

Reynolds Funds

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EXPENSE INFORMATION

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Shareholder Transaction Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum Sales Load Imposed on Purchases or Reinvested Dividends</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Deferred Sales Load</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Redemption Fee</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
</tr>
<tr>
<td>Exchange Fee</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Annual Fund Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(as a percentage of average net assets)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Fees</td>
<td>1.00%</td>
<td>1.00%</td>
<td>0.75%</td>
</tr>
<tr>
<td>12b-1 Fees</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Other Expenses (after reimbursements)</td>
<td>0.38%</td>
<td>0.50%</td>
<td>0.15%**</td>
</tr>
<tr>
<td>Total Fund Operating Expenses (after reimbursements)</td>
<td>1.38%</td>
<td>1.50%</td>
<td>0.90%**</td>
</tr>
</tbody>
</table>

* A fee of $12.00 is charged for each wire redemption.
** Other Expenses and Total Fund Operating Expenses (without expense reimbursements) for the fiscal year ended September 30, 1997, for the Bond Fund would have been 1.58% and 2.33%, respectively, and for the Money Market Fund would have been 1.52% and 2.02%, respectively.

Example
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:

<table>
<thead>
<tr>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reynolds Blue Chip Growth Fund</td>
<td>$14</td>
<td>$44</td>
<td>$76</td>
</tr>
<tr>
<td>Reynolds Opportunity Fund</td>
<td>$15</td>
<td>$47</td>
<td>$82</td>
</tr>
<tr>
<td>Reynolds U.S. Government Bond Fund</td>
<td>$9</td>
<td>$29</td>
<td>$50</td>
</tr>
<tr>
<td>Reynolds Money Market Fund</td>
<td>$7</td>
<td>$21</td>
<td>$36</td>
</tr>
</tbody>
</table>

The purpose of the preceding table is to assist investors in understanding the various costs that an investor in a particular Fund will bear, directly or indirectly. They should not be considered to be a representation of past or future expenses. Actual expenses may be greater or lesser than those shown. See “Management of the Funds” for a more complete discussion of applicable management fees. The Annual Fund Operating Expenses for each Fund are based on actual expenses incurred for the year ended September 30, 1997. The example assumes a 5% annual rate of return pursuant to requirements of the Securities and Exchange Commission. This hypothetical rate of return is not intended to be representative of past or future performance of any of the Funds.
The Financial Highlights of the Funds should be read in conjunction with the Funds’ audited financial statements and notes thereto, included in the Funds’ Annual Report to Shareholders which contains the auditor’s report as to the Financial Highlights. The Funds’ audited financial statements, notes thereto and auditor’s report thereon contained in the Funds’ Annual Report to Shareholders are incorporated by reference into the Statement of Additional Information. The Financial Highlights of each Fund set forth below have been audited. Further information about the performance of the Funds is also contained in the Funds’ Annual Report to Shareholders, copies of which may be obtained, without charge, upon request.

**FINANCIAL HIGHLIGHTS**

*(Selected Data for a share of each Fund outstanding throughout each period)*

The Reynolds Blue Chip Growth Fund

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>PER SHARE OPERATING PERFORMANCE:</td>
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<tr>
<td>Income from investment operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment (loss) income</td>
<td>(0.01)</td>
<td>(0.03)</td>
<td>0.02</td>
<td>0.09</td>
<td>0.12</td>
<td>0.09</td>
<td>0.14</td>
<td>0.07</td>
<td>0.25</td>
<td>0.03</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss) on investments</td>
<td>9.67</td>
<td>3.52</td>
<td>5.00</td>
<td>0.28</td>
<td>(0.79)</td>
<td>1.02</td>
<td>2.83</td>
<td>(0.65)</td>
<td>1.73</td>
<td>0.03</td>
</tr>
<tr>
<td>Total from investment operations</td>
<td>9.66</td>
<td>3.49</td>
<td>5.02</td>
<td>0.37</td>
<td>(0.67)</td>
<td>1.11</td>
<td>2.97</td>
<td>(0.58)</td>
<td>1.98</td>
<td>0.06</td>
</tr>
<tr>
<td>Less distributions:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from net investment income</td>
<td>—</td>
<td>(0.02)</td>
<td>(0.06)</td>
<td>(0.13)</td>
<td>(0.09)</td>
<td>(0.09)</td>
<td>(0.15)</td>
<td>(0.15)</td>
<td>(0.12)</td>
<td>—</td>
</tr>
<tr>
<td>Distributions from net realized gains</td>
<td>(0.35)</td>
<td>(0.03)</td>
<td>(0.17)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(0.05)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total from distributions</td>
<td>(0.35)</td>
<td>(0.05)</td>
<td>(0.23)</td>
<td>(0.13)</td>
<td>(0.09)</td>
<td>(0.09)</td>
<td>(0.15)</td>
<td>(0.20)</td>
<td>(0.12)</td>
<td>—</td>
</tr>
<tr>
<td>Net asset value, end of period</td>
<td>$32.00</td>
<td>$22.69</td>
<td>$19.25</td>
<td>$14.46</td>
<td>$14.22</td>
<td>$13.96</td>
<td>$11.14</td>
<td>$11.92</td>
<td>$10.06</td>
<td></td>
</tr>
<tr>
<td>TOTAL INVESTMENT RETURN</td>
<td>43.2%</td>
<td>18.1%</td>
<td>35.3%</td>
<td>2.6%</td>
<td>(4.5%)</td>
<td>8.0%</td>
<td>26.9%</td>
<td>(5.0%)</td>
<td>19.9%</td>
<td>4.6%**</td>
</tr>
<tr>
<td>RATIOS/SUPPLEMENTAL DATA:</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets, end of period</td>
<td>62,294</td>
<td>30,807</td>
<td>29,357</td>
<td>24,771</td>
<td>38,929</td>
<td>40,580</td>
<td>27,735</td>
<td>10,009</td>
<td>5,260</td>
<td>366</td>
</tr>
<tr>
<td>Ratio of expenses (after reimbursement) to average net assets***</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>2.1%</td>
<td>2.0%</td>
<td>2.0%**</td>
</tr>
<tr>
<td>Ratio of net investment (loss) income to average net assets****</td>
<td>(0.1%)</td>
<td>(0.1%)</td>
<td>0.1%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>1.2%</td>
<td>0.8%</td>
<td>2.7%</td>
<td>4.5%**</td>
</tr>
<tr>
<td>Portfolio turnover rate</td>
<td>25.0%</td>
<td>21.5%</td>
<td>49.2%</td>
<td>43.3%</td>
<td>38.1%</td>
<td>0.2%</td>
<td>0.9%</td>
<td>66.2%</td>
<td>32.5%</td>
<td>—</td>
</tr>
<tr>
<td>Average commission rate paid*****</td>
<td>0.0728</td>
<td>$0.1047</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* For the period from August 10, 1988 (commencement of operations) to September 30, 1988.
** Annualized.
*** Computed after giving effect to adviser’s expense limitation undertaking. If the Fund had paid all of its expenses, the ratio would have been 2.7% for the year ended September 30, 1989.
**** If the Fund had paid all of its expenses, the ratio would have been 2.0% for the year ended September 30, 1989.
***** Disclosure required for fiscal years beginning after September 1, 1995.
REYNOLDS OPPORTUNITY FUND

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net asset value, beginning of period</td>
<td>$15.64</td>
<td>$14.17</td>
<td>$10.09</td>
<td>$ 9.78</td>
<td>$ 8.85</td>
<td>$10.00</td>
</tr>
<tr>
<td>Income from investment operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment (loss) income</td>
<td>(0.13)</td>
<td>(0.06)</td>
<td>(0.11)</td>
<td>(0.09)</td>
<td>(0.10)</td>
<td>0.00</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss) on securities</td>
<td>3.98</td>
<td>1.53</td>
<td>4.19</td>
<td>0.40</td>
<td>1.03</td>
<td>(1.15)</td>
</tr>
<tr>
<td>Total from investment operations</td>
<td>3.85</td>
<td>1.47</td>
<td>4.08</td>
<td>0.31</td>
<td>0.93</td>
<td>(1.15)</td>
</tr>
<tr>
<td>Less distributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend from net investment income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.00</td>
<td>—</td>
</tr>
<tr>
<td>Net asset value, end of period</td>
<td>$19.49</td>
<td>$15.64</td>
<td>$14.17</td>
<td>$10.09</td>
<td>$ 9.78</td>
<td>$ 8.85</td>
</tr>
<tr>
<td>TOTAL INVESTMENT RETURN</td>
<td>24.6%</td>
<td>10.4%</td>
<td>40.4%</td>
<td>3.2%</td>
<td>10.5%</td>
<td>(16.8%)**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RATIOS/SUPPLEMENTAL DATA:</th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, end of period (in 000’s $)</td>
<td>22,702</td>
<td>17,104</td>
<td>10,983</td>
<td>6,132</td>
<td>3,834</td>
<td>1,844</td>
</tr>
<tr>
<td>Ratio of expenses (after reimbursement) to average net assets***</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%**</td>
</tr>
<tr>
<td>Ratio of net investment (loss) income to average net assets****</td>
<td>(0.9%)</td>
<td>(1.1%)</td>
<td>(1.5%)</td>
<td>(1.6%)</td>
<td>(1.3%)</td>
<td>0.0%**</td>
</tr>
<tr>
<td>Portfolio turnover rate</td>
<td>60.2%</td>
<td>11.8%</td>
<td>38.4%</td>
<td>16.8%</td>
<td>67.6%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Average commission rate paid*****</td>
<td>$0.0791</td>
<td>$0.1269</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* For the period from January 30, 1992 (commencement of operations) to September 30, 1992.
** Annualized.
*** Computed after giving effect to adviser’s limitation undertaking. If the Fund had paid all of its expenses, the ratio would have been, for the years ended September 30, 1994 and 1993 and for the period ended September 30, 1992, 2.1%, 2.4% and 3.8%**, respectively.
**** The ratio of net investment income prior to adviser’s expense limitation undertaking to average net assets for the years ended September 30, 1994 and 1993 and for the period ended September 30, 1992 would have been (1.7%), (1.7%) and (1.8%)**, respectively.
***** Disclosure required for fiscal years beginning after September 1, 1995.
## PER SHARE OPERATING PERFORMANCE:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net asset value, beginning of period</td>
<td>$ 9.75</td>
<td>$ 9.85</td>
<td>$ 9.61</td>
<td>$10.76</td>
<td>$10.36</td>
<td>$10.00</td>
</tr>
<tr>
<td>Income from investment operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>0.5322</td>
<td>0.5333</td>
<td>0.5350</td>
<td>0.5609</td>
<td>0.5498</td>
<td>0.2979</td>
</tr>
<tr>
<td>Net realized and unrealized (loss) gain on investments</td>
<td>0.0100</td>
<td>(0.1000)</td>
<td>0.2491</td>
<td>(1.1432)</td>
<td>0.4001</td>
<td>0.3602</td>
</tr>
<tr>
<td>Total from investment operations</td>
<td>0.5422</td>
<td>0.4333</td>
<td>0.7841</td>
<td>(0.5823)</td>
<td>0.9499</td>
<td>0.6581</td>
</tr>
<tr>
<td>Less distributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from net investment income</td>
<td>(0.5322)</td>
<td>(0.5333)</td>
<td>(0.5441)</td>
<td>(0.5607)</td>
<td>(0.5499)</td>
<td>(0.2981)</td>
</tr>
<tr>
<td>Distribution from net realized gains</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(0.0070)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total from distributions</td>
<td>(0.5322)</td>
<td>(0.5333)</td>
<td>(0.5441)</td>
<td>(0.5677)</td>
<td>(0.5499)</td>
<td>(0.2981)</td>
</tr>
</tbody>
</table>

### TOTAL INVESTMENT RETURN

- 5.70%
- 4.49%
- 8.42%
- (5.54%)
- 9.48%
- 10.20%**

### RATIOS/SUPPLEMENTAL DATA:

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</tr>
</thead>
<tbody>
<tr>
<td>Net assets, end of period (in 000’s $)</td>
<td>2,626</td>
<td>2,766</td>
<td>2,799</td>
<td>4,367</td>
<td>6,376</td>
<td>3,223</td>
</tr>
<tr>
<td>Ratio of expenses (after reimbursement) to average net assets***</td>
<td>0.90%</td>
<td>0.90%</td>
<td>0.91%</td>
<td>0.86%</td>
<td>0.83%</td>
<td>0.75%**</td>
</tr>
<tr>
<td>Ratio of net investment income to average net assets****</td>
<td>5.45%</td>
<td>5.43%</td>
<td>5.6%</td>
<td>5.4%</td>
<td>5.3%</td>
<td>5.0%**</td>
</tr>
<tr>
<td>Portfolio turnover rate</td>
<td>25.3%</td>
<td>28.6%</td>
<td>0.0%</td>
<td>19.6%</td>
<td>6.3%</td>
<td>—</td>
</tr>
</tbody>
</table>

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* For the period from January 30, 1992 (commencement of operations) to September 30, 1992.
** Annualized.
*** Computed after giving effect to adviser’s expense limitation undertaking. If the Fund had paid all of its expenses, the ratio would have been 2.3%, 2.2%, 2.0%, 1.5% and 1.5% for the years ended September 30, 1997, 1996, 1995, 1994 and 1993, respectively, and 2.8%** for the period ended September 30, 1992.
**** The ratio of net investment income prior to adviser’s expense limitation undertaking to average net assets for the years ended September 30, 1997, 1996, 1995, 1994 and 1993 and the period ended September 30, 1992 would have been 4.0%, 4.1%, 4.5%, 4.8%, 4.6% and 2.9%**, respectively.
## PER SHARE OPERATING PERFORMANCE:

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</thead>
<tbody>
<tr>
<td>Net asset value, beginning of period</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>Income from investment operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>0.0477</td>
<td>0.0477</td>
<td>0.0510</td>
<td>0.0304</td>
<td>0.0255</td>
<td>0.0364</td>
<td>0.0358</td>
</tr>
<tr>
<td>Less distributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from net investment income</td>
<td>(0.0477)</td>
<td>(0.0477)</td>
<td>(0.0510)</td>
<td>(0.0304)</td>
<td>(0.0255)</td>
<td>(0.0364)</td>
<td>(0.0358)</td>
</tr>
<tr>
<td>Net asset value, end of period</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

## TOTAL INVESTMENT RETURN

- 4.9%  
- 4.9%  
- 5.2%  
- 3.1%  
- 2.6%  
- 3.6%  
- 5.5%**

## RATIOS/SUPPLEMENTAL DATA:

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Net assets, end of period (in 000's $)</td>
<td>3,032</td>
<td>3,980</td>
<td>3,743</td>
<td>3,192</td>
<td>6,798</td>
<td>6,166</td>
<td>3,617</td>
</tr>
<tr>
<td>Ratio of expenses (after reimbursement) to average net assets***</td>
<td>0.65%</td>
<td>0.65%</td>
<td>0.65%</td>
<td>0.63%</td>
<td>0.67%</td>
<td>0.64%</td>
<td>0.61%**</td>
</tr>
<tr>
<td>Ratio of net investment income to average net assets****</td>
<td>4.77%</td>
<td>4.78%</td>
<td>5.08%</td>
<td>2.84%</td>
<td>2.62%</td>
<td>3.53%</td>
<td>5.43%**</td>
</tr>
</tbody>
</table>

* For the period from January 30, 1991 (commencement of operations) to September 30, 1991.

** Annualized.

*** Computed after giving effect to adviser’s expense limitation undertaking. If the Fund had paid all of its expenses, the ratio would have been 2.02%, 1.39%, 1.95%, 1.47%, 1.22% and 1.73% for the years ended September 30, 1997, 1996, 1995, 1994, 1993 and 1992, respectively, and 1.85%** for the period ended September 30, 1991.

**** If the Fund had paid all of its expenses, the ratio would have been 3.39%, 4.05%, 3.79%, 2.01%, 2.08% and 2.44% for the years ended September 30, 1997, 1996, 1995, 1994, 1993 and 1992, respectively, and 4.18%** for the period ended September 30, 1991.
INTRODUCTION

The Company is a no-load, open-end, diversified management investment company, better known as a mutual fund, registered under the Investment Company Act of 1940 (the “Act”). It was incorporated under the laws of Maryland on April 28, 1988. The Company consists of a series of four funds: Reynolds Blue Chip Growth Fund, Reynolds Opportunity Fund, Reynolds U.S. Government Bond Fund and Reynolds Money Market Fund. Each of the Funds obtains its assets by continuously selling its shares to individual and institutional investors. Proceeds from such sales are invested by the particular Fund in securities of other issuers. In this way, each Fund:

- Combines the resources of many investors, with each individual investor having an interest in every one of the securities owned by such Fund;
- Provides each individual investor with diversification by investing in the securities of many different issuers;
- Reduces transaction costs by buying and selling larger blocks of securities; and
- Furnishes professional portfolio management to select and watch over its investments. See “MANAGEMENT OF THE FUNDS” for a discussion of the Funds’ Adviser.

Each of the Funds which make up the Company will redeem any of its outstanding shares on demand of the owner at their next determined net asset value. Registration of the Company under the Act does not involve supervision of the Company’s management or policies by the Securities and Exchange Commission.

INVESTMENT OBJECTIVES AND POLICIES

Reynolds Blue Chip Growth Fund

The investment objective of the Blue Chip Fund is to produce long-term growth of capital, with current income as a secondary objective, by investing in common stocks of well-established growth companies commonly referred to as “blue chip” companies. Reynolds Capital Management (the “Adviser”) will, under normal circumstances, maintain a diversified portfolio in which at least 65% of the Blue Chip Fund’s assets are invested in common stocks of blue chip companies. Blue chip companies are defined as those companies which have a market capitalization of at least $500 million (or $500,000,000) and are included in the Standard and Poor’s Daily Stock Price Index of 500 Common Stocks (the “S&P 500”) or the Dow Jones Industrial Average. Standard & Poor’s Corporation (“Standard & Poor’s”) selects stocks for inclusion in the S&P 500 based upon the following criteria: size, as measured by aggregate market value; position within a given industry classification; nature and extent of capitalization; trading volume; prospects for the company in particular and/or industry as a whole; and responsiveness of stock price to changes in industry affairs. The thirty industrial stocks used to compute the Dow Jones Industrial Average are selected because they are representative of the breadth of American industry. These companies are important factors in their respective industries and their stocks are widely held by individuals and institutional investors. Examples of blue chip companies include Caterpillar Inc., The Coca-Cola Company, General Electric Co., Intel Corp., Merck & Co., Inc., Microsoft Corp., Motorola, Inc., Procter & Gamble Co., Wal-Mart Stores, Inc. and Walt Disney Co. These companies are mentioned for illustrative purposes only and do not necessarily reflect the present portfolio composition of the Blue Chip Fund.

The blue chip companies in which the Blue Chip Fund will invest generally exhibit superior fundamental characteristics, as determined by the Adviser, which may include:

- a long history of profitability
potential for above-average earnings growth
leadership positions in its markets
a superior and pragmatic growth strategy
participation in expanding industries
proprietary products, processes or services
an experienced and tested management
a strong balance sheet
an above-average record of dividend consistency and growth
a high return on equity

In determining that the above characteristics are present with respect to specific investments, the Adviser will study the financial statements of the issuing corporations and other companies in the same industry, the issuing corporations’ reports to shareholders and analysts, and general economic and industry reports of brokers.

In seeking long-term growth of capital, the Adviser will generally purchase stocks of those blue chip companies that it expects to have potential earnings per share growth greater than the average company included in the S&P 500. The Adviser believes that when a company’s earnings grow faster than the economy in general, the market will eventually recognize this successful long-term record by valuing that company’s stock at a higher price. In addition, the company should be able to increase its dividend as its long-term earnings grow. The Adviser will evaluate blue chip stocks as follows. Initially, the Adviser will determine the strongest sectors (i.e., industry groups) of the market by comparing the performance of various sectors to the general economic forecast. The Adviser will then seek to identify those companies within the strongest sectors with favorable earnings prospects and, finally, select the most attractive values on the basis of such factors as price-earnings ratios. Although sector emphasis will shift as the Adviser’s outlook for earnings among market sectors changes, the Blue Chip Fund will maintain representation in as many industries as possible.

In addition to investing in blue chip stocks the Blue Chip Fund may invest up to 35% of its assets in common stocks of issuers which are not blue chip companies but which have proven records of profitability and strong earnings momentum. Such companies are likely to be (1) leading companies in smaller industries or (2) lesser known companies moving from a lower to a higher market share position within their industry groups rather than the largest and best known companies in such groups. The Blue Chip Fund may also invest not more than 15% of its total assets in U.S. dollar-denominated securities of foreign issuers in the form of American Depositary Receipts (“ADRs”) that are regularly traded on recognized U.S. exchanges or in the U.S. over-the-counter (“OTC”) market.

No more than 35% of the Blue Chip Fund’s portfolio will, under normal circumstances, be invested in securities other than common stocks of blue chip companies. However, when, in the opinion of the Adviser, market conditions appear unfavorable, the Blue Chip Fund may seek to preserve capital by temporarily shifting a high proportion of its assets to short-term debt securities and money market instruments such as United States Treasury Bills, certificates of deposit of U.S. banks, commercial paper and commercial paper master notes (which are demand instruments without a fixed maturity bearing interest at rates which are fixed to known lending rates and automatically adjusted when such lending rates change) rated A-1 or better by Standard & Poor’s or Prime-1 by Moody’s Investors Service, Inc. (“Moody’s”). The Blue Chip Fund may also invest in such instruments in amounts as the Adviser believes are reasonable to satisfy anticipated redemption requests. In addition, the Blue Chip Fund will invest in preferred stocks, U.S. Government securities and high-quality publicly distributed corporate bonds and
debentures when the Adviser believes such securities offer opportunities for long-term growth of capital, such as during periods of declining interest rates when the market value of such securities generally rises. The Blue Chip Fund will limit its investment in non-convertible bonds and debentures to those which have been assigned one of the two highest ratings of either Standard & Poor’s (AAA and AA) or Moody’s (Aaa and Aa). A description of the foregoing ratings is set forth in the Statement of Additional Information. Finally the Blue Chip Fund may invest in securities convertible into blue chip stocks.

The Blue Chip Fund may purchase stock index put options to hedge against a loss in its stock portfolio caused by a general decline in the stock market. If the index declines over the life of the option contract, the put option becomes more valuable and the Blue Chip Fund will enter into a closing contract. The realized gain would offset the presumed unrealized loss in the Blue Chip Fund’s portfolio. If the index rises over the life of the option contract, the option will become worthless and expire unexercised. In such event the Blue Chip Fund’s loss on the option contract will be limited to the premium paid. The Blue Chip Fund may purchase stock index call options in order to participate in an anticipated increase in stock market prices (i.e., a “long” or “anticipatory” hedge). An “anticipatory hedge” assumes the Blue Chip Fund will have a projected source of incoming cash to commit to going to a “long” position. If the index rises over the life of the option contract, the call option becomes more valuable and the Blue Chip Fund will enter into a closing contract. The realized gain would in effect allow the Blue Chip Fund to benefit from stock market appreciation even though it may not have had sufficient cash to purchase the underlying stocks. If the index declines over the life of the option contract, the option will become worthless and expire unexercised and the Blue Chip Fund’s loss will be limited to the premium paid. The value of options purchased by the Blue Chip Fund will not exceed 5% of the Blue Chip Fund’s total assets.

In investing for long-term growth of capital, the Blue Chip Fund does not intend to place emphasis on short-term trading profits. The sale of a particular issuer’s securities will be based upon factors such as a change in the national political or economic climate, actual or potential deterioration of the issuer’s earning power, increases in the price of the security that are considered excessive relative to the issuer’s earning power, and investment opportunities in other securities. The Blue Chip Fund anticipates that its annual portfolio turnover rate will not exceed 100%. The annual portfolio turnover rate indicates changes in the Blue Chip Fund’s portfolio and is calculated by dividing the lesser of purchases or sales of portfolio securities (excluding securities having maturities at acquisition of one year or less) for the fiscal year by the monthly average of the value of the portfolio securities (excluding securities having maturities at acquisition of one year or less) owned by the Blue Chip Fund during the fiscal year. The annual portfolio turnover rate may vary widely from year to year depending upon market conditions and prospects. However, the Blue Chip Fund intends to limit turnover so that realized short-term gains on securities held for less than three months do not exceed 30% of adjusted gross income in order to derive the benefits of favorable tax treatment available to regulated investment companies under the Internal Revenue Code (the “Code”). Increased portfolio turnover necessarily results in correspondingly heavier brokerage costs which the Blue Chip Fund must pay and increased realized gains (or losses) to shareholders.

Risks are inherent in any investment. As a consequence, there can be no assurance that the objective of the Blue Chip Fund will be realized. Nor can there be any assurance that the Blue Chip Fund’s portfolio will not decline in value.
Nevertheless, the Adviser believes that its investment philosophy is best suited to deal with the continually changing conditions of the economy and financial and securities markets. Although corporate earnings can be expected to suffer during periods of recession, the Adviser believes that, in the long run, the earnings of blue chip growth companies generally will not be adversely affected by unfavorable economic conditions to the same extent as the earnings of smaller companies. Additionally, blue chip stocks typically have a high degree of liquidity, as they usually have a large number of publicly-held shares and a high trading volume. During periods of market instability, blue chip stocks should be less volatile than stocks with less liquidity. However, since the major portion of the Blue Chip Fund’s portfolio will generally consist of common stocks, it may be expected that its net asset value will be subject to greater fluctuation than a portfolio containing a substantial amount of fixed income securities.

**Reynolds Opportunity Fund**

The investment objective of the Opportunity Fund is to produce long-term growth of capital by investing in a diversified portfolio of common stocks of companies having above average growth characteristics. Securities are selected for the Opportunity Fund on the basis of their potential for capital appreciation; current income is not a significant consideration.

The Opportunity Fund generally invests in securities of growth companies without regard to size that the Adviser believes to be well-managed and to have attractive fundamental financial characteristics. Attractive fundamental financial characteristics may include, among other factors, a low debt to equity ratio, a return on equity above the market average, and consistent revenue and earnings per share growth over the prior three to five years or current or projected increasing earnings momentum. Such investments may be in equity securities of well-known, established companies as well as smaller, less well-known companies.

In selecting stocks for the Opportunity Fund, the Adviser employs a “bottom-up” security analysis. “Bottom-up” security analysis refers to an analytical approach to securities selection which first focuses on the company and company-related matters. This is in contrast to a “top-down” analysis, which first focuses on general economic conditions or a particular industry. The Adviser believes that a “bottom-up” approach is more likely to identify undervalued growth companies.

Securities of unseasoned companies, i.e., companies with less than three years’ continuous operations, may be acquired from time to time by the Opportunity Fund when the Adviser believes such investments offer possibilities of attractive capital appreciation. However, the Opportunity Fund will not invest more than 5% of the value of its total assets in the securities of unseasoned companies. Securities of such companies present risks considerably greater than do securities of more established companies.

In seeking its investment objective, the Opportunity Fund may invest up to 25% of its total assets in ADRs that are regularly traded on recognized U.S. exchanges or in the U.S. OTC market. See “Reynolds Blue Chip Growth Fund” above. The Opportunity Fund will not purchase securities of foreign issuers on foreign markets.

The Opportunity Fund may also acquire preferred stocks and obligations, such as bonds, debentures and notes, that in the opinion of the Adviser present opportunities for capital appreciation. In addition, the Opportunity Fund may invest in securities convertible into common stock, such as certain bonds and preferred stocks, and may invest up to 5% of its net assets in other types of securities having common stock characteristics, such as rights and warrants to purchase
equity securities.

When, in the opinion of the Adviser, market conditions appear unfavorable, the Opportunity Fund may seek to preserve capital by temporarily shifting a high proportion of its assets to short-term debt securities and money market instruments such as United States Treasury Bills, certificates of deposit of U.S. Banks, commercial paper and commercial paper master notes rated A-l or better by Standard & Poor’s or Prime-l by Moody’s. The Opportunity Fund may also invest in such instruments in amounts as the Adviser believes are reasonable to satisfy anticipated redemption requests. In addition, the Opportunity Fund will invest in United States Government securities and high-quality publicly distributed corporate bonds and debentures when the Adviser believes such securities offer opportunities for long-term growth of capital, such as during periods of declining interest rates when the market value of such securities generally rises. The Opportunity Fund will limit its investment in non-convertible bonds and debentures to those which have been assigned one of the two highest ratings of either Standard & Poor’s (AAA and AA) or Moody’s (Aaa and Aa). A description of the foregoing ratings is set forth in the Statement of Additional Information.

The Opportunity Fund may purchase stock index put options to hedge against a loss in its stock portfolio caused by a general decline in the stock market. In addition, the Opportunity Fund may purchase stock index call options in order to participate in an anticipated increase in stock market prices. For a complete discussion of such options, see “Reynolds Blue Chip Growth Fund” above. The value of options purchased by the Opportunity Fund will not exceed 5% of the Opportunity Fund’s total assets.

In investing for long-term growth of capital, the Opportunity Fund does not intend to place emphasis on short-term trading profits. The sale of a particular issuer’s securities will be based upon factors such as a change in the national political or economic climate, actual or potential deterioration of the issuer’s earning power, increases in the price of the security that are considered excessive relative to the issuer’s earning power, and investment opportunities in other securities. The Opportunity Fund anticipates that its annual portfolio turnover rate will not exceed 100%. The annual portfolio turnover rate indicates changes in the Opportunity Fund’s portfolio and is calculated by dividing the lesser of purchases or sales of portfolio securities (excluding securities having maturities at acquisition of one year or less) for the fiscal year by the monthly average of the value of the portfolio securities (excluding securities having maturities at acquisition of one year or less) owned by the Opportunity Fund during the fiscal year. The annual portfolio turnover rate may vary widely from year to year depending upon market conditions and prospects. However, the Opportunity Fund intends to limit turnover so that realized short-term gains on securities held for less than three months do not exceed 30% of adjusted gross income in order to derive the benefits of favorable tax treatment available to regulated investment companies under the Code. Increased portfolio turnover necessarily results in correspondingly heavier brokerage costs which the Opportunity Fund must pay and increased realized gains (or losses) to shareholders.

Risks are inherent in any investment. For example, the smaller companies in which the Opportunity Fund may invest may have limited product lines, markets, or financial resources, or may be dependent upon a small management group. In addition, their securities may be subject to more abrupt or erratic market movements than those of larger, more established companies, both because their securities typically are traded in lower volume and because such issuers typically are subject to greater fluctuation in earnings and
prospects. As a consequence, there can be no assurance that the objective of the Opportunity Fund will be realized. Nor can there be any assurance that such Fund’s portfolio will not decline in value. In view of the nature of the Opportunity Fund’s investment activities, investment in its shares may be suitable only for those investors who are prepared to invest without concern for current income.

**Reynolds U.S. Government Bond Fund**

The investment objective of the Bond Fund is to provide a high level of current income by investing in a diversified portfolio of securities issued or guaranteed as to principal by the U.S. Government, its agencies or instrumentalities (collectively, “U.S. Government Obligations”). It is the Bond Fund’s policy to invest at least 65% of the total value of its assets in U.S. Government Obligations. Examples of the types of U.S. Government Obligations that may be held by the Bond Fund include, in addition to U.S. Treasury Bonds, Notes and Bills, the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, Government National Mortgage Association, Federal National Mortgage Association, General Services Administration, Student Loan Marketing Association, Central Bank for Cooperatives, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks and Maritime Administration. Obligations of certain agencies and instrumentalities of the U.S. Government, such as those of the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration and the Government National Mortgage Association, are supported by the full faith and credit of the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. Government to purchase the agency’s obligations; still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. While the U.S. Government currently provides financial support to such U.S. Government-sponsored instrumentalities, no assurance can be given that it always will do so. The U.S. Government, its agencies and instrumentalities do not guarantee the market value of their securities, and consequently, the value of such securities may fluctuate.

The Bond Fund may invest in zero coupon treasury securities which consist of Treasury Notes and Bonds that have been stripped of their unmatured interest coupons by the Federal Reserve Bank. A zero coupon treasury security pays no interest to its holders during its life and its value to an investor consists of the difference between its face value at the time of maturity and the price for which it was acquired, which is generally an amount much less than its face value. Zero coupon treasury securities are generally subject to greater fluctuations in value in response to changing interest rates than debt obligations that pay interest currently. In addition to zero coupon treasury securities, the Bond Fund may invest in zero coupon bonds issued directly by federal agencies and instrumentalities. Such issues of zero coupon bonds are originated in the form of a zero coupon bond and are not created by stripping an outstanding bond. Finally, the Bond Fund may invest in U.S. Government Obligations that have been stripped of their unmatured interest coupons by dealers. Dealers deposit such stripped U.S. Government Obligations with custodians for safekeeping and then separately sell the principal and interest
payments generated by the security.

Among the U.S. Government Obligations in which the Bond Fund may invest are securities representing an interest in mortgages or securities collateralized by an interest in mortgages (collectively, “mortgage securities”). Interest and principal payments (including prepayments) on the mortgages underlying mortgage securities are passed-through to the holders of mortgage securities. As a result of this pass-through of payments, mortgage securities are often subject to more rapid prepayments of principal than their stated maturity would indicate. Because the prepayment characteristics of the underlying mortgages vary, it is not possible to predict accurately the realized yield or average life of a particular issue of pass-through certificates. Prepayments are important because of their effect on the yield and the price of the securities. During periods of declining interest rates, such prepayments can be expected to accelerate and the Bond Fund would be required to reinvest the proceeds at the lower interest rate then available. In addition, prepayments of mortgages which underlie mortgage securities purchased at a premium may not have been fully amortized at the time the obligation is repaid. As a result of these principal payment features, mortgage securities are generally more volatile investments than other U.S. Government Obligations.

In addition, the Bond Fund may invest in high quality corporate obligations. The Bond Fund will limit its investment in corporate bonds and debentures to those which have been assigned one of the two highest ratings of either Standard & Poor’s (AAA and AA) or Moody’s (Aaa and Aa). A description of the foregoing ratings is set forth in the Statement of Additional Information.

The average maturity of the obligations held in the Bond Fund is currently expected to be between one and ten years, but will vary depending on the Adviser’s forecast for interest rates. When the Adviser believes interest rates will decline, the Bond Fund will emphasize longer-term maturities. Conversely, when the Adviser believes interest rates will rise, the Bond Fund will shorten maturities and/or maintain a larger than normal position in money market instruments. Some factors which the Adviser considers important in determining the interest rate outlook and, thus, the average maturity of the Fund are current and expected: (1) economic forecasts; (2) Federal Reserve policies; (3) inflation rates; (4) real rates of return (yields minus expected inflation); and (5) shapes of the yield curve.

The money market instruments the Bond Fund may hold during periods in which the Adviser expects rising interest rates include United States Treasury Bills, certificates of deposit of U.S. Banks, commercial paper and commercial paper master notes rated A-1 or better by Standard & Poor’s or Prime-1 by Moody’s. The Bond Fund will also invest in such instruments in such amounts as the Adviser believes are reasonable to satisfy anticipated redemption requests.

Reynolds Money Market Fund

The investment objective of the Money Market Fund is to provide a high level of current income, consistent with liquidity, the preservation of capital and a stable net asset value, by investing in a diversified portfolio of high-quality, highly liquid money market instruments. In pursuing its investment objective, the Money Market Fund will invest, during normal market conditions, all of its assets in U.S. dollar-denominated debt obligations with remaining maturities of thirteen months or less (as determined in accordance with the rules of the Securities and Exchange Commission) and will maintain an average portfolio maturity of no more than 90 days. The Money Market Fund may purchase a
broad range of government, bank and commercial obligations that are available in the money markets. The following discussion illustrates the types of instruments in which the Money Market Fund may invest:

The Money Market Fund may invest in U.S. Government Obligations. For a complete discussion of such securities, see “Reynolds U.S. Government Bond Fund” above.

The Money Market Fund may purchase bank obligations, such as certificates of deposit, bankers’ acceptances and time deposits (i.e., non-negotiable deposits maintained in a banking institution for a specific period of time, not to exceed 7 days, at a stated interest rate), issued by banks with a short-term CD rating in the highest category of at least two nationally recognized rating agencies (or of one agency if only one agency has issued a rating) (the “required rating agencies”). The required rating agencies may consist of Standard & Poor’s, Moody’s, Duff & Phelps, Inc. (“D&P”), Fitch IBCA, Inc. (“Fitch”) and Thompson Bankwatch (“TBW”). A description of the highest rating categories of each of these rating agencies is set forth in the Statement of Additional Information.

The bank obligations which the Money Market Fund may purchase include U.S. dollar-denominated instruments issued or supported by the credit of U.S. or foreign banks or savings institutions having total assets at the time of purchase in excess of $1 billion. Investments by the Money Market Fund in the obligations of foreign banks, U.S. branches of foreign banks and foreign branches of domestic banks will not exceed 25% of the value of the Money Market Fund’s total assets at the time of investment. The Money Market Fund may also make interest-bearing savings deposits in commercial and savings banks in amounts not in excess of 5% of its total assets.

Instruments issued or supported by the credit of foreign banks or foreign branches of domestic banks entail risks that are different from those of investments in domestic obligations of U.S. banks. Such risks include future political and economic developments, the possible imposition of foreign withholding taxes on interest income payable on such instruments, the possible establishment of exchange controls, the possible seizure or nationalization of foreign deposits and the adoption of other foreign government restrictions which might affect adversely the payment of principal and interest of such instruments. In addition, foreign banks and foreign branches of U.S. banks are subject to less stringent reserve requirements and to different accounting, auditing, reporting and recordkeeping standards than those applicable to domestic branches of U.S. banks.

The Money Market Fund may purchase high-quality commercial paper issued by corporations rated (at the time of purchase) in the highest category by the required rating agencies and high-quality corporate bonds with remaining maturities of thirteen months or less which are rated (at the time of purchase) in the highest category by the required rating agencies.

The Money Market Fund may purchase commercial paper master demand notes rated in the highest category by the required rating agencies. Such notes are unsecured instruments that permit the indebtedness thereunder to vary in addition to providing for periodic adjustments in the interest rate. An active secondary market usually will not exist with respect to commercial paper master demand notes. The absence of a secondary market could make it difficult for the Money Market Fund to dispose of such a note if the issuer defaulted on its payment obligation, and the Money Market Fund would, for this or other reasons, suffer a loss with respect to such instrument.

The Money Market Fund also may agree to
purchase U.S. Government Obligations or other debt securities rated in the highest category by the required rating agencies from financial institutions, such as banks and broker-dealers, subject to the seller’s agreement to repurchase them at an agreed upon price usually not more than 7 days after their purchase ("repurchase agreements"). The Money Market Fund will enter into repurchase agreements only with financial institutions determined to be creditworthy by the Adviser. During the term of any repurchase agreement, the Adviser will continue to monitor the creditworthiness of the seller, and the seller will be required to maintain the value of the securities subject to the agreement at not less than the repurchase price. Default or bankruptcy of the seller would, however, expose the Money Market Fund to possible delay in connection with the disposition of the underlying securities or loss to the extent that the proceeds from a sale of the underlying securities were less than the repurchase price under the agreement. Securities subject to repurchase agreements are held by the Money Market Fund’s custodian (or sub-custodian) or in the Federal Reserve/Treasury Book-Entry System and, because of the seller’s repurchase obligation, may have remaining maturities of longer than one year.

General Considerations

Under certain circumstances, each of the Funds may (a) temporarily borrow money from banks for emergency or extraordinary borrowings, (b) pledge its assets to secure borrowings, (c) purchase securities of other investment companies, (d) enter into repurchase agreements, and (e) purchase American Depository Receipts (the Blue Chip Fund and Opportunity Fund only). A more complete discussion of the circumstances in which each of the Funds may engage in these activities is included in the Statement of Additional Information. The investment objectives and, except as provided in the Statement of Additional Information, other policies described under this caption are not fundamental policies and may be changed without shareholder approval. Since each Fund’s investment objectives are not fundamental policies, they may be changed without a vote of the applicable Fund’s shareholders. Such changes may result in a Fund having investment objectives different from the objectives which the shareholder considered appropriate at the time of investment in such Fund.

MANAGEMENT OF THE FUNDS

As a Maryland corporation, the business and affairs of the Company are managed by its Board of Directors. Each of the Funds has entered into an investment advisory agreement (the “Advisory Agreements”) with the Adviser, Reynolds Capital Management (Frederick L. Reynolds, sole proprietor), 80 East Sir Francis Drake Boulevard, Larkspur, California 94939. Under such Advisory Agreements the Adviser furnishes continuous investment advisory services to each of the Funds. The Adviser does not advise any other mutual funds, but does act as the investment adviser to individuals and institutional clients with investment portfolios aggregating as of December 31, 1997 in excess of $100,000,000, including the Funds. The Adviser was organized in April, 1985. Mr. Frederick L. Reynolds, the sole proprietor of the Adviser, had previously managed portfolios of a registered investment company.

The Adviser supervises and manages the investment portfolio of each of the Funds and, subject to such policies as the Board of Directors of the Company may determine, directs the purchase or sale of investment securities in the day-to-day management of the Funds. Under the Advisory Agreements, the Adviser, at its own expense and without reimbursement from any of the Funds, furnishes office space and all necessary office facilities, equipment and executive personnel for managing the investments of each
Fund, bears all sales and promotional expenses of the Funds, other than expenses incurred in complying with laws regulating the issue or sale of securities, and pays salaries and fees of all officers and directors of the Company (except the fees paid to directors who are not interested persons of the Adviser). For the foregoing, the Adviser receives from the Blue Chip Fund a monthly fee of 1/12 of 1.0% (1.0% per annum) of such Fund’s daily net assets; from the Opportunity Fund a monthly fee of 1/12 of 1.0% (1.0% per annum) of such Fund’s daily net assets; from the Bond Fund a monthly fee of 1/12 of 0.75% (0.75% per annum) of such Fund’s daily net assets; and from the Money Market Fund a monthly fee of 1/12 of 0.5% (0.5% per annum) of such Fund’s daily net assets. The advisory fees paid by the Blue Chip Fund, the Opportunity Fund, the Bond Fund and the Money Market Fund in the fiscal year ended September 30, 1997 were equal to 1.00%, 1.00%, 0.75% (0% after reimbursement) and 0.50% (0% after reimbursement), respectively, of such Fund’s average net assets. See “FINANCIAL HIGHLIGHTS.”

Frederick L. Reynolds, sole proprietor of the Adviser since he founded the firm in 1985, is primarily responsible for the day-to-day management of each Fund’s portfolio. He has held this responsibility since each Fund commenced operations. Mr. Reynolds also has served as Chairman, President, Treasurer and a Director of the Company since it was organized in April, 1988.

Each of the Funds also has entered into an administration agreement (the “Administration Agreements”) with Fiduciary Management, Inc. (the “Administrator”), 225 East Mason Street, Milwaukee, Wisconsin 53202. Under the Administration Agreements the Administrator prepares and maintains the books, accounts and other documents required by the Act, determines each Fund’s net asset value, responds to shareholder inquiries, prepares each Fund’s financial statements and tax returns, prepares certain reports and filings with the Securities and Exchange Commission and with state Blue Sky authorities, furnishes statistical and research data, clerical, accounting and bookkeeping services and stationery and office supplies, keeps and maintains each Fund’s financial and accounting records and generally assists in all aspects of the Funds’ operations. The Administrator, at its own expense and without reimbursement from any of the Funds, furnishes office space and all necessary office facilities, equipment and executive personnel for performing the services required to be performed by it under the Administration Agreements. For the foregoing, the Administrator receives from the Blue Chip Fund and the Opportunity Fund a monthly fee of 1/12 of 0.2% (0.2% per annum) on the first $30,000,000 of the daily net assets of each of such Funds and 1/12 of 0.1% (0.1% per annum) on the daily net assets of each of such Funds in excess of $30,000,000; and from the Bond Fund and the Money Market Fund a monthly fee of 1/12 of 0.1% (0.1% per annum) on the daily net assets of each of such Funds.

DETERMINATION OF NET ASSET VALUE

The per share net asset value of each Fund is determined by dividing the total value of each Fund’s net assets (meaning its assets less its liabilities excluding capital and surplus) by the total number of its shares outstanding at that time. Except as otherwise noted below, each Fund’s net asset value is determined as of the close of regular trading (currently 4:00 p.m. Eastern time) on the New York Stock Exchange on each day the New York Stock Exchange is open for trading. This determination is applicable to all transactions in shares of such Fund prior to that time and after the previous time as of which net asset value was determined. Accordingly, purchase orders accepted or shares tendered for redemption prior to the close of regular trading on a day the New York Stock Exchange is open
for trading will be valued as of the close of trading, and purchase orders accepted or shares tendered for redemption after that time will be valued as of the close of the next trading day. Notwithstanding the foregoing, the net asset value of the Bond Fund and the Money Market Fund also will not be determined on days when the Federal Reserve is closed.

In calculating the net asset value of the Blue Chip Fund, the Opportunity Fund and the Bond Fund, portfolio securities traded on any national securities exchange or quoted on the Nasdaq National Market System will ordinarily be valued on the basis of the last sale price on the date of valuation, or in the absence of any sales on that date, the most recent bid price. Other securities will generally be valued at the most recent bid price if market quotations are readily available. Any securities for which there are no readily available market quotations and other assets will be valued at their fair value as determined in good faith by the Company’s Board of Directors, except that debt securities having maturities of less than 60 days may be valued using the amortized cost method.

Securities held by the Money Market Fund are valued at amortized cost. Under this method of valuation, a security is initially valued at its acquisition cost, and thereafter, a constant amortization of any discount or premium is assumed each day regardless of the impact of fluctuating interest rates on the market value of the security. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Money Market Fund would receive if it sold the instrument. The Money Market Fund attempts to maintain its per share net asset value at $1.00. Under most conditions, the Adviser believes this will be possible. Calculations are made periodically to compare the value of the Money Market Fund’s portfolio at amortized cost to current market values. In the event the per share net asset value (calculated by reference to market value) should deviate from $1.00 by ½ of 1% or more, the Board of Directors will promptly consider what action, if any, should be taken.

**HOW TO PURCHASE SHARES**

Shares of the Funds may be purchased directly from the Company. The price per share of each Fund is its next determined per share net asset value after receipt of an application in proper form. A purchase application is included in the center of this Prospectus. Additional purchase applications may be obtained from the Company. The Board of Directors of the Company has established $1,000 as the minimum initial purchase for each Fund ($100 for an initial purchase through an employee benefit, profit sharing or retirement plan such as a 401(k) Plan) and $100 as the minimum for any subsequent purchase (except for the Automatic Investment Plan and through dividend reinvestment), which minimum amounts are subject to change at any time. Shareholders of the Funds will be advised at least 30 days in advance of any increases in such minimum amounts.

**To Purchase by Mail**

Purchase applications should be mailed directly to Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. The U.S. Postal Service is not an agent of the Funds. Therefore, deposit in the mail does not constitute receipt by Firstar Trust Company or the Funds. Please do not mail letters by overnight courier to the Post Office Box. All applications must be accompanied by payment in the form of a check which should be made payable to the full name of the Fund whose shares are being purchased. All purchases must be made in U.S. dollars and checks must be drawn on U.S. banks. No cash will be accepted. Firstar Trust Company will charge a $20 fee against a shareholder’s account.
for any payment check returned to the custodian. The shareholder will also be responsible for any losses suffered by any Fund as a result. When a purchase is made by check (other than a cashiers or certified check) and a redemption is made shortly thereafter, the Company may delay the mailing of a redemption check until it is satisfied that the check has cleared. (It will normally take up to 3 days to clear local personal or corporate checks and up to 7 days to clear other personal and corporate checks.) To avoid redemption delays, purchases may be made by cashiers or certified check or by direct wire transfers. Note: Different forms are used for establishing Reynolds Funds-sponsored Individual Retirement Accounts, defined contribution, 401(k) and 403(b)(7) plans. Please call Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124 to obtain such forms.

To Purchase by Overnight or Express Mail

Purchase applications also may be sent by overnight or express mail. Please use the following address to insure proper delivery: Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, 3rd Floor, 615 E. Michigan Street, Milwaukee, Wisconsin 53202. The U.S. Postal Service and other independent delivery services are not agents of the Fund. Therefore, deposit of purchase applications with such services does not constitute receipt by Firstar Trust Company or the Funds.

To Purchase by Wire

The establishment of a new account by wire transfer should be preceded by a telephone call to Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124 in order to provide information for the setting up of the account, obtain a confirmation number and to ensure prompt and accurate handling of funds. The Funds and their transfer agent are not responsible for the consequences of delays resulting from the banking or Federal Reserve Wire System, or from incomplete wiring instructions. A completed purchase application also must be sent to Reynolds Funds at the above address immediately following the investment.

A purchase request for any of the Funds should be wired through the Federal Reserve System as follows:

Firstar Bank Milwaukee, NA
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
ABA Number 0750-00022
For credit to Firstar Trust Company
Account Number 112-952-137
For further credit to: _______________________

Shareholder name: ________________________

Shareholder account number:_______________

To Make Additional Investments

Shareholders of any Fund may add to their account at any time by purchasing shares by mail ($100 minimum) or by wire ($500 minimum) according to the aforementioned wiring instructions. Shareholders should notify Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124 prior to sending their wire. The remittance form which is attached to a shareholder’s individual account statement should, if possible, accompany any investment made through the mail. Every purchase request must include a shareholder’s account registration number in order to assure that funds are credited properly.

Automatic Investment Plan

The Company offers an Automatic Investment Plan whereby a shareholder may automatically make purchases of shares of any Reynolds Fund on a regular, convenient basis ($50 minimum per transaction). Under the Automatic Investment Plan, a shareholder’s
designated bank or other financial institution debits a preauthorized amount on the shareholder’s account on any date specified by the shareholder each month or calendar quarter and applies the amount to the purchase of the appropriate Reynolds Fund shares. If such date is a weekend or holiday, such purchase shall be made on the next business day. The Automatic Investment Plan must be implemented with a financial institution that is a member of the Automated Clearing House (“ACH”). No service fee is currently charged by the Company for participating in the Automatic Investment Plan. A $20 fee will be imposed by the transfer agent if sufficient funds are not available in the shareholder’s account at the time of the automatic transaction. An application to establish the Automatic Investment Plan is included as part of the purchase application. Shareholders may change the date or amount of investments at any time by writing to or calling Firstar Trust Company at 1-800-773-9665. In the event an investor discontinues participation in the Automatic Investment Plan, the Company reserves the right to redeem the investor’s account involuntarily, upon 60 days’ notice, if the account’s value is $500 or less.

General Information

As no-load mutual funds, the Funds impose no sales commissions and, therefore, the entire amount of an investment in any Fund is used to purchase shares of such Fund. All shares purchased will be credited to the shareholder’s account and confirmed by a statement mailed to the shareholder’s address. The Company does not issue stock certificates for shares purchased. Applications are subject to acceptance by the Company and are not binding until so accepted. The Funds do not, except as indicated in the following sentence, accept telephone orders for the purchase of shares, and they reserve the right to reject applications in whole or in part. Investors may purchase shares of the Funds through programs of services offered or administered by broker-dealers, financial institutions or other service providers (“Processing Intermediaries”). Such Processing Intermediaries may become shareholders of record and may use procedures and impose restrictions in addition to or different from those applicable to shareholders who invest directly in the Funds. Certain services of the Funds may not be available or may be modified in connection with the programs provided by Processing Intermediaries. The Funds may accept requests to purchase additional shares into an account in which the Processing Intermediary is the shareholder of record only from the Processing Intermediary. Processing Intermediaries may charge fees or assess other charges for the services they provide to their customers. Any such fee or charge is retained by the Processing Intermediary and is not remitted to the Funds or the Adviser. Additionally, the Adviser and/or the Fund may pay fees to Processing Intermediaries to compensate them for the services they provide. Program materials provided by the Processing Intermediary should be read in conjunction with the Prospectus before investing in this manner. Shares of the Funds may be purchased through Processing Intermediaries without regard to the Funds’ minimum purchase requirements.

Certain Processing Intermediaries that have entered into agreements with the Funds may enter purchase orders by telephone, with payment to follow the next business day as specified in the agreement. The Funds may effect such purchase orders at the net asset value next determined after receipt of the telephone purchase order. It is the responsibility of the Processing Intermediary to place the order with the Funds on a timely basis. If payment is not received within the time period specified in the agreement, the Processing Intermediary could be held liable for any resulting fees or losses.
HOW TO REDEEM SHARES

Investors who purchase shares directly from any Fund may redeem all or part of their shares in accordance with any of the procedures described below.

Regular Redemption

A shareholder may require the Company to redeem his shares of any Fund in whole or part at any time during normal business hours. Redemption requests must be made in writing and directed to Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. The U.S. Postal Service and other independent delivery services are not agents of the Funds. Therefore, deposit of redemption requests in the mail or with such delivery services does not constitute receipt by Firstar Trust Company or the Funds. Please do not mail letters by overnight courier to the Post Office Box address. Redemption requests sent by overnight or express mail should be directed to Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, 3rd Floor, 615 E. Michigan Street, Milwaukee, Wisconsin 53202. If a redemption request is inadvertently sent to the Company at its corporate address, it will be forwarded to Firstar Trust Company, and the effective date of redemption will be delayed until the request is received by Firstar Trust Company. Requests for redemption by telephone or telegram cannot be honored by the Blue Chip Fund, the Opportunity Fund or the Bond Fund, and requests which are subject to any special conditions or which specify an effective date other than as provided herein cannot be honored by any Fund.

Redemption requests should specify the name of the appropriate Fund, the number of shares or dollar amount to be redeemed, shareholder’s name, account number, and the additional requirements listed below that apply to the particular account.

<table>
<thead>
<tr>
<th>Type of Registration</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual, Joint Tenants, Sole Proprietor, Custodial (Uniform Gift to Minors Act), General Partners Corporations, Associations</td>
<td>Redemption request signed by all person(s) required to sign for the account, exactly as it is registered.</td>
</tr>
<tr>
<td></td>
<td>Redemption request and a corporate resolution, signed by person(s) required to sign for the account, accompanied by signature guarantee(s).</td>
</tr>
<tr>
<td>Trusts</td>
<td>Redemption request signed by the Trustee(s) with a signature guarantee. (If the Trustee’s name is not registered on the account, a copy of the trust document certified within the last sixty (60) days is also required.)</td>
</tr>
</tbody>
</table>

Redemption requests from shareholders in an Individual Retirement Account must include instructions regarding federal income tax withholding. Unless otherwise indicated, these redemptions, as well as redemptions of other retirement plans not involving a direct rollover to an eligible plan, will be subject to federal income tax withholding. If a shareholder is not included in any of the above registration categories (e.g., executors, administrators, conservators or guardians), the shareholder should call the transfer agent, Firstar Trust Company, at 1-800-773-9665 or 1-414-765-4124 for further instructions.

Signatures need not be guaranteed unless otherwise indicated above, the redemption request exceeds $25,000, or the proceeds of the redemption are requested to be sent by wire transfer, to a person other than the registered holder or holders of the shares to be redeemed, or to be mailed to other than the address of record, in which cases each signature on the redemption
request must be guaranteed by a commercial bank or trust company in the United States, a member firm of the New York Stock Exchange or other eligible guarantor institution. Redemptions will not be effective or complete until all of the foregoing conditions, including receipt of all required documentation by Firstar Trust Company in its capacity as transfer agent, have been satisfied.

**Telephone Redemption**

Shareholders may redeem shares of the Funds by telephone. To redeem shares by telephone, an investor must check the appropriate box on the purchase application. Once this feature has been requested, shares may be redeemed by phoning Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124 and giving the account name, account number and amount of redemption. Proceeds redeemed by telephone will be mailed, wired or sent via Electronic Funds Transfer (“EFT”) only to an investor’s address or bank of record as shown on the records of the transfer agent. (Transfers via EFT generally take up to 3 business days to reach the investor’s bank account.) Telephone redemptions must be in amounts of $1,000 or more.

If an investor redeems shares of a Fund by telephone and requests wire payment, payment of the redemption proceeds will normally be made in federal funds on the next business day. As stated above, the transfer agent will wire redemption proceeds only to the bank and account designated on the purchase application or in written instructions subsequently received by the transfer agent, and only if the investor’s bank is a commercial bank located within the United States. The transfer agent currently charges a $12.00 fee for each payment made by wire of redemption proceeds, which will be deducted from the shareholder’s account.

If an investor redeems shares of a Fund by telephone and requests EFT, money will be automatically moved from the investor’s Fund account to the investor’s bank account according to the bank and account designated on the purchase application or in written instructions subsequently received by the transfer agent. Transfers via EFT generally take up to 3 business days to reach your bank account. There is not a charge for a payment made via EFT.

In order to arrange for telephone redemptions after a Fund account has been opened or to change the bank, account or address designated to receive redemption proceeds, a written request must be sent to Firstar Trust Company at the address listed above under “Regular Redemption.” The request must be signed by each shareholder of the account with the signatures guaranteed as described above. Further documentation may be requested from corporations, executors, administrators, trustees and guardians.

The Funds reserve the right to refuse a telephone redemption if they believe it is advisable to do so. Procedures for redeeming shares of the Funds by telephone may be modified or terminated by the Funds at any time. Neither the Funds nor their transfer agent will be liable for following instructions for telephone redemption transactions that they reasonably believe to be genuine, provided reasonable procedures are used to confirm the genuineness of the telephone instructions, but may be liable for unauthorized transactions if they fail to follow such procedures. These procedures include requiring some form of personal identification prior to acting upon the telephone instructions and recording all telephone calls.

During periods of substantial economic or market change, telephone redemptions may be difficult to implement. If an investor is unable to contact the transfer agent by telephone, shares of the Funds may also be redeemed by delivering the redemption request to the transfer agent in person or by mail as described above under “Regular Redemption.”
Checkwriting

An investor may request on the purchase application that the Money Market Fund provide redemption checks drawn on the Money Market Fund. Checks may be in amounts of $500 or more. There is no charge for this privilege. The shares redeemed by check will continue earning dividends until the check clears. Checks will not be returned. Checks are supplied free of charge and additional checks will be sent to the shareholder upon request. In order to establish this checkwriting option after an account has been opened, the shareholder must send a written request to the Reynolds Money Market Fund. This request must be signed by each shareholder whose name appears on the account. Shareholders may place stop payment requests on checks by calling the Money Market Fund at 1-800-773-9665. A $20 fee will be charged for each stop payment request. If there are insufficient shares in the shareholder’s account to cover the amount of the redemption by check, the check will be returned marked “insufficient funds,” and a fee of $20 will be charged to the shareholder’s account. Because dividends on the Money Market Fund accrue daily, checks may not be used to close an account, as a small balance is likely to result. The checkwriting option is not available to shareholders of the Blue Chip Fund, the Opportunity Fund or the Bond Fund.

Other Redemption Information

The redemption price per share for each Fund is the next determined net asset value per share for such Fund after receipt by Firstar Trust Company in its capacity as transfer agent of the written request in proper form with all required documentation. The amount received will depend on the market value of the investments in the appropriate Fund’s portfolio at the time of determination of net asset value, and may be more or less than the cost of the shares redeemed. Proceeds for shares redeemed will be mailed, wired or forwarded via EFT to the holder typically within one or two days, but no later than the seventh day after receipt of the redemption request in proper form and of all required documentation except as indicated in “HOW TO PURCHASE SHARES” for certain redemptions of shares purchased by check. Wire transfers may be arranged through Firstar Trust Company, which will assess a nominal wiring charge (currently $12.00, but subject to change without notice) directly against the investor’s account. Redemptions via EFT generally will take up to 3 business days to reach the investor’s bank account.

The Company reserves the right to redeem the shares held in any account if at the time of any transfer or redemption of shares in the account, the value of the remaining shares in the account falls below $500. Shareholders of any Fund will be notified in writing when the value of the account is less than the minimum and allowed at least 60 days to make an additional investment in such Fund. The receipt of proceeds from the redemption of shares held in an Individual Retirement Account will constitute a taxable distribution of benefits from the IRA unless a qualifying rollover contribution is made. Involuntary redemptions will not be made because the value of shares in an account falls below $500 solely because of a decline in such Fund’s net asset value.

The right to redeem shares of any Fund will be suspended for any period during which the New York Stock Exchange is closed because of financial conditions or any other extraordinary reason and may be suspended for any period during which (a) trading on the New York Stock Exchange is restricted pursuant to rules and regulations of the Securities and Exchange Commission, (b) the Securities and Exchange Commission has by order permitted such suspension or (c) an emergency, as defined by rules and
regulations of the Securities and Exchange Commission, exists as a result of which it is not reasonably practicable for the Company to dispose of such Fund’s securities or fairly to determine the value of its net assets.

**EXCHANGE PRIVILEGE**

The Company generally permits shareholders to exchange shares of one of the Reynolds Funds for shares of any other. A written request to exchange shares of one Reynolds Fund for shares of another may be made at no cost to the shareholder. Signatures required are the same as previously explained under “HOW TO REDEEM SHARES.” A shareholder wishing to use the telephone exchange privilege must check the appropriate box on the purchase application. The telephone exchange option may also be added to an existing account by submitting the request in writing to Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, 3rd Floor, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. Exchange requests should be directed to Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124. In order to request an exchange by telephone, an investor must give the account name, account number and the amount or number of shares to be exchanged.

Procedures for telephone exchanges may be modified or terminated at any time by the Company or its transfer agent. Neither the Company nor its transfer agent will be liable for following instructions for telephone exchanges that they reasonably believe to be genuine, provided reasonable procedures are used to confirm the genuineness of the telephone instructions, but may be liable for unauthorized transactions if they fail to follow such procedures. These procedures include requiring some form of personal identification prior to acting upon the telephone instructions and recording all telephone calls. During periods of significant economic or market change, telephone exchanges may be difficult to implement. If an investor is unable to contact Firstar Trust Company by telephone, an investor may also deliver the exchange request by mail at the address listed above.

There is currently no limitation on the number of exchanges a shareholder may make.
However, shares subject to an exchange must have a current value of at least $1,000. Furthermore, in establishing a new account in another Reynolds Fund through this privilege, the exchanged shares must have a value at least equal to the minimum investment required by the Fund into which the exchange is being made. A completed purchase application also must be sent to Reynolds Funds at the above address immediately after establishing a new account through this privilege.

The exchange privilege is available only in states where the exchange may be legally made. Exchange requests may be subject to other limitations, including those relating to frequency, that may be established from time to time to ensure that the exchanges do not disadvantage any Fund or its shareholders. Shareholders will be notified at least 60 days in advance of any changes in such limitations and may obtain the terms of any such limitations by writing to Reynolds Funds, c/o Firstar Trust Company, Mutual Fund Services, 3rd Floor, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. No exchange fee is currently imposed by the Company on exchanges; however, the Company reserves the right to impose a service charge in the future.

An exchange involves a redemption of all or a portion of the shares in one Fund and the investment of the redemption proceeds in shares of another Fund and is subject to any applicable adjustments in connection with such redemption and investment. The redemption will be made at the per share net asset value of the shares to be redeemed next determined after the exchange request is received as described above. The shares of the Fund to be acquired will be purchased (subject to any applicable adjustment) at the per share net asset value of those shares next determined coincident with or after the time of redemption.

Investors may find the exchange privilege useful if their investment objectives should change after they invest in the Reynolds Funds. For federal income tax purposes, an exchange of shares (except an exchange from the Money Market Fund to another Reynolds Fund) is a taxable event and, accordingly, a capital gain or loss may be realized by an investor. Before making an exchange request, an investor should consult a tax or other financial adviser to determine the tax consequences of a particular exchange.

ADDITIONAL SHAREHOLDER SERVICES

Dividend Reinvestment Plan

Shareholders of any Fund may elect to have all income dividends and capital gains distributions reinvested or paid in cash, or to have income dividends reinvested and capital gains distributions paid in cash or capital gains distributions reinvested and income dividends paid in cash. Shareholders having dividends and/or capital gains distributions paid in cash may choose to have such amounts mailed or forwarded via EFT. Transfers via EFT generally will take up to 3 business days to reach the shareholder’s bank account. See the purchase application included in the center of this Prospectus for further information. If the shareholder does not specify an election, all income dividends and capital gains distributions will automatically be reinvested in full and fractional shares of the appropriate Fund, calculated to the nearest 1,000th of a share. With respect to the Blue Chip Fund and the Opportunity Fund, shares are purchased at the net asset value in effect on the business day after the dividend record date and are credited to the shareholder’s account on such date. With respect to the Bond Fund and the Money Market Fund, shares are purchased at the net asset value in effect on the dividend payment date and are credited to the shareholder’s account on such date. As in the case of normal purchases,
stock certificates will not be issued. Shareholders will be advised of the number of shares purchased and the price following each reinvestment. An election to reinvest or receive dividends and/or distributions in cash will apply to all shares of a Fund registered in the same name, including those previously purchased. See “DIVIDENDS, DISTRIBUTIONS AND TAXES” for tax consequence.

A shareholder may change an election at any time by notifying the appropriate Fund in writing or, subject to certain limited exceptions, by calling Firstar Trust Company at 1-800-773-9665. If such a notice is received between a dividend declaration date and payment date, it will become effective on the day following the payment date. The Funds may modify or terminate the dividend reinvestment program at any time on 30 days’ notice to participants.

**Systematic Withdrawal Plan**

To accommodate the current cash needs of investors, the Funds offer a Systematic Withdrawal Plan, pursuant to which a shareholder who owns shares of any Fund worth at least $10,000 at current net asset value may provide that a fixed sum will be distributed to him at regular intervals. In electing to participate in the Systematic Withdrawal Plan, investors should realize that within any given period the appreciation of their investment in a particular Fund may not be as great as the amount withdrawn. A shareholder may vary the amount or frequency of withdrawal payments or temporarily discontinue them by notifying Firstar Trust Company in writing or by telephone at 1-800-773-9665 or 1-414-765-4124. A more complete discussion of the Systematic Withdrawal Plan is included in the Funds’ Statement of Additional Information. The Systematic Withdrawal Plan does not apply to shares of any Fund held in Individual Retirement Accounts or defined contribution retirement plans. An application for participation in the Systematic Withdrawal Plan is included as part of the purchase application.

**Systematic Exchange Plan**

The Company offers a Systematic Exchange Plan whereby a shareholder may automatically exchange shares (in increments of $100 or more) of one Reynolds Fund into another on any day, either monthly or quarterly, the shareholder chooses. If that day is a weekend or holiday, such exchange will be made on the next business day. An application to establish the Systematic Exchange Plan is included as part of the purchase application. In order to participate, a shareholder must meet the minimum initial investment requirement for the receiving Fund. No service fee is currently charged by the Company for participating in the Systematic Exchange Plan; however, the Company reserves the right to impose a service charge in the future.

The Systematic Exchange Plan is available only in states where the desired exchanges may be legally made. For federal income tax purposes, each exchange of shares (except an exchange from the Money Market Fund to another Reynolds Fund) is a taxable event and, accordingly, a capital gain or loss may be realized by an investor. Before participating in the Systematic Exchange Plan, an investor should consult a tax or other financial adviser to determine the tax consequences of participation.

**RETIREMENT PLANS**

Each of the Funds offers the following retirement plans that may be funded with purchases of shares of such Fund and may allow investors to shelter some of their income from taxes:

**Individual Retirement Accounts**

Individual shareholders may establish their own tax-sheltered Individual Retirement Accounts (“IRA”). Each of the Funds currently offers three types of IRAs that can be adopted by
executing the appropriate Internal Revenue Service ("IRS") Form.

*Traditional IRA.* In a Traditional IRA, amounts contributed to the IRA may be tax deductible at the time of contribution depending on whether the shareholder is an "active participant" in an employer-sponsored retirement plan and the shareholder’s income. Distributions from a Traditional IRA will be taxed at distribution except to the extent that the distribution represents a return of the shareholder’s own contributions for which the shareholder did not claim (or was not eligible to claim) a deduction. Distributions prior to age 59-1/2 may be subject to an additional 10% tax applicable to certain premature distributions. Distributions must commence by April 1 following the calendar year in which the shareholder attains age 70-1/2. Failure to begin distributions by this date (or distributions that do not equal certain minimum thresholds) may result in adverse tax consequences.

*Roth IRA.* In a Roth IRA (sometimes known as American Dream IRA), amounts contributed to the IRA are taxed at the time of contribution, but distributions from the IRA are not subject to tax if the shareholder has held the IRA for certain minimum periods of time (generally, until age 59-1/2). Shareholders whose incomes exceed certain limits are ineligible to contribute to a Roth IRA. Distributions that do not satisfy the requirements for tax-free withdrawal are subject to income taxes (and possibly penalty taxes) to the extent that the distribution exceeds the shareholder’s contributions to the IRA. The minimum distribution rules applicable to Traditional IRAs do not apply during the lifetime of the shareholder. Following the death of the shareholder, certain minimum distribution rules apply.

For Traditional and Roth IRAs, the maximum annual contribution generally is equal to the lesser of $2,000 or 100% of the shareholder’s compensation (earned income). An individual may also contribute to a Traditional IRA or Roth IRA on behalf of his or her spouse provided that the individual has sufficient compensation (earned income). Contributions to a Traditional IRA reduce the allowable contribution under a Roth IRA, and contributions to a Roth IRA reduce the allowable contribution to a Traditional IRA.

*Education IRA.* In an Education IRA, contributions are made to an IRA maintained on behalf of a beneficiary under age 18. The maximum annual contribution is $500 per beneficiary. The contributions are not tax deductible when made. However, if amounts are used for certain educational purposes, neither the contributor nor the beneficiary of the IRA are taxed upon distribution. The beneficiary is subject to income (and possibly penalty taxes) on amounts withdrawn from an Education IRA that are not used for qualified educational purposes. Shareholders whose income exceeds certain limits are ineligible to contribute to an Education IRA.

Under current IRS regulations, an IRA applicant must be furnished a disclosure statement containing information specified by the IRS. The applicant generally has the right to revoke his account within seven days after receiving the disclosure statement and obtain a full refund of his contributions. The custodian may, in its discretion, hold the initial contribution uninvested until the expiration of the seven-day revocation period. The custodian does not anticipate that it will exercise its discretion but reserves the right to do so.

**Simplified Employee Pension Plan**

A Traditional IRA may also be used in conjunction with a Simplified Employee Pension Plan ("SEP-IRA"). A SEP-IRA is established through execution of Form 5305-SEP together with a Traditional IRA established for each eligible employee. Generally, a SEP-IRA allows an employer (including a self-employed individual) to purchase shares with tax deductible contributions, which may not exceed annually for
any one participant 15% of compensation (disregarding for this purpose compensation in excess of $160,000 per year). The $160,000 compensation limit applies for 1998 and is adjusted periodically for cost of living increases. A number of special rules apply to SEP Plans, including a requirement that contributions generally be made on behalf of all employees of the employer (including for this purpose a sole proprietorship or partnership) who satisfy certain minimum participation requirements.

SIMPLE IRA

An IRA may also be used in connection with a SIMPLE Plan established by the shareholder’s employer (or by a self-employed individual). When this is done, the IRA is known as a SIMPLE IRA, although it is similar to a Traditional IRA with the exceptions described below. Under a SIMPLE Plan, the shareholder may elect to have his or her employer make salary reduction contributions of up to $6,000 per year to the SIMPLE IRA. The $6,000 limit applies for 1998 and is adjusted periodically for cost of living increases. In addition, the employer will contribute certain amounts to the shareholder’s SIMPLE IRA, either as a matching contribution to those participants who make salary reduction contributions or as a non-elective contribution to all eligible participants whether or not making salary reduction contributions. A number of special rules apply to SIMPLE Plans, including (1) a SIMPLE Plan generally is available only to employers with fewer than 100 employees; (2) contributions must be made on behalf of all employees of the employer (other than bargaining unit employees) who satisfy certain minimum participation requirements; (3) contributions are made to a special SIMPLE IRA that is separate and apart from the other IRAs of employees; (4) the distribution excise tax (if otherwise applicable) is increased to 25% on withdrawals during the first two years of participation in a SIMPLE IRA; and (5) amounts withdrawn during the first two years of participation may be rolled over tax-free only into another SIMPLE IRA (and not to a Traditional IRA or to a Roth IRA). A SIMPLE IRA is established by executing Form 5304-SIMPLE together with an IRA established for each eligible employee.

403(b)(7) Custodial Account

A 403(b)(7) Custodial Account is available for use in conjunction with the 403(b)(7) program established by certain educational organizations and other organizations that are exempt from tax under 501(c)(3) of the Internal Revenue Code as amended (the “Code”). Amounts contributed to the custodial account in accordance with the employer’s 403(b)(7) program will be invested on a tax-deductible basis in shares of any Fund. Various contribution limits apply with respect to 403(b)(7) arrangements.

Defined Contribution Retirement Plan (401(k))

A prototype defined contribution plan is available for employers who wish to purchase shares of any Fund with tax deductible contributions. The plan consists of both profit sharing and money purchase pension components. The profit sharing component includes a Section 401(k) cash or deferred arrangement for employers who wish to allow eligible employees to elect to reduce their compensation and have such amounts contributed to the plan. The limit on employee salary reduction contributions is $10,000 annually (as adjusted for cost-of-living increases) although lower limits may apply as a result of non-discrimination requirements incorporated into the plan. The Company has received an opinion letter from the IRS holding that the form of the prototype defined contribution retirement plan is acceptable under Section 401 of the Code. The maximum annual contribution that may be allocated to the account of any participant is generally the lesser of $30,000 or 25% of compensation (earned income). Compensation in excess of
$160,000 (as periodically indexed for cost-of-living increases) is disregarded for this purpose. The maximum amount that is deductible by the employer depends upon whether the employer adopts both the profit sharing and money purchase components of the plan, or only one component.

**Retirement Plan Fees**

Firstar Trust Company, Milwaukee, Wisconsin, serves as trustee or custodian of the retirement plans. Firstar invests all cash contributions, dividends and capital gains distributions in shares of the appropriate Fund. For such services, the following fees are charged against the accounts of participants; $12.50 annual maintenance fee per participant account ($25.00 maximum per tax payer identification number); $15 for transferring to a successor trustee or custodian; $15 for distribution(s) to a participant; and $15 for refunding any contribution in excess of the deductible limit. Firstar Trust Company’s fee schedule may be changed upon written notice.

Requests for information and forms concerning the retirement plans should be directed to the Company. Because a retirement program may involve commitments covering future years, it is important that the investment objective of the Funds be consistent with the participant’s retirement objectives. Premature withdrawal from a retirement plan will result in adverse tax consequences. Consultation with a competent financial and tax adviser regarding the retirement plans is recommended.

**DIVIDENDS, DISTRIBUTIONS AND TAXES**

Each of the Funds will endeavor to qualify annually for and elect tax treatment applicable to a regulated investment company under Subchapter M of the Code. Pursuant to the qualification requirements of Subchapter M, each Fund intends normally to distribute substantially all of its net investment income and net realized capital gains, if any, less any available capital loss carryover, to its shareholders annually so as to avoid paying income tax on its net investment income and net realized capital gains or being subject to a federal excise tax on undistributed net investment income and net realized capital gains. For federal income tax purposes, distributions by a Fund, whether invested in additional shares of Common Stock or received in cash, will be taxable to such Fund’s shareholders except those shareholders that are not subject to tax on their income. Shareholders will be notified annually as to the federal tax status of dividends and distributions. Distributions and redemptions may also be taxed under state and local tax laws which may differ from the Code.

**SHAREHOLDER REPORTS**

Shareholders of each Fund will be provided at least semiannually with a report showing such Fund’s portfolio and other information. After the close of the Company’s fiscal year, which ends September 30, each Fund will provide its shareholders with an annual report containing audited financial statements. An individual account statement will be sent to shareholders by Firstar Trust Company after each purchase, including reinvestment of dividends, or redemption of shares of any Fund. Each shareholder will also receive an annual statement after the end of the calendar year listing all transactions in shares of the Funds during such year.

Shareholder who have questions about their respective accounts should call Firstar Trust Company at 1-800-773-9665 or 1-414-765-4124. Investors who have general questions about the Funds or desire additional information should write to Reynolds Funds, Wood Island, Third Floor, 80 East Sir Francis Drake Boulevard, Larkspur, California 94939, Attention: Corporate Secretary, or call 1-415-461-7860.

** BROKERAGE TRANSACTIONS **

The Advisory Agreements authorize the Adviser to select the brokers or dealers that will
execute the purchases and sales of the Funds’ portfolio securities. In placing purchase and sale orders for the Funds, it is the policy of the Adviser to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided.

The Advisory Agreements permit the Adviser to pay a broker which provides brokerage and research services to the Adviser a commission for effecting securities transactions in excess of the amount another broker would have charged for executing the transaction, provided the Adviser believes this to be in the best interests of the applicable Fund. The Blue Chip Fund, the Opportunity Fund and the Bond Fund may place portfolio orders with broker-dealers who recommend the purchase of their shares to clients, if the Adviser believes the commissions and transaction quality are comparable to that available from other brokers, and may allocate portfolio brokerage on that basis.

**GENERAL INFORMATION ABOUT THE COMPANY AND THE FUNDS**

**Description of Shares and Voting Rights**

The Company’s authorized capital consists of 20,000,000 Reynolds Blue Chip Growth Fund shares, 20,000,000 Reynolds Opportunity Fund shares, 20,000,000 Reynolds U.S. Government Bond Fund shares and 500,000,000 Reynolds Money Market Fund shares. Each share outstanding entitles the holder to one vote. Generally shares are voted in the aggregate and not by each Fund, except where class voting by each Fund is required by Maryland law or the Act (e.g. change in investment policy or approval of an investment advisory agreement).

The shares of each Fund have the same preferences, limitations and rights, except that all consideration received from the sale of shares of each Fund, together with all income, earnings, profits and proceeds thereof, belong to that Fund and are charged with the liabilities in respect of that Fund and of that Fund’s share of the general liabilities of the Company in the proportion that the total net assets of the Fund bears to the total net assets of all the Funds. The net asset value per share of each Fund is based on the assets belonging to that Fund less the liabilities charged to that Fund, and dividends are paid on shares of each Fund only out of lawfully available assets belonging to that Fund. In the event of liquidation or dissolution of the Company, the shareholders of each Fund will be entitled, out of the assets of the Company available for distribution, to the assets belonging to such Fund.

There are no conversion or sinking fund provisions applicable to the shares of any Fund, and the holders have no preemptive rights and may not cumulate their votes in the election of directors. Consequently the holders of more than 50% of the Company’s shares voting for the election of directors can elect the entire Board of Directors, and in such event, the holders of the remaining shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors. The Maryland General Corporation Law permits registered investment companies, such as the Company, to operate without an annual meeting of shareholders under specified circumstances if an annual meeting is not required by the Act. The Company has adopted the appropriate provisions in its Bylaws and does not anticipate holding an annual meeting in any year in which the election of directors is not required to be acted on by shareholders under the Act. The Company also has adopted provisions in its Bylaws for the removal of directors by its shareholders.

The shares of each Fund are redeemable and are transferable. All shares issued and sold by the Company will be fully paid and nonassessable. Fractional shares of each Fund entitle the holder to the same rights as whole shares of such Fund.
The Company will not issue certificates evidencing the Funds’ shares. Each shareholder’s account will be credited with the number of shares purchased, relieving such shareholder of responsibility for safekeeping of certificates and the need to deliver them upon redemption. Written confirmations are issued for all purchases of shares of the Funds.

**Custodian and Transfer and Dividend Disbursing Agent**

Firstar Trust Company, 615 East Michigan Street, Milwaukee, Wisconsin 53202, is the custodian for all securities and cash of the Funds and serves as the Company’s transfer and dividend disbursing agent.

**PERFORMANCE INFORMATION**

Each of the Funds (except the Money Market Fund) may provide from time to time in advertisements, reports to shareholders and other communications with shareholders its average annual compounded rate of return. An average annual compounded rate of return refers to the rate of return which, if applied to an initial investment at the beginning of a stated period and compounded over the period, would result in the redeemable value of the investment at the end of the stated period assuming reinvestment of all dividends and distributions and reflecting the effect of all recurring fees. An investor’s principal in any of such Funds and such Fund’s return are not guaranteed and will fluctuate according to market conditions.

The Bond Fund and the Money Market Fund may provide yield data from time to time in advertisements, reports to shareholders and other communications with shareholders. The yield of the Bond Fund is determined by dividing such Fund’s net investment income for a 30-day (or one month) period by the average number of Bond Fund shares outstanding during the period, and expressing the result as a percentage of the Fund’s share price on the last day of the 30-day (or one month) period. This percentage is then annualized. Capital gains and losses are not included in the yield calculation.

The Money Market Fund may quote its current and effective yields. The “current yield” of the Money Market Fund refers to the income generated by an investment in the Money Market Fund over a seven-day period. This income is then “annualized.” That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The “effective yield” is calculated similarly but, when annualized, the income earned by an investment in the Money Market Fund is assumed to be reinvested. The “effective yield” will be slightly higher than the “current yield” because of the compounding effect of this assumed reinvestment.

The yield of either the Bond Fund or the Money Market Fund will be affected if such Fund experiences a net inflow of new money which is invested at interest rates different from those being earned on its then-current investments. An investor’s principal in either the Bond Fund or the Money Market Fund and such Fund’s return are not guaranteed. Yield information may be useful in reviewing the performance of both the Bond Fund and the Money Market Fund and for providing a basis for comparison with other investment alternatives. However, since net investment income of each of such Funds changes in response to fluctuations in interest rates and such Fund’s expenses, any given yield quotation should not be considered representative of the applicable Fund’s yield for any future period. An investor should also be aware that there are differences in investment other than yield.

Each of the Funds (except the Money Market Fund) may compare its performance to other mutual funds with similar investment objectives.
MANAGEMENT’S DISCUSSION OF PERFORMANCE OF THE FUNDS

Reynolds Blue Chip Growth Fund

The Blue Chip Fund’s performance was positively affected in the fiscal year ended September 30, 1997 by the strong earnings growth of many of the stocks in its portfolio and by the market leadership of high quality growth companies. The Blue Chip Fund was also positively affected by the continuing economic recovery and by declining inflation and interest rates.

(1) The Standard & Poor’s 500 Index consists of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Standard & Poor’s Ratings Group designates the stocks to be included in the Index on a statistical basis. A particular stock’s weighting in the Index is based on its relative total market value (i.e., its market price per share times the number of shares outstanding). Stocks may be added or deleted from the Index from time to time.
Reynolds Opportunity Fund

The Opportunity Fund’s performance was positively affected by the strong earnings growth of many of the stocks in its portfolio in its fiscal year ended September 30, 1997. The Opportunity Fund was also positively affected by the market leadership of high quality growth companies. In addition, the Opportunity Fund was positively affected by the continuing economic recovery and by declining inflation and interest rates.

COMPARISON OF CHANGE IN VALUE OF $10,000 INVESTMENT IN REYNOLDS OPPORTUNITY FUND AND S&P 500 INDEX(1)

(1) The Standard & Poor’s 500 Index consists of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Standard & Poor’s Ratings Group designates the stocks to be included in the Index on a statistical basis. A particular stock’s weighting in the Index is based on its relative total market value (i.e., its market price per share times the number of shares outstanding). Stocks may be added or deleted from the Index from time to time.
Reynolds U.S. Government Bond Fund

Moderate economic growth accompanied by declining inflation and interest rates were the main factors contributing to the Bond Fund’s performance in the fiscal year ended September 30, 1997. The Bond Fund’s portfolio of U.S. Government securities had a dollar weighted average maturity of 1.9 years on September 30, 1997, which was toward the shorter end of the 1-10 year average maturity stated in the Prospectus as the Bond Fund’s expected average maturity.

COMPARISON OF CHANGE IN VALUE OF $10,000 INVESTMENT IN REYNOLDS U.S. GOVERNMENT BOND FUND AND LEHMAN GOVERNMENT BOND INDEX(1)

(1) The Lehman Government Bond Index is made up of the Treasury Bond Index (all public obligations at the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations, and corporate debt guaranteed by the U.S. Government). All issues have at least one year to maturity and an outstanding par value of at least $100 million.
Board of Directors
FREDERICK L. REYNOLDS
ROBERT E. SNADER
ROBERT E. STAUDER

Investment Adviser
REYNOLDS CAPITAL MANAGEMENT
Wood Island, Third Floor
80 East Sir Francis Drake Boulevard
Larkspur, California 94939

Administrator
FIDUCIARY MANAGEMENT, INC.
225 East Mason Street
Milwaukee, Wisconsin 53202

Custodian, Transfer Agent
and Dividend Disbursing Agent
FIRSTAR TRUST COMPANY
615 East Michigan Street
Milwaukee, Wisconsin 53202
1-800-773-9665
or 1-800-7REYNOLDS
1-414-765-4124

Independent Accountants
PRICE WATERHOUSE LLP
100 East Wisconsin Avenue
Suite 1500
Milwaukee, Wisconsin 53202

Legal Counsel
FOLEY & LARDNER
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Reynolds
Blue Chip Growth Fund
Seeking Long-Term Capital Appreciation,
With Current Income A Secondary Objective

Reynolds
Opportunity Fund
Seeking Long-Term Capital Appreciation

Reynolds
U.S. Government Bond Fund
Seeking A High Level Of Current Income

Reynolds
Money Market Fund
Seeking A High Level Of Current Income Con-
sistent With A Stable Net Asset Value

1-800-773-9665
Reynolds Funds, Inc. (the “Company”) is an open-end, diversified management investment company consisting of four mutual funds, the Reynolds Blue Chip Growth Fund (the “Blue Chip Fund”), the Reynolds Opportunity Fund (the “Opportunity Fund”), the Reynolds U.S. Government Bond Fund (the “Bond Fund”) and the Reynolds Money Market Fund (the “Money Market Fund”) (collectively the “Reynolds Funds” or “Funds”), offering distinct investment choices.

**Reynolds Blue Chip Growth Fund**

The investment objective of the Blue Chip Fund is to produce long-term growth of capital, with current income as a secondary objective, by investing in a diversified portfolio of common stocks issued by well-established growth companies commonly known as “blue chip” companies. This Fund is designed for long-term investors who desire capital appreciation, with reasonable current income potential.

**Reynolds Opportunity Fund**

The investment objective of the Opportunity Fund is to produce long-term growth of capital by investing in a diversified portfolio of common stocks having above average growth characteristics. This Fund is designed for long-term investors who desire capital appreciation.

**Reynolds U.S. Government Bond Fund**

The investment objective of the Bond Fund is to provide a high level of current income by investing in a diversified portfolio of securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities. This Fund is designed for long-term investors desiring a combination of high income, safety and quality.

**Reynolds Money Market Fund**

The investment objective of the Money Market Fund is to provide a high level of current income, consistent with liquidity, the preservation of capital and a stable net asset value, by investing in a diversified portfolio of high-quality, highly liquid money market instruments. This Fund is designed for investors who desire income without any fluctuation in their principal. **An investment in the Money Market Fund is neither insured nor guaranteed by the U.S. Government, and there can be no assurance that such Fund will be able to maintain a stable net asset value of $1.00 per share.**

The foregoing descriptions are designed to help investors choose the Fund that best fits their investment objectives. An investor may wish to pursue more than one objective by investing in more than one of the Reynolds Funds. No assurance can be given that the respective investment objectives of the Funds will be realized. **The Funds are 100% “No-Load” funds; there are no sales commissions, redemption charges or ongoing marketing (Rule 12b-1) distribution fees.**

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

This Prospectus sets forth concisely the information about the Funds that prospective investors should know before investing. Investors are advised to read this Prospectus and retain it for future reference. This Prospectus does not set forth all of the information included in the Registration Statement and Exhibits thereto which the Company has filed with the Securities and Exchange Commission. A Statement of Additional Information, dated January 30, 1998, which is a part of such Registration Statement, is incorporated by reference in this Prospectus. Copies of the Statement of Additional Information will be provided without charge to each person to whom a Prospectus is delivered upon written or oral request made by writing to the address, or calling the telephone number, stated above. All such requests should be directed to the attention of the Corporate Secretary.