





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

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

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

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















***Secondary Market  
Disclosure***

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

Sources of credit data include:

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

This information is collected from:

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

***Evaluator Contacts***

J.R. Rieger (212) 438-5261  
Mike Maples (212) 438-4425  
Mike O'Connor (212) 438-4407

Barney DiBenedetto (212) 438-4508  
Lenny Coviello (212) 438-4408







