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November 15, 2006

## Investment Company Act of 1940—Section 17(a)(1), Rule 17a-7

Douglas J. Scheidt, Esquire  
Chief Counsel and Associate Director  
Division of Investment Management  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Federated Municipal Funds - Rule 17a-7

Dear Mr. Scheidt:

We are writing on behalf of certain investment companies advised by Federated Investment Management Company (together with other commonly controlled investment advisers, “Federated”) that invest, or one or more series of which invest, primarily in municipal securities, *i.e.*, securities issued by state and local governments (the “Municipal Funds”).<sup>1</sup> The Municipal Funds hereby request that the staff (the “Staff”) of the Securities and Exchange Commission (the “Commission” or the “SEC”) extend the no-action position that it took in the 1995 United Municipal Bond Fund no-action letter to address the use of Standard & Poor’s Securities Evaluations, Inc., an independent pricing service (“SPSE”), in connection with certain transactions under Rule 17a-7 under the Investment Company Act of 1940, as amended (the “1940 Act”).

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<sup>1</sup> The Municipal Funds currently include the following open and closed-end management investment companies registered with the Commission: Cash Trust Series II, Cash Trust Series, Inc., Federated Fixed Income Securities, Inc., Federated Income Securities Trust, Federated Intermediate Premier Municipal Income Fund, Federated Municipal High Yield Advantage Fund, Inc., Federated Municipal Securities Fund, Inc., Federated Municipal Securities Income Trust, Federated Premier Municipal Income Fund, Federated Short-Term Municipal Trust, Intermediate Municipal Trust and Money Market Obligations Trust. Federated would also rely on the Staff’s interpretive opinion with respect to any additional investment companies that retain Federated as an investment adviser (as defined in Section 2(a)(20) of the 1940 Act) to manage a portfolio invested primarily in municipal securities.

The Staff has provided similar relief in a no-action letter to United Municipal Bond Fund (pub. avail. Jan. 27, 1995), which modified the Staff's position in an earlier no-action letter (pub. avail. July 30, 1992) (as modified, the "United Fund Letters"). In the United Fund Letters, the Staff agreed not to recommend that the Commission take any enforcement action under Section 17(a) of the 1940 Act if the mutual funds bought and sold municipal securities under Rule 17a-7 using a price provided by the pricing service that valued the mutual funds' municipal securities for purposes of Rule 2a-4. The Municipal Funds propose to comply with all of the conditions established in the United Fund Letters, except that the Municipal Funds would use prices provided by SPSE rather than prices provided by Muller Data Corporation (now operating as FT Interactive Data, "FTID"). The Municipal Funds believe that SPSE's methods of evaluating municipal securities are, in all material respects, comparable to the methods employed by FTID.

#### A. BACKGROUND

Section 17(a)(1) of the 1940 Act states, in relevant part, that "it shall be unlawful for any affiliated person ... of ... a registered investment company ... or any affiliated person of such a person ... acting as principal ... knowingly to sell any security or other property to such registered investment company ...." Section 2(a)(3)(C) of the 1940 Act defines an "affiliated person" of an investment company to include "any person directly or indirectly controlling, controlled by, or under common control with, such other person ...." The Municipal Funds may be deemed to be under common control because they share common directors, common executive officers and a common investment adviser. This would make a Municipal Fund an "affiliated person" of each other Municipal Fund and, therefore, subject to principal transactions among the Municipal Funds to the prohibition of Section 17(a)(1). In addition, under Section 2(a)(3)(E), Federated is an "affiliated person" of the Municipal Funds and, consequently, entities other than Municipal Funds controlled by Federated may be deemed "affiliated persons" of an "affiliated person" of the Municipal Funds. Principal transactions between the Municipal Funds and these other entities would also be subject to Section 17(a)(1).

The Commission has previously determined, however, that certain transactions which involve the purchase or sale of securities between a registered investment company and another investment company or other entity which is an affiliated person, or affiliated person of an affiliated person, of such an investment company, do not necessarily give rise to the concerns underlying Section 17(a) of the 1940 Act. The Commission has therefore adopted regulations that permit certain principal transactions between the investment company and such other affiliated persons without exemptive relief provided certain safeguards are in place to prevent the abuses designed to be prevented by Section 17(a). Thus,

for example, Rule 17a-7 permits the purchase or sale of securities between an investment company and another affiliated investment company.

Rule 17a-7 states that a “purchase or sale transaction between registered investment companies or separate series of registered investment companies, which are affiliated persons, or affiliated persons of affiliated persons, of each other, between separate series of a registered investment company, or between a registered investment company or a separate series of a registered investment company and a person which is an affiliated person of such registered investment company (or affiliated person of such person) solely by reason of having a common investment adviser or investment advisers which are affiliated persons of each other, common directors, and/or common officers, is exempt from Section 17(a) of the Act” provided that certain enumerated conditions are met. One condition of Rule 17a-7 is that the “transaction [be] effected at the independent current market price of the security.” In the case of municipal securities, paragraph (b)(4) of Rule 17a-7 defines the independent current market price as “the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry.” Another condition of Rule 17a-7 is that the transactions involve securities for which market quotations are readily available.

The Board of Directors or Board of Trustees of each Municipal Fund (the “Board”) has adopted procedures in accordance with Rule 17a-7. The current procedures require Federated to use bid and offered prices obtained from three independent dealers to determine the price at which municipal securities are traded. The price used in the Rule 17a-7 transaction is the average of the highest bid and lowest offer. This normally results in a sale price that is better than the best bid, and a purchase price that is better than the best offer, so that both the buying and selling funds benefit from trading in accordance with Rule 17a-7.

The Municipal Funds sometime encounter difficulty obtaining reliable offers from dealers for purposes of Rule 17a-7 trades. While dealers willingly bid for securities held in a Municipal Fund’s portfolio, the price at which they would offer to sell securities that they do not hold in inventory and cannot readily obtain is understandably more tentative. Typically, dealers indicate that their offer price would be in the range of a spread over their bid price. In circumstances where the difference between bids from different dealers is greater than their indicated spreads, this can create a misleading impression that one dealer is willing to sell the securities at a lower price than another dealer would bid for it.

One alternative to this would be to use the average of three bid prices. This was the methodology initially authorized by the SEC in the United Fund Letters. However, as the United Fund Letters explain, this alternative systematically favors the buyer in the Rule 17a-7 transaction, because the seller necessarily receives less than the best bid for the securities. The Municipal Funds are therefore not seeking relief for this method.

In addition, as further explained in the United Fund Letters, use of any price in a Rule 17a-7 trade other than the price used to calculate the Municipal Funds' net asset value may lead to artificial wealth transfers between the trading funds. For example, suppose that two funds hold the same security and use the same pricing service to value the security for purposes of calculating their net asset values. Assume further that the pricing service values the security at \$100 at all relevant times. If the funds transfer the security in a transaction under Rule 17a-7 at a price other than \$100, then when the funds next calculate their net asset values (using the pricing service valuation of \$100), one fund will appear to incur a loss (the selling fund, if the Rule 17a-7 price is below \$100; the buying fund if the Rule 17a-7 price is above \$100) while the other fund appears to receive a corresponding gain. The loss and gain are artificial because, in the absence of a contemporaneous market transaction in the security, there is no basis for concluding that the price used for the 17a-7 transaction is more reliable than the price provided by the pricing service.

Therefore, Federated believes that the best alternative would be to use prices provided by SPSE for Rule 17a-7 transactions involving municipal securities for which market quotations are not readily available. This approach will result in the same prices being used in the Rule 17a-7 transactions as the affiliated funds used for purposes of valuing the securities under Section 2(a)(41) and Rule 2a-4. Federated represents that the Municipal Funds will comply with all of the representations contained in the United Fund Letters, other than their use of SPSE, rather than FTID, as their independent pricing service.

## B. THE UNITED FUND LETTERS

The United Municipal Bond Fund, Inc. and the United Municipal High Income Fund, Inc. (collectively the "United Funds") made their initial request to use the price provided by their pricing service to value municipal securities for purposes of Rule 17a-7 in a letter dated October 29, 1991. Initially, the Staff was unwilling to provide the requested relief. Instead, the Staff agreed to allow the United Funds to value municipal securities in Rule 17a-7 trades using any of the following methods:

by averaging prices obtained from at least three independent matrix pricing services, or by averaging three independent bid prices, or by averaging three prices obtained from some combination of independent pricing services and independent bid prices; [footnote omitted].

The United Funds renewed their request in a subsequent letter dated April 20, 1993, after:

it became apparent that there was a more fundamental problem with the averaging approach itself. Specifically, in a sale made in reliance on the no-action letter and at a price determined by averaging two independent bid prices and one price from an independent pricing service, the selling Fund experienced a loss, because each of the bid prices, and therefore the average of the three prices, was lower than that provided by the pricing service (whose price, had there been no sale, would have been used for the Fund's valuation pursuant to Rule 2a-4). [Footnote omitted.]

The United Funds based their renewed request primarily on the fact that their pricing service used "hand pricing" rather than "matrix pricing" to value municipal securities. According to the representations made in the United Funds' final request letter dated October 18, 1994:

[FTID] has a staff of evaluators to whom clients' securities are assigned, typically according to particular segments of the municipal market, such as pre-refunded bonds or general obligations. We understand that evaluators operate generally as follows: in the morning, an evaluator calls his or her contacts in the market (e.g., dealers and portfolio managers) to gather further information about recent trades, current bids, offerings of similar securities, general conditions or movements in the market or in particular market sectors, etc.; and in the afternoon, the evaluator makes an evaluation of each security for which he or she is responsible.

The United Funds also emphasized their regular testing of FTID's prices:

Under its current procedures, each week the Manager obtains from another pricing service prices for those securities which represent 1% or more of the net assets of all funds advised by the Manager that use [FTID]'s pricing service. The total of these alternate prices is then compared to the total derived from [FTID]'s prices for the same securities. Under current procedures, on an annual basis each Fund's Board of Directors reviews and considers the continuance of the use of the pricing service and the Manager's testing methodology.

In addition, in connection with its annual review of the internal control structure for the Funds and the other funds for which it serves as independent accountants, Price Waterhouse tests the reliability of [FTID]'s pricing.

Under these circumstances, the Staff agreed "to modify the pricing condition in the original no-action relief granted to the Funds, and, accordingly, [not to] recommend that the Commission take any enforcement action under Section 17(a) if the Funds buy and sell portfolio securities between

themselves using a price provided by the pricing service that values the Funds' municipal bonds for Rule 2a-4 purposes ...." [Footnote omitted.]

#### C. SPSE'S VALUATION METHODOLOGY

We have reviewed the current evaluation methodologies of SPSE and FTID.<sup>2</sup> Like FTID, SPSE employs "evaluators" who are "responsible for determining the evaluated prices for securities in a specific market sector." Generally, the evaluators use an Integrated Evaluation System ("IES") "that collect[s] and categorize[s] information to assist evaluators in determining an evaluated price for each security priced by SPSE." The IES incorporates pricing models "that are specific to industry sectors, sub-sectors, and security structure," and that are based on the following types of market data:

- Trades in the security;
- Bid/asked quotes that represent executable trade levels for the security;
- Bids from a market participant with authority and capacity to complete a transaction in the security;
- Trades of securities that the evaluator determines to be of meaningful size and comparable to the security being priced; and
- Opinions of market participants (often referred to as "dealer quotes" or "marks").

We understand that SPSE updates this information daily.

Clearly, the SPSE process corresponds in every material respect with the process outlined in the United Fund Letter. In each case, a trained professional uses current market information (including trades in, and offers and bids for, the security) to evaluate each security on a daily basis. The IES uses pricing models to determine valuations based on this information in the same manner as FTID's evaluators, "build internal yield curves" to "extrapolate [various] factors to evaluate related [securities]." In summary, the Municipal Funds believe that the prices provided by SPSE will be as reliable for purposes of inter-fund trading under Rule 17a-7 as are the prices provided by FTID to the United Funds.

#### D. CONCLUSION

In view of the foregoing, we respectfully request that the Staff would not recommend enforcement action to the Commission under Section 17(a) of the Investment Company Act against the Municipal Funds if they use SPSE as their independent pricing service and engage in 17a-7 transactions

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<sup>2</sup> Copies of the Standard & Poor's Securities Evaluation General Methodology and the FT Interactive Data U.S. Municipal Bonds Evaluation Methodology are enclosed with this letter.

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involving municipal securities for which market quotations are not readily available, provided that the Municipal Funds comply with all of the representations contained in the United Fund Letters, other than their use of SPSE, rather than FTID, as their independent pricing service.

In compliance with the procedures set forth in 1933 Act Release Nos. 6269 (December 5, 1980) and 5127 (January 25, 1971), seven copies of this letter are submitted herewith, and the specific subsections of the particular statutes to which this letter relates are indicated in the upper right hand corner of the first page of this letter and each copy. If, for any reason, the Staff does not concur with our conclusions, we respectfully request a conference with the Staff before any adverse written response to this letter is issued.

Please acknowledge receipt of this letter by date stamping the enclosed receipt copy and returning the same in the enclosed self-addressed stamped envelope.

Should you or any member of the Staff have any questions concerning the foregoing or need additional information or clarification, please contact the undersigned, at (412) 288-1567.

Very truly yours,



Stephen A. Keen

SAK:mlr

Enclosures

cc: Ms. Susan Brown (w/encls.)

# Municipal Bond Evaluation Methodology

## *Municipal Evaluations*

Standard & Poor's (*formerly J.J. Kenny*) independent evaluations are used to price municipal bond funds, common trust funds, estates and unit investment trusts. Banks, brokerage firms and insurance companies use our evaluations to monitor portfolios, price statements, calculate margin, analyze holdings and fulfill regulatory requirements. Standard & Poor's provides the most accurate independent evaluations to the municipal marketplace.

## *The Staff*

To provide accurate and timely evaluations on the large and diverse municipal bond market, Standard & Poor's employs a staff of 18 professional evaluators with an average 18 years of municipal bond experience. This staff is supported by over 100 operations and research personnel. The biographies of the evaluators are available for your review.

## *The Database*

Our proprietary database (KENNYBASE) contains the descriptive information on more than 1.5 million issues. Using this industry standard database for descriptive information, the evaluation staff is able to divide this large number of bonds into 12 major market sectors. These major sectors are:

- Derivatives
- "Distressed" Bonds
- Healthcare
- Industrial Development
- Multifamily Housing
- Single Family Housing
- Long Term
- Insured
- ETM's/Prerefunded
- Short Term & Serial Bond
- Zero Coupon
- Taxable Municipals

Bonds are further grouped and sub-grouped by bond type (i.e. IDR/PCR, Manufacturing, Automotive).

## *Evaluation Tools*

### *IES*

"Integrated Evaluation System" (IES) is an integrated pricing and portfolio maintenance and delivery system designed to take full advantage of Standard & Poor's internal and external information sources. IES literally integrates all the databases throughout Standard & Poor's - KENNYBASE, Mutual Fund transactions (adds/deletes), Kenny Drake Market Data, and MSRB Transaction Reports. This system provides the evaluations staff with powerful data-management tools. These tools enable them to track and reflect the intricacies of the municipal marketplace. For more details, please refer to our "IES" fact sheet.

### *Market Models*

Market models are used to price large numbers of bonds with similar characteristics. Serial, General Obligation, Revenue, Insured, Prerefunded and escrowed to maturity bonds readily lend themselves to pricing by market model. Employing spreads off base curves, state spreads, relative coupon spreads, and call spreads, market models reflect our opinion of the market for bonds within that model. The pricing system enables us to create many different models to help us manage the complexities of the municipal marketplace.



### **Hand Quotes**

There are still many securities whose characteristics preclude using our broad market models. These bonds have characteristics such as sinking funds, estimated or projected average lives, unique credit concerns, or other characteristics where use of a model would not be reliable. Much like bonds in the market models, hand quoted bonds are grouped by their characteristics so that they may be reviewed and related to similar securities. Many of these bonds are modeled "off line" on spreadsheets and the resulting prices are transferred to the pricing system. This is particularly prevalent in the derivative, 'distressed' and taxable municipal bond sectors.

### **Market Information**

All bonds priced by Standard & Poor's are compared and related to actual market activity. Our unique access to this data contributes to the accuracy of our prices. Market data is collected from:

- Actual daily bids received by the Kenny Drake Trading System (unique to Kenny)
- Transactions by customers of Standard & Poor's Evaluation Services (reported by Unit Investment Trust, Mutual Funds etc.)
- External market sources such as national and regional dealers and other brokers
- On-line access to offerings shown on the Kenny Drake Trading System
- MSRB Transaction Reports used as an on-line next day comparison to our evaluations
- News Media - news services, newspaper, internet etc.
- Trade History - over three years of on-line Kenny Drake trade data (archived from 1986)

### **Fair Value Approach**

Where Standard & Poor's perceives a bond as being a "non-market" bond (bonds where it is difficult to make comparisons to bonds actually traded) Standard & Poor's employs either a Cash Flow Approach, an Asset Valuation Approach or a combination of both. These approaches are used to determine the "inherent value" of a bond in the absence of any reliable market comparison.

When an Inherent Value Approach is employed the methodology is made available to our institutional clients. This includes the credit information, assumptions, "cap rates", etc. In providing this information, Standard & Poor's creates an opportunity for our clients to provide feedback and update information as it becomes available.

### **Non-rated Bonds**

In most cases, the price of non-rated bonds that Standard & Poor's perceives as investment grade will change in relation to daily market movements. When there is a non-rated bond that Standard & Poor's perceives to be below investment grade, the price will move less with day to day market movements and more with changes in the perceived credit quality of the bond.

Standard & Poor's can internally group non-rated bonds by perceived credit quality. The following groups are used:

Quality Rating	Compares to	Price Movement
1	High Quality (AA- to AAA)	High correlation to daily market changes  Perceived credit quality
2	Good Quality (A- to A+)	
3	Investment Grade (BBB to BBB+)	
4	Below Investment Grade (BB- to BBB-)	
5	Below Investment Grade (B- to B+)	
6	Below Investment Grade (C to CCC+)	
7	Default	

### **Documentation**

J.J. Kenny is a Nationally Recognized Municipal Securities Information Repository (NRMSIR) - therefore, we receive most official statements. As a new issue is added to our pricing list, our research staff collects the data needed to begin pricing an item (call features, etc.). Recently, many of our clients have requested the underwriter (placement agent) forward copies of these official statements directly to the evaluation department. We also rely on our clients to assist us in gathering these important documents. The evaluation staff will work with both the institutional buyers and placement agents to make sure we have the necessary information to price Private (or limited) Placements. Please contact the evaluation desk at (212) 438-4410.

***Secondary Market  
Disclosure***

Credit information used to relate one bond to another or to groups of bonds is collected continuously.

Sources of credit data include:

- Audited/Interim Financial Statements
- Management Reports
- Operating Budgets
- Trustee Notices/Reports
- Obligors

This information is collected from:

- Kenny Repository ( a Nationally Recognized Municipal Securities
- Information Repository - NRMSIR)
- Trustees
- Institutional Holders
- News Media

***Evaluator Contacts***

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# U.S. Municipal Bonds Evaluation Methodology

from FT Interactive Data

*FT Interactive Data offers daily evaluations and related data for U.S. municipal bonds. Experienced fixed income evaluators, with backgrounds that range from trading and sales to underwriting and credit analysis, closely monitor local markets prior to releasing evaluations.*

FT Interactive Data does not buy or sell securities or advise clients as to what securities they should buy or sell; our municipal bond evaluations are estimations of current value, based upon the objectively verifiable information available to us at any given time.

FT Interactive Data seeks to obtain market color, including bid information received by our fund clients, as part of our evaluation methodologies. To that end, we request that clients forward bid information to the evaluation team. This information is reflected in our evaluations to the extent that we deem it formative of our good faith opinion as to what a buyer in the marketplace would pay for a security (typically in an institutional round lot position) in a current sale.

## COVERAGE

FT Interactive Data provides coverage for more than 1.4 million active municipal securities on a database of more than 2.5 million records. Our evaluated pricing services utilize data from our municipal descriptive database (MuniView™), which contains over 120 different bond attributes for each security.

FT Interactive Data is designated by the U.S. Securities and Exchange Commission (SEC) as a Nationally Recognized Municipal Securities Information Repository (NRMSIR). We obtain additional data from NRMSIR filings submitted or made available to us.

The MuniView database is maintained by a dedicated staff of analysts focused on the timely and accurate input and verification of new issue information and secondary market events, including material events reflected in NRMSIR filings.

## EVALUATION METHODOLOGY

FT Interactive Data's experienced evaluators maintain regular contact with market makers, brokers, dealers, buy-side firms, and analysts to gather information on current trades, bid-wanted lists, offerings, and markets. The evaluators also collect general information on market movement, direction and trends, and specific data on specialty issues.

### ***Investment Grade Municipal Securities***

We track and analyze actively quoted issues, and compare our evaluations against Municipal Securities Rulemaking Board (MSRB) reports. Daily briefings and reviews of current economic conditions, market psychology, trading levels, spread relationships, and the slope of the yield curve provide evaluators with consistent and comprehensive data on which to base their evaluations.

FT Interactive Data's evaluators group municipal bonds with similar characteristics together in market sectors. Each evaluator is designated, based on individual expertise and experience, to work with a specific market sector or group of market sectors. Our current sector breakdown includes:

- General Obligation
- Revenue
- Pre-Refunded and Escrowed to Maturity (ETM)
- Tobacco
- Housing
- Hospital
- Higher Education
- Public Power
- Industrial Development Revenue/  
Pollution Control Revenue (IDR/PCR)
- High Yield / Project Finance
- Derivative
- Active Sinking Fund
- Notes & Money Markets

Other highly specialized issues such as student loans, letter of credit (LOC) backed bonds, single and multi family housing, airlines, and distressed situations are broken out into distinct sectors, as deemed appropriate.

Each morning, to serve as a starting point for investment grade evaluations, evaluators build internal yield curves, based on the previous day's closing levels. The criteria that FT Interactive Data's evaluators use to generate these curves and to arrive at their daily evaluations are based primarily on factors such as

- levels on bellwether issues,
- established trading spreads between similar issuers or credits,
- historical trading spreads over widely accepted market benchmarks,
- new issue scales, and
- bid information received from clients, as applicable.

Evaluators apply this information to specific bonds, and extrapolate these factors to evaluate related issues. Within a given sector, evaluators make daily spread adjustments for discounts, premiums, original yield, alternative minimum tax (AMT), and callability.

### ***High Yield Municipal Securities***

For high yield issues, FT Interactive Data's evaluators work closely with the credit analysis group. The evaluation processes (except for distressed and/or defaulted situations, as noted below) track our investment grade methodology.

For most non-rated securities that have been out for at least a year or two, provided that sufficient information is available, our analysts develop internal credit ratings. Our credit analyses are based on offering documents and the most recent financial statements available to us, as well as material event notices and credit information obtained from our MuniView database and from trustees, borrowers, and market analysts. The resultant internal credit ratings play a key role in assisting the evaluators in determining relationships to similar, rated securities, when applicable. Our analysts monitor the information available as to internally rated securities. As credit situations change, our internal ratings may change.

Individual evaluations and evaluation changes are based on objectively verifiable information, including credit and market information, which our evaluators obtain from our analysts and from the evaluators' market contacts.

FT Interactive Data performs additional procedures for certain nonperforming high-yield municipal securities:

- **Distressed Municipal Securities**—We regard as distressed securities those that have such a diminished financial performance and/or credit rating (internal or public) that the likelihood of future defaults has significantly increased. Unless there is relevant trade activity, high yield municipal securities meeting this description are often evaluated by estimating the value of the underlying assets. This is typically done by either a discounted cash flow ("DCF") analysis or a liquidation value approach. A DCF analysis may be appropriate while the assets are generating a positive cash flow. There is no prescribed rule regarding when to use a DCF analysis and when to use a liquidation or other valuation analysis. When appropriate, we may also look at bond holder recoveries dictated by a reorganization plan or an agreed restructuring.
- **Defaulted Municipal Securities**—These securities may also trade infrequently. In the absence of market information, our credit analysts utilize a liquidation value approach, taking into account the lien priority, the time value of money, and the probabilities of different recovery scenarios. We attempt to obtain up-to-date valuations of assets and liabilities from various sources, and to follow any relevant Bankruptcy Court proceedings.

Distressed and defaulted securities are not moved with the market. That is why in most cases, securities that are being evaluated as described above are moved to what we call a "flat" category. Evaluated prices that we disseminate for such securities tend to remain constant for relatively long periods. The reason for this is that asset values and bondholder recovery estimates are typically updated only if and when we receive new credit, cash flow, asset value, or bondholder recovery information. Each situation is reviewed and addressed in view of the individual circumstances of the borrower and the status of the bond issue. As noted above, FT Interactive Data also seeks to obtain market color, including bid information received by our fund clients.

### **About Interactive Data**

*Interactive Data Corporation (Interactive Data) is a leading global provider of securities pricing, financial information and analytic tools to institutional and individual investors. Interactive Data's branded businesses are: FT Interactive Data, ComStock, CMS BondEdge and eSignal.*

*Headquartered in Bedford, Massachusetts, Interactive Data has approximately 1,800 employees in offices throughout the world. Interactive Data Corporation (NYSE: IDC) is approximately 60 per cent owned by Pearson plc and included within its Financial Times Group.*

### **FT Interactive Data**

*FT Interactive Data, the major operating subsidiary of Interactive Data Corporation, is a leading provider of financial information and analytical software to global markets. FT Interactive Data supplies global securities pricing, evaluations, dividend, corporate action, and descriptive information for more than 3.5 million securities, including daily evaluations for approximately 2.5 million fixed income and international equity issues. FT Interactive Data specializes in "hard-to-value" unlisted fixed income instruments and "hard-to-get" information from emerging markets.*

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