



# Money Market Funds

Capital Class Shares

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Not FDIC Insured
May Lose Value
No Bank Guarantee

Nations  
Cash Reserves

Nations Money  
Market Reserves

Nations  
Treasury Reserves

Nations  
Government  
Reserves

Nations  
Municipal Reserves

Nations  
California  
Tax-Exempt  
Reserves

*Prospectus*

August 1, 2001

 **Nations Funds**

# An overview of the Funds

## Terms used in this prospectus

In this prospectus, *we, us* and *our* refer to the Nations Funds family (Nations Funds or Nations Funds Family). Some other important terms we've used may be new to you. These are printed in *italics* where they first appear in a section and are described in *Terms used in this prospectus*.

You'll find *Terms used in this prospectus* on page 40.

Your investment in these Funds is not a bank deposit and is not insured or guaranteed by Bank of America, N.A. (Bank of America), the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Your investment may lose money.

Affiliates of Bank of America are paid for the services they provide to the Funds.

This booklet, which is called a prospectus, tells you about some Nations Money Market Funds. Please read it carefully, because it contains information that's designed to help you make informed investment decisions.

This prospectus offers Capital Class Shares of the Funds. This class of shares is designed primarily for eligible institutional and individual investors on a direct basis or through certain financial institutions or intermediaries. Please turn to *Buying, selling and exchanging shares* for more information about who is eligible to buy this class of shares.

### About the Funds

The Money Market Funds seek to provide income while protecting the principal of your original investment by investing in *money market instruments*.

Money market instruments include short-term *debt securities* that are U.S. government issued or guaranteed or have relatively low risk. Your original investment and your return aren't guaranteed, however, and returns will vary as short-term interest rates change. Over time, the return on money market funds may be lower than the return on other kinds of mutual funds or investments.

### Are these Funds right for you?

Not every Fund is right for every investor. When you're choosing a Fund to invest in, you should consider things like your investment goals, how much risk you can accept and how long you're planning to hold your investment.

The Money Market Funds may be suitable for you if:

- you're looking for a relatively low risk investment with stability of principal
- you have short-term income needs

They may not be suitable for you if:

- you're looking for higher returns
- you're more comfortable with bank deposits that are FDIC-insured

You'll find a discussion of each Fund's principal investments, strategies and risks in the Fund descriptions that start on page 4.

### For more information

If you have any questions about the Funds, please call us at **1.800.626.2275** if you're an institutional investor, or **1.800.321.7854** if you're an individual investor. You can also contact your investment professional.

You'll find more information about the Funds in the Statement of Additional Information (SAI). The SAI includes more detailed information about each Fund's investments, policies, performance and management, among other things. Please turn to the back cover to find out how you can get a copy.

# What's inside

## Banc of America Advisors, LLC

Banc of America Advisors, LLC (BA Advisors) is the investment adviser to each of the Funds. BA Advisors is responsible for the overall management and supervision of the investment management of each Fund. BA Advisors and Nations Funds have engaged a sub-adviser — Banc of America Capital Management, LLC (BACAP), which is responsible for the day-to-day investment decisions for each of the Funds.

You'll find more about BA Advisors and BACAP starting on page 26.



## About the Funds

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## About the sub-adviser

BACAP is this Fund's sub-adviser. BACAP's Taxable Money Market Management Team makes the day-to-day investment decisions for the Fund.

You'll find more about BACAP on page 27.

This Fund, like all money market funds, is subject to certain investment limitations. These are described in *Other important information*.

The Fund is listed on the National Association of Insurance Commissioners' Approved List of Money Market Mutual Funds.

## First-tier securities

A first-tier security is a short-term debt security that's an eligible investment for money market funds. It's "first-tier" because it's been given the highest credit rating by a nationally recognized statistical rating organization (NRSRO) or is considered to be of comparable quality.

## Nations Cash Reserves



### Investment objective

The Fund seeks to preserve principal value and maintain a high degree of *liquidity* while providing current income.



### Principal investment strategies

The Fund pursues its objective by generally investing in a diversified portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

The Fund will only buy *first-tier securities*. These securities include primarily:

- *commercial paper*
- *bank obligations*
- short-term *debt securities*, including instruments issued by certain trusts, partnerships or other *special purpose issuers*, like *pass-through certificates* representing *participations* in, or instruments backed by, the securities and other assets owned by these issuers
- short-term taxable *municipal securities*
- *repurchase agreements* secured by first-tier securities or *U.S. government obligations*

The Fund may also invest in other money market funds, consistent with its investment objective and strategies. When the team believes market conditions warrant, the Fund may invest more than 25% of its assets in U.S. dollar denominated bank obligations, including obligations of U.S. banks, foreign branches of U.S. banks and U.S. branches of foreign banks.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.



## Risks and other things to consider

Nations Cash Reserves has the following risks:

- **Investment strategy risk** – Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund may lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- **Income/principal payment risk** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.

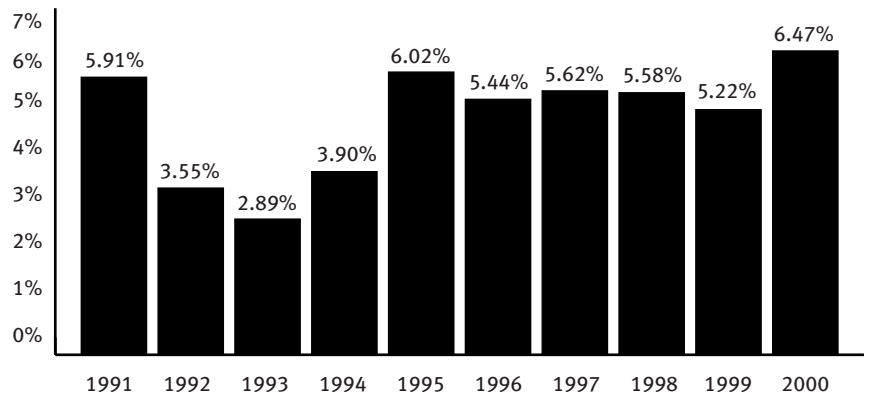


## A look at the Fund's performance

The following bar chart and table show you how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. **A Fund's past performance is no guarantee of how it will perform in the future.**

### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Capital Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 2.59%

### Best and worst quarterly returns during this period

Best: 1st quarter 1991:	1.68%
Worst: 4th quarter 1993:	0.70%

### Average annual total return as of December 31, 2000

	1 year	5 years	10 years	Since inception*
Capital Class Shares	6.47%	5.67%	5.05%	5.13%

\*The inception date of Capital Class Shares is October 10, 1990.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund’s assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund’s actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
Maximum deferred sales charge (load)	none
<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund’s assets)	
Management fees	0.15%
Other expenses	<u>0.12%</u>
<b>Total annual Fund operating expenses</b>	<b>0.27%</b>
Fee waivers and/or reimbursements	<u>(0.07)%</u>
<b>Total net expenses<sup>2</sup></b>	<b><u>0.20%</u></b>

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund’s most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

<sup>2</sup>The Fund’s investment adviser and/or some of its other service providers have agreed to waive fees and/or reimburse expenses until July 31, 2002. The figure shown here is after waivers and/or reimbursements. There is no guarantee that these waivers and/or reimbursements will continue after this date.

### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund’s operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$80	\$145	\$336

## About the sub-adviser

BACAP is this Fund's sub-adviser. BACAP's Taxable Money Market Management Team makes the day-to-day investment decisions for the Fund.

You'll find more about BACAP on page 27.

This Fund, like all money market funds, is subject to certain investment limitations. These are described in *Other important information*.

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## First-tier securities

A first-tier security is a short-term debt security that's an eligible investment for money market funds. It's "first-tier" because it's been given the highest credit rating by an NRSRO or is considered to be of comparable quality.

# Nations Money Market Reserves



## Investment objective

The Fund's investment objective is to provide a high level of current income consistent with *liquidity*, the preservation of capital and a stable net asset value.



## Principal investment strategies

The Fund pursues its objective by generally investing in a diversified portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

The Fund will only buy *first-tier securities*. These securities include primarily:

- *commercial paper*
- *bank obligations*
- short-term *debt securities*, including instruments issued by certain trusts, partnerships or other *special purpose issuers*, like *pass-through certificates* representing *participations* in, or instruments backed by, the securities and other assets owned by these issuers
- short-term taxable *municipal securities*
- *repurchase agreements* secured by first-tier securities or *U.S. government obligations*

The Fund may also invest in other money market funds, consistent with its investment objective and strategies. When the team believes market conditions warrant, the Fund may invest more than 25% of its assets in U.S. dollar denominated bank obligations, including obligations of U.S. banks, foreign branches of U.S. banks and U.S. branches of foreign banks.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.



## Risks and other things to consider

Nations Money Market Reserves has the following risks:

- **Investment strategy risk** – Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund may lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- **Income/principal payment risk** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.

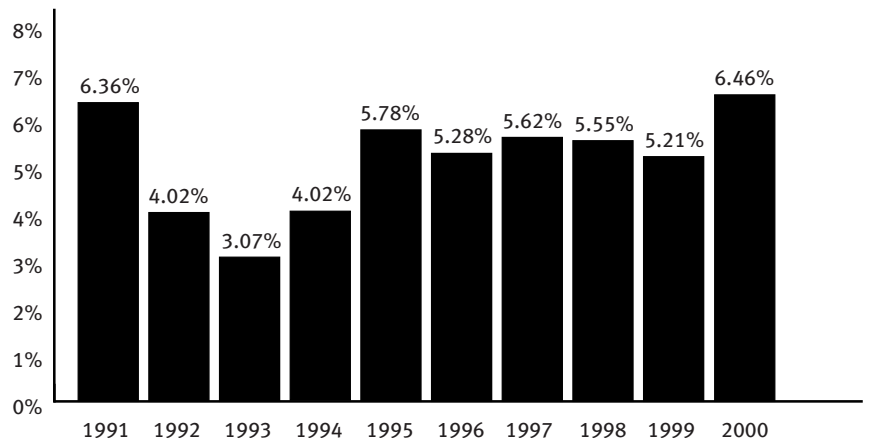


## A look at the Fund's performance

The following bar chart and table show you how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. **A Fund's past performance is no guarantee of how it will perform in the future.**

### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Capital Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 2.57%

### Best and worst quarterly returns during this period

Best: 1st quarter 1991: 1.71%

Worst: 2nd quarter 1993: 0.75%

### Average annual total return as of December 31, 2000

	1 year	5 years	10 years	Since inception*
Capital Class Shares	6.46%	5.62%	5.13%	5.76%

\*The inception date of Capital Class Shares is December 7, 1988.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund’s assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund’s actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
Maximum deferred sales charge (load)	none
<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund’s assets)	
Management fees	0.15%
Other expenses	<u>0.12%</u>
Total annual Fund operating expenses	0.27%
Fee waivers and/or reimbursements	<u>(0.07)%</u>
Total net expenses <sup>2</sup>	<u>0.20%</u>

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund’s most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

<sup>2</sup>The Fund’s investment adviser and/or some of its other service providers have agreed to waive fees and/or reimburse expenses until July 31, 2002. The figure shown here is after waivers and/or reimbursements. There is no guarantee that these waivers and/or reimbursements will continue after this date.

### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund’s operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$80	\$145	\$336

## About the sub-adviser

BACAP is this Fund's sub-adviser. BACAP's Taxable Money Market Management Team makes the day-to-day investment decisions for the Fund.

You'll find more about BACAP on page 27.

This Fund, like all money market funds, is subject to certain investment limitations. These are described in *Other important information*.

The Fund is listed on the National Association of Insurance Commissioners' Approved List of Money Market Mutual Funds.

## First-tier securities

A first-tier security is a short-term debt security that's an eligible investment for money market funds. It's "first-tier" because it's been given the highest credit rating by an NRSRO or is considered to be of comparable quality.

# Nations Treasury Reserves



## Investment objective

The Fund seeks to preserve principal value and maintain a high degree of *liquidity* while providing current income.



## Principal investment strategies

The Fund pursues its objective by generally investing in a diversified portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

The Fund will only buy *first-tier securities*. These securities include primarily:

- U.S. Treasury obligations
- *repurchase agreements* and *reverse repurchase agreements* secured by U.S. Treasury obligations
- obligations whose principal and interest are backed by the U.S. government

The Fund may invest in other money market funds that invest in these instruments, consistent with its investment objective and strategies.

The Fund normally invests at least 65% of its assets in U.S. Treasury obligations, and repurchase agreements secured by U.S. Treasury obligations.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.



## Risks and other things to consider

Nations Treasury Reserves has the following risks:

- **Investment strategy risk** – Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund may lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- **Income/principal payment risk** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.

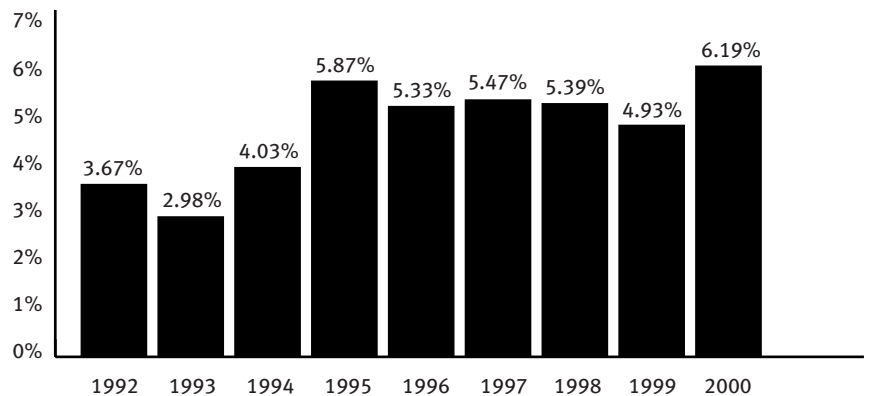


## A look at the Fund's performance

The following bar chart and table show you how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. **A Fund's past performance is no guarantee of how it will perform in the future.**

### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Capital Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 2.47%

### Best and worst quarterly returns during this period

Best: 4th quarter 2000:	1.61%
Worst: 2nd quarter 1993:	0.72%

### Average annual total return as of December 31, 2000

	1 year	5 years	Since inception*
Capital Class Shares	6.19%	5.46%	4.93%

\*The inception date of Capital Class Shares is January 11, 1991.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund’s assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund’s actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
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<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund’s assets)	
Management fees	0.15%
Other expenses	<u>0.12%</u>
Total annual Fund operating expenses	0.27%
Fee waivers and/or reimbursements	<u>(0.07)%</u>
Total net expenses <sup>2</sup>	<u>0.20%</u>

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund’s most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

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### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund’s operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$80	\$145	\$336

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## First-tier securities

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## Nations Government Reserves



### Investment objective

The Fund seeks to preserve principal value and maintain a high degree of *liquidity* while providing current income.



### Principal investment strategies

The Fund pursues its objective by generally investing in a diversified portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

**The Fund will only buy *first-tier securities*.** These securities include primarily *U.S. government obligations* and *U.S. Treasury obligations*, the interest on which is generally free from state income tax.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.



## Risks and other things to consider

Nations Government Reserves has the following risks:

- **Investment strategy risk** – Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund may lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- **Income/principal payment risk** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.
- **Tax considerations** – Most of the distributions paid by the Fund come from interest on U.S. government and U.S. Treasury securities, which for most states is free from state income tax, but will be subject to federal tax. Any portion of a distribution that comes from income paid on other kinds of securities or from realized *capital gains* is generally subject to federal, state and local taxes. You should consult with your own tax adviser to determine the tax consequences to you of investing in the Fund.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.

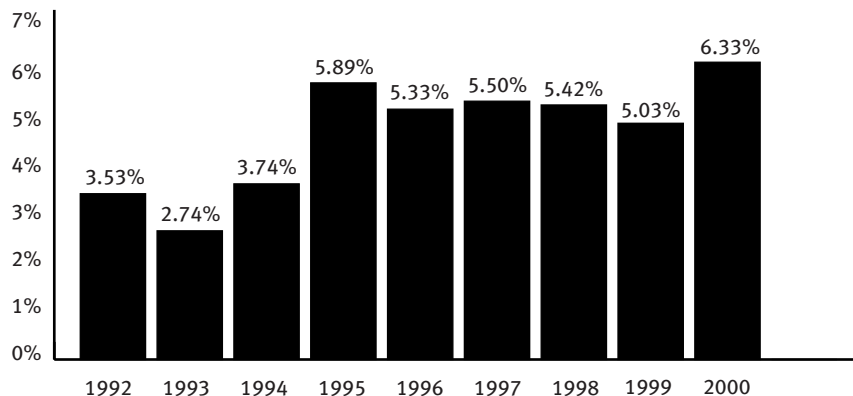


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### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Capital Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 2.54%

### Best and worst quarterly returns during this period

Best: 3rd and 4th quarters 2000: 1.62%

Worst: 2nd quarter 1993: 0.67%

### Average annual total return as of December 31, 2000

	1 year	5 years	Since inception*
Capital Class Shares	6.33%	5.52%	4.78%

\*The inception date of Capital Class Shares is January 17, 1991.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund's assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund's actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
Maximum deferred sales charge (load)	none
<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund's assets)	
Management fees	0.15%
Other expenses	<u>0.14%</u>
<b>Total annual Fund operating expenses</b>	<b>0.29%</b>
Fee waivers and/or reimbursements	<u>(0.09)%</u>
<b>Total net expenses<sup>2</sup></b>	<b><u>0.20%</u></b>

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund's most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

<sup>2</sup>The Fund's investment adviser and/or some of its other service providers have agreed to waive fees and/or reimburse expenses until July 31, 2002. The figure shown here is after waivers and/or reimbursements. There is no guarantee that these waivers and/or reimbursements will continue after this date.

### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund's operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$84	\$154	\$359

## About the sub-adviser

BACAP is this Fund's sub-adviser. BACAP's Tax-Exempt Money Market Management Team makes the day-to-day investment decisions for the Fund.

You'll find more about BACAP on page 27.

This Fund, like all money market funds, is subject to certain investment limitations. These are described in *Other important information*.

## First-tier securities

A first-tier security is a short-term debt security that's an eligible investment for money market funds. It's "first-tier" because it's been given the highest credit rating by an NRSRO or is considered to be of comparable quality.

# Nations Municipal Reserves



## Investment objective

The Fund seeks to preserve principal value and maintain a high degree of *liquidity* while providing current income exempt from federal income taxes.



## Principal investment strategies

The Fund pursues its objective by generally investing in a diversified portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

**The Fund will only buy *first-tier securities*.** The Fund normally invests at least 80% of its assets in *municipal securities*, which pay interest that is free from federal income and alternative minimum taxes. The Fund invests in municipal securities that, at the time of investment, are considered by the portfolio management team to have minimal credit risk and to be of *high quality*.

The Fund may invest up to 20% of its assets in:

- municipal securities that finance private projects, called *private activity bonds*
- money market instruments, including *repurchase agreements*

The Fund may also invest in instruments issued by certain trusts, partnerships or other *special purpose issuers*, including *pass-through certificates* representing *participations* in, or debt instruments backed by, the securities and other assets owned by these issuers. The Fund may invest in other money market funds, consistent with its investment objective and strategies.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument, and structural analysis, which includes evaluating the arrangements between the municipality and others involved in the issuance of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.



## Risks and other things to consider

Nations Municipal Reserves has the following risks:

- ***Investment strategy risk*** – Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund may lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- ***Income/principal payment risk*** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.
- ***Holding cash*** – The Fund may hold cash while it's waiting to make an investment, as a temporary defensive strategy, or if the team believes that attractive tax-exempt investments are not available. Any uninvested cash the Fund holds does not earn income.
- ***Tax considerations*** – Most of the distributions paid by the Fund come from interest on municipal securities, which is generally free from federal income tax, but may be subject to state, local and other taxes. Any portion of a distribution that comes from income from non-exempt sources such as income from other kinds of securities or from realized *capital gains* is generally subject to federal, state, local and other taxes. Distributions paid to you from the Fund's interest on private activity bonds may be subject to the federal alternative minimum tax. Shares of Nations Municipal Reserves would not be suitable investments for tax-deferred plans and tax-exempt investors.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.

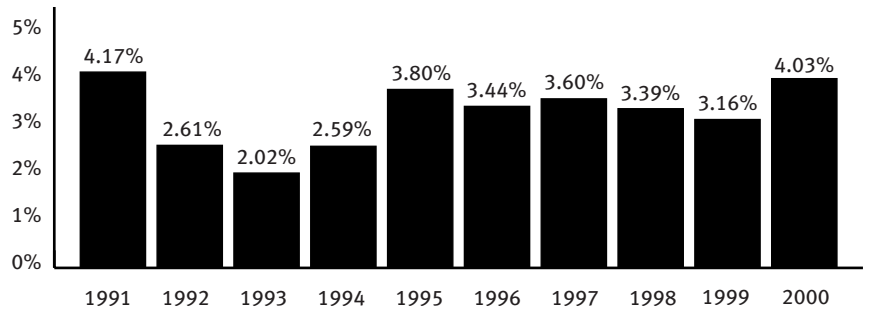


### A look at the Fund's performance

The following bar chart and table show you how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. **A Fund's past performance is no guarantee of how it will perform in the future.**

#### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Capital Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 1.64%

#### Best and worst quarterly returns during this period

Best: 1st quarter 1991:	1.10%
Worst: 1st quarter 1994:	0.45%

#### Average annual total return as of December 31, 2000

	1 year	5 years	10 years	Since inception*
Capital Class Shares	4.03%	3.52%	3.28%	3.33%

\*The inception date of Capital Class Shares is October 23, 1990.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund’s assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund’s actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
Maximum deferred sales charge (load)	none
<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund’s assets)	
Management fees	0.15%
Other expenses	0.14%
Total annual Fund operating expenses	0.29%
Fee waivers and/or reimbursements	(0.09)%
Total net expenses <sup>2</sup>	0.20%

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund’s most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

<sup>2</sup>The Fund’s investment adviser and/or some of its other service providers have agreed to waive fees and/or reimburse expenses until July 31, 2002. The figure shown here is after waivers and/or reimbursements. There is no guarantee that these waivers and/or reimbursements will continue after this date.

### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund’s operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$84	\$154	\$359

## About the sub-adviser

**BACAP is this Fund's sub-adviser. BACAP's Tax-Exempt Money Market Management Team makes the day-to-day investment decisions for the Fund.**

**You'll find more about BACAP on page 27.**

**This Fund, like all money market funds, is subject to certain investment limitations. These are described in *Other important information*.**

## Nations California Tax-Exempt Reserves



### Investment objective

The Fund seeks current income exempt from federal income tax and California state individual income tax, a stable share price, and daily *liquidity*.



### Principal investment strategies

The Fund pursues its objective by generally investing in a portfolio of high quality *money market instruments* that, at the time of investment, are considered to have remaining maturities of 397 days or less.

The Fund normally invests at least 80% of its assets in securities that pay interest that is free from federal income tax and California state individual income tax. These securities are issued by or on behalf of the State of California, its political subdivisions, agencies, instrumentalities and authorities, and other qualified issuers.

The Fund may invest up to 20% of its assets in:

- municipal securities that finance private projects, called *private activity bonds*
- money market instruments, including *repurchase agreements*

The Fund may also invest in instruments issued by certain trusts, partnerships or other *special purpose issuers*, including *pass-through certificates* representing *participations* in, or debt instruments backed by, the securities and other assets owned by these issuers. The Fund may invest in other money market funds, consistent with its investment objective and strategies.

The team tries to maintain a constant net asset value of \$1.00 per share for the Fund. The team uses extensive research, including economic, technical and security analysis to select individual investments.

- Economic analysis includes evaluating local, national and global economic conditions, as well as interest rate movements.
- Technical analysis includes identifying categories of money market instruments that offer the highest yields and assessing the market for potential investments.
- Security analysis includes evaluating the credit quality of an instrument, and structural analysis, which includes evaluating the arrangements between the municipality and others involved in the issuance of an instrument.

Securities are normally held to maturity, but the team may sell a security before it matures to meet cash flow needs, to manage the portfolio's maturity, if the team determines that the security is no longer a suitable investment, and for other reasons.

You'll find more about other risks of investing in this Fund in *Other important information* and in the SAI.



## Risks and other things to consider

Nations California Tax-Exempt Reserves has the following risks:

- **Investment strategy risk** – This Fund is considered to be *non-diversified* because it invests most of its assets in securities that pay interest that is free from personal income tax in one state. The value of the Fund and the amount of interest it pays could also be affected by the financial conditions of the state, its public authorities and local governments. Although the Fund tries to maintain a share price of \$1.00, an investment in the Fund could lose money. **An investment in this Fund is not a bank deposit and is not insured or guaranteed by Bank of America, the FDIC or any other government agency.**
- **Income/principal payment risk** – The Fund's ability to pay distributions depends on the creditworthiness of the issuers of the securities the Fund holds. The Fund may not be able to pay distributions, or could lose money, if the issuer of a security is unable to pay interest or repay principal when it's due.
- **Holding cash** – The Fund may hold cash while it's waiting to make an investment, as a temporary defensive strategy, or if the team believes that attractive tax-exempt investments are not available. Any uninvested cash the Fund holds does not earn income.
- **Tax considerations** – Most of the distributions paid by the Fund come from interest on municipal securities, which is generally free from federal income tax and California state individual income tax, but may be subject to the federal alternative minimum tax, and other state and local taxes. Any portion of a distribution that comes from income from non-exempt sources such as income from other kinds of securities or from realized *capital gains* is generally subject to federal, state and local taxes. Shares of Nations California Tax-Exempt Reserves would not be suitable investments for tax-deferred plans and tax-exempt investors.

Many things affect a Fund's performance, including market conditions, the composition of the Fund's holdings and Fund expenses.

The returns shown are for a class not offered in this prospectus that has similar annual returns because the shares are invested in the same portfolio of securities. The annual returns differ only to the extent that the classes do not have the same expenses.

For the Fund's current 7-day yield, please call us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor. You can also contact your investment professional.

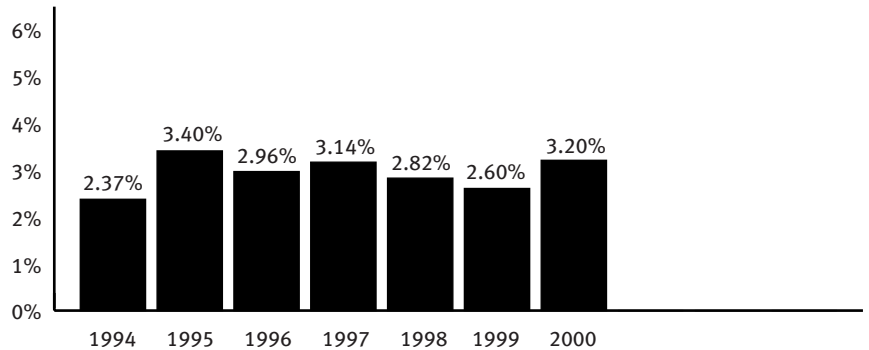


### A look at the Fund's performance

The following bar chart and table show you how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. **A Fund's past performance is no guarantee of how it will perform in the future.**

#### Year by year total return (%) as of December 31 each year\*

The bar chart shows you how the performance of the Fund's Adviser Class Shares has varied from year to year. These returns do not reflect deductions of sales charges or account fees, if any, and would be lower if they did.



\* Year-to-date return as of June 30, 2001: 1.24%

#### Best and worst quarterly returns during this period

Best: 2nd quarter 1995:	0.88%
Worst: 1st quarter 1994:	0.44%

#### Average annual total return as of December 31, 2000

	1 year	5 years	Since inception*
Adviser Class Shares	3.20%	2.94%	2.83%

\*The inception date of Adviser Class Shares is March 1, 1993.

There are two kinds of fees — shareholder fees you pay directly, and annual fund operating expenses that are deducted from a fund's assets.

Total net expenses are actual expenses paid by the Fund after waivers and/or reimbursements.

This is an example only. Your actual costs could be higher or lower, depending on the amount you invest, and on the Fund's actual expenses and performance.



## What it costs to invest in the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder fees (Fees paid directly from your investment)	Capital Class Shares
Maximum sales charge (load) imposed on purchases	none
Maximum deferred sales charge (load)	none
<b>Annual Fund operating expenses<sup>1</sup></b> (Expenses that are deducted from the Fund's assets)	
Management fees	0.15%
Other expenses	0.13%
<b>Total annual Fund operating expenses</b>	<b>0.28%</b>
Fee waivers and/or reimbursements	<u>(0.08)%</u>
<b>Total net expenses<sup>2</sup></b>	<b><u>0.20%</u></b>

<sup>1</sup>The figures contained in the above table are based on amounts incurred during the Fund's most recent fiscal year and have been adjusted, as needed, to reflect current service provider fees.

<sup>2</sup>The Fund's investment adviser and/or some of its other service providers have agreed to waive fees and/or reimburse expenses until July 31, 2002. The figure shown here is after waivers and/or reimbursements. There is no guarantee that these waivers and/or reimbursements will continue after this date.

### Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds.

This example assumes:

- you invest \$10,000 in Capital Class Shares of the Fund for the time periods indicated and then sell all of your shares at the end of those periods
- you reinvest all dividends and distributions in the Fund
- your investment has a 5% return each year
- the Fund's operating expenses remain the same as shown in the table above
- the waivers and/or reimbursements shown above expire July 31, 2002 and are not reflected in the 3, 5 and 10 year examples

Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
Capital Class Shares	\$20	\$82	\$149	\$348



## Other important information

You'll find specific information about each Fund's principal investments, strategies and risks in the descriptions starting on page 4. The following are some other risks and information you should consider before you invest:

- ***Special rules for money market funds*** – Money market funds must comply with Rule 2a-7 under the Investment Company Act of 1940 (1940 Act). Rule 2a-7 sets out certain limits on investments, which are designed to help protect investors from risk of loss. These limits apply at the time an investment is made. The Funds, like all money market funds:
  - may only invest in securities with a remaining maturity of 397 days or less, or that have maturities longer than 397 days but have demand, interest rate reset features or guarantees that are 397 days or less
  - must maintain an *average dollar-weighted maturity* of 90 days or less
  - may normally invest no more than 5% of their assets in a single security, other than U.S. government securities; however, they may invest up to 25% of their assets in a *first-tier security* for up to three business days (except for Nations California Tax-Exempt Reserves)
  - may generally only invest in U.S. dollar denominated instruments that are determined to have minimal credit risk and are first-tier securities, except for Nations California Tax-Exempt Reserves, which also may invest in *second-tier securities*.
- ***Changing investment objectives and policies*** – The investment objective and certain investment policies of any Fund cannot be changed without shareholder approval (except for Nations California Tax-Exempt Reserves).
- ***Investing defensively*** – A Fund may temporarily hold investments that are not part of its investment objective or its principal investment strategies to try to protect it during a market or economic downturn or because of political or other conditions. A Fund may not achieve its investment objective while it is investing defensively. Any cash a Fund holds for defensive or other reasons does not earn income.
- ***Bank of America and its affiliates*** – Bank of America and its affiliates currently provide services to some or all of the Funds, including investment advisory, investment sub-advisory, co-administration, sub-transfer agency and brokerage services, and are paid for providing these services. Bank of America and its affiliates also may, at times, provide other services and be compensated for them, including transfer agency, interfund lending and securities lending services, or make loans to the Funds. Finally, Bank of America or its affiliates may serve as counterparties in transactions with Nations Funds where permitted by law or regulation, and may receive compensation in that capacity.



## How the Funds are managed

**Banc of America Advisors, LLC**

**One Bank of America Plaza  
Charlotte, North Carolina 28255**

### Investment adviser

BA Advisors is the investment adviser to over 75 mutual fund portfolios in the Nations Funds Family, including the Money Market Funds described in this prospectus.

BA Advisors is a registered investment adviser. It's a wholly-owned subsidiary of Bank of America, which is owned by Bank of America Corporation.

Nations Funds pays BA Advisors an annual fee for its investment advisory services. The fee is calculated as a percentage of the average daily net assets of each Fund and is paid monthly. BA Advisors uses part of this money to pay investment sub-advisers for the services they provide to each Fund.

BA Advisors has agreed to waive fees and/or reimburse expenses for certain Funds until July 31, 2002. You'll find a discussion of any waiver and/or reimbursement in the Fund descriptions. There is no assurance that BA Advisors will continue to waive and/or reimburse any fees and/or expenses after this date.

The following chart shows the maximum advisory fees BA Advisors can receive, along with the actual advisory fees it received during the Funds' last fiscal year, after waivers and/or reimbursements:

### Annual investment advisory fee, as a % of average daily net assets

	Maximum advisory fee	Actual fee paid last fiscal year
Nations Cash Reserves	0.15%	0.15%
Nations Money Market Reserves	0.15%	0.15%
Nations Treasury Reserves	0.15%	0.15%
Nations Government Reserves	0.15%	0.14%
Nations Municipal Reserves	0.15%	0.14%
Nations California Tax-Exempt Reserves	0.15%	0.15%

**Banc of America  
Capital Management, LLC**

**One Bank of America Plaza  
Charlotte, North Carolina 28255**

## Investment sub-adviser

Nations Funds and BA Advisors engage one or more investment sub-advisers for each Fund to make day-to-day investment decisions for the Fund. BA Advisors retains ultimate responsibility (subject to Board oversight) for overseeing the sub-advisers and evaluates the Funds' needs and available sub-advisers' skills and abilities on an ongoing basis. Based on its evaluations, BA Advisors may at times recommend to a Fund's Board that the Fund:

- change, add or terminate one or more sub-advisers;
- continue to retain a sub-adviser even though the sub-adviser's ownership or corporate structure has changed; or
- materially change a sub-advisory agreement with a sub-adviser.

Applicable law requires a Fund to obtain shareholder approval in order to act on most of these types of recommendations, even if the Fund's Board has approved the proposed action and believes that the action is in shareholders' best interests. BA Advisors and the Funds have applied for relief from the SEC to permit the Funds to act on many of BA Advisors' recommendations with approval only by the Funds' Board and not by Fund shareholders. BA Advisors or a Fund would inform the Fund's shareholders of any actions taken in reliance on this relief. Until BA Advisors and the Funds obtain the relief, each Fund will continue to submit these matters to shareholders for their approval to the extent required by applicable law.

## Banc of America Capital Management, LLC

BACAP is a registered investment adviser and a wholly-owned subsidiary of Bank of America. Its management expertise covers all major domestic asset classes, including *equity* and *fixed income securities*, and *money market instruments*.

Currently managing more than \$125 billion, BACAP acts as investment manager for individuals, corporations and financial institutions, and is the sub-adviser to private investment companies and more than 60 funds in the Nations Funds Family. BACAP takes a team approach to investment management. Each team has access to the latest technology and analytical resources.

BACAP is the investment sub-adviser to the Funds shown in the table below. The table also tells you which internal BACAP asset management team is responsible for making the day-to-day investment decisions for each Fund.

Fund	BACAP team
Nations Cash Reserves	Taxable Money Market Management Team
Nations Money Market Reserves	Taxable Money Market Management Team
Nations Treasury Reserves	Taxable Money Market Management Team
Nations Government Reserves	Taxable Money Market Management Team
Nations Municipal Reserves	Tax-Exempt Money Market Management Team
Nations California Tax-Exempt Reserves	Tax-Exempt Money Market Management Team

## **Stephens Inc.**

**111 Center Street  
Little Rock, Arkansas 72201**

## **PFPC Inc.**

**400 Bellevue Parkway  
Wilmington, Delaware 19809**

## **Other service providers**

The Funds are distributed and co-administered by Stephens Inc. (Stephens), a registered broker/dealer.

BA Advisors is also co-administrator of the Funds, and assists in overseeing the administrative operations of the Funds. The Funds pay BA Advisors and Stephens a combined fee of 0.10% for their services, plus certain out-of-pocket expenses. The fee is calculated as an annual percentage of the average daily net assets of the Funds, and is paid monthly.

BA Advisors and Stephens may pay amounts from their own assets to selling or servicing agents of the Funds for services they provide.

PFPC Inc. (PFPC) is the transfer agent for the Funds' shares. Its responsibilities include processing purchases, sales and exchanges, calculating and paying distributions, keeping shareholder records, preparing account statements and providing customer service.

# About your investment

**When you sell shares of a mutual fund, the fund is effectively “buying” them back from you. This is called a *redemption*.**

**A business day is any day that the Federal Reserve Bank of New York and the New York Stock Exchange (NYSE) are open. The Money Market Funds reserve the right to close early on business days preceding national holidays, if the primary government securities dealers have closed early and/or if the Bond Market Association recommends that the securities markets close early.**

**Either the Federal Reserve Bank of New York or the NYSE is closed on weekends and on the following national holidays: New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day.**



## Buying, selling and exchanging shares

This prospectus offers Capital Class Shares of the Funds. Here are some general rules about this class of shares:

- Capital Class Shares are available to eligible institutions and individuals on a direct basis or through certain financial institutions or intermediaries.
- The minimum initial investment is \$1,000,000. Financial institutions or intermediaries can total the investments they make on behalf of their clients to meet the minimum initial investment amount. Client accounts for which the financial institution or intermediary no longer acts as fiduciary agent or custodian may no longer be eligible to purchase or hold Capital Class Shares.
- There is no minimum for additional investments.
- There are no sales charges for buying, selling or exchanging these shares.

You’ll find more information about buying, selling and exchanging Capital Class Shares on the pages that follow. You should also ask your financial institution or intermediary about its limits, fees and policies for buying, selling and exchanging shares, which may be different from those described here, and about its related programs and services.

The Funds also offer other classes of shares, with different features and expense levels, which you may be eligible to buy. If you have questions about buying, selling or exchanging, or you need help placing an order, please call us at 1.800.626.2275 if you’re an institutional investor, or 1.800.321.7854 if you’re an individual investor. You can also contact your investment professional.

### How shares are priced

All transactions are based on the price of a Fund’s shares — or its net asset value per share. We calculate net asset value per share at the following times (unless the Fund closes early):

- 5:00 p.m. Eastern time each business day for each share class of Nations Cash Reserves, Nations Money Market Reserves and Nations Treasury Reserves
- 2:30 p.m. Eastern time each business day for each share class of Nations Government Reserves
- 12:00 noon Eastern time each business day for each share class of Nations Municipal Reserves
- 10:30 a.m. Eastern time each business day for each share class of Nations California Tax-Exempt Reserves

First, we calculate the net asset value for each class of a Fund by determining the value of the Fund’s assets in the class and then subtracting its liabilities. Next, we divide this amount by the number of shares that investors are holding in the class.

Although we try to maintain a net asset value per share of \$1.00 for the Funds, we can’t guarantee that we will be able to do so.

## Valuing securities in a Fund

The value of a Fund's assets is based on the total market value of all of the securities it holds. We use the *amortized cost method*, which approximates market value, to value the assets in the Money Market Funds.

## How orders are processed

Orders to buy, sell or exchange shares are processed on business days. Orders received by Stephens, PFPC or their agents by the following times on a business day (unless the Fund closes early) will receive that day's net asset value per share:

- 5:00 p.m. Eastern time for Nations Cash Reserves, Nations Money Market Reserves and Nations Treasury Reserves, except:
  - Orders must be received for Nations Treasury Reserves by 3:00 p.m. Eastern time on the last business day of each calendar quarter and business days that precede the national holidays observed by the Fund
  - Orders must be received for Nations Money Market Reserves by 3:00 p.m. Eastern time on business days that precede the national holidays observed by the Fund
  - Orders must be received for Nations Cash Reserves by 3:00 p.m. Eastern time on the last business day of the calendar year
- 2:30 p.m. Eastern time for Nations Government Reserves
- 12:00 noon Eastern time for Nations Municipal Reserves
- 10:30 a.m. Eastern time for Nations California Tax-Exempt Reserves

Investors are encouraged to place orders to sell as early in the day as possible. Orders received after these times will receive the next business day's net asset value per share. The business day that applies to an order is also called the *trade date*. We may refuse any order to buy or exchange shares. If this happens, we'll return any money we've received.

### *Telephone orders*

You can place orders to buy, sell or exchange by telephone if you complete the telephone authorization section of our account application and send it to us.

Here's how telephone orders work:

- If you sign up for telephone orders after you open your account, you must have your signature guaranteed.
- Telephone orders may not be as secure as written orders. You may be responsible for any loss resulting from a telephone order.
- We'll take reasonable steps to confirm that telephone instructions are genuine. For example, we require proof of your identification before we will act on instructions received by telephone and may record telephone conversations. If we and our service providers don't take these steps, we may be liable for any losses from unauthorized or fraudulent instructions.
- Telephone orders may be difficult to complete during periods of significant economic or market change.

**The net asset value per share is the price of a share calculated by a Fund every business day.**

## **Buying shares**

Here are some general rules for buying shares:

- You buy Capital Class Shares at net asset value per share.
- We must receive payment by the following times on the business day Stephens, PFPC or their agents receive the order (unless the Fund closes early):
  - 5:30 p.m. Eastern time for Nations Cash Reserves, Nations Money Market Reserves and Nations Treasury Reserves, except:
    - Payment must be received for Nations Treasury Reserves by 4:00 p.m. Eastern time on the last business day of each calendar quarter and business days that precede the national holidays observed by this Fund
    - Payment must be received for Nations Money Market Reserves by 4:00 p.m. Eastern time on business days that precede the national holidays observed by this Fund
    - Payment must be received for Nations Cash Reserves by 4:00 p.m. Eastern time on the last business day of the calendar year
  - 4:00 p.m. Eastern time for Nations Government Reserves, Nations Municipal Reserves and Nations California Tax-Exempt Reserves

If we receive payment after these times, we'll refuse the order. We'll return any payment received for orders that we refuse. We can change these times under certain circumstances, for example, when there's more wiring activity than normal.

- Financial institutions and intermediaries are responsible for sending orders to us and for ensuring that we receive your money on time.
- Shares purchased are recorded on the books of the Fund. We generally don't issue certificates.

## **Selling shares**

Here are some general rules for selling shares:

- We normally send the sale proceeds by Fedwire on the same business day that Stephens, PFPC or their agents receive your order.
- You can sell up to \$50,000 of shares by telephone if you qualify for telephone orders.
- If you paid for your shares with a check that wasn't certified, we'll hold the sale proceeds when you sell those shares for at least 15 days after the trade date of the purchase, or until the check has cleared, whichever is later.
- Financial institutions and intermediaries are responsible for sending orders to us and for depositing the sale proceeds to your account on time.

**For more information about telephone orders, see *How orders are processed*.**

- If you hold any shares in certificate form, you must sign the certificates (or send a signed stock power with them) and send them to PFPC. Your signature must be guaranteed unless you've made other arrangements with us. We may ask for any other information we need to prove that the order is properly authorized.
- Under certain circumstances allowed under the 1940 Act, we can pay you in securities or other property when you sell your shares.
- We can delay payment of the sale proceeds of Nations Cash Reserves, Nations Money Market Reserves, Nations Treasury Reserves or Nations Government Reserves for one day, or longer than one day if there is a non-routine closure of the Fedwire or Federal Reserve Banks or under the extraordinary circumstances described in Section 22(e) of the 1940 Act. Generally, those extraordinary circumstances are when: (i) the NYSE is closed or trading is restricted, (ii) an emergency exists which makes the disposal of securities owned by a Fund or the fair determination of the value of the Fund's net assets not reasonably practicable, or (iii) the SEC by order permits the suspension of the right of redemption for the protection of investors.
- We can delay payment of the sale proceeds of Nations Municipal Reserves or Nations California Tax-Exempt Reserves for up to seven days.
- Other restrictions may apply to retirement plan accounts. For more information about these restrictions, please contact your retirement plan administrator.

We may sell your shares:

- if the value of your account falls below \$500. We'll give you 30 days notice in writing if we're going to do this
- if a financial institution or intermediary tells us to sell your shares under arrangements made with you
- under certain other circumstances allowed under the 1940 Act

**You should make sure you understand the investment objective and policies of the Fund you're exchanging into. Please read its prospectus carefully.**



## **Exchanging shares**

You can sell shares of a Fund to buy shares of another Nations Fund. This is called an exchange. You might want to do this if your investment goals or tolerance for risk change.

Here's how exchanges work:

- You can exchange Capital Class Shares of a Fund for Capital Class Shares of any other Nations Reserves Money Market Fund.
- You must exchange at least \$1,000,000 at a time.
- The rules for buying shares of a Fund, including any minimum investment requirements, apply to exchanges into that Fund.
- You may only make exchanges into a Fund that is legally sold in your state of residence.
- You generally may only make an exchange into a Fund that is accepting investments.
- We may limit the number of exchanges you can make within a specified period of time.
- We may change or cancel your right to make an exchange by giving the amount of notice required by regulatory authorities (generally 60 days for a material change or cancellation).
- You cannot exchange any shares you own in certificate form until PFPC has received the certificate and deposited the shares to your account.



## Distributions and taxes

### The power of compounding

**Reinvesting your distributions buys you more shares of a Fund — which lets you take advantage of the potential for compound growth.**

**Putting the money you earn back into your investment means it, in turn, may earn even more money. Over time, the power of compounding has the potential to significantly increase the value of your investment. There is no assurance, however, that you'll earn more money if you reinvest your distributions.**

### About distributions

A mutual fund can make money two ways:

- It can earn income. Examples are interest paid on bonds and dividends paid on *common stocks*.
- A fund can also have *capital gain* if the value of its investments increases. If a fund sells an investment at a gain, the gain is realized. If a fund continues to hold the investment, any gain is unrealized.

A mutual fund is not subject to federal income tax as long as it distributes its net investment income and realized capital gain to its shareholders. The Funds intend to pay out a sufficient amount of their income and capital gain to their shareholders so the Funds won't have to pay any federal income tax. When a Fund makes this kind of a payment, it's split among all shares, and is called a distribution.


Although the Funds do not expect to realize any capital gain, any capital gain realized by a Fund will be distributed at least once a year.

The Funds declare distributions of net investment income each business day, and pay them on the first business day of each month.

Any distribution you receive is paid based on the number of shares you hold on the record date, which is usually the day the distribution is declared (daily dividend Funds) or the day before the distribution is declared (all other Funds). Shares are eligible to receive net investment income distributions from the *settlement date* (daily dividend Funds), *trade date* (all other Funds) or realized capital gain from the trade date of the purchase up to and including the day before the shares are sold.

Different share classes of a Fund usually pay different net investment income distribution amounts, because each class has different expenses.

We'll automatically reinvest distributions in additional shares of the same Fund unless you tell us you want to receive your distributions in cash. You can do this by writing to us at the address on the back cover, or by calling us at 1.800.626.2275 if you're an institutional investor, or 1.800.321.7854 if you're an individual investor.



**This information is a summary of how federal income taxes may affect your investment in the Funds. It is not intended as a substitute for careful tax planning. You should consult with your own tax adviser about your situation, including any foreign, state and local taxes that may apply.**



**For more information about taxes, please see the SAI.**

## **How taxes affect your investment**

Distributions of net investment income, any net short-term capital gain and certain other items generally are taxable to you as ordinary income.

Although the Funds do not expect to realize any capital gain, any distributions of net long-term capital gain generally are taxable to you as long-term capital gain. In general, corporate shareholders will not be able to deduct any Fund distributions when determining their taxable income.

In general, all distributions are taxable to you when paid, whether they are paid in cash or automatically reinvested in additional shares of the Fund. However, any distributions declared to shareholders of record in October, November or December of one year and distributed in January of the following year will be taxable as if they had been paid to you on December 31 of the first year.

We'll send you a notice every year that tells you how much you've received in distributions during the year and their federal tax status. Foreign, state and local taxes may also apply to these distributions.

### **Nations Municipal Reserves, Nations California Tax-Exempt Reserves**

Distributions that come from Nations Municipal Reserves' tax-exempt interest income are generally free from federal income tax, but may be subject to state, local and other taxes.

Distributions that come from Nations California Tax-Exempt Reserves' tax-exempt interest income are generally free from federal income tax and California state individual income tax, but may be subject to the federal alternative minimum tax, and other state and local taxes.

Any distributions that come from taxable income or realized capital gain of these Funds are generally subject to tax.

A portion of the distributions from these Funds may also be subject to the federal alternative minimum tax.

### **U.S. government obligations**

If you invest in *U.S. government obligations* directly, interest on those obligations is free from state and local and individual income taxes.

Distributions you receive that come from interest the Fund earns from U.S. government obligations may not be exempt from these taxes. Please consult with your tax adviser.

## **Withholding tax**

We're required by federal law to withhold tax on any distributions and redemption proceeds paid to you (including amounts to be paid for in securities or other property and exchanges) if:

- you haven't given us a correct Taxpayer Identification Number (TIN) and haven't certified that the TIN is correct and withholding doesn't apply
- the Internal Revenue Service (IRS) has notified us that the TIN listed on your account is incorrect according to its records
- the IRS informs us that you are otherwise subject to backup withholding

The IRS may also impose penalties against you if you don't give us a correct TIN.

Amounts we withhold are applied to your federal income tax liability. You may receive a refund from the IRS if the withholding tax results in an overpayment of taxes.

We're also normally required by federal law to withhold tax on distributions (other than capital gain distributions) paid to foreign shareholders.

## **Taxation of redemptions and exchanges**

As long as a Fund continually maintains a \$1.00 net asset value per share, you ordinarily will not recognize a taxable gain or loss on the redemption or exchange of your shares of the Fund.



## **Financial highlights**

The financial highlights table is designed to help you understand how the Funds have performed for the past five years or, if shorter, the period of the Fund's operations. Certain information reflects financial results for a single Fund share. The total investment return line indicates how much an investment in the Fund would have earned, assuming all dividends and distributions had been reinvested.

This information has been audited by PricewaterhouseCoopers LLP. The financial highlights of Nations Money Market Reserves for the fiscal period from December 1, 1997 through May 15, 1998 and for the fiscal year ended November 30, 1997 were audited by other independent accountants. The independent accountants' report and Nations Funds financial statements are incorporated by reference into the SAI. Please see the back cover to find out how you can get a copy.

## Nations Cash Reserves

## For a Share outstanding throughout each period

Capital Class Shares	Year ended 03/31/01	Year ended 03/31/00	Period ended 03/31/99*	Year ended 04/30/98	Year ended 04/30/97	Year ended 04/30/96
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b>						
Net investment income	0.0628	0.0532	0.0484	0.0554	0.0531	0.0570
<b>Less distributions:</b>						
Dividends from net investment income	(0.0628)	(0.0532)	(0.0484)	(0.0554)	(0.0531)	(0.0570)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return++</b>	<b>6.46%</b>	<b>5.46%</b>	<b>4.95%</b>	<b>5.70%</b>	<b>5.44%</b>	<b>5.84%</b>
<b>Ratios to average net assets/supplemental data:</b>						
Net assets, end of period (000's)	\$20,037,526	\$8,642,609	\$4,379,430	\$3,051,559	\$1,684,233	\$607,643
Ratio of operating expenses to average net assets	0.20%(a)	0.20%(a)(b)	0.20%+(a)	0.20%(b)	0.20%	0.20%
Ratio of net investment income to average net assets	6.22%	5.37%	5.24%+	5.54%	5.32%	5.53%
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.27%(a)	0.29%(a)	0.43%+(a)	0.44%	0.45%	0.51%

\* Fiscal year end changed to March 31. Prior to this, the fiscal year end was April 30.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

(a) The effect of the custodial expense offset on the operating expense ratio, with and without waivers and/or expense reimbursements, was less than 0.01%.

(b) The effect of interest expense on the operating expense ratio was less than 0.01%.

## Nations Money Market Reserves

## For a Share outstanding throughout each period

Capital Class Shares	Year ended 03/31/01	Year ended 03/31/00	Period ended 03/31/99*,**	Period ended 05/15/98	Year ended 11/30/97	Year ended 11/30/96
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b>						
Net investment income	0.0625	0.0535	0.0438	0.0252	0.0545	0.0516
<b>Less dividends and distributions:</b>						
Dividends from net investment income	(0.0625)	(0.0535)	(0.0438)	(0.0252)	(0.0545)	(0.0516)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return++</b>	<b>6.43%</b>	<b>5.48%</b>	<b>4.47%</b>	<b>2.55%</b>	<b>5.58%</b>	<b>5.29%</b>
<b>Ratios to average net assets/supplemental data:</b>						
Net assets, end of period (000's)	\$6,103,253	\$4,064,349	\$595,482	\$118,880	\$177,908	\$133,044
Ratio of operating expenses to average net assets	0.20%(a)(b)	0.20%(a)(b)	0.20%+(a)	0.20%+	0.20%	0.35%
Ratio of net investment income to average net assets	6.19%	5.64%	4.87%+	5.54%+	5.45%	5.16%
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.27%(a)	0.33%(a)	0.46%+(a)	0.27%+	0.28%	0.35%

\* The financial information for the fiscal periods through May 15, 1998 reflect the financial information for the Emerald Prime Advantage Institutional Fund, which was reorganized into Capital Class Shares as of May 22, 1998.

\*\* Fiscal year end changed to March 31. Prior to this, the fiscal year end was April 30.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

(a) The effect of the custodial expense offset on the operating expense ratio, with and without waivers and/or expense reimbursements, was less than 0.01%.

(b) The effect of interest expense on the operating expense ratio was less than 0.01%.

## Nations Treasury Reserves

## For a Share outstanding throughout each period

Capital Class Shares	Year ended 03/31/01	Year ended 03/31/00	Period ended 03/31/99*	Year ended 04/30/98	Year ended 04/30/97	Year ended 04/30/96
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b>						
Net investment income	0.0603	0.0504	0.0462	0.0541	0.0519	0.0556
<b>Less distributions:</b>						
Dividends from net investment income	(0.0603)	(0.0504)	(0.0462)	(0.0541)	(0.0519)	(0.0556)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return++</b>	<b>6.20%</b>	<b>5.15%</b>	<b>4.72%</b>	<b>5.55%</b>	<b>5.30%</b>	<b>5.71%</b>
<b>Ratios to average net assets/supplemental data:</b>						
Net assets, end of period (000's)	\$1,900,312	\$1,026,684	\$1,382,688	\$246,058	\$468,975	\$304,342
Ratio of operating expenses to average net assets	0.20%(a)(b)	0.20%(a)(b)	0.20%+(a)	0.20%	0.20%	0.20%
Ratio of net investment income to average net assets	5.99%	5.06%	4.99%+	5.41%	5.20%	5.50%
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.27%(a)	0.28%(a)	0.45%+(a)	0.45%	0.46%	0.51%

\* Fiscal year end changed to March 31. Prior to this, the fiscal year end was April 30.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

(a) The effect of the custodial expense offset on the operating expense ratio, with and without waivers and/or expense reimbursements, was less than 0.01%.

(b) The effect of interest expense on the operating expense ratio was less than 0.01%.

## Nations Government Reserves

## For a Share outstanding throughout each period

Capital Class Shares	Year ended 03/31/01	Year ended 03/31/00	Period ended 03/31/99*	Year ended 04/30/98	Year ended 04/30/97	Year ended 04/30/96
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b>						
Net investment income	0.0615	0.0516	0.0468	0.0543	0.0520	0.0556
<b>Less distributions:</b>						
Dividends from net investment income	(0.0615)	(0.0516)	(0.0468)	(0.0543)	(0.0520)	(0.0556)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return++</b>	<b>6.32%</b>	<b>5.28%</b>	<b>4.78%</b>	<b>5.57%</b>	<b>5.33%</b>	<b>5.71%</b>
<b>Ratios to average net assets/supplemental data:</b>						
Net assets, end of period (000's)	\$852,138	\$381,336	\$229,561	\$190,607	\$125,377	\$58,121
Ratio of operating expenses to average net assets	0.20%(a)(b)	0.20%(a)(b)	0.20%+(a)	0.20%	0.20%(a)	0.20%
Ratio of net investment income to average net assets	6.06%	5.26%	5.05%+	5.43%	5.22%	5.48%
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.29%(a)	0.29%(a)	0.44%+(a)	0.45%	0.49%(a)	0.53%

\* Fiscal year end changed to March 31. Prior to this, the fiscal year end was April 30.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

(a) The effect of the custodial expense offset on the operating expense ratio, with and without waivers and/or expense reimbursements, was less than 0.01%.

(b) The effect of interest expense on the operating expense ratio was less than 0.01%.

## Nations Municipal Reserves

## For a Share outstanding throughout each period

Capital Class Shares	Year ended 03/31/01	Year ended 03/31/00	Period ended 03/31/99*	Year ended 04/30/98	Year ended 04/30/97	Year ended 04/30/96
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b> Net investment income	0.0392	0.0329	0.0292	0.0353	0.0337	0.0362
<b>Less distributions:</b> Dividends from net investment income	(0.0392)	(0.0329)	(0.0292)	(0.0353)	(0.0337)	(0.0362)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return++</b>	<b>3.99%</b>	<b>3.34%</b>	<b>2.96%</b>	<b>3.61%</b>	<b>3.44%</b>	<b>3.70%</b>
<b>Ratios to average net assets/supplemental data:</b> Net assets, end of period (000's)	\$145,248	\$172,693	\$134,268	\$74,251	\$59,701	\$48,482
Ratio of operating expenses to average net assets	0.20%	0.20%	0.20%+	0.20%(a)	0.20%	0.20%
Ratio of net investment income to average net assets	3.93%	3.29%	3.10%+	3.53%	3.38%	3.61%
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.29%	0.30%	0.48%+	0.48%	0.52%	0.58%

\* Fiscal year end changed to March 31. Prior to this, the fiscal year end was April 30.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

(a) The effect of interest expense on the operating expense ratio was 0.02%.

## Nations California Tax-Exempt Reserves

## For a Share outstanding throughout the period

Capital Class Shares	Period ended 03/31/01*
Net asset value, beginning of period	\$1.00
<b>Income from investment operations:</b> Net investment income	0.0153
<b>Less distributions:</b> Dividends from net investment income	(0.0153)
Net asset value, end of period	\$1.00
<b>Total return++</b>	<b>1.54%</b>
<b>Ratio to average net assets/supplemental data:</b> Net assets, end of period (in 000's)	\$30
Ratio of operating expenses to average net assets	0.20%+
Ratio of net investment income to average net assets	3.33%+
Ratio of operating expenses to average net assets without waivers and/or expense reimbursements	0.28%+

\* California Tax-Exempt Reserves Capital Class Shares commenced operations on October 3, 2000.

+ Annualized.

++ Total return represents aggregate total return for the period indicated, assumes reinvestment of all distributions, and does not reflect the deduction of any applicable sales charges.

This glossary includes explanations of the important terms that may be used in this prospectus. Some of the terms explained may apply to Nations Funds not included in this prospectus.



## Terms used in this prospectus

**Amortized cost method** – under Rule 2a-7 of the 1940 Act, the method of calculating an investment company’s net asset value whereby portfolio securities are valued at the Fund’s acquisition cost as adjusted for amortization of premium or accretion of discount rather than at their value based on current market factors.

**Average dollar-weighted maturity** – the average length of time until the debt securities held by a Fund reach maturity. In general, the longer the average dollar-weighted maturity, the more a Fund’s share price will fluctuate in response to changes in interest rates.

**Bank obligation** – a money market instrument issued by a bank, including certificates of deposit, time deposits and bankers’ acceptances.

**Capital gain or loss** – the difference between the purchase price of a security and its selling price. You realize a capital gain when you sell a security for more than you paid for it. You realize a capital loss when you sell a security for less than you paid for it.

**Commercial paper** – a money market instrument issued by a large company.

**Common stock** – a security that represents part equity ownership in a company. Common stock typically allows you to vote at shareholder meetings and to share in the company’s profits by receiving dividends.

**Debt security** – when you invest in a debt security, you are typically lending your money to a governmental body or company (the issuer) to help fund their operations or major projects. The issuer pays interest at a specified rate on a specified date or dates, and repays the principal when the security matures. Short-term debt securities include money market instruments such as treasury bills. Long-term debt securities include fixed income securities such as government and corporate bonds, and mortgage-backed and asset-backed securities.

**Equity security** – an investment that gives you an equity ownership right in a company. Equity securities (or “equities”) include common and preferred stock, rights and warrants.

**First-tier security** – under Rule 2a-7 of the 1940 Act, a debt security that is an eligible investment for money market funds and has the highest short-term rating from a nationally recognized statistical rating organization (NRSRO) or if unrated, is determined by the fund’s portfolio management team to be of comparable quality, or is a money market fund issued by a registered investment company, or is a government security.

**Fixed income security** – an intermediate to long-term debt security that matures in more than one year.

**Guaranteed investment contract** – an investment instrument issued by a rated insurance company in return for a payment by an investor.

**High quality** – includes municipal securities that are rated in the top two highest short-term debt categories according to NRSROs such as Standard & Poor’s Corporation and Moody’s Investor Services, Inc. The portfolio management team may consider an unrated municipal security if it is determined to be of comparable quality, based upon guidelines approved by the Fund’s Board. Please see the SAI for more information about credit ratings.

**Liquidity** – a measurement of how easily a security can be bought or sold at a price that is close to its market value.

**Money market instrument** – a short-term debt security that is considered to mature in 13 months or less. Money market instruments include U.S. Treasury obligations, U.S. government obligations, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and certain municipal securities.

**Municipal security (obligation)** – a debt security issued by state or local governments or governmental authorities to pay for public projects and services. "General obligations" are typically backed by the issuer's full taxing and revenue-raising powers. "Revenue securities" depend on the income earned by a specific project or authority, like road or bridge tolls, user fees for water or revenues from a utility. Interest income from these securities is exempt from federal income taxes and is generally exempt from state taxes if you live in the state that issued the security. If you live in the municipality that issued the security, interest income may also be exempt from local taxes.

**Non-diversified** – a fund that holds securities of fewer issuers or kinds of issuers than other kinds of funds. Non-diversified funds tend to have greater price swings than more diversified funds because events affecting one or more of its securities may have a disproportionately large effect on the fund.

**Participation** – a pass-through certificate representing a share in a pool of debt obligations or other instruments.

**Pass-through certificate** – securitized mortgages or other debt securities with interest and principal paid by a servicing intermediary shortly after interest payments are received from borrowers.

**Private activity bond** – a municipal security that is used to finance private projects or other projects that aren't qualified for tax purposes. Interest on private activity bonds is generally taxable, unless it is specifically exempted, or may be treated as a tax preference item for federal alternative minimum tax purposes.

**Repurchase agreement** – a short-term (often overnight) investment arrangement. The investor agrees to buy certain securities from the borrower and the borrower promises to buy them back at a specified date and price. The difference between the purchase price paid by the investor and the repurchase price paid by the borrower represents the investor's return. Repurchase agreements are popular because they provide very low-risk return and can virtually eliminate credit difficulties.

**Reverse repurchase agreement** – a repurchase agreement in which an investor sells a security to another party, like a bank or dealer, in return for cash, and agrees to buy the security back at a specified date and price.

**Second-tier security** – under Rule 2a-7 under the 1940 Act, a debt security that is an eligible investment for money market funds, but is not a first-tier security.

***Settlement date*** – the date on which an order is settled either by payment or delivery of securities.

***Special purpose issuer*** – an entity organized solely to issue asset-backed securities on a pool of assets it owns.

***Trade date*** – the effective date of a purchase, sale or exchange transaction, or other instructions sent to us. The trade date is determined by the day and time we receive the order or instructions in a form that's acceptable to us.

***U.S. government obligations*** – a wide range of debt securities issued or guaranteed by the U.S. government or its agencies, authorities or instrumentalities.

***U.S. Treasury obligation*** – a debt security issued by the U.S. Treasury.

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## Where to find more information

You'll find more information about Nations Money Market Funds in the following documents:

### **Annual and semi-annual reports**

The annual and semi-annual reports contain information about Fund investments and performance, the financial statements and the independent accountants' reports. The annual report also includes a discussion about the market conditions and investment strategies that had a significant effect on each Fund's performance during the period covered.



### **Statement of Additional Information**

The SAI contains additional information about the Funds and their policies. The SAI is legally part of this prospectus (it's incorporated by reference). A copy has been filed with the SEC.

You can obtain a free copy of these documents, request other information about the Funds and make shareholder inquiries by contacting Nations Funds:

By telephone: 1.800.626.2275 (Institutional Investors)  
1.800.321.7854 (Individual Investors)

By mail:  
**Nations Funds**  
**c/o Stephens Inc.**  
**One Bank of America Plaza**  
**33rd Floor**  
**Charlotte, NC 28255**

On the Internet: [www.nations-funds.com](http://www.nations-funds.com)

Information about the Funds can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. The reports and other information about the Funds are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>, and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.