES. In order to generate additional income, the Fund may lend portfolio securities on a short-term or long-term basis, or both, to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks, or other institutions which the Adviser has determined are creditworthy and will receive collateral in the form of cash or U.S. government securities equal to at least 102% of the value of the securities loaned.

There is the risk that when lending portfolio securities, the securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to sell the securities at a desirable price. In addition, in the event that a borrower of securities would file for bankruptcy or become insolvent, disposition of the securities may be delayed pending court action.

OTHER INVESTMENT TECHNIQUES. The Fund may purchase and sell financial futures contracts and related options. In addition, the Fund may purchase put options on its portfolio securities. These options will be used as a hedge to attempt to protect securities which the Fund holds against decreases in value. The Fund may also write covered call options on all or any portion of its portfolio to generate income for the Fund. The Fund will write call options on securities either held in its portfolio or which it has the right to obtain without payment of further consideration or for which it has segregated cash or U.S. government securities in the amount of any additional consideration.

DERIVATIVE CONTRACTS AND SECURITIES. The term "derivative" has traditionally been applied to certain contracts (including futures, forward, option and swap contracts) that "derive" their value from changes in the value of an underlying security, currency, commodity or index. Certain types of securities that incorporate the performance characteristics of these contracts are also referred to as "derivatives." The term has also been applied to securities "derived" from the cash flows from underlying securities, mortgages or other obligations.

Derivative contracts and securities can be used to reduce or increase the volatility of an investment portfolio's total performance. While the response of certain derivative contracts and securities to market changes may differ from traditional investments, such as stock and bonds, derivatives do not necessarily present greater market risks than traditional investments. The Fund will only use derivative contracts for the purposes disclosed in the applicable prospectus sections above. To the extent that the Fund invests in securities that could be

characterized as derivatives (such as futures, options, and asset-backed securities and mortgage-backed securities, including ARMs, CMOs, and REMICs), it will only do so in a manner consistent with its investment objective, policies and limitations.

MICHIGAN MUNICIPAL BOND FUND

INVESTMENT OBJECTIVE AND POLICIES. The investment objective of the Fund is to provide current income which is exempt from federal regular income tax and the personal income taxes imposed by the State of Michigan and Michigan municipalities. Interest income of the Fund that is exempt from the income taxes described above retains its exempt status when distributed to the Fund's shareholders. However, income distributed by the Fund may not necessarily be exempt from state or municipal taxes in states other than Michigan. In addition, the Fund intends to qualify as an investment substantially exempt from the Michigan Intangibles Personal Property tax ("Intangibles tax"). (Federal regular income tax does not include the individual alternative minimum tax or the federal alternative minimum tax for corporations.) The Fund is not likely to be a suitable investment for non-Michigan taxpayers or retirement plans since Michigan Municipal Securities are not likely to produce competitive after-tax yields for such persons and entities when compared to other investments.

As a matter of fundamental investment policy which may not be changed without shareholder approval, the Fund will invest its assets so that, under normal circumstances, at least 80% of its total assets are invested in Michigan Municipal Securities, as previously defined.

ACCEPTABLE INVESTMENTS. The Michigan Municipal Securities in which the Fund invests include:

obligations issued by or on behalf of the state of Michigan, its political subdivisions, or agencies;

debt obligations of any state, territory, or possession of the United States, or any political subdivision of any of these; and

participation interests, as described below, in any of the above obligations,

the interest from which is, in the opinion of bond counsel for the issuers or in the opinion of officers of the Fund and/or the Adviser, exempt from both federal regular income tax and the personal income taxes imposed by the State of Michigan and Michigan municipalities.

The prices of fixed income securities fluctuate inversely to the direction of interest rates. See the discussion "Risks" under "Portfolio Investments and Strategies."

CHARACTERISTICS. The Michigan Municipal Securities which the Fund buys are high grade bonds rated, at the time of purchase, Aaa, Aa or A by Moody's, AAA, AA or A by S&P, or AAA, AA or A by Fitch. In certain cases the Adviser may choose bonds which are unrated if it judges the bonds to have the same characteristics as the investment grade bonds described above. If a security loses its rating or has its rating reduced after the Fund has purchased it, the Fund is not required to sell or otherwise dispose of the security, but may consider doing so. A description of the ratings categories is contained in the Appendix to the Statement of Additional Information.

PARTICIPATION INTERESTS. The Fund may purchase participation interests from financial institutions such as commercial banks, savings associations, and insurance companies. These participation interests give the Fund an undivided interest in Michigan Municipal Securities. The financial institutions from which the Fund purchases participation interests frequently provide or secure irrevocable letters of credit or guarantees to assure that the participation interests are of high quality. The Adviser will determine whether participation interests meet the prescribed quality standards for the Fund.

VARIABLE RATE MUNICIPAL SECURITIES. Some of the Michigan Municipal Securities

which the Fund purchases may have variable interest rates. Variable interest rates are ordinarily based on a published interest rate, interest rate index, or a similar standard, such as the 91-day U.S. Treasury bill rate. Many variable rate municipal securities are subject to payment of principal on demand by the Fund in not more than seven days. All variable rate municipal securities will meet the quality standards for the Fund. The Adviser has been instructed by the Trustees to monitor the pricing, quality, and liquidity of the variable rate municipal securities, including participation interests held by the Fund on the basis of published financial information and reports of the rating agencies and other analytical services.

MUNICIPAL LEASES. Municipal leases are obligations issued by state and local governments or authorities to finance the acquisition of equipment and facilities and may be considered to be illiquid. They may take the form of a lease, an installment purchase contract, a conditional sales contract or a participation certificate on any of the above. Lease obligations may be subject to periodic appropriation. If the entity does not appropriate funds for future lease payments, the entity cannot be compelled to make such payments. In the event of failure of appropriation, unless the

participation interests are credit enhanced, it is unlikely that the participants would be able to obtain an acceptable substitute source of payment.

TEMPORARY INVESTMENTS. From time to time on a temporary basis, or when the Adviser determines that market conditions call for a temporary defensive posture, the Fund may invest in short-term non-Michigan municipal tax-exempt obligations or taxable temporary investments. These temporary investments include: notes issued by or on behalf of municipal or corporate issuers; obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities; other debt securities; commercial paper; certificates of deposit of banks; and repurchase agreements (arrangements in which the organization selling the Fund a bond or temporary investment agrees at the time of sale to repurchase it at a mutually agreed upon time and price).

There are no rating requirements applicable to temporary investments. However, the Adviser will limit temporary investments to those rated within the high grade categories described under "Acceptable Investments--Characteristics" (if rated) or (if unrated) those which the Adviser judges to have the same characteristics as such investment grade securities.

Although the Fund is permitted to make taxable, temporary investments, there is no current intention of generating income subject to federal regular income tax or personal income taxes imposed by the State of Michigan or Michigan municipalities.

In addition, Michigan Municipal Bond Fund may engage in when-issued and delayed delivery transactions, restricted and illiquid securities, and securities of other investment companies. See "Portfolio Investment and Strategies."

MICHIGAN MUNICIPAL SECURITIES. Michigan Municipal Securities are generally issued to finance public works, such as airports, bridges, highways, housing, hospitals, mass transportation projects, schools, streets, and water and sewer works. They are also issued to repay outstanding obligations, to raise funds for general operating expenses, and to make loans to other public institutions and facilities.

Michigan Municipal Securities include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or construct and equip facilities for privately or publicly owned corporations. The availability of this financing encourages these corporations to locate within the sponsoring communities and thereby increases local employment.

The two principal classifications of Michigan Municipal Securities are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. However, interest on and principal of revenue bonds are payable only from the revenue generated by the facility financed by the bond or other specified sources of revenue. Revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority. Industrial development bonds are typically classified as revenue bonds.

INVESTMENT RISKS. Yields on Michigan Municipal Securities depend on a variety of factors, including: the general conditions of the municipal bond market; the size of the particular offering; the maturity of the obligations; and the rating of the issue. Further, any adverse economic conditions or

developments affecting the State of Michigan or its municipalities could impact the Fund's portfolio. The ability of the Fund to achieve its investment objective also depends on the continuing ability of the issuers of Michigan Municipal Securities and participation interests, or the guarantors of either, to meet their obligations for the payment of interest and principal when due. In addition, from time to time, the supply of Michigan Municipal Securities acceptable for purchase by the Fund could be limited. Investing in Michigan Municipal Securities which meet the Fund's quality standards may not be possible if the State of Michigan or its municipalities do not maintain their current credit ratings.

The Fund may invest in Michigan Municipal Securities which are repayable out of revenue streams generated from economically related projects or facilities and/or whose issuers are located in the same state. Sizable investments in these Michigan Municipal Securities could involve an increased risk to the Fund should any of these related projects or facilities experience financial difficulties.

Obligations of issuers of Michigan Municipal Securities are subject to the provisions of bankruptcy, insolvency, and other laws affecting the rights and remedies of creditors. In addition, the obligations of such issuers may become subject to laws enacted in the future by Congress, state legislators, or referenda extending the time for payment of principal and/or interest, or imposing other constraints upon enforcement of such obligations or upon the ability of states or municipalities to levy taxes. There is also the possibility that, as a result of litigation or other conditions, the power or ability of any issuer to pay, when due, the principal of and interest on its municipal securities may be materially affected.

The Michigan economy continues to shift away from durable good manufacturing to a more diversified base reliant on services and trade. However, manufacturing, and the automobile sector in particular, still have significant influence over the State's economy. Michigan's economy tends to fluctuate with the cyclical trends of the manufacturing sector, which accounted for nearly 21% of total state employment in 1994. As of December 1995, unemployment stood at 4.7%, below the national level of 5.2%.

Michigan's finances were hard hit during the 1990 and 1991 fiscal periods. Spending cuts and an improving state economy enabled the state to begin to restore balances in fiscal 1993. As a result of continuing surplus funds in fiscal years 1993 and 1994, Michigan's budget stabilization fund reached an historically high level of \$780 million at the end of fiscal 1994 and was \$1.03 billion at the end of January 1996.

A further discussion of the risks of a portfolio which invests primarily in Michigan Municipal Securities is contained in the Statement of Additional Information.

NON-DIVERSIFICATION. The Fund is a non-diversified investment portfolio. As such, there is no limit on the percentage of assets which can be invested in any single issuer. An investment in the Fund, therefore, will entail greater risk than would exist in a diversified portfolio of securities because the higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund's portfolio. Any economic, political, or regulatory developments affecting the value of the securities in the Fund's portfolio will have a greater impact on the total value of the portfolio than would be the case if the portfolio were diversified among more issuers.

The Fund intends to comply with Subchapter M of the Internal Revenue Code of 1986, as amended. This undertaking requires that at the end of each quarter of the taxable year: (a) with regard to at least 50% of the Fund's total assets, no more than 5% of its total assets are invested in the securities of a single issuer, and (b) beyond that, no more than 25% of its total assets are invested in the securities of a single issuer.

PORTFOLIO INVESTMENTS AND STRATEGIES

REPURCHASE AGREEMENTS. Certain of the securities in which the Funds invest may be purchased pursuant to repurchase agreements. Repurchase agreements are arrangements in which banks, broker/dealers, and other recognized financial institutions sell U.S. government securities or other high-quality, liquid securities to the Funds and agree at the time of sale to repurchase them at a

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

RESTRICTED AND ILLIQUID SECURITIES. Each Fund may invest in illiquid securities. The Fixed Income Fund and Michigan Municipal Bond Fund may invest in restricted securities. Restricted securities are any securities in which the Funds may otherwise invest pursuant to their investment objectives and policies but which are subject to restrictions on resale under federal securities laws. To the extent these securities are not determined to be liquid, the Funds will limit their purchase of these securities, together with other securities considered to be illiquid, (including repurchase agreements providing for settlement in more than seven days after notice, and, in the case of Fixed Income Fund, over-the-counter options), to 15% of their respective net assets.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES. Fixed Income Fund and Michigan Municipal Bond Fund can each acquire up to 3 per centum of the total outstanding stock of other investment companies. The Funds will not be subject to any other limitations with regard to the acquisition of securities of other investment companies so long as the public offering price of the Funds' shares does not include a sales charge exceeding 1-1/2 percent. The Funds will purchase securities of investment companies only in open-market transactions involving only customary broker's commissions (although the Funds do not expect to incur any broker's commissions in connection with their purchases). However, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets. While it is each Fund's policy to waive its investment advisory fees on Fund assets invested in securities of other open-end investment companies, it should be noted that investment companies incur certain expenses, such as custodian and transfer agent fees, and therefore, any investment by the Funds in shares of another investment company would be subject to such duplicate expenses.

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

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

RISKS. As noted above in the discussion of Government Securities Fund, the market value of debt obligations (including U.S. government securities) and, therefore, the Funds' net asset values, will fluctuate due to changes in economic conditions and other market factors such as interest rates which are beyond the control of the Adviser. The Adviser could be incorrect in its expectations about the direction or extent of these market factors. Although debt securities with longer maturities offer potentially greater returns, they have greater exposure to market price fluctuation. Consequently, to the extent a Fund is significantly invested in debt securities with longer maturities, there is a greater possibility of fluctuation in the Fund's net asset value.

INVESTMENT LIMITATIONS

BORROWING MONEY. Government Securities Fund will not borrow money or pledge securities except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of its total assets to secure such borrowings.

Fixed Income Fund and Michigan Municipal Bond Fund will not borrow money directly or through reverse repurchase agreements (arrangements in which the Funds sell portfolio instruments for a percentage of their cash value with an agreement to buy them back on a set date) or pledge securities except, under certain circumstances, the Funds may borrow up to one-third of the value of their respective total assets and pledge securities to secure such borrowings.

DIVERSIFICATION. Fixed Income Fund will not, with respect to 75% of the value of its total assets, invest more than 5% of the value of its total assets in securities of one issuer (other than cash, cash items, or securities issued or guaranteed by the government of the United States or its agencies or instrumentalities, and repurchase agreements collateralized by such securities), or acquire more than 10% of the outstanding voting securities of any one issuer.

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

INDEPENDENCE ONE MUTUAL FUNDS INFORMATION

MANAGEMENT OF THE TRUST

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

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

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.70% with respect to Government Securities Fund, and 0.75% with respect to Fixed Income Fund and Michigan Municipal Bond Fund, of each Fund's average daily net assets. The fees paid by Fixed Income Fund and Michigan Municipal Bond Fund, while higher than the advisory fees paid by other mutual funds in general, are comparable to fees paid by other mutual funds with similar objectives and policies. The Adviser may voluntarily choose to waive a portion of its fee or reimburse certain expenses of the Funds. The Adviser has undertaken to reimburse the Funds, up to the amount of the advisory fees, for operating expenses in excess of limitations established by certain states.

ADVISER'S BACKGROUND. Michigan National Bank, a national banking association, is a wholly-owned subsidiary of Michigan National Corporation ("MNC"). MNC is a wholly owned subsidiary of National Australia Bank Limited, which is a transnational banking organization headquartered in Melbourne, Australia. Through its subsidiaries and affiliates, MNC, Michigan's sixth largest bank holding company in terms of total assets as of March 31, 1996, offers a full range of financial services to the public, including commercial lending, depository services, cash management, brokerage services, retail banking, mortgage banking, investment advisory services and trust services.

Independence One Capital Management Corporation ("IOCM"), a nationally recognized investment advisory subsidiary of MNC, provides investment advisory services for trust and other managed assets of the Funds. IOCM serves as sub-adviser for Government Securities Fund.

Michigan National Bank has managed mutual funds since May 1989. IOCM and the Trust Division of Michigan National Bank (the "Trust Division") have managed custodial assets totaling \$10.9 billion. Of this amount, IOCM and the Trust Division have investment discretion over \$1.8 billion. The Trust Division has managed pools of commingled funds since 1964.

As part of its regular banking operations, Michigan National Bank may make loans to or provide credit support for obligations issued by public companies or municipalities. Thus, it may be possible, from time to time, for the Funds to hold or acquire the securities of issuers which are also lending clients of Michigan National Bank. The lending relationship will not be a factor in the selection of securities.

SUB-ADVISER. With respect to Government Securities Fund, under the terms of the sub-advisory contract between and among the Adviser and IOCM, IOCM will assist the Adviser in the purchase or sale of the Fund's portfolio instruments. IOCM will perform its duties at no cost to the Adviser or the Fund.

PORTFOLIO MANAGERS. Bruce Beaumont is Vice President and Portfolio Manager for Michigan National Bank and IOCM in Farmington Hills, and has been responsible for management of Michigan Municipal Bond Fund's portfolio since November 1995. Mr. Beaumont has been primarily responsible for management of Government Securities Fund's portfolio since June 1995, previously having assisted with those duties. He joined Michigan National Bank in 1987. He earned his BA from Alma College and a MBA from Northwestern University. Mr. Beaumont is a Chartered Financial Analyst and a Certified Public Accountant.

John B. Willard is Vice President and Portfolio Manager for Michigan National Bank and IOCM in Farmington Hills, and has been responsible for management of Fixed Income Fund's portfolio since November 1995. He joined Michigan National Bank in 1986. He earned his BBA from the University of Iowa and MBA from the University of Arizona.

DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the principal distributor for shares of the Funds. 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.

FUND ADMINISTRATION

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

<TABLE>
<CAPTION>

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

</TABLE>

The administrative fee received during any fiscal year shall be at least \$50,000 for each portfolio in Independence One Mutual Funds. Federated Administrative Services may choose voluntarily to waive a portion of its fee.

CUSTODIAN. Michigan National Bank, Farmington Hills, Michigan, is custodian for

the securities and cash of the Funds.

NET ASSET VALUE

Each Fund's net asset value per share fluctuates. It is determined in each case by adding the market value of all securities and other assets of the Fund, subtracting the liabilities of the Fund, and dividing the remainder by the total number of shares outstanding.

INVESTING IN THE FUNDS

SHARE PURCHASES

Shares of the Funds may be purchased through Michigan National Bank, Independence One Brokerage Services, Inc. ("Independence One"), or through brokers or dealers which have a sales agreement with the distributor. Texas residents must purchase shares through Federated Securities Corp. at 1-800-618-8573. Investors may purchase shares of the Funds on days on which both the New York Stock Exchange and the Federal Reserve Wire System are open for business. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Funds reserve the right to reject any purchase request.

TO PLACE AN ORDER. Investors may call toll-free 1-800-334-2292 to purchase shares of the Funds through Michigan National Bank or Independence One. In addition, investors may purchase shares of the Funds by calling their authorized broker directly. Payments may be made either by check or wire transfer of federal funds.

Payment by wire must be received before 4:00 p.m. (Eastern time). It is the responsibility of Michigan National Bank, Independence One or broker/dealers to transmit orders to the Funds by 5:00 p.m. (Eastern time) in order for shares to be purchased at that day's price. For settlement of an order, payment must be received within three business days of receipt of the order by check or wire transfer. To purchase by check, the check must be included with the order and made payable to "Independence One (include name of Fund)." Checks must be converted into federal funds to be considered received.

Federal funds should be wired as follows: Federated Shareholder Services Company c/o Michigan National Bank, Farmington Hills, Michigan; Account Number: 6856238933; For Credit to: Independence One (include name of Fund); Fund Number (this number can be found on the account statement or by contacting the Fund); Group Number or Order Number; Nominee or Institution Name; and ABA Number 072000805.

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in each Fund is \$1,000. Subsequent investments must be in amounts of at least \$100.

WHAT SHARES COST

Shares of the Funds are sold at their net asset value next determined after an order is received. There are no sales charges imposed by the Funds.

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

CERTIFICATES AND CONFIRMATIONS

Share certificates are not issued unless shareholders so request by contacting their Michigan National Bank or Independence One representative or authorized broker in writing.

Detailed confirmations of each purchase and redemption are sent to each shareholder. Monthly confirmations are sent to report dividends paid during that month.

DIVIDENDS AND CAPITAL GAINS

Dividends are declared daily and paid monthly. Capital gains realized by the Funds, if any, will be distributed at least once every 12 months. Dividends and capital gains are automatically reinvested on payment dates in additional shares without a sales charge unless cash payments are requested by shareholders in writing to the Funds through their Michigan National Bank or Independence One representative or authorized broker. Shares purchased with reinvested dividends are credited to shareholder accounts on the following day.

SYSTEMATIC INVESTMENT PROGRAM

Once a Fund account has been opened, shareholders may add to their investment on a regular basis in a minimum amount of \$100. Under this program, funds may be automatically withdrawn periodically from the shareholder's checking account and invested in Fund shares at the net asset value next determined after an order is received. A shareholder may apply for participation in this program through Michigan National Bank by calling 1-800-334-2292.

EXCHANGING SECURITIES FOR FUND SHARES

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

Any securities exchanged must meet the investment objective and policies of the Funds, must have a readily ascertainable market value, and must be liquid. The market value of any securities exchanged in an initial investment, plus any cash, must be at least equal to the minimum investment in the Funds. The Funds acquire the exchanged securities for investment and not for resale.

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

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

If an exchange is permitted, it will be treated as a sale for federal income tax purposes. Depending upon the cost basis of the securities exchanged for Fund shares, a gain or loss may be realized by the investor.

EXCHANGE PRIVILEGE

All shareholders of the Funds are shareholders of the Trust, which consists of the following additional funds: Independence One Equity Plus Fund; Independence One Michigan Municipal Cash Fund; Independence One Prime Money Market Fund; and Independence One U.S. Treasury Money Market Fund. Shareholders of the Funds have access to these funds ("participating funds") through an exchange program.

With the exception of Independence One Prime Money Market Fund, the participating funds currently offer only one class of shares. If such funds should add a second class of shares, exchanges may be limited to shares of the same class of each fund. Shareholders of the Funds have access to both Class A Shares and Class B Shares of Independence One Prime Money Market Fund through the exchange program.

Shares of the Funds may be exchanged for shares of participating funds at net asset value.

Shareholders who exercise this exchange privilege must exchange shares having a net asset value at least equal to the minimum investment of the participating fund into which they are exchanging. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the participating fund into which the exchange is being made.

The exchange privilege is available to shareholders residing in any state in which the participating fund shares being acquired may legally be sold. Upon receipt by the transfer agent of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value. If the exchanging shareholder does not have an account in the participating fund whose shares are being acquired, a new account will be established with the same registration, dividend, and capital gain options as the account from which shares are exchanged, unless otherwise specified by the shareholder. In the case where the new account registration is not identical to that of the existing account, a signature guarantee is required. (See "Redeeming Fund Shares--By Mail.") Exercise of this privilege is treated as a redemption and new purchase for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The Funds reserve the right to modify or terminate the exchange privilege at any time. Shareholders would be notified prior to any modification or termination. Shareholders may obtain further information on the exchange privilege by calling their Michigan National Bank or Independence One representative or authorized broker.

EXCHANGE BY TELEPHONE. Shareholders may provide instructions for exchanges between participating funds by telephone to their Michigan National Bank or Independence One representative by

calling 1-800-334-2292. In addition, investors may exchange shares by calling their authorized brokers directly. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations.

An authorization form permitting the Fund to accept telephone exchange requests must first be completed. It is recommended that investors requests this privilege at the time of their initial application. If not completed at the time of initial application, authorization forms and information on this service can be obtained through a Michigan National Bank or Independence One representative or authorized broker. Telephone exchange instructions may be recorded.

Telephone exchange instructions must be received by Michigan National Bank, Independence One or an authorized broker and transmitted to the transfer agent before 4:00 p.m. (Eastern time) for shares to be exchanged the same day. Shareholders who exchange into shares of the Funds will not receive a dividend from the Funds on the date of the exchange.

Shareholders may have difficulty in making exchanges by telephone through banks, brokers, and other financial institutions during times of drastic economic or market changes. If such a case should occur, another method of exchange, such as "Written Exchange," should be considered.

Any shares held in certificate form cannot be exchanged by telephone but must be forwarded to Federated Shareholder Services Company, the transfer agent, by a Michigan National Bank or Independence One representative or authorized broker and deposited to the shareholder's account before being exchanged.

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

WRITTEN EXCHANGE. A shareholder wishing to make an exchange by written request may do so by sending it to: Independence One Mutual Funds, 27777 Inkster Road, Mail Code 10-30, Farmington Hills, Michigan 48333-9065. In addition, an investor may exchange shares by sending a written request to their authorized broker directly.

REDEEMING SHARES

Shares are redeemed at their net asset value next determined after Federated

Shareholder Services Company receives the redemption request. Redemptions will be made on days on which the Funds compute their net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Telephone or written requests for redemption must be received in proper form and can be made to the Funds through a Michigan National Bank or Independence One representative or authorized broker. Although the transfer agent does not charge for telephone redemptions, it reserves the right to charge a fee for the cost of wire-transferred redemptions of less than \$5,000.

BY TELEPHONE. Shares may be redeemed by telephoning a Michigan National Bank or an Independence One representative at 1-800-334-2292. In addition, shareholders may redeem shares by calling their authorized brokers directly. Redemption requests must be received and transmitted to the transfer agent before 4:00 p.m. (Eastern time) in order for shares to be redeemed at that day's net

asset value. The Michigan National Bank or Independence One representative or authorized broker is responsible for promptly submitting redemption requests and providing proper written redemption instructions to the transfer agent. Registered broker/dealers may charge customary fees and commissions for this service. If at any time, the Funds shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

For calls received before 4:00 p.m. (Eastern time) proceeds will normally be wired the next day to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System or a check will be sent to the address of record. In no event will proceeds be wired or a check sent more than seven days after a proper request for redemption has been received.

An authorization form permitting the Funds to accept telephone redemption requests must first be completed. It is recommended that investors request this privilege at the time of their initial application. If not completed at the time of initial application, authorization forms and information on this service can be obtained through a Michigan National Bank or Independence One representative or authorized broker. Telephone redemption instructions may be recorded.

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

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

BY MAIL. Shareholders may redeem shares by sending a written request to the Funds through their Michigan National Bank or Independence One representative or authorized broker. The written request should include the shareholder's name, the Fund name, the class designation, the account number, and the share or dollar amount requested. Shareholders redeeming through Michigan National Bank or Independence One should mail written requests to: Independence One Mutual Funds, 27777 Inkster Road, Mail Code 10-30, Farmington Hills, Michigan 48333-9065. Investors redeeming through an authorized broker should mail written requests directly to their broker.

If share certificates have been issued, they must be properly endorsed and should be sent by registered or certified mail with the written request.

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

a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation ("FDIC");

a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;

a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund, which is administered by the FDIC; or

any other "eligible guarantor institution", as defined in the Securities & Exchange Act of 1934.

The Funds do not accept signatures guaranteed by a notary public.

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

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

SYSTEMATIC WITHDRAWAL PROGRAM

Shareholders who desire to receive payments of a predetermined amount may take advantage of the Systematic Withdrawal Program. Under this program, shares of the Funds are redeemed to provide for periodic withdrawal payments in an amount directed by the shareholder. Depending upon the amount of the withdrawal payments, the amount of the dividends paid and capital gains distributions with respect to Fund shares, and the fluctuation of the net asset value of Fund shares redeemed under this program, redemptions may reduce and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this program should not be considered as yield or income on the shareholder's investment in the Fund. To be eligible to participate in this program, a shareholder must have an account value of at least \$10,000. A shareholder may apply for participation in this program through Michigan National Bank by calling 1-800-334-2292.

ACCOUNTS WITH LOW BALANCES

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

SHAREHOLDER INFORMATION

VOTING RIGHTS

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

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares. As of August 2, 1996, Pierson & Co., the nominee for Michigan National Bank, may for certain purposes be deemed to control the Funds because it is owner of record of certain shares of the Funds.

EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling or distributing securities in general. Such banking laws and regulations do not prohibit such a holding company or

affiliate from acting as an 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.

Some entities providing services to the Trust are subject to such banking laws and regulations. They believe, based on the advice of their counsel, that they may perform those services for the Trust contemplated by any agreement entered into with the Trust without violating those 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 these entities from continuing to perform all or a part of the above services. If this happens, the Trustees would consider alternative means of continuing available investment services. It is not expected that existing shareholders would suffer any adverse financial consequences as a result of any of these occurrences.

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

TAX INFORMATION

FEDERAL INCOME TAX

The Funds will pay no federal income tax because each Fund expects to meet requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. Each Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios will not be combined for tax purposes with those realized by any of the other Funds.

Unless otherwise exempt, shareholders of Government Securities Fund and Fixed Income Fund are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are received in cash or as additional shares. Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local laws. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

MICHIGAN MUNICIPAL BOND FUND TAX CONSIDERATIONS

FEDERAL INCOME TAX. In general, shareholders are not required to pay federal regular income tax on any dividends received from the Fund that represent net interest on tax-exempt municipal bonds. However, under the Tax Reform Act of 1986, dividends representing net interest income earned on certain "private activity" bonds issued after August 7, 1986 may be included in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations. The Fund may purchase all types of municipal bonds, including private activity bonds.

The alternative minimum tax applies when it exceeds the regular tax for the taxable year. Alternative minimum taxable income is equal to the regular taxable income of the taxpayer increased by certain "tax preference" items not included in regular taxable income and reduced by only a portion of the deductions allowed in the calculation of the regular tax. Thus, should the Fund purchase any private activity bonds, a portion of the Fund's dividends may be treated as a tax preference item.

Dividends of the Fund representing net interest income earned on some temporary investments and any realized net short-term gains are taxed as ordinary income. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

These tax consequences apply whether dividends are received in cash or as

additional shares.

MICHIGAN TAXES. Under existing Michigan laws, distributions made by the Fund will not be subject to Michigan personal income taxes to the extent that such distributions qualify as "exempt-interest dividends" under the Internal Revenue Code of 1986, as amended, and represent (i) interest from obligations of Michigan or any of its political subdivisions or (ii) income from obligations of the United States government which are exempted from state income taxation by a law of the United States.

That portion of a shareholder's shares in the Fund representing (i) bonds or other similar obligations of Michigan or its political subdivisions or, (ii) obligations of the United States which are exempt from taxation by a law of the United States, and dividends paid by the Fund representing interest payments on such securities, will be exempt from the Michigan intangibles tax. 1995 Public Act 5 repeals the intangibles tax effective January 1, 1998.

Distributions by the Fund are not subject to the Michigan Single Business Tax to the extent that such distributions are derived from interest on obligations of Michigan or its political subdivisions, or obligations of the United States government that are exempt from state taxation by a law of the United States. Certain municipalities in Michigan also impose an income tax on individuals and corporations. However, to the extent that the dividends from the Fund are exempt from federal regular income taxes, such dividends also will be exempt from Michigan municipal income taxes.

OTHER STATE AND LOCAL TAXES. Income from the Fund is not necessarily free from state income taxes in states other than Michigan or from personal property taxes. Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

PERFORMANCE INFORMATION

From time to time the Funds advertise their total return and yield, and, in the case of Michigan Municipal Bond Fund, tax-equivalent yield.

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

The yields of the Funds are calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by each Fund over a thirty-day period by the offering price per share of each Fund on the last day of the period. This number is then annualized using semi-annual compounding. The tax-equivalent yield of Michigan Municipal Bond Fund is calculated similarly to the yield but is adjusted to reflect the taxable yield that Michigan Municipal Bond Fund would have had to earn to equal its actual yield, assuming a specific tax rate. The yield and tax-equivalent yield do not necessarily reflect income actually earned by each Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

From time to time, advertisements for the Funds may refer to ratings, rankings, and other information in certain financial publications and/or compare their performance to certain indices.

Fixed Income Fund is the successor to the portfolio of a common trust fund managed by the Adviser. At the Fund's commencement of operations, the assets from the common trust fund was transferred to the Fund in exchange for Fund shares. The Adviser has represented that the Fund's investment objective, policies and limitations are in all material respects identical to those of the common trust fund.

The Fund's average annual total return for the fiscal year ended April 30, 1996 was 6.34%. The Fund's cumulative total return for the period from January 3, 1995 (date of commencement of operations of the common trust fund) to April 30, 1996, was 11.96%. The average annual total return for the same period was 8.87%. The quoted performance data includes the performance of the common trust fund for periods before the Fund's registration statement became effective, as

adjusted to reflect the Fund's anticipated expenses as set forth in the "Summary of Fund Expenses" section of this prospectus. The common trust fund was not registered under the Investment Company Act of 1940 ("1940 Act") and therefore was not subject to certain investment restrictions that are imposed by the 1940 Act. If the common trust fund had been registered under the 1940 Act, the performance may have been adversely affected.

INDEPENDENCE ONE
MUTUAL FUNDS

Federated Investors Tower
Pittsburgh, Pennsylvania 15222-3779

INVESTMENT ADVISER
Michigan National Bank

INVESTMENT SUB-ADVISER
(Government Securities Fund only)
Independence One Capital Management Corporation

27777 Inkster Road
Mail Code 10-52
Farmington Hills, Michigan 48333-9065

DISTRIBUTOR
Federated Securities Corp.
Federated Investors Tower
Pittsburgh, Pennsylvania 15222-3779

CUSTODIAN
Michigan National Bank
27777 Inkster Road
Mail Code 10-30
Farmington Hills, Michigan 48333-9065

TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

Federated Shareholder Services Company

P.O. Box 8600
Boston, Massachusetts 02266-8600

INDEPENDENT AUDITORS
KPMG Peat Marwick LLP
One Mellon Bank Center
Pittsburgh, Pennsylvania 15219

Independence One

U.S. Government Securities
Fund
Fixed Income Fund
Michigan Municipal Bond
Fund
(Portfolios of Independence One Mutual Funds)

Prospectus dated
August 31, 1996

[LOGO OF MICHIGAN NATL. BANK]
Michigan National Bank
Investment Adviser

Cusip 453777864
Cusip 453777856
Cusip 453777807

INDEPENDENCE ONE U.S. GOVERNMENT SECURITIES FUND
 INDEPENDENCE ONE FIXED INCOME FUND
 INDEPENDENCE ONE MICHIGAN MUNICIPAL BOND FUND
 (PORTFOLIOS OF INDEPENDENCE ONE MUTUAL FUNDS)
 STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of Independence One U.S. Government Securities Fund, Independence One Fixed Income Fund and Independence One Michigan Municipal Bond Fund (collectively, the "Funds" or individually, the "Fund"), portfolios of Independence One Mutual Funds (the "Trust") dated August 31, 1996. This Statement is not a prospectus. You may request a copy of the prospectus free of charge by calling 1-800-334-2292.

FEDERATED INVESTORS TOWER
 PITTSBURGH, PENNSYLVANIA 15222-3779
 Statement dated August 31, 1996

FEDERATED INVESTORS
 Federated Investors Tower
 Pittsburgh, PA 15222-3779
 Federated Securities Corp. is the distributor of the Funds and is a subsidiary of Federated Investors.
 Cusip 453777807
 Cusip 453777864
 Cusip 453777856
 G01285-03(8/96)

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GENERAL INFORMATION ABOUT THE FUND

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 9, 1989. This Statement of Additional Information relates only to three portfolios of securities which are as follows: Independence One U.S. Government Securities Fund ("Government Securities Fund"), Independence One Fixed Income Fund ("Fixed Income Fund") and Independence One Michigan Municipal Bond Fund ("Michigan Municipal Bond Fund").

INVESTMENT OBJECTIVE AND POLICIES OF THE FUNDS

The prospectus discusses the objective of each Fund and the policies they employ to achieve those objectives. The following discussion supplements the description of the Funds' investment policies in the prospectus. The Funds' respective investment objectives cannot be changed without approval of shareholders. Except as otherwise noted, the investment policies described below may be changed by the Board of Trustees (the "Trustees") without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS

Government Securities Fund invests only in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Fixed Income Fund pursues its investment objective by investing primarily in fixed income securities that, at the time of purchase, are rated A or higher by Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group ("S&P"), or Fitch Investors Service ("Fitch") or, if unrated, are of comparable quality to securities with such ratings as determined by the Fund's investment adviser.

Michigan Municipal Bond Fund invests primarily in a portfolio of municipal securities, which are exempt from federal regular income tax and the

personal income taxes imposed by the State of Michigan and Michigan municipalities ("Michigan Municipal Securities"). These securities include those issued by or on behalf of the State of Michigan and Michigan municipalities, as well as those issued by other states, territories, and possessions of the United States which are exempt from federal regular income tax and the personal income taxes imposed by the State of Michigan and Michigan municipalities.

FIXED INCOME FUND

Fixed Income Fund may invest in money market instruments such as:
o instruments of domestic and foreign banks and savings associations if they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is federally insured;
o commercial paper rated, at the time of purchase, A-1 or better by S&P, Prime-1 or better by Moody's, or F-1 or better by Fitch or, if unrated, are of comparable quality as determined by the Fund's investment Adviser;
o time and savings deposits whose accounts are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC"), or in institutions whose accounts are insured by the Savings Association Insurance Fund, which is also administered by the FDIC, including certificates of deposit issued by, and other time deposits in, foreign branches of BIF-insured banks; or
o bankers' acceptances.

PRIVATELY ISSUED MORTGAGE-RELATED SECURITIES

Privately issued mortgage-related securities generally represent an ownership interest in federal agency mortgage pass-through securities such as those issued by Government National Mortgage Association. The terms and characteristics of the mortgage instruments may vary among pass-through mortgage loan pools. The market for such mortgage-related securities has expanded considerably since its inception. The size of the primary issuance market and the active participation in the secondary market by securities dealers and other investors makes government-related pools highly liquid.

RESETS OF INTEREST RATES

The interest rates paid on certain mortgage-backed securities in which Fixed Income Fund invests generally are readjusted at intervals of one year or less to an increment over some predetermined interest rate index. There are two main categories of indices: those based on U.S. Treasury securities and those derived from a calculated measure, such as a cost of funds index or a moving average of mortgage rates. Commonly utilized indices include the one-year and five-year constant maturity Treasury Note rates, the three-month Treasury Bill rate, the six-month Treasury Bill rate, rates on longer-term Treasury securities, the National Median Cost of Funds, the one-month or three-month LIBOR, the prime rate of a specific bank, or commercial paper rates. Some indices, such as the one-year constant maturity Treasury Note rate, closely mirror changes in market interest rate levels. Others tend to lag changes in market rate levels and tend to be somewhat less volatile.

To the extent that the adjusted interest rate on the mortgage security reflects current market rates, the market value of an adjustable rate mortgage security will tend to be less sensitive to interest rate changes than a fixed rate debt security of the same stated maturity. However, adjustable rate mortgage securities which use indices that lag changes in market rates should experience greater price volatility than adjustable rate mortgage securities that closely mirror the market. Certain residual interest tranches of CMOs may have adjustable interest rates that deviate significantly from prevailing market rates, even after the interest rate is reset, and are subject to correspondingly increased price volatility. In the event the Fund purchases such residual interest mortgage securities, it will factor in the increased interest and price volatility of such securities when determining its dollar-weighted average duration.

CAPS AND FLOORS

The underlying mortgages which collateralize the ARMS, CMOs, and REMICs in which Fixed Income Fund invests will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down: (1) per reset or

adjustment interval, and (2) over the life of the loan. Some residential mortgage loans restrict periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization. The value of mortgage securities in which the Fund invests may be affected if market interest rates rise or fall faster and farther than the allowable caps or floors on the underlying residential mortgage loans. Additionally, even though the interest rates on the underlying residential mortgages are adjustable, amortization and prepayments may

occur, thereby causing the effective maturities of the mortgage securities in which the Fund invests to be shorter than the maturities stated in the underlying mortgages.

RESTRICTED AND ILLIQUID SECURITIES

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) commercial paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) commercial paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) commercial paper, thus providing liquidity. The Fund believes that Section 4(2) commercial paper and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees are quite liquid. The Fund intends, therefore, to treat the restricted securities which meet the criteria for liquidity established by the Trustees, including Section 4(2) commercial paper, as determined by the Fund's investment adviser, as liquid and not subject to the investment limitation applicable to illiquid securities. In addition, because Section 4(2) commercial paper is liquid, the Fund intends to not subject such paper to the limitation applicable to restricted securities.

The ability of the Trustees to determine the liquidity of certain restricted securities is permitted under a Securities and Exchange

Commission staff position set forth in the adopting release for Rule 144A (the "Rule") under the Securities Act of 1933. The Rule is a non-exclusive, safe-harbor for certain secondary market transactions involving securities subject to restrictions on resale under federal securities laws. The Rule provides an exemption from registration for resales of otherwise restricted securities to qualified institutional buyers. The Rule was expected to further enhance the liquidity of the secondary market for securities eligible for resale under the Rule. The Fund believes that the staff of the Securities and Exchange Commission has left the question of determining the liquidity of all restricted securities (eligible for resale under the Rule) to the Trust's Board. The Board considers the following criteria in determining the liquidity of certain restricted securities:

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

VARIABLE RATE DEMAND NOTES

Variable rate demand notes are long-term corporate debt instruments that have variable or floating interest rates and provide the Fund with the right to tender the security for repurchase at its stated principal amount plus accrued interest. Such securities typically bear interest at a rate that is intended to cause the securities to trade at par. The interest rate may float or be adjusted at regular intervals (ranging from daily to annually), and is normally based on an interest rate index or a published interest rate. Many variable rate demand notes allow the Fund to demand the repurchase of the security on not more than seven days' prior notice. Other notes only

permit the Fund to tender the security at the time of each interest rate adjustment or at other fixed intervals.

LENDING OF PORTFOLIO SECURITIES

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

FUTURES AND OPTIONS TRANSACTIONS

As a means of reducing fluctuations in the net asset value of shares of the Fund, the Fund may attempt to hedge its portfolio by buying and selling financial futures contracts, buying put options on portfolio securities and put options on financial futures contracts for portfolio securities, and writing call options on futures contracts. The Fund also may write covered call options on portfolio securities to attempt to increase its current income.

The effective use of futures and options as hedging techniques depends on the correlation between their prices and the behavior of the Fund's portfolio securities as well as the Fund's investment adviser's ability to accurately predict the direction of stock prices, interest rates and other relevant economic factors. Daily limits on the

fluctuation of futures and options prices could cause the Fund to be unable to timely liquidate its futures or options position and cause it to suffer greater losses than would otherwise be the case. In this regard, the Fund may be unable to anticipate the extent of its losses from futures transactions.

The Fund will maintain its position in securities, options and segregated cash subject to puts and calls until the options are exercised, closed, or have expired. An option position may be closed out over-the-counter or on a nationally-recognized exchange which provides a secondary market for options of the same series. The Fund currently does not intend to invest more than 5% of its total assets in options transactions.

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

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

For example, in the fixed income securities market, prices generally move inversely to interest rates. A rise in rates means a drop in price. Conversely, a drop in rates typically means a rise in price. In order to hedge its holdings of fixed income securities against a rise in market interest rates, the Fund could enter into contracts to deliver securities at a predetermined price (i.e., "go short") to

protect itself against the possibility that the prices of its fixed income securities may decline during the Fund's anticipated holding period. The Fund would "go long" (agree to purchase securities in the future at a predetermined price) to hedge against a decline in market interest rates.

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

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

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

The Fund will comply with the following restrictions when purchasing and selling futures contracts. First, the Fund will not participate in futures transactions if the sum of its initial margin deposits on open contracts will exceed 5% of the market value of the Fund's total assets, after taking into account the unrealized profits and losses on those contracts it has entered into. Second, the Fund will not enter into these contracts for speculative purposes. Third, since the Fund does not constitute a commodity pool, it will not market itself as such, nor serve as a vehicle for trading in the commodities futures or commodity options markets. Connected with this, the Fund will disclose to all prospective investors the limitations on its futures and options transactions, and make clear that these transactions are entered into only for bona fide hedging purposes, or other permissible purposes pursuant to regulations promulgated by the Commodity Futures Trading Commission ("CFTC"). Finally, because the Fund will submit to the CFTC special calls for information, the Fund will not register as a commodities pool operator.

PUT OPTIONS ON FINANCIAL FUTURES CONTRACTS. The Fund may purchase listed put options on financial futures contracts. The Fund would use these options solely to protect portfolio securities against decreases in value resulting from market factors such as an anticipated increase in rates.

Unlike entering directly into a futures contract, which requires the purchaser to buy a financial instrument on a set date at a specified price, the purchase of a put option on a futures contract entitles (but does not obligate) its purchaser to decide on or before a future date whether to assume a short position at the specified price. Generally, if the hedged portfolio securities decrease in value during the term of an option, the related futures contracts will also

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

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

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

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

portfolio securities.

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

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

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

are listed on a recognized options exchange and the underlying stocks are held in its portfolio.

WRITING COVERED CALL OPTIONS ON PORTFOLIO SECURITIES. The Fund may also write call options on securities either held in its portfolio or which it has the right to obtain without payment of further consideration or for which it has segregated cash in the amount of any additional consideration. As the writer of a call option, the Fund has the obligation, upon exercise of the option during the option period, to deliver the underlying security upon payment of the exercise price. The call options which the Fund writes must be listed on a recognized options exchange. Writing of call options by the Fund is intended to generate income for the Fund and thereby protect against price movements in particular securities in the Fund's portfolio.

OVER-THE-COUNTER OPTIONS. The Fund may purchase and write over-the-counter options on portfolio securities in negotiated transactions with the buyers or writers of the options for those options on portfolio securities held by the Fund and not traded on an exchange.

RISKS. When the Fund uses futures and options on futures as hedging devices, there is a risk that the prices of the securities subject to the futures contracts may not correlate perfectly with the prices of the securities in the Fund's portfolio. This may cause the futures contract and any related options to react differently than the portfolio securities to market changes. In addition, the Fund's adviser could be incorrect in its expectations about the direction or extent of market factors such as stock price movements. In these events, the Fund may lose money on the futures contract or option. It is not certain that a secondary market for positions in futures contracts or for options will exist at all times. Although the Fund's adviser will consider liquidity before entering into these

transactions, there is no assurance that a liquid secondary market on an exchange or otherwise will exist for any particular futures contract or option at any particular time. The Fund's ability to establish and close out futures and options positions depends on this secondary market.

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

WARRANTS

The Fund may invest in warrants. Warrants are basically options to purchase common stock at a specific price (usually at a premium above the market value of the optioned common stock at issuance) valid for a specific period of time. Warrants may have a life ranging from less than a year to twenty years or may be perpetual. However, most warrants have expiration dates after which they are worthless. In addition, if the market price of the common stock does not exceed the warrant's exercise price during the life of the warrant, the warrant

will expire as worthless. Warrants have no voting rights, pay no dividends, and have no rights with respect to the assets of the corporation issuing them. The percentage increase or decrease in the market price of the warrant may tend to be greater than the percentage increase or decrease in the market price of the optioned common stock.

MICHIGAN MUNICIPAL BOND FUND

MICHIGAN MUNICIPAL SECURITIES

The Michigan Municipal Securities in which Michigan Municipal Bond Fund invests have the characteristics set forth in the prospectus.

Examples of Michigan Municipal Securities are:

omunicipal notes and municipal commercial paper;

oserial bonds sold with differing maturity dates;

otax anticipation notes sold to finance working capital needs of municipalities;

obond anticipation notes sold prior to the issuance of longer-term bonds;

opre-refunded municipal bonds; and

ogeneral obligation bonds secured by a municipality pledge of taxation.

PARTICIPATION INTERESTS

The financial institutions from which the Fund purchases participation interests frequently provide or secure from another financial institution irrevocable letters of credit or guarantees and give the Fund the right to demand payment of the principal amounts of the participation interests plus accrued interest on short notice (usually within seven days).

VARIABLE RATE MUNICIPAL SECURITIES

Variable interest rates generally reduce changes in the market value of municipal securities from their original purchase prices.

Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable rate municipal securities than for fixed income obligations.

The terms of these variable rate demand instruments require payment of principal and accrued interest from the issuer of the municipal obligations, the issuer of the participation interests, or a guarantor of either issuer.

MUNICIPAL LEASES

The Fund may purchase municipal securities in the form of participation interests which represent undivided proportional interests in lease payments by a governmental or non-profit entity. The lease payments and other rights under the lease provide for and secure the payments on the certificates. Lease obligations may be limited by municipal charter or the nature of the appropriation for the lease. In particular, lease obligations may be subject to periodic appropriation. If the entity does not appropriate funds for future lease payments, the entity cannot be compelled to make such payments. Furthermore, a lease may provide that the certificate trustee cannot accelerate lease obligations upon default. The trustee would only be able to enforce lease payments as they became due. In the event of default or failure of appropriation, it is unlikely that the trustee would be able to obtain an acceptable substitute source of payment. In determining the liquidity of municipal lease securities, the investment adviser, under the authority delegated by the Trustees, will base its determination on the following factors:

- owhether the lease can be terminated by the lessee;

- othe potential recovery, if any, from a sale of the leased property upon termination of the lease;

- othe lessee's general credit strength (e.g., its debt, administrative, economic and financial characteristics and prospects);

othe likelihood that the lessee will discontinue appropriating funding for the leased property because the property is no longer deemed essential to its operations (e.g., the potential for an "event of non-appropriation"); and any credit enhancement or legal recourse provided upon an event of non-appropriation or other termination of the lease.

PORTFOLIO INVESTMENTS AND STRATEGIES

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price or yield for the Funds. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of a Fund sufficient to make payment for the securities to be purchased are segregated on a Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Funds do not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of a Fund's assets.

REPURCHASE AGREEMENTS

The Funds or their custodian will take possession of the securities subject to repurchase agreements and these securities will be marked to market daily. To the extent that the original seller does not repurchase the

securities from the Funds, the Funds could receive less than the repurchase price on any sale of such securities. In the event that such a defaulting seller filed for bankruptcy or became insolvent, disposition of such securities by the Funds might be delayed pending court action. The Funds believe that under the regular procedures normally in effect for custody of a Fund's portfolio securities subject to repurchase agreements, a court of competent jurisdiction would rule in favor of the Fund and allow retention or disposition of such securities. The Funds will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are deemed by the Funds' adviser to be creditworthy pursuant to guidelines established by the Trustees.

From time to time, such as when suitable Michigan municipal bonds are not available, Michigan Municipal Bond Fund may invest a portion of its assets in cash. Any portion of the Fund's assets maintained in cash will reduce the amount of assets in Michigan municipal bonds and thereby reduce the Fund's yield. Michigan Municipal Bond Fund will use repurchase agreements only as temporary investments during times of unusual market conditions for defensive purposes and to maintain liquidity.

REVERSE REPURCHASE AGREEMENTS

Fixed Income Fund and Michigan Municipal Bond Fund may also enter into reverse repurchase agreements. These transactions are similar to borrowing cash. In a reverse repurchase agreement a Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker, or dealer, in return for a percentage of the instrument's market value in cash, and agrees that on a stipulated date in the future the Fund

will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not ensure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time.

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

PORTFOLIO TURNOVER

The Funds may trade or dispose of portfolio securities as considered necessary to meet their respective investment objective. For the fiscal years ended April 30, 1996 and 1995, Government Securities Fund's portfolio turnover rates were 104% and 75%, respectively. For the period from October 23, 1995 (date of initial public investment) through April 30, 1996, Fixed Income Fund's portfolio turnover rate was 4%. For the period from November 20, 1995 (date of initial public investment) through April

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

The Funds will not sell any securities short or purchase any securities on margin but may obtain such short-term credits as may be necessary for clearance of transactions. With respect to Fixed Income

Fund, the deposit or payment by the Fund of initial or variation margin in connection with financial futures contracts or related options transactions is not considered the purchase of a security on margin.

ISSUING SENIOR SECURITIES AND BORROWING MONEY

Government Securities Fund will not issue senior securities except that it may borrow money in amounts up to one-third of the value of its total assets, including the amounts borrowed. Government Securities Fund will not borrow money for investment leverage, but rather as a temporary, extraordinary, or emergency measure to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous. The Fund will not purchase any securities while borrowings in excess of 5% of total assets are outstanding.

Fixed Income Fund and Michigan Municipal Bond Fund will not issue senior securities except that they may borrow money and engage in reverse repurchase agreements in amounts up to one-third of the value of their respective total assets, including the amounts borrowed. Fixed Income Fund and Michigan Municipal Bond Fund will not borrow money or engage in reverse repurchase agreements for investment leverage, but rather as a temporary, extraordinary, or emergency measure or to facilitate management of the portfolio by enabling the Funds to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous. Fixed Income Fund and Michigan Municipal Bond Fund will not purchase any

securities while borrowings in excess of 5% of their respective total assets are outstanding.

CONCENTRATION OF INVESTMENTS

Government Securities Fund will not concentrate in any one industry. Fixed Income Fund will not invest 25% or more of the value of its total assets in any one industry, except that the Fund may invest 25% or more of the value of its total assets in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and repurchase agreements collateralized by such securities.

Michigan Municipal Bond Fund will not purchase securities if, as a result of such purchase, 25% or more of the value of its total assets would be invested in any one industry or in industrial development bonds or other securities, the interest upon which is paid from revenues of similar types of projects. However, the Fund may invest as temporary investments 25% or more of the value of its assets in cash or cash items, securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities, or instruments secured by these money market instruments, i.e., repurchase agreements.

UNDERWRITING

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

1933 in connection with the sale of restricted securities in accordance with its investment objective, policies, and limitations.

LENDING CASH OR SECURITIES

Government Securities Fund will not lend any of its assets. (This shall not prevent the purchase or holding of U.S. Treasury securities, repurchase agreements, or other transactions which are permitted by

the Fund's investment objective and policies.)

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

Michigan Municipal Bond Fund will not lend any of its assets except that it may acquire publicly or non-publicly issued municipal bonds or temporary investments or enter into repurchase agreements in accordance with its investment objective, policies, and limitations.

PLEDGING ASSETS

Fixed Income Fund and Michigan Municipal Bond Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. With respect to Fixed Income Fund, for purposes of this limitation, the following are not deemed to be pledges: margin deposits for the purchase and sale of futures contract and related options, and segregation or collateral arrangements made in connection with options activities or the purchase of securities on a when-issued basis.

INVESTING IN REAL ESTATE

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

Michigan Municipal Bond Fund will not purchase or sell real estate, including limited partnership interests, although it may invest in municipal bonds secured by real estate or interests in real estate.

INVESTING IN COMMODITIES, COMMODITY CONTRACTS, OR COMMODITY FUTURES CONTRACTS

Fixed Income Fund will not purchase or sell commodities, commodity contracts, or commodity futures contracts except to the extent that the Fund may engage in transactions involving futures contracts and related options.

Michigan Municipal Bond Fund will not buy or sell commodities, commodity contracts, or commodities futures contracts.

DIVERSIFICATION OF INVESTMENTS

With respect to 75% of the value of its assets, Fixed Income Fund will not purchase securities of any one issuer (other than securities issued or guaranteed by the government of the United States or its agencies or instrumentalities) if, as a result, more than 5% of the value of its total assets would be invested in the securities of that issuer. Also, the Fund will not acquire more than 10% of the outstanding voting securities of any one issuer.

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

PLEDGING ASSETS

Government Securities Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. In these cases, it may pledge assets having a market value not exceeding the lesser of the dollar amounts borrowed or 10% of the value of total assets at the time of the borrowing.

INVESTING IN ILLIQUID SECURITIES

Government Securities Fund will not invest more than 15% of the value of its net assets in securities which are not readily marketable of which are otherwise considered illiquid, including repurchase agreements providing for settlement more than seven days after notice. Fixed Income Fund will not invest more than 15% of the value of its net assets in illiquid obligations, including repurchase agreements providing for settlement in more than seven days after notice, over-the-counter options, certain securities not determined by the Trustees to be liquid, and non-negotiable fixed time deposits with maturities over seven days.

Michigan Municipal Bond Fund will not invest more than 15% of the

value of its net assets in illiquid obligations, including repurchase agreements providing for settlement in more than seven days after notice, and certain restricted securities.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

Fixed Income Fund and Michigan Municipal Bond Fund can each acquire up to 3 per centum of the total outstanding stock of other investment

companies. The Funds will not be subject to any other limitations with regard to the acquisition of securities of other investment companies so long as the public offering price of each Fund's shares does not include a sales charge exceeding 1 1/2 percent. The Funds will purchase securities of investment companies only in open-market transactions involving only customary broker's commissions. With respect to Fixed Income Fund, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets, nor are they applicable with respect to securities of investment companies that have been exempted from registration under the Investment Company Act of 1940. With respect to Michigan Municipal Bond Fund, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets.

INVESTING IN RESTRICTED SECURITIES

Fixed Income Fund and Michigan Municipal Bond Fund will not invest more than 10% of the value of their respective total assets in securities subject to restrictions on resale under the federal securities laws except, with respect to Fixed Income Fund, for certain restricted securities which meet the criteria for liquidity as established by the Trustees.

INVESTING IN MINERALS

Fixed Income Fund and Michigan Municipal Bond Fund will not purchase or sell interests in oil, gas, or other mineral exploration or development programs, or leases, although each Fund may invest in the securities of issuers which invest in or sponsor such programs.

INVESTING IN NEW ISSUERS

Fixed Income Fund will not invest more than 5% of the value of its total assets in securities of issuers which have less than three years

of continuous operations, including the operation of any predecessor. The Fund will apply this limitation by reference to the issuer of a CMO (or other asset-backed security) rather than requiring the CMO (or other asset-backed security) itself to have at least three years of continuous operations.

Michigan Municipal Bond Fund will not invest more than 5% of the value of its total assets in securities of issuers where the principal and interest are the responsibility of companies (or guarantors, where applicable) with less than three years of continuous operations, including the operation of any predecessor.

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

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

INVESTING IN PUT OPTIONS

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

WRITING COVERED CALL OPTIONS

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

INVESTING IN WARRANTS

Fixed Income Fund will not invest more than 5% of its assets in warrants. No more than 2% of the Fund's net assets, to be included within the overall 5% limit on investments in warrants, may be warrants which are not listed on the New York Stock Exchange or the American Stock Exchange.

PURCHASING SECURITIES TO EXERCISE CONTROL

Fixed Income Fund will not purchase securities of a company for purpose of exercising control or management.

DEALING IN PUTS AND CALLS

Michigan Municipal Bond Fund will not buy or sell puts, calls, straddles, spreads, or any combination of these.

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

The Funds did not borrow money, pledge securities or invest in repurchase agreements in excess of 5% of the value of Fund net assets during the last fiscal period and have no present intent to do so during the coming fiscal year.

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

MICHIGAN MUNICIPAL BOND FUND INVESTMENT RISKS

Michigan's economy continues to be among the most cyclical of states, remaining heavily dependent on domestic auto production and durable goods consumption. While manufacturing comprised 21% of the total jobs in the state in 1994, it comprises a lesser share than in the 1970s when it was 35%. The automobile industry has reduced its share of employment to 6.2% of total employment, compared with 10.8% in 1979. In fact, Michigan's economy continues to shift away from durable good manufacturing to a more diversified base reliant on services and trade. In 1994, for the first time since 1986, per capita income for the State exceeded the national level (\$22,173 vs. \$21,699).

As of December, 1995, unemployment stood at 4.7%, below the national level of 5.2%. The economic recovery from the early 1990s recession has proved hearty in Michigan as employment levels have reached an all-time high, attracting more workers into the labor force. Personal income, which grew 9.4% in 1994, is estimated to have increased to 7.1% in 1995, outperforming both the region and the nation. The State expects personal income and employment growth to slow in 1996.

On August 19, 1993, the Governor of Michigan signed into law Act 145, Public Acts of Michigan, 1993 ("Act 145") a measure which significantly impacted financing of primary and secondary school operations and which has resulted in additional property tax and school finance reform legislation. Michigan's school finance reform shifts the responsibility of funding schools away from the local district and their real property tax bases to the state and an earmarked portion of sales taxes. Moreover, the state government is also subject to a revenue raising cap which is tied to the

annual state personal income growth. The margin between existing revenue and the constitutional cap is greatly narrowed now that the state absorbs the costs of funding the local schools. Over the long term the cap may reduce the state's flexibility to deal with adverse financial developments. Concerning Michigan's fiscal policy, the state has proven that it can maintain a balanced budget, low debt levels and high reserves. While the state's Budget Stabilization Fund ("Rainy Day Fund") was drawn down substantially during the fiscal years 1990-1992 in order to meet budget needs of the state during fiscal stress, spending restraint and an improved economy enabled the state to begin to restore balances in fiscal 1993. By the end of fiscal 1994, the balances in the Rainy Day Fund were \$780 million and was \$1.03 billion at the end of January 1996. This makes the Rainy Day Fund one of the highest in the nation.

Because of the increased revenues in fiscal 1995, the governor proposed a tax cut which would reduce revenues by \$186 million. The governor also is proposing that the State increase the deposit to the Rainy Day Fund by \$110 million, ending the year with a nominal \$2 million surplus in the General Fund. The tax cuts would reduce personal income taxes by increasing the personal exemption from \$2,100 to \$2,400 and would reduce the Single Business Tax by excluding FICA, workers compensation, and unemployment compensation from the tax liability base. Reductions are also made to the intangibles tax. The full annual cost of the tax cuts will be \$246 million in fiscal 1996.

While Michigan's economy is in good standing now because of conservative budgeting practices and the improved economy, the enduring effectiveness of the state's financial management will continue to be tested by economic

cycles.

INDEPENDENCE ONE MUTUAL FUNDS MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees are listed with their addresses, birthdates, principal occupations, and present positions, including any affiliation with Michigan National Bank, Michigan National Corporation, Federated Investors, Federated Securities Corp., Federated Administrative Services, and Federated Services Company.

Robert E. Baker
4327 Stoneleigh Road
Bloomfield Hills, MI
Birthdate: May 6, 1930
Trustee
Retired; formerly, Vice Chairman, Chrysler Financial Corporation.

Harold Berry
100 Galleria Offcentre,
Suite 219
Southfield, MI
Birthdate: September 17, 1925
Trustee
Managing Partner, Berry Enterprises; Chairman, Independent Sprinkler Companies, Inc.; Chairman, Berry, Ziegelman & Company; formerly, Chairman, Executive Committee, Federal Enterprises, Inc.

Clarence G. Frame+
W-875 First Bank Building
332 Minnesota Street
St. Paul, MN
Birthdate: July 26, 1918
Trustee
Director, Tosco Corporation, Milwaukee Land Company, and Voyageur Funds Group; formerly, Vice Chairman, First Bank System, Inc., and President, The First National Bank of St. Paul, a subsidiary of First Bank System, Inc.

Harry J. Nederlander+
231 S. Woodward, Suite 219
Birmingham, MI
Birthdate: September 5, 1917
Trustee
Chairman, Nederlander Enterprises.

Thomas S. Wilson
Two Championship Drive
Auburn Hills, MI
Birthdate: October 9, 1949
Trustee
President and Executive Administrator of the Detroit Pistons; President and CEO, Palace Sports and Entertainment.

Edward C. Gonzales
Federated Investors Tower

Pittsburgh, PA
Birthdate: October 22, 1930
President and Treasurer
Vice Chairman, Treasurer, and Trustee, Federated Investors; Vice President, Federated Advisers, Federated Management, Federated Research, Federated Research Corp., Federated Global Research Corp. and Passport Research, Ltd.; Executive Vice President and Director, Federated Securities Corp.; Trustee, Federated Shareholder Services Company; Trustee or Director of some of the Funds distributed by Federated Securities Corp.; President, Executive Vice President and Treasurer of some of the Funds distributed by Federated Securities Corp.

Jeffrey W. Sterling
Federated Investors Tower
Pittsburgh, PA
Birthdate: February 5, 1947
Vice President and Assistant Treasurer
Vice President and Assistant Treasurer of various Funds distributed by
Federated Securities Corp.

Jay S. Neuman
Federated Investors Tower
Pittsburgh, PA
Birthdate: April 22, 1950
Secretary
Corporate Counsel, Federated Investors.

+ Members of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the outstanding shares of the Fund. The following list indicates the beneficial ownership of shareholders who are the beneficial owners of more than 5% of the outstanding shares of the following Funds as of August 2, 1996: Pierson & Co., nominee for Michigan National Bank, acting in various capacities for numerous accounts was the shareholder of record of 7,134,055 shares (97.71%) of Government Securities Fund; 5,885,969 shares (95.18%) of Fixed Income Fund; and 2,318,773 shares (98.29%) of Michigan Municipal Bond Fund

TRUSTEES' COMPENSATION

NAME , POSITION WITH THE TRUST	AGGREGATE COMPENSATION FROM THE TRUST*
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Robert E. Baker Trustee	\$ 8,500
Harold Berry Trustee	\$ 8,500
Clarence G. Frame Trustee	\$ 8,500
Harry J. Nederlander	\$ 5,950

Trustee Thomas S. Wilson Trustee	\$ 8,500
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*Information is furnished for the fiscal year ended April 30, 1996. The Trust is the only Investment Company in the Fund Complex. The aggregate compensation is provided for the Trust which is comprised of seven portfolios.

TRUSTEE LIABILITY

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

MASSACHUSETTS PARTNERSHIP LAW

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required by the Declaration of Trust to

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

INVESTMENT ADVISORY SERVICES

ADVISER AND SUB-ADVISER TO THE FUNDS

The Funds' investment adviser is Michigan National Bank (the "Adviser"). Government Securities Fund's sub-adviser is Independence One Capital Management Corporation (the "Sub-Adviser").

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

Because of the internal controls maintained by Michigan National Bank to restrict the flow of non-public information, Fund investments are typically made without any knowledge of Michigan National Bank's or its affiliates' lending relationships with an issuer.

ADVISORY AND SUB-ADVISORY FEES

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

years ended April 30, 1996, 1995 and 1994, the Adviser earned fees from Government Securities Fund of \$481,848, \$458,170 and \$595,181, of which \$394,602, \$458,170 and \$595,181, respectively, was voluntarily waived because of undertakings to limit Government Securities Fund's expenses. For the period from October 23, 1995 (date of initial public investment) to April 30, 1996, the Adviser earned fees from Fixed Income Fund of \$212,343, of which \$141,562 was voluntarily waived because of undertakings to limit Fixed Income Fund's expenses. For the period from November 20, 1995 (date of initial public investment) to April 30, 1996, the Adviser earned fees from Michigan Municipal Bond Fund of \$86,756, of which \$57,837 was voluntarily waived because of undertakings to limit Michigan Municipal Bond Fund's expenses.

The Sub-Adviser will perform its duties at no cost to the Adviser or Government Securities Fund.

STATE EXPENSE LIMITATIONS

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

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

will be limited, in any single fiscal year, by the amount of the investment advisory fee.

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

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser will generally

use those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to guidelines established by the Trustees. The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Funds or to the Adviser and may include: advice as to the advisability of investing in securities; security analysis and reports; economic studies; industry studies; receipt of quotations for portfolio evaluations; and similar services. Research services provided by brokers and dealers may be used by the Adviser or its affiliates in advising the Funds and other accounts. To the extent that receipt of these services may supplant services for which the Adviser or its affiliates might otherwise have paid, it would tend to reduce their expenses. The Adviser and its affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Although investment decisions for the Funds are made independently from those of the other accounts managed by the Adviser, investments of the type the Funds may make may also be made by those other accounts. When the Funds and one or more other accounts managed by the Adviser are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the Adviser to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Funds or the size of the position obtained or disposed of by the Funds. In other cases, however, it is believed that coordination and the ability to participate in volume transactions will be to the benefit of the Funds

OTHER SERVICES

TRUST ADMINISTRATION

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Funds for the fees set forth in the prospectus. For the fiscal years ended April 30, 1996, 1995 and 1994, Government Securities Fund incurred administrative services costs of \$81,663, \$84,660 and \$106,948, respectively, of which \$57,395, \$0 and \$0 were voluntarily waived because of undertakings to limit Fund expenses. For the period from October 23, 1995 (date of initial public investment) to April 30, 1996, Fixed Income Fund incurred administrative services costs of \$31,636, of which \$30,644 was voluntarily waived because of undertakings to limit Fund expenses. For the period from November 20, 1995 (date of initial public investment) to April 30, 1996, Michigan Municipal Bond Fund incurred administrative costs of \$12,868, of which \$12,468 was voluntarily waived because of undertakings to limit Fund expenses.

CUSTODIAN

Michigan National Bank, Farmington Hills, Michigan, is custodian for the securities and cash of the Funds. For the services to be provided to the Trust pursuant to the Custodian Agreement, the Trust pays the custodian an annual fee based upon the average daily net assets of each Fund and which is payable monthly. The custodian will also charge transaction fees and out-of-pocket expenses.

TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

Federated Services Company, Boston, Massachusetts, through its subsidiary Federated Shareholder Services Company, is transfer agent for the shares of the Funds and dividend disbursing agent for the Funds.

INDEPENDENT AUDITORS

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

PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days when both the New York Stock Exchange and the Federal Reserve Wire System are open for business. The procedures for purchasing shares of the Funds are explained in the prospectus under "Investing in the Funds."

CONVERSION TO FEDERAL FUNDS

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

shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

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

DETERMINING MARKET VALUE OF SECURITIES

Market values of the Funds' portfolio securities are determined as follows:

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

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

The Funds will value futures contracts and options at their market values established by the exchanges at the close of options trading on such

exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary.

EXCHANGE PRIVILEGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made. This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund.

Instructions for exchanges may be given in writing or by telephone.

Exchange procedures are explained in the prospectus under "Exchange Privilege."

REDEEMING SHARES

The Funds redeem shares at the next computed net asset value after Federated Shareholder Services Company receives the redemption request. Redemption procedures are explained in the prospectus under "Redeeming Shares."

REDEMPTION IN KIND

Although the Funds intend to redeem shares in cash, they reserve the right under certain circumstances to pay the redemption price in whole or in part by a distribution of securities from the Funds' portfolios. To satisfy registration requirements in a particular state, redemption in kind will be made (for any shareholder requesting redemption) in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Funds reserve the right to redeem in kind by delivering those securities it deems appropriate.

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

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

TAX STATUS

THE FUNDS' TAX STATUS

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

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

Federal income tax law requires the holder of a zero coupon convertible security to recognize income with respect to the security prior to the receipt of cash payments. To maintain its qualification as a regulated

investment company and avoid liability of federal income taxes, Fixed Income Fund will be required to distribute income accrued with respect to zero coupon convertible securities which it owns, and may have to sell portfolio securities (perhaps at disadvantageous times) in order to generate cash to satisfy these distribution requirements.

SHAREHOLDER'S TAX STATUS

Shareholders are subject to federal income tax on dividends and capital gains received as cash or additional shares. No portion of any income dividend paid by the Fund is eligible for the dividends received deductions available to corporations. These dividends and any short-term capital gains, are taxable as ordinary income.

CAPITAL GAINS

Capital gains or losses may be realized by Michigan Municipal Bond Fund on the sale of portfolio securities and as a result of discounts from par value on securities held to maturity. Sales would generally be made because of:

- o the availability of higher relative yields;
- o differentials in market values;
- o new investment opportunities;
- o changes in creditworthiness of an issuer; or
- o an attempt to preserve gains or limit losses.

Distribution of long-term capital gains are taxed as such, whether they are taken in cash or reinvested, and regardless of the length of time the shareholder has owned the shares. Any loss by a shareholder on Fund shares held for less than six months and sold after a capital gains distribution will be treated as a long-term capital loss to the extent of the capital gains distribution.

TOTAL RETURN

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

Government Securities Fund's average annual total return for the fiscal year ended April 30, 1996 was 7.97%. For the period from January 11, 1993 (date of initial public investment) to April 30, 1996 the Fund's average annual total return was 5.88%.

Fixed Income Fund's average annual total return for the fiscal year ended April 30, 1996 was 6.34%. The Fund's cumulative total return for the period from January 3, 1995 (date of commencement of operations of the common trust fund) to April 30, 1996 was 11.96%. The average annual total return for the same period was 8.87%. The quoted performance data includes the performance of the common trust fund for periods before the Fund's registration statement became effective, as adjusted to reflect the Fund's anticipated expenses as set forth in the "Summary of Fund Expenses" section

of the prospectus. The common trust fund was not registered under the Investment Company Act of 1940 ("1940 Act") and therefore was not subject to certain investment restrictions that are imposed by the 1940 Act. If

the common trust fund had been registered under the 1940 Act, the performance may have been adversely affected.

Cumulative total return reflects a Fund's total performance over a specific period. The cumulative total return for Michigan Municipal Bond Fund for the period from November 20, 1995 (date of initial public investment) through April 30, 1996 was 1.21%. This total return is representative of only 5 months of activity since the date of initial public investment. Advertisements and other sales literature for the Funds may quote total returns which are calculated on non-standardized base periods. These total returns also represent the historic change in the value of an investment in the Funds based on monthly reinvestment of dividends over a specified period of time.

YIELD

The thirty-day yields for the period ended April 30, 1996 for Government Securities Fund, Fixed Income Fund and Michigan Municipal Bond Fund were 5.98%, 5.58%, and 3.88%, respectively.

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

Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders. To the extent that financial institutions and broker/dealers charge fees in connection with services provided in conjunction with investments in the Funds, performance will be reduced for those shareholders paying those fees.

TAX-EQUIVALENT YIELD

The tax-equivalent yield of Michigan Municipal Bond Fund is calculated similarly to the yield, but is adjusted to reflect the taxable yield that the Fund would have had to earn to equal its actual yield, assuming a specified tax rate and assuming that income is 100% tax-exempt.

Michigan Municipal Bond Fund's tax-equivalent yield for the thirty-day period ended April 30, 1996, was 5.74%, assuming an effective tax rate of 32.40%.

TAX-EQUIVALENCY TABLE

Michigan Municipal Bond Fund may use a tax-equivalency table in advertising and sales literature. The interest earned by the municipal bonds in the Fund's portfolio generally remains free from federal regular income tax,* and is free from the state income tax imposed by the state of Michigan. As the table indicates, a "tax-exempt" investment is an attractive choice for investors, particularly in times of narrow spreads between tax-free and taxable yields.

TAXABLE YIELD EQUIVALENT FOR 1996

STATE OF MICHIGAN

COMBINED FEDERAL AND STATE INCOME TAX BRACKET:

	19.40%	32.40%	35.40%	40.40%	44.00%
JOINT RETURN	\$1- 40,100	\$40,101- 96,900	\$96,901- 147,700	\$147,701- 263,750	OVER \$263,750
SINGLE RETURN	\$1- 24,000	\$24,001- 58,150	\$58,151- 121,300	\$121,301- 263,750	OVER \$263,750

TAX-EXEMPT
YIELD

TAXABLE YIELD EQUIVALENT

1.50%	1.86%	2.22%	2.32%	2.52%	2.68%
2.00%	2.48%	2.96%	3.10%	3.36%	3.57%
2.50%	3.10%	3.70%	3.87%	4.19%	4.46%
3.00%	3.72%	4.44%	4.64%	5.03%	5.36%
3.50%	4.34%	5.18%	5.42%	5.87%	6.25%
4.00%	4.96%	5.92%	6.19%	6.71%	7.14%
4.50%	5.58%	6.66%	6.97%	7.55%	8.04%
5.00%	6.20%	7.40%	7.74%	8.39%	8.93%
5.50%	6.82%	8.14%	8.51%	9.23%	9.82%
6.00%	7.44%	8.88%	9.29%	10.07%	10.71%

Note: The maximum marginal tax rate for each bracket was used in calculating the taxable yield equivalent. Furthermore, additional state and local taxes paid on comparable taxable investments were not used to increase federal deductions.

The chart above is for illustrative purposes only. It is not an indicator of past or future performance of the Michigan Municipal Bond Fund.

* Some portion of Michigan Municipal Bond Fund's income may be subject to the federal alternative minimum tax and state and local taxes.

Note: The maximum marginal tax rate for each bracket was used in calculating the taxable yield equivalent. Furthermore, additional state and local taxes paid on comparable taxable investments were not used to increase federal deductions.

PERFORMANCE COMPARISONS

The Funds' performance depends upon such variables as:

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

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

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

<.R>

LIPPER ANALYTICAL SERVICES, INC. (ALL FUNDS) ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in net asset value over a specific period of time. From time to time, the Fund will quote its Lipper ranking in the "general municipal bond funds" category in advertising and sales literature.

MORNINGSTAR, INC. (ALL FUNDS), an independent rating service, is the publisher of the bi-weekly Mutual Fund Values. Mutual Fund Values rates more than 1,000 NASDAQ listed mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for two weeks.

MERRILL LYNCH 1-10 YEAR TREASURY INDEX (GOVERNMENT SECURITIES FUND) is an unmanaged index tracking intermediate term U.S. Treasury securities with maturities between 1 and 9.99 years. The index is produced by Merrill, Lynch, Pierce, Fenner & Smith, Inc.

- o LEHMAN BROTHERS GOVERNMENT/CORPORATE (TOTAL) INDEX (FIXED INCOME FUND) is comprised of approximately 5,000 issues which include: non-convertible bonds publicly issued by the U.S. government or its agencies; corporate bonds guaranteed by the U.S. government and quasi-federal corporations; and publicly issued, fixed rate, non-convertible domestic bonds of companies in industry, public utilities, and

finance. The average maturity of these bonds approximates nine years. Tracked by Lehman Brothers, the index calculates total returns for one-month, three-month, twelve-month, and ten-year periods and year-to-date.

- o LEHMAN BROTHERS INTERMEDIATE GOVERNMENT/CORPORATE BOND INDEX (FIXED INCOME FUND) is an unmanaged index comprised of all the bonds issued

by the Lehman Brothers Government/Corporate Bond Index with maturities between 1 and 9.99 years. Total return is based on price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization. LEHMAN BROTHERS SEVEN YEAR STATE GENERAL OBLIGATION BOND INDEX (MICHIGAN MUNICIPAL BOND INDEX) is an index of general obligation bonds rated A or better with 6-8 years to maturity.

Advertising and other promotional literature may include charts, graphs and other illustrations using the Funds' returns, or returns in general, that demonstrate basic investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment. In addition, the Funds can compare their performance, or performance for the types of securities in which they invest, to a variety of other investments, such as bank savings accounts, certificates of deposit, and Treasury bills.

ECONOMIC AND MARKET INFORMATION

Advertising and sales literature for the Funds may include discussions of economic, financial and political developments and their effect on the securities market. Such discussions may take the form of commentary on these developments by Fund portfolio managers and their views and analysis on how such developments could affect the Funds. In addition, advertising and sales literature may quote statistics and give general information about the mutual fund industry, including the growth of the industry, from sources such as the Investment Company Institute ("ICI"). For example, according to the ICI, twenty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$3 trillion to the more than 5,500 funds available.

DURATION

Duration is a commonly used measure of the potential volatility in the price of a bond, or other fixed income security, or in a portfolio of fixed income securities, prior to maturity. Volatility is the magnitude of the change in the price of a bond relative to a given change in the market rate of interest. A bond's price volatility depends on three primary variables: the bond's coupon rate; maturity date; and the level of market yields of similar fixed income securities. Generally, bonds with lower coupons or longer maturities will be more volatile than bonds with higher coupons or shorter maturities. Duration combines these variables into a single measure.

Duration is calculated by dividing the sum of the time-weighted values of the cash flows or a bond or bonds, including interest and principal payments, by the sum of the present values of the cash flows. When the Government Securities Fund and Fixed Income Fund invest in mortgage pass-through securities, the duration will be calculated in a manner which requires assumptions to be made regarding future principal prepayments. A more complete description of this calculation is available upon request from the Funds.

FINANCIAL STATEMENTS

The Financial Statements for the fiscal year ended April 30, 1996 are incorporated herein by reference to the Annual Reports of the Funds dated April 30, 1996 (File Nos. 33-26516 and 811-5752). A copy of the Funds' Annual Reports may be obtained without charge by contacting the Trust.

APPENDIX

STANDARD AND POOR'S RATINGS GROUP MUNICIPAL BOND RATINGS

AAA--Debt rated "AAA" has the highest rating assigned by Standard & Poor's Ratings Group ("S&P"). Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated "AA" has a very strong capacity to pay interest and repay

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

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

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

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

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 edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

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

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

NR--Not rated by Moody's.

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

FITCH INVESTORS SERVICE, INC. LONG-TERM DEBT RATINGS

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

AA--Bonds considered to be investment grade and of very high quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA". Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to

foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

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

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

PLUS (+) OR MINUS (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the AAA category.

STANDARD AND POOR'S RATINGS GROUP MUNICIPAL NOTE RATINGS

SP-1--Very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2--Satisfactory capacity to pay principal and interest.

MOODY'S INVESTORS SERVICE SHORT-TERM LOAN RATINGS

MIG1/VMIG1--This designation denotes best quality. There is a present strong protection by established cash flows, superior liquidity support or demonstrated broadbased access to the market for refinancing.

MIG2/VMIG2--This designation denotes high quality. Margins of protection are ample although not so large as in the preceding group.

FITCH INVESTORS SERVICE, INC. SHORT-TERM DEBT RATINGS

F-1+--EXCEPTIONALLY STRONG CREDIT QUALITY. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1--VERY STRONG CREDIT QUALITY. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated

F-2--GOOD CREDIT QUALITY. Issues carrying this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as the F-1+ and F-1 categories.

STANDARD AND POOR'S RATINGS GROUP COMMERCIAL PAPER RATINGS DEFINITIONS

A-1--This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus (+) sign designation. A-2--Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high as for issues designated A-1.

MOODY'S INVESTORS SERVICE COMMERCIAL PAPER RATINGS

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

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

PART C. OTHER INFORMATION.

Item 24. Financial Statements and Exhibits:

- (a) Financial Statements: (1-4,6,7) Incorporated by reference into the Annual Report of the Trust dated April 30, 1996 (File Nos. 33-26516 and 811-5752)
(5) Filed in Part A.
- (b) Exhibits:
 - (1) Conformed Copy of Declaration of Trust of the Registrant; (1.)
 - (i) Conformed Copy of Amendment No. 1 to the Declaration of Trust dated January 9, 1989; (2.)
 - (ii) Conformed Copy of Amendment No. 2 to the Declaration of Trust dated January 9, 1989; (2.)
 - (iii) Conformed Copy of Amendment No. 3 to the Declaration of Trust dated January 9, 1989; (4.)
 - (iv) Conformed Copy of Amendment No. 4 to the Declaration of Trust. dated April 8, 1991; (6.)
 - (v) Conformed Copy of Amendment No. 5 to the Declaration of Trust. dated September 26, 1991; (6.)

 - (vi) Conformed Copy of Amendment No. 6 to the Declaration of Trust. dated December 9, 1991; (10.)
 - (vii) Conformed Copy of Amendment No. 8 to the Declaration of Trust, dated December 6, 1994; (10.)
 - (viii).....Conformed Copy of Certification dated December 6, 1994; (10.)
 - (ix) Conformed Copy of Amendment No. 9 to the Declaration of Trust dated May 4, 1995; (12.)

+All exhibits have been filed electronically.

- 1. Response is incorporated by reference to Registrant's Initial Registration Statement on Form N-1A filed on January 13, 1989. (File Nos. 33-26516 and 811-5752)

2. Response is incorporated by reference to Registrant's Pre-Effective Amendment No. 1 on Form N-1A filed on May 5, 1989. (File Nos. 33-26516 and 811-5752)
4. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 2 on Form N-1A filed on June 27, 1990. (File Nos. 33-26516 and 811-5752)
6. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 5 on Form N-1A filed June 24, 1992. (File Nos. 33-26516 and 811-5752)
10. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 10 on Form N-1A filed February 8, 1995. (File Nos. 33-26516 and 811-5752)
12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1995. (File Nos. 33-26516 and 811-5752)

- (2) Copy of By-Laws of the Registrant; (1.)
- (3) Not applicable;
- (4) (i) Copy of Specimen Certificate for Shares of Beneficial Interest of Independence One U.S. Government Securities Fund; (7.)
- (ii) Copy of Specimen Certificate for Shares of Beneficial Interest of Independence One Equity Plus Fund, Independence One Fixed Income Fund, and Independence One Michigan Municipal Bond Fund; (14.)
- (iii) Copy of Specimen Certificate for Shares of Beneficial Interest of Independence One U.S. Treasury Money Market Fund; (2.)
- (iv) Copy of Specimen Certificates for Shares of Beneficial Interest of Independence One Michigan Municipal Cash Fund and Independence One Prime Money Market Fund-Class A Shares and Class B Shares; (16.)
- (5) Conformed copy of Investment Advisory Contract of the Registrant as amended; (8.)
 - (i) Conformed copy of Investment Sub-Advisory Contract for Independence One U.S. Government Securities Fund; (8.)
 - (ii) Conformed copy of Exhibit G to the Present Investment Advisory Contract of the Registrant to add Independence One Fixed Income Fund to the Present Investment Advisory Contract of the Registrant; (14.)
 - (iii) Conformed copy of Exhibit H to the Present Investment Advisory Contract of the Registrant to add Independence One Michigan Municipal Bond Fund to the Present Investment Advisory Contract of the Registrant; (14.)
 - (iv) Conformed copy of Exhibit I to the Present Investment Advisory Contract of the Registrant to add Independence One Equity Plus Fund to the Present Investment Advisory Contract of the Registrant; (14.)
 - (v) Conformed copy of Investment Sub-Advisory Agreement for Independence One Equity Plus Fund; (14.)

+All exhibits have been filed electronically.

1. Response is incorporated by reference to Registrant's Initial Registration Statement on Form N-1A filed on January 13, 1989. (File Nos. 33-26516 and 811-5752)
7. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 6 on Form N-1A filed September 2, 1992. (File Nos. 33-26516 and 811-5752)
8. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 7 on Form N-1A filed June 24, 1993. (File Nos. 33-26516 and 811-5752)
14. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 on Form N-1A filed on August 29, 1995. (File Nos. 33-26516 and 811-5752)

16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1996. (File Nos. 33-26516 and 811-5752)

- (6) Conformed Copy of Distributor's Contract of Registrant through and including Exhibit C; (16.)
 - (i) Conformed Copy of Exhibit D to the Distributor's Contract; (10.)
 - (ii) Conformed Copy of Exhibit E to the Distributor's Contract; (10.)
 - (iii) Conformed copy of Exhibit F to the Distributor's Contract; (13.)
 - (iv) Conformed copy of Exhibit G to the Distributor's Contract; (13.)
 - (v) Conformed copy of Exhibit H to the Distributor's Contract; (13.)
 - (vi) Conformed copy of Exhibit I to the Distributor's Contract; (13.)
- (7) Not applicable;
- (8) (i) Conformed Copy of Custodian Agreement of the Registrant through and including Exhibit A; (16.)
 - (ii) Conformed Copy of the Agency Agreement of the Registrant; (3.)
 - (iii) Conformed Copy of the Administrative Services Agreement of the Registrant; (16.)
 - (iv) Conformed Copy of Amendment No. 1 to Exhibit A of Agency Agreement of the Registrant; (7.)
- (9) (i) Conformed Copy of Agreement for Fund Accounting, Shareholder Recordingkeeping, and Custody Services Procurement; (10.)
 - (ii) Conformed copy of Shareholder Services Plan; (13.)
 - (iii) Conformed Copy of Exhibit 1 to the Shareholder Services Plan of the Registrant; (12.)
 - (iv) Conformed copy of of Shareholder Services Agreement (Amended and Restated 9/19/95); (15.)
 - (v) Conformed Copy of Exhibit 1 to the Shareholder Services Agreement of the Registrant; (12.)
- (10) Conformed Copy of Opinion and Consent of Counsel as to legality of shares being registered; (16.)

+All exhibits have been filed electronically.

- 3. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 1 on Form N-1A filed on December 12, 1989. (File Nos. 33-26516 and 811-5752)
- 7. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 6 on Form N-1A filed September 2, 1992. (File Nos. 33-26516 and 811-5752)
- 10. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 10 on Form N-1A filed February 8, 1995. (File Nos. 33-26516 and 811-5752)
- 12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1995. (File Nos. 33-26516 and 811-5752)
- 13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 on Form N-1A filed on July 25, 1995. (File Nos. 33-26516 and 811-5752)
- 15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 17 on Form N-1A filed on December 5, 1995. (File Nos. 33-26516 and 811-5752)
- 16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1996. (File Nos. 33-26516 and 811-5752)

- (11) (i) Conformed Copy of Independent Auditors Consent for Independence One Prime Money Market Fund, Independence One U.S. Treasury Money Market Fund, Independence One Michigan Municipal Cash Fund and Independence One Equity Plus Fund; (16.)
 - (ii) Conformed Copy of Independent Auditors Consent for Independence One U.S. Government Securities Fund, Independence One Fixed Income Fund, and

- (12) Not applicable;
- (13) Conformed Copy of Initial Capital Understanding; (16.)
- (14) Not applicable;
- (15) (i) Conformed Copy of Distribution Plan through and including Exhibit A; (16.)
(ii) Copy of Sales Agreement with Federated Securities Corp. and Administrative Agreement - Appendix B; (2.)

- (iii) Conformed copy of Exhibit B of Distribution Plan; (8.)
- (iv) Copy of Schedule A of Sales Agreement with Federated Securities Corp.; (7.)
- (v) Copy of Fee Schedule for Rule 12b-1 Agreement with Federated Securities Corp.; (7.)
- (16) (I) Copy of Schedule for Computation of Performance Data (Return) for Independence One Equity Plus Fund; (15.)
(ii) Copy of Schedule for Computation of Performance Data (SEC Yield) for Independence One Equity Plus Fund; (15.)
(iii) Copy of Schedule for Computation of Performance Data (Return) for Independence One Fixed Income Fund; (15.)
(iv) Copy of Schedule for Computation of Performance Data (SEC Yield) for Independence One Fixed Income Fund; (15.)
(v) Copy of Schedule for Computation of Performance Data (Return) for Independence One Michigan Municipal Bond Fund; (16.)

+All exhibits have been filed electronically.

- 2. Response is incorporated by reference to Registrant's Pre-Effective Amendment No. 1 on Form N-1A filed on May 5, 1989. (File Nos. 33-26516 and 811-5752)
- 3. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 1 on Form N-1A filed on December 12, 1989. (File Nos. 33-26516 and 811-5752)

- 7. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 6 on Form N-1A filed September 2, 1992. (File Nos. 33-26516 and 811-5752)
- 8. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 7 on Form N-1A filed June 24, 1993. (File Nos. 33-26516 and 811-5752)
- 13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 on Form N-1A filed on July 25, 1995. (File Nos. 33-26516 and 811-5752)
- 15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 17 on Form N-1A filed on December 5, 1995. (File Nos. 33-26516 and 811-5752)
- 16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1996. (File Nos. 33-26516 and 811-5752)

- (vi) Copy of Schedule for Computation of Performance Data (SEC Yield) for Independence One Michigan Municipal Bond Fund; (16.)
- (vii) Copy of Schedule for Computation of Performance Data for Independence One Money Market Funds and Independence One U.S. Government Securities Fund; (3.)
- (17) Copy of Financial Data Schedules; +
- (18) Conformed Copy of 18f-3 Plan; +
- (19) Conformed Copy of Power of Attorney; (16.)

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

None

Item 26. Number of Holders of Securities:

Title of Class	Portfolio name	Number of Record Holders as of August 2, 1996
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Shares of beneficial interest	Independence One Prime Money Market Fund (Class A)	2,578
	Independence One Prime Money Market Fund (Class B)	16
	Independence One U.S. Treasury Money Market Fund	817
	Independence One Michigan Municipal Cash Fund	834
	Independence One U.S. Government Securities Fund	12
	Independence One Michigan Municipal Bond Fund	9
	Independence One Equity Plus Fund	39
	Independence One Fixed Income Fund	9

Item 27. Indemnification: (4.)

3. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 1 on Form N-1A filed on December 12, 1989. (File Nos. 33-26516 and 811-5752)
4. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 2 on Form N-1A filed on June 27, 1990. (File Nos. 33-26516 and 811-5752)
13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 16 on Form N-1A filed on July 25, 1995. (File Nos. 33-26516 and 811-5752)
15. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 17 on Form N-1A filed on December 5, 1995. (File Nos. 33-26516 and 811-5752)
16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 14 on Form N-1A filed on June 28, 1996. (File Nos. 33-26516 and 811-5752)

Item 28. Business and Other Connections of Investment Adviser:

Michigan National Bank, a national banking association (the "Adviser"), is a wholly owned subsidiary of Michigan National Corporation ("MNC"). Through its subsidiaries and affiliates, MNC, Michigan's sixth largest bank holding company in terms of

total assets, as of March 31, 1996, offers a full range of financial services to the public including commercial lending, depository services, cash management, brokerage services, retail banking, credit card services, mortgage banking, investment advisory services and trust services. Independence One Capital Management Corporation ("IOCM"), a nationally recognized investment advisory subsidiary of MNC, provides investment advisory services for trust and other managed assets. IOCM and the Trust Division have investment discretion over \$1.8 billion. Michigan National Bank has managed mutual funds since May 1989. The Trust Division has managed pools of commingled funds since 1964. For more information on the business of the Adviser, see the Prospectus under the heading "Management of the Trust--Investment Adviser."

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

Vocation or Employment is with Michigan National Bank. The business address of each such director and officer is 27777 Inkster Road, Farmington Hills, Michigan, 48333-9065.

Name	Position with the Adviser	Other Substantial Business Profession, Vocation or Employment
Daniel T. Carroll	Director	Director, Michigan National Corporation; Chairman and President, The Carroll Group.
John S. Carton	Director	Director, Michigan National Corporation; Chairman, President, and CEO, Development Company.
Sidney E. Forbes	Director	Director, Michigan National Corporation; Partner, Forbes/Cohen Properties. Other Substantial
Sue Ling Gin	Director	Director, Michigan National Corporation; Chairman and Chief Executive Officer, Flying Food Fare, Inc.
Morton E. Harris	Director	Director, Michigan National Corporation; Managing Partner, Spectrum Associates.
Gerald B. Mitchell	Director	Director, Michigan National Corporation; Retired Chairman and Chief Executive Officer, Dana Corporation.
Robert J. Mylod	Director, Chairman and	Director, Chairman, and Chief Executive
William F. Pickard	Chief Executive Officer Director	Officer, Michigan National Corporation. Director, Michigan National Corporation, Chairman and Chief Executive Officer, Regal Plastics Company.
Douglas E. Ebert	Director, President and Chief Officer	President and Chief Operating Officer, Michigan National Corporation
Stanton Kinnie Smith, Jr.		Director Director, Michigan National Corporation; Vice Chairman, CMS Energy Corporation.
Walter H. Teninga	Director	Director, Michigan National Corporation; Retired President and CEO, American Club Stores, Inc.
Stephen A. VanAndel	Director	Director, Michigan National Corporation; Vice President and Chairman, Amway Corporation.
Richard T. Walsh	Director	Director, Michigan National Corporation; Consultant.
James A. Williams	Director	Director, Michigan National Corporation; Chairman and President Williams, Schaefer, Ruby & Williams.
Lawrence L. Gladchun	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary, Michigan National

Corporation.

Richard C. Webb	Senior Vice President Commercial Banking	Senior Vice President, Michigan National Corporation.
Joseph J. Whiteside	Executive Vice President and Chief Financial Officer	
William D. Ritsema	Senior Vice President, Credit Administration	Senior Vice President, Michigan National Corporation.
Robert V. Panizzi	First Vice President and Controller	First Vice President, Michigan National Corporation.
Marc L. Belsky	First Vice President	First Vice President Planning and Analysis Michigan National Corporation.
Edward H. Sondker	First Vice President	President and CEO Independence One Bank of California

National Australia Bank Limited ("NAB") is a transnational banking organization headquartered at 500 Bourke Street, Melbourne, Australia. NAB is a publicly owned company, whose shares are widely held and traded on the Australian Stock Exchange Limited. On February 4, 1995, the Board of Directors of MNC approved a definitive agreement for the acquisition (the "Merger") of MNC by NAB. Shareholders of MNC approved the Merger on June 2, 1995. As a result, MNC and its subsidiaries, including the Adviser, would become direct or indirect subsidiaries of NAB upon completion of the Merger. The Merger was completed and Operations will continue to be conducted under the Michigan National Corporation and Michigan National Bank names.

On May 4, 1995, the Trust's Board of Trustees approved the present investment advisory contract (the "Present Advisory Contract") between the Trust, on behalf of Independence Once Equity Plus Fund, Independence One Fixed Income Fund and Independence One Michigan Municipal Bond Fund (collectively, the "Portfolios"), and Michigan National Bank, as a subsidiary of MNC. Under the provisions of the Investment Company Act of 1940, completion of the Merger resulted in an assignment, and termination of the Portfolios' Present Advisory Contract with the Adviser. Also on May 4, 1995, the Portfolios' Board of Trustees approved a new investment advisory contract (the "New Advisory Contract") between the Trust, on behalf of the Portfolios, and Michigan National Bank, as a subsidiary of

NAB. The New Advisory Contract became effective upon consummation of the Merger.

The following information appeared in NAB's Annual Report for its fiscal year ended September 30, 1995.

NAB, together with its subsidiaries (collectively, the "Group"), is one of the four major Australian commercial banks ("trading banks" in Australian terminology) which together account for approximately 67.7% of commercial banking assets in Australia as of September 1995, according to the Reserve Bank of Australia Bulletin. The Group undertakes a range of banking, financial and related activities in Australia and elsewhere in the world, including commercial banking, savings banking, finance and life insurance and merchant and investment banking. As of September 30, 1995, Group assets totalled A\$147.1 billion, of which approximately 58.0% was domiciled in Australia, and Group deposits and borrowings totalled A\$90.8 billion, of which approximately 50.4% was domiciled in Australia+.

NAB was established as "The National Bank of Australasia" in 1858 in Victoria, Australia. Through internal expansion and the acquisition of other banks, NAB developed into a national commercial bank. In its present

form, NAB is the product of the merger in 1981 of The National Bank of Australasia Limited and Commercial Banking Company of Sydney Limited, the latter Bank being established in 1834 in New South Wales, Australia.

At September 30, 1995 the Group had 52,567 full-time and part-time employees worldwide.

Banking, the Group's principal business activity, is conducted in Australia by NAB and internationally by NAB and certain subsidiaries. As of September 30, 1995, NAB was the second largest commercial bank in Australia (according to the Reserve Bank of Australia Bulletin) based on domestic assets of \$85 billion. The Group is the largest Australian banking group based on its global assets of A\$147.1 billion+.

Consistent with its philosophy of providing customers with a comprehensive range of financial products and services, in 1985 the Group established a life insurance and funds management entity, National Australia Financial Management Limited. This entity and its subsidiaries provide the Australian market with a range of personal financial planning services, personal life and disability insurance, personal superannuation and managed investments, corporate superannuation, group life insurance and various investment management services. At September 30, 1995, funds under management amounted to A\$3.7 billion. Two of the Group's banking subsidiaries in the United Kingdom, Yorkshire Bank and Northern Bank, offer certain insurance and investment products through subsidiaries, mainly in the areas of funds management and other investment related products.

At November 11, 1995, the directors* and principal executive officer of NAB were as follows:

+These figures reflect Australian dollars.

*The Directors of NAB are classified as either Executive or Non-Executive, with the former being those Directors engaged in the full-time employment of NAB. Mr. Donald Argus is the only Executive Director.

Name and Position with NAB	Position/Directorship Held Since	Principal Occupation(s)
William Robert Mitchel Irvine	1992/1979	Barrister and Chairman and Director/Solicitor; Director, Bank of New Zealand; Chairman, National Australia Financial Management Limited and National Australia Group (UK) Limited; former Partner, Hedderwick Fookes & Alston, Solicitors.
Brian Thorley Loton	1992/1988	Chairman, The Vice-Chairman Broken Hill and Director Proprietary Company Limited; Director, Amcor Limited and Australian Foundation Investment Company Limited; Alternate Director, National Australia Group (UK) Limited; former Managing Director, The Broken Hill Proprietary Company Limited.
David Kennedy Macfarlane	1992/1985	Chairman NAB's Principal Board Audit Committee; Chairman of National Australia Asset Management Limited and Alternate Director, National Australia Group (UK) Limited; 33 years' experience with James Hardie Industries Limited, 12 years of which as Managing

Director.

Donald Robert Argus Director and Executive Officer Limited, National	1990/1989	National Bank of New Zealand, Managing Clydesdale Bank PLC National Chief Australia Financial Management Group (UK) Irish Bank , Limited Northern Bank Limited and Yorkshire Bank PLC.
David Charles	1992	Director, Woodside Petroleum Keith Allen Limited and a member of the Principal Board Audit Committee.
Peter John Waraker Cottrell	1985	Chairman, Director Email Limited.
Dr. Christopher Michael Deeley and Chairman		1992 Non-Executive Director North Limited; former Managing Director Director and Chief Executive, ICI Australia Limited.
David Alexander Tange Dickens Director Limited.	1981	Alternate Director, Bank of New Zealand; former Partner, Court & Co. Chartered Accountants; former Director, The Commercial Banking Company of Sydney
The Lord Nickson	1991	Chairman, Director, Clydesdale Bank PLC; Director, National Australia Group (UK) Limited.
Mark Richard Rayner Director	1985	Director and Group Executive, CRA Limited; Deputy Chairman and former Managing Director, Comalco Limited, Chairman, Pasminco Limited; member of NAB's Principal Board Audit Committee.
Joseph Charles Trethowan Director		1984 Vice Chairman of Directors and Chairman, Audit Committee of National Australia Financial Management Limited; member of NAB's Principal Board Audit Committee; former Chairman and General Manager, State Electricity Commission of Victoria.
Andrew Trunbull Director	1992	Non-Executive Chairman and former Managing Director and Chief Executive Officer, Burns Philip and Company Limited.
Sir Bruce Dunstan Watson Director	1992	Former Chairman, Director, and Chief Executive Officer, MIM Holdings Limited.
CM Walter	1995	Solicitor, former Partner, Clayton Utz; Director of Ampolex Limited, SGIO Insurance Limited and Melbourne Business School Limited; Commissioner of City of Melbourne.

The address of the Directors and principal executive officer of NAB is c/o
500 Bourke Street, Melbourne, Australia.

Item 29. Principal Underwriters:

- (a) 111 Corcoran Funds; Annuity Management Series; Arrow Funds;
Automated Government Money Trust; BayFunds; Blanchard Funds;

Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities, Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.; Federated Government Trust; Federated High Income Bond Fund, Inc.; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Institutional Trust; Federated Insurance Series; Federated Master Trust; Federated Municipal Opportunities Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal Trust; Federated Short-Term Municipal Trust; Federated Short-Term U.S. Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.; Federated U.S. Government Bond Fund; Federated U.S. Government Securities Fund: 1-3 Years; Federated U.S. Government Securities Fund: 2-5 Years; Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; Fortress Utility Fund, Inc.; High Yield Cash Trust; Independence One Mutual Funds; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; Investment Series Trust; Liberty U.S. Government Money Market Trust; Liquid Cash Trust; Managed Series Trust; Marshall Funds, Inc.; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; Newpoint Funds; Peachtree Funds; RIMCO Monument Funds; SouthTrust Vulcan Funds; Star Funds; Targeted Duration Trust; Tax-Free Instruments Trust;

The Biltmore Funds; The Biltmore Municipal Funds; The Monitor Funds; The Planters Funds; The Starburst Funds; The Starburst Funds II; The Virtus Funds; Tower Mutual Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; Vision Group of Funds, Inc.; and World Investment Series, Inc.

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

(b)

(1) Name and Principal Business Address	(2) Positions and Offices With Underwriter	(3) Positions and Offices With Registrant
Richard B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Chairman, Chief Executive Officer, Chief Operating Officer, Asst. Secretary, and Asst. Treasurer, Federated Securities Corp.	--
Edward C. Gonzales Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Executive Vice President and President, Federated, Securities Corp.	Treasurer
John W. McGonigle Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Federated Securities Corp.	--
John B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	President-Institutional Sales, Federated Securities Corp.	--
James F. Getz Federated Investors Tower Pittsburgh, PA 15222-3779	President-Broker/Dealer, Federated Securities Corp.	--

Mark R. Gensheimer	Executive Vice President of	--
Federated Investors Tower	Bank/Trust, Federated	
Pittsburgh, PA 15222-3779	Securities Corp.	
Mark W. Bloss	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Richard W. Boyd	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Theodore Fadool, Jr.	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Bryant R. Fisher	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Christopher T. Fives	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
James S. Hamilton	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
James M. Heaton	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Keith Nixon	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Solon A. Person, IV	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Timothy C. Pillion	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Thomas E. Territ	Senior Vice President,	--
Federated Investors Tower	Federated Securities Corp	
Pittsburgh, PA 15222-3779		
John B. Bohnet	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Byron F. Bowman	Vice President, Secretary,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Jane E. Broeren-Lambesis	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Mary J. Combs	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
R. Edmond Connell, Jr.	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Kevin J. Crenny	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Daniel T. Culbertson	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
G. Michael Cullen	Vice President,	--
Federated Investors Tower	Federated Securites Corp.	
Pittsburgh, PA 15222-3779		
Laura M. Deger	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Jill Ehrenfeld	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Mark D. Fisher	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Michael D. Fitzgerald	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Joseph D. Gibbons	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Craig S. Gonzales	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Richard C. Gonzales	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Scott A. Hutton	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
H. Joeseeph Kenedy	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
William E. Kugler	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Steven A. La Versa	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
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Mark J. Miehler	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Richard C. Mihm	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
J. Michael Miller	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Michael P. O'Brien	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		
Robert D. Oehlschlager	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	

Pittsburgh, PA 15222-3779

Robert F. Phillips Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Eugene B. Reed Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Paul V. Riordan Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

John C. Shelar, Jr. Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

David W. Spears Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Jeffrey A. Stewart Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Jamie M. Teschner Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

William C. Tustin Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Paul A. Uhlman Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Richard B. Watts Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Michael P. Wolff Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Charlene H. Jennings Assistant Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

J. Timothy Radcliff Assistant Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Denis McAuley Treasurer, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Thomas R. Donahue Asstistant Secretary, --
Federated Investors Tower Assistant Treasurer,
Pittsburgh, PA 15222-3779 Federated Securities Corp.

Joseph M. Huber Assistant Secretary, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

David M. Taylor Assistant Secretary, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

(c) Not applicable.

Item 30. Location of Accounts and Records:

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

Independence One Mutual Funds (Registrant)	Federated Investors Tower Pittsburgh, PA 15222-3779
Federated Services Company ("Transfer Agent, Dividend Disbursing Agent and Portfolio Recordkeeper").....	P.O. Box 8600 Boston, Massachusetts 02266- 8600
Federated Administrative Services (Administrator).....	Federated Investors Tower Pittsburgh, PA 15222-3779
Michigan National Bank... (Adviser).....	27777 Inkster Road Mail Code 10-52 Farmington Hills, MI 48333
Michigan National Bank... (Custodian).....	27777 Inkster Road Mail Code 10-30 Farmington Hills, MI 48333

Item 31. Management Services: Not applicable.

Item 32. Undertakings:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, INDEPENDENCE ONE MUTUAL FUNDS, certifies that it meets all of the requirements for effectiveness of this Amendment to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Amendment to its Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Pittsburgh and Commonwealth of Pennsylvania, on the 26th day of August, 1996.

INDEPENDENCE ONE MUTUAL FUNDS

BY: /s/ Gail Cagney
Gail Cagney, Assistant Secretary
Attorney in Fact for Edward C. Gonzales
August 26, 1996

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

NAME	TITLE	DATE
By: /s/ Gail Cagney Gail Cagney ASSISTANT SECRETARY	Attorney In Fact For the Persons Listed Below	August 26, 1996

NAME	TITLE
Edward C. Gonzales*	President and Treasurer (Chief Executive Officer and Principal Financial and Accounting Officer)
Robert E. Baker.*	Trustee
Harrold Berry*	Trustee
Clarence G. Frame*	Trustee
Harry J. Nederlander*	Trustee
Thomas S. Wilson*	Trustee

* By Power of Attorney

INDEPENDENT AUDITORS' CONSENT

The Board of Trustees
Independence One Mutual Funds:

With respect to this Post-Effective Amendment No. 19 to the Registration Statement (33-26516) on Form N-1A of Independence One Mutual Funds, we consent to the use of our reports dated June 14, 1996, on the financial statements of the funds listed below, incorporated by reference and to the references to our Firm under the headings "Financial Highlights" in Part A of the Registration Statement and "Other Services-Independent Auditors" in Part B of the Registration Statement.

Independence One U.S. Government Securities Fund;
Independence One Fixed Income Fund; and
Independence One Michigan Municipal Bond Fund

Pittsburgh, Pennsylvania
August 23, 1996

KPMG Peat Marwick LLP

INDEPENDENCE ONE MUTUAL FUNDS

MULTIPLE CLASS PLAN

AMENDED AND RESTATED AS OF SEPTEMBER 19, 1995

This Multiple Class Plan ("Plan") is adopted by INDEPENDENCE ONE MUTUAL FUNDS (the "Trust"), a Massachusetts business trust, with respect to the classes of shares ("Classes") of the portfolios of the Trust (the "Funds") set forth in exhibits hereto.

PURPOSE

1. This Plan is adopted pursuant to Rule 18f-3 under the Investment Company Act of 1940, as amended (the "Rule"), in connection with the issuance by the Trust of more than one class of shares of any or all of the Funds ("Covered Classes") in reliance on the Rule .

2. SEPARATE ARRANGEMENTS/CLASS DIFFERENCES

The Funds set forth on Exhibit A offer two classes of shares which are titled Class A Shares and Class B Shares. The only expenses allocated to the shares as a class are expenses that may be incurred with respect to Class A Shares under this Plan and the related Shareholder Services Agreement adopted with respect to Class A Shares.

Class B Shares are designed primarily for institutions, corporations, and fiduciaries.

Class A Shares may be purchased by all types of investors, including individuals. Checkwriting privileges, as they relate to Class A Shares, are as described in the applicable prospectus. Providers of personal services to, and/or the maintenance of accounts for, the holders of Class A Shares may be paid up to 0.25 of 1% of the average net assets of the Class A Shares in consideration of the performance of such services.

The minimum initial investments in the Covered Classes are \$1,000,000.00 for Class B Shares and \$1,000.00 for Class A Shares. Subsequent investments may be made in the amount of \$100.00 for all Covered Classes.

Shareholders are entitled to one vote for each share held on the record date for any action requiring a vote by the shareholders and a proportionate fractional vote for each fractional share held. Shareholders of the Trust will vote in the aggregate and not by Fund or class except (i) as otherwise expressly required by law or when the Trustees determine that the matter to be voted upon affects only the interests of the shareholders of a particular Fund or class, and (ii) only holders of Class A Shares will be entitled to vote on

matters submitted to shareholder vote with respect to the Shareholder Services Plan applicable to such class.

3. EXPENSE ALLOCATIONS

The expenses incurred pursuant to the Shareholder Services Plan will be borne solely by the Class A Shares class of the applicable Fund, and constitute the only expenses allocated to one class and not the other.

4. EXCHANGE FEATURES

A shareholder may exchange shares of one Fund for the appropriate class of shares of any other Fund in the Trust.

EFFECTIVENESS

5. This Plan shall become effective with respect to each Class, (i) to the extent required by the Rule, after approval by a majority vote of: (a) the Trust's Board of Trustees; (b) the members of the Board of the Trust who are not interested persons of the Trust and have no direct or indirect financial interest in the operation of the Trust's Plan; and/or (ii) upon execution of an exhibit adopting this Plan with respect to such Class.

6. AMENDMENT

This Plan may be amended at any time, with respect to any Class, by a majority vote of: (i) the Trust's Board of Trustees; and (ii) the members of the Board of Trustees who are not interested persons of the Trust and have no direct or indirect financial interest in the operation of this Plan.

INDEPENDENCE ONE MUTUAL FUNDS

EXHIBIT A
to the
MULTIPLE CLASS PLAN

INDEPENDENCE ONE PRIME MONEY MARKET FUND:
CLASS A SHARES
CLASS B SHARES

This Multiple Class Plan is adopted by INDEPENDENCE ONE MUTUAL FUNDS with respect to the Classes of Shares of the portfolio of INDEPENDENCE ONE MUTUAL FUNDS set forth above.

Witness the due execution hereof as of this 19th day of September, 1995.

INDEPENDENCE ONE MUTUAL FUNDS

By: /s/E. C. Gonzales

Title: President

Date: 9/19/95

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<AVERAGE-NET-ASSETS>	365,538,467
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<INVESTMENTS-AT-COST>	72,438,908
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