

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### PEACHTREE FUNDS

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Peachtree Prime Money Market Fund  
Peachtree Government Money Market Fund  
(Portfolios of Peachtree Funds)

Combined Prospectus

The Shares of Peachtree Government Money Market Fund (the "Government Money Fund") and Peachtree Prime Money Market Fund (the "Prime Money Fund") (individually referred to as a "Fund" and collectively as the "Funds") offered by this Combined Prospectus represent interests in two separate portfolios of securities with distinct investment objectives and policies. The Funds are two of a series of investment portfolios comprising Peachtree Funds (the "Trust"), an open-end management investment company (a mutual fund).

The Funds attempt to maintain a stable net asset value of \$1.00 per share; there can be no assurance that the Funds will be able to do so.

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

Each Fund has also filed a Statement of Additional Information dated February 28, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this Combined Prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Funds by contacting the Peachtree Funds Service Center at 1-404-989-6200 or 1-800-621-8969.

SHARES OF THE FUNDS ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, AND ARE NOT ISSUED, ENDORSED OR GUARANTEED BY, BANK SOUTH, N.A. (THE "BANK") OR ANY OF ITS AFFILIATES. SUCH SHARES ARE NOT ISSUED, INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENT AGENCY. AN INVESTMENT IN THE FUNDS INVOLVES CERTAIN RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

THE BANK IS THE INVESTMENT ADVISER TO THE FUNDS. THE FUNDS ARE DISTRIBUTED BY FEDERATED SECURITIES CORP., WHICH IS NOT AFFILIATED WITH THE BANK.

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

February 28, 1994

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Summary of Fund Expenses	
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<TABLE>  
<CAPTION>

	Prime Money Fund <C>	Government Money Fund <C>
Shareholder Transaction Expenses		
<S>		
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	None	None
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....	None	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....	None	None
Redemption Fees (as a percentage of amount redeemed, if applicable).....	None	None
Exchange Fee.....	None	None
Annual Fund Operating Expenses*		
(As a percentage of projected average net assets)		
Management Fee (after waiver) (1).....	0.29 %	0.30 %
12b-1 Fees (2).....	0.00 %	0.00 %
Other Expenses (after waiver) (3).....	0.21 %	0.20 %
Total Fund Operating Expenses (4).....	0.50 %	0.50 %
</TABLE>		

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- (1) The estimated management fee has been reduced to reflect the anticipated voluntary waiver of a portion of the management fee by the investment adviser. The investment adviser can terminate this voluntary waiver at any time in its sole discretion. The maximum management fee is 0.50%.
- (2) As of the date of this prospectus, the Funds are not paying or accruing 12b-1 fees. The Funds can pay up to 0.25% as a 12b-1 fee to the distributor. Certain trust clients of the Bank or its affiliates, including ERISA plans, will not be affected by the distribution plan because the distribution plan will not be activated unless and until a second, "Trust," class of shares of the Funds (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Funds are converted to such Trust class.

- (3) Total Other Expenses are estimated to be 0.23% for Prime Money Fund and 0.21% for Government Money Fund absent the anticipated voluntary waiver by the transfer agent.
- (4) The Total Fund Operating Expenses are estimated to be 0.73% for Prime Money Fund and 0.71% for Government Money Fund absent the anticipated voluntary waivers by the adviser and transfer agent.
- \* Expenses are estimated based on average expenses expected to be incurred during the fiscal year ending September 30, 1994. During the course of this period, expenses may be more or less than the average amount shown.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Funds will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Peachtree Funds Information" and "Investing in the Funds." Wire transfer redemptions may be subject to an additional fee.

<TABLE>  
 <CAPTION>  
 EXAMPLE

<S>	1 year <C>	3 years <C>
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. As noted in the table above, the Funds charge no contingent deferred sales charge.		
Prime Money Fund.....	\$5	\$16
Government Money Fund.....	\$5	\$16

</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. This example is based on estimated data for the Funds' fiscal year ending September 30, 1994.

General Information

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The Trust was established as a Massachusetts business trust under a Declaration of Trust dated September 22, 1993, as amended and restated dated December 20, 1993. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. This prospectus relates only to the Trust's Prime Money Fund and Government Money Fund. A minimum initial investment of \$1,000 is required (\$500 for Individual Retirement Accounts ("IRAs")), and subsequent investments must be in amounts of at least \$100. See "Investing in the Funds."

The Funds attempt to stabilize the value of a share at \$1.00. Shares are currently sold and redeemed at that price. See "Net Asset Value" on page 11.

Prime Money Fund Investment Information

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Investment Objective

The Prime Money Fund's investment objective is to achieve current income consistent with stability of principal and liquidity. The investment objective cannot be changed without the approval of the Prime Money Fund's shareholders. While there is no assurance that the Prime Money Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

Investment Policies

The Prime Money Fund pursues its investment objective by investing in a portfolio of high quality money market instruments maturing in 13 months or less. The average maturity of money market instruments in the Prime Money Fund's portfolio, computed on a dollar-weighted basis, will be 90 days or less. Unless indicated otherwise, the investment policies may be changed by the Board of Trustees without the approval of Prime Money Fund shareholders. Shareholders will be notified before any material changes in these policies become effective.

Acceptable Investments. The Prime Money Fund invests in high quality money market instruments that are either rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations

("Rating Agencies") or are deemed by the Adviser to be of comparable quality to securities having such ratings. Examples of these instruments include, but are not limited to:

domestic issues of corporate debt obligations, including variable rate demand notes;

commercial paper (including Canadian Commercial Paper ("CCP") and Europaper);

certificates of deposit, demand and time deposits, bankers' acceptances and other instruments of domestic and foreign banks and other depository institutions ("Bank Instruments");

short-term credit facilities;

asset-backed securities, including commercial paper;

obligations issued or guaranteed as to payment of principal and interest by the U.S. Government or one of its agencies or instrumentalities ("Government Securities"); and

other money market instruments.

The Prime Money Fund invests only in instruments denominated and payable in U.S. dollars.

**Variable Rate Demand Notes.** Variable rate demand notes are generally long-term debt instruments that have variable or floating interest rates and provide the Prime Money 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 index or rate such as the prime rate, LIBOR or another published rate or index. Most variable rate demand notes allow the Prime Money Fund to demand the repurchase of the security on not more than seven days prior notice. Other notes only permit the Prime Money Fund to tender the security at the time of each interest rate adjustment or at other fixed intervals. The Prime Money Fund treats variable rate demand notes as maturing on the later of the next interest adjustment date or the date on which the Prime Money Fund may next tender the security for repurchase. See "Demand Features."

**Demand Features.** The Prime Money Fund may acquire securities that are subject to puts and standby commitments ("demand features") to purchase such securities at their principal amount (usually with accrued interest) within a fixed period (usually seven days) following a demand by the Prime Money Fund. A 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 Prime Money Fund uses these arrangements to provide the Prime Money 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.

**Bank Instruments.** The Prime Money Fund only invests in Bank Instruments either (i) issued by an institution having capital, surplus and undivided profits over \$100 million (an "Eligible Bank") or (ii) that are insured by the FDIC's Bank Insurance Fund ("BIF") or Savings Association Insurance Fund ("SAIF"). Bank Instruments may include Eurodollar Certificates of Deposit ("ECDs"), Yankee Certificates of Deposit ("Yankee CDs") and Eurodollar Time Deposits ("ETDs") issued by Eligible Banks. The Fund will treat securities that are credit enhanced by an Eligible Bank's irrevocable letter of credit or unconditional guaranty as Bank Instruments.

**Asset-Backed Securities.** Asset-backed securities are securities issued generally by special purpose entities, such as trusts, limited partnerships and corporations whose primary assets consist of a pool of loans, leases or accounts receivable (collectively, "Receivables"). The securities may take the form of debt and other interests in the special purpose entities. Each special purpose entity will be treated as a separate issuer for diversification purposes. Although the securities often have some form of credit or liquidity enhancement, payments on the securities depend predominantly upon collections of the underlying Receivables and not upon the creditworthiness of the originator or seller of the Receivables.

Short-Term Credit Facilities. The Prime Money Fund may enter into, or acquire participations in, short-term borrowing arrangements with corporations, often consisting of either a short-term revolving credit facility or a master note payable upon demand. Under these arrangements, the borrower may reborrow funds during the term of the facility. The Prime Money Fund treats any commitments to provide such advances as a standby commitment to purchase the borrower's notes.

Ratings. For purposes of the Prime Money Fund, a Rating Agency's highest rating category is determined without regard for sub-categories and gradations. For example, securities rated A-1 or A-1+ by Standard & Poor's Corporation ("S&P"), Prime-1 by Moody's Investors Service, Inc. ("Moody's"), F-1 (+ or -) by Fitch Investors Service, Inc. ("Fitch"), Duff-1 (+ or -) by Duff & Phelps Credit Rating Co. ("Duff & Phelps") are all considered rated in the highest short-term rating category. The Prime Money Fund will follow applicable Securities and Exchange Commission ("SEC") regulations in determining whether a security rated by more than one Rating Agency can be treated as being in the highest short-term rating category; currently, such securities must be rated by two Rating Agencies in their highest rating categories. See "Regulatory Compliance." A credit rating is not a recommendation to buy, sell or hold securities, and is subject to change and/or withdrawal by the rating agency.

Restricted and Illiquid Securities. The Prime Money Fund intends to invest in restricted securities. Restricted securities are any securities in which the Prime Money Fund may otherwise invest pursuant to its investment objective and policies but which are subject to restrictions on resale under federal securities law. However, the Prime Money Fund will limit investments in illiquid securities, including certain restricted securities not determined by the Board of Trustees to be liquid, non-negotiable time deposits, and repurchase agreements providing for settlement in more than seven days after notice, to 10% of the Prime Money Fund's net assets.

The Prime Money Fund may invest in commercial paper (including asset-backed commercial paper) issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). Section 4(2) commercial paper is restricted as to disposition under the Securities Act, and is generally sold to institutional investors, such as the Prime Money 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 a transaction exempt from Securities Act registration. Section 4(2) commercial paper is normally resold to other institutional investors like the Prime Money 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 Prime Money Fund believes that Section 4(2) commercial paper and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees of the Prime Money Fund are quite liquid. The Prime Money 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 limitations applicable to illiquid securities. In addition, because Section 4(2) commercial paper is liquid, the Prime Money Fund intends to not subject such paper to the limitation applicable to restricted securities.

Credit Enhancement. Certain of the Prime Money Fund's acceptable investments may be credit enhanced by a guaranty, letter of credit, cash collateral accounts, or insurance. The Prime Money Fund typically evaluates the credit quality and ratings of credit enhanced securities based upon the financial condition and ratings of the party providing the credit enhancement (the "Credit Enhancer"), rather than the issuer. Generally, the Prime Money Fund will not treat credit enhanced securities as having been issued by the Credit Enhancer for diversification purposes. However, under certain circumstances, applicable regulations may require the Prime Money Fund to treat the securities as having been issued by both the issuer and the Credit Enhancer. Any decline in the Rating Agency ratings of the Credit Enhancer, or any bankruptcy, receivership, or default of the Credit Enhancer will adversely affect the quality, value and marketability of the underlying security.

#### Investment Risks

ECDs, ETDs, Yankee CDs, CCPs and Europaper are subject to different risks than domestic obligations of domestic banks or corporations. Examples of these risks include international economic and political developments, foreign governmental restrictions that may adversely affect the payment of principal or interest, foreign withholding and taxes on interest income, difficulties in obtaining or enforcing a judgment against the issuing entity, and the possible impact of interruptions in the flow of international currency transactions. Risks may also

exist for ECDs, ETDs, and Yankee CDs because the banks issuing these instruments, or their branches, are not necessarily subject to the same regulatory requirements that apply to domestic banks, such as reserve requirements, loan limitations, examinations, accounting, auditing, recordkeeping, deposit insurance and the public availability of information. These factors will be carefully considered by the Fund's adviser in selecting investments for the Fund.

#### Government Money Fund Investment Information

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##### Investment Objective

The Government Money Fund's investment objective is to achieve current income consistent with stability of principal and liquidity. The investment objective cannot be changed without the approval of the Government Money Fund's shareholders. While there is no assurance that the Government Money Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this Prospectus.

##### Investment Policies

The Government Money Fund pursues its investment objective by investing in a portfolio of short-term securities either issued directly by the U.S. government or issued by agencies and instrumentalities of the U.S. government and backed by the full faith and credit of the U.S. government, and, in either case, maturing in 13 months or less from the date of acquisition unless they are purchased under a repurchase agreement that provides for repurchase by the seller within one year from the date of acquisition. The Government Money Fund invests only in instruments denominated and payable in U.S. dollars. The average maturity of U.S. government securities in the Government Money Fund's portfolio, computed on a dollar-weighted basis, will be 90 days or less. Unless indicated otherwise, the investment policies may be changed by the Board of Trustees without the approval of shareholders. Shareholders will be notified before any material changes in these policies become effective.

Acceptable Investments. The U.S. government securities in which the Government Money Fund invests are either issued directly by the U.S. government or are issued by agencies or instrumentalities of the U.S. government and are backed by the full faith and credit of the U.S. government. 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 and instrumentalities, such as the Government National Mortgage Association, the Small Business Administration and the Federal Financing Bank.

##### Investments and Strategies of the Funds

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##### Repurchase Agreements

Certain securities in which the Funds invest may be purchased pursuant to repurchase agreements. Repurchase agreements are arrangements in which banks, securities broker-dealers, and other financial institutions sell securities to the Funds and agree at the time of sale to repurchase them at a mutually agreed upon time and price with interest. As collateral for the obligation of the seller to repurchase the securities from the Funds, 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 seller does not repurchase the securities from the Funds, the Funds could receive less than the repurchase price on any sale of such securities.

##### Lending of Portfolio Securities

In order to generate additional income, the Funds may lend their portfolio securities on a short-term basis to securities broker-dealers, banks, or other institutional borrowers of securities. The Funds will limit the amount of portfolio securities they may lend to not more than 50% of their respective total assets. The Funds will only enter into loan arrangements with



broker-dealers, banks, or other institutions which the investment adviser has determined are creditworthy under guidelines established by the Trust's Board of Trustees, where loaned securities are marked to market daily and where the Funds receive collateral equal to at least 100% of the value of the securities loaned at all times. The Government Money Fund does not intend to lend portfolio securities during its first fiscal year.

#### When-Issued And Delayed Delivery Transactions

The Funds may purchase portfolio 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.

#### Investing in Securities of Other Investment Companies

The Funds may invest in the securities of other investment companies, but will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in the aggregate. The Funds will only invest in other investment companies that are money market funds having investment objectives and policies similar to those of the respective Fund and primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. It should be noted that investment companies incur certain expenses and therefore, any investment by the Funds in shares of another investment company would be subject to certain duplicate expenses, particularly transfer agent and custodian fees. The Adviser will waive its advisory fee on assets invested in securities of open-end investment companies.

#### Certain Borrowing and Investment Limitations

The Funds will not borrow money directly or through reverse repurchase agreements (arrangements in which a Fund sells a money market instrument for a percentage of its cash value with an agreement to buy it back on a set date) or pledge securities except, under certain circumstances, the Funds may borrow up to 33 1/3% of the value of their respective total assets and secure such borrowings with up to 15% of the value of their respective total assets at the time of borrowing.

With respect to 75% of the value of its total assets, Prime Money Fund will not invest more than 5% of the value of its total assets in securities of any one issuer (other than cash, cash items or securities issued or guaranteed by the U.S. government, 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 limitations cannot be changed without shareholder approval. Both Funds will limit their investment in restricted and illiquid securities, including repurchase agreements providing for settlement more than seven days after notice, to 10% of net assets. See "Restricted and Illiquid Securities."

#### Regulatory Compliance

The Funds may follow non-fundamental operational policies that are more restrictive than their fundamental investment limitations, as set forth in this Combined Prospectus and respective Statements of Additional Information, in order to comply with applicable laws and regulations, including the provisions of and regulations under the Investment Company Act of 1940, as amended (the "ICA"). In particular, the Funds will comply with the various requirements of SEC Rule 2a-7 under the ICA which regulates money market mutual funds. For example, with limited exceptions, Rule 2a-7 prohibits the investment of more than 5% of a Fund's total assets in the securities of any one issuer, although the Prime Money Fund's investment limitation only requires such 5% diversification with respect to 75% of its assets. The Prime Money Fund will invest more than 5% of its assets in any one issuer only under the circumstances permitted by Rule 2a-7. The Prime Money Fund will also determine the effective maturity of its investments, as well as its ability to consider a security as having received the requisite short-term ratings by the Rating Agencies, according to Rule 2a-7. The

Prime Money Fund may change these operational policies to reflect changes in the laws and regulations without the approval of its shareholders.

## Peachtree Funds Information

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### Management of the Trust

**Board of Trustees.** The Trust is managed by a Board of Trustees (the "Board" or "Trustees"). The Board is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board handles various of the Board's delegable responsibilities between meetings of the Board.

**Investment Adviser.** Investment decisions for the Funds are made by the Bank, as the Funds' investment adviser (the "Adviser"), subject to direction by the Board. The Adviser 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 Funds' assets.

**Advisory Fees.** The Adviser receives an annual investment advisory fee equal to 0.50% of the Funds' average daily net assets. The Adviser has undertaken to reimburse the Funds, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser also may voluntarily choose to waive a portion of its fee or reimburse other expenses of the Funds, but reserves the right to terminate such waiver or reimbursement at any time at their sole discretion. See "Summary of Fund Expenses" on page 1.

**Adviser's Background.** The Adviser, a national bank headquartered in Atlanta, Georgia, is a wholly owned subsidiary of Bank South Corporation, a Georgia corporation which is a registered bank holding company. The Adviser serves consumers through its network of banking offices with a full range of deposit and lending products, as well as investment services. The principal executive offices of the Adviser are located at 3350 Cumberland Circle, Marietta, GA 30339.

The Adviser has managed discretionary assets for its customers since 1931. As of December 1, 1993, the Adviser managed in excess of \$1 billion of discretionary assets. Prior to January 1994, the Bank had not served as an investment adviser to mutual funds.

As part of its regular banking operations, the Bank may make loans to public companies. 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 the Bank. The lending relationship will not be a factor in the selection of securities.

### Distribution of Shares

**Federated Securities Corp.** (the "Distributor") 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. The Distributor is a subsidiary of Federated Investors.

**Distribution Plan.** Under a distribution plan (the "Plan") adopted in accordance with SEC Rule 12b-1 under the Investment Company Act of 1940, as amended, each of the Funds will pay an amount computed at an annual rate of up to 0.25% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Plan because the Plan will not be activated unless and until a second, "Trust" class of shares of each of the Funds (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Funds are converted to such Trust class.

The Distributor may select other financial institutions (such as broker-dealers or banks) to provide sales support services as agents for their clients or customers who beneficially own shares. These financial institutions (including the Bank) will receive fees from the Distributor based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Distributor.

The Funds' Plan is a compensation type plan. As such, each of the Funds pay the Distributor the fee described above as opposed to reimbursing the Distributor for actual expenses incurred. Therefore, the Funds do not pay for amounts expended by the Distributor in excess of amounts received by it from each of the Funds, which may include interest, carrying or other financing charges in connection with excess amounts expended, or the Distributor's overhead expenses. However, the Distributor may be able to recover such amounts or may earn a profit from future payments made by the Funds under the Plan.

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

State securities laws on this issue may differ from the interpretations of federal law expressed herein and banks and financial institutions may be required to register as dealers pursuant to certain states' securities laws.

Administrative Arrangements. The Distributor may also pay administrators a fee based upon the average net asset value of shares of their customers invested in the Trust for providing administrative services. This fee, if paid, will be reimbursed by the Adviser and not the Trust.

#### Administration of the Trust

Administrative Services. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides certain administrative personnel and services necessary to operate the Funds. Such services include certain legal and accounting services. Federated Administrative Services provides these at the annual rates specified below:

<TABLE>  
<CAPTION>

Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Trust
<S>	<C>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$100,000 per portfolio. Federated Administrative Services may choose voluntarily to waive a portion of its fee.

Shareholder Services Plan. The Funds have adopted a Shareholder Services Plan (the "Services Plan") with respect to the shares. Under the Services Plan, financial institutions will enter into shareholder service agreements with the Funds to provide administrative support services to their customers who from time to time may be owners of record or beneficial owners of the shares. In return for providing these support services, a financial institution may receive payments from the Funds at a rate not exceeding 0.25% of the average daily net assets of the shares beneficially owned by the financial institution's customers for whom it is holder of record or with whom it has a servicing relationship. These administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel including clerical, supervisory, and computer, as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries regarding the Funds; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Funds reasonably request. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Services Plan because the Services Plan will not be activated unless and until a second, "Trust" class of shares of the Funds (which would not have a Services Plan) is created and such trust clients' investments in the Funds are converted to such Trust class.

Custodian. The Bank of New York, New York, New York is custodian for the securities and cash of the Funds.

Transfer Agent, Dividend Disbursing Agent and Portfolio Accounting Services. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent (the "Transfer Agent") for the shares of, and dividend disbursing agent for, the Funds. It also provides certain accounting and recordkeeping services with respect to the Funds' portfolio investments.

Legal Counsel. Legal counsel is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania and Dickstein, Shapiro & Morin, Washington, DC.

Independent Auditors. The independent auditors for the Funds are Ernst & Young, Pittsburgh, Pennsylvania.

#### Expenses of the Funds

The Funds pay all of their own respective expenses and their allocable shares of the Trust's expenses. The expenses borne by the Funds include, but are not limited to, the cost of: organizing the Trust and continuing its existence; Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Funds and shares of the Funds with federal and state securities authorities; taxes and commissions; issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise.

#### Net Asset Value

-----

The Funds attempt to stabilize the net asset value of their respective shares at \$1.00 by valuing the portfolio securities of each Fund using the amortized cost method. The net asset value per share of each Fund is determined by subtracting total liabilities from total assets and dividing the remainder by the number of shares outstanding. The Funds, of course, cannot guarantee that their net asset value will always remain at \$1.00 per share.

#### Investing in the Funds

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#### Share Purchases

The Funds' shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. Shares of the Funds may be purchased through the Bank. 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.

By Telephone. To place an order to purchase shares of the Funds, call the Peachtree Funds Service Center at 1-404-989-6200 or 1-800-621-8969. Texas residents must purchase shares of the Funds through Bank South Securities Corporation at 1-404-989-6181 or 1-800-621-8967. Your purchase order will be taken directly over the telephone. The order must be placed by 4:00 p.m. (Eastern time) for shares to be purchased at that day's price.

By Mail. Provide a letter of instruction to the appropriate Fund indicating your purchase order, including the dollar amount of your order, your account title and/or name, and your account number, and include a check made payable to the appropriate Fund.

Payment by Check. Mail to Peachtree Prime Money Market Fund or Peachtree Government Money Market Fund, c/o Peachtree Funds Service Center, MC 684, P.O. Box 4387, Atlanta, Georgia 30302.

Payment by Wire. To purchase shares by Federal Wire, contact your account officer for wiring instructions. Wire orders will only be accepted on days on which the Funds, the Bank and the Federal Reserve Banks are open for business.

Payment by federal funds must be received before 12:00 noon (Eastern time) on the same day as the order to earn dividends for that day.

#### Minimum Investment Required

The minimum initial investment in either of the Funds by an investor is \$1,000 (\$500 for IRA accounts). Subsequent investments in each Fund must be in amounts of at least \$100. The Funds may choose to waive their minimum investment requirement from time to time and for accounts which select the Systematic Investment Program.

#### Systematic Investment Program

Once a Fund account has been opened, shareholders may add to their investment in such Fund on a regular basis in minimum amounts of \$100, unless waived. Under this program, funds may be automatically withdrawn periodically from the shareholder's checking or other transaction deposit account and invested in Fund shares at the net asset value next determined after an order is received by the Bank. A shareholder may apply for participation in this program through the Bank.

#### What Shares Cost

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

The net asset value is determined at 12:00 noon (Eastern time) and 4:00 p.m. (Eastern time), Monday through Friday, except on: (i) days on which changes (if any) in the value of the Funds' portfolio securities do not materially affect its net asset value; (ii) days during which no shares are tendered for redemption and no orders to purchase shares are received; or (iii) on the following holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

#### Certificates and Confirmations

The Transfer Agent for the Funds maintains a share account for each shareholder. Share certificates are not issued unless requested in writing from the Funds or the Transfer Agent.

Monthly confirmations are sent to report transactions such as purchases and redemptions as well as dividends paid during the month.

#### Dividends

Dividends are declared daily and paid monthly. Dividends are automatically reinvested on payment dates in additional shares of the appropriate Fund, unless a shareholder makes a written request for cash payments to the Bank or the Funds. Shares purchased by wire before 12:00 (Eastern time) begin earning dividends that day. Shares purchased by check begin earning dividends the day after the check is converted into available federal funds.

The Funds do not expect to realize any capital gains or losses. If capital gains or losses were to occur, they could result in an increase or decrease in dividends. The Funds will distribute in cash or additional shares any realized net long-term capital gains at least once every 12 months.

#### Purchasing Shares of the Funds with Securities

The Funds, in their sole discretion, may sell shares of each Fund to investors that desire to purchase shares of each Fund with certain securities or a combination of certain securities and cash. Each Fund reserves the right to determine the acceptability of securities used to effect such purchases. On the day securities are accepted by a Fund, they are valued based upon independent bid and in the same manner as the Fund values its own assets. Investors wishing to use securities to purchase shares of one or both of these Funds should first contact the Bank. Any such transfer of securities is treated as a sale of the securities and will result in the recognition of any gain or loss for federal income tax purposes by the seller of such securities, except to the extent the seller is an ERISA plan or similar entity not subject to tax.

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Peachtree Funds

All shareholders of the Funds are shareholders of the Peachtree Funds. The Peachtree Funds currently include the Peachtree Government Money Fund, Peachtree Prime Money Fund, Peachtree Bond Fund, Peachtree Equity Fund and Peachtree Georgia Tax-Free Income Fund. Shareholders have easy access to each of the portfolios of the Peachtree Funds through a telephone exchange program. All Peachtree Funds are advised by the Bank and distributed by the Distributor.

Shareholders may exchange shares of each Fund for shares of the other Fund and any other Peachtree Funds. In addition, shares of the Funds may also be exchanged for certain other funds designated by the Bank which are distributed by the Distributor, but that are not advised by the Bank ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call the Peachtree Funds Service Center at 1-404-989-6200 or 1-800-621-8969. Shares of funds with a sales charge may be exchanged at net asset value for shares of other funds with an equal sales charge or no sales charge. Shares of funds with a sales charge may be exchanged for shares of funds with a higher sales charge at net asset value, plus the additional sales charge. Shares of funds with no sales charge, whether acquired by direct purchase, reinvestment of dividends on such shares, or otherwise, may be exchanged for shares of funds with a sales charge at net asset value, plus the applicable sales charge.

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

Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value for the applicable fund. Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized.

The Funds reserve the right to terminate the exchange privilege at any time on 60 days notice. Shareholders will be notified if this privilege is terminated. A shareholder may obtain further information on the exchange privilege by calling the Peachtree Funds Service Center at 1-404-989-6200 or 1-800-621-8969.

By Telephone. Instructions for exchanges between funds which are part of the Trust may be given by telephone to the Peachtree Funds Service Center at 1-404-989-6200 or 1-800-621-8969; or to the Distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations.

Any shares held in certificate form cannot be exchanged by telephone but must be forwarded to the Funds' Transfer Agent by the Bank and deposited to the shareholder's mutual fund account before being exchanged. See "Addresses".

An authorization form permitting the Funds to accept telephone exchanges 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 regarding this service are available from the Bank. Telephone exchange instructions may be recorded. If reasonable procedures are not followed by the Funds, they may be liable for losses due to unauthorized or fraudulent telephone instructions.

Telephone exchange instructions must be received before 4:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders may have difficulty in making exchanges by telephone through the Bank during times of drastic economic or market changes. If a shareholder cannot contact the Bank by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail to Peachtree Funds, 3350 Cumberland Circle, 10th Floor, Marietta, GA 30339.

#### Redeeming Shares

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The Funds redeem shares at their net asset value next determined after the Bank receives the redemption request. Redemptions will be made on days on which the respective Fund computes its respective net asset value. Telephone or written requests for redemption must be received in proper form and can be made through the Bank or directly to the appropriate Fund.

By Telephone. A shareholder may redeem shares of the Funds by contacting his account officer or by calling the Peachtree Funds Service Center to request the redemption. (Call 1-404-989-6200 or 1-800-621-8969.) Shares will be redeemed at the net asset value next determined after the Funds receive the redemption request from the Bank. Redemption requests to the Bank must be received before 4:00 p.m. (Eastern time) in order for shares to be redeemed at that day's net asset value, and the Bank will promptly submit such redemption requests and provide proper written redemption instructions to the Funds. If, at any time, the Funds should determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Funds to accept telephonic 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 are available from the Bank. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Funds, they may be liable for losses due to unauthorized or fraudulent telephone instructions.

A shareholder may have the redemption proceeds directly deposited by electronic funds transfer or wired directly to the Bank or another domestic commercial bank previously designated by the shareholder. Wire redemption orders will only be accepted on days on which the Funds, the Bank and the Federal Reserve Wire System are open for business. Wire-transferred redemptions may be subject to an additional fee.

In the event of extraordinary economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, it is recommended that a redemption request be made in writing and be hand delivered or sent by overnight mail to your account officer at the Bank.

By Mail. Shareholders may redeem shares by sending a written request to the Bank. The written request should include the shareholder's name, the Fund's name, the account number, and the share or dollar amount requested. If share certificates have been issued, they must be properly endorsed and should be sent by registered or certified mail with the written request to the Bank. Shareholders should call the Bank at 1-800-282-6680 extension 7066 for assistance in redeeming shares by mail.

Signatures. Shareholders requesting a redemption of \$50,000 or more, a redemption requesting payment to an address other than that on record with the Funds, or other than to the shareholder of record must make written redemption requests with signatures guaranteed by:

a trust company or commercial bank whose deposits are insured by the FDIC's BIF;

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

a savings bank or savings and loan association whose deposits are insured by the FDIC's SAIF; or

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

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.

Receiving Payment. Normally, a check for the proceeds is mailed to the shareholder within one business day, but in no event more than seven calendar days, after receipt of a proper written redemption request, provided that the Transfer Agent has received payment for shares from the shareholder.

#### 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 selected Fund or Funds are redeemed to provide for periodic withdrawal payments in an amount directed by the shareholder. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to shares of the Funds, redemptions may reduce, and eventually deplete, the shareholder's investment in the Funds. For this reason, payments under this program should not be considered as yield or income on the shareholder's investment in the Funds. 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 the Bank.

#### Accounts with Low Balances

Due to the high cost of maintaining accounts with low balances, each Fund may redeem shares in any account and pay the proceeds to the shareholder if, due to shareholder redemptions, the account balance in either Fund falls below the required minimum of \$1,000 (\$500 for IRAs).

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

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#### Voting Rights

Each share of the Funds entitles the shareholders to one vote in Trustee elections and other matters submitted to shareholders of the Trust for vote. All shares of each portfolio in the Trust have equal voting rights except that, in matters affecting only a particular Fund, only shareholders of that Fund 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.

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

#### Massachusetts Partnership Law

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required by the Declaration of Trust to use its property to indemnify, 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 itself cannot meet its obligations to indemnify shareholders and pay judgments against it from the assets of the Funds.

#### Effect of Banking Laws

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Banking laws and regulations presently prohibit a bank holding company registered under the federal Bank Holding Company Act of 1956, as amended or any affiliate thereof from sponsoring, organizing, controlling or distributing a registered, open-end investment company continuously engaged in the issuance of its shares, and prevent banks generally from underwriting or distributing securities in general. However, such laws and regulations do not prohibit such a holding company affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from acting as agent for their customers in purchasing securities. The Funds' Adviser is subject to such banking laws and regulations.

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

#### Tax Information

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##### Federal Income Tax

The Funds expect to pay no federal income tax because they intend 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 either of the Funds.

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

##### State and Local Taxes

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

#### Performance Information

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From time to time the Funds may advertise their yield and effective yield.

Yield represents the annualized rate of income earned on an investment over a seven-day period. It is the annualized amount of dividends earned during the period on an investment shown as a percentage of the investment. The effective yield is calculated similarly to the yield, but when annualized, the income earned by an investment is assumed to be reinvested daily. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

Advertisements and sales literature may also refer to total return. Total return

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

From time to time, the Funds may advertise their performance using certain financial publications and/or compare their performance to certain indices.

Peachtree Government Money Market Fund  
(A Portfolio of Peachtree Funds)  
Statement of Assets and Liabilities  
January 3, 1994

<TABLE>

<S>	<C>
Assets:	
Cash	\$100,000
Liabilities:	1/2
Net Assets for 100,000 shares of beneficial interest outstanding	\$100,000
Net Asset Value, Offering Price, and Redemption Price Per Share (\$100,000 / 100,000 shares of beneficial interest outstanding)	\$1.00

</TABLE>

Notes:

- (1) Peachtree Funds (the "Trust"), which includes Peachtree Government Money Market Fund (the "Fund"), was established as a Massachusetts business trust under a Declaration of Trust dated September 22, 1993, as amended and restated dated December 20, 1993. The Fund has had no operations since that date other than those relating to organizational matters, including the issuance on January 3, 1994, of 100,000 shares at \$1.00 per share to Federated Administrative Services, the Administrator to the Fund. Expenses of organization incurred by the Fund, \$41,500, were borne initially by the Administrator. The Fund has agreed to reimburse the Administrator for the organization expenses initially borne by the Administrator during the five-year period following the date the Fund's registration statement first became effective.

Report of Ernst & Young, Independent Auditors

To the Board of Trustees and Shareholders of  
Peachtree Funds:

We have audited the accompanying statement of assets and liabilities of Peachtree Government Money Market Fund, as of January 3, 1994. This statement of assets and liabilities is the responsibility of the Trust's management. Our responsibility is to express an opinion on this statement of assets and liabilities based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets and liabilities is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of assets and liabilities. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of assets and liabilities presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of assets and liabilities presents fairly, in all material respects, the net assets of the Peachtree Government Money Market Fund as of January 3, 1994 in conformity with generally accepted accounting principles.

ERNST & YOUNG

Pittsburgh, Pennsylvania  
January 5, 1994

Addresses

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<TABLE>

<S>	<C> Peachtree Prime Money Market Fund Peachtree Government Money Market Fund	<C> Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Distributor

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

Bank South, N.A.	MC 16 P.O. Box 4387 Atlanta, Georgia 30302
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Custodian

The Bank of New York	48 Wall Street New York, New York 10286
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Transfer Agent, Dividend Disbursing Agent,  
and Portfolio Accounting Services

Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Legal Counsel

Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
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Legal Counsel

Dickstein, Shapiro & Morin	2101 L Street, N.W. Washington, D.C. 20037
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Independent Auditors

Ernst & Young	One Oxford Centre Pittsburgh, Pennsylvania 15219
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</TABLE>

Peachtree Bond Fund  
(A Portfolio of Peachtree Funds)  
Prospectus

The shares of the Peachtree Bond Fund (the "Fund") offered by this Prospectus represent interests in a diversified portfolio of Peachtree Funds (the "Trust"), an open-end management investment company (a mutual fund). The investment objective of the Fund is to achieve current income. The Fund pursues this objective by investing primarily in a portfolio of long-term bonds and other fixed income securities.

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

The Fund has also filed a Statement of Additional Information dated February 28, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this Prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Fund by writing to the Bank South, N.A. (the "Bank") Mutual Funds Center or calling 1-800-282-6680 extension 4550.

SHARES OF THE FUND ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, AND ARE NOT ISSUED, ENDORSED OR GUARANTEED BY, THE BANK OR ANY OF ITS AFFILIATES. SUCH SHARES ARE NOT ISSUED, INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENT AGENCY. AN INVESTMENT IN THE FUND INVOLVES CERTAIN RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

THE BANK IS THE INVESTMENT ADVISER TO THE FUND. THE FUND IS DISTRIBUTED BY FEDERATED SECURITIES CORP., WHICH IS NOT AFFILIATED WITH THE BANK.

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

February 28, 1994

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Peachtree Bond Fund	
Summary of Fund Expenses	
-----	

<TABLE>  
<S>

Shareholder Transaction Expenses		<C>
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....		2.50%
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....		None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....		None
Redemption Fees (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None

Annual Fund Operating Expenses\*  
(As a percentage of projected average net assets)

Management Fee.....	0.75%
12b-1 Fees(1).....	0.00%
Other Expenses (after waiver)(2).....	10.27%
Total Fund Operating Expenses(3).....	1.02%

</TABLE>

(1) As of the date of this prospectus, the Fund is not paying or accruing 12b-1 fees. The Fund can pay up to 0.75% as a 12b-1 fee to the distributor. Certain trust clients of the Bank or its affiliates, including ERISA plans, will not be affected by the distribution plan because the distribution plan will not be activated unless and until a second, "Trust," class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such clients' investments in the Fund are converted to such Trust class.

(2) Total Other Expenses are estimated to be 0.28% absent the anticipated voluntary waiver by the transfer agent.

(3) The Total Fund Operating Expenses are estimated to be 1.03% absent the anticipated voluntary waiver by the transfer agent.

\* Expenses are estimated based on average expenses expected to be incurred during the fiscal year ending September 30, 1994. During the course of this period, expenses may be more or less than the average amount shown.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Peachtree Funds Information" and "Investing in the Fund." Wire transfer redemptions may be subject to an additional fee.

<TABLE>		
<CAPTION>		
EXAMPLE	1 year	3 years
<S>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period. As noted in the table above, the Fund charges no redemption fees.....	\$35	\$57

</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. This example is based on estimated data for the Fund's fiscal year ending September 30, 1994.

General Information

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated September 22, 1993, as amended and restated dated December 20, 1993. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. This Prospectus relates only to the Trust's Peachtree Bond Fund. The Fund is designed as a convenient means of accumulating an interest in a professionally managed, diversified portfolio consisting primarily of government, mortgage-backed, asset-backed and corporate securities, as well as collateralized mortgage obligations ("CMOs") and adjustable rate mortgage securities ("ARMS"). A minimum initial investment of \$1,000 is required (\$500 for Individual Retirement Accounts ("IRAs")) and subsequent investments must be in amounts of at least \$100. See "Investing in the Fund."

Fund shares are sold at net asset value plus a maximum sales charge of 2.50% and redeemed at net asset value.

Investment Information

Investment Objective

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

Investment Policies

The Fund pursues its investment objective by investing primarily in a portfolio of U.S. government, mortgage-backed, asset-backed and corporate bonds and other securities as well as CMOs and ARMS. Under normal market conditions, the Fund will invest at least 65% of its assets in bonds. The Fund intends to maintain a dollar-weighted average portfolio maturity of 15 years or less. Unless indicated otherwise, the investment policies may be changed by the Trustees without the approval of Fund shareholders. Shareholders will be notified before any material change in these policies becomes effective.

Acceptable Investments. The securities in which the Fund may invest include, but are not limited to:

domestic issues of corporate debt obligations, so long as such debt obligations are rated by one or more nationally recognized statistical rating organizations ("Rating Agencies") in one of the four highest rating categories at the time of purchase (e.g., AAA, AA, A or BBB by Standard & Poor's Corporation ("S&P"), Fitch Investors Service, Inc. ("Fitch"), or Duff & Phelps Credit Rating Co. ("Duff & Phelps") or Aaa, Aa, A or Baa by Moody's Investors Service, Inc. ("Moody's")) or, if unrated, determined by Bank South, N.A. (the "Adviser") to be of comparable quality to securities having such ratings;

commercial paper (including asset-backed commercial paper) which matures in 270 days or less so long as at least two ratings are high quality ratings by Rating Agencies. Such ratings would include: A-1 or A-2 by S&P, Prime-1 or Prime-2 by Moody's, F-1 or F-2 by Fitch, or Duff-1 or Duff-2 by Duff & Phelps;

obligations issued or guaranteed as to payment of principal and interest by the U.S. government, or its agencies or instrumentalities ("Government Securities");

asset-backed securities in one of the two highest ratings categories by a Rating Agency, or if unrated, of comparable quality in the judgment of the Adviser;

U.S. dollar denominated debt obligations of foreign issuers;

repurchase agreements;

time and savings deposits (including certificates of deposit) in commercial or savings banks whose accounts are insured by the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF"), which are administered by the Federal Deposit Insurance Corporation ("FDIC"), and certificates of deposit and other time deposits issued by foreign branches of BIF-insured banks;

bankers' acceptances; and

securities of other investment companies.

Securities rated Baa or BBB, while of investment grade, have speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. If an investment grade security loses its rating or has its rating reduced after the Fund has purchased it, the Fund is not required to sell the security from its portfolio; however, the Adviser will endeavor to dispose of the security as soon as practicable thereafter, taking into account existing market conditions and the cost of such sale, including potential losses. A credit rating is not a recommendation to buy, sell or hold securities, and is subject to change and/or withdrawal by the rating agency.

The Adviser attempts to manage the Fund's total performance, which includes both changes in principal value of the Fund's portfolio and income earned, by anticipating opportunities in the capital markets and risks of changes in market interest rates. When the Adviser expects that market interest rates may decline, which would cause prices of outstanding bonds to rise, it generally extends the average maturity of the Fund's portfolio. When the Adviser expects that market interest rates may rise, which would cause prices of outstanding bonds to decline, it generally shortens the average maturity of the Fund's portfolio. Further, the Adviser attempts to improve the Fund's total return by weighing the relative value of alternative bond 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.

Government Securities. The types of Government Securities in which the Fund may

invest generally include direct obligations of the U.S. Treasury (such as U.S. Treasury bills, notes, and bonds) and obligations issued or guaranteed by U.S. government agencies or instrumentalities. These securities are backed by:

the full faith and credit of the U.S. Treasury;

the issuer's right to borrow from the U.S. Treasury;

the discretionary authority of the U.S. government to purchase certain obligations of agencies or instrumentalities; or

the credit of the agency or instrumentality issuing the obligations.

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

Federal Home Loan Banks;

Federal Home Loan Mortgage Corporation;

Federal Farm Credit Banks;

Student Loan Marketing Association; and

Federal National Mortgage Association.

**Mortgage-Backed Securities.** Some of the U.S. Government Securities in which the Fund will invest can represent an undivided interest in a pool of residential mortgages or may be collateralized by a pool of residential mortgages ("Mortgage-backed securities"). Mortgage-backed securities have yield and maturity characteristics corresponding to the underlying mortgages. Distributions to holders of mortgage-backed securities include both interest and principal payments. Principal payments represent the amortization of the principal of the underlying mortgages and any prepayments of principal due to prepayment, refinancing, or foreclosure of the underlying mortgages. Although maturities of the underlying mortgage loans may range up to 30 years, amortization and prepayments substantially shorten the effective maturities of mortgage-backed securities. Due to these features, mortgage-backed securities are less effective as a means of "locking-in" attractive long-term interest rates than fixed-income securities which pay only a stated amount of interest until maturity, when the entire principal amount is returned. Prepayments, which become more likely as mortgage interest rates decline, create a need to reinvest distribution of principal at then-current lower rates. Since comparatively high interest rates cannot be effectively "locked in", mortgage-backed securities may have less potential for capital appreciation during periods of declining interest rates than other non-callable fixed-income government securities of comparable stated maturities. However, mortgage-backed securities may experience less pronounced declines in value during periods of rising interest rates. Mortgage-backed securities utilizing ARMS may fluctuate less in value and suffer fewer prepayments than mortgage-backed securities utilizing fixed rate mortgages.

**ARMS.** ARMS are mortgage-backed securities representing interests in adjustable rather than fixed interest rate mortgages. The Fund invests in ARMS issued by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), and by non-government and private entities and are actively traded. The underlying mortgages which collateralize ARMS issued by GNMA are fully guaranteed by the Federal Housing Administration ("FHA") or Veterans Administration ("VA"), while those collateralizing ARMS issued by FHLMC or FNMA are typically conventional residential mortgages conforming to strict underwriting size and maturity constraints.

**CMOs.** CMOs are debt obligations collateralized by mortgage loans or mortgage-backed securities. Typically, CMOs are collateralized by GNMA, FNMA or FHLMC certificates, but may be collateralized by whole loans or private mortgage-backed securities.

The Fund will only invest in CMOs which are rated AAA by a Rating Agency, 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; (c) securities in which the proceeds of the issuance are invested in mortgage securities and the payment of the principal and interest is supported by the credit of an agency or instrumentality of the U.S. government; or (d) collateralized by pools of



mortgages or mortgage-backed securities not guaranteed by the U.S. government or any government agency.

**Asset-Backed Securities.** Asset-backed securities are obligations of trusts or special purpose corporations that directly or indirectly represent a participation in, or are secured by and payable from various types of assets. At the present time, automobile and credit card receivables are among the most common collateral supporting asset-backed securities. In general, the collateral supporting asset-backed securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with mortgage-backed securities, asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties and use similar credit enhancement techniques.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. 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 automobile receivables permit the servicers of such receivables to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related asset-backed securities. 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 recorded security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

In general, issues of asset-backed securities are structured to include additional collateral and/or additional credit support to protect against the risk that a portion of the collateral supporting the asset-backed securities may default and/or may suffer from these defects. In evaluating the strength of particular issues of asset-backed securities, the Adviser considers any rating given to such securities, the financial strength of the provider of credit support, the type and extent of credit enhancement provided, as well as the documentation and structure of the issue itself and the credit support.

**Options and Futures.** The Fund may purchase and sell financial futures contracts and purchase and sell options on financial futures contracts and on its portfolio securities.

**Obligations of Foreign Issuers.** The Fund may invest in debt obligations of foreign issuers including foreign governments, foreign governmental agencies, or supranational institutions. In addition, the Fund may invest in high quality debt securities issued by corporations subject to the credit limitations listed above.

**Foreign Government Securities.** The foreign government securities in which the Fund may invest generally consist of obligations supported by national, state or provincial governments or similar political subdivisions. Foreign government securities also include debt obligations of supranational entities, which include international organizations designed or supported by governmental entities to promote economic reconstruction or development, international banking institutions and related government agencies. Examples include the International Bank for Reconstruction and Development (the World Bank), the European Coal and Steel Community, the Asian Development Bank and the InterAmerican Development Bank.

Foreign government securities also include debt securities of "quasi-governmental agencies". Debt securities of quasi-governmental agencies are either debt securities issued by entities which are owned by a national, state or equivalent government or are obligations of a political unit that are not backed by the national government's full faith and credit and general taxing powers. Further, foreign government securities include mortgage-related securities issued or guaranteed by national, state or provincial government instrumentalities, including quasi-governmental agencies.

**Repurchase Agreements.** Repurchase agreements are arrangements in which banks, broker-dealers, and other financial institutions sell securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price including interest. To the extent that the seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities. Repurchase agreements will be collateralized by

securities having a value equal at all times to at least 100% of the amount of the securities subject to the repurchase agreement.

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

**When-Issued and Delayed Delivery Transactions.** The Fund may purchase portfolio securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous.

#### Investing in Securities of Other Investment Companies

The Fund may invest in the securities of other investment companies, but will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of total assets in any one investment company, or invest more than 10% of total assets in investment companies in the aggregate. The Fund will invest in other investment companies primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. It should be noted that investment companies incur certain expenses, and therefore, any investment by the Fund in shares of another investment Company would be subject to certain duplicate expenses, particularly transfer agent and custodian fees. The adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies.

**Lending of Portfolio Securities.** In order to generate additional income, the Fund may lend its portfolio securities on a short-term or long-term basis, to broker-dealers, banks, or other institutional borrowers of securities. The Fund will limit the amount of portfolio securities it may lend to not more than 50% of the value of its total assets at any time. The Fund will only enter into loan arrangements with broker-dealers, banks, or other institutions which the Adviser has determined are creditworthy under guidelines established by the Trustees, and will receive collateral equal to at least 100% of the value of the securities loaned at all times.

**Average Portfolio Maturity.** Although the Fund will not maintain a stable net asset value, the Adviser will seek to limit, to the extent consistent with the Fund's investment objective of current income, the magnitude of fluctuations in the Fund's net asset value by limiting the dollar-weighted average maturity of the Fund's portfolio to 15 years or less. Securities with shorter maturities generally have less price movement than securities of comparable quality with longer maturities. In periods of anticipated rising interest rates, a greater portion of the Fund's assets may be invested in shorter term and variable rate securities, the value of which are believed to be less sensitive to interest rate changes.

**Temporary Investments.** From time to time for defensive purposes, the Fund may invest temporarily in the securities described under "Acceptable Investments" having short-term maturities.

**Foreign Securities Risks.** Investments in foreign securities, particularly those of non-governmental issuers, may involve additional risks not ordinarily associated with investments in domestic issuers. Specifically, such securities may be affected by the strength of foreign currencies relative to the U.S. Dollar, possible expropriation or nationalization, or by political, social, diplomatic or economic developments and the difficulties of assessing economic trends in foreign countries. Accounting procedures and government supervision may be less stringent than those applicable to U.S. companies. Financial information may be unavailable or less detailed, and interpretation of financial information prepared under foreign accounting standards more difficult than is the case of domestic issuers. Foreign securities and securities markets may be less liquid or more volatile than U.S. securities markets and may offer less protection to investors. It may also be more difficult to enforce contractual obligations abroad than would be the case in the United States because of differences in the legal systems. Foreign securities may be subject to foreign taxes or tax withholding, which may reduce yield, and may be less marketable than comparable U.S. securities. Transaction costs in foreign securities may be higher. The Adviser will consider these and other factors before investing in foreign securities and will not make such investments unless, in its opinion, such investments will meet the Fund's standards and

objectives.

Portfolio Turnover. Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in its portfolio will be sold whenever the Adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. The Adviser does not anticipate that the Fund's annual portfolio turnover rate will exceed 200% under normal market conditions. A high portfolio turnover rate may lead to increased costs and may also result in higher taxes paid by the Fund's shareholders.

#### Certain Borrowing and Investment Limitations

The Fund will not:

borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a portfolio instrument for a percentage of its cash value with an agreement to buy it back on a set date) or pledge securities except, under certain circumstances, the Fund may borrow up to 33 1/3% of the value of its total assets and secure such borrowings with up to 15% of the value of those assets at the time of borrowing; or

with respect to 75% of its total assets, invest more than 5% of the value of its total assets in securities of any one issuer (other than cash, cash items, or securities issued or guaranteed by the U.S. government and 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.

#### Peachtree Funds Information

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#### Management of the Trust

Board of Trustees. The Trust is managed by a Board of Trustees (the "Board" or "Trustees"). The Board is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board handles various of the Board's delegable responsibilities between meetings of the Board.

Investment Adviser. Investment decisions for the Fund are made by the Bank as the Fund's investment adviser (the "Adviser"), subject to direction by the Board. The Adviser conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund's assets. From time to time, to the extent consistent with the investment objective, policies and restrictions of the Fund, the Fund may invest in securities of issuers with which the Adviser has a lending relationship. However, at this time, the Adviser has no intention to invest in securities of issuers that have a lending relationship with the investment Adviser or its affiliates.

Advisory Fees. The Adviser receives an annual investment advisory fee equal to 0.75% of the Fund's average daily net assets. The fee paid by the Fund, while higher than the advisory fee paid by certain other mutual funds, is comparable to fees paid by many mutual funds with similar objectives and policies. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse other expenses of the Fund, but reserves the right to terminate such waiver or reimbursement at any time at its sole discretion.

Adviser's Background. The Adviser, a national bank headquartered in Atlanta, Georgia, is a wholly owned subsidiary of Bank South Corporation, a Georgia corporation which is a registered bank holding company. The Adviser serves consumers through its network of banking offices with a full range of deposit and lending products, as well as investment services. The principal executive offices of the Adviser are located at 55 Marietta Street, N.W., Atlanta, GA 30303.

The Adviser has managed discretionary assets for its customers since 1931. As of September 30, 1993 the Adviser managed in excess of \$1 billion of discretionary assets. Prior to the date hereof, the Adviser has not served as an investment adviser to mutual funds.

Portfolio Manager. Mr. J.M. Johnston, Jr. is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Johnston began at the Adviser in September of 1992. Mr. Johnston directs the investment management of the employee benefit plans, fixed income fund, and personal trusts. He is also responsible for securities analysis for various industries.

Mr. Johnston began his investment career in 1981. Prior to his affiliation with the Bank, he spent six years with The Citizens & Southern National Bank, Atlanta, Georgia as a portfolio manager.

Mr. Johnston holds a Bachelor of Science degree from the University of Alabama and a Master of Business Administration in Finance from Georgia State University. He is a member of the Atlanta Society of Financial Analysts.

#### Distribution of Fund Shares

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

Distribution Plan. Under a distribution plan (the "Plan") adopted in accordance with Securities and Exchange Commission ("SEC") Rule 12b-1 under the Investment Company Act of 1940, as amended, the Fund will pay an amount computed at an annual rate of up to 0.75% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Plan because the Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

The Distributor may select other financial institutions (such as broker-dealers or banks) to provide sales support services as agents for their clients or customers who beneficially own shares. These financial institutions (including the Bank) will receive fees from the Distributor based upon shares subject to the Plan and owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Distributor.

The Fund's Plan is a compensation type plan. As such, the Fund pays the Distributor the fee described above as opposed to reimbursing the Distributor for actual expenses incurred. Therefore, the Fund does not pay for amounts expended by the Distributor in excess of amounts received by it from the Fund, which may include interest, carrying or other financing charges in connection with excess amounts expended, or the Distributor's overhead expenses. However, the Distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Plan.

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

State securities laws on this issue may differ from the interpretations of federal law expressed herein and banks and financial institutions may be required to register as dealers pursuant to certain states' laws.

Administrative Arrangements. The Distributor may also pay administrators a fee based upon the average net asset value of shares of their customers invested in the Trust for providing administrative services. This fee, if paid, will be reimbursed by the Adviser and not the Trust.

#### Administration of the Trust

Administrative Services. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides certain administrative personnel and services necessary to operate the Fund. Such services include certain legal and accounting services. Federated Administrative Services provides these at the annual rates specified below:

<TABLE>

<CAPTION>

Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Trust
<C>	<S>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$100,000 per Fund. Federated Administrative Services may voluntarily choose to waive a portion of its fee.

Shareholder Services Plan. The Fund has adopted a Shareholder Services Plan (the "Services Plan") with respect to the shares. Under the Services Plan, financial institutions will enter into shareholder service agreements with the Fund to provide administrative support services to their customers who from time to time may be owners of record or beneficial owners of the shares. In return for providing these support services, a financial institution may receive payments from the Fund at a rate not exceeding 0.25% of the average daily net assets of the shares beneficially owned by the financial institution's customers for whom it is holder of record or with whom it has a servicing relationship. These administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel including clerical, supervisory, and computer, as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries regarding the Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Fund reasonably requests. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Services Plan because the Services Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Services Plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

Custodian. The Bank of New York, New York, New York is custodian for the securities and cash of the Fund.

Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent (the "Transfer Agent") for the shares of, and dividend disbursing agent for, the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.

Legal Counsel. Legal counsel is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

Independent Auditors. The independent auditors for the Fund are Ernst & Young, Pittsburgh, Pennsylvania.

#### Expenses of the Fund

The Fund pays all of its own expenses and its allocable share of the Trust's expenses. The expenses borne by the Fund include, but are not limited to, the cost of: organizing the Trust and continuing its existence; Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Fund, and shares of the Fund with federal and state securities authorities; taxes and commissions; issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise.

#### Net Asset Value

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

#### Investing in the Fund

## Share Purchases

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. Fund shares may be purchased through the Bank. In connection with the sale of shares of the Fund, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

**By Telephone.** To place an order to purchase Fund shares, call the Bank South Mutual Funds Center toll free at 1-800-282-6680 extension 4550. Texas residents must purchase shares of the Fund through Bank South Securities Corporation at 404-521-7063. Your purchase order will be taken directly over the telephone. The order must be placed by 4:00 p.m. (Eastern time) for shares to be purchased at that day's price.

**By Mail.** Provide a letter of instruction to the Fund indicating your purchase order, including the dollar amount of your order, your account title and/or name, and your account number, and include a check made payable to the Fund.

**Payment by Check.** Mail to Peachtree Bond Fund, c/o Bank South Mutual Funds Center, MC 16, P.O. Box 4387, Atlanta, Georgia 30302.

**Payment by Wire.** To purchase shares by Federal Wire, contact your account officer for wiring instructions. Wire orders will only be accepted on days on which the Fund, the Bank, and the Federal Reserve Banks are open for business.

## Minimum Investment Required

The minimum initial investment in the Fund by an investor is \$1,000 (\$500 for IRAs). Subsequent investments must be in amounts of at least \$100. The Fund may choose to waive its minimum investment requirements from time to time and for accounts which select the Systematic Investment Program.

## Systematic Investment Program

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

## What Shares Cost

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

<TABLE>

<CAPTION>

Amount of Transaction	Sales Charge as a Percentage of Public Offering Price	Sales Charge as a Percentage of Net Amount Invested
<S>	<C>	<C>
Less than \$100,000	2.50%	2.56%
\$100,000 but less than \$250,000	2.00%	2.04%
\$250,000 but less than \$500,000	1.50%	1.52%
\$500,000 but less than \$750,000	1.00%	1.01%
\$750,000 but less than \$1,000,000	0.50%	0.50%
\$1,000,000 and more	0.00%	0.00%

</TABLE>

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

**Purchases at Net Asset Value.** Shares of the Fund may be purchased at net asset value, without a sales charge, by certain trust customers of the Bank and current and retired directors, advisory committee members and employees of the Bank and its affiliates and their spouses and children under 21.

**Sales Charge Reallowance.** The Bank and any authorized dealer or bank will normally receive up to 85% of the applicable sales charge as a transaction fee from its customers, and for sales and/or administrative services performed on behalf of its customers in connection with the initiation of customer accounts and purchases of Fund shares. Any portion of the sales charge which is not paid to the Bank or a dealer will be retained by the Distributor. The Distributor will, periodically, uniformly offer to pay cash, or promotional incentives in the form of trips to sales seminars at luxury resorts, tickets or other items, to all dealers selling shares of the Fund. Such payments will be predicated upon the amount of shares of the Fund that are sold by the dealer.

#### Reducing the Sales Charge

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

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

**Quantity Discounts and Accumulated Purchases.** As shown in the table on the previous page, larger purchases reduce the sales charge paid. The Fund will combine purchases of shares made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the public offering price of \$90,000 and purchases \$10,000 more at the current public offering price, the sales charge on the additional purchase according to the schedule now in effect would be 2.00%, not 2.50%.

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

**Letter of Intent.** If a shareholder intends to purchase at least \$100,000 of shares in the Fund over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the custodian to hold up to 2.50% of the total amount intended to be purchased in escrow (in shares) until such purchase is completed.

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

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

**Reinvestment Privilege.** If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. The Bank must be notified by the shareholder in writing or by the shareholder's financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences.

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

To receive this sales charge reduction, the Distributor must be notified by the

shareholder in writing or by the Bank at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases. See "What Shares Cost" and "Addresses".

#### Certificates and Confirmations

The Transfer Agent for the Fund maintains a share account for each shareholder of record. Share certificates are not issued unless requested in writing from the Fund or the Transfer Agent.

Detailed statements that include account balances, information on each purchase or redemption, and a report of dividends are sent to each shareholder.

#### Dividends and Distributions

Dividends are declared daily and paid monthly to all shareholders invested in the Fund on the record date.

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be reinvested in additional shares on payment dates at the ex-dividend date's net asset value without a sales charge, unless a shareholder makes written request for cash payments to the Fund or the Bank.

#### Purchasing Fund Shares with Securities

The Fund in its sole discretion, may sell Fund shares to investors that desire to purchase Fund shares with certain securities or a combination of certain securities and cash. The Fund reserves the right to determine the acceptability of securities used to effect such purchases. On the day securities are accepted by the Fund, they are valued based upon independent bid and in the same manner as the Fund values its assets. Investors wishing to use securities to purchase Fund shares should first contact the Bank. Any such transfer of securities is treated as a sale of the securities and will result in the recognition of any gain or loss for federal income tax purposes by the seller of such securities, except to the extent the seller is an ERISA plan or similar entity not subject to tax.

#### Exchange Privilege

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##### Peachtree Funds

All shareholders of the Fund are shareholders of Peachtree Funds. Peachtree Funds currently include the Fund, Peachtree Equity Fund, Peachtree Georgia Tax-Free Income Fund, Peachtree Prime Money Market Fund, and Peachtree Government Money Market Fund. Shareholders have easy access to each of the portfolios of Peachtree Funds through a telephone exchange program. All Peachtree Funds are advised by the Bank and distributed by the Distributor.

Shareholders may exchange shares of the Fund for shares of the other Peachtree Funds in the Trust. In addition, shares of the Fund may also be exchanged for certain other funds designated by the Bank which are distributed by the Distributor, but are not advised by the Bank ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550. Shares of funds with a sales charge may be exchanged at net asset value for shares of other funds with an equal sales charge or no sales charge. Shares of funds with a sales charge may be exchanged for shares of funds with a higher sales charge at net asset value, plus the additional sales charge. Shares of funds with no sales charge, whether acquired by direct purchase, reinvestment of dividends on such shares, or otherwise, may be exchanged for shares of funds with a sales charge at net asset value, plus the applicable sales charge.

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

Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

The exchange privilege is available to shareholders residing in any state in



which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value for the applicable fund. Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized.

The Fund reserves the right to terminate the exchange privilege at any time on 60 days notice. Shareholders will be notified if this privilege is terminated. A shareholder may obtain further information on the exchange privilege by calling the Bank at 1-800-282-6680 extension 4550.

By Telephone. Instructions for exchanges between funds which are part of the Trust may be given by telephone to the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550; or to the Distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations.

Any shares held in certificate form cannot be exchanged by telephone but must be forwarded to the Fund's Transfer Agent by the Bank and deposited to the shareholder's mutual fund account before being exchanged. See "Addresses".

An authorization form permitting the Fund to accept telephone exchanges 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 regarding this service are available from the Bank. Telephone exchange instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

Telephone exchange instructions must be received before 4:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders may have difficulty in making exchanges by telephone through the Bank during times of drastic economic or market changes. If a shareholder cannot contact the Bank by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail to Peachtree Funds, 55 Marietta Street N.W., Atlanta, Georgia 30303.

#### Redeeming Shares

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The Fund redeems shares at their net asset value next determined after the Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Telephone or written requests for redemption must be received in proper form and can be made through the Bank or directly to the Fund.

By Telephone. A shareholder may redeem shares of the Fund by contacting his account officer or by calling the Bank South Mutual Funds Center to request the redemption. (Call 1-800-282-6680 extension 4550.) Shares will be redeemed at the net asset value next determined after the Fund receives the redemption request from the Bank. Redemption requests to the Bank must be received before 4:00 p.m. (Eastern time) in order for shares to be redeemed at that day's net asset value, and the Bank will promptly submit such redemption requests and provide written redemption instructions to the Fund. If, at any time, the Fund should determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Fund to accept telephonic 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 are available from the Bank. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

A shareholder may have the redemption proceeds directly deposited by electronic funds transfer or wired directly to a domestic commercial bank previously designated by the shareholder. Wire redemption orders will only be accepted on days on which the Fund, the Bank and the Federal Reserve Wire System are open for business. Wire-transferred redemptions may be subject to an additional fee.

In the event of extraordinary economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, it is recommended that a redemption request be made in writing and be hand delivered or sent by overnight mail to your account officer at the Bank.

By Mail. Shareholders may redeem shares by sending a written request to the Bank. The written request should include the shareholder's name, the Fund name, the account number, and the share or dollar amount requested. If share certificates have been issued, they must be properly endorsed and should be sent by registered or certified mail with the written request to the Bank. Shareholders should call the Bank for assistance in redeeming shares by mail.

Signatures. Shareholders requesting a redemption of \$50,000 or more, a redemption requesting payment to an address other than that on record with the Fund, or other than to the shareholder of record must make written redemption requests with signatures guaranteed by:

a trust company or commercial bank whose deposits are insured by the FDIC's BIF;

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

a savings bank or savings and loan association whose deposits are insured by the FDIC's SAIF; or

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

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

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

Receiving Payment. Normally, a check for the proceeds is mailed to the shareholder within one business day, but in no event more than seven calendar days, after receipt of a proper written redemption request, provided that the Transfer Agent has received payment for shares from the shareholder.

#### Redemption Before Purchase Instruments Clear

When shares are purchased by check or through an Automated Clearing House ("ACH"), the proceeds from the redemption of those shares are not available, and the shares may not be exchanged, until the Bank is reasonably certain that the check or clearing house funds have cleared, which could take up to 10 calendar days.

#### Systematic Withdrawal Program

Shareholders who desire to receive payments of a predetermined amount may take advantage of the Systematic Withdrawal Program. Under this program, Fund shares are redeemed to provide for periodic withdrawal payments in an amount directed by the shareholder. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this 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 the Bank.

#### Accounts with Low Balances

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if, due to shareholder redemptions, the account balance falls below the required minimum of \$1,000.

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

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#### Voting Rights

Each share of the Fund entitles shareholders to one vote in Trustee elections and other matters submitted to shareholders of the Trust for vote. All shares of

each portfolio in the Trust have equal voting rights except that, in matters affecting only a particular Fund, only shareholders of that Fund are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or the Fund's operation and for the election of Trustees under certain circumstances.

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

#### Massachusetts Partnership Law

Under certain circumstances, shareholders may be held personally liable 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 of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument the Trust or its Trustees enter into or sign on behalf of the Fund.

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required by the Declaration of Trust to use its property to indemnify, 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 assets of the Fund.

#### Effect of Banking Laws

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Banking laws and regulations presently prohibit a bank holding company registered under the federal Bank Holding Company Act of 1956, as amended or any affiliate thereof from sponsoring, organizing, controlling, or distributing the shares of a registered, open-end investment company continuously engaged in the issuance of its shares, and prohibit banks generally from underwriting or distributing securities. However, such banking laws and regulations do not prohibit such a holding company affiliate or bank generally from acting as investment adviser, transfer agent, or custodian to such an investment company or from acting as agent for their customers in purchasing securities. The Fund's Adviser, the Bank, is subject to such banking laws and regulations.

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

#### Tax Information

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##### Federal Income Tax

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

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

and distributions are received in cash or as additional shares.

State and Local 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 Fund may advertise its total return and yield.

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

The yield of the Fund is calculated each day by dividing the net investment income per share (as defined by the SEC) earned by the Fund over a 30-day period by the maximum offering price per share of the Fund on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

From time to time, the Fund may advertise its performance using certain reporting services and/or compare its performance to certain indices.

Addresses

<TABLE>		
<S>	<C> Peachtree Bond Fund	<C> Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser	Bank South, N.A.	MC 16 P.O. Box 4387 Atlanta, Georgia 30302
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Custodian	The Bank of New York	48 Wall Street New York, New York 10286
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Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
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Legal Counsel	Dickstein, Shapiro & Morin	2101 L Street, N.W. Washington, D.C. 20037
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Independent Auditors	Ernst & Young	One Oxford Centre Pittsburgh, Pennsylvania 15219
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</TABLE>

Peachtree Bond Fund  
Prospectus

Prospectus dated February 28, 1994

3092205A (2/94)

Peachtree Equity Fund  
(A Portfolio of Peachtree Funds)  
Prospectus

The shares of the Peachtree Equity Fund (the "Fund") offered by this Prospectus represent interests in a diversified portfolio of Peachtree Funds (the "Trust"), an open-end management investment company (a mutual fund). The investment objective of the Fund is to achieve long-term growth of capital and income. The Fund pursues this objective by investing primarily in a portfolio of common stocks of United States issuers.

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

The Fund has also filed a Statement of Additional Information dated February 28, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Fund by writing to the Bank South, N.A. (the "Bank") Mutual Funds Center or calling 1-800-282-6680 extension 4550.

SHARES OF THE FUND ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, AND ARE NOT ISSUED, ENDORSED OR GUARANTEED BY, BANK SOUTH, N.A. OR ANY OF ITS AFFILIATES. SUCH SHARES ARE NOT ISSUED, INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENT AGENCY. AN INVESTMENT IN THE FUND INVOLVES CERTAIN RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

THE BANK IS THE INVESTMENT ADVISER TO THE FUND. THE FUND IS DISTRIBUTED BY FEDERATED SECURITIES CORP., WHICH IS NOT AFFILIATED WITH THE BANK.

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

February 28, 1994

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Peachtree Equity Fund
Summary of Fund Expenses

<TABLE>
Shareholder Transaction Expenses
Maximum Sales Load Imposed on Purchases 3.75%
Maximum Sales Load Imposed on Reinvested Dividends None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds as applicable) None
Redemption Fees (as a percentage of amount redeemed, if applicable) None
Exchange Fee None
Annual Fund Operating Expenses\* (As a percentage of projected average net assets)
Management Fee 0.75%
12b-1 Fees(1) 0.00%
Other Expenses (after waiver) (2) 0.25%
Total Fund Operating Expenses(3) 1.00%

(1) As of the date of this Prospectus, the Fund is not paying or accruing 12b-1 fees. The Fund can pay up to 0.75% as a 12b-1 fee to the distributor. Certain trust clients of the Bank or its affiliates, including ERISA plans, will not be affected by the distribution plan because the distribution plan will not be activated unless and until a second, "Trust," class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

(2) Total Other Expenses are estimated to be 0.27% absent the anticipated voluntary waiver by the transfer agent.

(3) The Total Fund Operating Expenses are estimated to be 1.02% absent the anticipated voluntary waiver by the transfer agent.

\* Expenses are estimated based on average expenses expected to be incurred during the fiscal year ending September 30, 1994. During the course of this period, expenses may be more or less than the average amount shown.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Peachtree Funds Information" and "Investing in the Fund." Wire transfer redemptions may be subject to an additional fee.

<TABLE>
EXAMPLE
1 year 3 years
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period. As noted in the table above, the Fund charges no redemption fees. \$47 \$68

The above example should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown. This example is based on estimated data for the Fund's fiscal year ending September 30, 1994.

General Information

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated September 22, 1993, as amended and restated dated December 20, 1993. 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 Trust's Peachtree Equity Fund. The Fund is designed as a convenient means of accumulating an interest in a professionally managed, diversified portfolio consisting primarily of common stocks of United States issuers. A minimum initial investment of \$1,000 is required (\$500 for Individual Retirement Accounts ("IRAs")), and subsequent investments must be in amounts of at least \$100. See "Investing in the Fund".

Fund shares are sold at net asset value plus a maximum sales charge of 3.75% and redeemed at net asset value.

#### Investment Information

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##### Investment Objective

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

##### Investment Policies

The Fund pursues its investment objective by investing in the securities of high quality companies. Emphasis is placed on stocks where the market price of the stock appears low when compared to present earnings. The Fund's investment approach is based on the conviction that, over the long term, the economy will continue to expand and develop and that this economic growth will be reflected in the growth of the revenues and earnings of publicly-held corporations. Unless indicated otherwise, the investment policies of the Fund may be changed by the Trustees without the approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

Acceptable Investments. The securities in which the Fund invests include, but are not limited to:

Common Stocks. The Fund invests primarily in common stocks of companies selected by the Fund's investment adviser on the basis of traditional research techniques, including assessment of earnings and dividend growth prospects of the companies. Ordinarily, these companies will be in the top 30% of their industries with regard to revenues. However, other factors such as product position, market share, potential earnings growth, or asset values will be considered by the investment adviser and may outweigh revenues. At least 65% of the Fund's portfolio will be invested in common stocks, unless it is in a defensive position.

Other Corporate Securities. The Fund may invest in preferred stocks, convertible securities, notes rated A or better by Moody's Investors Service, Inc., Standard & Poor's Corporation, Duff & Phelps Credit Rating Co. or Fitch Investors Service, Inc., or securities deemed by the investment adviser to be of comparable quality to securities having such ratings, and warrants of these companies. Corporate fixed income securities are subject to market and credit risks. If any note invested in by the Fund 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.

U.S. Government Securities. The Fund may invest in U.S. government securities and obligations of U.S. government agencies and instrumentalities.

Options and Futures. The Fund may purchase and sell financial futures contracts and purchase and sell options on financial futures contracts and on its portfolio securities.

Foreign Securities. The Fund may invest in foreign securities which are traded publicly in the United States. Investments in foreign securities, particularly those of non-governmental issuers, involve considerations which are not ordinarily associated with investments in domestic issuers. These considerations include the possibility of expropriation or nationalization, exchange rate fluctuations, foreign taxation and withholding, the unavailability of financial information or the difficulty of interpreting financial information prepared under foreign accounting standards, less liquidity and more volatility in



foreign securities markets, the impact of political, social, or diplomatic developments, and the difficulty of assessing economic trends in foreign countries. It may also be more difficult to enforce contractual obligations abroad than would be the case in the United States because of differences in the legal systems. Transaction costs in foreign securities may be higher. The Fund's investment adviser will consider these and other factors before investing in foreign securities and will not make such investments unless, in its opinion, such investments will meet the Fund's standards and objectives.

**Repurchase Agreements.** Repurchase agreements are arrangements in which banks, broker-dealers and other financial institutions sell securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price including interest. To the extent that the seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities. Repurchase agreements will be collateralized by securities having a value equal at all times to at least 100% of the amount of the securities subject to the repurchase agreement.

**When-Issued and Delayed Delivery Transactions.** The Fund may purchase portfolio securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous.

#### Investing in Securities of Other Investment Companies

The Fund may invest in the securities of other investment companies, but will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of total assets in any one investment company, or invest more than 10% of total assets in investment companies in the aggregate. The Fund will invest in other investment companies primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. It should be noted that investment companies incur certain expenses, and therefore, any investment by the Fund in Shares of another investment company would be subject to certain duplicate expenses, particularly transfer agent and custodian fees. The adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies.

**Lending of Portfolio Securities.** In order to generate additional income, the Fund may lend its portfolio securities on a short-term or long-term basis, to broker-dealers, banks, or other institutional borrowers of securities. The Fund will limit the amount of portfolio securities it may lend to not more than 50% of its total assets at any time. The Fund will only enter into loan arrangements with broker-dealers, banks, or other institutions which the adviser has determined are creditworthy under guidelines established by the Board of Trustees, and will receive collateral equal to at least 100% of the value of the securities loaned at all times.

**Temporary Investments.** For defensive purposes only, the Fund may also invest temporarily in cash and money market instruments during times of unusual market conditions. These investments include the following:

- prime commercial paper, including master demand notes;
- instruments of domestic and U.S. dollar denominated foreign banks and savings and loans (such as certificates of deposit, demand and time deposits, savings shares, and bankers' acceptances);
- securities issued and/or guaranteed as to payment of principal and interest by the U.S. government, its agencies, or instrumentalities;
- repurchase agreements;
- securities of other investment companies; and
- other short-term money market instruments.

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

#### Certain Borrowing and Investment Limitations

The Fund will not:

borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a portfolio instrument for a percentage of its cash value with an agreement to buy it back on a set date) or pledge securities except, under certain circumstances, the Fund may borrow up to 33 1/3% of the value of its total assets and secure such borrowings with up to 15% of the value of those assets at the time of borrowing;

engage in short sales; or

with respect to 75% of its total assets, invest more than 5% in securities of any one issuer other than cash, cash items, or securities issued and/or guaranteed by the U.S. government, 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 Fund shareholder approval.

#### Peachtree Funds Information

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#### Management of the Trust

**Board of Trustees.** The Trust is managed by a Board of Trustees (the "Board" or "Trustees"). The Board is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board handles various of the Board's delegable responsibilities between meetings of the Board.

**Investment Adviser.** Investment decisions for the Fund are made by the Bank as the Fund's investment adviser (the "Adviser"), subject to direction by the Board. The Adviser conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund's assets. From time to time, to the extent consistent with the investment objective, policies and restrictions of the Fund, the Fund may invest in securities of issuers with which the Adviser has a lending relationship. However, at this time, the Adviser has no intention to invest in securities of issuers that have a lending relationship with the investment Adviser or its affiliates.

**Advisory Fees.** The Adviser receives an annual investment advisory fee equal to 0.75% of the Fund's average daily net assets. The fee paid by the Fund, while higher than the advisory fee paid by certain other mutual funds, is comparable to fees paid by many mutual funds with similar objectives and policies. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse other expenses of the Fund, but reserves the right to terminate such waiver or reimbursement at any time at its sole discretion.

**Adviser's Background.** The Adviser, a national bank headquartered in Atlanta, Georgia, is a wholly owned subsidiary of Bank South Corporation, a Georgia corporation which is a registered bank holding company. The Adviser serves consumers through its network of banking offices with a full range of deposit and lending products, as well as investment services. The principal executive offices of the Adviser are located at 55 Marietta Street, N.W., Atlanta, GA 30303.

The Adviser has managed discretionary assets for its customers since 1931. As of September 30, 1993 the Adviser managed in excess of \$1 billion of discretionary assets. Prior to the date hereof, the Bank has not served as an investment adviser to mutual funds.

**Portfolio Manager.** Mr. W. Shelton Prince is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Prince joined the Adviser in March of 1968, and was promoted to Vice President in November 1979, and Senior Investment Manager in February 1993. He is responsible for the management of large personal trusts, foundations, and employee benefit accounts as well as the Adviser's equity and common trust funds for both institutional and personal trusts. He serves on the Adviser's Portfolio Strategy and Trust Fiduciary Committees.

Mr. Prince's educational background includes a Bachelor of Science degree from North Georgia College and a Master of Business Administration in both Finance and Management from Georgia State University. He is a member of the Atlanta Society of Financial Analysts.

#### Distribution of Fund Shares

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

Distribution Plan. Under a distribution plan (the "Plan") adopted in accordance with Securities and Exchange Commission ("SEC") Rule 12b-1 under the Investment Company Act of 1940, as amended, the Fund will pay an amount computed at an annual rate of up to 0.75% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Plan because the Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

The Distributor may select other financial institutions (such as broker-dealers or banks) to provide sales support services as agents for their clients or customers who beneficially own shares. These financial institutions (including the Bank ) will receive fees from the Distributor based upon shares subject to the Plan and owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Distributor.

The Fund's Plan is a compensation type plan. As such, the Fund pays the Distributor the fee described above as opposed to reimbursing the Distributor for actual expenses incurred. Therefore, the Fund does not pay for amounts expended by the Distributor in excess of amounts received by it from the Fund, which may include interest, carrying or other financing charges in connection with excess amounts expended, or the Distributor's overhead expenses. However, the Distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Plan.

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

State securities laws on this issue may differ from the interpretations of federal law expressed herein and banks and financial institutions may be required to register as dealers pursuant to certain states' securities laws.

Administrative Arrangements. The Distributor may also pay administrators a fee based upon the average net asset value of shares of their customers invested in the Trust for providing administrative services. This fee, if paid, will be reimbursed by the Adviser and not the Trust.

#### Administration of the Trust

Administrative Services. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides certain administrative personnel and services necessary to operate the Fund. Such services include certain legal and accounting services. Federated Administrative Services provides these at the annual rates specified below:

<TABLE>  
<CAPTION>

Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Trust
<C>	<S>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$100,000 per Fund. Federated Administrative Services may voluntarily choose to

waive a portion of its fee.

Shareholder Services Plan. The Fund has adopted a Shareholder Services Plan (the "Services Plan") with respect to the shares. Under the Services Plan, financial institutions will enter into shareholder service agreements with the Fund to provide administrative support services to their customers who from time to time may be owners of record or beneficial owners of the shares. In return for providing these support services, a financial institution may receive payments from the Fund at a rate not exceeding 0.25% of the average daily net assets of the shares beneficially owned by the financial institution's customers for whom it is holder of record or with whom it has a servicing relationship. These administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel including clerical, supervisory, and computer, as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries regarding the Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Fund reasonably requests. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Services Plan because the Services Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Services Plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

Custodian. The Bank of New York, New York, New York is custodian for the securities and cash of the Fund.

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

Legal Counsel. Legal counsel is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

Independent Auditors. The independent auditors for the Fund are Ernst & Young, Pittsburgh, Pennsylvania.

#### Expenses of the Fund

The Fund pays all of its own expenses and its allocable share of the Trust's expenses. The expenses borne by the Fund include, but are not limited to, the cost of: organizing the Trust and continuing its existence; Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Fund, and shares of the Fund with federal and state securities authorities; taxes and commissions; issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise.

#### Brokerage Transactions

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

#### Net Asset Value

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

#### Investing in the Fund

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## Share Purchases

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. Fund shares may be purchased through the Bank. In connection with the sale of shares of the Fund, the Distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

**By Telephone.** To place an order to purchase Fund shares, call Bank South Mutual Funds Center toll free at 1-800-282-6680 extension 4550. Texas residents must purchase shares of the Fund through Bank South Securities Corporation at 404-521-7063. Your purchase order will be taken directly over the telephone. The order must be placed by 4:00 p.m. (Eastern time) for shares to be purchased at that day's price.

**By Mail.** Provide a letter of instruction to the Fund indicating your purchase order, including the dollar amount of your order, your account title and/or name, and your account number, and include a check made payable to the Fund.

**Payment by Check.** Mail to Peachtree Equity Fund, c/o Bank South Mutual Fund Center, MC 16, P.O. Box 4387, Atlanta, Georgia 30302.

**Payment by Wire.** To purchase shares by Federal Wire, contact your account officer for wiring instructions. Wire orders will only be accepted on days on which the Fund, the Bank and the Federal Reserve Banks are open for business.

## Minimum Investment Required

The minimum initial investment in the Fund by an investor is \$1,000 (\$500 for IRAs). Subsequent investments must be in amounts of at least \$100. The Fund may choose to waive its minimum investment from time to time and for accounts which select the Systematic Investment Program.

## Systematic Investment Program

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

## What Shares Cost

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

<TABLE>  
<CAPTION>

Amount of Transaction	Sales Charge as a Percentage of Public Offering Price	Sales Charge as a Percentage of Net Amount Invested
<S>	<C>	<C>
Less than \$100,000	3.75%	3.90%
\$100,000 but less than \$250,000	3.25%	3.38%
\$250,000 but less than \$500,000	2.75%	2.83%
\$500,000 but less than \$750,000	2.25%	2.30%
\$750,000 but less than \$1,000,000	1.00%	1.01%
\$1,000,000 but less than \$2,000,000	0.50%	0.50%
\$2,000,000 or more	0.00%	0.00%

</TABLE>

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

**Purchases at Net Asset Value.** Shares of the Fund may be purchased at net asset value, without a sales charge, by certain trust customers of the Bank and current and retired directors, advisory committee members and employees of the Bank and its affiliates and their spouses and children under 21.

**Sales Charge Reallowance.** The Bank and any authorized dealer or bank will normally receive up to 85% of the applicable sales charge as a transaction fee from its customers and for sales and/or administrative services performed on behalf of its customers in connection with the initiation of customer accounts and purchases of Fund shares. Any portion of the sales charge which is not paid to the Bank or a dealer will be retained by the Distributor. The Distributor will, periodically, uniformly offer to pay cash, or promotional incentives in the form of trips to sales seminars at luxury resorts, tickets or other items, to all dealers selling shares of the Fund. Such payments will be predicated upon the amount of shares of the Fund that are sold by the dealer.

#### Reducing the Sales Charge

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

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

**Quantity Discounts and Accumulated Purchases.** As shown in the table on the previous page, larger purchases reduce the sales charge paid. The Fund will combine purchases of shares made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the public offering price of \$90,000 and purchases \$10,000 more at the current public offering price, the sales charge on the additional purchase according to the schedule now in effect would be 3.25%, not 3.75%.

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

**Letter of Intent.** If a shareholder intends to purchase at least \$100,000 of shares in the Fund over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the Custodian to hold up to 3.75% of the total amount intended to be purchased in escrow (in shares) until such purchase is completed.

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

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

**Reinvestment Privilege.** If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. The Bank must be notified by the shareholder in writing or by the shareholder's financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences.

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

To receive this sales charge reduction, the Distributor must be notified by the shareholder in writing or by the Bank at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases. See "What Shares Cost" and "Addresses".

#### Certificates and Confirmations

The Transfer Agent for the Fund maintains a share account for each shareholder of record. Share certificates are not issued unless requested in writing from the Fund or the Transfer Agent.

Detailed statements that include account balances, information on each purchase or redemption, and a report of dividends are sent to each shareholder.

#### Dividends and Distributions

Dividends are declared and paid quarterly to all shareholders invested in the Fund on the record date.

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be reinvested in additional shares on payment dates at the ex-dividend date's net asset value without a sales charge, unless a shareholder makes written request for cash payments to the Fund or the Bank.

#### Purchasing Fund Shares for Securities

The Fund in its sole discretion, may sell Fund shares to investors that desire to purchase Fund shares with certain securities or a combination of certain securities and cash. The Fund reserves the right to determine the acceptability of securities used to effect such purchases. On the day securities are accepted by the Fund, they are valued based upon independent bid and in the same manner as the Fund values its assets. Investors wishing to use securities to purchase Fund shares should first contact the Bank. Any such transfer of securities is treated as a sale of the securities and will result in the recognition of any gain or loss for federal income tax purposes by the seller of such securities, except to the extent the seller is an ERISA plan or similar entity not subject to tax.

#### Exchange Privilege

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#### Peachtree Funds

All shareholders of the Fund are shareholders of Peachtree Funds. Peachtree Funds currently include the Fund, Peachtree Bond Fund, Peachtree Georgia Tax-Free Income Fund, Peachtree Prime Money Market Fund, and Peachtree Government Money Market Fund. Shareholders have easy access to each of the portfolios of Peachtree Funds through a telephone exchange program. All Peachtree Funds are advised by the Bank and distributed by the Distributor.

Shareholders may exchange shares of the Fund for shares of the other Peachtree Funds. In addition, shares of the Fund may also be exchanged for certain other funds designated by the Bank which are distributed by the Distributor but are not advised by the Bank ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550. Shares of funds with a sales charge may be exchanged at net asset value for shares of other funds with an equal sales charge or no sales charge. Shares of funds with a sales charge may be exchanged for shares of funds with a higher sales charge at net asset value, plus the additional sales charge. Shares of funds with no sales charge, whether acquired by direct purchase, reinvestment of dividends on such shares, or otherwise, may be exchanged for shares of funds with a sales charge at net asset value, plus the applicable sales charge.

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

Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value for the applicable fund. Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized.

The Fund reserves the right to terminate the exchange privilege at any time on 60 days notice. Shareholders will be notified if this privilege is terminated. A shareholder may obtain further information on the exchange privilege by calling the Bank.

By Telephone. Instructions for exchanges between funds which are part of the Trust may be given by telephone to the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550 or to the Distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations.

Any shares held in certificate form cannot be exchanged by telephone but must be forwarded to the Fund's Transfer Agent by the Bank and deposited to the shareholder's mutual fund account before being exchanged. See "Addresses".

An authorization form permitting the Fund to accept telephone exchanges 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 regarding this service are available from the Bank. Telephone exchange instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

Telephone exchange instructions must be received before 4:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders may have difficulty in making exchanges by telephone through the Bank, during times of drastic economic or market changes. If a shareholder cannot contact the Bank, by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail to Peachtree Funds, 55 Marietta Street, N.W., Atlanta, Georgia 30303.

#### Redeeming Shares

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The Fund redeems shares at their net asset value next determined after the Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Telephone or written requests for redemption must be received in proper form and can be made through the Bank, or directly to the Fund.

By Telephone. A shareholder may redeem shares of the Fund by contacting his account officer or by calling the Bank South Mutual Funds Center to request the redemption. Call 1-800-282-6680 extension 4550). Shares will be redeemed at the net asset value next determined after the Fund receives the redemption request from the Bank. Redemption requests to the Bank must be received before 4:00 p.m. (Eastern time) in order for shares to be redeemed at that day's net asset value, and the Bank will promptly submit such redemption requests and provide written redemption instructions to the Fund. If, at any time, the Fund should determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Fund to accept telephonic 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 are available from the Bank. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

A shareholder may have the redemption proceeds directly deposited by electronic funds transfer or wired directly to a domestic commercial bank previously designated by the shareholder. Wire redemption orders will only be accepted on days on which the Fund, the Bank and the Federal Reserve Wire System are open for business. Wire-transferred redemptions may be subject to an additional fee.

In the event of extraordinary economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, it is recommended that a redemption request be made in writing and be hand



delivered or sent by overnight mail to your account officer at the Bank.

By Mail. Shareholders may redeem shares by sending a written request to the Bank. The written request should include the shareholder's name, the Fund name, the account number, and the share or dollar amount requested. If share certificates have been issued, they must be properly endorsed and should be sent by registered or certified mail with the written request to the Bank. Shareholders should call the Bank for assistance in redeeming shares by mail.

Signatures. Shareholders requesting a redemption of \$50,000 or more, a redemption requesting payment to an address other than that on record with the Fund, or other than to the shareholder of record must make written redemption requests with signatures guaranteed by:

a trust company or commercial bank whose deposits are insured by the FDIC's BIF;

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

a savings bank or savings and loan association whose deposits are insured by the FDIC's SAIF; or

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

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

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

Receiving Payment. Normally, a check for the proceeds is mailed to the shareholder within one business day, but in no event more than seven calendar days, after receipt of a proper written redemption request, provided that the Transfer Agent has received payment for shares from the shareholder.

#### Redemption Before Purchase Instruments Clear

When shares are purchased by check or through an Automated Clearing House ("ACH"), the proceeds from the redemption of those shares are not available, and the shares may not be exchanged, until the Bank is reasonably certain that the check or clearing house funds have cleared, which could take up to 10 calendar days.

#### Systematic Withdrawal Program

Shareholders who desire to receive payments of a predetermined amount may take advantage of the Systematic Withdrawal Program. Under this program, Fund shares are redeemed to provide for periodic withdrawal payments in an amount directed by the shareholder. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this 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 the Bank.

#### Accounts with Low Balances

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if, due to shareholder redemptions, the account balance falls below the required minimum of \$1,000.

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

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#### Voting Rights

Each share of the Fund entitles shareholders to one vote in Trustee elections

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

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

#### Massachusetts Partnership Law

Under certain circumstances, shareholders may be held personally liable 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 of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument the Trust or its Trustees enter into or sign on behalf of the Fund.

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required by the Declaration of Trust to use its property to indemnify, 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 assets of the Fund.

#### Effect of Banking Laws

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Banking laws and regulations presently prohibit a bank holding company registered under the federal Bank Holding Company Act of 1956, as amended or any affiliate thereof from sponsoring, organizing, controlling, or distributing the shares of a registered, open-end investment company continuously engaged in the issuance of its shares, and prohibit banks generally from underwriting or distributing securities. However, such banking laws and regulations do not prohibit such a holding company affiliate or banks generally from acting as investment adviser, transfer agent, or custodian to such an investment company or from acting as agent for their customers in purchasing securities. The Fund's Adviser, the Bank, is subject to such banking laws and regulations.

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

#### Tax Information

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##### Federal Income Tax

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

Unless otherwise exempt, shareholders are required to pay federal income tax on

any dividends and other distributions received. This applies whether dividends and distributions are received in cash or as additional shares.

#### State and Local 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 Fund may advertise its total return and yield.

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

The yield of the Fund is calculated each day by dividing the net investment income per share (as defined by the SEC) earned by the Fund over a 30-day period by the maximum offering price per share of the Fund on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

From time to time, the Fund may advertise its performance using certain reporting services and/or compare its performance to certain indices.

#### Addresses

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

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser	Bank South, N.A.	MC 16 P.O. Box 4387 Atlanta, Georgia 30302
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Custodian	The Bank of New York	48 Wall Street New York, New York 10286
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Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
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Legal Counsel	Dickstein, Shapiro & Morin	2101 L Street, N.W. Washington, D.C. 20037
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Independent Auditors	Ernst & Young	One Oxford Centre Pittsburgh, Pennsylvania 15219
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</TABLE>

Peachtree  
Equity Fund

Prospectus

A Diversified Portfolio of  
Peachtree Funds, an Open-End  
Management Investment Company

Prospectus dated February 28, 1994

3092102A (2/94)

Peachtree Georgia Tax-Free  
Income Fund  
(A Portfolio of Peachtree Funds)  
Prospectus

The shares of the Peachtree Georgia Tax-Free Income Fund (the "Fund") offered by this Prospectus represent interests in a non-diversified portfolio of Peachtree Funds (the "Trust"), an open-end management investment company (a mutual fund). The investment objective of the Fund is to provide current income exempt from federal income tax and the personal income taxes imposed by the state of Georgia. The Fund invests primarily in securities issued by and on behalf of the State of Georgia and its political subdivisions, authorities and agencies, and securities issued by other states, territories, and possessions of the United States which are exempt from federal income tax and the personal income taxes imposed by the State of Georgia ("Georgia Municipal Securities").

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

The Fund has also filed a Statement of Additional Information dated February 28, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about the Fund by writing to the Bank South, N.A. (the "Bank") Mutual Funds Center or calling 1-800-282-6680 extension 4550.

SHARES OF THE FUND ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, AND ARE NOT ISSUED, ENDORSED OR GUARANTEED BY, THE BANK OR ANY OF ITS AFFILIATES. SUCH SHARES ARE NOT ISSUED, INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER GOVERNMENT AGENCY. AN INVESTMENT IN THE FUND INVOLVES CERTAIN RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

THE BANK IS INVESTMENT ADVISER TO THE FUND. THE FUND IS DISTRIBUTED BY FEDERATED SECURITIES CORP., WHICH IS NOT AFFILIATED WITH THE BANK.

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

February 28, 1994

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Peachtree Georgia Tax-Free Income Fund  
Summary of Fund Expenses

<TABLE>		
<S>		<C>
	Shareholder Transaction Expenses	
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....		2.50%
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....		None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....		None
Redemption Fees (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None
	Annual Fund Operating Expenses* (As a percentage of projected average net assets)	
Management Fee (after waiver) (1).....		0.00%
12b-1 Fees (2).....		0.00%
Other Expenses (after waivers) (3).....		0.57%
Total Fund Operating Expenses (4).....		0.57%
</TABLE>		

- (1) The estimated management fee has been reduced to reflect the anticipated voluntary waiver of a portion of the management fee by the investment adviser. The investment adviser can terminate this voluntary waiver at any time in its sole discretion. The maximum management fee is 0.75%.
- (2) As of the date of this prospectus, the Fund is not paying or accruing 12b-1 fees. The Fund can pay up to 0.75% as a 12b-1 fee to the distributor. Certain trust clients of the Bank or its affiliates, including ERISA plans, will not be affected by the distribution plan because the distribution plan will not be activated unless and until a second, "Trust," class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Fund are converted to such Trust class.
- (3) Total Other Expenses are estimated to be 1.16% absent the anticipated voluntary waiver by the administrator and transfer agent.
- (4) The Total Fund Operating Expenses are estimated to be 1.91% absent the anticipated voluntary waivers by the adviser, administrator, and transfer agent.
- \* Expenses are estimated based on average expenses expected to be incurred during the fiscal year ending September 30, 1994. During the course of this period, expenses may be more or less than the average amount shown.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Peachtree Funds Information" and "Investing in the Fund." Wire transfer redemptions may be subject to an additional fee.

<CAPTION> <S>	1 year <C>	3 years <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. As noted in the table above, the Fund charges no redemption fees.....	\$31	\$43

The above example should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown. This example is based on estimated data for the Fund's fiscal year ending September 30, 1994.

General Information

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated September 22, 1993, as amended and restated dated December 20, 1993. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. This Prospectus relates only to the Trust's Peachtree Georgia Tax-Free Income Fund. The Fund is designed as a convenient means of accumulating an interest in a professionally managed, non-diversified portfolio investing primarily in Georgia Municipal Securities. A minimum initial investment of \$1,000 is required and subsequent investments must be in amounts of at least \$100.

The Fund is not likely to be a suitable investment for non-Georgia taxpayers or retirement plans since Georgia municipal securities are not likely to produce competitive after-tax yields for such persons and entities when compared to other investments. A minimum initial investment of \$1,000 is required, and subsequent investments must be in amounts of at least \$100.

Fund shares are sold at net asset value plus a maximum sales charge of 2.50%, and are redeemed at net asset value.

Investment Information

Investment Objective

The Fund's investment objective is to provide current income exempt from federal income tax and the personal income taxes imposed by the State of Georgia. The investment objective cannot be changed without the approval of the Fund's shareholders. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this Prospectus.

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 jurisdictions other than Georgia.

Investment Policies

The Fund pursues its investment objective by investing primarily in Georgia Municipal Securities. As a matter of 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 annual interest income is exempt from federal income tax (including alternative minimum tax). Unless indicated otherwise, the other investment policies of the Fund may be changed by the Board of Trustees without approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

Acceptable Investments. Under normal circumstances, the Fund will invest at least 65% of its total assets in Georgia Municipal Securities, which are obligations issued by and on behalf of the State of Georgia, its political subdivisions, authorities and agencies; debt obligations of any state, territory, or possession of the United States, including the District of Columbia, 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 investment adviser to the Fund, exempt from both federal income tax and the personal income tax imposed by the State of Georgia. While the Fund intends to invest primarily in securities issued by or on behalf of the State of Georgia, its political subdivisions, authorities and

agencies, it will invest in other securities issued by states, territories, and possessions of the United States which are exempt from federal income tax and the personal income taxes imposed by the State of Georgia. The Fund will invest in such securities in instances where, in the judgment of the Fund's investment adviser, the supply and yield of such securities would be beneficial to the Fund's investment performance.

**Characteristics.** The Georgia Municipal Securities which the Fund buys are investment-grade bonds rated, at the time of purchase, Aaa, Aa, A, or Baa by Moody's Investors Service, Inc. ("Moody's"), or AAA, AA, A, or BBB by Standard and Poor's Corporation ("S&P"), Fitch Investors Service, Inc. ("Fitch"), or Duff & Phelps Credit Rating Co. ("Duff & Phelps"). In certain cases, the Fund's investment adviser may choose bonds which are unrated if it determines that such bonds are of comparable quality or have similar characteristics to investment-grade bonds. Bonds rated "BBB" by S&P, Fitch, or Duff & Phelps or "Baa" by Moody's have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to weakened capacity to make principal and interest payments than higher rated bonds. Downgrades will be evaluated on a case-by-case basis by the investment adviser. The adviser will determine whether or not the security continues to be an acceptable investment. If not, the security will be sold when deemed appropriate by its adviser given the costs of such a sale, including potential losses. A description of the rating categories is contained in the Appendix to the Statement of Additional Information. A credit rating is not a recommendation to buy, sell or hold securities and is subject to change and/or withdrawal by the rating agency.

**Participation Interests.** The Fund may purchase participation interests from financial institutions such as commercial banks, savings and loan associations, and insurance companies. These participation interests give the Fund a fractional undivided interest in Georgia 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 Trustees will determine that participation interests meet the prescribed quality standards for the Fund.

**Variable Rate Municipal Securities.** Some of the Georgia Municipal Securities which the Fund purchases may have variable interest rates. Variable interest rates are ordinarily stated as a percentage of the prime rate of a bank or a similar standard, such as the 91-day U.S. Treasury bill rate or established by a remarketing agent as the minimum rate that it judges would be necessary on the securities prior to the next remarketing date, having due regard for the prevailing financial markets in order to sell such securities in a secondary market transaction. 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 be selected consistent with the Fund's quality standards. The Fund's investment 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 some may be considered to be illiquid. They may take the form of a lease, an installment purchase contract, a conditional sales contract, or a certificate of participation in any of the above.

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

**When-Issued and Delayed Delivery Transactions.** The Fund may purchase securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

**Investing in Securities of Other Investment Companies**



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

**Temporary Investments.** From time to time, during periods of abnormal market conditions, the Fund may invest in short-term tax-exempt 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; securities of other investment companies; and repurchase agreements (generally short-term arrangements in which the Fund may buy securities subject to the seller's agreement to repurchase such securities at a mutually agreed upon time and price such that the Fund earns interest during the term of the agreement).

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

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

#### Portfolio Turnover

Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in the portfolio will be sold whenever the Adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. The Adviser does not anticipate that the Fund's annual portfolio turnover rate will exceed 200% under normal market conditions. A high portfolio turnover rate may lead to increased costs and may also result in higher taxes paid by the Fund's shareholders.

#### Georgia Municipal Securities

Georgia 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. These are also issued to repay outstanding obligations, to raise funds for general operating expenses, and, under certain circumstances, to make loans for profit and non-profit public and private entities.

The two principal classifications of municipal securities are "general obligations" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and/or 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.

A significant portion of revenue bonds issued by governmental units constitute "private activity" bonds. Private activity bonds are issued by or on behalf of a governmental unit, generally to finance the acquisition, construction and equipping of facilities to be used, directly or indirectly, by private for-profit and non-profit companies. These private activity bonds are generally secured by a pledge of the revenues to be paid by such private companies under a financing agreement (which usually takes the form of a lease, installment sale or loan agreement) between a private company and a governmental unit, as well as a security interest in the real and personal property acquired or constructed with the proceeds of such bonds. Often the credit securing these types of private activity bonds is enhanced through the issuance of a letter of credit or guarantee by a credit-worthy financial institution. The credit ratings of these so-called "credit enhanced" bond issues are based on the credit worthiness of the financial institution issuing the credit enhancement and not the private

user of the facilities financed with the proceeds of such bonds or the governmental unit issuing the bonds, which are not liable for the payment thereof, other than through the assignment of revenues to be received by the private user under the financing agreement.

#### Investment Risks

Yields on Georgia Municipal Securities depend on a variety of factors, including, but not limited to: 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 Georgia or its municipalities, or companies and financial institutions obligated under private activity bonds, could affect the Fund's portfolio. The Fund's ability to achieve its investment objective also depends on the continuing ability of the obligors of securities held by the Fund to meet their obligations for the payment of interest and principal when due. Investing in Georgia Municipal Securities which meet the Fund's quality standards may not be possible if the State of Georgia and its municipalities do not maintain their current credit ratings. In addition, certain Georgia constitutional amendments, legislative measures, executive orders, administrative regulations and voter initiatives could result in adverse consequences affecting various Georgia Municipal Securities. A discussion of the current economic risks associated with the purchase of Georgia 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 risks and fluctuation in market value of the Fund's portfolio than investments in a diversified portfolio of securities. Any economic, political, or regulatory developments affecting the value of the securities in the Fund's portfolio will have a greater effect on the total value of the portfolio than would be the case if the portfolio were diversified among more issuers. However, the Fund intends to comply with Subchapter M of the Internal Revenue Code. 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) no more than 25% of its total assets are invested in the securities of a single issuer.

#### Certain Borrowing and Investment Limitations

The Fund will not:

borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a portfolio instrument for a percentage of its cash value with an agreement to buy it back on a set date) or pledge securities except, under certain circumstances, the Fund may borrow up to 33 1/3% of the value of its total assets and secure such borrowings with up to 15% of the value of those assets at the time of borrowing.

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

invest more than 5% of its total assets in industrial development bonds where the payment of principal and interest is the responsibility of companies (including guarantors where applicable) with less than three years of continuous operations, including the operation of any predecessor.

#### Peachtree Funds Information

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##### Management of the Trust

Board of Trustees. The Trust is managed by a Board of Trustees (the "Board" or "Trustees"). The Board is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board handles various of the Board's delegable responsibilities between meetings of the Board.

Investment Adviser. Investment decisions for the Fund are made by the Bank as the Fund's investment adviser (the "Adviser"), subject to direction by the

Board. The Adviser conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund's assets. From time to time, to the extent consistent with the investment objective, policies and restrictions of the Fund, the Fund may invest in securities of issuers with which the Adviser has a lending relationship. However, at this time, the Adviser has no intention to invest in securities of issuers that have a lending relationship with the investment Adviser or its affiliates.

**Advisory Fees.** The Adviser receives an annual investment advisory fee equal to 0.75% of the Fund's average daily net assets. The fee paid by the Fund, while higher than the advisory fee paid by certain other mutual funds, is comparable to fees paid by many mutual funds with similar objectives and policies. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse other expenses of the Fund, but reserves the right to terminate such waiver or reimbursement at any time at its sole discretion.

**Adviser's Background.** The Adviser, a national bank headquartered in Atlanta, Georgia, is a wholly owned subsidiary of Bank South Corporation, a Georgia corporation which is a registered bank holding company. The Adviser serves consumers through its network of banking offices with a full range of deposit and lending products, as well as investment services. The principal executive offices of the Adviser are located at 55 Marietta Street N.W., Atlanta, GA 30303.

The Adviser has managed discretionary assets for its consumers since 1931. As of September 30, 1993, the Adviser managed in excess of \$1 billion of discretionary assets. Prior to the date hereof, the Adviser has not served as an investment adviser to mutual funds.

**Portfolio Manager.** Mr. J.M. Johnston, Jr. is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Johnston began at the Adviser in September of 1992.

Mr. Johnston directs the investment management of the employee benefit plans, fixed income fund, and personal trusts. He is also responsible for securities analysis for various industries.

Mr. Johnston began his investment career in 1981. Prior to his affiliation with the Bank, he spent six years with The Citizens & Southern National Bank, Atlanta, Georgia as a portfolio manager.

Mr. Johnston holds a Bachelor of Science degree from the University of Alabama and a Master of Business Administration in Finance from Georgia State University. He is a member of the Atlanta Society of Financial Analysts.

#### Distribution of Fund Shares

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

**Distribution Plan.** Under a distribution plan (the "Plan") adopted in accordance with Securities and Exchange Commission ("SEC") Rule 12b-1 under the Investment Company Act of 1940, as amended, the Fund will pay an amount computed at an annual rate of up to 0.75% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Plan because the Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Rule 12b-1 plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

The Distributor may select other financial institutions (such as broker-dealers or banks) to provide sales support services as agents for their clients or customers who beneficially own shares. These financial institutions (including the Bank) will receive fees from the Distributor based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Distributor.

The Fund's Plan is a compensation type plan. As such, the Fund pays the Distributor the fee described above as opposed to reimbursing the Distributor

for actual expenses incurred. Therefore, the Fund does not pay for amounts expended by the Distributor in excess of amounts received by it from the Fund, which may include interest, carrying or other financing charges in connection with excess amounts expended, or the Distributor's overhead expenses. However, the Distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Plan.

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

State securities laws on this issue may differ from the interpretations of federal law expressed herein and banks and financial institutions may be required to register as dealers pursuant to certain states' securities laws.

Administrative Arrangements. The Distributor may also pay administrators a fee based upon the average net asset value of shares of their customers invested in the Trust for providing administrative services. This fee, if paid, will be reimbursed by the Adviser and not the Trust.

#### Administration of the Trust

Administrative Services. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides certain administrative personnel and services necessary to operate the Fund. Such services include certain legal and accounting services. Federated Administrative Services provides these at the annual rates specified below:

<TABLE>	
<CAPTION>	
Maximum Administrative Fee	Average Aggregate Daily Net Assets of the Trust
<C>	<S>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$100,000 per Fund. Federated Administrative Services may voluntarily choose to waive a portion of its fee.

Shareholder Services Plan. The Fund has adopted a Shareholder Services Plan (the "Services Plan") with respect to the shares. Under the Services Plan, financial institutions will enter into shareholder service agreements with the Fund to provide administrative support services to their customers who from time to time may be owners of record or beneficial owners of the shares. In return for providing these support services, a financial institution may receive payments from the Fund at a rate not exceeding 0.25% of the average daily net assets of the shares beneficially owned by the financial institution's customers for whom it is holder of record or with whom it has a servicing relationship. These administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel including clerical, supervisory, and computer, as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries regarding the Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Fund reasonably requests. Certain trust clients of the Bank, including ERISA plans, will not be affected by the Services Plan because the Services Plan will not be activated unless and until a second, "Trust" class of shares of the Fund (which would not have a Services Plan) is created and such trust clients' investments in the Fund are converted to such Trust class.

Custodian. The Bank of New York, New York, New York is custodian for the securities and cash of the Fund.

Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent (the "Transfer Agent") for the shares of and dividend disbursing agent for the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.

Legal Counsel. Legal counsel is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

Independent Auditors. The independent auditors for the Fund are Ernst & Young, Pittsburgh, Pennsylvania.

#### Expenses of the Fund

The Fund pays all of its own expenses and its allocable share of the Trust's expenses. The expenses borne by the Fund include, but are not limited to, the cost of: organizing the Trust and continuing its existence; Trustees' fees; investment advisory and administrative services; printing prospectuses and other Fund documents for shareholders; registering the Trust, the Fund, and shares of the Fund with federal and state securities authorities; taxes and commissions; issuing, purchasing, repurchasing, and redeeming shares; fees for custodians, transfer agents, dividend disbursing agents, shareholder servicing agents, and registrars; printing, mailing, auditing, accounting, and legal expenses; reports to shareholders and governmental agencies; meetings of Trustees and shareholders and proxy solicitations therefor; insurance premiums; association membership dues; and such nonrecurring and extraordinary items as may arise.

#### Net Asset Value

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

#### Investing in the Fund

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##### Share Purchases

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. Shares of the Fund may be purchased through the Bank. In connection with the sale of Fund shares, the Distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

**By Telephone.** To place an order to purchase Fund shares, call the Bank South Mutual Funds Center toll free at 1-800-282-6680 extension 4550. Texas residents must purchase shares of the Fund through Bank South Securities Corporation at 404-521-7063. Your purchase order will be taken directly over the telephone. The order must be placed by 4:00 p.m. (Eastern time) for shares to be purchased at that day's price.

**By Mail.** Provide a letter of instruction to the Fund indicating your purchase order, including the dollar amount of your order, your account title and/or name, and your account number, and include a check made payable to the Fund.

**Payment by Check.** Mail to Peachtree Georgia Tax-Free Income Fund, c/o Bank South Mutual Funds Center, MC 16, P.O. Box 4387, Atlanta, Georgia 30302.

**Payment by Wire.** To purchase shares by Federal Wire, contact your account officer for wiring instructions. Wire orders will only be accepted on days on which the Fund, the Bank and the Federal Reserve Banks are open for business.

##### Minimum Investment Required

The minimum initial investment in the Fund by an investor is \$1,000. Subsequent investments must be in amounts of at least \$100. The Fund may choose to waive its minimum investment requirements from time to time and for accounts which select the Systematic Investment Program.

##### Systematic Investment Program

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

##### What Shares Cost

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

<TABLE>

<CAPTION>

Amount of Transaction	Sales Charge as a Percentage of Public Offering Price	Sales Charge as a Percentage of Net Amount Invested
<S>	<C>	<C>
Less than \$100,000	2.50%	2.56%
\$100,000 but less than \$250,000	2.00%	2.04%
\$250,000 but less than \$500,000	1.50%	1.52%
\$500,000 but less than \$750,000	1.00%	1.01%
\$750,000 but less than \$1,000,000	0.50%	0.50%
\$1,000,000 and more	0.00%	0.00%

</TABLE>

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

Purchases at Net Asset Value. Shares of the Fund may be purchased at net asset value, without a sales charge, by certain trust customers of the Bank and current and retired directors, advisory committee members and employees of the Bank and its affiliates and their spouses and children under 21.

Sales Charge Reallowance. The Bank and any authorized dealer or bank will normally receive up to 85% of the applicable sales charge as a transaction fee from its customers, and for sales and/or administrative services performed on behalf of its customers in connection with the initiation of customer accounts and purchases of Fund shares. Any portion of the sales charge which is not paid to the Bank or a dealer or other bank will be retained by the Distributor. The Distributor will, periodically, uniformly offer to pay cash, or promotional incentives in the form of trips to sales seminars at luxury resorts, tickets or other items, to all dealers selling shares of the Fund. Such payments will be predicated upon the amount of shares of the Fund that are sold by the dealer.

#### Reducing the Sales Charge

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

quantity discounts and accumulated purchases;

signing a 13-month letter of intent;

using the reinvestment privilege; or

concurrent purchases.

Quantity Discounts and Accumulated Purchases. As shown in the table on the previous page, larger purchases reduce the sales charge paid. The Fund will combine purchases of shares made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the public offering price of \$90,000 and purchases \$10,000 more at the current public offering price, the sales charge on the additional purchase according to the schedule now in effect would be 2.00%, not 2.50%.

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

Letter of Intent. If a shareholder intends to purchase at least \$100,000 of shares in the Fund over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a

provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the custodian to hold up to 2.50% of the total amount intended to be purchased in escrow (in shares) until such purchase is completed.

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

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

**Reinvestment Privilege.** If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. The Bank must be notified by the shareholder in writing or by the shareholder's financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences.

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

To receive this sales charge reduction, the Distributor must be notified by the shareholder in writing or by the Bank at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases. See "What Shares Cost" and "Addresses".

#### Certificates and Confirmations

The Transfer Agent maintains a share account for each shareholder of record. Share certificates are not issued, unless requested in writing from the Fund or the Transfer Agent.

Detailed statements that include account balances, information on each purchase or redemption, and a report of dividends are sent to each shareholder.

#### Dividends and Distributions

Dividends are declared daily and paid monthly to all shareholders invested in the Fund on the record date.

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be reinvested in additional shares on payment dates at the ex-dividend date's net asset value without a sales charge, unless a shareholder makes a written request for cash payments to the Fund or the Bank.

#### Purchasing Fund Shares with Securities

The Fund in its sole discretion, may sell Fund shares to investors that desire to purchase Fund shares with certain securities or a combination of certain securities and cash. The Fund reserves the right to determine the acceptability of securities used to effect such purchases. On the day securities are accepted by the Fund, they are valued based upon independent bid and in the same manner as the Fund values its assets. Investors wishing to use securities to purchase Fund shares should first contact the Bank. Any such transfer of securities is treated as a sale of the securities and will result in the recognition of any gain or loss for federal income tax purposes by the seller of such securities, except to the extent the seller is an ERISA plan or similar entity not subject to tax.

#### Exchange Privilege

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#### Peachtree Funds

All shareholders of the Fund are Shareholders of Peachtree Funds. Peachtree Funds currently include the Fund, Peachtree Bond Fund, Peachtree Equity Fund,

Peachtree Prime Money Market Fund, and Peachtree Government Money Market Fund. Shareholders have easy access to each of the portfolios of Peachtree Funds through a telephone exchange program. All Peachtree Funds are advised by the Bank and distributed by the Distributor.

Shareholders may exchange shares of the Fund for shares of the other Peachtree Funds. In addition, shares of the Fund may also be exchanged for certain other funds designated by the Bank which are distributed by the Distributor, but that are not advised by the Bank ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550. Shares of funds with a sales charge may be exchanged at net asset value for shares of other funds with an equal sales charge or no sales charge. Shares of funds with a sales charge may be exchanged for shares of funds with a higher sales charge at net asset value, plus the additional sales charge. Shares of funds with no sales charge, whether acquired by direct purchase, reinvestment of dividends on such shares, or otherwise, may be exchanged for shares of funds with a sales charge at net asset value, plus the applicable sales charge.

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

Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value for the applicable fund. Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized.

The Fund reserves the right to terminate the exchange privilege at any time on 60 days notice. Shareholders will be notified if this privilege is terminated. A shareholder may obtain further information on the exchange privilege by calling the Bank at 1-800-282-6680 extension 4550.

By Telephone. Instructions for exchanges between funds which are part of the Trust may be given by telephone to the Bank South Mutual Funds Center at 1-800-282-6680 extension 4550, or to the Distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations.

Any shares held in certificate form cannot be exchanged by telephone but must be forwarded to the Fund's Transfer Agent by the Bank and deposited to the shareholder's mutual fund account before being exchanged. See "Addresses".

An authorization form permitting the Fund to accept telephone exchanges 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 regarding this service are available from the Bank. Telephone exchange instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

Telephone exchange instructions must be received before 4:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders may have difficulty in making exchanges by telephone through the Bank during times of drastic economic or market changes. If a shareholder cannot contact the Bank by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail to Peachtree Funds, 55 Marietta Street, N.W., Atlanta, Georgia 30303.

#### Redeeming Shares

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The Fund redeems shares at their net asset value next determined after the Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Telephone or written requests for redemption



must be received in proper form and can be made through the Bank or directly to the Fund.

By Telephone. A shareholder may redeem shares of the Fund by contacting his account officer or by calling the Bank South Mutual Funds Center to request the redemption. Call 1-800-282-6680 extension 4550. Shares will be redeemed at the net asset value next determined after the Fund receives the redemption request from the Bank. Redemption requests must be received by the Bank before 4:00 p.m. (Eastern time) in order for shares to be redeemed at that day's net asset value and the Bank will promptly submit such redemption requests and provide written redemption instructions to the Fund. If, at any time, the Fund should determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Fund to accept telephonic 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 are available from the Bank. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

A shareholder may have the redemption proceeds directly deposited by electronic funds transfer or wired directly to a domestic commercial bank previously designated by the shareholder. Wire redemption orders will only be accepted on days on which the Fund, the Bank and the Federal Reserve Wire System are open for business. Wire-transferred redemptions may be subject to an additional fee.

In the event of extraordinary economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, it is recommended that a redemption request be made in writing and be hand delivered or sent by overnight mail to your account officer at the Bank.

By Mail. Shareholders may redeem shares by sending a written request to the Bank. The written request should include the shareholder's name, the Fund name, the account number, and the share or dollar amount requested. If share certificates have been issued, they must be properly endorsed and should be sent by registered or certified mail with the written request to the Bank. Shareholders should call the Bank for assistance in redeeming shares by mail.

Signatures. Shareholders requesting a redemption of \$50,000 or more, a redemption requesting payment to an address other than that on record with the Fund, or other than to the shareholder of record must make written redemption requests with signatures guaranteed by:

a trust company or commercial bank whose deposits are insured by the FDIC's BIF;

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

a savings bank or savings and loan association whose deposits are insured by the FDIC's SAIF; or

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

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

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

Receiving Payment. Normally, a check for the proceeds is mailed to the shareholder within one business day, but in no event more than seven calendar days, after receipt of a proper written redemption request, provided that the Transfer Agent has received payment for shares from the shareholder.

#### Redemption Before Purchase Instruments Clear

When shares are purchased by check or through an Automated Clearing House ("ACH"), the proceeds from the redemption of those shares are not available, and the shares may not be exchanged, until the Bank is reasonably certain that the check or clearing house funds have cleared, which could take up to 10 calendar

days.

#### Systematic Withdrawal Program

Shareholders who desire to receive payments of a predetermined amount may take advantage of the Systematic Withdrawal Program. Under this program, Fund shares are redeemed to provide for periodic withdrawal payments in an amount directed by the shareholder. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this 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 the Bank.

#### Accounts with Low Balances

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if, due to shareholder redemptions, the account balance falls below the required minimum of \$1,000.

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

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##### Voting Rights

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

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

##### Massachusetts Partnership Law

Under certain circumstances, shareholders may be held personally liable 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 of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument the Trust or its Trustees enter into or sign on behalf of the Fund.

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required by the Declaration of Trust to use its property to indemnify, 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 assets of the Fund.

##### Effect of Banking Laws

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Banking laws and regulations presently prohibit a bank holding company registered under the federal Bank Holding Company Act of 1956, as amended or any affiliate thereof from sponsoring, organizing, controlling, or distributing the shares of a registered, open-end investment company continuously engaged in the issuance of its shares, and prohibit banks generally from underwriting or distributing securities. However, such banking laws and regulations do not prohibit such a holding company affiliate or banks generally from acting as investment adviser, transfer agent, or custodian to such an investment company or from acting as agent for their customers in purchasing securities. The Fund's Adviser is subject to such banking laws and regulations.

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

#### Tax Information

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#### Federal Income Tax

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

Shareholders are not required to include any dividends received from the Fund that represent net interest on tax-exempt municipal bonds in gross income for federal income tax purposes. However, under the Tax Reform Act of 1986, dividends representing net interest income earned on some municipal bonds are included in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations.

The alternative minimum tax, equal to up to 28% of alternative minimum taxable income for individuals and 20% for corporations, applies when it exceeds the regular tax for the taxable year. Alternative minimum taxable income is equal to the regular taxable income for 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 income tax.

The Tax Reform Act of 1986 treats interest on certain "private activity" bonds issued after August 7, 1986, as a tax-preference item for both individuals and corporations. Unlike traditional government purpose municipal bonds, which finance roads, schools, libraries, prisons, and other public facilities, private activity bonds provide benefits to private parties. The Fund may purchase all types of municipal bonds, including private activity bonds. Thus, while the Fund has no present intention of purchasing any private activity bonds that would be treated as tax preference items, should it purchase any such bonds, a portion of the Fund's dividends may be treated as a tax-preference item.

In addition, in the case of a corporate shareholder, dividends of the Fund which represent interest on municipal bonds will become subject to the 20% corporate alternative minimum tax because the dividends are included in a corporation's "adjusted current earnings." The corporate alternative minimum tax treats 75% of the excess of a taxpayer's pre-tax "adjusted current earnings" over the taxpayer's alternative minimum taxable income as a tax-preference item. "Adjusted current earnings" are based upon the concept of a corporation's "earnings and profits." Since "earnings and profits" generally includes the full amount of any Fund dividend, and alternative minimum taxable income does not include the portion of the Fund's dividend attributable to municipal bonds which are not private activity bonds, the difference will be included in the calculation of the corporation's alternative minimum tax.

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.

These tax consequences apply whether dividends are received in cash or as additional shares. Information on the tax status of dividends and distributions is provided annually.

#### State of Georgia Income and Intangibles Taxes

Under existing Georgia law, shareholders of the Fund will not be subject to

Georgia income taxes on distributions from the Fund to the extent that such distributions represent either (1) "exempt-interest dividends" for federal income tax purposes that are attributable to interest-bearing obligations issued by or on behalf of the State of Georgia or its political subdivisions or (2) dividends derived from interest on obligations of the United States or of any other issuer whose obligations are exempt from state income taxes under federal law. Distributions, if any, derived from capital gains or other sources generally will be taxable for Georgia income tax purposes to shareholders of the Fund who are subject to the Georgia income tax. The Fund, as a Massachusetts business trust, is not expected to be required to pay the annual Georgia intangible property tax on the securities it holds. It is, however, the current practice of the Georgia Department of Revenue to subject trust interests similar to the shares to the intangibles tax at a rate equal to 10 cents per \$1,000 of value if the owners of such interests reside or have their principal business location in Georgia. The Department of Revenue is currently considering whether the taxable value of trust interests representing beneficial interests in tax-exempt securities may be reduced to take into account the exempt nature of such securities. Georgia law exempts the following securities from the intangibles tax: (1) obligations of the United States (including United States government agencies and corporations established by Acts of Congress), (2) obligations of the State of Georgia (including its political subdivisions or public institutions), and (3) industrial development revenue bonds issued pursuant to the laws of Georgia.

Other State and Local Taxes

Dividends payable with respect to the shares of the Fund may or may not be subject to state or local state income taxation in jurisdictions other than Georgia under applicable state or local laws. Similarly, shares in the Fund may or may not be subject to an intangible personal property tax in states other than Georgia. Each purchaser of the shares of the Fund is urged to consult his or her own tax adviser regarding the tax-exempt status of the Fund shares and dividends in state or local jurisdictions other than the State of Georgia.

Performance Information

From time to time the Fund may advertise its total return, yield and tax-equivalent yield.

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

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

From time to time, the Fund may advertise its performance using certain reporting services and/or compare its performance to certain indices.

Addresses

<TABLE>		
<S>	<C>	<C>
	Peachtree Georgia Tax-Free Income Fund	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
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Investment Adviser	Bank South, N.A.	MC 16 P.O. Box 4387 Atlanta, Georgia 30302
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Custodian

The Bank of New York

48 Wall Street  
New York, New York 10286  
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Transfer Agent, Dividend Disbursing Agent,  
and Portfolio Accounting Services

Federated Services Company

Federated Investors Tower  
Pittsburgh, Pennsylvania 15222-3779  
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Legal Counsel

Houston, Houston & Donnelly

2510 Centre City Tower  
Pittsburgh, Pennsylvania 15222  
-----

Legal Counsel

Dickstein, Shapiro & Morin

2101 L Street, N.W.  
Washington, D.C. 20037  
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Independent Auditors

Ernst & Young

One Oxford Centre  
Pittsburgh, Pennsylvania 15219  
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Peachtree Georgia  
Tax-Free Income Fund  
Prospectus

A Non-Diversified Portfolio of  
Peachtree Funds, an Open-End  
Management Investment Company  
Prospectus dated February 28, 1994

3100503A (2/94)