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**STUART J. KASWELL**

stuart.kaswell@dechert.com  
+1 202 261 3314 Direct  
+1 202 261 3055 Fax

January 7, 2008

Erik R. Sirri, PhD  
Director  
Division of Trading and Markets  
U.S. Securities and Exchange Commission  
100 F Street, N.W.  
Washington, DC 20549

Re: File Number S7-08-07

Dear Dr. Sirri:

On behalf of our client, Federated Investors<sup>1</sup>, (“Federated”), we wish to supplement our comments<sup>2</sup> on Securities Exchange Act Release 55431.<sup>3</sup> Federated deeply appreciates the time and careful consideration that Members of the Securities and Exchange Commission (the “Commission” or the “SEC”) and the Staff of the Division of Trading and Markets (the “Staff”) have devoted to considering our request for changes to Rules 15c3-3<sup>4</sup> and 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).<sup>5</sup> Until now, we have requested, among other things, that the Commission permit registered broker-dealers to deposit (or pledge) shares of AAA-rated

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<sup>1</sup> Federated is one of the nation’s largest investment managers and one of the largest institutional money market fund managers. As of September 30, 2007, Federated had approximately \$276 billion in assets under management, including 150 equity, fixed-income and money market mutual funds. Federated managed a record \$190.0 billion in money market mutual fund assets as of September 30, 2007, which was an increase of \$43.2 billion or 29 percent more than the \$146.8 billion it managed as of Sept. 30, 2006 and \$17.6 billion or 10 percent more than the \$172.4 billion it managed as of June 30, 2007.

<sup>2</sup> Comment letter on behalf of Federated from Stuart J. Kaswell and David J. Harris, Dechert LLP, May 1, 2007, File No. S7-08-07 (“May Comment Letter”).

<sup>3</sup> (March 9, 2007); 72 FR 12862 (March 19, 2007) (the “Release”).

<sup>4</sup> 17 CFR §240.15c3-3, which sometimes is referred to as the “customer protection rule”.

<sup>5</sup> 17 CFR §240.15c3-1, which sometimes is referred to as the “net capital rule.” We sometimes refer to Rule 15c3-1 and Rule 15c3-3 collectively as the “financial responsibility rules.”

money market funds for the special reserve account required under Rule 15c3-3(e) and to reduce the “haircut” to 0% on such money market funds under Rule 15c3-1.<sup>6</sup> Throughout this effort, Federated always has recognized that the financial responsibility rules are at the core of the protections for customers of broker-dealers. Federated appreciates that the Commission and the Staff diligently protect the integrity of these rules for that reason.

Federated believes that its Amended Petition was a responsible proposal and was fully consistent with Congress’s mandate under Section 15(c)(3)(A) of Exchange Act.<sup>7</sup> Nonetheless, we recognize that during this period of stress in the sub-prime debt markets, the Commission may be reluctant to move forward on our AAA-rated money market fund proposal. Accordingly, we respectfully suggest that the SEC adopt changes to these rules more in accordance with the Commission’s own proposal in the Release. It is our view that with only modest changes, the Commission would be approving rules that would allow broker-dealers to use money market funds that offer remarkable safety and would achieve some acceptance in the marketplace.

### **I. Request**

Federated respectfully requests that the Commission amend the customer protection and net capital rules to permit registered broker-dealers to deposit (or pledge) funds invested in redeemable securities of one or more money Qualified Money Market Funds” (or “QMMFs”) as defined below, for the following purposes:

1. As “qualified securities” as defined under Rule 15c3-3(a)(6) that are eligible for deposit in the broker-dealer’s special reserve account under Rule 15c3-3(e); and
2. As capital eligible to receive a 0.25% haircut under Rule 15c3-1.

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<sup>6</sup> See Amended Petition for Rulemaking, letter to Jonathan G. Katz, Secretary, SEC, from Stuart J. Kaswell and David J. Harris, Dechert LLP, April 4, 2005 (“Amended Petition”) and Comment letter on behalf of Federated from Stuart J. Kaswell and David J. Harris, Dechert LLP, May 1, 2007, File No. S7-08-07 (“Comment Letter”).

<sup>7</sup> Securities Investor Protection Act of 1970, P. L. No. 91-598, Section 7(d) (amending Section 15(c) of the Exchange Act); Securities Act Amendments of 1975, P. L. No. 94-29, 89th Stat. 97, 126, Section 11 (amending Section 15 of the Exchange Act); see also *Study of Unsafe and Unsound Practices of Broker-Dealers, Report and Recommendations of the Securities and Exchange Commission*, H.R. Doc. No. 92-231 (1971).

We propose that the Staff define a QMMF as an investment company that:

- a. Is registered under the Investment Company Act of 1940, as amended (“1940 Act”);
- b. Satisfies the requirements described in Rule 2a-7<sup>8</sup> under the 1940 Act;
- c. Is unaffiliated with the broker-dealer purchasing the shares of the investment company;
- d. Limits its investments to securities issued or guaranteed by the United States government or its agencies or instrumentalities (including repurchase and reverse repurchase transactions with regard to its portfolio securities)<sup>9</sup>; and
- e. Agrees to redeem fund shares in cash no later than the business day following a redemption request by a shareholder<sup>10</sup>; and

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<sup>8</sup> 17 CFR §270.2a-7.

<sup>9</sup> The Commission proposed defining the portfolio assets as “assets consisting solely of cash and securities issued by the United States or guaranteed by the United States with respect to principal and interest.” 72 FR at 12894.

<sup>10</sup> We note that this requirement is much more strict than Section 22(e) of the 1940 Act, which provides:

No registered investment company shall suspend the right of redemption, or postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with its terms for more than seven days after the tender of such security to the company or its agent designated for that purpose for redemption, except--

(1) for any period (A) during which the New York Stock Exchange is closed other than customary week-end and holiday closings or (B) during which trading on the New York Stock Exchange is restricted;

(2) for any period during which an emergency exists as a result of which (A) disposal by the company of securities owned by it is not reasonably practicable or (B) it is not reasonably practicable for such company fairly to determine the value of its net assets; or

- f. After the completion of the proposed purchase of shares of the investment company<sup>11</sup>, would have net assets (assets net of liabilities) equal to at least 10 times the value of the shares of the investment company held by the broker-dealer in its customer reserve account required under Rule 15c3-3(e).

We have based the proposed standards for QMMFs generally on the requirements that the Commission itself proposed in the Release.<sup>12</sup> As we have indicated in our Amended Rule Petition, many regulators treat investments in money market funds as the functional equivalent of investments in the underlying securities of such funds.<sup>13</sup> We believe that logic is all the more compelling with the portfolio securities that we suggest for QMMFs. Federated's Government Obligations Fund is an example of the type of mutual fund that would qualify under the standard we propose.<sup>14</sup>

## II. Discussion

### A. *Special Reserve Account*

In Federated's view, QMMFs would offer advantages of convenience and reduced operational risk for broker-dealers, while at the same time providing extreme safety and liquidity. The Commission's own requirement for money market funds under Rule 2a-7 is a strong starting point for the proposal. Federated has provided extensive materials to the Commission in conjunction with the Release and our Amended Rule Petition

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(3) for such other periods as the Commission may by order permit for the protection of security holders of the company.

The Commission shall by rules and regulations determine the conditions under which (i) trading shall be deemed to be restricted and (ii) an emergency shall be deemed to exist within the meaning of this subsection.

<sup>11</sup> We believe that the Commission's intent was that the broker-dealer investment should not exceed 10% of the value of the investment company's shares. Release at 72 FR at 12865.

<sup>12</sup> Release at 72 FR 12894.

<sup>13</sup> Amended Petition, at 17-19.

<sup>14</sup> Attached is a copy of the Federated Government Obligations Fund Prospectus (which is included in the Prospectus for the Money Market Obligations Trust), dated September 30, 2007, and the Portfolio Assets for the Government Obligations Fund, as of November 30, 2007.

concerning the quality of money market funds. Although we would be happy to address this issue in greater detail, we believe that the Commission is well aware of the advantages that money market funds offer to individual and institutional investors.

In addition, Federated supports limiting a QMMF's portfolio investments to securities issued or guaranteed by the United States government or its agencies or instrumentalities. We believe that such portfolio securities would offer modest additional yield over U.S. Treasury securities, but still would be extremely safe. We also suggest that the Commission permit such portfolios to include repurchase and reverse repurchase agreements with respect to such securities. We do not believe that the addition of repurchase and reverse repurchase transactions would be a significant departure from current practice. Under current law, broker-dealers may use borrowed Treasury securities for deposit into their special reserve accounts.<sup>15</sup> Moreover, as noted in the Release, the Commission recognizes the operational advantages for a broker-dealer using a money market fund, instead of managing a portfolio of securities.<sup>16</sup>

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<sup>15</sup> The Staff has indicated as follows:

A qualified security, as defined by SEC Rule 15c3-3(a)(6), which has been borrowed may be deposited into a Reserve Bank Account provided the broker-dealer is a Primary Dealer. Borrowed qualified securities must be secured by cash or other qualified securities to be acceptable for 15c3-3 deposits.

The value allowed for the deposit is the lesser of the contract or market value of the securities borrowed. In lieu of valuing the securities at the lesser of contract or market, the broker-dealers can take a 2 percent reduction to the market value in valuing these securities for reserve formula deposit purposes.

*SEC Staff of [the Division of Market Regulation] to NASD, November 1993 (available at [http://www.finra.org/RulesRegulation/PublicationsGuidance/InterpretationofFinancialOperationalRules/CustomerProtectionRule\\_SEC\\_Rule15c3-3/P016817](http://www.finra.org/RulesRegulation/PublicationsGuidance/InterpretationofFinancialOperationalRules/CustomerProtectionRule_SEC_Rule15c3-3/P016817)); see also letter from the SEC Staff of the Division of Market Regulation to New York Stock Exchange, November 27, 1989 (regarding establishing possession or control of reverse repurchase agreement securities).*

<sup>16</sup> The Release notes at 72 FR 12865:

a broker-dealer might choose to deposit qualifying money market fund shares into the customer reserve account based on operational considerations such as avoiding the need to actively manage a portfolio of U.S. Treasury securities. This operational benefit also could decrease burdens on those broker-dealers that would be impacted by

*B. Haircut Proposal*

Federated now proposes that the Commission impose a 0.25% haircut on QMMFs. We note that in the Release, the Commission proposes reducing the haircut from the current 2% to 1%. As noted in our May Comment Letter and in our subsequent letter<sup>17</sup>, Federated viewed the proposed reduction to 1% as a step in the right direction, but still disproportionately harsh when compared with other haircuts. In the May Comment Letter, we expressed our view that a 0% haircut would be an appropriate reflection of the risk involved in a AAA-rated money market fund. Federated also believes that the proposed QMMF would warrant a 0% haircut because of the extraordinary safety of the fund and its portfolio securities. Nonetheless, Federated appreciates that the Commission may not be willing to adopt such a reduction at this time. Accordingly, we recommend that the Commission adopt a 0.25% haircut for QMMFs, as defined in this letter. We also believe that a 0.25% haircut would be in somewhat better proportion to other haircuts that Rule 15c3-1 currently imposes.

*C. Additional Relief*

In our various meetings with Members of the Commission and the Staff, we have understood that the Commission or the Staff was close to taking action on two other changes that we sought. First, we understood that the Commission was inclined to issue an order allowing registered broker-dealers to use money market funds as collateral for fully-paid or excess margin securities under Rule 15c3-3(b)(iii)(A). Second, we understood that the Staff was seriously considering granting no action relief that would permit a registered broker-dealer to use money market funds for separate or escrow accounts in accordance with Rule 15c2-4 under the Exchange Act. We continue to be optimistic that the Commission and the Staff, respectively, will take prompt action on these two initiatives.

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our proposed amendments discussed above with respect to customer reserve account cash deposits into affiliate and non-affiliate banks. A broker-dealer that deposits cash into the customer reserve account to avoid the operational aspects of holding and managing U.S. Treasury securities would have the option of depositing a qualifying money market fund to replace the cash deposit.

<sup>17</sup> Letter to the Honorable Christopher Cox, Chairman; the Honorable Annette L. Nazareth, Commissioner; Erik R. Sirri, PhD, Director, SEC, from Stuart J. Kaswell, Dechert LLP, October 9, 2007.

### III. Conclusion

Federated believes that this would be an appropriate time for the Commission to adopt the changes outlined in this letter. By approving the QMMF as outlined, the Commission would not be approving a proposal that would jeopardize investor protection and would indeed lower operational risk for broker-dealers. In addition, by taking this step now, the Commission and the broker-dealer community would have the opportunity to gain experience using money market funds as qualified securities. We believe that at least some members of the broker-dealer community would be willing to use QMMFs under these circumstances.

Federated believes that the short term debt markets are experiencing an aberrational lack of liquidity and turmoil. It is our hope that over time, the debt markets will return to a more normal state. After some experience with QMMFs, it might be appropriate in the future for the Commission to make further adjustments to the definition of a QMMF or to the haircut. In the interim, we believe that our proposal would be a positive step forward.

Again, we appreciate the careful consideration that the Commission and the Staff have given to our suggestions. We would be pleased to respond to any questions regarding our latest proposal.

Sincerely yours,

/ s /

Stuart J. Kaswell  
Partner

Attachments: Federated GOVERNMENT OBLIGATIONS FUND Prospectus (which is included in the Prospectus for the Money Market Obligations Trust), dated September 30, 2007, and the Portfolio Assets for the GOVERNMENT OBLIGATIONS FUND, as of November 30, 2007.

cc: The Honorable Christopher Cox, Chairman  
The Honorable Paul S. Atkins, Commissioner  
The Honorable Annette L. Nazareth, Commissioner  
The Honorable Kathleen L. Casey, Commissioner  
Andrew Donohue, Director, Division of Investment Management

Robert L. D. Colby, Deputy Director, Division of Trading and Markets  
Michael A. Macchiaroli, Associate Director, Division of Trading and Markets  
Robert E. Plaze, Associate Director, Division of Investment Management  
James A. Brigagliano, Associate Director, Division of Trading and Markets  
Thomas McGowan, Assistant Director, Division of Trading and Markets  
U.S. Securities and Exchange Commission

Eugene F. Maloney, Executive Vice President, Federated Investors Management  
Company, Inc., Vice President and Corporate Counsel of Federated Investors, Inc.  
and member of the Executive Committee

David J. Harris, Dechert LLP

# Federated

WORLD-CLASS INVESTMENT MANAGER<sup>®</sup>

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## MONEY MARKET OBLIGATIONS TRUST

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### **P R O S P E C T U S**

September 30, 2007

Government Obligations Fund  
Government Obligations Tax-Managed Fund  
Municipal Obligations Fund  
Prime Obligations Fund  
Prime Cash Obligations Fund  
Prime Management Obligations Fund  
Prime Value Obligations Fund  
Tax-Free Obligations Fund  
Treasury Obligations Fund

#### **INSTITUTIONAL SHARES**

As with all mutual funds, the Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

**Not FDIC Insured ■ May Lose Value ■ No Bank Guarantee**

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## RISK/RETURN SUMMARY

### WHAT IS EACH FUND'S INVESTMENT OBJECTIVE?

Each Fund is a money market fund that seeks to maintain a stable net asset value (NAV) of \$1.00 per Share.

<b>Fund</b>	<b>Objective</b>
Government Obligations Fund (Government Fund)	To provide current income consistent with stability of principal.
Government Obligations Tax-Managed Fund (Government Tax-Managed Fund)	To provide current income consistent with stability of principal and liquidity.
Municipal Obligations Fund (Municipal Fund)	To provide current income exempt from all federal regular income tax consistent with stability of principal.
Prime Obligations Fund (Prime Fund)	To provide current income consistent with stability of principal.
Prime Cash Obligations Fund (Prime Cash Fund)	To provide current income consistent with stability of principal and liquidity.
Prime Management Obligations Fund (Prime Management Fund)	To provide current income consistent with stability of principal.
Prime Value Obligations Fund (Prime Value Fund)	To provide current income consistent with stability of principal and liquidity.
Tax-Free Obligations Fund (Tax-Free Fund)	To provide dividend income exempt from federal regular income tax consistent with stability of principal.
Treasury Obligations Fund (Treasury Fund)	To provide current income consistent with stability of principal.

While there is no assurance that a Fund will achieve its investment objective, it endeavors to do so by following the strategies and policies described in this prospectus. The investment objective of the Municipal Fund, the Prime Cash Fund and the Prime Value Fund may be changed by the Funds' Board of Trustees (the "Board") without shareholder approval.

## **WHAT ARE EACH FUND'S MAIN INVESTMENT STRATEGIES?**

Each of the Funds invests in a portfolio of securities maturing in 397 days or less. The portfolio of each Fund will have a dollar-weighted average maturity of 90 days or less.

### **Government Fund**

The Government Fund invests primarily in a portfolio of short-term U.S. Treasury and government agency securities, including repurchase agreements collateralized fully by U.S. Treasury and government agency securities.

The Government Fund limits its investments to those that would enable it to qualify as a permissible investment for federally chartered credit unions.

### **Government Tax-Managed Fund**

The Government Tax-Managed Fund invests primarily in a portfolio of short-term U.S. Treasury and government agency securities that pay interest exempt from state personal income tax.

### **Municipal Fund**

The Municipal Fund invests primarily in a portfolio of short-term, high-quality, tax-exempt securities. Issuers include states and political subdivisions, industrial and economic development authorities, school and college authorities, housing authorities, healthcare facility authorities, municipal utilities, transportation authorities and other public agencies. The Municipal Fund will invest its assets so that, normally, distributions of annual interest income are exempt from federal regular income tax. Interest from the Fund's investments may be subject to the alternative minimum tax for individuals and corporations (AMT).

### **Prime Fund**

The Prime Fund invests primarily in a portfolio of short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.

### **Prime Cash Fund**

The Prime Cash Fund invests primarily in a portfolio of short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.

### **Prime Management Fund**

The Prime Management Fund invests primarily in a portfolio of short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.

### **Prime Value Fund**

The Prime Value Fund invests primarily in a portfolio of short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.

### **Tax-Free Fund**

The Tax-Free Fund invests primarily in a portfolio of short-term, high-quality, tax-exempt securities. Issuers include states and political subdivisions, industrial and economic development authorities, school and college authorities, housing authorities, healthcare facility authorities, municipal utilities, transportation authorities and other public agencies. The Tax-Free Fund will invest its assets so that, normally, distributions of annual interest income are exempt from federal regular income tax. The Tax-Free Fund's investment Adviser (Adviser) also normally will invest the Tax-Free Fund's assets entirely in securities whose interest is not subject to (or not a specific preference item for purposes of) the federal alternative minimum tax for individuals and corporations (AMT), such that, normally, distributions of annual interest income also are exempt from the AMT.

### **Treasury Fund**

The Treasury Fund invests primarily in a portfolio of short-term U.S. Treasury securities, including repurchase agreements collateralized fully by U.S. Treasury securities.

### **Government Fund, Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund**

The Government Fund intends to, and the Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may invest in securities of U.S. government-sponsored entities (GSEs), including GSE securities that are not backed by the full faith and credit of the U.S. government, such as those issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Bank System. These entities are, however, supported through federal subsidies, loans or other benefits. These Funds may also invest in GSE securities that are supported by the full faith and credit of the U.S. government, such as those issued by the Government National Mortgage Association. Finally, these Funds may invest in a few GSE securities that have no explicit financial support, but which are regarded as having implied support because the federal government sponsors their activities. Such securities include those issued by the Farm Credit System and the Financing Corporation.

### Government Tax-Managed Fund

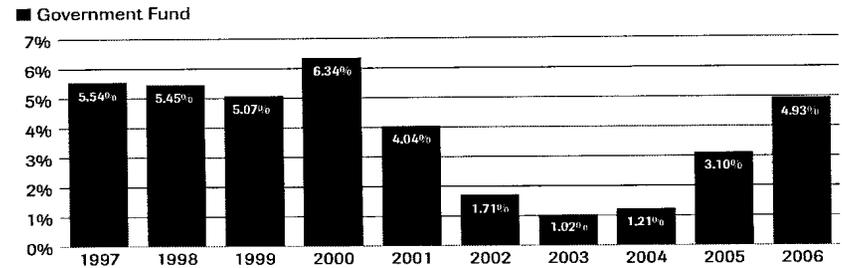
The Government Tax-Managed Fund intends to invest in the securities of GSEs, including GSE securities that are not backed by the full faith and credit of the U.S. government, such as those issued by the Federal Home Loan Bank System and the Tennessee Valley Authority. These entities are, however, supported through federal subsidies, loans or other benefits. The Fund may also invest in GSE securities that have no explicit financial support, but which are regarded as having implied support because the federal government sponsors their activities. Such securities include those issued by the Farm Credit System.

### WHAT ARE THE MAIN RISKS OF INVESTING IN THE FUNDS?

All mutual funds take investment risks. Therefore, even though the Funds are money market funds that seek to maintain a stable NAV, it is possible to lose money by investing in the Funds.

The Shares offered by this prospectus are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

### Risk/Return Bar Chart and Table



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.57%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.63% (quarter ended September 30, 2000). Its lowest quarterly return was 0.22% (quarter ended March 31, 2004).

### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

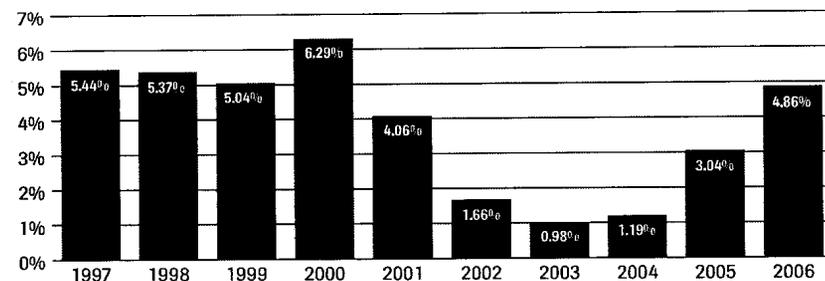
Calendar Period	Fund
1 Year	4.93%
5 Years	2.38%
10 Years	3.82%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.15%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

#### ■ Government Tax-Managed Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.53%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.62% (quarter ended September 30, 2000). Its lowest quarterly return was 0.21% (quarter ended September 30, 2003).

#### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006

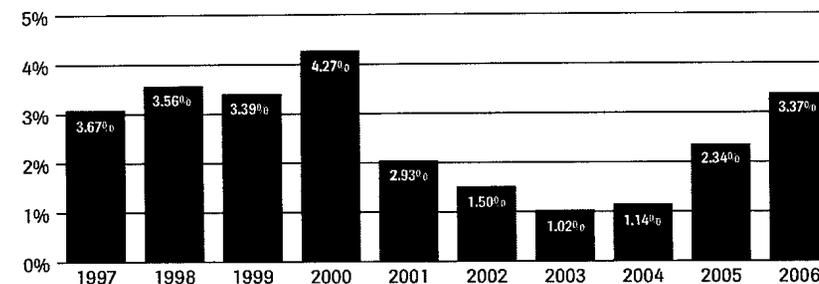
Calendar Period	Fund
1 Year	4.86%
5 Years	2.34%
10 Years	3.78%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.07%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

#### ■ Municipal Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 1.78%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.11% (quarter ended December 31, 2000). Its lowest quarterly return was 0.21% (quarter ended September 30, 2003).

#### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

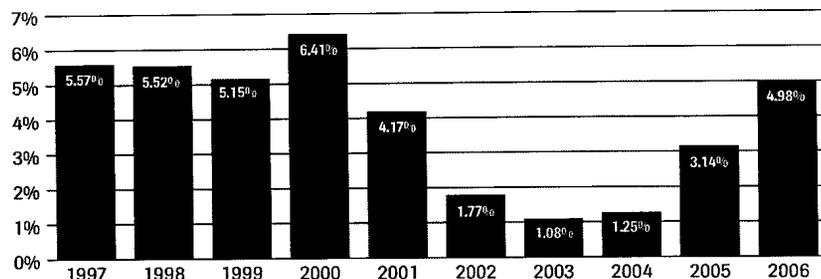
Calendar Period	Fund
1 Year	3.37%
5 Years	1.87%
10 Years	2.71%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 3.73%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

■ Prime Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.60%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.65% (quarter ended December 31, 2000). Its lowest quarterly return was 0.23% (quarter ended March 31, 2004).

#### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

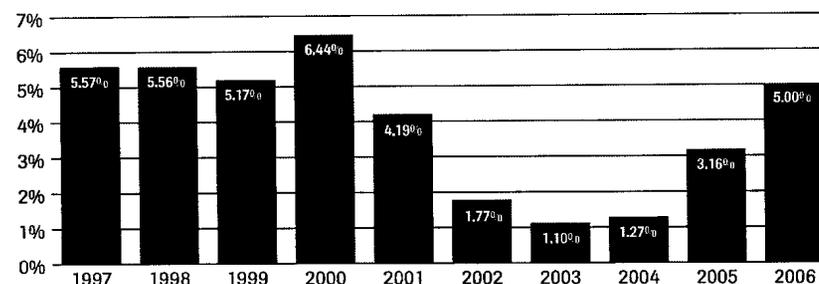
Calendar Period	Fund
1 Year	4.98%
5 Years	2.43%
10 Years	3.89%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.20%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

■ Prime Cash Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.61%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.66% (quarter ended December 31, 2000). Its lowest quarterly return was 0.24% (quarter ended March 31, 2004).

#### Average Annual Total Return Table

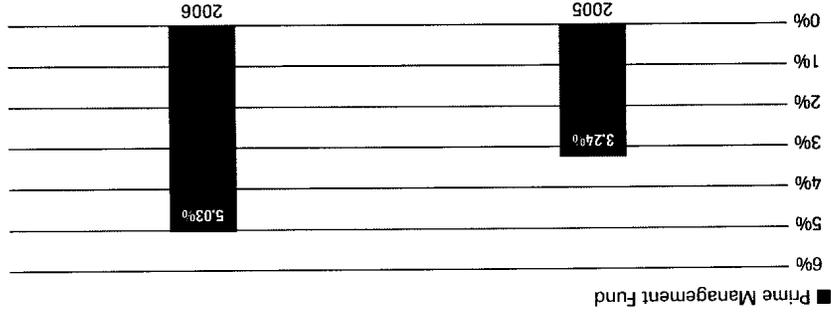
The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

Calendar Period	Fund
1 Year	5.00%
5 Years	2.45%
10 Years	3.91%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.23%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

**Risk/Return Bar Chart and Table**



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.62%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.32% (quarter ended December 31, 2005). Its lowest quarterly return was 0.62% (quarter ended March 31, 2005).

**Average Annual Total Return Table**

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

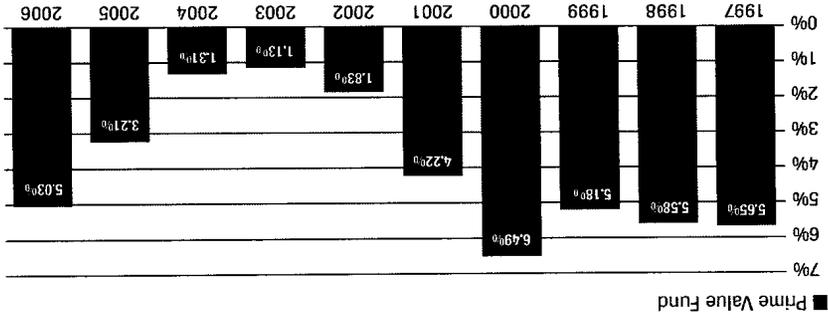
Calendar Period	Fund
1 Year	5.03%
Start of Performance <sup>1</sup>	3.77%

<sup>1</sup> The Fund's Institutional Shares start of performance date was August 11, 2004.

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.24%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

**Risk/Return Bar Chart and Table**



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.62%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.67% (quarter ended December 31, 2000). Its lowest quarterly return was 0.25% (quarter ended March 31, 2004).

**Average Annual Total Return Table**

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

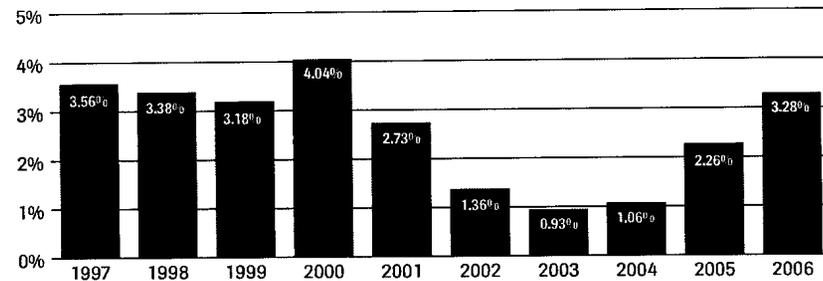
Calendar Period	Fund
1 Year	5.03%
5 Years	2.49%
10 Years	3.95%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 5.25%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

■ Tax-Free Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 1.75%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.06% (quarter ended December 31, 2000). Its lowest quarterly return was 0.19% (quarter ended September 30, 2003).

### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

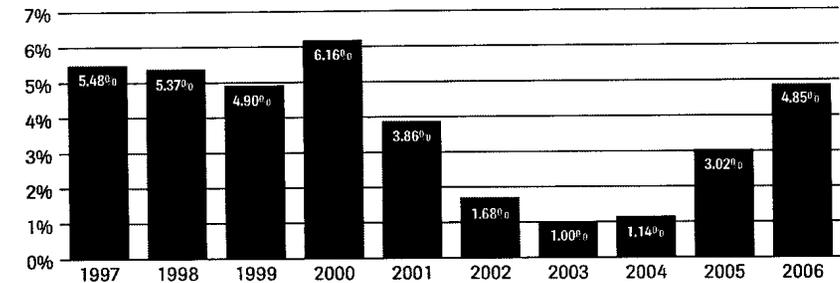
Calendar Period	Fund
1 Year	3.28%
5 Years	1.78%
10 Years	2.57%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 3.67%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

### Risk/Return Bar Chart and Table

■ Treasury Fund



Historically, the Fund has maintained a constant \$1.00 net asset value per Share. The bar chart shows the variability of the Fund's Institutional Shares total returns on a calendar year-end basis.

The Fund's Institutional Shares are sold without a sales charge (load). The total returns displayed above are based upon net asset value.

The Fund's Institutional Shares total return for the six-month period from January 1, 2007 to June 30, 2007 was 2.53%.

Within the period shown in the bar chart, the Fund's Institutional Shares highest quarterly return was 1.60% (quarter ended December 31, 2000). Its lowest quarterly return was 0.21% (quarter ended March 31, 2004).

### Average Annual Total Return Table

The following table represents the Fund's Institutional Shares Average Annual Total Returns for the calendar periods ended December 31, 2006.

Calendar Period	Fund
1 Year	4.85%
5 Years	2.33%
10 Years	3.73%

The Fund's Institutional Shares 7-Day Net Yield as of December 31, 2006 was 4.96%. You may call the Fund at 1-800-341-7400 for the current 7-Day Net Yield.

Past performance is no guarantee of future results. This information provides you with historical performance information so that you can analyze whether the Fund's investment risks are balanced by its potential returns.

## WHAT ARE EACH FUND'S FEES AND EXPENSES?

### MONEY MARKET OBLIGATIONS TRUST

#### FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Institutional Shares of the Government Fund and Government Tax-Managed Fund.

	Government Fund	Government Tax-Managed Fund
<b>Shareholder Fees</b>		
<i>Fees Paid Directly From Your Investment</i>		
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) .....	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable) .....	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price) .....	None	None
Redemption Fee (as a percentage of amount redeemed, if applicable) ....	None	None
Exchange Fee .....	None	None
<b>Annual Fund Operating Expenses (Before Waiver and Reduction)<sup>1</sup></b>		
<i>Expenses That are Deducted From Fund Assets (as a percentage of average net assets)</i>		
Management Fee <sup>2</sup> .....	0.20%	0.20%
Distribution (12b-1) Fee .....	None	None
Other Expenses <sup>3</sup> .....	0.34%	0.34%
<b>Total Annual Fund Operating Expenses</b> .....	<b>0.54%</b>	<b>0.54%</b>

<sup>1</sup> The percentages shown are based on expenses for the entire fiscal year ended July 31, 2007. However, the rate at which expenses are accrued during the fiscal year may not be constant and, at any particular point, may be greater or less than the stated average percentage. Although not contractually obligated to do so, the Adviser waived certain amounts and the Funds' Institutional Shares did not charge its shareholder services fee. These are shown below along with the net expenses the Funds *actually paid* for the fiscal year ended July 31, 2007.

Total Waiver and Reduction of Fund Expenses .....	0.34%	0.34%
Total Actual Annual Fund Operating Expenses (after waiver and reduction) .....	0.20%	0.20%

<sup>2</sup> The Adviser voluntarily waived a portion of the management fee. The Adviser can terminate this voluntary waiver at any time. The management fees paid by the Government Fund and the Government Tax-Managed Fund (after the voluntary waiver) were 0.11% and 0.11%, respectively, for the fiscal year ended July 31, 2007.

<sup>3</sup> Includes a shareholder services/account administration fee which is used to compensate intermediaries for shareholder services or account administrative services. Also includes a recordkeeping fee which is used to compensate intermediaries for recordkeeping services. Please see "Payments to Financial Intermediaries" herein. The Government Fund and Government Tax-Managed Fund did not pay or accrue the shareholder services fee during the fiscal year ended July 31, 2007 and have no present intention of paying or accruing the shareholder services fee during the fiscal year ending July 31, 2008. Total other expenses paid by the Government Fund's and Government Tax-Managed Fund's Institutional Shares (after the reduction) were 0.09% and 0.09%, respectively, for the fiscal year ended July 31, 2007.

#### EXAMPLE

This Example is intended to help you compare the cost of investing in the Funds' Institutional Shares with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Funds' Institutional Shares for the time periods indicated and then redeem all of your Shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Funds' Institutional Shares operating expenses are **before waiver and reduction** as shown in the table and remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

Fund	1 Year	3 Years	5 Years	10 Years
Government Fund	\$55	\$173	\$302	\$677
Government Tax-Managed Fund	\$55	\$173	\$302	\$677

## WHAT ARE EACH FUND'S FEES AND EXPENSES?

### MONEY MARKET OBLIGATIONS TRUST

#### FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Institutional Shares of the Municipal Fund, Prime Cash Fund and Prime Management Fund.

	Municipal Fund	Prime Cash Fund	Prime Management Fund
<b>Shareholder Fees</b>			
<i>Fees Paid Directly From Your Investment</i>			
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) .....	None	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable) . . . .	None	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price) .....	None	None	None
Redemption Fee (as a percentage of amount redeemed, if applicable) .....	None	None	None
Exchange Fee .....	None	None	None
<b>Annual Fund Operating Expenses</b> (Before Waivers and Reduction) <sup>1</sup>			
<i>Expenses That are Deducted From Fund Assets (as a percentage of average net assets)</i>			
Management Fee <sup>2</sup> .....	0.20%	0.20%	0.20%
Distribution (12b-1) Fee .....	None	None	None
Other Expenses <sup>3</sup> .....	0.35%	0.34%	0.37%
<b>Total Annual Fund Operating Expenses</b> .....	<b>0.55%</b>	<b>0.54%</b>	<b>0.57%</b>

1 The percentages shown are based on expenses for the entire fiscal year ended July 31, 2007. However, the rate at which expenses are accrued during the fiscal year may not be constant and, at any particular point, may be greater or less than the stated average percentage. Although not contractually obligated to do so, the Adviser and administrator waived certain amounts and the Funds' Institutional Shares did not charge its shareholder services fee. These are shown below along with the net expenses the Funds *actually paid* for the fiscal year ended July 31, 2007.

Total Waivers and Reduction of Fund Expenses .....	0.37%	0.36%	0.40%
Total Actual Annual Fund Operating Expenses (after waivers and reduction) .....	0.18%	0.18%	0.17%

2 The Adviser voluntarily waived a portion of the management fee. The Adviser can terminate this voluntary waiver at any time. The management fees paid by the Municipal Fund, Prime Cash Fund and Prime Management Fund (after the voluntary waivers) were 0.09%, 0.09% and 0.06%, respectively, for the fiscal year ended July 31, 2007.

3 Includes a shareholder services/account administration fee which is used to compensate intermediaries for shareholder services or account administrative services. Also includes a recordkeeping fee which is used to compensate intermediaries for recordkeeping services. Please see "Payments to Financial Intermediaries" herein. The Municipal Fund, Prime Cash Fund and Prime Management Fund did not pay or accrue the shareholder services fee during the fiscal year ended July 31, 2007 and have no present intention of paying or accruing the shareholder services fee during the fiscal year ending July 31, 2008. Additionally, with respect to Municipal Fund and Prime Management Fund, the administrator voluntarily waived a portion of its fee. The administrator can terminate this voluntary waiver at any time. Total other expenses paid by the Municipal Fund's, Prime Cash Fund's and Prime Management Fund's Institutional Shares (after the voluntary waivers and reduction) were 0.09%, 0.09% and 0.11%, respectively, for the fiscal year ended July 31, 2007.

#### EXAMPLE

This Example is intended to help you compare the cost of investing in the Funds' Institutional Shares with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Funds' Institutional Shares for the time periods indicated and then redeem all of your Shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Funds' Institutional Shares operating expenses are **before waivers and reduction** as shown in the table and remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

Fund	1 Year	3 Years	5 Years	10 Years
Municipal Fund	\$56	\$176	\$307	\$689
Prime Cash Fund	\$55	\$173	\$302	\$677
Prime Management Fund	\$58	\$183	\$318	\$714

## WHAT ARE EACH FUND'S FEES AND EXPENSES?

### MONEY MARKET OBLIGATIONS TRUST

#### FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Institutional Shares of the Prime Fund, Prime Value Fund and Tax-Free Fund.

Shareholder Fees	Prime Fund	Prime Value Fund	Tax-Free Fund
<i>Fees Paid Directly From Your Investment</i>			
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) .....	None	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable) .....	None	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price) .....	None	None	None
Redemption Fee (as a percentage of amount redeemed, if applicable) .....	None	None	None
Exchange Fee .....	None	None	None
<b>Annual Fund Operating Expenses (Before Waivers and Reduction)<sup>1</sup></b>			
<i>Expenses That are Deducted From Fund Assets (as a percentage of average net assets)</i>			
Management Fee <sup>2</sup> .....	0.20%	0.20%	0.20%
Distribution (12b-1) Fee .....	None	None	None
Other Expenses <sup>3</sup> .....	0.34%	0.34%	0.34%
<b>Total Annual Fund Operating Expenses</b> .....	<b>0.54%</b>	<b>0.54%</b>	<b>0.54%</b>

1 The percentages shown are based on expenses for the entire fiscal year ended July 31, 2007. However, the rate at which expenses are accrued during the fiscal year may not be constant and, at any particular point, may be greater or less than the stated average percentage. Although not contractually obligated to do so, the Adviser and administrator waived certain amounts and the Funds' Institutional Shares did not charge its shareholder services fees. These are shown below along with the net expenses the Funds *actually paid* for the fiscal year ended July 31, 2007.

Total Waivers and Reduction of Fund Expenses .....	0.34%	0.37%	0.34%
Total Actual Annual Fund Operating Expenses (after waivers and reduction) .....	0.20%	0.17%	0.20%

2 The Adviser voluntarily waived a portion of the management fee. The Adviser can terminate this voluntary waiver at any time. The management fees paid by the Prime Fund, Prime Value Fund and Tax-Free Fund (after the voluntary waivers) were 0.12%, 0.09% and 0.12%, respectively, for the fiscal year ended July 31, 2007.

3 Includes a shareholder services/account administration fee which is used to compensate intermediaries for shareholder services or account administrative services. Also includes a recordkeeping fee which is used to compensate intermediaries for recordkeeping services. Please see "Payments to Financial Intermediaries" herein. The Prime Fund, Prime Value Fund and Tax-Free Fund did not pay or accrue the shareholder services fee during the fiscal year ended July 31, 2007 and have no present intention of paying or accruing the shareholder services fee during the fiscal year ending July 31, 2008. Additionally, the administrator voluntarily waived a portion of its fee. The administrator can terminate this voluntary waiver at any time. Total other expenses paid by the Prime Fund's, Prime Value Fund's, and Tax-Free Fund's Institutional Shares (after the voluntary waivers and reduction) were 0.08%, 0.08% and 0.08%, respectively, for the fiscal year ended July 31, 2007.

#### EXAMPLE

This Example is intended to help you compare the cost of investing in the Funds' Institutional Shares with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Funds' Institutional Shares for the time periods indicated and then redeem all of your Shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Funds' Institutional Shares operating expenses are **before waivers and reduction** as shown in the table and remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

Fund	1 Year	3 Years	5 Years	10 Years
Prime Fund	\$55	\$173	\$302	\$677
Prime Value Fund	\$55	\$173	\$302	\$677
Tax-Free Fund	\$55	\$173	\$302	\$677

## WHAT ARE EACH FUND'S FEES AND EXPENSES?

### FEES AND EXPENSES

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

	<b>Treasury Fund</b>
<b>Shareholder Fees</b>	
<i>Fees Paid Directly From Your Investment</i>	
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) . . . . .	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable) . . . . .	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price) . . . . .	None
Redemption Fee (as a percentage of amount redeemed, if applicable) . . . . .	None
Exchange Fee . . . . .	None
<b>Annual Fund Operating Expenses (Before Waivers and Reduction)<sup>1</sup></b>	
<i>Expenses That are Deducted From Fund Assets (as a percentage of average net assets)</i>	
Management Fee <sup>2</sup> . . . . .	0.20%
Distribution (12b-1) Fee . . . . .	None
Other Expenses <sup>3</sup> . . . . .	0.34%
<b>Total Annual Fund Operating Expenses</b> . . . . .	<b>0.54%</b>

1 The percentages shown are based on expenses for the entire fiscal year ended July 31, 2007. However, the rate at which expenses are accrued during the fiscal year may not be constant and, at any particular point, may be greater or less than the stated average percentage. Although not contractually obligated to do so, the Adviser and administrator waived certain amounts and the Funds' Institutional Shares did not charge its shareholder services fee. These are shown below along with the net expenses the Fund *actually paid* for the fiscal year ended July 31, 2007.

Total Waivers and Reduction of Fund Expenses . . . . .	0.34%
Total Actual Annual Fund Operating Expenses (after waivers and reduction) . . . . .	0.20%

2 The Adviser voluntarily waived a portion of the management fee. The Adviser can terminate this voluntary waiver at any time. The management fee paid by the Treasury Fund (after the voluntary waiver) was 0.12% for the fiscal year ended July 31, 2007.

3 Includes a shareholder services/account administration fee which is used to compensate intermediaries for shareholder services or account administrative services. Also includes a recordkeeping fee which is used to compensate intermediaries for recordkeeping services. Please see "Payments to Financial Intermediaries" herein. The Treasury Fund did not pay or accrue the shareholder services fee during the fiscal year ended July 31, 2007 and has no present intention of paying or accruing the shareholder services fee during the fiscal year ending July 31, 2008. Additionally, the administrator voluntarily waived a portion of its fee. The administrator can terminate this voluntary waiver at any time. Total other operating expenses paid by the Fund's Institutional Shares (after the voluntary waiver and reduction) were 0.08% for the fiscal year ended July 31, 2007.

### EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund's Institutional Shares with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund's Institutional Shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's Institutional Shares operating expenses are **before waivers and reduction** as shown in the table and remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Treasury Fund	\$55	\$173	\$302	\$677

## WHAT ARE EACH FUND'S INVESTMENT STRATEGIES?

Each Fund's investment strategy is described earlier under "What are Each Fund's Main Investment Strategies?" Following is additional information on the investment strategies for the Funds.

The investment adviser (Adviser) for each of the Funds targets a dollar-weighted average portfolio maturity range based upon its interest rate outlook. The Adviser formulates its interest rate outlook by analyzing a variety of factors, such as (among others) current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy.

The Adviser generally shortens the portfolio's dollar-weighted average maturity when it expects interest rates to rise and extends the maturity when it expects interest rates to fall. This strategy seeks to enhance the returns from favorable interest rate changes and reduce the effect of unfavorable changes. The Adviser selects securities used to shorten or extend the portfolio's dollar-weighted average maturity by comparing the returns currently offered by different investments to their historical and expected returns.

### MUNICIPAL FUND, PRIME FUND, PRIME CASH FUND, PRIME MANAGEMENT FUND, PRIME VALUE FUND AND TAX-FREE FUND

The Adviser performs a fundamental credit analysis to develop an approved database of issuers and securities that meet the Adviser's standard for minimal credit risk. The Adviser monitors the credit risks of all portfolio securities on an ongoing basis by reviewing periodic financial data and ratings of nationally recognized statistical rating organizations (NRSROs).

### MUNICIPAL FUND AND TAX-FREE FUND

In targeting a dollar-weighted average portfolio maturity range, the Adviser also will consider the tax-exempt securities available.

**GOVERNMENT FUND**

Because the Government Fund refers to U.S. government investments in its name, it will notify shareholders at least 60 days in advance of any change in its investment policies that would enable the Government Fund to normally invest less than 80% of its assets in U.S. government investments.

**GOVERNMENT TAX-MANAGED FUND**

Because the Government Tax-Managed Fund refers to U.S. government investments in its name, it will notify shareholders at least 60 days in advance of any change in its investment policies that would enable the Government Tax-Managed Fund to normally invest less than 80% of its assets in U.S. government investments. Because the Fund refers to "tax-managed" in its name, it will not include U.S. government investments that are collateral under repurchase agreements in this calculation.

**MUNICIPAL FUND**

Because the Municipal Fund refers to municipal investments in its name, it has an investment policy that it will normally invest its assets so that at least 80% of the annual interest income that it distributes will be exempt from federal regular income tax. This policy may not be changed without shareholder approval. The Adviser may invest in securities subject to the federal AMT for individuals and corporations in an attempt to enhance yield and provide diversification.

**TAX-FREE FUND**

Because the Tax-Free Fund refers to tax-free investments in its name, it has an investment policy that it will normally invest its assets so that at least 80% of the annual interest income that it distributes will be exempt from federal regular income tax. The Tax-Free Fund will invest its assets so that at least 80% of the income it distributes will be exempt from federal income tax. This policy may not be changed without shareholder approval.

Given its fundamental investment policies, the Tax-Free Fund's Adviser (adviser) also normally will invest the Fund's assets entirely in securities whose interest is not subject to (or not a specific preference item for purposes of) the federal alternative minimum tax for individuals and corporations (AMT), such that, normally distributions of annual interest income also are exempt from the AMT.

**TREASURY FUND**

Because the Treasury Fund refers to U.S. Treasury investments in its name, it will notify shareholders at least 60 days in advance of any change in its investment policies that would enable the Treasury Fund to normally invest less than 80% of its assets in U.S. Treasury investments.

**Industry Concentration**

The Prime Fund may invest 25% or more of their assets in commercial paper issued by finance companies.

**Temporary Defensive Investments**

The Municipal Fund and the Tax-Free Fund may temporarily depart from their principal investment strategies by investing their assets in cash or securities subject to federal income tax. They may do this to minimize potential losses and maintain liquidity to meet shareholder redemptions during adverse market conditions. This may cause the Funds to receive and distribute taxable income to investors and to that extent to fail to meet their investment objectives of providing current and dividend income exempt from all regular federal income tax consistent with stability of principal.

**WHAT ARE THE PRINCIPAL SECURITIES IN WHICH THE FUNDS INVEST?**

The following is a description of each type of security in which one or more Funds principally invest. A Fund may invest in other types of securities as a non-principal investment as described in the Funds' Statement of Additional Information (SAI).

**GOVERNMENT FUND**

The Government Fund invests primarily in fixed-income securities, including U.S. Treasury securities, agency securities and repurchase agreements.

**GOVERNMENT TAX-MANAGED FUND**

The Government Tax-Managed Fund invests primarily in fixed-income securities, including U.S. Treasury securities and agency securities.

**MUNICIPAL FUND AND TAX-FREE FUND**

The Municipal Fund and Tax-Free Fund invest primarily in tax-exempt securities, a type of fixed-income security, including variable rate demand instruments, municipal notes, general obligations bonds and special revenue bonds. Issuers include states and political subdivisions, industrial and economic development authorities, school and college authorities, housing authorities, healthcare facility authorities, municipal utilities, transportation authorities, and other public agencies. Certain of these tax-exempt securities may be subject to credit enhancement. The Municipal Fund and Tax-Free Fund also may invest in tax-exempt commercial paper.

## **PRIME FUND, PRIME CASH FUND, PRIME MANAGEMENT FUND AND PRIME VALUE FUND**

The Prime Fund, Prime Cash Fund, Prime Management Fund and the Prime Value Fund invest primarily in fixed-income securities, including corporate debt securities, commercial paper, demand instruments, bank instruments, asset-backed securities, agency securities, insurance contracts, municipal securities and repurchase agreements. Certain of these fixed-income securities may be foreign securities or may be subject to credit enhancement. The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund also may invest principally in securities of other investment companies.

## **TREASURY FUND**

The Treasury Fund invests primarily in U.S. Treasury securities and repurchase agreements.

## **FIXED-INCOME SECURITIES**

Fixed-income securities pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time.

A security's yield measures the annual income earned on a security as a percentage of its price. A security's yield will increase or decrease depending upon whether it costs less (a discount) or more (a premium) than the principal amount. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

## **U.S. Treasury Securities**

The Government Fund, Government Tax-Managed Fund and Treasury Fund may principally invest in U.S. Treasury Securities. U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risk.

## **Agency Securities**

The Government Fund, Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in certain agency securities. Agency securities are issued or guaranteed by a federal agency or other GSE acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation and Washington Metropolitan Area Transit Authority Bonds.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities.

## **Agency Securities (Government Tax-Managed Fund)**

The Government Tax-Managed Fund may principally invest in certain agency securities. Agency securities are issued or guaranteed by a federal agency or other GSE acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include the Farm Credit System.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities.

## **Tax-Exempt Securities**

The Municipal Fund and the Tax-Free Fund may principally invest in tax-exempt securities. Tax-exempt securities are fixed-income securities that, in the opinion of the bond counsel to the issuer or on the basis of another authority believed by the Adviser to be reliable, pay interest that is not subject to federal regular income taxes. Fixed-income securities pay interest, dividends or distributions at a specified rate. The rate may be fixed or adjusted periodically. The issuer must also repay the principal amount of the security, normally within a specified time. Typically, states, counties, cities, and other political subdivisions and authorities issue tax-exempt securities. The market categorizes tax-exempt securities by their source of repayment. Certain of these tax-exempt securities may be subject to credit enhancement.

#### VARIABLE-RATE DEMAND INSTRUMENTS

The Municipal Fund and Tax-Free Fund may principally invest in variable-rate demand instruments. Variable rate demand instruments are tax-exempt securities that require the issuer or a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The securities also pay interest at a variable rate intended to cause the securities to trade at their face value. A Fund treats variable rate demand instruments as short-term securities even though their maturity may extend beyond 397 days, because within 397 days, their variable interest rate adjusts in response to changes in market rates and the repayment of their principal amount can be demanded. Certain variable rate demand instruments invested in by the Fund, referred to as "synthetic variable rate demand instruments," have certain features, such as call features, that make it possible that the Fund will realize capital gains.

#### MUNICIPAL NOTES

The Municipal Fund and Tax-Free Fund may principally invest in municipal notes. Municipal notes are short-term, tax-exempt securities. Many municipalities issue such notes to fund their current operations before collecting taxes or other municipal revenues. Municipalities may also issue notes to fund capital projects prior to issuing long-term bonds. The issuers typically repay the notes at the end of their fiscal year, either with taxes, other revenues or proceeds from newly issued notes or bonds.

#### GENERAL OBLIGATION BONDS

The Municipal Fund and Tax-Free Fund may invest principally in general obligation bonds. General obligation bonds are supported by the issuer's power to exact property or other taxes. The issuer must impose and collect taxes sufficient to pay principal and interest on the bonds. However, the issuer's authority to impose additional taxes may be limited by its charter or state law.

#### SPECIAL REVENUE BONDS

The Municipal Fund and Tax-Free Fund may invest principally in special revenue bonds. Special revenue bonds are payable solely from specific revenues received by the issuer such as specific taxes, assessments, tolls, or fees. Bondholders may not collect from the municipality's general taxes or revenues. For example, a municipality may issue bonds to build a toll road, and pledge the tolls to repay the bonds. Therefore, a shortfall in the tolls normally would result in a default on the bonds.

#### TAX-EXEMPT COMMERCIAL PAPER

The Municipal Fund and Tax-Free Fund may invest principally in tax-exempt commercial paper. Tax-exempt commercial paper is a tax-exempt issuer's obligation with a maturity of less than nine months. Tax-exempt issuers may issue commercial paper to pay for current expenditures or other permissible activities. Tax-exempt issues may constantly reissue their commercial paper and use the proceeds (or other sources) to repay maturing paper. If the tax-exempt issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

#### Corporate Debt Securities

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in corporate debt securities. Corporate debt securities are fixed-income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may also purchase interests in bank loans to companies.

#### COMMERCIAL PAPER

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in commercial paper. Commercial paper is an issuer's obligation with a maturity of less than nine months. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

#### DEMAND INSTRUMENTS

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in demand instruments. Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund treat demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

#### Bank Instruments

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in bank instruments. Bank instruments are unsecured interest-bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances.

### **Asset-Backed Securities**

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in asset-backed securities. Asset-backed securities are payable from pools of obligations other than mortgages. Most asset-backed securities involve consumer or commercial debts with maturities of less than ten years. However, almost any type of fixed-income assets (including other fixed-income securities) may be used to create an asset-backed security. Asset-backed securities may take the form of commercial paper, notes or pass-through certificates.

### **INSURANCE CONTRACTS**

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in insurance contracts. Insurance contracts include guaranteed investment contracts, funding agreements and annuities. The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund treat these contracts as fixed-income securities.

### **Municipal Securities**

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in municipal securities. Municipal securities are issued by states, counties, cities, and other political subdivisions and authorities. Although many municipal securities are exempt from Federal income tax, the Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may invest in taxable municipal securities.

### **Foreign Securities**

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest in foreign securities. Foreign securities are securities of issuers based outside the United States. The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund consider an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or
- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Along with the risks normally associated with domestic securities of the same type, foreign securities are subject to risks of foreign investing.

### **Credit Enhancement**

The Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund, Municipal Fund and Tax-Free Fund may invest in securities with credit enhancement. Credit enhancement consists of an arrangement in which a company agrees to pay amounts due on a fixed-income security if the issuer defaults. In some cases the company providing credit enhancement makes all payments directly to the security holders and receives reimbursement from the issuer. Normally, the credit enhancer has greater financial resources and liquidity than the issuer. For this reason, the Adviser usually evaluates the credit risk of a fixed-income security based solely upon its credit enhancement.

Common types of credit enhancement include guarantees, letters of credit, bond insurance and surety bonds. Credit enhancement also includes arrangements where securities or other liquid assets secure payment of a fixed-income security. If a default occurs, these assets may be sold and the proceeds paid to security's holders. Either form of credit enhancement reduces credit risks by providing another source of payment for a fixed-income security.

### **Repurchase Agreements**

The Government Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Treasury Fund may principally invest in repurchase agreements. Repurchase agreements are transactions in which a Fund buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting a Funds' return on the transaction. This return is unrelated to the interest rate on the underlying security. A Fund will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Adviser.

The custodian or subcustodian of a Fund will take possession of the securities subject to repurchase agreements. The Adviser or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price. Repurchase agreements are subject to credit risks.

### **INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES**

The Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may principally invest their assets in securities of other investment companies, including the securities of affiliated money market funds, as an efficient means of implementing their investment strategies and/or managing their uninvested cash. These other investment companies are managed independently of the Funds and incur additional fees and/or expenses which would, therefore, be borne indirectly by a Fund in connection with any such investment. However, the Adviser believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses.

### **Investment Ratings**

The money market instruments in which the Prime Fund, Prime Cash Fund and Tax-Free Fund invest will be rated in the highest short-term rating category by one or more NRSROs or be deemed by the Adviser to be of comparable quality to securities having such ratings. The securities in which the Municipal Fund, Prime Management Fund and Prime Value Fund invest will be rated in one of the two highest short-term rating categories by one or more NRSROs or be deemed by the Adviser to be of comparable quality to securities having such ratings.

### **WHAT ARE THE SPECIFIC RISKS OF INVESTING IN THE FUNDS?**

Each of the Funds is subject to interest rate risks. In addition, each of the Funds is subject to credit risks. The Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Tax-Free Fund are subject to sector risks and call risks. The Municipal Fund and Tax-Free Fund are subject to tax risks. Finally, the Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may be subject to risks of foreign investing.

#### **INTEREST RATE RISKS**

##### **Government Fund, Government Tax-Managed Fund, Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund, Tax-Free Fund and Treasury Fund**

Prices of fixed-income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed-income securities fall. However, market factors, such as the demand for particular fixed-income securities, may cause the price of certain fixed-income securities to fall while the prices of other securities rise or remain unchanged.

Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. Money market funds try to minimize this risk by purchasing short-term securities.

#### **CREDIT RISKS**

##### **Government Fund, Municipal Fund, Government Tax-Managed Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Tax-Free Fund**

Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. If an issuer defaults, the Fund will lose money. Money market funds try to minimize this risk by purchasing higher-quality securities.

Many fixed-income securities receive credit ratings from NRSROs such as Standard & Poor's and Moody's Investors Service, Inc. These NRSROs assign ratings to securities by assessing the likelihood of issuer default. Lower credit ratings correspond to higher perceived credit risk. Credit ratings do not provide assurance against default or other loss of money. If a security has not received a rating, the Fund must rely entirely upon the Adviser's credit assessment.

##### **Government Fund, Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund, Tax-Free Fund and Treasury Fund**

Credit risk includes the possibility that a party to a transaction involving a Fund will fail to meet its obligations. This could cause a Fund to lose the benefit of the transaction or prevent a Fund from selling or buying other securities to implement its investment strategy.

#### **SECTOR RISKS**

##### **Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Tax-Free Fund**

A substantial part of the Prime Fund's portfolio may be comprised of securities issued by finance companies. A substantial part of the portfolios of the Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund may be comprised of securities issued by banks. In addition, a substantial part of the portfolios of the Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Tax-Free Fund may be comprised of securities credit enhanced by banks or companies in a similar business, or with other similar characteristics. As a result, the Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Tax-Free Fund will be more susceptible to any economic, business, political or other developments that generally affect these entities. Developments affecting finance companies, banks or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

#### **TAX RISKS**

##### **Municipal Fund and Tax-Free Fund**

In order to pay interest that is exempt from federal regular income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed by a Fund to shareholders to be taxable.

Changes or proposed changes in federal or state tax laws may cause the prices of tax-exempt securities to fall and/or may affect the tax-exempt status of the securities in which the Fund invests.

Regarding the tax-exempt status of the securities in which the Fund invests, shareholders of the Fund should note that the U.S. Supreme Court has recently agreed to review a Kentucky state court decision (*Kentucky v. Davis*) that could have important consequences for funds that invest in tax-exempt securities, including the Fund. The Kentucky state court held as unconstitutional under the Commerce Clause of the U.S. Constitution a Kentucky law that exempts interest earned on Kentucky tax-exempt bonds from Kentucky's state income tax, but taxes interest derived from non-Kentucky tax-exempt bonds. The U.S. Supreme Court is scheduled to hear the case during its Fall, 2007, session and is likely to render its decision in the spring or early summer of 2008. If the U.S. Supreme Court affirms the Kentucky state court's ruling, the decision could affect the tax status of the tax-exempt securities in which the Fund invests, and the Fund's distributions, for state tax purposes. Such a decision would force State legislators to decide whether to exempt all tax-exempt bonds from state income tax or subject all such bonds to state income tax. The decision, and any change in tax status, also may negatively affect the value of the municipal securities in which the Fund invests. The *Kentucky v. Davis* case does not question or challenge the tax status of tax-exempt bonds for purposes of the federal regular income tax. If the U.S. Supreme Court affirms the Kentucky state court's ruling, and the Adviser determines that a Fund may be negatively impacted in a material respect, the Adviser will advise shareholders of the funds as it determines necessary.

Income from the Municipal Fund also may be subject to AMT.

#### **CALL RISKS**

##### **Municipal Fund and Tax-Free Fund**

Call risk is the possibility that an issuer may redeem a fixed-income security before maturity (a call) at a price below its current market price. An increase in the likelihood of a call may reduce the security's price.

If a fixed-income security is called, the Fund may have to reinvest the proceeds in other fixed-income securities with lower interest rates, higher credit risks, or other less favorable characteristics.

#### **RISKS OF FOREIGN INVESTING**

##### **Prime Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund**

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets may also be subject to taxation policies that reduce returns for U.S. investors.

#### **RISKS ASSOCIATED WITH INVESTING SHARE PURCHASE PROCEEDS**

##### **Government Fund, Government Tax-Managed Fund, Municipal Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund, Tax-Free Fund and Treasury Fund**

On days during which there are net purchases of Fund Shares, a Fund must invest the proceeds at prevailing market yields. If the yield of the securities purchased is less than that of the securities already in the portfolio, the Fund's yield will likely decrease. Conversely, net purchases on days on which short-term yields rise will cause the Fund's yield to increase. The larger the amount that must be invested or the greater the difference between the yield of the securities purchased and the yield of the existing investments, the greater the impact will be on the yield of the Fund. In the event of significant changes in short term yields or significant net purchases, a Fund retains the discretion to close to new investments. However, a Fund is not required to close, and no assurance can be given that this will be done in any given circumstance.

#### **WHAT DO SHARES COST?**

You can purchase, redeem or exchange Shares any day the New York Stock Exchange (NYSE) is open. The Funds attempt to stabilize the NAV of their Shares at \$1.00 by valuing the portfolio securities using the amortized cost method. The Funds cannot guarantee that their NAV will always remain at \$1.00 per Share. The Funds do not charge a front-end sales charge.

When a Fund receives your transaction request in proper form (as described in this prospectus), it is processed at the next determined NAV. The NAV of the Municipal Fund, and the Tax-Free Fund is determined at noon and 3:00 p.m. Eastern time and as of the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time) each day the NYSE is open.

The NAV of the Government Tax-Managed Fund is determined at 2:00 p.m. Eastern time and as of the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time) each day the NYSE is open.

The NAV of the Prime Cash Fund is determined at 3:00 p.m. Eastern time and as of the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time) each day the NYSE is open.

The NAV of the Government Fund, the Prime Fund, the Prime Management Fund, the Prime Value Fund and the Treasury Fund is determined at 5:00 p.m. Eastern time each day the NYSE is open; except that, on the day after Thanksgiving and Christmas Eve (when Christmas Eve falls on a weekday), NAV is determined at 3:00 P.M. Eastern time.

The times as of when NAV is determined, and when orders must be placed, may be changed as permitted by the SEC.

## HOW ARE THE FUNDS SOLD?

The Government Tax-Managed Fund and the Tax-Free Fund offer two Share classes: Institutional Shares and Institutional Service Shares. The Prime Fund offers three Share classes: Institutional Shares, Institutional Service Shares and Trust Shares. The Municipal Fund, Prime Cash Fund, Prime Management Fund and Prime Value Fund offer three Share classes: Institutional Shares, Institutional Service Shares and Institutional Capital Shares. The Government Fund and Treasury Fund offer four Share classes: Institutional Shares, Institutional Service Shares, Institutional Capital Shares and Trust Shares. All Share classes offered by each Fund represent interests in a single portfolio of securities. This prospectus relates only to Institutional Shares. All Share classes have different expenses, which affect their performance. Contact your financial intermediary or call 1-800-341-7400 for more information concerning the other classes.

The Funds' Distributor, Federated Securities Corp., markets the Shares described in this prospectus to entities holding Shares in an agency or fiduciary capacity, financial institutions, financial intermediaries and institutional investors or to individuals, directly or through financial intermediaries. The Municipal Fund and the Tax-Free Fund may not be a suitable investment for retirement plans.

Under the Distributor's contract with the Funds, the Distributor offers shares on a continuous, best effort basis. The Distributor is a subsidiary of Federated Investors, Inc. (Federated).

## PAYMENTS TO FINANCIAL INTERMEDIARIES

The Funds and their affiliated service providers may pay fees as described below to financial intermediaries (such as broker-dealers, banks, investment advisers or third-party administrators) whose customers are shareholders of the Funds.

### SERVICE FEES

A Fund may pay Service Fees of up to 0.25% of average net assets to financial intermediaries or to Federated Shareholder Services Company (FSSC), a subsidiary of Federated, for providing services to shareholders and maintaining shareholder accounts. Intermediaries that receive Service Fees may include a company affiliated with management of Federated. If a financial intermediary receives Service Fees on an account, it is not eligible to also receive Account Administration Fees on that same account.

### ACCOUNT ADMINISTRATION FEES

A Fund may pay Account Administration Fees of up to 0.25% of average net assets to banks that are not registered as broker-dealers or investment advisers for providing administrative services to the Funds and shareholders. If a financial intermediary receives Account Administration Fees on an account, it is not eligible to also receive Service Fees or Recordkeeping Fees on that same account.

### RECORDKEEPING FEES

A Fund may pay Recordkeeping Fees on an average net assets basis or on a per account per year basis to financial intermediaries for providing recordkeeping services to the Funds and shareholders. If a financial intermediary receives Recordkeeping Fees on an account, it is not eligible to also receive Account Administration Fees or Networking Fees on that same account.

### NETWORKING FEES

A Fund may reimburse Networking Fees on a per account per year basis to financial intermediaries for providing administrative services to the Funds and shareholders on certain non-omnibus accounts. If a financial intermediary receives Networking Fees on an account, it is not eligible to also receive Recordkeeping Fees on that same account.

### ADDITIONAL PAYMENTS TO FINANCIAL INTERMEDIARIES

The Distributor may pay out of its own resources amounts (including items of material value) to certain financial intermediaries that support the sale of Shares or provide services to Fund shareholders. The amounts of these payments could be significant, and may create an incentive for the financial intermediary or its employees or associated persons to recommend or sell Shares of a Fund to you. In some cases, such payments may be made by or funded from the resources of companies affiliated with the Distributor (including the Adviser). These payments are not reflected in the fees and expenses listed in the fee table section of the Funds' prospectus and described above because they are not paid by the Funds.

These payments are negotiated and may be based on such factors as the number or value of Shares that the financial intermediary sells or may sell; the value of client assets invested; or the type and nature of services or support furnished by the financial intermediary. These payments may be in addition to payments made by a Fund to the financial intermediary under a Service Fees arrangement. In connection with these payments, the financial intermediary may elevate the prominence or profile of a Fund and/or other Federated funds within the financial intermediary's organization by, for example, placement on a list of preferred or recommended funds, and/or granting the Distributor preferential or enhanced opportunities to promote the funds in various ways within the financial intermediary's organization. You can ask your financial intermediary for information about any payments it receives from the Distributor or a Fund and any services provided.

## HOW TO PURCHASE SHARES

You may purchase Shares through a financial intermediary, directly from the Funds or through an exchange from another Federated fund. The Funds reserve the right to reject any request to purchase or exchange Shares. New investors must submit a completed New Account Form.

The required minimum initial investment for Fund Shares is \$500,000. There is no required minimum subsequent investment amount.

An account may be opened with a smaller amount as long as the \$500,000 minimum is reached within one year. An institutional investor's minimum investment is calculated by combining all accounts it maintains with a Fund. Accounts established through financial intermediaries may be subject to a smaller minimum investment amount. Keep in mind that financial intermediaries may charge you fees for their services in connection with your Share transactions.

#### **THROUGH A FINANCIAL INTERMEDIARY**

Submit your purchase order to your financial intermediary. Financial intermediaries are responsible for promptly submitting purchase orders and payment to the Funds by electronic means permitted by the Funds, or according to the instructions in the sections "By Telephone" or "By Mail" below.

If your financial intermediary submits your order electronically, your order will be processed and you will be entitled to dividends pursuant to operating procedures established by the Funds. If your financial intermediary submits your order by telephone or by mail, your order will be processed and you will be entitled to dividends as outlined in the section "By Telephone" or the section "By Mail" below.

If you deal with a financial intermediary, you will have to follow the financial intermediary's procedures for transacting with the Funds. For more information about how to purchase Shares through your financial intermediary, you should contact your financial intermediary directly.

#### **DIRECTLY FROM THE FUNDS**

##### **By Telephone**

You may purchase Shares by calling the Funds at 1-800-341-7400.

Your purchase will be priced at the NAV next calculated after a Fund receives your order. Receipt of a purchase order by a financial intermediary will be deemed receipt by a Fund to the extent that such financial intermediary has been duly authorized by the Fund to accept such orders. If you call a Fund by 2:00 p.m. Eastern time with respect to the Government Tax-Managed Fund, 3:00 p.m. Eastern time with respect to the Municipal Fund, the Prime Cash Fund and the Tax-Free Fund, and 5:00 p.m. Eastern time (or 3:00 p.m. Eastern time on those days when NAV is determined at 3:00 p.m.) with respect to the Government Fund, the Prime Fund, the Prime Management Fund, the Prime Value Fund and the Treasury Fund, and send your payment by wire by the close of the Federal Reserve wire transfer system, you will be entitled to that day's dividend.

Send your wire to:

State Street Bank and Trust Company  
Boston, MA  
Dollar Amount of Wire  
ABA Number 011000028  
Attention: EDGEWIRE  
Wire Order Number, Dealer Number or Group Number  
Nominee/Institution Name  
Fund Name and Number and Account Number

If the Fund does not receive your purchase wire by the close of the Federal Reserve wire transfer system on the day you placed your order, your purchase will be canceled and you could be liable for any losses or fees incurred by the Fund or State Street Bank and Trust Company, the Fund's transfer agent.

You cannot purchase Shares by wire on days when wire transfers are restricted, even if the NYSE is open on such days (for example, Columbus Day and Veterans Day). The Fund does not consider wire purchase requests received on such days to be in proper form, and will not process such requests.

##### **By Mail**

You may purchase Shares by sending your check payable to **The Federated Funds** at the following address:

The Federated Funds  
P.O. Box 8600  
Boston, MA 02266-8600

If you send your check by a **private courier or overnight delivery service** that requires a street address, send it to:

The Federated Funds  
30 Dan Road  
Canton, MA 02021

**Please note your account number on your check.** Payment should be made in U.S. dollars and drawn on a U.S. bank. If your check does not clear, your purchase will be canceled and you could be liable for any losses or fees incurred by the Funds or State Street Bank and Trust Company, the Funds' transfer agent. The Funds reserve the right to reject **any** purchase request. For example, to protect against check fraud the Funds may reject any purchase request involving a check that is not made payable to **The Federated Funds** (including, but not limited to, requests to purchase Shares using third-party checks), or involving temporary checks or credit card checks.

Your order will be priced at the NAV next calculated after a Fund receives your check and you will be entitled to dividends beginning on the day the check is converted into federal funds (normally the business day after the check is received).

## THROUGH AN EXCHANGE

You may purchase Shares through an exchange from any Federated fund or share class that does not have a stated sales charge or contingent deferred sales charge, except Liberty U.S. Government Money Market Trust and Class K Shares. You must meet the minimum initial investment requirement for purchasing Shares and both accounts must have identical registrations.

## BY AUTOMATED CLEARING HOUSE (ACH)

Once you have opened an account, you may purchase additional Shares through a depository institution that is an ACH member. This purchase option can be established by completing the appropriate sections of the New Account Form.

## HOW TO REDEEM AND EXCHANGE SHARES

You should redeem or exchange Shares:

- through a financial intermediary if you purchased Shares through a financial intermediary; or
- directly from a Fund if you purchased Shares directly from the Fund.

## THROUGH A FINANCIAL INTERMEDIARY

Submit your redemption or exchange request to your financial intermediary. Financial intermediaries are responsible for promptly submitting redemption or exchange requests to the Funds by electronic means permitted by the Funds, or according to the instructions in the sections "By Telephone" or "By Mail" below.

If your financial intermediary submits your redemption or exchange request electronically, your request will be processed and your proceeds will be paid pursuant to operating procedures established by the Funds. If your financial intermediary submits your redemption or exchange request by telephone or by mail, your request will be processed and your proceeds will be paid as outlined in the section "By Telephone" or the section "By Mail" below.

If you deal with a financial intermediary, you will have to follow the financial intermediary's procedures for transacting with the Funds. For more information about how to redeem or exchange Shares through your financial intermediary, you should contact your financial intermediary directly.

## DIRECTLY FROM THE FUNDS

### By Telephone

You may redeem or exchange Shares by calling the Funds at 1-800-341-7400. Your redemption or exchange request will be priced at the NAV next calculated after the request is received by the Funds. Receipt of a redemption or exchange order by a financial intermediary will be deemed receipt by the Funds to the extent that such financial intermediary has been duly authorized by the Funds to accept such orders.

If you call a Fund by noon Eastern time with respect to the Municipal Fund and the Tax-Free Fund, 2:00 p.m. Eastern time with respect to the Government Tax-Managed Fund, 3:00 p.m. Eastern time with respect to the Prime Cash Fund, and 5:00 p.m. Eastern time (or 3:00 p.m. Eastern time on those days when NAV is determined at 3:00 p.m.) with respect to the Government Fund, the Prime Fund, the Prime Management Fund, the Prime Value Fund and the Treasury Fund, and your redemption proceeds are wired to you the same day, you will not be entitled to that day's dividend.

If you call the Municipal Fund or the Tax-Free Fund after noon Eastern time, the Government Tax-Managed Fund after 2:00 p.m. Eastern time, the Prime Cash Fund after 3:00 p.m. Eastern time or with respect to Government Fund, the Prime Fund, the Prime Management Fund, the Prime Value Fund and the Treasury Fund after 5:00 p.m. Eastern time (or 3:00 p.m. Eastern time on those days when NAV is determined at 3:00 p.m.), and, in each case, before the end of regular trading (normally 4:00 p.m. Eastern time) on the NYSE, you will be entitled to that day's dividend, and your redemption proceeds will be sent to you the following business day.

### By Mail

You may redeem or exchange Shares by mailing a written request to the Funds.

Your redemption or exchange request will be priced at the NAV next calculated after a Fund receives your written request in proper form. If your redemption proceeds are wired to you the same day your order is priced, you will not be entitled to that day's dividend. If a check for your redemption proceeds is mailed to you on the next business day after your request is priced, you will be entitled to dividends through the day on which the Funds priced your request.

Send requests by mail to:

The Federated Funds  
P.O. Box 8600  
Boston, MA 02266-8600

Send requests by **private courier or overnight delivery service** to:

The Federated Funds  
30 Dan Road  
Canton, MA 02021

All requests must include:

- Fund Name and Share Class, account number and account registration;
- amount to be redeemed or exchanged;
- signatures of all shareholders exactly as registered; and
- **if exchanging**, the Fund Name and Share Class, account number and account registration into which you are exchanging.

Call your financial intermediary or the Funds if you need special instructions.

### **Signature Guarantees**

Signatures must be guaranteed by a financial institution which is a participant in a Medallion signature guarantee program if:

- your redemption will be sent to an address other than the address of record;
- your redemption will be sent to an address of record that was changed within the last 30 days;
- a redemption is payable to someone other than the shareholder(s) of record; or
- **if exchanging (transferring)** into another fund with a different shareholder registration.

A Medallion signature guarantee is designed to protect your account from fraud. Obtain a Medallion signature guarantee from a bank or trust company, savings association, credit union or broker, dealer, or securities exchange member.

**A notary public cannot provide a signature guarantee.**

### **PAYMENT METHODS FOR REDEMPTIONS**

Your redemption proceeds will be mailed by check to your address of record. The following payment options are available if you complete the appropriate section of the New Account Form or an Account Service Options Form. These payment options require a signature guarantee if they were not established when the account was opened:

- an electronic transfer to your account at a financial institution that is an ACH member; or
- wire payment to your account at a domestic commercial bank that is a Federal Reserve System member.

### **Redemption in Kind (Government Tax-Managed Fund, Municipal Fund and Tax-Free Fund Only)**

Although each Fund intends to pay Share redemptions in cash, the Government Tax-Managed Fund, the Municipal Fund and the Tax-Free Fund reserve the right to pay the redemption price in whole or in part by a distribution of the Fund's portfolio securities.

### **LIMITATIONS ON REDEMPTION PROCEEDS**

Redemption proceeds normally are wired or mailed within one business day after receiving a request in proper form. Payment may be delayed up to seven days:

#### **Government Tax-Managed Fund, Municipal Fund and Tax-Free Fund**

- to allow your purchase to clear (as discussed below);
- during periods of market volatility;
- when a shareholder's trade activity or amount adversely impacts a Fund's ability to manage its assets; or
- during any period when the Federal Reserve wire or applicable Federal Reserve banks are closed, other than customary weekend and holiday closings.

If you request a redemption of Shares recently purchased by check (including a cashier's check or certified check), money order, bank draft or ACH, your redemption proceeds may not be made available for up to seven calendar days to allow a Fund to collect payment on the instrument used to purchase such Shares. If the purchase instrument does not clear, your purchase order will be canceled and you will be responsible for any losses incurred by the Fund as a result of your canceled order. In addition, the right of redemption may be suspended, or the payment of proceeds may be delayed, during any period:

- when the NYSE is closed, other than customary weekend and holiday closings;
- when trading on the NYSE is restricted, as determined by the SEC; or
- in which an emergency exists, as determined by the SEC, so that disposal of the Fund's investments or determination of its NAV is not reasonably practicable.

You will not accrue interest or dividends on uncashed redemption checks from a Fund if those checks are undeliverable and returned to the Fund.

#### **Government Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Treasury Fund**

### **LIMITATIONS ON REDEMPTION PROCEEDS**

Redemption proceeds will be wired or mailed within one business day after receiving a request in proper form, except that payment may be delayed in the following circumstances:

- to allow your purchase to clear (as discussed below);
- during any period when the Federal Reserve wire or Federal Reserve banks are closed (in which case redemption proceeds will be wired within one business day after the reopening of the Federal Reserve wire or Federal Reserve banks); or
- during any period when the NYSE is closed (in which case redemption proceeds will be wired within one business day after the reopening of the NYSE).

If you request a redemption of Shares recently purchased by check (including a cashier's check or certified check), money order, bank draft or ACH, your redemption proceeds may not be made available for up to seven calendar days to allow a Fund to collect payment on the instrument used to purchase such Shares. If the purchase instrument does not clear, your purchase order will be canceled and you will be responsible for any losses incurred by the Fund as a result of your canceled order.

You will not accrue interest or dividends on uncashed redemption checks from a Fund if those checks are undeliverable and returned to the Fund.

## **EXCHANGE PRIVILEGE**

You may exchange Shares of a Fund for shares of any Federated fund or share class that does not have a stated sales charge or contingent deferred sales charge, except Liberty U.S. Government Money Market Trust and Class K Shares. To do this, you must:

- ensure that the account registrations are identical;
- meet any minimum initial investment requirements; and
- receive a prospectus for the fund into which you wish to exchange.

An exchange is treated as a redemption and a subsequent purchase, and is a taxable transaction.

A Fund may modify or terminate the exchange privilege at any time.

## **ADDITIONAL CONDITIONS**

### **Telephone Transactions**

The Funds will record your telephone instructions. If a Fund does not follow reasonable procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

### **Share Certificates**

The Funds no longer issue share certificates. If you are redeeming or exchanging Shares represented by certificates previously issued by a Fund, you must return the certificates with your written redemption or exchange request. For your protection, send your certificates by registered or certified mail, but do not endorse them.

## **ACCOUNT AND SHARE INFORMATION**

### **ACCOUNT ACTIVITY**

You will receive periodic statements reporting all account activity, including dividends and capital gains paid.

### **DIVIDENDS AND CAPITAL GAINS**

The Funds declare any dividends daily and pay them monthly to shareholders.

With respect to the Government Fund, the Prime Fund, the Prime Management Fund, the Prime Value Fund and the Treasury Fund, dividends are based on estimates of income, expenses, and shareholder activity for the Fund. Actual income, expenses, and shareholder activity may differ from estimates and differences, if any, will be included in the calculation of subsequent dividends. You may obtain an estimate of a Fund's daily dividend factor by calling the Funds at 1-800-341-7400 or on Federated's website at **FederatedInvestors.com**.

The Funds do not seek to realize any capital gains or losses. However, certain securities in which the Municipal Fund and Tax-Free Fund invest, such as synthetic variable rate demand instruments, have certain features, such as call features, that make it possible that the Funds will realize capital gains. If capital gains or losses were to occur, they could result in an increase or decrease in dividends. The Funds pay any capital gains at least annually. Your dividends and capital gains distributions will be automatically reinvested in additional Shares without a sales charge, unless you elect cash payments. Dividends may also be reinvested without sales charges in Shares of any class of any other Federated Fund of which you are already a shareholder.

If you have elected to receive dividends and/or capital gain distributions in cash, and your check is returned by the postal or other delivery service as "undeliverable," or you do not respond to mailings from Federated with regard to uncashed distribution checks, your distribution option will automatically be converted to having all dividends and capital gains reinvested in additional shares. No interest will accrue on amounts represented by uncashed distribution checks.

See "Tax Information" below for information on the tax consequences of the Municipal Fund or the Tax-Free Fund realizing a capital gain.

### **ACCOUNTS WITH LOW BALANCES**

Due to the high cost of maintaining accounts with low balances, accounts may be closed if redemptions or exchanges cause the account balance to fall below the minimum initial investment amount. Before an account is closed, you will be notified and allowed 30 days to purchase additional Shares to meet the minimum.

### **TAX INFORMATION**

#### **Government Fund, Government Tax-Managed Fund, Prime Fund, Prime Cash Fund, Prime Management Fund, Prime Value Fund and Treasury Fund**

The Funds send an annual statement of your account activity to assist you in completing your federal, state and local tax returns. Fund distributions of dividends and capital gains are taxable to you whether paid in cash or reinvested in a Fund. Dividends are taxable at different rates depending on the source of dividend income. Capital gains are taxable at different rates depending upon the length of time a Fund holds its assets.

Fund distributions are expected to be primarily dividends. Redemptions and exchanges are taxable sales. Please consult your tax adviser regarding your federal, state and local tax liability.

#### **Municipal Fund and Tax-Free Fund**

The Municipal Fund and the Tax-Free Fund send an annual statement of your account activity to assist you in completing your federal, state and local tax returns. It is anticipated that distributions from the Municipal Fund and the Tax-Free Fund will be primarily dividends that are exempt from federal regular income tax, although a portion of each Fund's dividends may not be exempt. Dividends may be subject to state and local taxes.

Although the Municipal Fund and Tax-Free Fund do not seek to realize capital gains, either Fund may realize and distribute capital gains from time to time as a result of the Fund's normal investment activities. Distributions of net short-term capital gains are taxable to you as ordinary income. Distributions of net long-term capital gains are taxable to you as long-term capital gains regardless of how long you have owned your Shares.

Capital gains and non-exempt dividends are taxable whether paid in cash or reinvested in a Fund. Redemptions and exchanges are taxable sales. Please consult your tax adviser regarding your federal, state and local tax liability.

#### **FREQUENT TRADING POLICIES**

Given the short-term nature of the Funds' investments and their use of the amortized cost method for calculating the NAV of Fund Shares, the Funds do not anticipate that in the normal case frequent or short-term trading into and out of a Fund will have significant adverse consequences for a Fund and its shareholders. For this reason and because a Fund is intended to be used as a liquid short-term investment, the Funds Board has not adopted policies or procedures to monitor or discourage frequent or short-term trading of the Funds' Shares. Regardless of their frequency or short-term nature, purchases and redemptions of Fund Shares can have adverse effects on the management of the Funds' portfolios and their performance.

#### **PORTFOLIO HOLDINGS INFORMATION**

Information concerning each Fund's portfolio holdings is available in the "Products" section of Federated's website at **FederatedInvestors.com**. A complete listing of a Fund's portfolio holdings as of the end of each month is posted on the website 15 days (or the next business day) after the end of the month and remains posted until replaced by the information for the succeeding month. Summary portfolio composition information as of the close of each month is posted on the website 15 days (or the next business day) after month-end and remains until replaced by the information for the succeeding month. The summary portfolio composition information may include identification of a Fund's top ten credit/obligor exposures, effective average maturity of the Fund's portfolio and/or percentage breakdowns of the portfolio by credit quality tier, effective maturity range and type of security.

To access this information from the "Products" section of the website, click on the "Portfolio Holdings" link under "Related Information" and select the appropriate link opposite the name of the Fund, or select the name of the Fund, and from the Fund's page click on the "Portfolio Holdings" or "Composition" link.

You may also access portfolio information as of the end of the Fund's fiscal quarters from the "Products" section of the website. The Fund's annual and semi-annual reports, which contain complete listings of the Fund's portfolio holdings as of the end of the Fund's second and fourth fiscal quarters, may be accessed by selecting the "Prospectuses and Regulatory Reports" link under "Related Information" and selecting the link to the appropriate PDE Complete listings of the Fund's portfolio holdings as of the end of the Fund's first and third fiscal quarters may be accessed by selecting "Portfolio Holdings" from the "Products" section and then selecting the appropriate link opposite the name of the Fund. Fiscal quarter information is made available on the website within 70 days after the end of the fiscal quarter. This information is also available in reports filed with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov).

#### **WHO MANAGES THE FUNDS?**

The Board of Trustees (the "Board") governs the Funds. The Board selects and oversees the Adviser, Federated Investment Management Company. The Adviser manages the Funds' assets, including buying and selling portfolio securities. Federated Advisory Services Company (FASC), an affiliate of the Adviser, provides certain support services to the Adviser. The fee for these services is paid by the Adviser and not by the Funds. The address of the Adviser and FASC is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

The Adviser and other subsidiaries of Federated advise approximately 148 equity, fixed-income, and money market mutual funds as well as a variety of customized separately managed accounts, which totaled approximately \$237 billion in assets as of December 31, 2006. Federated was established in 1955 and is one of the largest investment managers in the United States with approximately 1,243 employees. Federated provides investment products to nearly 5,500 investment professionals and institutions.

#### **ADVISORY FEES**

The Funds' investment advisory contracts provides for payment to the Adviser of an annual investment advisory fee of 0.20% of each Fund's average daily net assets. The Adviser may voluntarily waive a portion of its fee or reimburse a Fund for certain operating expenses.

A discussion of the Board's review of the Funds' investment advisory contracts is available in the Funds' Annual Report dated July 31, 2007.

## LEGAL PROCEEDINGS

Since October 2003, Federated and related entities (collectively, "Federated"), and various Federated funds ("Funds"), have been named as defendants in several class action lawsuits now pending in the United States District Court for the District of Maryland. The lawsuits were purportedly filed on behalf of people who purchased, owned and/or redeemed shares of Federated-sponsored mutual funds during specified periods beginning November 1, 1998. The suits are generally similar in alleging that Federated engaged in illegal and improper trading practices including market timing and late trading in concert with certain institutional traders, which allegedly caused financial injury to the mutual fund shareholders. These lawsuits began to be filed shortly after Federated's first public announcement that it had received requests for information on shareholder trading activities in the Funds from the SEC, the Office of the New York State Attorney General ("NYAG"), and other authorities. In that regard, on November 28, 2005, Federated announced that it had reached final settlements with the SEC and the NYAG with respect to those matters. Specifically, the SEC and NYAG settled proceedings against three Federated subsidiaries involving undisclosed market timing arrangements and late trading. The SEC made findings: that Federated Investment Management Company ("FIMC"), an SEC-registered investment adviser to various Funds, and Federated Securities Corp., an SEC-registered broker-dealer and distributor for the Funds, violated provisions of the Investment Advisers Act and Investment Company Act by approving, but not disclosing, three market timing arrangements, or the associated conflict of interest between FIMC and the funds involved in the arrangements, either to other fund shareholders or to the funds' board; and that Federated Shareholder Services Company, formerly an SEC-registered transfer agent, failed to prevent a customer and a Federated employee from late trading in violation of provisions of the Investment Company Act. The NYAG found that such conduct violated provisions of New York State law. Federated entered into the settlements without admitting or denying the regulators' findings. As Federated previously reported in 2004, it has already paid approximately \$8.0 million to certain funds as determined by an independent consultant. As part of these settlements, Federated agreed to pay disgorgement and a civil money penalty in the aggregate amount of an additional \$72 million and, among other things, agreed that it would not serve as investment adviser to any registered investment company unless: (i) at least 75% of the fund's directors are independent of Federated; (ii) the chairman of each such fund is independent of Federated; (iii) no action may be taken by the fund's board or any committee thereof unless approved by a majority of the independent trustees of the fund or committee, respectively; and (iv) the fund appoints a "senior officer" who reports to the independent trustees and is responsible for monitoring compliance by the fund with applicable laws and fiduciary duties and for managing the process by which management fees charged to a fund are approved. The settlements are described in Federated's announcement which, along with previous press releases and related

communications on those matters, is available in the "About Us" section of Federated's website at **FederatedInvestors.com**.

Federated and various Funds have also been named as defendants in several additional lawsuits, the majority of which are now pending in the United States District Court for the Western District of Pennsylvania, alleging, among other things, excessive advisory and Rule 12b-1 fees.

The Board of the Funds has retained the law firm of Dickstein Shapiro LLP to represent the Funds in these lawsuits. Federated and the Funds, and their respective counsel, are reviewing the allegations and intend to defend this litigation. Additional lawsuits based upon similar allegations may be filed in the future. The potential impact of these lawsuits, all of which seek unquantified damages, attorneys' fees, and expenses, and future potential similar suits is uncertain. Although we do not believe that these lawsuits will have a material adverse effect on the Funds, there can be no assurance that these suits, ongoing adverse publicity and/or other developments resulting from the regulatory investigations will not result in increased Fund redemptions, reduced sales of Fund shares, or other adverse consequences for the Funds.

## FINANCIAL INFORMATION

### FINANCIAL HIGHLIGHTS

The Financial Highlights will help you understand the financial performance of each Fund's Institutional Shares for the past five years or since inception, if the life of the Share Class is shorter. Some of the information is presented on a per Share basis. Total returns represent the rate an investor would have earned (or lost) on an investment in the Fund, assuming reinvestment of any dividends and capital gains.

This information for the fiscal year ended July 31, 2007 has been audited by KPMG LLP, an independent registered public accounting firm, whose report, along with the Funds' audited financial statements, is included in the Annual Report. As discussed in the Annual Report, the information for prior years was audited by Deloitte & Touche LLP, another independent registered public accounting firm.

On August 18, 2006, the Funds' Board, upon recommendation of the Audit Committee, appointed KPMG LLP as the Funds' independent registered public accounting firm for the fiscal year ending July 31, 2007. On the same date, the Funds' former auditor, Deloitte & Touche LLP, resigned. See the Funds' Annual Report for further information regarding the change in independent registered public accounting firm.

## FINANCIAL HIGHLIGHTS

(For a Share Outstanding Throughout Each Period)

Year Ended	Net Asset Value, Beginning of Period	Net Investment Income	Net Realized and Unrealized Gain (Loss) on Investments	Total From Investment Operations	Distributions From Net Investment Income
<b>Government Obligations Fund</b>					
July 31, 2003	\$1.00	0.013	—	0.013	(0.013)
July 31, 2004	\$1.00	0.009	—	0.009	(0.009)
July 31, 2005	\$1.00	0.022	—	0.022	(0.022)
July 31, 2006	\$1.00	0.042	—	0.042	(0.042)
July 31, 2007 <sup>3</sup>	\$1.00	0.051	—	0.051	(0.051)
<b>Government Obligations Tax-Managed Fund</b>					
July 31, 2003	\$1.00	0.013	—	0.013	(0.013)
July 31, 2004	\$1.00	0.009	—	0.009	(0.009)
July 31, 2005	\$1.00	0.022	—	0.022	(0.022)
July 31, 2006	\$1.00	0.041	—	0.041	(0.041)
July 31, 2007 <sup>3</sup>	\$1.00	0.051	—	0.051	(0.051)
<b>Municipal Obligations Fund</b>					
July 31, 2003	\$1.00	0.012	—	0.012	(0.012)
July 31, 2004	\$1.00	0.009	(0.000) <sup>4</sup>	0.009	(0.009)
July 31, 2005	\$1.00	0.018	0.000 <sup>4</sup>	0.018	(0.018)
July 31, 2006	\$1.00	0.030	(0.000) <sup>4</sup>	0.030	(0.030)
July 31, 2007 <sup>3</sup>	\$1.00	0.035	0.000 <sup>4</sup>	0.035	(0.035)

<sup>1</sup> Based on net asset value.

<sup>2</sup> This expense decrease is reflected in both the net expense and net investment income ratios shown.

<sup>3</sup> For the year ended July 31, 2007, the Fund was audited by KPMG LLP. The previous years were audited by another independent registered public accounting firm.

<sup>4</sup> Represents less than \$0.001.

Further information about the Fund's performance is contained in the Funds' Annual Report, dated July 31, 2007, which can be obtained free of charge.

Net Asset Value, End of Period	Ratios to Average Net Assets				Net Assets, End of Period (000 omitted)
	Total Return <sup>1</sup>	Net Expenses	Net Investment Income	Expense Waiver/Reimbursement <sup>2</sup>	
\$1.00	1.30%	0.20%	1.30%	0.34%	\$6,166,411
\$1.00	0.92%	0.20%	0.91%	0.34%	\$5,134,296
\$1.00	2.20%	0.20%	2.17%	0.34%	\$5,721,965
\$1.00	4.30%	0.20%	4.22%	0.28%	\$6,619,952
\$1.00	5.25%	0.20%	5.14%	0.09%	\$8,943,042
\$1.00	1.26%	0.20%	1.25%	0.34%	\$1,521,953
\$1.00	0.89%	0.20%	0.88%	0.35%	\$1,159,503
\$1.00	2.17%	0.20%	2.15%	0.34%	\$1,206,111
\$1.00	4.21%	0.20%	4.15%	0.29%	\$1,556,092
\$1.00	5.18%	0.20%	5.06%	0.09%	\$2,062,328
\$1.00	1.25%	0.18%	1.19%	0.12%	\$1,570,532
\$1.00	0.94%	0.18%	0.94%	0.12%	\$2,144,468
\$1.00	1.82%	0.18%	1.85%	0.13%	\$3,040,759
\$1.00	3.01%	0.18%	2.99%	0.12%	\$3,490,983
\$1.00	3.57%	0.18%	3.48%	0.12%	\$4,067,288

## FINANCIAL HIGHLIGHTS

(For a Share Outstanding Throughout Each Period)

Year Ended	Net Asset Value, Beginning of Period	Net Investment Income	Net Realized and Unrealized Gain (Loss) on Investments	Total From Investment Operations
<b>Prime Cash Obligations Fund</b>				
July 31, 2003	\$1.00	0.014	—	0.014
July 31, 2004	\$1.00	0.010	—	0.010
July 31, 2005	\$1.00	0.022	—	0.022
July 31, 2006	\$1.00	0.043	—	0.043
July 31, 2007 <sup>3</sup>	\$1.00	0.052	—	0.052
<b>Prime Management Obligations Fund</b>				
July 31, 2005 <sup>4</sup>	\$1.00	0.024	—	0.024
July 31, 2006	\$1.00	0.043	—	0.043
July 31, 2007 <sup>3</sup>	\$1.00	0.052	—	0.052
<b>Prime Obligations Fund</b>				
July 31, 2003	\$1.00	0.014	(0.000) <sup>6</sup>	0.014
July 31, 2004	\$1.00	0.010	0.000 <sup>6</sup>	0.010
July 31, 2005	\$1.00	0.022	0.000 <sup>6</sup>	0.022
July 31, 2006	\$1.00	0.042	0.000 <sup>6</sup>	0.042
July 31, 2007 <sup>3</sup>	\$1.00	0.052	—	0.052

1 Based on net asset value. Total returns for periods of less than one year are not annualized.

2 This expense decrease is reflected in both the net expense and net investment income ratios shown.

3 For the year ended July 31, 2007, the Fund was audited by KPMG LLP. The previous years were audited by another independent registered public accounting firm.

4 Reflects operations for the period from August 11, 2004 (date of initial public investment) to July 31, 2005.

5 Computed on an annualized basis.

6 Represents less than \$0.001.

Further information about the Fund's performance is contained in the Funds' Annual Report, dated July 31, 2007, which can be obtained free of charge.

Distributions From Net Investment Income	Net Asset Value, End of Period	Ratios to Average Net Assets					Net Assets, End of Period (000 omitted)
		Total Return <sup>1</sup>	Net Expenses	Net Investment Income	Expense Waiver/Reimbursement <sup>2</sup>		
(0.014)	\$1.00	1.37%	0.18%	1.34%	0.11%	\$9,986,839	
(0.010)	\$1.00	0.99%	0.18%	0.98%	0.11%	\$8,605,478	
(0.022)	\$1.00	2.26%	0.18%	2.15%	0.11%	\$5,674,270	
(0.043)	\$1.00	4.36%	0.18%	4.21%	0.11%	\$4,363,938	
(0.052)	\$1.00	5.33%	0.18%	5.20%	0.11%	\$5,428,996	
(0.024)	\$1.00	2.39%	0.13% <sup>5</sup>	2.82% <sup>5</sup>	0.45% <sup>5</sup>	\$2,638,079	
(0.043)	\$1.00	4.38%	0.16%	4.26%	0.34%	\$1,986,138	
(0.052)	\$1.00	5.36%	0.17%	5.22%	0.15%	\$1,681,581	
(0.014)	\$1.00	1.36%	0.20%	1.34%	0.34%	\$20,110,135	
(0.010)	\$1.00	0.97%	0.20%	0.96%	0.34%	\$16,519,436	
(0.022)	\$1.00	2.24%	0.20%	2.19%	0.34%	\$15,600,659	
(0.042)	\$1.00	4.33%	0.20%	4.24%	0.28%	\$15,151,070	
(0.052)	\$1.00	5.30%	0.20%	5.18%	0.09%	\$16,469,931	

## FINANCIAL HIGHLIGHTS

(For a Share Outstanding Throughout Each Period)

Year Ended	Net Asset Value, Beginning of Period	Net Investment Income	Net Realized and Unrealized Gain (Loss) on Investments	Total From Investment Operations	Distributions From Net Investment Income
<b>Prime Value Obligations Fund</b>					
July 31, 2003	\$1.00	0.014	—	0.014	(0.014)
July 31, 2004	\$1.00	0.010	—	0.010	(0.010)
July 31, 2005	\$1.00	0.023	—	0.023	(0.023)
July 31, 2006	\$1.00	0.043	—	0.043	(0.043)
July 31, 2007 <sup>3</sup>	\$1.00	0.052	—	0.052	(0.052)
<b>Tax-Free Obligations Fund</b>					
July 31, 2003	\$1.00	0.011	(0.000) <sup>4</sup>	0.011	(0.011)
July 31, 2004	\$1.00	0.008	0.000 <sup>4</sup>	0.008	(0.008)
July 31, 2005	\$1.00	0.017	(0.000) <sup>4</sup>	0.017	(0.017)
July 31, 2006	\$1.00	0.029	(0.000) <sup>4</sup>	0.029	(0.029)
July 31, 2007 <sup>3</sup>	\$1.00	0.034	0.000 <sup>4</sup>	0.034	(0.034)
<b>Treasury Obligations Fund</b>					
July 31, 2003	\$1.00	0.013	0.000 <sup>4</sup>	0.013	(0.013)
July 31, 2004	\$1.00	0.009	—	0.009	(0.009)
July 31, 2005	\$1.00	0.021	—	0.021	(0.021)
July 31, 2006	\$1.00	0.041	—	0.041	(0.041)
July 31, 2007 <sup>3</sup>	\$1.00	0.051	—	0.051	(0.051)

<sup>1</sup> Based on net asset value.

<sup>2</sup> This expense decrease is reflected in both the net expense and net investment income ratios shown.

<sup>3</sup> For the year ended July 31, 2007, the Fund was audited by KPMG LLP. The previous years were audited by another independent registered public accounting firm.

<sup>4</sup> Represents less than \$0.001.

Further information about the Fund's performance is contained in the Funds' Annual Report, dated July 31, 2007, which can be obtained free of charge.

Distributions From Net Realized Gain on Investments	Total Distributions	Net Asset Value, End of Period	Total Return <sup>1</sup>	Ratios to Average Net Assets			Net Assets, End of Period (000 omitted)
				Net Expenses	Net Investment Income	Expense Waiver/Reimbursement <sup>2</sup>	
—	(0.014)	\$1.00	1.41%	0.17%	1.38%	0.12%	\$10,410,998
—	(0.010)	\$1.00	1.03%	0.17%	1.02%	0.12%	\$ 9,502,207
—	(0.023)	\$1.00	2.30%	0.17%	2.17%	0.12%	\$ 5,799,231
—	(0.043)	\$1.00	4.40%	0.17%	4.32%	0.12%	\$ 6,708,463
—	(0.052)	\$1.00	5.35%	0.17%	5.24%	0.12%	\$10,023,082
—	(0.011)	\$1.00	1.14%	0.20%	1.12%	0.34%	\$6,143,476
—	(0.008)	\$1.00	0.85%	0.20%	0.85%	0.34%	\$6,249,045
—	(0.017)	\$1.00	1.75%	0.20%	1.78%	0.34%	\$8,460,989
—	(0.029)	\$1.00	2.91%	0.20%	2.82%	0.29%	\$5,941,736
—	(0.034)	\$1.00	3.50%	0.20%	3.45%	0.09%	\$6,652,945
(0.000) <sup>4</sup>	(0.013)	\$1.00	1.27%	0.20%	1.25%	0.34%	\$5,085,604
—	(0.009)	\$1.00	0.86%	0.20%	0.85%	0.34%	\$5,558,392
—	(0.021)	\$1.00	2.12%	0.20%	2.12%	0.34%	\$5,733,139
—	(0.041)	\$1.00	4.20%	0.20%	4.14%	0.27%	\$6,419,380
—	(0.051)	\$1.00	5.17%	0.20%	5.04%	0.09%	\$6,723,409

## APPENDIX A: HYPOTHETICAL INVESTMENT AND EXPENSE INFORMATION

The following charts provide additional hypothetical information about the effect of a Funds' expenses, including investment advisory fees and other Fund costs, on the Funds' assumed returns over a 10-year period. Each chart shows the estimated expenses that would be incurred in respect of a hypothetical investment of \$10,000, assuming a 5% return each year, and no redemption of Shares. Each chart also assumes that the Funds' annual expense ratio stays the same throughout the 10-year period and that all dividends and distributions are reinvested. The annual expense ratio used in each chart is the same as stated in the "Fees and Expenses" table of this prospectus (and thus may not reflect any fee waiver or expense reimbursement currently in effect). The maximum amount of any sales charge that might be imposed on the purchase of Shares (and deducted from the hypothetical initial investment of \$10,000; the "Front-End Sales Charge") is reflected in the "Hypothetical Expenses" column. The hypothetical investment information does not reflect the effect of charges (if any) normally applicable to redemptions of Shares (e.g., deferred sales charges, redemption fees). Mutual fund returns, as well as fees and expenses, may fluctuate over time, and your actual investment returns and total expenses may be higher or lower than those shown below.

### GOVERNMENT OBLIGATIONS FUND - INSTITUTIONAL SHARES

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

### GOVERNMENT OBLIGATIONS TAX-MANAGED FUND - INSTITUTIONAL SHARES

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

### MUNICIPAL OBLIGATIONS FUND - INSTITUTIONAL SHARES

**ANNUAL EXPENSE RATIO: 0.55%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$56.22	\$10,445.00
2	\$10,445.00	\$522.25	\$10,967.25	\$58.73	\$10,909.80
3	\$10,909.80	\$545.49	\$11,455.29	\$61.34	\$11,395.29
4	\$11,395.29	\$569.76	\$11,965.05	\$64.07	\$11,902.38
5	\$11,902.38	\$595.12	\$12,497.50	\$66.92	\$12,432.04
6	\$12,432.04	\$621.60	\$13,053.64	\$69.90	\$12,985.27
7	\$12,985.27	\$649.26	\$13,634.53	\$73.01	\$13,563.11
8	\$13,563.11	\$678.16	\$14,241.27	\$76.26	\$14,166.67
9	\$14,166.67	\$708.33	\$14,875.00	\$79.65	\$14,797.09
10	\$14,797.09	\$739.85	\$15,536.94	\$83.19	\$15,455.56
Cumulative		\$6,129.82		\$689.29	

**PRIME OBLIGATIONS FUND - INSTITUTIONAL SHARES**

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

**PRIME CASH OBLIGATIONS FUND - INSTITUTIONAL SHARES**

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

**PRIME MANAGEMENT OBLIGATIONS FUND - INSTITUTIONAL SHARES**

**ANNUAL EXPENSE RATIO: 0.57%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$58.26	\$10,443.00
2	\$10,443.00	\$522.15	\$10,965.15	\$60.84	\$10,905.62
3	\$10,905.62	\$545.28	\$11,450.90	\$63.54	\$11,388.74
4	\$11,388.74	\$569.44	\$11,958.18	\$66.35	\$11,893.26
5	\$11,893.26	\$594.66	\$12,487.92	\$69.29	\$12,420.13
6	\$12,420.13	\$621.01	\$13,041.14	\$72.36	\$12,970.34
7	\$12,970.34	\$648.52	\$13,618.86	\$75.57	\$13,544.93
8	\$13,544.93	\$677.25	\$14,222.18	\$78.92	\$14,144.97
9	\$14,144.97	\$707.25	\$14,852.22	\$82.41	\$14,771.59
10	\$14,771.59	\$738.58	\$15,510.17	\$86.06	\$15,425.97
Cumulative		\$6,124.14		\$713.60	

**PRIME VALUE OBLIGATIONS FUND - INSTITUTIONAL SHARES**

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

**TAX-FREE OBLIGATIONS FUND - INSTITUTIONAL SHARES**

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONETREASURY OBLIGATIONS**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00

2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

#### FUND - INSTITUTIONAL SHARES

**ANNUAL EXPENSE RATIO: 0.54%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

Year	Hypothetical Beginning Investment	Hypothetical Performance Earnings	Investment After Returns	Hypothetical Expenses	Hypothetical Ending Investment
1	\$10,000.00	\$500.00	\$10,500.00	\$55.20	\$10,446.00
2	\$10,446.00	\$522.30	\$10,968.30	\$57.67	\$10,911.89
3	\$10,911.89	\$545.59	\$11,457.48	\$60.24	\$11,398.56
4	\$11,398.56	\$569.93	\$11,968.49	\$62.92	\$11,906.94
5	\$11,906.94	\$595.35	\$12,502.29	\$65.73	\$12,437.99
6	\$12,437.99	\$621.90	\$13,059.89	\$68.66	\$12,992.72
7	\$12,992.72	\$649.64	\$13,642.36	\$71.73	\$13,572.20
8	\$13,572.20	\$678.61	\$14,250.81	\$74.92	\$14,177.52
9	\$14,177.52	\$708.88	\$14,886.40	\$78.27	\$14,809.84
10	\$14,809.84	\$740.49	\$15,550.33	\$81.76	\$15,470.36
Cumulative		\$6,132.69		\$677.10	

A Statement of Additional Information (SAI) dated September 30, 2007 is incorporated by reference into this prospectus. Additional information about the Funds and their investments is contained in the Funds' SAI and Annual and Semi-Annual Reports to shareholders as they become available. The SAI contains a description of the Funds' policies and procedures with respect to the disclosure of their portfolio securities. To obtain the SAI, Annual Report, Semi-Annual Report and other information without charge, and to make inquiries, call your financial intermediary or the Funds at 1-800-341-7400.

These documents, as well as additional information about the Funds (including portfolio holdings, performance and distributions), are also available on Federated's website at [FederatedInvestors.com](http://FederatedInvestors.com).

You can obtain information about the Funds (including the SAI) by writing to or visiting the SEC's Public Reference Room in Washington, DC. You may also access Fund information from the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You can purchase copies of this information by contacting the SEC by email at [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102. Call 1-202-942-8090 for information on the Public Reference Room's operations and copying fees.

## Federated

WORLD-CLASS INVESTMENT MANAGER<sup>®</sup>

Money Market Obligations Trust  
Federated Investors Funds  
5800 Corporate Drive  
Pittsburgh, PA 15237-7000

Contact us at [FederatedInvestors.com](http://FederatedInvestors.com)  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

*Investment Company Act File No. 811-5950*

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## PRIVACY POLICY and NOTICE

Federated\* recognizes that you expect us to protect both your assets and your financial information. We respect your right to privacy and your expectation that all personal information about you or your account will be maintained in a secure manner. We are committed to maintaining the confidentiality, security and integrity of client and shareholder information. We want you to understand the Federated policy that governs the handling of your information, how Federated obtains information, how that information is used and how it is kept secure.

### INFORMATION FEDERATED RECEIVES

Federated may receive nonpublic personal information about you from the following sources:

- We may receive information from you or from your financial representative on account applications, other forms or electronically. Examples of this information may include your name, address, Social Security Number, assets and income.
- We may receive information from you or from your financial representative through transactions, correspondence, and other communications. Examples of this information include specific investments and your account balances.
- We may obtain other personal information from you in connection with providing you a financial product or service. Examples of this information include depository, debit, or credit account numbers.

### INFORMATION SHARING POLICY

Except as described below, Federated does not share customer information. We will not rent, sell, trade, or otherwise release or disclose any personal information about you. Any information you provide to us is for Federated's use only. If you decide to close your account(s) or become an inactive customer, we will adhere to these privacy policies and practices.

Federated will **not** disclose consumer information, account numbers, access numbers, or access codes for credit cards, deposit, or transaction accounts to any nonaffiliated third party for use in telemarketing, direct mail, or other marketing purposes.

Federated limits the sharing of nonpublic personal information about you with financial or non-financial companies or other entities, including companies affiliated with Federated, and other, nonaffiliated third parties, to the following exceptions:

- **We may share information when it is necessary and required to process a transaction or to service a customer relationship.** For example, information may be shared with a company that provides account record keeping services or a company that provides proxy services to shareholders.
- **We may share information when it is required or permitted by law.** For example, information may be shared to protect you against fraud or with someone who has a legal or beneficial interest, such as your power of attorney, or in response to a subpoena.
- **We may disclose some or all of the information described above with companies that perform marketing or other services on our behalf.** For example, we may share information about you with the financial intermediary (bank, investment adviser, or broker-dealer) through whom you purchased Federated products or services, or with providers of marketing, legal, accounting, or other professional services.

\* This privacy disclosure applies to: Federated Investors, Inc. and each of its wholly owned broker-dealers, investment advisers and other subsidiaries, including Edgewood Services, Inc., Passport Research Ltd., Federated MDIA LLC, and each of the funds managed by Federated, whether or not named "Federated," including the Edward Jones Money Market Fund, and all portfolios of Cash Trust Series, Inc., Cash Trust Series II, and Money Market Obligations Trust.

## PRIVACY POLICY and NOTICE *(continued)*

### INFORMATION SECURITY

When Federated shares nonpublic customer information referred to above, the information is made available for limited purposes and under controlled circumstances designed to protect our customers' privacy. We require third parties to comply with our standards for security and confidentiality. We do not permit use of customer information for any other purpose nor do we permit third parties to rent, sell, trade or otherwise release or disclose information to any other party. These requirements are included in written agreements between Federated and third-party service providers.

Federated maintains physical, electronic, and procedural safeguards to protect your nonpublic personal information, and has procedures in place for its appropriate disposal and protection against its unauthorized access or use when we are no longer required to maintain the information.

Each of the following sections explains an aspect of Federated's commitment to protecting your personal information and respecting your privacy.

### EMPLOYEE ACCESS TO INFORMATION

All Federated employees must adhere to Federated's confidentiality policy. Employee access to customer information is authorized for business purposes only. The degree of access is based on the sensitivity of the information and on an employee's need for the information to service a customer's account or comply with legal requirements.

### VISITING A FEDERATED WEBSITE

- Federated's Website maintains statistics about the number of visitors and the information viewed most frequently. These statistics are used to improve the content and level of service we provide to our clients and shareholders.
- Information or data entered into a Website will be retained.
- Where registration or reentering personal information on a Website is required, "cookies" are used to improve your online experience. A cookie is a small file stored on your computer that recognizes whether you have visited our site before and identifies you each time you visit. Cookies provide faster access into the Website.
- We may also obtain non-personally identifiable Internet Protocol ("IP") addresses for all other visitors to monitor the number of visitors to the site; these addresses are never shared with any third party.

### RESTRICTED ACCESS WEBSITE

Federated provides a restricted section of its Website for Investment Professionals. Information entered in that site is only accessible by Federated employees or Federated's Internet service provider who maintains Website functionality. Federated does not permit the use of that information for any purpose, or the renting, selling, trading, or otherwise releasing or disclosing of information to any other party.

### E-MAIL

If you have opted to receive marketing information from Federated by e-mail, our policy requires that all messages include instructions for canceling subsequent e-mail programs. Some products or services from Federated are intended to be delivered and serviced electronically. E-mail communication may be utilized in such cases. If you participate in an employer-sponsored retirement plan administered by Federated, we may, at your employer's request, send e-mail to you on matters pertaining to the retirement plan.

Please do not provide any account or personal information such as Social Security Numbers, account numbers, or account balances within your e-mail correspondence to us. We will not use unsecured e-mail to execute transaction instructions, provide personal account information, or change account registration. We will use e-mail to provide you with the forms necessary to authorize transactions and account changes. You may also call Client Services to request transactions or forms; the toll-free number is 1-800-341-7400.

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## **PRIVACY POLICY and NOTICE** *(continued)*

### **SURVEYS/AGGREGATE DATA**

Periodically, Federated may conduct surveys about financial products and services or review elements of customer information in an effort to forecast future business needs. We then generate reports that are used for Federated's planning, statistical and other corporate purposes. These reports include aggregate data about customers and may include information on Website traffic patterns and related information. Aggregate data classifies customer information in various ways, but does not identify individual customers. While aggregate data may be shared with external parties, such as marketing organizations, it does not include information by which a customer may be identified.

### **PERSONAL DATA**

Reentering personal information in order to register for additional services or to transmit a request is time-consuming and unnecessary. In order to reduce or eliminate the need to reenter information you have already supplied, Federated uses cookies—a small file that is stored on your computer—to pre-paste your name, address, and other basic information on request forms or access screens of our Website.

### **PROSPECT CONNECT (FORMERLY E-MARKETING MAILERS)**

The information you enter into this database is for your use only. It is not accessible by anyone, except by Federated employees or those of Federated's Internet service provider, who are responsible for maintaining the Prospect Connect functionality on your behalf. In no case does Federated view, print, rent, sell, or license the use of this information to anyone.

### **CHANGES TO OUR PRIVACY STATEMENT**

Federated reserves the right to modify or remove parts of this privacy statement at any time. We will notify you in advance of any changes that may affect your rights under this policy statement.

### **WE WELCOME YOUR COMMENTS**

Federated welcomes your questions and comments about our Privacy Policy. You can e-mail us at [services@FederatedInvestors.com](mailto:services@FederatedInvestors.com) or call us at 1-800-341-7400.

*July 14, 2006*

**This page is not part of the prospectus**

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*Cusip 60934N104  
Cusip 60934N856  
Cusip 60934N658  
Cusip 60934N203  
Cusip 60934N625  
Cusip 60934N112  
Cusip 60934N583  
Cusip 60934N401  
Cusip 60934N500*

*G02705-01 (9/07)*

# GOVERNMENT OBLIGATIONS FUND

# Federated

WORLD-CLASS INVESTMENT MANAGER<sup>®</sup>

## PORTFOLIO AS OF NOVEMBER 30, 2007 CURRENT NET ASSETS -- \$ 21,964,373,938

Principal Amount or Shares		Value
<b>GOVERNMENT AGENCIES--21.8%</b>		
\$ 2,733,000,000	(1) Federal Home Loan Bank System Floating Rate Notes, 4.678% - 5.585%, 12/5/2007 - 2/26/2008	\$ 2,733,343,933
953,540,000	Federal Home Loan Bank System Notes, 3.500% - 5.380%, 3/6/2008 - 11/28/2008	953,151,409
167,000,000	(2) Federal Home Loan Mortgage Corp. Discount Notes, 4.890% - 5.010%, 1/7/2008 - 3/3/2008	165,529,169
149,500,000	Federal Home Loan Mortgage Corp. Notes, 5.295% - 5.750%, 12/5/2007 - 4/15/2008	149,660,353
183,441,000	(2) Federal National Mortgage Association Discount Notes, 4.905% - 5.000%, 2/29/2008 - 5/12/2008	179,740,542
185,000,000	(1) Federal National Mortgage Association Floating Rate Note, 5.038%, 12/28/2007	184,992,713
57,000,000	Federal National Mortgage Association Note, 5.300%, 1/8/2008	56,999,722
361,534,000	(1) Housing and Urban Development Floating Rate Note, 5.111%, 12/1/2007	361,534,000
	<b>TOTAL GOVERNMENT AGENCIES</b>	<b>4,784,951,841</b>
<b>REPURCHASE AGREEMENTS--78.4%</b>		
408,000,000	ABN AMRO Bank NV, New York, 4.650%, dated 11/30/2007, due 12/3/2007	408,000,000
175,000,000	BMO Capital Markets Corp., 4.640%, dated 11/30/2007, due 12/3/2007	175,000,000
373,895,000	BNP Paribas Securities Corp., 3.110%, dated 11/30/2007, due 12/3/2007	373,895,000
852,490,000	BNP Paribas Securities Corp., 4.640%, dated 11/30/2007, due 12/3/2007	852,490,000
263,000,000	(3) BNP Paribas Securities Corp., 4.640%, dated 11/7/2007, due 1/7/2008	263,000,000
375,000,000	(3) BNP Paribas Securities Corp., 4.650%, dated 11/19/2007, due 1/18/2008	375,000,000
676,000,000	(3) Banc of America Securities LLC, 4.570%, dated 11/1/2007, due 12/31/2007	676,000,000
253,000,000	(3) Banc of America Securities LLC, 4.600%, dated 11/2/2007, due 12/17/2007	253,000,000
748,000,000	Banc of America Securities LLC, 4.630%, dated 11/30/2007, due 12/3/2007	748,000,000
1,000,000,000	Bank of America N.A., 4.630%, dated 11/30/2007, due 12/3/2007	1,000,000,000
577,221,000	Barclays Capital, Inc., 4.630%, dated 11/30/2007, due 12/3/2007	577,221,000
120,000,000	(3) Barclays Capital, Inc., 5.285%, dated 4/11/2007, due 4/10/2008	120,000,000
300,850,000	Bear Stearns & Co., Inc., 4.640%, dated 11/30/2007, due 12/3/2007	300,850,000
500,000,000	Calyon, Paris, 4.720%, dated 11/30/2007, due 12/3/2007	500,000,000
1,000,000,000	Citigroup Global Markets, Inc., 4.640%, dated 11/30/2007, due 12/3/2007	1,000,000,000
450,000,000	Credit Suisse First Boston LLC, 4.630%, dated 11/30/2007, due 12/3/2007	450,000,000
600,000,000	Credit Suisse First Boston LLC, 4.640%, dated 11/30/2007, due 12/3/2007	600,000,000
478,000,000	(3) Credit Suisse First Boston LLC, 4.650%, dated 11/13/2007, due 12/12/2007	478,000,000
729,000,000	Deutsche Bank Securities, Inc., 4.630%, dated 11/30/2007, due 12/3/2007	729,000,000
600,000,000	Greenwich Capital Markets, Inc., 4.640%, dated 11/30/2007, due 12/3/2007	600,000,000
1,000,000,000	HSBC Securities (USA), Inc., 4.670%, dated 11/30/2007, due 12/3/2007	1,000,000,000

Principal Amount or Shares		Value
1,160,355,000	ING Financial Markets LLC, 4.640%, dated 11/30/2007, due 12/3/2007	1,160,355,000
350,000,000	(3) ING Financial Markets LLC, 4.730%, dated 11/20/2007, due 1/4/2008	350,000,000
125,000,000	J.P. Morgan Securities, Inc., 3.000%, dated 11/30/2007, due 12/3/2007	125,000,000
421,000,000	J.P. Morgan Securities, Inc., 4.630%, dated 11/30/2007, due 12/3/2007	421,000,000
521,809,000	Merrill Lynch Government Securities, 4.630%, dated 11/30/2007, due 12/3/2007	521,809,000
700,000,000	Morgan Stanley & Co., Inc., 4.600%, dated 11/30/2007, due 12/3/2007	700,000,000
275,000,000	RBC Capital Markets Corp., 4.650%, dated 11/30/2007, due 12/3/2007	275,000,000
1,000,000,000	Societe Generale, Paris, 4.640%, dated 11/30/2007, due 12/3/2007	1,000,000,000
100,000,000	UBS Securities LLC, 3.050%, dated 11/30/2007, due 12/3/2007	100,000,000
263,000,000	(3) UBS Securities LLC, 4.740%, dated 11/28/2007, due 1/28/2008	263,000,000
381,000,000	(3) UBS Securities LLC, 4.780%, dated 10/16/2007, due 1/15/2008	381,000,000
67,000,000	(3) UBS Securities LLC, 5.315%, dated 5/31/2007, due 5/27/2008	67,000,000
200,000,000	WAMU Capital Corp., 4.680%, dated 11/30/2007, due 12/3/2007	200,000,000
175,000,000	Wachovia Securities, Inc., 4.650%, dated 11/30/2007, due 12/3/2007	175,000,000
<b>TOTAL REPURCHASE AGREEMENTS</b>		<b>17,218,620,000</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 22,003,571,841</b>

- (1) Floating rate note with current rate and next reset date shown.
- (2) Discount rate at time of purchase.
- (3) Although the repurchase date is more than seven days after the date of purchase, the fund has the right to terminate the repurchase agreement at any time with seven-days' notice.

Note: The categories of investments are shown as a percentage of net assets (\$21,964,373,938) at the close of business on November 30, 2007, and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

The following acronym is used throughout this portfolio:

LLC --Limited Liability Corporation

Note: An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Portfolio holdings are shown as of the date indicated and are unaudited. Since market conditions fluctuate suddenly and frequently, the portfolio holdings may change and this list is not indicative of future portfolio composition. These portfolio holdings are not intended to be and do not constitute recommendations that others buy, sell, or hold any of the securities listed.

For more complete information on the fund, visit [www.FederatedInvestors.com](http://www.FederatedInvestors.com) for a prospectus. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.

**NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE**

Federated Securities Corp., Distributor  
11/07

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