

FEDERATED INVESTMENT COUNSELING

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FederatedInvestors.com

March 12, 2012

Federated Investment Counseling is a registered investment adviser. This registration does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Federated Investment Counseling. If you have any questions about the content of this brochure, please contact us at 1-800-245-4770 (select option 3). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Federated Investment Counseling also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

As required by SEC rules, through this summary, Federated Investment Counseling is identifying and discussing the changes from its last annual update to its Form ADV, Part 2A, brochure, dated March 31, 2011, that it believes may be material.

In the discussion immediately below, we are discussing only changes believed to be material from the last annual update of our brochure dated March 31, 2011. In the section below labeled “Certain Other Changes,” we also discuss certain (but not all) other changes to our brochure from our last annual update. We encourage you to use this summary to determine whether to review our amended annual updated brochure, dated March 12, 2012 (Updated Brochure), in its entirety or to contact Federated Investment Counseling with questions about the changes.

Under Section F (“Our Assets Under Management”) in Item 4 (“Advisory Business”) of our brochure, Federated Investment Counseling is updating its assets under management because they have changed. Accordingly, under Section F in Item 4, please replace the existing text with the following:

As of December 31, 2011, Federated Investment Counseling had \$58,497,178,998 in assets under management. As of such date, our assets under management consisted of \$56,629,752,347 of assets that we managed on a discretionary basis. These include assets for which we provided Investment Supervisory Services and exercised discretionary authority or non-discretionary authority with trading responsibility. As of such date, our assets under management also consisted of \$1,867,426,651 of assets that we managed on a non-discretionary basis. These include assets for which we provided non-discretionary services and did not have trading responsibility. This latter category generally includes our Model Portfolio Management Services.

Under Section A.1 (“Our Basic Fee Schedules -- Separate Accounts, Managed Accounts, and Model Portfolio Management Services”) in Item 5 (“Fees and Compensation”) of our brochure, we are updating our basic fee schedule for our “Trade Finance Fixed Income Accounts” because it has changed. The basis point fee for the second and third breakpoint has increased by 5 basis points, and we have eliminated the performance based fee for this strategy. Accordingly, under Section A.1 in Item 5, please replace the fee schedule for “Trade Finance Fixed Income Accounts” with the following:

Trade Finance Fixed Income Accounts:

100 basis points - first \$25 million in assets under management (AUM)

80 basis points - over \$25 million to \$50 million in AUM

75 basis points - over \$50 million to \$100 million in AUM

Fee negotiable - over \$100 million in AUM

Under Section A.2 (“Our Basic Fee Schedules -- Pooled Investment Vehicles”) in Item 5 (“Fees and Compensation”) of our brochure, Federated Investment Counseling is updating our fee range because it has changed from “0.08% to 0.50%” to “0.07% to 0.50%.” Accordingly, under Section A.2 in Item 5, please replace the text for “Pooled Investment Vehicles” with the following:

Federated Investment Counseling’s fees for providing Investment Supervisory Services to Pooled Investment Vehicles may be consistent with the basic fee information and terms discussed above but also may vary depending upon the type of Pooled Investment Vehicle (collective or common fund, local government investment pool, etc.) and the scope of services being provided. The asset-based fees we currently receive generally range from 0.07% to 0.50%. We also may receive a negotiated flat fee for assisting the Other Advisors in locating purchasers for assets held in Pooled Investment Vehicles for which the Other Advisors serve as trustees. We do not require any Pooled Investment Vehicles to prepay investment advisory fees (therefore, our fees are not refundable).

Under Section C.2 (“Relationships with Certain Related Persons -- Other Investment Advisers”) in Item 10 (“Other Financial Industry Activities and Affiliations”) in our brochure, we are adding disclosure under the heading “Foreign Advisers” regarding Federated Prime Rate Capital Management LLP, which is based in the United Kingdom (“U.K.”) and registered as an investment adviser in the U.K. Federated Investment Counseling’s ultimate parent company, Federated Investors, Inc., is expected to complete its acquisition of Prime Rate Capital Management LLP (which will change its name to Federated Prime Rate Capital

Management LLP) on or before March 31, 2012. After the acquisition, Federated Investment Counseling, and its affiliate, Federated Advisory Services Company, will provide certain credit research and oversight services to Federated Prime Rate Capital Management LLP for to-be-agreed upon compensation most likely in the form of an inter-company credit. Accordingly, under the heading “International Advisers” under Section C.2 in Item 10, please replace the list of international advisers with the following list:

“Federated International Management Limited; Federated Asset Management GmbH, and Federated Prime Rate Capital Management LLP.”

In Item 15 (“Custody”) in our brochure, Federated Investment Counseling is updating this item to provide disclosure regarding certain prime brokerage arrangements that Federated Investment Counseling has been required to enter into by a Managed Account Program Sponsor. Accordingly, in Item 15, please insert the following text after the existing second paragraph:

“Certain Managed Account Program Sponsors require us to execute trades for clients using prime brokerage arrangements. In these Managed Account Programs, we serve as a discretionary portfolio manager for clients in the Managed Account Program Sponsor’s Managed Account Program. Under these prime brokerage arrangements, the Managed Account Program Sponsor, acting as the prime broker, generally requires that we only utilize clearing brokers (“Executing Brokers”) with which the Managed Account Program Sponsor has prime brokerage agreements in place. In addition to our agreement with the Managed Account Program Sponsor, we are required to enter into agreements with the Executing Brokers for their execution/clearing services on behalf of the clients. These agreements with the Executing Brokers establish accounts at the Executing Broker in the name, or for the benefit, of the clients for purposes of executing trades. Under the client agreement between the Managed Account Program Sponsor and the client, in addition to other provisions relating to the prime brokerage arrangements, the client grants the authority to give instructions to each Executing Broker and to take all other actions necessary or incidental to the execution of such instructions. Based on this authorization, the Managed Account Program Sponsor also grants the authority to us to give instructions to each Executing Broker. The Managed Account Program Sponsor also has confirmed that we have the authority under the client agreement, and our agreement with the Managed Account Program Sponsor, to enter into the agreements with the Executing Brokers required by the prime brokerage arrangement. In addition to establishing accounts in the name, or for the benefit of, clients for purposes of executing trades, these agreements with the Executing Brokers purport to bind clients to arbitration clauses, confirmation waivers, consents to disclosure of financial information, acknowledgements of receipt of required disclosures, security interest grants and other provisions, all in connection with executing trades through the prime brokerage arrangement required by the Managed Account Program Sponsor. When entering into the agreements with the Executing Brokers, and executing trades through these prime brokerage arrangements, (1) we are acting pursuant to the authority granted, and requirements imposed by, the Managed Account Program Sponsor and the clients for purposes of effecting trades in the clients’ accounts under the Managed Account Program, (2) we do not have possession or control over the client assets or the authority to withdraw client cash, securities or other assets or to otherwise obtain possession of client cash, securities or other assets, and (3) we do not have ownership of or access to client cash, securities or other assets.”

Certain Other Changes

Under Section D.4 (“The Types of Accounts/Products We Manage – Other Pooled Investment Vehicles”) in Item 4 (“Advisory Business”) of our brochure, we are updating the text to remove the reference to collateral debt obligations (“CDO”) because we no longer manage a CDO. Accordingly, under Section D.4 of Item 4, please remove the first sentence and bullet points and replace them with the following:

Federated Investment Counseling may provide Investment Supervisory Services to a variety of other pooled investment vehicles, such as, for example:

- Investment vehicles or funds that are domiciled outside of the United States;
- Collective funds, common funds, common and collective trust funds, or group trusts, (collectively, collective or common funds);
- Hedge funds;
- Local government investment pools; and

- Other investment vehicles or products.

Under Section A (“Types of Clients”) in Item 7 (“Types of Clients”) of our brochure, Federated Investment Counseling is updating the text to remove the reference to collateralized debt obligations (“CDO”) because we no longer manage a CDO. Accordingly, under Section A in Item 7, please remove the reference to “collateralized debt obligations (CDO), including collateralized bond obligations (CBOs).”

Under Section A (“Selection Criteria for Brokers/Dealers”) in Item 12 (“Brokerage Practices”) of our brochure, we are updating the text to clarify the description of our practices by moving language from Section A.1 (“Selection Criteria for Brokers/Dealers -- Research and Other Soft Dollar Benefits”) in Item 12 up into the language under the heading “Selection Criteria for Brokers/Dealers” in Section A. Accordingly, under Section A in Item 12, please replace the text that appears under the heading “Selection Criteria for Broker/Dealers” and before Section A.1 with the following text:

“Federated Investment Counseling has two “Brokerage Practices” committees - one for equity securities and one for fixed income securities - charged with oversight of the firm's brokerage and trading practices, which are more fully discussed below. A primary function, among others, of the Committees is to oversee our efforts to seek to achieve “best execution” in connection with client transactions. Generally, best execution can be described as seeking the best available price, in the best available market - giving effect to quantitative and qualitative factors. In seeking “best execution,” the trader looks for the best available price in the best available market so that a client’s total cost or proceeds from any trade are the most favorable under the circumstances. Cost includes “all in” costs of the trade proceeds, not necessarily the lowest commission rate nor the most expeditious execution. In making the selection, the trader considers the following:

- Trader’s evaluation of each broker/dealer, in total, and in each asset and market group;
- Price;
- Order size;
- Type of security;
- Market conditions;
- Cost and difficulty of execution;
- Likelihood of execution;
- The broker’s/dealer’s capital commitment;
- The broker’s/dealer’s knowledge of the market;
- The broker’s/dealer’s ability to execute desired volume;
- The broker’s/dealer’s ability to act with minimum market impact;
- The broker’s/dealer’s confidentiality;
- The broker’s/dealer’s error correction capability;
- The broker’s/dealer’s familiarity with the security, market conditions, trader, and similar factors;
- The broker’s/dealer’s reliability; and/or
- The broker’s/dealer’s financial strength and record.”

Under Section A.1 (“Selection Criteria for Brokers/Dealers -- Research and Other Soft Dollar Benefits”) in Item 12 (“Brokerage Practices”) of our brochure, we are updating the text following the bullet points to further clarify our practices. Accordingly, under Section A.1 in Item 12, please remove the text that appears after the bullet points and replace it with the following:

“Where Research and Brokerage Services are not used exclusively by Federated Investment Counseling for purposes of making investment decisions, we, based upon our allocation of expected use, bear that portion of the cost of Research

and Brokerage Services that are not related to making investment decisions. The Brokerage Practices Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. For example, to the extent that receipt of Research and Brokerage Services may supplant services for which Federated Investment Counseling or our related person might otherwise have paid, it would tend to reduce expenses. When Research and Brokerage Services are received, clients may pay commissions (or markups or markdowns) higher than those charged by other brokers/dealers (from or through which such Research and Brokerage Services were not received) in return for the soft dollar benefits received. This practice is known as “paying-up.”

Research and Brokerage Services received from or through brokers/dealers are used by Federated Investment Counseling and our related persons (*e.g.*, the other Federated Advisory Companies) in advising their respective clients, are supplemental to our own research and, when utilized, are subject to internal analysis before being incorporated by us into our investment management process. We use the Research and Brokerage Services (*i.e.*, soft dollar benefits) to service client accounts or investment products. We do not give any assurances that Research and Brokerage Services received from a broker/dealer that executes a client’s transactions will be used in managing that client’s portfolio, nor will services be used exclusively for the benefit of that client.

When allocating soft dollar benefits to client accounts or investment products, while we do not seek to allocate soft dollar benefits to client accounts strictly proportionally to the soft dollar credits the accounts generate, our procedures strive to allocate them in a relatively equal manner. The Group Head of Equity Trading and the CIO of Equities establish a commission budget for the year identifying a breakdown in commission types (for example, discount, proprietary research, etc.). Equity investment personnel vote on the research services to which they would like to subscribe. That output further defines the underlying breakdown of the applicable commission types. The Group Head of Equity Trading regularly monitors the “commission type” breakdown of all trades executed by each individual trader. Under the directive of “best execution,” the Group Head of Equity Trading will work to have traders conform to the commission budget as best as possible. This seeks to ensure that the underlying accounts that are generating commissions, of which the traders transact for, are also consuming those services in a relatively equal manner.

When selecting brokers/dealers to execute transactions for client accounts or investment products in return for soft dollar benefits, each trader selects the brokers/dealers that the trader reasonably believes will provide the best execution for each trade. “

Under Section B (“Reports to Clients”) in Item 13 (“Review of Accounts”) of our brochure, we are removing the second and third sentences of the seventh paragraph because we no longer manage a collateralized debt obligation (“CDO”). Accordingly, under Section B in Item 13, please replace the text in the seventh paragraph with the following:

“Federated Investment Counseling may provide reports to Pooled Investment Vehicle clients as reasonably requested by the client, or its governing body, or as required in the organic documents for such client.”

Under Section B.1 (“Proxy Voting Policies”) in Item 17 (“Voting Client Securities”) of our brochure, we added the following as the last paragraph in Section A.1 to disclose that there may be circumstances in which proxies or corporate actions cannot be voted:

“If proxies or corporate actions are not delivered in a timely or otherwise appropriate basis, Federated Investment Counseling may not be able to vote a particular proxy or proxies.”

Under Section D.1 (“How to Obtain Information About How Federated Investment Counseling Voted With Respect to a Security Held in the Client’s Account or a Copy of Our Proxy Voting Policies and Procedures – Private Investment Company Clients”) in Item 17 (“Voting Client Securities”) in our brochure, we are updating the instructions under the heading “Private Investment Company Clients” to provide revised instructions as to where to locate “Form PX” through Federated’s website. Accordingly, under Section D.1 in Item 17, please replace the text under the heading “Private Investment Companies” with the following:

“A report on "Form N-PX" of how Federated Investment Counseling voted any proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to FederatedInvestors.com; from the home page, select “All” under “Asset Classes”; select the fund or account name to go to the next page; on the next page, select the “Documents” or “View More Documents” tab; at the bottom of that page, select “Proxy Voting Record Report (Form N-PX).” Form N-PX filings are also available at the SEC’s website at www.sec.gov.

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ITEM 4. ADVISORY BUSINESS

This brochure explains Federated Investment Counseling's advisory business, and provides important information about us and, in certain cases, our affiliates and our related persons. Our related persons include our affiliates, as well as our non-clerical/administrative employees and our officers, partners, and directors/trustees (and any person performing a similar function).

Thank you for considering Federated Investment Counseling as your investment adviser. We encourage you to read this brochure completely and carefully. You may contact us at the phone number provided on the cover page of this brochure if you have any questions or to request another copy of this brochure. You also may obtain this brochure from our website (FederatedInvestors.com) free of charge. Additional information about us, our investment adviser representatives, and our affiliates that are domestic registered investment advisers (together with us, each a Federated Advisory Company and, collectively, the Federated Advisory Companies) also is available via the SEC's website at www.adviserinfo.sec.gov. These registrations do not imply a certain level of skill or training.

A. How We are Organized

We organized as a Delaware statutory trust on April 11, 1989. We first registered with the SEC as an investment adviser under the Advisers Act on June 12, 1989. This registration does not imply a certain level of skill or training.

B. Our Ownership Structure

We are an indirect, wholly-owned subsidiary of Federated Investors, Inc. Federated Investors is organized as a Pennsylvania corporation and is a publicly owned company (Ticker Symbol: FII). Federated Investors owns 100% of the outstanding voting securities of FII Holdings, Inc., which is a Delaware corporation. FII Holdings owns 100% of the outstanding voting securities of Federated Investment Counseling.

Federated Investors owns seven other domestic advisory subsidiaries that are under common control with, and affiliates of, Federated Investment Counseling. These other Federated Advisory Companies are identified in the section of this brochure entitled "Other Financial Industry Activities and Affiliations." The Federated Advisory Companies collectively provide advisory services to a variety of separately managed accounts or wrap fee accounts (Managed Accounts), institutional, or high net worth individual, separate accounts (Separate Accounts), registered investment companies or mutual funds (Investment Companies), private investment companies (Private Investment Companies), other pooled investment vehicles (Pooled Investment Vehicles), and proprietary accounts and funds (Proprietary Accounts). Federated Investors also owns other companies, both in the United States and in certain other countries, such as broker-dealers, management companies, and trust companies. (Please refer to "Other Financial Industry Activities and Affiliations" in this brochure for further information regarding our affiliates.)

C. Our Advisory Services

Federated Investment Counseling currently provides investment supervisory services, model portfolio management services, and other investment advisory services as discussed in this brochure. These services are both discretionary and non-discretionary advisory services.

1. Investment Supervisory Services

Federated Investment Counseling provides continuous and regular investment supervisory or management services (Investment Supervisory Services) to clients as discussed in this brochure. We provide Investment Supervisory Services when we have discretionary authority over a client's assets and provide ongoing supervisory or management services with respect to the client's assets. We generally exercise discretionary authority without prior client consultation. (Please refer to "Investment Discretion" in this brochure for further information regarding the discretionary authority we accept when managing client assets.)

We also provide Investment Supervisory Services when we do not have discretionary authority over a client's assets, but we have ongoing responsibility to select and make recommendations to a client as to specific securities or other investments that may be purchased or sold for a client's account. In these instances, if our recommendations are accepted by the client, we are responsible for arranging or effecting the purchase or sale of such securities or other

investments. Because we do not have discretionary authority, we may refer to these services as non-discretionary advisory services.

We strive to tailor our Investment Supervisory Services to the individual needs of our clients. For example, we generally permit clients to impose reasonable restrictions on investment in certain securities or types of securities. We will consider a restriction reasonable if, in our judgment, the restriction does not impair, in any material or other significant manner, our ability to manage a client's assets in accordance with the investment strategy and guidelines for that client's account. We review a client's investment guidelines and discuss them with the client. We also intend to perform our Investment Supervisory Services in accordance with SEC Rule 3a-4 under the Investment Company Act of 1940 (Investment Company Act) to the extent required under applicable law or the terms of a client's investment management agreement(s). (Please refer to "Methods of Analysis, Investment Strategies and Risk of Loss, and "Investment Discretion," in this brochure for further information on our methods of analysis and investment strategies (and the risks associated with them and the restrictions clients may impose on our services.)

In the case of Managed Accounts and other discretionary investment accounts that we manage using certain fixed income or other investment strategies, we may implement these investment strategies by investing client assets in certain affiliated Investment Companies (or mutual funds) advised by Federated Investment Counseling or other Federated Advisory Companies. These affiliated Investment Companies do not have expenses. Clients bear expenses charged directly to the Managed Accounts. In these instances, we also may invest client assets in a portfolio of individual fixed income or other securities or investments, or in a combination of individual fixed income or other securities or investments and affiliated Investment Companies. We determine how to invest the client assets based upon the type of client account, applicable investment objectives, guidelines and policies, restrictions or instructions, or other relevant factors. In these cases, the affiliated Investment Companies are reasonably believed to be designed to purchase securities required for the fixed income or other investment strategies that cannot be efficiently held individually in client accounts, but can be effectively held in a pooled vehicle, such as a mutual fund. (Please refer to "Performance-Based Fees and Side by Side Management," "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading," and "Brokerage Practices" in this brochure for further information regarding investments in affiliated Investment Companies.)

In connection with the Investment Supervisory Services that Federated Investment Counseling provides, we also generally are responsible for providing investment research and investment evaluation services. We also typically provide certain reports, as requested by clients and agreed to by us, to our clients. Additional information, including performance reports prepared in compliance with Global Investment Performance Standards (GIPS), is available at FederatedInvestors.com. (Please refer to "Review of Accounts" in this brochure for additional information regarding the nature and frequency of regular reports that we provide to our clients.)

When acting in our capacity as investment adviser to certain Proprietary Accounts, Federated Investment Counseling provides investment research and supervises the investments of our clients and conducts a continuous program of investment evaluation. We also provide advice regarding appropriate sales or other dispositions and reinvestment of such client's portfolios. In all cases, our advice is subject to the investment objective, policies and limitations of our clients.

2. Model Portfolio Management Services

Federated Investment Counseling also furnishes investment advice and recommendations through the provision of model portfolios for certain of our investment strategies and periodic updates to the model portfolios (Model Portfolio Management Services). We typically provide these services to investment advisory firms or other managers (Overlay Managers). These Overlay Managers utilize our model portfolios and periodic updates, either alone or together with other model portfolios provided by the Overlay Managers or other investment advisers, to manage the assets of the Overlay Manager's clients. In certain cases, we provide our model portfolios, and periodic updates, to technology or other companies or turn-key asset management providers that operate platforms or programs (Platform Providers) in which Overlay Managers participate. These Platform Providers make our model portfolios available to Overlay Managers that use their platforms.

When providing Model Portfolio Management Services, we generally do not have investment discretion (the Overlay Manager has investment discretion). We generally do not have trading responsibilities. We do not have an advisory relationship with the Overlay Manager's clients. We also do not manage our model portfolios on the basis of the

financial situation or investment objectives of individual clients. We generally only manage our model portfolio. Given that we generally do not have investment discretion when providing our Model Portfolio Management Services, these services are sometimes referred to as non-discretionary investment advisory services.

In connection with our Model Portfolio Management Services, Federated Investment Counseling also generally is responsible for providing investment research and investment evaluation services, all on a non discretionary basis.

In certain cases, we provide a model portfolio to an Overlay Manager and we effect trades resulting from model portfolio changes and the Overlay Manager effects transactions in clients' accounts for reallocation and other purposes in accordance with the investment management agreements between the Overlay Manager and its clients and the Overlay Manager and us. To the extent that we have such trading responsibilities, we provide Investment Supervisory Services.

3. Other Advisory Services

Federated Investment Counseling provides Investment Supervisory Services to banks, trust companies and other investment advisers (collectively, Other Advisors) and to Private Investment Companies, Pooled Investment Vehicles and Proprietary Accounts. These services (Other Advisory Services) may include:

- Acting as an adviser or a sub-adviser for trust funds, Managed Accounts, Separate Accounts, Private Investment Companies, and Pooled Investment Vehicles, such as collective investment funds, common trust funds, and other investment accounts or products managed by Other Advisors;
- Assisting Other Advisors in reviewing and managing investment accounts or products; and
- Assisting Other Advisors in connection with locating purchasers for assets held in Pooled Investment Vehicles for which the Other Advisors serve as trustees.

The process by which we implement decisions may vary based on type or size of account, restrictions of intermediary firms, applicable investment objectives, guidelines and policies, and, if applicable, client-imposed investment restrictions.

Depending upon our arrangement with our clients, we make asset allocation decisions along with security selection decisions. As an additional value added service, we also provide asset allocation recommendations and periodic updates to clients. For example, we periodically provide a summary of current investment views across all sectors within the domestic and international equity and fixed income markets, and recommend diversified portfolio models that reflect these views.

Unless our Other Advisory Services are separately discussed in this brochure, the discussion in this brochure of Federated Investment Counseling's Investment Supervisory Services includes our Other Advisory Services as well.

D. The Types of Accounts/Products We Manage

Federated Investment Counseling provides Investment Supervisory Services, Model Portfolio Management Services and Other Advisory Services in connection with Managed Accounts, Separate Accounts, Private Investment Companies, Pooled Investment Vehicles, and Proprietary Accounts. The following further describes each of these types of client accounts or investment products.

1. Separate Accounts

Federated Investment Counseling provides Investment Supervisory Services to high net worth and institutional investors. (Please refer to "Types of Clients" in this brochure for more information about the types of clients to which we provide our investment advisory services.) When providing such services, we enter into an investment management agreement with the client. This agreement, among other provisions, describes or attaches the client's investment policy statement and/or our investment strategy or mandate pursuant to which we will manage the client's account. The client's account is custodied at a qualified custodian (typically either a bank or, in the case of high net worth individuals, a broker-dealer) selected by the client. (Please refer to "Custody" in this brochure for further information regarding custody of client assets.)

Our advisory services are available to both domestic and foreign accounts.

Advising certain client accounts raises various conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

The investment management agreements governing our provision of advisory services to Separate Accounts typically may be terminated at any time, or after a 30-day notice period, either by the client or by us; however, termination rights vary between clients, so clients should refer to their investment management agreement with us for a complete understanding of their termination and other rights.

2. Managed Accounts

Federated Investment Counseling participates as an investment manager or portfolio manager in certain separately managed account or wrap fee programs (Managed Accounts or Managed Account Programs) and provides Investment Supervisory Services to individuals, high net worth individuals, pension plans, charitable organizations and certain small institutional investors. (Please refer to “Types of Clients” in this brochure for more information about the types of clients to which we provide our investment advisory services.) Managed Account Programs generally are investment programs under which a client is charged a specified fee or fees not based directly upon transactions in a client's account for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions. Custody and other services also may be provided (but not by us) for the specified fee or fees. (Please refer to “Custody” in this brochure for further information regarding custody of client assets.) We receive a portion of the fees paid by the Managed Account client for our services.

In Managed Account Programs, clients (with or without the assistance of the sponsors (Sponsors) of the Managed Account Program) select or appoint Federated Investment Counseling to manage designated client assets in accordance with one or more of our investment strategies. The Sponsors of the Managed Account Programs typically are broker-dealers, financial institutions or other investment advisory firms which sponsor, operate and administer the Managed Account Programs.

When providing Investment Supervisory Services to Managed Accounts, we typically act as a sub-adviser to the Sponsors of the Managed Account Programs in which we participate. We typically have sub-advisory agreements or other program agreements with the Sponsors. The Sponsors typically enter into investment management agreements with clients; we typically do not have direct investment management agreements with clients that participate in Managed Account Programs. In certain Managed Account Programs, rather than serve as a sub-adviser to the Sponsor, we may get a direct grant of investment discretion through the investment management agreement between the Sponsor and the client. The Sponsors typically provide portfolio manager selection, performance monitoring and evaluation, custody, brokerage and other administrative services (or a combination of these services) to clients. We only provide advisory services to Managed Account Program clients.

In addition to being structured as sub-advisory relationships, Managed Account Programs also can be structured as dual contract or unbundled relationships. In dual contract or unbundled Managed Account Programs, Sponsors (typically broker-dealers) will enter into brokerage agreements with clients and Federated Investment Counseling will enter into separate investment management agreements directly with the same clients.

In certain cases, Sponsors operate their Managed Account Programs on platforms, or use systems, developed and supported by Platform Providers (*i.e.*, technology companies or certain other companies or turn-key asset management providers). In these cases, we may have an agreement with the Platform Provider, and the Platform Provider has agreements with the Sponsors that utilize the Platform Provider's platform or systems.

There are certain differences between how we manage Managed Accounts versus how we manage other client accounts. For example, when participating in Managed Account Programs, the Sponsor is typically responsible for determining the suitability of the Managed Account Program, as well as Federated Investment Counseling and our investment strategy for the client. We typically are only responsible for managing clients' assets in accordance with our investment strategy that has been selected and any reasonable restrictions imposed by the Managed Account clients. In certain Managed Account Programs, Sponsors and Platform Providers may limit the information available to us. We may be restricted by Sponsors and Platform Providers from communicating directly with clients; all communications, including communications with respect to the clients' investment objectives, financial condition and reasonable investment

restrictions, typically must be directed through the Sponsor or Platform Provider. We also generally do not have discretion over the investment of uninvested cash; such cash is typically invested in money market mutual funds or other liquid investments selected by the client or the Sponsor. The money market mutual funds into which uninvested cash may be invested may include, in certain cases, money market mutual funds advised by Federated Advisory Companies or serviced by certain of our other affiliates. This may raise certain conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

Federated Investment Counseling also may provide Model Portfolio Management Services to Overlay Managers, Sponsors or Platform Providers that participate as managers in, sponsor or operate Managed Account Programs.

The agreements governing Federated Investment Counseling’s provision of Investment Supervisory Services to Managed Accounts typically may be terminated at any time by clients, and either at any time or after a 30-day notice period, by us, Sponsors or Platform Providers. The agreements governing our provision of Model Portfolio Management Services to Overlay Managers, Sponsors or Platform Providers typically may be terminated at any time, or after a 30- to 60-day notice period, by us or the Overlay Managers, Sponsors or Platform Providers. In each case, however, termination rights vary, so clients, Sponsors and Platform Providers and, if applicable, Overlay Managers, should refer to their governing agreements for a complete understanding of their termination and other rights.

3. Private Investment Companies

Federated Investment Counseling provides Investment Supervisory Services to Private Investment Companies. Private Investment Companies are pooled investment vehicles that are registered as investment companies under the Investment Company Act. The shares of Private Investment Companies are not registered under the Securities Act of 1933 (1933 Act), or similar foreign regulation, and cannot be publicly offered; the shares of Private Investment Companies may only be offered pursuant to a private placement transaction or another transaction excepted or exempt from the registration requirements under the 1933 Act.

Advising affiliated Private Investment Companies raises various conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

The investment management agreements governing our provision of advisory services to Private Investment Companies typically may be terminated upon 60 days notice either by the Board of Directors/Trustees of the Private Investment Company or by us. These agreements also generally have an initial two year term and, thereafter, are subject to annual renewal by the Board of Directors/Trustees of the Private Investment Company.

4. Other Pooled Investment Vehicles

Federated Investment Counseling may provide Investment Supervisory Services to a variety of other pooled investment vehicles, such as, for example:

- Investment vehicles or funds that are domiciled outside of the United States;
- Collective funds, common funds, common and collective trust funds, or group trusts, (collectively, collective or common funds);
- Hedge funds;
- Local government investment pools; and
- Other investment vehicles or products.

These Pooled Investment Vehicles typically are exempt from registration under the Investment Company Act, and the interests in such Pooled Investment Vehicles typically are exempt from registration under the 1933 Act (although in some cases such interests may be registered under the 1933 Act or similar foreign regulation).

Advising collective, common, or hedge funds raises various conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

The investment management or other agreements governing our provision of advisory services to Pooled Investment Vehicles typically vary between clients, including with respect to termination provisions. Clients should refer to their investment management or other agreement with us for a complete understanding of their termination and other rights.

5. Proprietary Accounts

Federated Investment Counseling may from time to time provide Investment Supervisory Services to Proprietary Accounts. We typically manage Proprietary Accounts that are Managed Accounts, Separate Accounts, Private Investment Companies or Pooled Investment Vehicles. The clients, account holders, shareholders or investors in these Proprietary Accounts may include:

- Federated Investment Counseling;
- Another Federated Advisory Company;
- Another one of our affiliates; or
- Employees of Federated Investment Counseling or our affiliates.

Proprietary Accounts typically are established when we or another Federated Advisory Company are establishing an investment strategy or creating or seeding an Investment Company, Private Investment Company or other Pooled Investment Vehicle.

Advising Proprietary Accounts raises various conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

E. Our Use of “Shared Personnel” and Third-Party Service Providers

Federated Investment Counseling shares certain directors/trustees and officers with the other Federated Advisory Companies. We also share certain employees and supervised persons (*e.g.*, portfolio managers) with certain of the other Federated Advisory Companies. In connection with providing our Investment Supervisory Services, Model Portfolio Management Services and Other Advisory Services to our clients, certain proxy voting services, outsourcers, and other service providers (collectively, Service Providers) have been engaged to perform services on our behalf. These Service Providers may or may not be affiliated with Federated Investment Counseling. For example, we receive certain shared services from another Federated Advisory Company, Federated Advisory Services Company. A third party proxy voting service also has been engaged in accordance with our Proxy Voting Policy. (Please refer to “Voting Client Securities” in this brochure for a discussion of our Proxy Voting Policy.) In connection with providing advisory services to Managed Account clients, we also have engaged a third party outsourcer to perform certain account opening, reconciliation and other operational and administrative services and functions. We also may engage another Federated Advisory Company as a subadviser in connection with certain investment strategies. In cases where Service Providers have been engaged, we may disclose confidential information, including non-public personal information about clients, to these Service Providers for the purpose of processing transactions for and servicing clients' accounts.

F. Our Assets Under Management

As of December 31, 2011, Federated Investment Counseling had \$58,497,178,998 in assets under management. As of such date, our assets under management consisted of \$56,629,752,347 of assets that we managed on a discretionary basis. These include assets for which we provided Investment Supervisory Services and exercised discretionary authority or non-discretionary authority with trading responsibility. As of such date, our assets under management also consisted of \$1,867,426,651 of assets that we managed on a non-discretionary basis. These include assets for which we provided non-discretionary services and did not have trading responsibility. This latter category generally includes our Model Portfolio Management Services.

G. Standard of Care

Investment advisers are permitted to include performance standard provisions in their investment management agreements under certain conditions. These provisions are sometimes referred to as “hedge clauses.” Unless Federated Investment Counseling specifically agrees in writing (in an investment management agreement or otherwise) to comply

with different performance standards, we provide our Investment Supervisory Services, Model Portfolio Management Services and Other Advisory Services as discussed in this brochure in accordance with the following performance standards. Our responsibility and liability relating to the provision of our services also is subject to the following performance standards:*

- Federated Investment Counseling renders our services and/or manages client accounts in accordance with our duties and obligations under the Advisers Act, and the rules and regulations of the SEC promulgated under the Advisers Act from time to time, and other applicable law (including, if applicable, ERISA);
- Investment decisions are subject to various market, currency, economic, political and business risks. Investment decisions will not always be profitable and may subject client accounts to overall investment loss. Federated Investment Counseling does not guarantee future performance, any specific level of performance or the success of any particular investment decision or strategy;
- Federated Investment Counseling does not guarantee that any particular person will provide the investment advisory services to be provided by us;
- Federated Investment Counseling shall not be liable for (a) any act or omission of any person or entity other than Federated Investment Counseling and our affiliated companies, or (b) any act or omission taken or made by Federated Investment Counseling at the direction of any client, or Sponsor of a Managed Account Program or Platform Provider or Overlay Manager or based on inaccurate, incomplete or obsolete information provided to Federated Investment Counseling by any person or entity other than our affiliated companies; and
- Absent gross negligence, willful misconduct, bad faith or reckless disregard of our obligations on the part of Federated Investment Counseling, Federated Investment Counseling shall not be liable for any investment decision or other act or omission taken or made by us or our affiliated companies.

**Applicable provisions of state, federal, and, as applicable, foreign securities laws (and certain other non-waivable provisions of state, Federal, and, as applicable, foreign, law, including, if applicable, ERISA), may impose liability under certain circumstances on persons or entities that act in good faith. Therefore, these performance standards are not intended to and shall not constitute a waiver or limitation of any liability that Federated Investment Counseling may have, or rights that any client, Sponsor, Platform Provider or Overlay Manager may have, under any such laws.*

As indicated above, it is important to understand that these performance standards (or any different performance standards agreed to by Federated Investment Counseling in writing (in an investment management agreement or otherwise)) do not constitute a waiver of any provision of state, Federal, and, as applicable, foreign securities or other laws that by its terms, or by judicial or regulatory decisions or authority, cannot be waived. If you have any questions regarding your rights, you should consult with legal counsel or contact us. (Please refer to the cover page of this brochure for our contact information.)

ITEM 5. FEES AND COMPENSATION

A. Our Advisory Fees

When we are providing Investment Supervisory Services and Model Portfolio Management Services to our clients, Federated Investment Counseling typically charges and receives advisory fees determined as a percentage of either assets under management or average net assets, depending upon the type of client or account. We also may receive fixed fees or performance-based fees when rendering Investment Supervisory Services and Other Advisory Services to certain Separate Accounts, Private Investment Companies and Pooled Investment Vehicles. Managing accounts for performance-based fees creates various conflicts of interest for us and our employees and supervised persons. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

Our fees also are negotiable and may vary based on investment style and other factors. (Please refer to “Negotiation and Modification of Fees” under “Our Advisory Fees” under “Fees and Compensation” in this brochure for further information.)

Except when we specifically contract with a client to receive a performance-based fee, our investment management agreements do not provide for us to receive compensation on the basis of a share of capital gains upon or capital appreciation of the assets or any portion of the assets of a client.

The following describes in more detail Federated Investment Counseling's fees and how fees are charged. To the extent that our fee schedules may vary depending upon the type of service we are providing or the type of client receiving the service, such variations also are discussed below.

1. Advisory Fee Information for Separate Accounts, Managed Accounts, and Model Portfolio Management Services

This section sets forth Federated Investment Counseling's basic fee schedules for Separate Accounts, Managed Accounts and Model Portfolio Management Services. We typically charge asset-based fees, which are determined as a percentage of assets under management (AUM). Our fee schedules may provide for "breakpoints" at which the percentage is reduced if AUM exceeds certain agreed upon amounts.

Federated Investment Counseling's compensation for Managed Accounts may be higher or lower than our compensation for Separate Accounts. While our compensation for Model Portfolio Management Services may be higher or lower than our compensation for Separate Accounts or for Managed Accounts, in certain cases, given the involvement of an Overlay Manager and the nature of the services that we provide, our compensation for providing Model Portfolio Management Services may be lower than our compensation for Separate Accounts or for Managed Accounts.

More specific information regarding the fee arrangements applicable to Separate Accounts, Managed Accounts and Model Portfolio Services follows our basic fee schedules.

**Our Basic Fee Schedules --
Separate Accounts, Managed Accounts, and Model Portfolio Management Services**

Federated Investment Counseling's basic fee schedules are as follows:

Large Cap Accounts:

70 basis points - first \$5 million in assets under management (AUM)
50 basis points - over \$5 million to \$20 million in AUM
35 basis points - over \$20 million to \$50 million in AUM
25 basis points - increments over \$50 million in AUM
Fee negotiable - over \$100 million in AUM

Mid Cap Accounts:

70 basis points - first \$5 million in assets under management (AUM)
50 basis points - over \$5 million to \$20 million in AUM
35 basis points - over \$20 million to \$50 million in AUM
25 basis points - over \$50 million in AUM

International Equity Accounts:

75 basis points - first \$25 million in assets under management (AUM)
65 basis points - over \$25 million to \$50 million in AUM
55 basis points - over \$50 million to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

General Fixed Income Accounts:

35 basis points - accounts up to \$5 million in assets under management (AUM)
30 basis points - first \$25 million in AUM
25 basis points - over \$25 million to \$50 million in AUM
20 basis points - over \$50 to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

Active Cash Fixed Income Accounts:

30 basis points - first \$25 million in assets under management (AUM)
25 basis points - over \$25 million to \$50 million in AUM
Fee negotiable - over \$50 million in AUM

High Yield Fixed Income Accounts:

50 basis points - \$20 - \$30 million in assets under management (AUM)
40 basis points - over \$30 million to \$50 million in AUM
30 basis points - over \$50 million to \$75 million in AUM
25 basis points - increments over \$75 million in AUM
Fee negotiable - over \$100 million in AUM

International Fixed Income Accounts:

60 basis points - first \$25 million in assets under management (AUM)
50 basis points - over \$25 million to \$50 million in AUM
40 basis points - over \$50 million to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

International High Yield Fixed Income Accounts:

70 basis points - first \$25 million in assets under management (AUM)
60 basis points - over \$25 million to \$50 million in AUM
50 basis points - over \$50 million to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

Municipal Accounts:

40 basis points - first \$25 million in assets under management (AUM)
30 basis points - over \$25 million to \$50 million in AUM
20 basis points - over \$50 million to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

Balanced Accounts:

50 basis points - first \$10 million in assets under management (AUM)
35 basis points - over \$10 million to \$50 million in AUM
25 basis points - increments over \$50 million in AUM
Fee negotiable - over \$100 million in AUM

Money Market Accounts:

10 basis points - first \$500 million in assets under management (AUM)
8 basis points - increments from \$500 million to \$1 billion in AUM
Fee negotiable - over \$1 billion in AUM

Trade Finance Fixed Income Accounts:

100 basis points - first \$25 million in assets under management (AUM)
80 basis points - over \$25 million to \$50 million in AUM
75 basis points - over \$50 million to \$100 million in AUM
Fee negotiable - over \$100 million in AUM

Duration Plus Core Strategy Accounts:

150 basis points on assets under management plus a performance-based fee that is calculated as a percentage of excess performance above certain levels as described in the investment management agreement.

For accounts sourced through our affiliate, Federated Clover Investment Advisors,
a division of Federated Global Investment Management Corp. (Federated Clover division):

50 basis points - first \$3.0 million in assets under management (AUM)

40 basis points - next \$7.0 million in AUM

35 basis points - next \$15.0 million in AUM

30 basis points - next \$25.0 million in AUM

25 basis points - over \$50.0 million in AUM

For certain of the investment strategies noted above where our basic fee schedule is an asset-based fee schedule based on a percentage of assets under management, we may be willing to accept a performance-based fee, which generally would be calculated as a percentage of excess performance above certain levels and described in the investment management agreement with our client, or a combination of an asset-based fee and a performance-based fee. Performance-based fees only may be charged to qualified clients as and when permitted under Section 205 of the Advisers Act and SEC Rule 205-3 promulgated under the Advisers Act. (Please refer to "Negotiation and Modification of Fees" under our "Advisory Fees" under "Fees and Compensation" in this brochure for additional information on the negotiability of our fees. Also, please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of the conflicts of interest raised by performance-based fees.)

Separate Accounts

Federated Investment Counseling's fees may either be payable in arrears at or after the end of each quarter (in which case they are not refundable) or payable in advance of the quarter in which such services are to be rendered. The value of the client's AUM is determined as and when provided in the client's investment management agreement with us. If paid in advance, our fees typically will be refunded on a pro-rated basis in the event of the early termination of the investment management agreement between such client and us. If provided for in our investment management agreement with a client, we also may refund or pro-rate our fees according to the number of days during a quarterly period if the amount of any new or additional contributions to or withdrawals from the assets in client's account that we are managing since the end of the previous quarterly period exceeds 1% of such assets in the client's account. Any refunding would take place as and when provided in the client's investment management agreement with us.

As permitted under applicable law, we offer certain Separate Account strategies to certain eligible clients for which we receive an asset-based fee and a performance-based fee. Such performance-based fees are calculated and payable as provided in the investment management agreements between the applicable clients and us. Managing accounts for performance-based fees creates various conflicts of interest for us and our employees and supervised persons. (Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of these conflicts of interest.)

Managed Accounts

As discussed under "Advisory Business" in this brochure, Managed Account clients typically pay a single fee or fees (a "wrapped fee") which cover Federated Investment Counseling's Investment Supervisory Services (including Other Advisory Services), as well as other services provided by the Managed Account Program Sponsor or a Platform Provider. These other services typically include, for example, portfolio manager selection, performance monitoring and evaluation, custody, brokerage and/or other administrative services. The total Managed Account Program fee(s) charged under such programs may be up to 3.00%. Certain Managed Account Program Sponsors or Platform Providers may charge brokerage commission and/or fees separately or as part of the client's overall Managed Account Program fee(s). Certain Managed Account Program Sponsors or Platform Providers also may charge a minimum annual Managed Account Program fee to each client that participates in their Managed Account Program. We are not generally informed of the specific fee arrangements negotiated between each Managed Account Sponsor and each client participating in the Sponsor's Managed Account Program. We receive a portion of the fees paid by the Managed Account client for our services.

Our fees for Managed Accounts generally are asset-based fees that are paid quarterly by, or through, the Managed Account Program Sponsor or Platform Provider as a component of the "wrapped fee." Our fees generally equal a percentage of the total assets in the Managed Account Program for which we provide advisory services. For Managed Accounts, any "breakpoints" at which the percentage charged is reduced generally are measured based on the aggregate AUM that we manage pursuant to a Managed Account Program (rather than on the AUM of any specific client account).

In certain Managed Account Programs, our advisory fees may be limited to the Managed Account Program fees actually collected by the Managed Account Sponsor or Platform Provider.

Unless Federated Investment Counseling enters into a direct investment management agreement with a Managed Account client in connection with a dual contract or unbundled Managed Account Program, our fees typically may be negotiated only between us and the Managed Account Sponsor or Platform Provider.

Our fees may either be payable in arrears at or after the end of each quarter (in which case they are not refundable) or payable in advance of the quarter in which such services are to be rendered. If paid in advance, our fees typically will be refunded on a pro-rated basis in the event that we are terminated from managing the client's Managed Account or the Sponsor or Platform Provider terminates its agreement with us. The Sponsor or Platform Provider also may pro rate fees if a certain amount of assets are contributed to or withdrawn from a client's account during an applicable period. In any case, any refunding would take place as and when provided in the Managed Account Program agreements between us and the Sponsor or Platform Provider. In certain Managed Account Programs, our fees may be billed separately from brokerage, custody and other fees. The Sponsors or Platform Providers that operate the Managed Account Program in which clients participate generally determine:

- Whether Federated Investment Counseling's fees for Managed Accounts are payable in advance or in arrears;
- Whether and when a client will receive a refund;
- Whether our fees are bundled or unbundled;
- Whether brokerage fees will be commission-based; and
- The level and frequency of payment of advisory fees generally.

Our advisory fees will comply with the Sponsor's or Platform Provider's standards and applicable disclosures. Reference should be made to the Sponsor's Managed Account Program brochures and related Managed Account Program documentation, including the client's account documentation, for the specific terms and conditions applicable in connection with the Managed Account Programs in which we participate.

Clients that participate in Managed Account Programs should be aware that services similar or comparable to those provided to them as a participant in a Managed Account Program may be available at a higher or lower aggregate cost elsewhere separately or on an unbundled basis. The overall cost to a client that participates in a Managed Account Program may be higher than paying Federated Investment Counseling's standard advisory fee for a Separate Account, negotiating custody fees with a custodian and negotiating transaction charges with a broker-dealer payable on a per-transaction basis, depending upon the level of custody fees and the number of securities transactions in the client's account. However, most clients that participate in Managed Account Programs would not be eligible (due to the size of the client's accounts) for our Separate Account management services and, therefore, could not otherwise become our clients. Other than in connection with our obligations to obtain best execution for securities transactions as provided under applicable law and the client's Managed Account documentation, we do not undertake any ongoing responsibility to assess for any client that participates in a Managed Account Program the value of the services provided by the Managed Account Program Sponsor or Platform Provider.

Model Portfolio Management Services

The fees Federated Investment Counseling charges and receives for providing Model Portfolio Management Services generally are asset-based fees that are paid quarterly by, or through, an Overlay Manager (which, in the case of Managed Account Programs, may be the Managed Account Program Sponsor or Platform Provider), and generally equal a percentage of the total assets (or a portion of the assets) invested by the Overlay Manager in the Overlay Manager's investment strategy derived from our model portfolio. For Model Portfolio Management Services, any "breakpoints" at which the percentage charged is reduced generally are measured based on the aggregate AUM managed by the Overlay Manager using our model portfolio(s) (rather than the AUM of any specific Overlay Manager client account).

Federated Investment Counseling's fees typically may be negotiated only between the Overlay Manager and us. A client of the Overlay Manager typically pays an advisory fee to the Overlay Manager for the Overlay Manager's discretionary management. In such cases, the client does not pay a separate fee to us for the Model Portfolio Management Services we provide to the Overlay Manager. We receive from the Overlay Manager a portion of the fees paid by the Overlay

Manager's client for our services. We are not generally informed of the specific fee arrangements negotiated between each Overlay Manager and the Overlay Manager's clients.

Federated Investment Counseling's fee for Model Portfolio Management Services may either be payable by the Overlay Managers in arrears at or after the end of each quarter for services rendered during the quarter (in which case they are not refundable) or payable in advance of the quarter in which such services are to be rendered. If paid in advance, the Overlay Manager would receive a pro-rated refund in the event that we are terminated. The Overlay Manager also may pro rate fees if a certain amount of assets are contributed to or withdrawn from a client's account during an applicable period. In any case, any refunding would take place as and when provided in the Overlay Manager's agreement with us. Clients of an Overlay Manager (or, as applicable, Sponsor or Platform Provider) should reference their agreements with, and related documentation from, the Overlay Manager (or, as applicable, Sponsor or Platform Provider) for the specific terms and conditions applicable in connection with the refunding of fees charged by the Overlay Manager (or, as applicable, Sponsor or Platform Provider).

2. Advisory Fee Information for Private Investment Companies, Pooled Investment Vehicles, Proprietary Accounts and Subadvised Accounts

This section sets forth information regarding Federated Investment Counseling's fees for Private Investment Companies, Pooled Investment Vehicles, Proprietary Accounts and Subadvised Accounts. We charge asset-based fees, which are determined as a percentage of AUM or average net assets. We also may charge performance-based fees. Managing accounts for performance-based fees creates various conflicts of interest for us and our employees and supervised persons. (Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of these conflicts of interest.)

Private Investment Companies

Federated Investment Counseling's fees for providing Investment Supervisory Services to Private Investment Companies generally are based upon the client's average net assets. When our fee is negotiated, it may vary based on discussions with the governing bodies or managers of such Private Investment Companies, and is specified in our investment management agreements for the Private Investment Companies. Our fees are payable as provided in our investment management agreements, and typically range from daily to monthly payments. We do not require any Private Investment Company to prepay investment advisory fees (therefore, our fees are not refundable).

Currently, Federated Investment Counseling provides advisory services to certain Private Investment Companies that were created to more effectively manage mutual fund and Separate Account client funds and consist entirely of such client assets. With respect to these certain Private Investment Companies, we typically do not charge a fee for our advisory services provided to the Private Investment Companies because we, or another Federated Advisory Company, charges a separate advisory fee for rendering advisory services at the mutual fund or Separate Account level. In certain cases, certain administrative expenses are charged to these Private Investment Companies.

Pooled Investment Vehicles

Federated Investment Counseling's fees for providing Investment Supervisory Services to Pooled Investment Vehicles may be consistent with the basic fee information and terms discussed above but also may vary depending upon the type of Pooled Investment Vehicle (collective or common fund, local government investment pool, etc.) and the scope of services being provided. The asset-based fees we currently receive generally range from 0.07% to 0.50%. We also may receive a negotiated flat fee for assisting the Other Advisors in locating purchasers for assets held in Pooled Investment Vehicles for which the Other Advisors serve as trustees. We do not require any Pooled Investment Vehicles to prepay investment advisory fees (therefore, our fees are not refundable).

Federated Investment Counseling's fees for non-U.S. investment companies (*i.e.*, Pooled Investment Vehicles) also are based on the client's average net assets. The fees we currently receive generally range from 0.05% to 0.15%, plus, in certain cases, a performance-based fee, as provided in each client's investment management agreement. Our fees may be payable daily, monthly or quarterly.

In the case of either U.S. or non-U.S. Pooled Investment Vehicles, when Federated Investment Counseling's fee is negotiated, it may vary based on discussions with the governing bodies or managers of such Pooled Investment Vehicles and is specified in our investment management or other agreements for the Pooled Investment Vehicles.

Proprietary Accounts

When Federated Investment Counseling provides Investment Supervisory Services with respect to Proprietary Accounts, we may not charge an advisory fee. If we charge an advisory fee, our fees may be consistent with the basic fee information and terms discussed above for the type of investment product that constitutes the Proprietary Account (*e.g.*, Separate Accounts, Managed Accounts, Private Investment Companies or other Pooled Investment Vehicles). This includes regarding whether our fees may be charged in advance and are refundable. Our fees, however, may vary (and could be lower or higher) depending upon the investment strategy or style, types of investment securities and number of portfolios or accounts for which services are provided, the purpose for which the Proprietary Account is established and maintained and other relevant factors.

Subadvised Accounts

When Federated Investment Counseling provides Investment Supervisory Services as a sub-advisor or in another capacity to Other Advisors, our fees may be consistent with the basic fee information and terms discussed above for the type of client (*e.g.*, Separate Accounts, Managed Accounts, Private Investment Companies or other Pooled Investment Vehicles). This includes regarding whether our fees may be charged in advance and are refundable. Our fees may be daily, monthly or quarterly. When our fee is negotiated, it may vary based on discussions with an Other Advisor or the governing bodies or managers of the client.

3. Negotiation and Modification of Fees

The fee information presented above describes Federated Investment Counseling's basic fee schedules and practices; however, we reserve the right, in our sole discretion, to negotiate and to modify our fees (either up or down) for any client to reflect among other things:

- The number and type of services provided;
- The investment strategy or style, types of investment securities and number of portfolios or accounts for which services are provided;
- The level of reporting and administrative operations required to service an account;
- The terms of the investment management agreement; and
- Other circumstances concerning our relationship with the client.

Because our fees are negotiable, the actual fee paid by any client or group of clients may be different than the fees reflected in our basic fee schedules or otherwise discussed above in this brochure. Clients should refer to the investment management agreement with us and/or, in the case of Managed Accounts, their account documentation, for the specific level of fees payable by the client. Once we enter into an investment management or other agreement with a client, we will only modify our fees as permitted under that agreement and applicable law.

B. How We Charge and Collect Our Advisory Fees

The manner by which Federated Investment Counseling charges and collects our fees varies by the type of client account (*e.g.*, Separate Account, Managed Account, Private Investment Companies, Pooled Investment Vehicles, Proprietary Accounts and Subadvised Accounts). For example:

- We may invoice a client directly and the client will pay us directly;
- We may invoice a client's custodian or other intermediary and the custodian or other intermediary will deduct our fees from the client's account and remit them to us (Please refer to "Custody" in this brochure for a discussion of the implications of having arrangements in place for the deduction of fees from client accounts); or
- A client's intermediary (*e.g.*, for Managed Accounts, a Managed Account Program Sponsor or Platform Provider) may calculate our fees, deduct our fees from the client's account and remit them to us.

We are open to discussing with any client the manner in which the client would like to be charged and pay our fees. For certain types of accounts (*e.g.*, Managed Accounts), there may be restrictions or other factors that limit the flexibility we have regarding how our fees are charged to and paid by our clients.

The following provides additional information regarding how we charge and collect our fees based on the type of client account that we are managing.

1. Separate Accounts

Federated Investment Counseling generally invoices Separate Account clients directly, and the Separate Account clients generally remit payment directly to us or instruct their custodians to pay us. If a client requests, and if certain operational matters can be addressed, we may submit our invoice to the client's custodian and the client's custodian may deduct our fees from the client's Separate Account and remit them to us. Clients should refer to their investment management agreement with us for additional information regarding how we charge and collect our fees.

2. Managed Accounts

In the case of Managed Accounts, the Sponsor or Platform Provider for the Managed Account Program generally calculates Federated Investment Counseling's fees, deducts them from clients' accounts, and remits them to us. If a Managed Account Program is structured as a dual contract or unbundled relationship, in most cases, we submit invoices to the Sponsor or Platform Provider and the Sponsor or Platform Provider deducts our fees from the clients' accounts, and remits them to us. In certain cases, we may invoice a client directly, and the client may pay us directly, in a dual contract or unbundled relationship.

The terms of the Managed Account Programs in which we participate as a portfolio manager generally prescribe how our fees are charged and collected. Clients should refer to their account documentation for additional information regarding how our fees are charged and collected.

3. Private Investment Companies

The custodian, fund accountant or administrator for a Private Investment Company generally calculates our fees. The custodian then deducts them from the Private Investment Company's assets. The fees are then remitted to us. Clients should refer to their investment management agreement with us for additional information regarding how we charge and collect our fees.

4. Pooled Investment Vehicles

The custodian, fund accountant or administrator for a Pooled Investment Vehicle generally calculates our fees. The custodian then deducts them from the Pooled Investment Vehicle's assets. The fees are then remitted to us. Clients should refer to their investment management agreement with us for additional information regarding how we charge and collect our fees.

5. Proprietary Accounts

If fees are charged in connection with a proprietary account, our fees generally are charged and paid consistent with the type of Proprietary Account (*i.e.*, Separate Account, Managed Account, Private Investment Company or Pooled Investment Vehicle). Our investment management agreements for these accounts contain additional information regarding how we charge and collect any fees.

6. Subadvised Accounts

For sub-advised accounts or investment products, our fees are charged or collected in one of the following ways:

- We either invoice the primary Other Advisor or the primary Other Advisor calculates our fees. In this case, the primary Other Advisor generally pays our fees out of the investment advisory fees that the primary Other Advisor received from the client; or

- In the case of a Private Investment Company or Pooled Investment Vehicle, the custodian, fund accountant or administrator calculates our fees, which are then deducted by the custodian from the Private Investment Company's or Pooled Investment Vehicle's assets, and remitted to us; or
- In the case of a Private Investment Company or Pooled Investment Vehicle, the custodian, fund accountant or administrator calculates the primary Other Advisor's fees, which are then deducted by the custodian from the Private Investment Company's or Pooled Investment Vehicle's assets, and remitted to the primary Other Advisor, and the primary Other Advisor then calculates our fees and remits them to us out of the fees it received.

Clients or primary Other Advisors should refer to their investment management agreement with us for additional information regarding how we charge and collect our fees.

C. Fees and Expenses, Other Than Our Advisory Fees

As with other investment accounts, clients will incur fees and expenses, other than our investment advisory fees, when Federated Investment Counseling manages a client's assets. Clients will incur brokerage costs, other transaction costs and other related costs and expenses. Also, if an Other Advisor is involved, any investment advisory fees of the Other Advisor will be incurred if charged separately. Examples of these other costs and expenses may include:

- Brokerage commissions;
- Markups, mark-downs and other amounts included in the price of a security;
- Custodian fees;
- Administrative fees;
- Interest charges;
- Odd-lot differentials;
- Transfer taxes;
- Wire transfer fees;
- Electronic fund fees;
- Exchange and SEC fees; and
- Expenses assessed to holders of securities or other investments relating to litigation involving that security or investment.

Investments in Private Investment Companies, Investment Companies (*e.g.*, mutual funds and exchange traded funds) and other Pooled Investment Vehicles also may be subject to sales charges (*e.g.*, front-end or contingent deferred sales charges), redemption fees and exchange fees. Private Investment Companies, Investment Companies and other Pooled Investment Vehicles also generally have internal fees and expenses that will be borne by clients whose assets are invested in these investment products. These internal fees and expenses include, for example:

- Management fees (including Other Advisor investment advisory fees);
- Transfer agent fees;
- Distribution fees;
- Shareholder servicing fees;
- Networking fees;
- Recordkeeping fees;
- Costs of registering shares;
- Acquired funds fees and expenses;
- Dividends on short positions and other expenses related to short positions;
- Extraordinary expenses (such as litigation-related expenses);
- Mailing and printing of prospectuses or other offering documents; and
- Other administrative expenses.

In most Managed Account Programs, the "wrapped fee" charged to clients covers portfolio manager selection, performance monitoring and evaluation, custody, investment advice, brokerage and/or other administrative services. In some cases, brokerage commissions and/or our fees for providing investment advice may be charged separately. In

certain Managed Account Programs, the Sponsors or Platform Providers may impose a minimum annual fee. In certain Managed Account Programs, the Sponsors or Platform Providers also may impose a separate fee if, in seeking best execution, Federated Investment Counseling executes trades through a broker, dealer or other securities intermediary other than the Sponsor or Platform Provider (or their affiliated broker or dealer). In these cases, this additional fee may cause us to determine that better execution (in terms of price) may be obtained by executing the trade through the Sponsor or Platform Provider (or their affiliated broker or dealer).

(Please refer to “Brokerage Practices” in this brochure for a discussion of Federated Investment Counseling’s brokerage practices, including the factors that we consider when selecting brokers, dealers or other securities intermediaries for client transactions.)

D. Obtaining a Refund for Fees Paid in Advance

As discussed in more detail above, Federated Investment Counseling’s fees may either be payable in arrears at or after the end of each quarter (in which case they are not refundable) or payable in advance of the quarter in which such services are to be rendered. (Please refer to “Our Advisory Fees” under “Fees and Compensation” in this brochure for further information regarding when clients may be entitled to a refund of Federated Investment Counseling’s investment advisory fees.) If paid in advance, our fees typically will be refunded on a pro-rated basis in the event of the early termination of the client’s investment management agreement or account. Typically, refunds of prepaid investment advisory fees are pro-rated based on the number of days remaining in the applicable billing period when the client’s investment management agreement or account is terminated. Any refunding would take place as and when provided in the client’s investment management agreement with us or, in the case of Managed Accounts, the account documentation with the Sponsor or Platform Provider of the Managed Account Program. Clients should refer to their investment management agreement with us or, in the case of Managed Accounts, their account documentation for a complete understanding of when and how refunds are determined. If you have any questions regarding a refund, you may contact your client service representative or you may contact us at the telephone number provided on the cover page to this brochure.

E. Sales Compensation

Federated Securities Corp., an affiliate of Federated Investment Counseling, serves as distributor of the Federated family of Investment Companies (*i.e.*, mutual funds). Federated Securities Corp. is a registered broker-dealer, municipal securities dealer, municipal advisor and investment adviser. These registrations do not imply a certain level of skill or training. Federated Securities Corp. receives distribution-related fees for services relating to the sale of shares of Federated mutual funds. Some of its employee-representatives also receive compensation based on the sale of mutual fund shares.

Federated Securities Corp. also:

- Provides services to banks, financial institutions or other advisors in connection with Federated Securities Corp. acting as liquidation agent for such entities and locating purchasers for assets held in pooled investment vehicles for which such entities serve as trustees;
- Sells units of certain collective investment trust(s)/fund(s) for which Federated Investors Trust Company, an affiliate of Federated Investment Counseling, serves as trustee;
- Serves as placement agent for certain products offered and managed by GML Capital LLP, London, an unaffiliated, foreign SEC-registered investment adviser (This registration does not imply a certain level of skill or training);
- Engages in certain sales-related activities relating to certain local government investment pools; and
- Serves as a solicitor for Dix Hills Partners, LLC, an unaffiliated, SEC-registered investment adviser and commodity trading advisor (These registrations do not imply a certain level of skill or training).

Federated Securities Corp. receives, and its employee representatives may receive, compensation for these liquidation agent, placement agent, sales-related, and solicitation activities. Federated Investors, Inc., the ultimate parent company of Federated Investment Counseling, Federated Securities Corp., and the other Federated Advisory Companies, also has entered into strategic arrangements with GML Capital LLP, London, to market and distribute products and services focused on investment in global trade finance transactions. Under these arrangements that were established in April,

2009, (a) certain exclusive servicing and distribution arrangements have been established, (b) certain rights to revenues derived from investment advisory/subadvisory services provided to certain Private Investment Companies or other investment accounts or products sponsored, advised, managed or distributed by Federated Investors or its subsidiaries have been established, and (c) Federated Investors acquired a five-year option to acquire the trade finance investment activities of GML Capital LLP, London, which is exercisable within two years after certain asset under management milestones are achieved.

Employee-representatives of Federated Securities Corp. also serve as sales people for the investment services and products sponsored by Federated Investors and investment advisory services offered by Federated Investment Counseling and certain of the other Federated Advisory Companies. Federated Securities Corp., and its employee/representatives, act in the capacity of solicitors for Federated Investment Counseling and certain other Federated Advisory Companies and, in certain cases, also provide advice on behalf of us and other Federated Advisory Companies to the institutional, high-net worth, separately managed account/wrap-fee account and other clients of Federated Investment Counseling and other Federated Advisory Companies.

Federated Securities Corp.'s services, and its employee-representatives' services, are provided to Federated Investment Counseling, and certain other Federated Advisory Companies, pursuant to one or more written agreements with Federated Investment Counseling, and the other relevant Federated Advisory Companies, entered into pursuant to SEC Rule 206(4)-3 under the Advisers Act. These written agreements:

- Describe the solicitation activities to be engaged in by Federated Securities Corp.'s employee-representatives on behalf of Federated Investment Counseling and the other relevant Federated Advisory Companies;
- Describe the compensation to be received for such services;
- Require that Federated Securities Corp.'s, and its employee-representatives' status as its employee-representatives, be disclosed to the client or potential client of Federated Investment Counseling or the other relevant Federated Advisory Companies at the time of the solicitation or referral; and
- Require that the affiliation between Federated Securities Corp., and its employee-representatives, and Federated Investment Counseling, or the other relevant Federated Advisory Companies, be disclosed to the client or potential client of Federated Investment Counseling or the other relevant Federated Advisory Companies at the time of the solicitation or referral.

Pursuant to applicable SEC guidance, these written agreements also require that Federated Securities Corp.'s relevant regulatory history be disclosed to clients and potential clients of Federated Investment Counseling and the other relevant Federated Advisory Companies. As permitted by applicable SEC guidance, this disclosure may be provided to clients or potential clients by including it in our brochure (or the brochures of the relevant other Federated Advisory Companies) or by including it in a separate document. (Please refer to the discussion of Federated Securities Corp.'s relevant regulatory history under "Disciplinary Information" in this brochure.)

Federated Securities Corp. receives compensation from us and such other Federated Advisory Companies (in the form of an intercompany credit) for performing these activities on our and their behalf. Federated Securities Corp.'s employee-representatives also may receive compensation from Federated Securities Corp. for performing such solicitation and other functions.

Federated Securities Corp.'s employee-representatives are salaried employees of Federated Securities Corp. and receive no commission, fees or other remuneration in connection with individual securities transactions. Bonuses may be based on a number of factors, including mutual fund/account sales, net sales, increase in average annual assets and/or revenue of assigned accounts/investment products or territories, and, for certain sales managers, Federated Investors, Inc.'s overall financial results. Certain employee-representatives may be eligible to receive a portion of their annual bonus in cash or a combination of cash and restricted stock of Federated Investors, Inc. Certain representatives of Federated Securities Corp., who are not employees of Federated Securities Corp. but are salaried employees of Federated Advisory Services Company, receive no commission, fees or other remuneration in connection with individual securities transactions. Bonuses for these representatives are based on revenue of assigned accounts/investment products.

Even though Federated Securities Corp.'s employee-representatives are not employees of Federated Investment Counseling or the other Federated Advisory Companies for which Federated Securities Corp.'s employee-representatives serve as sales people, Federated Securities Corp., and its employee-representatives, are supervised persons of Federated Investment Counseling and such other Federated Advisory Companies. They also are deemed to be "persons associated

with” us and such other Federated Advisory Companies. Federated Securities Corp.’s employee-representatives also are registered as investment adviser representatives of Federated Investment Counseling and such other Federated Advisory Companies, as required under applicable law. Federated Securities Corp. and its employee-representatives are subject to the supervision and control of Federated Investment Counseling and such other Federated Advisory Companies. As such, they are subject to the compliance programs of Federated Investment Counseling and such other Federated Advisory Companies when soliciting clients or potential clients for them or providing advice on their behalf.

To the extent that rules proposed by the Municipal Securities Rulemaking Board (MSRB) applicable to municipal advisors are finalized and impose additional requirements on solicitors (including affiliated solicitors) of municipal advisory business from government entities, the written agreements between Federated Securities Corp. and Federated Investment Counseling and the other relevant Federated Advisory Companies, and applicable policies and procedures, will be modified to comply with any applicable requirements of such finalized rules.

Federated Investment Counseling does not receive commissions or other compensation for the sale of investment products. Since we do not receive commissions, we do not charge our investment advisory fees in addition to commissions or markups. Under appropriate circumstances, we may advise our clients to invest assets in certain Investment Companies (or mutual funds), including no-load funds, Private Investment Companies, or Pooled Investment Vehicles advised by us or other Federated Advisory Companies or distributed by Federated Securities Corp. (Affiliated Investment Vehicles). Federated Investment Counseling, or our affiliated companies (including Federated Securities Corp.), may receive investment advisory, administrative, distribution or other fees and compensation from such Affiliated Investment Vehicles.

The practices discussed above create actual and potential conflicts of interest because Federated Securities Corp., Federated Securities Corp.’s employee-representatives, and Federated Investment Counseling (or other Federated Advisory Companies) have an incentive to recommend investment services or products based on the compensation received rather than a client’s needs. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

Clients always have the option to purchase investment products that Federated Securities Corp., Federated Securities Corp.’s employee-representatives, or Federated Investment Counseling (or any of our affiliates) recommend, or to preclude investment in any investment product (including Affiliated Investment Vehicles). If a client desires to preclude investment in a particular investment product, the client should impose a restriction on the client’s account by instructing us in writing. (Please refer to “Investment Discretion” in this brochure for further information.) Clients also have the option to purchase any investment products through any broker, dealer or other securities intermediary that is not affiliated with Federated Investment Counseling.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

This section of our brochure discusses performance-based fees, and side by side management, and the actual or potential conflicts of interest that they present for Federated Investment Counseling and our employees and supervised persons. In order to provide clients with further information regarding other actual or potential conflicts of interest faced by Federated Investment Counseling or our related persons in connection with our advisory business, this section of our brochure also discusses other conflicts of interest that we believe are important for clients to understand. This section also discusses how we seek to address these various actual or potential conflicts of interest.

As a general matter, in addition to actual or potential conflicts of interest discussed below that arise from our fee practices and side by side management, other actual or potential conflicts of interest arise from Federated Investment Counseling’s common economic interests with our affiliates (including the other Federated Advisory Companies), our relationships with our affiliates and other persons or entities in the financial industry, and our, and our related persons’, self-interests. We share certain directors/trustees and officers with the other Federated Advisory Companies. We also share certain employees and supervised persons (*e.g.*, portfolio managers) with certain of the other Federated Advisory Companies. We also receive shared services from another Federated Advisory Company, Federated Advisory Services Company. Given these relationships:

- We have an incentive to act in ways that benefit our affiliates and others in the financial industry with which we have relationships rather than in the best interests of our clients. (Please refer to “Our Use of ‘Shared Personnel’ and Third-Party Service Providers” under “Advisory Business,” “Other Financial Industry Activities

and Affiliations,” and “Conflicts of Interest Relating to Affiliated Investment Vehicles” under “Other Conflicts of Interest Relating to Side by Side Management” under “Performance Fees and Side by Side Management” in this brochure for more information on these relationships and conflicts of interest that arise;); and

- To the extent that we face actual or potential conflicts of interest and/or our affiliates (*e.g.*, the other Federated Advisory Companies) engage in practices similar to those discussed below, it is likely that our shared directors/trustees, officers, employees or supervised persons and affiliated service provider, and the other Federated Advisory Companies, have the same incentives, and face the same actual or potential conflicts of interest, as those discussed below.

Federated Investment Counseling, and our related persons, generally address actual and potential conflicts of interest in one of the following ways:

- Prohibition – we prohibit the conduct that gives rise to the conflict of interest (*e.g.*, insider trading is prohibited under our Code of Ethics);
- Disgorgement – we give the benefit received to the client (*e.g.*, we will waive or reimburse a Separate Account client for the client’s share of the advisory fees, if any, paid to us or the other Federated Advisory Companies by an Affiliated Investment Vehicle into which we invest client assets);
- Delegation – we engage a neutral third-party to act or make a decision (*e.g.*, we engage a proxy voting service);
- Isolation – we construct information barriers to prevent a person from gaining knowledge that gives rise to a conflict of interest (*e.g.*, we may isolate a portfolio manager from knowing information about a strategic transaction that Federated Investors is considering);
- Validation – we establish a benchmark for conduct that is designed to protect client interests or limit the benefit that creates the conflict of interest (*e.g.*, we follow SEC Rule 17a-7 under the Investment Company Act to obtain a reasonable value for securities in cross-trades involving Investment Companies advised by us or other Federated Advisory Companies);
- Disclosure/Consent – we disclose the conflict of interest to our clients (*e.g.*, we disclose solicitation fees paid to our affiliate, Federated Securities Corp., and its employee/representatives); or
- Setting a DeMinimis Threshold – we set a threshold for a benefit that is considered too small to influence conduct, and is therefore permitted (*e.g.*, we set limits on entertainment and gifts under our Code of Ethics, and permit *de minimis* political contributions as permitted under SEC Rule 206(4)-5 under the Advisers Act).

We have adopted a Code of Ethics as required under SEC rules. (Please refer to “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” in this brochure for further information on our Code of Ethics). We also have adopted written compliance policies and procedures as required under SEC rules. We believe our compliance policies and procedures are reasonably designed to prevent, detect and cure violations by Federated Investment Counseling and our employees and supervised persons of the Advisers Act and other applicable federal securities laws. Our Code of Ethics and compliance policies and procedures address potential and actual conflicts of interest that we, and our employees and supervised persons, face. Our compliance policies and procedures also provide for various auditing and testing of our policies and procedures, which are reviewed no less frequently than annually as required by SEC rules. Our policy is to manage client accounts and investment products consistent with applicable law and with the other client accounts and investment products that we manage. To that end, we have procedures in place which we believe are reasonably designed to treat our clients fairly and prevent clients from being systematically favored or disadvantaged. The other Federated Advisory Companies have adopted similar Codes of Ethics and written policies and procedures.

The following is a further discussion of certain actual or potential conflicts of interest relating to (A) performance-based fees, (B) side by side management and (C) other aspects of our business, that we believe are important for our clients to understand. It is important for clients to understand that the actual or potential conflicts of interests discussed in this

section of our brochure arise. We generally address these conflicts of interests as described above. Specific examples of how we seek to address the conflicts of interest discussed below also are provided.

A. Conflicts of Interest Relating to Performance-Based Fees

Federated Investment Counseling manages client accounts for performance-based fees. We also manage both accounts that are charged a performance-based fee and another type of fee (*e.g.*, asset-based fees or flat fees). Performance-based fees are generally defined as fees based on a share of capital gains upon, or the capital appreciation of, the assets or any portion of the assets of a client. We charge performance-based fees only to qualified clients as and when permitted under Section 205 of the Advisers Act and SEC Rule 205-3 promulgated under the Advisers Act. (Please refer to “Our Advisory Fees” under “Fees and Compensation” in this brochure for more information on the types of client accounts (*e.g.*, Separate Accounts, Private Investment Companies, and Pooled Investment Vehicles) for which we may charge a performance-based fee.) We also may agree to manage other types of client accounts or investment products for performance-based fees or a combination of performance-based fees and asset-based fees. Certain of the other Federated Advisory Companies also charge performance-based fees to qualified clients.

Actual or potential conflicts of interest arise in connection with Federated Investment Counseling’s charging of performance-based fees on certain client accounts while managing other client accounts at the same time for asset-based fees or flat fees. We, and our employees and supervised persons, have an incentive to favor any account for which we receive performance-based fees. For example, when offering investment advisory services to eligible Separate Account, Private Investment Company and Pooled Investment Vehicle clients for an asset-based fee and a performance-based fee, we, and our employees and supervised persons, may have an opportunity to receive greater fees or compensation from the client accounts or investment products that we charge performance-based fees as opposed to the client accounts that we do not charge performance-based fees (*e.g.*, asset-based fees). As a result, we, and our employees and supervised persons, have an incentive to direct the best investment ideas to, or to allocate, aggregate or sequence trades in favor of, or to otherwise favor (whether in terms of better execution, brokerage commissions, directed brokerage/trading or otherwise), a client account or investment product that pays a performance based fee.

To address these actual or potential conflicts of interest, Federated Investment Counseling’s trade allocation policies prohibit the consideration of the compensation or other benefits received by us or our affiliates, or by any of our officers or employees, when allocating trades among participating client accounts or investment products. Our Compliance Department reviews and reaffirms these allocation policies annually as well as the procedures adopted by our Trading Department and portfolio managers to comply with these policies. Our Compliance Department also monitors for favoring an account or product, front running and inconsistencies among similarly managed accounts or products.

B. Other Conflicts of Interest Relating to Side by Side Management

“Side by side management” refers to an investment adviser’s business of managing different types of client accounts and/or investment products simultaneously. (Please refer to “Advisory Business” in this brochure for more information on the types of client accounts or investment products to which we provide our investment advisory services.)

As a general matter, when engaging in side by side management, Federated Investment Counseling and our employees and supervised persons may have conflicts in allocating their time and services among clients. Federated Investment Counseling and our employees and supervised persons will endeavor to devote such time to each client as Federated Investment Counseling deems appropriate under the circumstances to perform our duties and obligations to each such client in accordance with applicable law and our investment management agreement(s) with each such client.

The following discusses certain more specific actual or potential conflicts of interest relating to side by side management (in addition to the conflicts of interest relating to performance-based fees and time allocation discussed above).

1. Conflicts of Interest Relating to Management of Different Investment Strategies and Certain Pooled Investment Vehicles

Federated Investment Counseling provides investment advisory services to Pooled Investment Vehicles, such as hedge funds. We also manage client assets with different investment objectives policies, strategies, and limitations/restrictions. In addition to actual or potential conflicts of interest relating to performance-based fees, actual and potential conflicts of

interest arise from the differing investment strategies of our clients, including certain Pooled Investment Vehicles, such as hedge funds, and other client accounts or investment products. For example, it is possible that the various accounts managed could have different investment strategies that, at times, might conflict with one another to the possible detriment of a client's account. One account may seek to participate in a transaction in which another account may have made (or may seek to make) an investment. The two accounts may have conflicting interests and objectives in connection with the transactions, including how they view the operations or activities of the portfolio or issuer, the targeted returns from the transaction, and the timeframe for, and method of, exiting the transaction. Client accounts also may be invested in different parts of an issuer's capital structure (e.g., private versus public securities), or different classes of securities of the same issuer, which have different preferences and rights. Some accounts managed by Federated Investment Counseling or our related persons (e.g., the other Federated Advisory Companies), as part of their investment strategy, may short securities which we have purchased in other accounts. A concurrent long/short position between one account and another account can result in a loss to one account based on a decision to take a gain in the other account. Taking concurrent conflicting positions in certain derivative instruments also may result in a loss to one client and a gain for another client. Uncovered option strategies, portfolio leveraging and significant positions in illiquid securities also may result in conflicts of interest for us and our employees and supervised persons when managing certain client assets side by side with other client accounts and investment products.

To address these actual or potential conflicts of interest, our policies and procedures generally prohibit concurrent short and long positions between certain Pooled Investment Vehicles (e.g., hedge funds) and related portfolios, unless approved pursuant to an exceptions process. Records are maintained regarding the investment and allocation decisions made by our portfolio managers, and our Compliance Department periodically (i.e., at least semi-annually) reviews documentation of allocations in an effort to confirm compliance with allocation policies and procedures. The Compliance Department also periodically monitors against limits or other guidance amounts imposed on short sales, derivatives usage, options strategies, leverage and liquidity.

2. Conflicts of Interest Relating to Affiliated Investment Vehicles

Federated Investment Counseling may invest client assets in Affiliated Investment Vehicles (i.e., Investment Companies, Private Investment Companies or other Pooled Investment Vehicles that are advised by us or other Federated Advisory Companies or distributed by our affiliate, Federated Securities Corp.). These Affiliated Investment Vehicles generally pay their investment advisers and service providers based on a percentage of their average net assets. Accordingly, we, and our employees, supervised persons and related persons (e.g., the other Federated Advisory Companies), have an incentive to invest client assets in these Affiliated Investment Vehicles in order to increase the compensation that will be paid to us, other Federated Advisory Companies and/or our affiliates by these Affiliated Investment Vehicles, rather than investing client assets in our clients' best interests.

To address these actual or potential conflicts of interest, we will invest client assets in Affiliated Investment Vehicles only when such investments are consistent with a client's investment objectives, policies, guidelines and restrictions, and applicable law. To the extent required under applicable law, prior to recommending or making investments in Affiliated Investment Vehicles, Federated Investment Counseling or our related persons will:

- Disclose to the client of the applicable Federated Advisory Company (or, as applicable, the client's Board of Trustees or Directors) the nature of the affiliation;
- Obtain the client's authorization to invest in Affiliated Investment Vehicles; and
- Specify in the client's authorization whether: (a) we or our related persons will charge, waive or reimburse the client for advisory fees attributable to investments in Affiliated Investment Vehicles; or (b) we or our related persons will waive or reimburse the client for the client's share of the advisory fees, if any, paid by the Affiliated Investment Vehicle to us or our related persons.

Any client authorization will be in writing (which may include board minutes) and may, to the extent permitted by law, authorize investments in Affiliated Investment Vehicles generally. For Managed Accounts and our Model Portfolio Management Services, the Managed Account Program Sponsor, Platform Provider or Overlay Manager generally do not allow for (or their systems cannot support) such waivers or reimbursements, but rather address this conflict of interest through disclosure. We and our related persons will also comply with the conditions of any applicable exemptive law, rule or order regulating investments in Affiliated Investment Vehicles.

3. Conflicts of Interest Relating to Uninvested Cash Positions

As discussed under “The Types of Accounts/Products We Manage” under “Advisory Business” in this brochure, when Federated Investment Counseling is providing Investment Supervisory Services with respect to Managed Accounts or Model Portfolio Management Services, we generally do not have discretion over the investment of uninvested cash; such cash is typically invested in money market mutual funds or other liquid investments or cash management vehicles selected by the client or the Sponsor, Platform Provider or Overlay Manager. These cash positions generally are small portions of each overall portfolio and are maintained for operational purposes (*e.g.*, payment of fees, settlement of transactions, etc.). The money market mutual funds or other cash management vehicles into which uninvested cash may be invested may include, in certain cases, money market mutual funds or other cash management vehicles that are Affiliated Investment Vehicles. In these circumstances, we are not recommending the investment of the cash positions maintained in the Managed Accounts in the Affiliated Investment Vehicles (we are taking direction from the Program Sponsor, Platform Provider or Managed Account client), and our discretion over the amounts of the cash positions in the Managed Accounts is generally limited to certain target levels/parameters established for each Managed Account Program.

Outside of Managed Accounts and Model Portfolio Management Services, when we have investment discretion, we generally have the ability to determine whether a portion of a client’s portfolio will be uninvested. If cash is uninvested, the client’s custodian may invest the uninvested cash in money market mutual funds or other liquid investments or cash management vehicles selected by the client or the client’s custodian (which could be Affiliated Investment Vehicles) or we may invest the cash in Affiliated Investment Vehicles, subject to a client’s investment policies, guidelines and restrictions, and applicable law.

Actual and potential conflicts of interest arise in connection with uninvested cash. For example, since Federated Investment Counseling, or our affiliates, may receive investment advisory fees, other service fees, or other compensation from Affiliated Investment Vehicles, we, and our employees, supervised persons and related persons, have an incentive to leave larger cash balances in client accounts because the cash balances may be invested in Affiliated Investment Vehicles.

In connection with Managed Accounts and our Model Portfolio Management Services, we generally do not know prior to the uninvested cash being invested whether the uninvested cash will be invested in an Affiliated Investment Vehicle because the selection of the cash sweep vehicle for a client’s account may be changed without our knowledge by the client and/or Sponsor, Platform Provider or Overlay Manager. The same is true outside of Managed Accounts and our Model Portfolio Management Services when a client’s custodian invests the uninvested cash.

To address these actual or potential conflicts of interest, we may set parameters around the amount of cash that remains uninvested for a particular Managed Account Program or client account, or our client may establish such parameters in its investment policies, guidelines and restrictions. We also will invest client assets in Affiliated Investment Vehicles only when such investments are consistent with a client’s investment objectives, policies, guidelines and restrictions, and applicable law. Finally, except in connection with Managed Accounts and our Model Portfolio Management Services, to the extent required under applicable law, we will waive or reimburse the client for the client’s share of the advisory fees, if any, paid to us or the other Federated Advisory Companies by an Affiliated Investment Vehicle into which we invest client assets. For Managed Accounts and our Model Portfolio Management Services, the Managed Account Program Sponsor, Platform Provider or Overlay Manager generally do not allow for (or their systems cannot support) such waivers or reimbursements, but rather address this conflict of interest through disclosure. (Please refer to “Conflicts of Interest Relating to Affiliated Investment Vehicles” under “Other Conflicts of Interest Relating to Side by Side Management” under “Performance-Based Fees and Side by Side Management” in this brochure for further information regarding our waiver and reimbursement policy.)

4. Conflicts of Interest Relating to Proprietary Accounts

As discussed under “Proprietary Accounts” under “The Types of Accounts/Products We Manage” under “Advisory Business” in this brochure, Federated Investment Counseling manages Proprietary Accounts (*e.g.*, Separate Accounts, Managed Accounts, Private Investment Companies, and other Pooled Investment Vehicles). As a result, we, and our employees and supervised persons, have an incentive to devote more time to Proprietary Accounts or direct the best investment ideas to, or to allocate, aggregate or sequence trades in favor of, or to otherwise favor (whether in terms of

better execution, brokerage commissions, directed brokerage/trading or otherwise), a Proprietary Account over other client accounts. For example, we could have an incentive to cause client accounts to participate in an offering because:

- We desire to participate in the offering on behalf of our Proprietary Account and the account would otherwise be unable to meet minimum purchase requirements; or
- We desire to increase our overall allocation of securities in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer.

When we, or our related persons, hold for our own benefit through a Proprietary Account the same securities as another client account, we could be seen as potentially harming the performance of a client's account for our own benefit if we short-sell the securities in our Proprietary Account while holding the same securities long in the client's account, causing the market value of the securities to move lower. We also could be viewed as having an actual or potential conflict of interest if a transaction for a Proprietary Account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for a Proprietary Account.

To address these actual or potential conflicts of interest, Federated Investment Counseling's allocation policies establish that, as a general matter, trade allocations are to be guided by the relative interests of the participating client accounts managed by Federated Investment Counseling (which include Proprietary Accounts). Our trade allocation policies prohibit the consideration of the compensation or other benefits received by us or our affiliates, or by any of our officers or employees, when allocating trades among participating client accounts. Records are maintained regarding the investment and allocation decisions made by our portfolio managers, and our Compliance Department periodically (*i.e.*, at least semi-annually) reviews documentation of allocations in an effort to confirm compliance with allocation policies and procedures.

5. Conflicts of Interest Relating to Certain Cross Transactions

Trades may be recommended (including cross trades) between client accounts (including Proprietary Accounts) for various reasons, such as an attractive price or ability to fill sell and purchase orders and where the trade will not disadvantage either client. (Please refer to "Participation or Interest in Client Transactions" under "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" in this brochure for additional information on our cross transaction practices.) Such cross transactions create actual or potential conflicts of interest for Federated Investment Counseling and certain other Federated Advisory Companies. For example, it is possible that trades could conceivably be effected for an account merely to create a market to aid the selling account or that the price at which the trade is executed does not represent the reasonable market value for either the selling or buying account.

To address these actual or potential conflicts of interest, our policies and procedures provide that, when engaging in such cross transactions, neither Federated Investment Counseling nor our affiliates receive any compensation for acting as a broker-dealer. For cross-trades involving Investment Companies or Private Investment Companies, we follow procedures that comply with SEC Rule 17a-7 under the Investment Company Act. We also follow similar procedures for cross trades between accounts that do not involve an Investment Company or a Private Investment Company. Given the monitoring obligations involved, "plan assets" subject to ERISA generally are not used in cross trades. We would only use ERISA plan assets in a cross trade if permitted under ERISA, an exception to our policy is made and a client requests, or consents to, the transaction. For non-ERISA accounts, we send the client a consent disclosing our policy regarding cross trades. The letter specifically articulates that we do not act as a broker (*i.e.*, receive any compensation) and the client has been provided full and fair disclosure regarding our procedure for cross trades. We maintain a list of accounts that are prohibited from participating in cross trades. Finally, records are maintained regarding each cross transaction, including the price at which the transactions are effected.

6. Certain Other Conflicts of Interest Relating to Certain Investment and Brokerage Practices

As a general matter, certain actual or potential conflicts of interest may arise in connection with a portfolio manager's management of an account's investments, on the one hand, and the investments of other accounts for which the portfolio manager is responsible, on the other. To the extent that the same investment opportunities might be desirable for more than one account, possible conflicts could arise in determining how to allocate them. Federated Investment Counseling or other Federated Advisory Companies may give advice or take action with respect to investments of one

or more clients that may not be given or taken with respect to other clients with similar investment strategies or objectives. Accordingly, clients with similar strategies or objectives may not hold the same securities or instruments or achieve the same performance. We, and the other Federated Advisory Companies, also may advise clients with conflicting strategies or objectives. Legal restrictions on the combined size of positions which may be taken for all assets managed by Federated Investment Counseling and/or the other Federated Advisory Companies, and the difficulty of liquidating an investment for more than one client where the market cannot absorb the sale of the combined positions, also create actual or potential conflicts of interest. These activities and/or restrictions may affect (including in an adverse manner) the prices and availability of certain securities or other investments held by or considered for one or more clients.

There also are times when the same portfolio manager is managing Investment Company (mutual fund), Managed Account and other client assets, and providing Model Portfolio Management Services, with the same investment style or strategy. This includes, for example, mutual funds managed in the same style and/or other institutional investment accounts (*e.g.*, Separate Accounts, Private Investment Companies, or Pooled Investment Vehicles) managed in the same style, or to the same model portfolio, as Managed Accounts.

In these situations, when selecting securities for these various clients, consistent with client investment objectives, policies, guidelines and restrictions, Federated Investment Counseling takes into account a variety of factors, including, for example, general management techniques, cash flows, permissible investments and restrictions, and applicable regulatory requirements. To address these actual or potential conflicts of interest, Federated Investment Counseling's allocation policies establish that, as a general matter, trade allocations are to be guided by the relative interests of the participating client accounts managed by Federated Investment Counseling (which include Proprietary Accounts). Records are maintained regarding the investment and allocation decisions made by our portfolio managers, and our Compliance Department periodically (*i.e.*, at least semi annually) reviews documentation of allocations in an effort to confirm compliance with allocation policies and procedures.

There also will be times when the same security is being purchased or sold concurrently for Investment Company (mutual fund), Managed Account, Model Portfolio Management Services, and other client accounts or portfolios. In these situations, except as discussed below, Federated Investment Counseling also has policies in place which are reasonably believed to be designed to commence trade execution as concurrently as practicable, address potential conflicts of interest and protect client interests. Various factors, however, may result in trades for a client not being aggregated with batched trades for other clients of Federated Investment Counseling and clients receiving a different price, either higher or lower, for the same security. For example, certain operational differences inherent in the trade execution process result in trades for certain clients (such as Managed Accounts and other accounts managed to the same model portfolio as Managed Accounts) being effected either before or after trades for other clients. Also, for example, when providing our non-discretionary Model Portfolio Management Services, except as discussed below, we currently communicate model changes to Overlay Managers as concurrently as practicable with commencing trading with respect to the Managed Accounts we manage on a discretionary basis; the Overlay Managers have discretion to accept or reject our recommended model portfolio changes and will execute trades in accordance with the Overlay Manager's policies and procedures, which may result in trades for Overlay Manager clients being effected either before or after trades for Federated Investment Counseling's clients. Managed Account Programs that require directed brokerage/trading (and other clients who direct brokerage/trading) may instruct that client transactions be executed through specific brokers/dealers. Except as discussed below, the other Federated Advisory Companies have adopted similar policies. Taking these scenarios and factors into account, Federated Investment Counseling, and the other Federated Advisory Companies, have procedures in place which we believe are consistent with our duty to seek to obtain best execution of client trades and designed to treat clients fairly and prevent clients from being systematically favored or disadvantaged. (Please refer to "Brokerage Practices" in this brochure for more information on directed brokerage/trading and trade aggregation.)

Federated Clover Investment Advisors Division of Federated Global Investment Management Corp.

As a result of the acquisition of Clover Capital Management, Inc. (the business of which is now operated as the Federated Clover Investment Advisors, a division of Federated Global Investment Management Corp., another Federated Advisory Company), the Federated Clover Investment Advisors division of Federated Global Investment Management Corp. has policies in place which are reasonably believed to be designed to commence trade execution as concurrently as practicable for Managed Accounts, on the one hand, and other client accounts (*e.g.*, institutional and high net worth Separate Accounts and Investment Companies), on the other hand, at the different trading desks. The

Federated Clover Investment Advisors division also has established a policy whereby purchases and sales of securities for certain institutional and high net worth Separate Accounts, and certain Investment Companies advised by the Federated Clover Investment Advisors division, traded at the Federated Clover Investment Advisors division location are processed on a rotational basis by group. The Investment Company accounts will be eligible for cross trades and trade aggregation with accounts (including, among others, Investment Companies) of other Federated Advisory Companies that are traded utilizing the same trade management system. The institutional and high net worth Separate Accounts will be eligible for trade aggregation amongst such accounts themselves, which are traded using a different trade management system. For initial public offerings, the institutional and high net worth Separate Accounts traded using this different trade management system also may be aggregated on a cumulative basis with initial public offering trades with the Investment Company accounts of the Federated Clover Investment Advisors division, as well as the accounts of the other Federated Advisory Companies, that are traded using the other trade management system. In such a case, the institutional and high net worth Separate Accounts traded using this different trade management system will receive a pro rata allocation of the initial public offering. Within each group, the accounts will be allocated on a random or pro-rata basis. Trades for a client that has directed use of a particular broker or dealer are typically placed at the end of aggregated trading activity. Accordingly, directed transactions may be subject to the conditions discussed in this brochure under "Directed Brokerage" under "Selection Criteria for Brokers/Dealers" under "Brokerage Practices." There can be no assurance that each client will receive the same price for a security, and, depending upon the circumstances, different clients may receive different prices, either higher or lower, for the same security.

Federated MDTA LLC

Due to operational, technological and other reasons, Federated MDTA LLC, another Federated Advisory Company, also has adopted a rotation policy whereby purchases and sales of securities are processed on a rotational basis by group. Groups are comprised of accounts with similar trade execution characteristics, including executing broker, security being traded, and size of trade. Groups are assigned positions in the rotation sequence on a random basis. Trades are allocated to accounts using a method that combines elements of random and pro-rata approaches. (Please refer to "Directed Brokerage" under "Selection Criteria for Brokers/Dealers" under "Brokerage Practices" in this brochure for additional considerations relating to directed brokerage/trading.) There can be no assurance that each client will receive the same price for a security, and, depending upon the circumstances, different clients may receive different prices, either higher or lower, for the same security.

Clients also should be aware that conflicts of interest arise because portfolio decisions regarding one client's account may impact the accounts of the other clients. If authorized under an investment management agreement, Federated Investment Counseling or other Federated Advisory Companies may in our or their discretion (a) participate in bankruptcy proceedings or join creditor committees on behalf of some or all of our or their clients with respect to securities or other assets held in client accounts, (b) participate in other litigation, actions or decisions involving securities or other assets held in client accounts, or (c) otherwise pursue or enforce rights available to creditors with respect to a security held in a client's account. For example, we may seek to enforce rights with respect to a security of an issuer in which a client's assets have been invested, and those activities may potentially have an adverse effect on that or other securities of that issuer held in client accounts. As a result, prices, availability, liquidity and other investment terms may be negatively impacted by such activities, and transactions for client accounts may be impaired or effected at prices or on terms that may be different (including less favorable) than would otherwise have been the case .

C. Other Actual or Potential Conflicts of Interest

1. Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees

Actual or potential conflicts of interest arise to the extent that Federated Investment Counseling, or our affiliates (*e.g.*, the other Federated Advisory Companies), or any of their respective employees, supervised persons or other representatives, receive compensation or benefits other than advisory fees. Additional compensation or benefits may be received by us or our affiliates, for example, for:

- Soliciting business for other Federated Advisory Companies or third parties;
- Providing investment advice on behalf of another investment adviser;
- Providing services to another investment adviser or investment product;

- Selling, marketing or distributing mutual fund shares or other investment products or services or acting as a placement agent;
- Directing brokerage/trades to a particular broker or dealer; or
- Specific uses of commissions from client account portfolio trades (for example, soft dollar benefits).

We, or our affiliates, also may have other relationships with broker-dealers, commodity pool operators, commodity trading advisors, trust companies, other investment advisers and others in the financial industry that benefit us or our affiliates whether through increased advisory fees or other compensation or in other ways. (Please refer to “Relationships with Broker-Dealers” under “Other Financial Industry Activities and Affiliations,” “Research and Other Soft Dollar Benefits” under “Selection Criteria for Brokers/Dealers” under “Brokerage Practices,” and “Client Referrals and Other Compensation” in this brochure for further information.)

The actual and potential conflicts arise because the additional compensation or other benefits create an incentive to recommend or favor our interests, and the interests of our affiliates, Affiliated Investment Vehicles (*e.g.*, the Federated mutual funds), and other products or services, based on the compensation that will be received rather than our clients’ needs. For example, certain of our directors/trustees, officers or supervised persons may be officers of the Federated mutual funds or other Pooled Investment Vehicles sponsored by Federated Investors, Inc., our ultimate parent company. Federated Securities Corp., and its employee-representatives who serve as sales people, also may receive compensation for the sale of mutual fund shares or other services or products. If an intermediary’s (such as a broker-dealer’s) customers represent a significant number of the shareholders of, and assets in, a Federated mutual fund, we, and our affiliates, or any of their respective employees, supervised persons or other representatives, may have an incentive to favor that intermediary. We would have a similar incentive with respect to a solicitor who referred clients to us or another Federated Advisory Company. Federated Investment Counseling, in hopes of gaining clients through a Managed Account Program, may have an incentive to execute brokerage transactions through the Managed Account Program Sponsor or Platform Provider (or an affiliated broker or dealer), which in turn has the power to recommend us to Managed Account Program clients. Outside of Managed Accounts, our willingness to direct brokerage/trades to a particular broker or dealer when instructed to do so by clients likewise may encourage a broker or dealer to refer business to us or our related persons, resulting in higher advisory, servicing or other compensation or other benefits. We also may receive “soft dollar benefits” from certain brokers or dealers. The receipt and use of brokerage and research services also creates various conflicts of interest for Federated Investment Counseling and our related persons. For example, we may have an incentive to select or recommend brokers or dealers based on our interest in receiving research or other products or services, rather than on our clients’ interest in receiving most favorable execution. (Please refer to “Sales Compensation” under “Fees and Compensation,” “Relationships with Broker-Dealers” under “Other Financial Industry Activities and Affiliations,” and “Research and Other Soft Dollar Benefits” under “Selection Criteria for Brokers/Dealers” under “Brokerage Practices” in this brochure for further information.)

To address these actual or potential conflicts of interest, we will invest (or recommend the investment of) client assets in Affiliated Investment Vehicles only when such investments are consistent with a client’s investment objectives, policies, guidelines and restrictions. With respect to solicitation arrangements, we disclose through this brochure our affiliation with Federated Securities Corp. and its employee-representatives who serve as sales people for our services and products. Our solicitation policies relating to advisory clients also require any unaffiliated third-party solicitor to whom we pay a cash solicitation fee to provide a separate disclosure statement to clients and prospective clients. Our policies and procedures are reasonably designed to comply with applicable SEC rules (and, to the extent applicable once finalized, MRSB rules).

Also, as discussed in more detail under “Conflicts of Interest Relating to Uninvested Cash Positions” under “Other Conflicts of Interest Relating to Side by Side Management” under “Performance-Based Fees and Side by Side Management” in this brochure, we will, for example, waive or reimburse a Separate Account client for the client’s share of the advisory fees, if any, paid to us or the other Federated Advisory Companies by an Affiliated Investment Vehicle into which we invest the client’s assets. Finally, Federated Investment Counseling’s trade allocation policies prohibit the consideration of the compensation or other benefits received by us or our affiliates, or by any of our officers or employees, when allocating trades among participating client accounts. This includes a prohibition on investment personnel from considering an intermediary’s sale of Federated mutual fund shares when allocating trades to brokers and dealers.

2. Conflicts of Interest Relating to Personal Trading

Federated Investment Counseling, and/or our employees, supervised persons and related persons (*e.g.*, the other Federated Advisory Companies), may invest in the same securities, or related securities, that we or our related persons invest in on behalf of, or recommend to, clients, including at or around the same time. (Please refer to “Personal Trading” under “Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading” in this brochure for further information.) These practices create actual or potential conflicts of interest for Federated Investment Counseling and our employees, supervised persons and related persons. For example, our portfolio managers could make a personal investment in a thinly-traded security and then invest large quantities of client assets in that same security in order to drive up the value of that security or our portfolio managers could sell a personal investment in a security in advance of selling clients’ positions in such security if the selling of clients’ positions in such security would drive the value of the security down.

To address these actual or potential conflicts of interest, our internal controls, including our Code of Ethics, are reasonably believed to be designed to prevent Federated Investment Counseling, and our employees, supervised persons and related persons, from buying or selling securities contemporaneously with client transactions in an impermissible manner. For example, as discussed above and under “Our Code of Ethics” under “Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading” in this brochure, as required by SEC rules, we, and the other Federated Advisory Companies, have adopted a Code of Ethics. Although the Code of Ethics does permit investment personnel to trade in securities, including those that could be recommended to clients, it does contain significant safeguards designed to protect clients from abuses in this area, such as requirements to obtain prior approval for (*i.e.*, preclearance), and to report, particular transactions. No access person (*e.g.*, portfolio managers and research analysts) may execute a personal transaction, directly or indirectly, in any covered security and no prior preclearance will apply, when he or she knows, or should have known, that the covered security is being considered for purchase or sale, or purchased or sold, by or for a client account. In addition, portfolio managers and research analysts identified as serving a client or group of clients are prohibited from purchasing or selling any covered security for which there is an open “buy” or “sell” order or any covered security that has been purchased or sold by or for those client accounts in any amount within fifteen (15) calendar days before or after the security is purchased or sold. All such transactions will trigger a blackout period. This provision supersedes any prior preclearance. Investment personnel who are not among the portfolio managers and research analysts identified as serving client accounts, as provided above, may not purchase or sell a covered security within seven (7) calendar days after one or more open “buy” or “sell” orders are placed and/or purchases or sales are made for the client accounts in the same covered security in an amount sufficient to trigger a blackout period, subject to any prior preclearance. All other access persons may not purchase or sell a covered security on any day during which one or more open “buy” or “sell” orders are placed and/or purchases or sales are made for the client accounts in the same covered security in an amount sufficient to trigger a blackout period, subject to any prior preclearance. Among other policies, the Code of Ethics also contains certain restrictions on insider trading and misuse of customer information.

3. Conflicts of Interest Relating to Voting Securities Held in Client Accounts

As discussed under “Voting Client Securities” in this brochure, Federated Investment Counseling will accept the authority to vote securities held in client accounts. Conflicts of interest arise from time to time between the interests of Federated Investment Counseling, and our affiliates (*e.g.*, the other Federated Advisory Companies), and the interests of our clients. Federated Investment Counseling has adopted procedures to address situations where a matter on which a proxy is sought may present a potential conflict between the interests of the client and those of Federated Investment Counseling or our affiliates. This may occur where a significant business relationship exists between Federated Investment Counseling (or our affiliates) and a company involved with a proxy vote. A company that is a proponent, opponent, or the subject of a proxy vote, and which to the knowledge of Federated Investment Counseling’s, or the other Federated Advisory Companies’, Proxy Committee has this type of significant business relationship, is referred to as an “Interested Company.”

We have implemented the following procedures in order to avoid concerns that the conflicting interests of Federated Investment Counseling, or our affiliates, have influenced proxy votes. Any employee of Federated Investment Counseling, or another Federated Advisory Company, who is contacted by an Interested Company regarding proxies to be voted by us must refer the Interested Company to a member of the Proxy Committee, and must inform the

Interested Company that the Proxy Committee has exclusive authority to determine how we will vote. Any Proxy Committee member contacted by an Interested Company must report it to the full Proxy Committee and provide a written summary of the communication. Under no circumstances will the Proxy Committee or any member of the Proxy Committee make a commitment to an Interested Company regarding the voting of proxies or disclose to an Interested Company how the Proxy Committee has directed such proxies to be voted. If general instructions already provide specific direction on the proposal in question, the Proxy Committee shall not alter or amend such directions. Alternatively, the Proxy Committee may seek direction from the client on how a proposal concerning an Interested Company shall be voted. In seeking such direction, the Proxy Committee will disclose the reason such company is considered an Interested Company and may provide a recommendation, which recommendation may be other than as provided in general instructions, on how such proposal should be voted and the basis for such recommendation. If general instructions require the Proxy Committee to provide further direction, the Proxy Committee shall do so in accordance with our proxy voting policies, without regard for the interests of Federated Investment Counseling with respect to the Interested Company. If the Proxy Committee provides any direction as to the voting of proxies relating to a proposal affecting an Interested Company, it must disclose to the client information regarding: the significant business relationship; any material communication with the Interested Company; the matter(s) voted on; and how, and why, we voted as we did.

If an investment company client of the Federated Advisory Company holds 10% or more of an issuer's voting securities at the time of a solicitation, and a Federated Advisory Company has any relationship with such issuer that creates an actual conflict of interest, the Proxy Voting Committee is required to receive advice from counsel to the Proxy Voting Committee and to address any such conflict with the Board of Directors/Trustees of the investment company client. If the Proxy Voting Committee votes contrary to applicable proxy voting policies with respect to a solicitation involving such an issuer, the Proxy Voting Committee also is required to provide a report at the next meeting of the Board of Directors/Trustees of the investment company client providing an explanation of the relationship with the issuer, the proposals that were the subject of the solicitation in question, any material communications between a Federated Advisory Company and such issuer regarding such proposals, and the rationale for the decision to vote contrary to applicable proxy voting guidelines.

If a client's account holds shares of an Investment Company or Private Investment Company for which a Federated Investment Counseling acts as an investment adviser, the Proxy Committee will vote the proxies in the same proportion as the votes cast by shareholders who are not clients of Federated Investment Counseling at any shareholders' meeting called by such Investment Company or Private Investment Company, unless otherwise directed by the client.

4. Other Conflicts of Interest

In addition to the above described conflicts of interest, actual or potential conflicts of interest can arise in the following areas, among others:

- Consideration of sales of Federated mutual funds when allocating trades to brokers or dealers;
- Portfolio managers', traders' and other supervised persons' relationships with counterparties, issuers, and obligors, including entertainment and gifts received from counterparties, issuers or obligors, political and charitable contributions, and positions on boards of directors/trustees; and
- Specific compensation arrangements relating to portfolio managers, traders and other supervised persons.

To address these actual or potential conflicts of interest, our policies and procedures prohibit investment personnel from considering an intermediary's (such as a broker's or dealer's) sale of Federated mutual fund shares when allocating trades to brokers and dealers. Portfolio manager and trader relationships with counterparties must be disclosed to our Compliance Department and they are monitored on an ongoing basis. Our Code of Ethics addresses entertainment and gifts, as well as when portfolio managers, traders and other supervised persons may make political or charitable contributions or serve on boards of directors/trustees. (Please refer to "Our Code of Ethics" under "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" in this brochure for further information on our Code of Ethics.) Portfolio manager compensation also has been structured in a manner reasonably designed to safeguard client accounts from being negatively affected as a result of these actual or potential conflicts of interest. For example, we do not allow compensation and promotion incentives that reward traders based on the volume or size of trades or asset growth.

ITEM 7. TYPES OF CLIENTS

A. Types of Clients

Federated Investment Counseling generally provides investment advisory services to:

- Individuals;
- High net worth individuals;
- Corporations, business entities and other institutional investors;
- Banks, thrift institutions and other financial institutions;
- Private Investment Companies;
- Private, federal, state or government pension and profit sharing plans, including pension plans subject to the Employee Retirement Income Security Act of 1974 (ERISA);
- Trusts (including group trusts);
- Estates;
- Charitable foundations and organizations;
- Federal, state and municipal government entities; and
- Foreign accounts.

(Please refer to “The Types of Accounts/Products We Manage” under “Advisory Business” in this brochure for further information on the Private Investment Companies and Pooled Investment Vehicles to which we provide investment advisory services.)

We also may, from time to time, manage Proprietary Accounts. The clients, account holders, shareholders or investors in these Proprietary Accounts may include:

- Federated Investment Counseling;
- Another Federated Advisory Company;
- Another one of our affiliates; or
- Employees of Federated Investment Counseling or our affiliates.

(Please refer to “The Types of Accounts/Products We Manage” under Advisory Business” in this brochure for further information on the Proprietary Accounts to which we provide investment advice.) Advising Proprietary Accounts raises various conflicts of interest for us and our employees and supervised persons. (Please refer to “Conflicts of Interest Relating to Proprietary Accounts” under “Other Conflicts of Interest Relating to Side by Side Management” under “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of these conflicts of interest.)

B. Requirements for Accounts

Federated Investment Counseling requires clients to enter into an investment management agreement with us. Our investment management agreements contain grants of authority from our clients that allow us to manage client assets and, in certain cases, we may request clients to execute and deliver a separate, stand-alone power of attorney. Except in the case of a dual contract or unbundled Managed Account Program, Managed Account clients typically will not enter into an investment management agreement directly with us. In that case, Managed Account clients will enter into investment management and/or other agreements with the Sponsors or Platform Providers for the Managed Account Program.

While we reserve the right to waive minimum account size requirements, our minimum account size requirements are stated below.

Our targeted account size for accounts other than Managed Account Program accounts generally is \$25 million.

For fixed income accounts sourced through our affiliate, the Federated Clover Investment Advisors division of Federated Global Investment Management Corp., the minimum is \$1 million.

Accounts below the relevant minimums may utilize Investment Companies, Private Investment Companies and certain Pooled Investment Vehicles managed by Federated Investment Counseling or other Federated Advisory Companies that meet the objectives of the client.

Federated Investment Counseling's target account size for Managed Account Program accounts is \$100,000. Certain asset classes may require larger account minimums to seek proper diversification. The minimum account sizes for Managed Account Programs also may differ based on the requirements of the program Sponsors, Platform Providers or Overlay Managers.

Federated Investment Counseling may request clients to provide proof of authority, directed trading letters, qualified purchaser or accredited investor letters/certifications, or other information to allow us to manage client assets.

We provide investment advisory services for our Managed Account and other clients in accordance with the performance standards and limitations of liability as discussed in this brochure. (Please refer to "Standard of Care" under "Advisory Business" in this brochure for further information.)

Federated Investment Counseling also may be restricted by the securities laws of jurisdictions outside of the U.S. from managing the assets of certain clients living or located in such jurisdictions.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear. Investment decisions are subject to various market, currency, economic, political and business risks. Investment decisions will not always be profitable and may subject client accounts to overall investment loss. Past performance is not necessarily an indication of future results. Federated Investment Counseling does not guarantee future performance, any specific level of performance or the success of any particular investment decision or strategy.

The following discussion is a general discussion of our methods of analysis, investment strategies and risks. Federated Investment Counseling is a multi-strategy investment adviser, so it is possible that certain methods of analysis, investment strategies and risks may not apply to our management of any particular client's account or investment product. The specific investment strategies and risks relating to our management of a specific client's account or investment product may be described in more detail in presentations, investment guidelines, marketing materials and other documents provided, or discussions held, with that client or investment guidelines provided by the client (or, in the case of Managed Account Program accounts, provided in the Managed Account Program Sponsor's brochure or other Program documentation).

Clients that are Private Investment Companies or Pooled Investment Vehicles should refer to the registration statements (*i.e.*, prospectuses and statements of additional information) or similar offering documents for the Private Investment Companies or Pooled Investment Vehicles.

A. Basic Information

Federated Investment Counseling employs one or more of the following methods of analysis in providing our advisory services:

- Charting;
- Fundamental analysis;
- Technical analysis;
- Cyclical analysis;
- Quantitative security selection models; and
- Subjective evaluation of non-quantifiable factors (*e.g.*, quality of management) and judgment decisions.

There are risks associated with the above methods of analysis. For example, the price of an investment can change regardless of the economic and financial factors we consider when using fundamental analysis to evaluate an investment and a poorly managed issuer can underperform regardless of market movements identified through technical analysis. Quantitative models may be based on assumptions that, and subjective judgments may, prove to be incorrect. In using these methods of analysis, we also rely on publicly available sources of information, which may be inaccurate or misleading.

Federated Investment Counseling provides our advisory services consistent with:

- The terms of the relevant investment management agreement(s) applicable to the management of a client's assets;
- Any information provided to us regarding a client's investment objectives or guidelines, or a client's financial condition;
- Any reasonable investment restrictions imposed by a client;
- The investment objectives, strategies, policies and limitations of clients provided to us; and/or
- Our knowledge of restrictions imposed under applicable law on the management of a client's assets.

Subject to the considerations identified in the above bullet points, we may recommend, invest and reinvest a client's assets in a variety of securities and other investments. These securities and other investments may include, among other securities or other investments permitted under client investment guidelines:

- Equity securities;
- Fixed income securities or bonds;
- Tax-exempt or municipal securities or bonds;
- Money market securities;
- Derivative contracts and hybrid instruments (including, for example, (1) for yield curve, duration and/or volatility management, (2) for performance enhancement through the purchase of options, and (3) for offsetting changes in securities value caused by currency movement by use of currency hedges);
- Foreign securities;
- Repurchase agreements;
- Reverse repurchase agreements; and/or
- Mutual fund shares (including shares of Investment Companies, Private Investment Companies and Pooled Investment Vehicles advised or sub-advised by Federated Investment Counseling or other Federated Advisory Companies and distributed by Federated Securities Corp.).

We do not recommend primarily a particular type of security, and our advice is not limited to the above list of securities and other investments. For example, in addition to long term purchases, short term purchases, trading, short sales, option writing, and investments in the securities and other investments identified above, other investment techniques that Federated Investment Counseling may employ include, for example: (1) firm or standby commitments to purchase securities on a when-issued or other delayed delivery basis, (2) asset segregation, (3) the purchase of market discount bonds and the use of credit default swaps or other permissible activities which are likely to result in a limited amount of ordinary income and/or capital gains in an effort to seek to enhance total return in certain tax-exempt municipal bonds funds or accounts; and (4) purchasing trade finance investments. We also may effect certain other types of investment-related transactions involving a client's assets, such as securities lending.

Equity Securities

Equity securities represent a share of an issuer's earnings and assets, after the issuer pays its liabilities. The income an account will receive from equity securities cannot be predicted because issuers generally have discretion as to the payment of any dividends or distributions. However, equity securities offer greater potential for appreciation than many other types of securities, because their value increases directly with the value of the issuer's business. Types of equity securities include, for example, common stocks, preferred stocks, interests in limited liability companies, real estate investment trusts, and warrants. Equity securities may be subject to, for example, stock market risks, sector risks, liquidity risks, risks related to investing for growth, risks related to investing for value, risks related to company size, medium size company risk, small company risks, currency risks (including Euro risks), risks of investing in a specific

country or region, risks of foreign investing, risks of investing in emerging market countries, leverage risks, credit risks, exchange traded funds risk, risks related to custodial services and related investment costs and share ownership concentration risk.

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 may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase with the issuer's earnings. This limits the potential appreciation of fixed-income securities as compared to equity securities. Types of fixed income securities include, for example, treasury securities, government securities, corporate debt securities, commercial paper, demand instruments, municipal securities, tax-exempt securities, mortgage-backed securities (MBS), collateralized mortgage obligations (CMOs), sequential CMOs, planned amortization classes and targeted amortization classes and companion classes, interest only and principal only CMOs, floaters, inverse floaters, Z classes and residual classes, non-government mortgage-backed securities, commercial mortgage-backed securities (CMBS), municipal mortgage-backed securities, inflation protected securities, asset-backed securities (ABS), bank instruments, insurance contracts, zero coupon securities, callable securities, loan instruments, assignments and participations, and convertible securities. Fixed income securities may be subject to, for example, credit risk, call risks, prepayment risks, liquidity risk, sector risks, risks associated for non investment grade securities or junk bonds, risks related to the economy, risks associated with complex CMOs, currency risks (including Euro risks), risks of investing in a specific country or region, risks of foreign investing, risks of investing in emerging market countries, leverage risks, tax risks, risks of inflation-protected securities, risks associated with investment share proceeds, credit enhancement risk, and risks associated with investment activities of other accounts.

Tax-Exempt or Municipal Securities or Bonds

Tax-exempt or municipal securities or bonds (tax-exempt securities) are fixed income securities that, in the opinion of bond counsel to the issuer or on the basis of another authority believed to be reliable, pay interest that is not subject to federal regular income taxes. 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 tax-exempt securities may be subject to credit enhancement. Types of tax exempt securities include, for example, general obligation bonds, special revenue bonds, private activity bonds, tax-increment financing bonds, municipal notes, municipal auction rate securities, variable rate demand instruments, demand instruments, municipal leases and tax-exempt commercial paper. Tax-exempt securities may be subject to the same risks as fixed income securities.

Although many municipal securities are tax-exempt securities, there are municipal securities that are taxable municipal securities. Taxable municipal securities also are issued by states, counties, cities and other political subdivisions and authorities. Taxable municipal securities also may be subject to the same risks as fixed income securities.

Money Market Securities

Money market securities are short-term, liquid, high-quality securities that are eligible for investment by money market Investment Companies under SEC Rule 2a-7 under the Investment Company Act. Money market securities can be subject to, for example, interest rate, credit, and other risks.

Derivative Contracts and Hybrid Instruments

Derivative contracts are financial instruments that require payments based upon changes in the values of designated securities, commodities, currencies, indices, or other assets or instruments including other derivative contracts, (each a Reference Instrument and, collectively, Reference Instruments). Each party to a derivative contract is referred to as a counterparty. Some derivative contracts require payments relating to an actual, future trade involving the Reference Instrument. These types of derivatives are frequently referred to as "physically settled" derivatives. Other derivative contracts require payments relating to the income or returns from, or changes in the market value of, a Reference Instrument. These types of derivatives are known as "cash settled" derivatives, since they require cash payments in lieu of delivery of the Reference Instrument.

Many derivative contracts are traded on securities or commodities exchanges. In this case, the exchange sets all the terms of the contract except for the price. Investors make payments due under their contracts through the exchange. Most exchanges require investors to maintain margin accounts through their brokers to cover their potential obligations to the exchange. Parties to the contract make (or collect) daily payments to the margin accounts to reflect losses (or gains) in the value of their contracts. This protects investors against potential defaults by the counterparty. Trading contracts on an exchange also allows investors to close out their contracts by entering into offsetting contracts.

Federated Investment Counseling may also trade derivative contracts over-the-counter (OTC) in transactions negotiated directly between a client account and the counterparty. OTC contracts do not necessarily have standard terms, so they may be less liquid and more difficult to close out than exchange-traded contracts. In addition, OTC contracts with more specialized terms may be more difficult to value than exchange traded contracts, especially in times of financial stress. Depending on how an account permits use of derivative contracts and the relationships between the market value of a derivative contract and the Reference Instrument, derivative contracts may increase or decrease the account's exposure to the risks of the Reference Instrument, and may also expose the fund to liquidity and leverage risks. OTC contracts also expose an account to credit risks in the event that a counterparty defaults on the contract.

Payment obligations arising in connection with derivative contracts are frequently required to be secured with collateral (in the case of OTC contracts) or margin (in the case of exchange-traded contracts, as previously noted). To the extent necessary to meet such requirements, we may purchase U.S. Treasury and/or government agency securities for an account. We may invest in a derivative contract if an account is permitted to own, invest in, or otherwise have economic exposure to the Reference Instrument. An account may not be required to own a Reference Instrument in order to buy or sell a derivative contract relating to that Reference Instrument. We also may trade, for example, in the following specific types and/or combinations of derivative contracts to the extent permitted for a client account: futures contracts (including interest rate futures, index futures, security futures, currency futures and current forward contracts), option contracts (including put options and call options), and swap contracts (including interest rate swaps, caps and floors, total return swaps, credit default swaps, currency swaps, volatility swaps and total return swaps).

Hybrid instruments combine elements of two different kinds of securities or financial instruments (such as a derivative contract). Frequently, the value of a hybrid instrument is determined by reference to changes in the value of a Reference Instrument (that is a designated security, commodity, currency, index, or other asset or instrument including a derivative contract). To the extent permitted for a client account, we may use hybrid instruments in connection with permissible investment activities. Hybrid instruments can take on many forms including, for example, the following forms. First, a common form of a hybrid instrument combines elements of a derivative contract with those of another security (typically a fixed-income security). In this case all or a portion of the interest or principal payable on a hybrid security is determined by reference to changes in the price of a Reference Instrument. Second, a hybrid instrument may also combine elements of a fixed-income security and an equity security. Third, hybrid instruments may include convertible securities with conversion terms related to a Reference Instrument. Depending on the type and terms of the hybrid instrument, its risks may reflect a combination of the risks of investing in the Reference Instrument with the risks of investing in other securities, currencies, and derivative contracts. Thus, an investment in a hybrid instrument may entail significant risks in addition to those associated with traditional investments or the Reference Instrument. Hybrid instruments are also potentially more volatile than traditional securities or the Reference Instrument. Moreover, depending on the structure of the particular hybrid, it may expose the account to leverage risks or carry liquidity risks. Types of hybrid instruments include, for example, credit linked notes and equity linked notes.

A client account's exposure to derivative contracts and hybrid instruments (either directly or through an investment in an Investment Company or Private Investment Company) involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. First, changes in the value of the derivative contracts and hybrid instruments in which an account may be invested may not be correlated with changes in the value of the underlying Reference Instruments or, if they are correlated, may move in the opposite direction than originally anticipated. Second, while some strategies involving derivatives may reduce the risk of loss, they may also reduce potential gains or, in some cases, result in losses by offsetting favorable price movements in portfolio holdings. Third, there is a risk that derivative contracts and hybrid instruments may be erroneously priced or improperly valued and, as a result, a client's account may need to make increased cash payments to the counterparty. Fourth, exposure to derivative contracts and hybrid instruments may have tax consequences to a client's account (and, in the case of an Investment Company or Private Investment Company, its interest holders or shareholders). Fifth, a common provision in OTC derivative contracts permits the counterparty to terminate any such contract between it and an account, if the value of an account's total net assets declines below a specified level over a given time period. Factors that may

contribute to such a decline (which usually must be substantial) include significant redemptions and/or a marked decrease in the market value of the account's investments. Any such termination of OTC derivative contracts may adversely affect an account (for example, by increasing losses and/or costs, and/or preventing a full implementation of investment strategies). Sixth, a derivative contract may be used to benefit from a decline in the value of a Reference Instrument. If the value of the Reference Instrument declines during the term of the contract, an account makes a profit on the difference (less any payments the account is required to pay under the terms of the contract). Any such strategy involves risk. There is no assurance that the Reference Instrument will decline in value during the term of the contract and make a profit for an account. The Reference Instrument may instead appreciate in value creating a loss for the account. Finally, derivative contracts and hybrid instruments may also involve other risks, such as stock market, interest rate, credit, currency, liquidity and leverage risks.

Foreign Securities

Foreign securities are securities of issuers based outside the United States. We generally 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 (directly or through its consolidated 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.

Foreign securities are primarily denominated in foreign currencies. Types of foreign securities include, for example, depository receipts, American depository receipts, domestically traded securities of foreign issuers, foreign exchange contracts, and foreign government securities. Along with the risks normally associated with domestic securities of the same type, foreign securities are subject to currency risks and risks of foreign investing. Trading in certain foreign markets is also subject to liquidity risks.

Repurchase Agreements

Repurchase agreements are transactions in which a security is purchased for an account from a dealer or bank and the account agrees to sell the security back at a mutually agreed upon time and price. The repurchase price exceeds the sale price, reflecting the account's return on the transaction. This return is unrelated to the interest rate on the underlying security. We will enter into repurchase agreements on behalf of accounts only with banks and other recognized financial institutions, such as securities dealers, that we deem creditworthy. An account's custodian will take possession of the securities subject to repurchase agreements. We or a custodian typically will monitor the value of the underlying security each day to seek to ensure that the value of the security always equals or exceeds the repurchase price. In addition to taxable repurchase agreements, there also are municipal repurchase agreements. Repurchase agreements generally are subject to credit risks.

Reverse Repurchase Agreements

Reverse repurchase agreements are repurchase agreements in which a client's account is the seller (rather than the buyer) of the securities, and agrees to repurchase them at an agreed upon time and price. A reverse repurchase agreement may be viewed as a type of borrowing by a client's account. In addition to taxable reverse repurchase agreements, there also are municipal reverse repurchase agreements. Reverse repurchase agreements are subject to credit risks. In addition, reverse repurchase agreements create leverage risks because an account must repurchase the underlying security at a higher price, regardless of the market value of the security at the time of repurchase.

Shares of Investment Companies, Private Investment Companies and Other Pooled Investment Vehicles

To the extent permitted, we may invest client account assets in securities of Investment Companies (mutual funds), Private Investment Companies or other Pooled Investment Vehicles, including the securities of Affiliated Investment Vehicles. These investments also may include preferred shares of a closed-end Investment Company that are eligible for purchase by money market mutual funds. These investments may be made as an efficient means of implementing investment strategies and/or managing uninvested cash. These other Investment Companies (mutual funds), Private Investment Companies or other Pooled Investment Vehicles are managed independently of a client's account and incur

additional fees and/or expenses which would, therefore, be borne indirectly by the client's account in connection with any such investment. These investments are subject to the same risks as the underlying Investment Company, Private Investment Company or Pooled Investment Vehicle.

To the extent permitted, we also may invest client assets in exchange traded funds (ETFs) as an efficient means of carrying out its investment strategies. As with traditional mutual funds, ETFs charge asset-based fees, although these fees tend to be relatively low. ETFs are traded on stock exchanges or on the over-the-counter market. ETFs generally do not charge initial sales charges or redemption fees and investors typically pay only customary brokerage fees to buy and sell ETF shares. An investment in an ETF generally presents the same primary risks as an investment in a conventional fund (*i.e.*, one that is not exchange traded) that has the same investment objectives, strategies, and policies. The price of an ETF can fluctuate up or down, and a client account could lose money investing in an ETF if the prices of the securities owned by the ETF go down. In addition, ETFs may be subject to the following risks that do not apply to conventional funds:

- The market price of an ETF's shares may trade above or below their net asset value;
- An active trading market for an ETF's shares may not develop or be maintained; or
- Trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

Trade Finance Investments

Trade finance investments include investments primarily in trade, structured-trade, export and project finance or related assets of companies or other entities (including sovereign entities) located primarily in or having exposure to global emerging markets by way of a purchase, assignment, participation, guarantee, insurance or other appropriate financial interest. Investments in trade finance-related securities may entail credit, liquidity, currency and market risks, in addition to other risks such as risks of investing in foreign securities and emerging market securities. Investments in less developed or emerging markets generally entail greater political, economic, market, tax, credit and other risks, and generally have greater price volatility, than securities issued or traded in developed markets.

Short Sales

To the extent permitted, we may sell a security for a client account short in an effort to take advantage of an anticipated decline in the price of the security. In a short sale, the account sells a security it does not own, and must borrow the security in order to deliver it at completion of the sale. The account then has an obligation to replace the borrowed security. While the securities are borrowed, the proceeds from the sale are deposited with the lender and an account pays interest to the lender. If the value of the securities declines between the time that the account borrows the securities and the time it repurchases and returns the securities to the lender, the account makes a profit on the difference (less any interest the account is required to pay the lender). Short selling involves risk, is speculative in nature, and may reduce returns or increase volatility. There is no assurance that securities will decline in value during the period of the short sale and make a profit for an account. Securities sold short may instead appreciate in value creating a loss for the account. An account also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall borrowed securities at any time. The lender from which the account has borrowed securities may go bankrupt and the account may lose the collateral it has deposited with the lender. We will endeavor to adhere to controls and limits that are intended to offset these risks by short selling only liquid securities and by limiting the amount of exposure for short sales.

Delayed Delivery Securities

Delayed delivery transactions, including when issued transactions, are arrangements in which we buy securities for a client account for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by the account to the issuer and no interest accrues to the account. The transaction typically is recorded when the agreement to buy the securities is effected. Settlement dates may be a month or more after entering into these transactions so that the market values of the securities bought may vary from the purchase prices. Types of delayed delivery securities include, for example, to-be-announced securities and dollar rolls. Therefore, delayed delivery transactions create interest rate risks. Delayed delivery transactions also involve credit risks in the event of a counterparty default. These transactions also may create leverage risks.

Securities Lending

To the extent permitted, we may lend a client account's portfolio securities to borrowers that we deem creditworthy. In return, the account receives cash or liquid securities from the borrower as collateral. The borrower must furnish additional collateral if the market value of the loaned securities increases. Also, the borrower must pay the account the equivalent of any dividends or interest received on the loaned securities. We will reinvest cash collateral for a client's account in securities that qualify as an acceptable investment for the account. However, the account must pay interest to the borrower for the use of cash collateral. Loans are subject to termination at the option of the account or the borrower. The account will not have the right to vote on securities while they are on loan. However, we will attempt to terminate a loan in an effort to reacquire the securities in time to vote on matters that we deem to be material. There can be no assurance that we will have sufficient notice of such matters to be able to terminate the loan in time to vote thereon. An account may pay administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash collateral to a securities lending agent or broker. Securities lending activities are subject to interest rate risks and credit risks. These transactions also may create leverage risks.

Asset Segregation

In order to secure obligations in connection with derivative contracts or certain other transactions, a client account may either own the underlying assets, enter into offsetting transactions or set aside cash or readily marketable securities. This may cause a client's account to miss favorable trading opportunities, due to a lack of sufficient cash or readily marketable securities. This requirement also may cause an account to realize losses on offsetting or terminated derivative contracts or certain other transactions.

Portfolio Turnover

An investment strategy may experience high portfolio turnover during a particular period of time depending upon market conditions, the types of investments utilized in pursuing an applicable investment objective (*e.g.*, futures contracts) and other factors. As discussed under "Fees and Expenses, Other Than Our Advisory Fees" under "Fees and Compensation" in this brochure, a client account pays transaction costs, such as commissions, when securities are bought and sold for the account (or an account's portfolio "turns over"). To the extent a client's investment strategy involves a higher portfolio turnover rate, this may indicate higher transaction costs and may result in higher taxes. These costs affect a client account's performance.

Federated Investment Counseling also may implement other investment strategies as developed or requested by clients. The specific investment strategy(ies) that we will follow in managing assets for a particular client typically is (are) described:

- In, or as an attachment to, the client's investment management agreement with us;
- If the client participates in a Managed Account Program, in our agreement with the Managed Account Sponsor or Platform Provider and other Managed Account documentation; or
- If the client is a Private Investment Company or Pooled Investment Vehicle, in the registration statement (*i.e.*, prospectus and statement of additional information) or similar offering document for such client.

B. Strategy-Specific Disclosure

The following discusses in more detail significant investment strategies that Federated Investment Counseling offers and the risks involved. Clients should review this disclosure carefully and in tandem with the basic information provided above. As noted, clients also should review any presentations, investment guidelines, marketing materials and other documents provided, or discussed with the client or any investment guidelines provided by the client (or, in the case of Managed Account Program accounts, provided in the Managed Account Program Sponsor's brochure or other Program documentation).

EQUITY

These strategies encompass client objectives for domestic or foreign equity portfolios. Portfolios reflect various investment objectives and styles, including a variety of capitalization targets along with different investment styles including value, growth and/or income.

Core Equity

This strategy encompasses client objectives for stock portfolios composed primarily of large and mid capitalization stocks, utilizing a blend of both value and growth stocks. Among others, securities held in accounts may include common stock, preferred stock, convertible securities, derivative contracts and exchange traded funds (ETFs). As defined by individual client parameters, accounts may also include foreign common and preferred stocks and American Depositary Receipts (ADRs).

The process emphasizes fundamental and valuation analysis to identify companies that offer superior growth prospects and/or companies whose stock is believed to be undervalued. We evaluate a company's fundamentals and attempts to project long-term future earnings growth rates. In addition, the strategy employs valuation analysis as a framework for evaluating how individual stocks should be valued. Fundamental analysis includes, but is not limited to, examination of a company's product positioning, management quality and sustainability of growth trends. Valuation analysis frequently includes, but is not limited to, examining traditional valuation metrics, such as price-to-earnings, price-to-cash flow and price-to-sales ratios, on both an absolute and relative basis. Portfolios are constructed using various risk management techniques including sector, industry and individual company exposure targets on both an absolute basis and relative to a selected broad market or custom benchmark.

Risks for this strategy include, among others, risks of the value of equity securities rising and falling, risks of business failure, risks that value stocks may lag behind growth stocks in an up market, risks that growth stocks are more volatile than value stocks, risks that a particular sector will underperform other sectors, risks that mid and small capitalization stocks may be less liquid and more volatile than larger capitalization stocks, risks of investing in derivative contracts, and risks that a party to a transaction involving the portfolio will fail to meet its obligations. Foreign stocks may be subject to economic or political conditions which are less favorable than those of the United States and may lack financial reporting standards or regulatory requirements comparable to those applicable to U.S companies. Exchange rates for currencies fluctuate daily. The combination of currency risk and market risk tends to make securities traded in foreign markets more volatile than securities traded exclusively in the United States. Exposure to derivatives and hybrid instruments involves risks in addition to those associated with investing directly in securities and other traditional investments, including leverage, counterparty and liquidity risk.

Dividend Income

This strategy encompasses client objectives for stock portfolios composed primarily of domestic and foreign large and mid capitalization stocks, with an orientation toward value, income, and income growth. Small capitalization stocks may also be represented in the strategy on a limited basis. Among others, securities held in accounts may include domestic common stock, real estate investment trusts, foreign common stocks, American Depositary Receipts (ADRs), derivative contracts and exchange traded funds (ETFs).

The strategy focuses on high dividend yielding stocks with both the potential for future dividend growth and strong value characteristics. From a broad universe, stocks are screened and prioritized based on criteria including dividend yield, dividend and earnings growth, valuation, financial condition and performance during periods of market weakness. Companies highly ranked in the screening process are scrutinized to determine whether the company is an attractive investment proposition. This process is driven primarily by bottom-up fundamental proprietary research. Broad macro economic trends that can influence the outlook of sectors and industries are also taken into account when constructing portfolios. Risk is managed through exposure to multiple sectors and industries and, at the individual stock level, portfolios adhere to position size limits which may be adjusted over time and are designed to further control portfolio risk. Accounts are managed to conform to client-directed parameters which include portfolios consisting solely of domestic securities, international securities or a combination of both.

Risks for this strategy include, among others, risks of the value of equity securities rising and falling, risks of business failure, risks that value stocks may lag behind growth stocks in an up market, risks that a particular sector will

underperform other sectors, risks that mid and small capitalization stocks may be less liquid and more volatile than larger capitalization stocks, risks of investing in derivative contracts, and risks that a party to a transaction involving the portfolio will fail to meet its obligations. Foreign stocks may be subject to economic or political conditions which are less favorable than those of the United States and may lack financial reporting standards or regulatory requirements comparable to those applicable to U.S. companies. Exchange rates for currencies fluctuate daily. The combination of currency risk and market risk tends to make securities traded in foreign markets more volatile than securities traded exclusively in the United States. Exposure to derivatives and hybrid instruments involves risks in addition to those associated with investing directly in securities and other traditional investments, including leverage, counterparty and liquidity risk.

FIXED INCOME

Taxable Fixed Income

This strategy encompasses client objectives for taxable fixed income portfolios with various duration targets and asset class exposures. Accounts may include domestic and foreign fixed and floating rate instruments rated both investment grade and non-investment grade. Among others, securities held in accounts may include U.S. Treasury notes and bonds, government agency securities, foreign sovereign debt, corporate debt, mortgage backed securities, asset backed securities, taxable municipal bonds, derivative contracts, trade-finance related securities, bank loans and currency. The strategy may also hold fixed income mutual funds.

The process concentrates on analysis of sectors, yield curve, and security characteristics along with assessments of major long-term indicators of interest rate direction and volatility. The duration committee determines the cyclical interest rate outlook. For purposes of risk control, portfolios are typically managed within a specified duration range of a given benchmark. The yield curve committee makes recommendations for positioning portfolios along the yield curve. Typically, key rate durations are weighted to specified percent ranges against a given benchmark, depending on relative attractiveness and expectations of future shape changes. The sector allocation committee reviews spread relationships among each of the allowable sectors in search of relative value opportunities, obtaining input from each of the sector teams. Our economic overlay is an important input in determining whether the spread relationships are reasonable. Typically, respective sector exposure limits are targeted to specified percent ranges against a given benchmark. In terms of individual security selection, each sector team is responsible for developing sub-portfolios within each sector designed to outperform a sector-specific benchmark. As an example, the corporate team applies a fundamental analysis approach to determine the best securities within specific credit quality constraints. The mortgage-backed team utilizes sophisticated quantitative models and analysis of pool-specific characteristics to recommend mortgage securities within their sector. Each account is managed to conform to client-directed parameters typically defined through the use of a broad market or custom benchmark. Portfolio Managers utilize model portfolio recommendations provided by each sector team, allocates the portfolio across sectors utilizing sector allocation recommendations provided by the sector allocation committee, and implements modest duration and yield curve management techniques with input from the firm's duration and yield curve committees. The strategy makes active use of futures to efficiently implement portfolio adjustments in reaction to changes in the macro calls.

For certain accounts, we integrate a proprietary quantitative interest rate predictor from [Dix Hills Partners] which is used for the duration management component of the fixed income process. [An affiliate of the Adviser has an equity partnership with Dix Hills Partners.]

For certain accounts, to conform to client-directed parameters, portfolios may be structured as ladders which, as a general rule, do not experience active trading.

Risks related to this strategy include, among others, interest rate risk and prepayment risk. Generally, as interest rates rise, prices of fixed income securities fall, with longer duration securities reacting more than shorter duration securities. As interest rates decline, the value of mortgage-backed securities rise, however, they may experience accelerated prepayments. High yield bonds carry increased levels of credit and default risk and are generally less liquid than government and investment-grade bonds. Investments in trade finance-related securities may entail credit, liquidity, currency and market risks, in addition to other risks such as risks of investing in foreign securities and emerging market securities. Investments in less developed or emerging markets generally entail greater political, economic, market, tax, credit and other risks, and generally have greater price volatility, than securities issued or traded in developed markets. Exposure to derivatives and hybrid instruments involves risks in addition to those associated with investing directly in

securities and other traditional investments, including leverage, counterparty and liquidity risk. Investments in currency entail risks related to daily fluctuations in the value of currency, which may be more volatile in times of increased market risk.

Municipal Fixed Income

This strategy encompasses client objectives for accounts oriented toward income which is exempt from federal regular income tax. Accounts may include fixed and floating rate tax-exempt municipal securities of various durations, rated both investment grade and non-investment grade, and may include tax-exempt municipal securities subject to alternative minimum tax for individuals and corporations (AMT). Among others, securities held in accounts may include general obligation bonds, special revenue bonds, private activity bonds, variable rate demand instruments, municipal notes and municipal auction rate securities. Certain securities may include credit enhancement. Derivative contracts also may be utilized to implement this investment strategy.

This strategy utilizes our primary fixed income process which focuses on the analysis of sector, yield curve, and security characteristics, and assessment of major long-term indicators of interest rate direction and volatility, in building a tax-exempt portfolio.

Risks related to this strategy include, among others, that as interest rates rise and fall the price of the securities will fluctuate, that a party to a transaction will fail to meet its obligations, that an issuer may redeem a security before maturity at a price above or below its current price, that a particular sector will underperform other sectors, that changes in tax laws may cause prices of securities to fluctuate, that a security may not be marketable, that prepayment of principal will cause the portfolio to reinvest proceeds at a less favorable interest rate, issuer default, and default of a credit enhancement provider. Exposure to derivatives (including futures contracts) and hybrid instruments involves risks in addition to those associated with investing directly in securities and other traditional investments, including leverage, counterparty and liquidity risk.

BALANCED

This strategy encompasses client objectives for exposure to equity and fixed income markets in tandem. Accounts include various pre-set or variable target allocations between client-defined equity and fixed income strategies of the Adviser. Accounts with pre-set allocations will rebalance to a target percent exposure on a periodic basis, based on the amount of drift from the target. Accounts with variable target allocations will adjust the exposure based on a variety of models tracking relative valuation, growth, and technical factors, along with our macro economic forecast and stock market outlook. Allocations are established within pre-set percentage limits. The macro economic team utilizes both qualitative and quantitative research factors, based on a highly defined asset allocation framework, in combination with inputs from the equity and fixed income teams, to recommend asset class over- or under-weights. Securities held in accounts will be reflective of the equity and fixed income strategies previously noted, along with their associated risks.

MONEY MARKET

This strategy invests in any securities, inclusive of commercial paper, variable rate instruments, bank instruments, and asset-backed securities, eligible under the requirements of SEC Rule 2a-7 under the Investment Company Act as well as both direct and indirect obligations of the U.S. government, including U.S. government and government agency-issued securities and repurchase agreements backed by such securities. All securities must have a maturity of not more than 397 days. The average maturity of the portfolio, computed on a dollar-weighted basis, will be 60 days or less. Risks for this strategy include, for example, risks that as interest rates rise and fall the price of the securities will fluctuate, risks of issuer default, risks that a party to a transaction will fail to meet its obligations, risks that the financial services sector will perform poorly, risks of default of a credit enhancement provider, risks that prepayment of principal will cause the portfolio to reinvest proceeds at a less favorable interest rate, and risks of foreign investing.

ITEM 9. DISCIPLINARY INFORMATION

Federated Investment Counseling has not been subject to any legal or disciplinary event that it is required to disclose under applicable SEC rules.

Given the interrelationships between Federated Investment Counseling, and the other Federated Advisory Companies and our other related persons, and given that the Federated Advisory Companies also share common compliance policies and procedures, the following discusses certain disciplinary events involving relevant other Federated Advisory Companies and another affiliated company. (Please refer to “Our Use of ‘Shared Personnel’ and Third-Party Service Providers” under “Advisory Business,” “Sales Compensation” under “Fees and Compensation,” and “Other Financial Industry Activities and Affiliations” in this brochure for information on these interrelationships.)

In 2005, the SEC and New York Attorney General (NYAG) settled proceedings against three subsidiaries of Federated Investors, Inc., Federated Securities Corp., Federated Investment Management Company, and Federated Shareholder Services Company, involving undisclosed market timing arrangements and late trading. The SEC made findings that:

- Federated Securities Corp., in its capacity as distributor of the Federated mutual funds, and its affiliate, Federated Investment Management Company, an SEC-registered investment adviser to many of the Federated mutual funds, violated provisions of the Advisers Act and Investment Company Act, by approving, but not disclosing, three market timing arrangements, or the associated conflict of interest between Federated Investment Management Company and the funds involved in the arrangements, either to other fund shareholders or to the funds' board; and
- Federated Shareholder Services Company, formerly an SEC-registered transfer agent, and another affiliate of Federated Securities Corp., failed to prevent a customer and a Federated employee from late trading in violation of provisions of the Investment Company Act.

Federated Investment Management Company, Federated Securities Corp. and Federated Shareholder Services Company were censured. 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. Federated Securities Corp. was ordered to cease and desist from committing or causing any violations of Section 17(d) of the Investment Company Act and SEC Rule 17d-1 thereunder, and from causing any violations of Section 206(1) and 206(e) of the Advisers Act. Federated Securities Corp., however, was not barred from acting in any capacity under the Federal securities laws. Federated paid approximately \$8.0 million in 2004 to certain funds as determined by an independent consultant. As part of these settlements, Federated agreed to pay disgorgement (\$27 million) and a civil money penalty (\$45 million) 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:

- At least 75% of the fund's directors are independent of Federated;
- The chairman of each such fund is independent of Federated;
- 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
- 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 discussed 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](http://www.federatedinvestors.com). The settlements can be obtained at <http://www.sec.gov/litigation/admin/34-52839.pdf> and at <http://www.oag.state.ny.us/press/2005/nov/federated%20investment%20aod%2011.17.05.pdf>.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Relationships with Broker-Dealers

As discussed under “Sales Compensation” under “Fees and Compensation” in this brochure, Federated Investment Counseling is an affiliate through common ownership with Federated Securities Corp., a dually-registered investment adviser, municipal advisor, municipal securities dealer and broker-dealer. These registrations do not imply a certain level of skill or training.

Federated Securities Corp., Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222, acts as distributor of the registered Investment Company clients of affiliated advisers (*i.e.*, the other Federated Advisory Companies). Federated Securities Corp.'s employees are registered representatives of Federated Securities Corp. and are salaried employees. As discussed under "Sales Compensation" under "Fees and Compensation" in this brochure, employee-representatives of Federated Securities Corp. serve as sales people for, and provide certain investment advice on behalf of, Federated Investment Counseling, and are supervised persons of Federated Investment Counseling.

(Please refer to "Sales Compensation" under "Fees and Compensation" in this brochure for additional information regarding Federated Securities Corp.'s other activities and related arrangements).

Federated Investment Counseling also is affiliated through common ownership with Edgewood Services, Inc., which is located at 1001 Liberty Avenue, Pittsburgh, PA 15222, and is a limited purpose broker-dealer.

The following management persons of Federated Investment Counseling are registered representatives of Federated Securities Corp.:

- J. Christopher Donahue, Trustee
- Brian P. Bouda, Chief Compliance Officer
- Thomas E. Territ, Executive Vice President
- Stephen J. Carl, Senior Vice President
- Steve Friedman, Assistant Vice President
- Mary Anne DeJohn, Assistant Vice President.

Messrs. Bouda, Friedman and Territ are also registered representatives of Edgewood Services, Inc.

The following management person of Federated Investment Counseling is a registered financial and operations principal of both Federated Securities Corp. and Edgewood Services, Inc.:

- Denis McAuley, III, Assistant Treasurer.

(Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

Passport Research, Ltd., another Federated Advisory Company that is affiliated with Federated Investment Counseling, is a limited partnership. The General Partner of Passport Research, Ltd. is Federated Investment Management Company, another Federated Advisory Company that is affiliated with Federated Investment Counseling, and its Limited Partner is Edward D. Jones & Co., L.P. (Edward Jones). Edward Jones is a broker-dealer whose clients are solicited to invest in Investment Companies advised by Passport Research, Ltd., and other Federated Advisory Companies. Edward Jones also receives certain transfer agent, distribution and/or services-related fees from these Investment Companies, and for services provided to these Investment Companies and their shareholders. Edward Jones' limited partnership interest in Passport Research, Ltd., and the receipt of this compensation, creates certain potential conflicts of interest for Edward Jones and its registered representatives similar to those discussed under "Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure. No management persons of Passport Research, Ltd. are registered representatives of Edward Jones. Given that Edward Jones' customers, and their assets, constitute all or a significant number of the shareholders, and assets, in the Investment Companies to which Passport Research, Ltd. serves as investment adviser, we, and the other Federated Advisory Companies and our other related persons, have an incentive to favor Edward Jones, and its customers, which creates a conflict of interest. (Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

B. Relationships with Commodity Pool Operators and Commodity Trading Advisors

Federated Investors, Inc., which is Federated Investment Counseling's ultimate parent company, owns a non-voting, minority interest in both Dix Hills Partners, LLC, an unaffiliated, SEC-registered investment adviser and commodity

trading advisor, and its affiliate, Dix Hills Associates, LLC (collectively, Dix Hills). These registrations do not imply a certain level of skill or training. Federated Investors has entered into a business alliance arrangement with Dix Hills. Federated Securities Corp., an affiliate of Federated Investment Counseling, also has entered into a solicitation agreement with Dix Hills Partners, LLC, pursuant to which Federated Securities Corp. is compensated by Dix Hills Partners based on a percentage of fees collected by Dix Hills Partners from clients referred to it by Federated Securities Corp. and its employee-representatives. No management persons of Federated Investment Counseling are registered representatives of Dix Hills Partners, LLC. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

C. Relationships with Certain Related Persons

The following discusses other arrangements and relationships that Federated Investment Counseling has with our related persons, other than Federated Securities Corp. and Edgewood Services, Inc. (Please refer to “Relationships with Broker-Dealers” under “Other Financial Industry Activities and Affiliations” in this brochure for a discussion of our arrangements and relationship with Federated Securities Corp. and Edgewood Services, Inc.)

In addition to the other relationships discussed below, Federated Investment Counseling has certain directors/trustees, officers, employees and supervised persons in common with:

- Certain other Federated Advisory Companies and other affiliated investment advisers discussed under “Other Investment Advisers” under “Relationships with Certain Related Persons” under “Other Financial Industry Activities and Affiliations” in this brochure; and
- Certain other affiliated companies owned by Federated Investors, Inc. (such as, among others, the broker-dealers discussed under “Relationships with Broker-Dealers” under “Other Financial Industry Activities and Affiliations” in this brochure and the trust company discussed under “Banking or Thrift Institutions” under “Relationships with Certain Related Persons” under “Other Financial Industry Activities and Affiliations” in this brochure).

Certain of these shared/common directors/trustees, officers, employees and supervised persons of Federated Investment Counseling also may be directors/trustees or officers of the Investment Companies, Private Investment Companies and Pooled Investment Vehicles discussed under “Investment Companies, Private Investment Companies and Pooled Investment Vehicles” and “Sponsor or Syndicator of Limited Partnerships” under “Relationships with Certain Related Persons” under “Other Financial Industry Activities and Affiliations” in this brochure. (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

1. Investment Companies, Private Investment Companies and Pooled Investment Vehicles

As discussed under “The Types of Accounts/Products We Manage” under “Advisory Business” in this brochure, Federated Investment Counseling serves as investment adviser or sub-adviser to domestic and foreign funds (*i.e.*, Pooled Investment Vehicles) and Private Investment Companies managed and distributed by the Federated Advisory Companies or their affiliates, as well as to other non-affiliated funds and accounts. As discussed under “Fees and Compensation” in this brochure, we may charge our advisory clients a fee other than the fund's fees on assets which are invested in U.S. registered funds which we or other Federated Advisory Companies may advise. Under appropriate circumstances, Federated Investment Counseling also may advise our clients to invest assets in certain Affiliated Investment Vehicles (*i.e.*, Investment Companies, Private Investment Companies, or Pooled Investment Vehicles advised by us or other Federated Advisory Companies and distributed by Federated Securities Corp.). Except as discussed under “Conflicts of Interest Relating to Affiliated Investment Vehicles” under “Other Conflicts of Interest Relating to Side by Side Management” under “Performance-Based Fees and Side by Side Management” in this brochure, our clients can pay the fees and expenses charged or assessed by any Investment Companies, Private Investment Companies or Pooled Investment Vehicles to the extent that we invest our clients' assets in Investment Companies, Private Investment Companies and Pooled Investment Vehicles, including those (such as Affiliated Investment Vehicles) that are managed by, are distributed by or receive services from Federated Investment Counseling, the other Federated Advisory Companies or other affiliated companies.

Federated Investment Counseling also has certain related persons who are general partners of certain family limited partnerships.

(Please refer to “Performance-Based Fees and Side by Side Management” (including “Conflicts of Interest Relating to Affiliated Investment Vehicles” under “Other Conflicts of Interest Relating to Side by Side Management”) in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

2. Other Investment Advisers

As discussed under “Our Ownership Structure” under “Advisory Business” in this brochure, Federated Investment Counseling is an affiliate through common ownership with other SEC-registered investment advisers (*i.e.*, the other Federated Advisory Companies). Registration does not imply a certain level of skill or training. These investment advisers are identified below under “SEC-Registered Advisers.” As discussed under “Our Use of ‘Shared Personnel’ and Third-Party Service Providers” under “Advisory Business” in this brochure, we share certain directors/trustees and officers with the other Federated Advisory Companies. We also share certain employees and supervised persons (*e.g.*, portfolio managers) with certain of the other Federated Advisory Companies. We also receive certain shared services from another Federated Advisory Company, Federated Advisory Services Company. Federated Advisory Services Company provides services exclusively to related persons that are registered investment advisers (*i.e.*, certain of the Federated Advisory Companies). These services vary depending upon whether a Federated Advisory Company manages equity or fixed income assets and consist of equity trading and settlement, fundamental analysis, quantitative analysis, performance attribution, administration and risk management. The Federated Advisory Companies also share common compliance policies, procedures and programs.

Federated Investment Counseling also is affiliated through common ownership with certain investment advisers registered with a Foreign Financial Regulatory Authority (foreign adviser) identified below under “Foreign Advisers.”

Federated Investors, Inc. is the ultimate parent company for the following investment advisers:

SEC-Registered Advisers

(*i.e.*, Federated Investment Counseling and the other Federated Advisory Companies)

- Federated Investment Counseling;
- Federated Advisory Services Company ;
- Federated Equity Management Company of Pennsylvania;
- Federated Global Investment Management Corp.;
- Federated Investment Management Company;
- Federated MDTA LLC;
- Federated Securities Corp.; and
- Passport Research, Ltd.

Foreign Advisers

Federated International Management Limited; Federated Asset Management GmbH, and Federated Prime Rate Capital Management LLP.

(Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

3. Banking or Thrift Institutions

Federated Investment Counseling acts as investment adviser to Federated Investors Trust Company in its capacity as trustee for one or more collective investment trust(s)/fund(s) (a type of Pooled Investment Vehicle). Federated Investors Trust Company is affiliated through common ownership with Federated Investment Counseling. Federated Securities Corp., an affiliate of Federated Investment Counseling, and its employee-representatives, sell units of these collective investment trust(s)/fund(s). (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for a discussion of conflicts of interest that arise as a result of this relationship.)

4. Sponsor or Syndicator of Limited Partnerships

Related persons of Federated Investment Counseling are the Managing Member or General Partner in a limited liability company and a partnership respectively: Optimum Q Market Neutral LLC (Market Neutral) and Federated Core Trust II, L.P. (Core Trust II). Clients of Federated Investment Counseling are generally not actively solicited to invest in these funds. However, a client's assets may be invested in Core Trust II by Federated Investment Counseling as part of the overall investment strategy for that client. Assets are invested pursuant to an exemption from the registration requirements of the 1933 Act, and not as part of a public offering. Shares of Core Trust II are being offered for investment only to individuals, organizations or entities that are "accredited investors" within the meaning of Regulation D of the 1933 Act. (Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

D. Relationships with Certain Investment Advisers

Federated Investment Counseling does not recommend or select other investment advisers for our clients for either direct or indirect compensation. As discussed above, however, Federated Investment Counseling, and/or our affiliates, do have business relationships with both affiliated investment advisers (*e.g.*, the other Federated Advisory Companies) and non-affiliated, SEC-registered investment advisers (*e.g.*, Dix Hills Partners, LLC, and GML Capital LLP, London). These registrations do not imply a certain level of skill or training. The business relationships can create conflicts of interest for Federated Investment Counseling, the other Federated Advisory Companies, and our employees, supervised persons, and related persons. For example, we may advise a client to invest in an investment product that is sponsored, managed, distributed or serviced by these other investment advisers to benefit them rather than serve the best interests of our clients or potential clients. (Please refer to "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of conflicts of interest that arise as a result of these relationships.)

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Our Code of Ethics

As required by SEC rules, Federated Investment Counseling has adopted a Code of Ethics for Access Persons (Code of Ethics). The other Federated Advisory Companies also have adopted the same Code of Ethics. Although it does permit investment personnel to trade in securities, including those that could be recommended to clients, it does contain significant safeguards designed to protect clients from abuses in this area, such as requirements to obtain prior approval for, and to report, particular transactions. Among other policies, the Code of Ethics also contains certain restrictions on insider trading, misuse of customer information, serving on boards of directors of issuing companies by investment personnel disclosure of conflicts of interest and receiving/giving gifts and political and charitable contributions. (Please refer to "Conflicts of Interest Relating to Personal Trading" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for more information regarding our Code of Ethics.) We will provide a copy of our Code of Ethics to any client or prospective client upon request.)

B. Participation or Interest in Client Transactions

Federated Investment Counseling and our related persons may, from time to time, invest client assets in or recommend investments in registered Investment Companies (*e.g.*, mutual funds or Private Investment Companies) and unregistered investment companies (*e.g.*, hedge funds or other Pooled Investment Vehicles) managed, distributed or administered by Federated Investment Counseling or our related persons (*e.g.*, Affiliated Investment Vehicles). (Please refer to "The Types of Accounts/Products We Manage" under "Advisory Business" in this brochure for further information.) This includes, for example, investment of uninvested cash in such Affiliated Investment Vehicles.

Related persons of Federated Investment Counseling are the Managing Member or General Partner in a limited liability company and a partnership respectively: Optimum Q Market Neutral LLC (Market Neutral) and Federated Core Trust II, L.P. (Core Trust II). Clients of Federated Investment Counseling are generally not actively solicited to invest in these funds. However, a client's assets may be invested in Core Trust II by Federated Investment Counseling as part of the overall investment strategy for that client. (Please refer to "Sponsor or Syndicator of Limited Partnerships" under "Relationships with Certain Related Persons" under "Other Financial Industry Activities and Affiliations" in this brochure for further information.)

Federated Investment Counseling or an affiliate (*e.g.*, the other Federated Advisory Companies) will, from time to time, temporarily seed a Proprietary Account for the purposes of establishing an investment strategy or seeding an Investment Company, Private Investment Company or Pooled Investment Vehicle. These investments are generally nominal in relation to both our total managed client assets and our own assets. (Please refer to "Proprietary Accounts" under "The Types of Accounts/Products We Manage" under "Advisory Business" and "Performance-Based Fees and Side by Side Management" (including "Conflicts of Interest Relating to Proprietary Accounts" under "Other Actual or Potential Conflicts of Interest Relating to Side by Side Management") in this brochure for more information.)

We or an affiliate (*e.g.*, the other Federated Advisory Companies) also may from time to time buy or sell portfolio securities:

- Between Proprietary Accounts;
- Between a Proprietary Account and another client account (including Separate Accounts, Investment Companies, Private Investment Companies, or Pooled Investment Vehicles); or
- Between client accounts (including Separate Accounts, Investment Companies, Private Investment Companies, or Pooled Investment Vehicles).

When engaging in such cross transactions, neither Federated Investment Counseling nor our affiliates receive any compensation for acting as a broker-dealer and follow any applicable SEC rules or guidance for cross transactions or, if applicable, principal transactions.

The above activities can create various actual or potential conflicts of interest for Federated Investment Counseling and our employees, supervised persons and related persons. (Please refer to "Conflicts of Interest Relating to Uninvested Cash Positions," "Conflicts of Interest Relating to Affiliated Investment Vehicles," "Conflicts of Interest Relating to Proprietary Accounts" and "Conflicts of Interest Relating to Certain Cross Transactions" under "Other Conflicts of Interest Relating to Side by Side Management" under "Performance-Based Fees and Side by Side Management" in this brochure for further information regarding conflicts of interest and how they are addressed.)

C. Personal Trading

Federated Investment Counseling, and/or our related persons, may invest in the same securities, or related securities, that we or our related persons invest in on behalf of, or recommend to, clients, including at or around the same time. Personal trading practices can create various actual or potential conflicts of interest for Federated Investment Counseling and our employees, supervised persons and related persons. (Please refer to "Conflicts of Interest Relating to Personal Trading" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of conflicts of interest and how they are addressed.)

ITEM 12. BROKERAGE PRACTICES

This section of our brochure discusses how Federated Investment Counseling selects broker-dealers and intermediaries (collectively, brokers/dealers) for client transactions and determines the reasonableness of broker-dealer compensation.

The other Federated Advisory Companies apply similar policies and procedures, and engage in similar practices, to those described below to the extent relevant to their businesses.

A. Selection Criteria for Brokers/Dealers

Federated Investment Counseling has two "Brokerage Practices" committees - one for equity securities and one for fixed income securities - charged with oversight of the firm's brokerage and trading practices, which are more fully discussed below. A primary function, among others, of the Committees is to oversee our efforts to seek to achieve "best execution" in connection with client transactions. Generally, best execution can be described as seeking the best available price, in the best available market - giving effect to quantitative and qualitative factors. In seeking "best execution," the trader looks for the best available price in the best available market so that a client's total cost or proceeds from any trade are the most favorable under the circumstances. Cost includes "all in" costs of the trade proceeds, not necessarily the lowest commission rate nor the most expeditious execution. In making the selection, the trader considers the following:

- Trader's evaluation of each broker-dealer, in total, and in each asset and market group;
- Price;
- Order size;
- Type of security;
- Market conditions;
- Cost and difficulty of execution;
- Likelihood of execution;
- The broker's/dealer's capital commitment;
- The broker's/dealer's knowledge of the market;
- The broker's/dealer's ability to execute desired volume;
- The broker's/dealer's ability to act with minimum market impact;
- The broker's/dealer's confidentiality;
- The broker's/dealer's error correction capability;
- The broker's/dealer's familiarity with the security, market conditions, trader, and similar factors;
- The broker's/dealer's reliability; and/or
- The broker's/dealer's financial strength and record.

Equity securities may be traded through broker-dealers in the over-the-counter market through dealers acting as principal or agent, or in transactions directly with other investors. Transactions may also be executed on a securities exchange or through an alternative trading venue. Federated Investment Counseling seeks to obtain best execution of our clients' trades by balancing the costs inherent in trading, including opportunity costs, market impact costs and commissions. As a general matter, we seek to add value to our investment management by using market information to capitalize on market opportunities, actively seek liquidity and discover price. We continually monitor our trading results in order to improve execution.

Fixed-income securities purchased and sold on behalf of clients are generally traded in an over-the-counter market on a net basis (*i.e.*, without commission) through dealers acting as principal or in transactions directly with the issuer. Dealers derive an undisclosed amount of compensation by offering securities at a higher price than they bid for them. Some fixed income securities, particularly non-investment grade and municipal securities, may have only one primary market maker. Federated Investment Counseling seeks to use dealers we believe to be actively and effectively trading the security being purchased or sold, but may not always obtain the lowest purchase price or highest sale price with respect to a security.

Federated Investment Counseling has adopted written policies for brokerage allocation (Brokerage Policies), which are part of and are periodically reviewed as part of our Soft Dollar Policy and Procedure. Senior management approves the allocation budget annually and reviews the annual budget in relation to projected and actual brokerage activity quarterly. The budget is determined with input from senior investment personnel. The performance of brokers/dealers is periodically reviewed by the applicable Chief Investment Officer (CIO) and other employees as designated from time to time by the CIO, and senior investment managers are responsible for periodically evaluating the quality and usefulness of the products and services received from or through brokers/dealers which are deemed to assist us in fulfilling our investment management responsibilities (Research Services) and/or executing clients' securities trades (Brokerage Services), subject to the limitation that such Brokerage Services are used during the period of time beginning when the trade order is transmitted to the brokers/dealers and ending with the clearance and settlement of that trade. Compliance personnel monitor the implementation of the Brokerage Policies and associated procedures.

Federated Investment Counseling and certain other Federated Advisory Companies act as sub-adviser or secondary investment manager or consultant with respect to the assets of several Pooled Investment Vehicles that are European domiciled investment companies (foreign funds). Under the terms and procedures with such foreign funds and their respective primary managers, Federated Investment Counseling and these other Federated Advisory Companies are provided with a list of approved brokers/dealers. Federated Investment Counseling and these other Federated Advisory Companies may request that additional brokers/dealers be added to such list; however, such brokers/dealers are subject to prior review and pre-approval by the primary manager.

In addition to Federated Investment Counseling's brokerage selection policies discussed in this brochure (and the other Federated Advisory Companies' brokerage selection policies), a factor that is taken into consideration is the client's connectivity to the broker-dealer.

1. Research and Other Soft Dollar Benefits

The Federated Advisory Companies generally do not utilize soft dollars in connection with fixed income investment transactions. Accordingly, the soft dollar practices described in this section primarily relate to the use of soft dollars in connection with equity investment transactions by any Federated Advisory Company (such as Federated Investment Counseling) that provides advice, and effects transactions, relating to equity investments. Similar practices would be followed consistent with applicable law to the extent that soft dollars would be utilized in connection with fixed income investments.

Federated Investment Counseling may execute portfolio transactions with broker-dealers from or through which we receive Research and Brokerage Services. This means that we receive research and other products or services other than execution from brokers/dealers or third parties in connection with client securities transactions. The Research and Brokerage Services that we receive are known as "soft dollar benefits." Such Research and Brokerage Services may be furnished directly to the client, to Federated Investment Counseling or to our related persons, and has included (and may include), for example:

- Analytical Software;
- Connectivity Service with Broker
- Connectivity Service with Custodian;
- Connectivity Service with Trading System;
- Consultation regarding Investment or Trading Strategy;
- Economic Data;
- External or Telephonic Seminar or Conference;
- Financial Data;
- Financial Newsletter;
- Governance Research or Ratings;
- In-office Presentation;
- Market Data;
- Meetings with Company Management;
- Order Management Software;
- Research Report on Security, Industry or Market Trade Analysis;
- Trade Magazine or Technical Journal; and
- Other advice, analysis or data reflecting the expression of reasoning or knowledge.

Where Research and Brokerage Services are not used exclusively by Federated Investment Counseling for purposes of making investment decisions, we, based upon our allocation of expected use, bear that portion of the cost of Research and Brokerage Services that are not related to making investment decisions. The Brokerage Practices Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. For example, to the extent that receipt of Research and Brokerage Services may supplant services for which Federated Investment Counseling or our related person might otherwise have paid, it would tend to reduce expenses. When Research and Brokerage Services are received, clients may pay commissions (or markups or markdowns) higher than those charged by other brokers/dealers (from or through which such Research and Brokerage Services were not received) in return for the soft dollar benefits received. This practice is known as "paying-up."

Research and Brokerage Services received from or through brokers/dealers are used by Federated Investment Counseling and our related persons (*e.g.*, the other Federated Advisory Companies) in advising their respective clients, are supplemental to our own research and, when utilized, are subject to internal analysis before being incorporated by us into our investment management process. We use the Research and Brokerage Services (*i.e.*, soft dollar benefits) to

service client accounts or investment products. We do not give any assurances that Research and Brokerage Services received from a broker-dealer that executes a client's transactions will be used in managing that client's portfolio, nor will services be used exclusively for the benefit of that client.

When allocating soft dollar benefits to client accounts or investment products, while we do not seek to allocate soft dollar benefits to client accounts strictly proportionally to the soft dollar credits the accounts generate, our procedures strive to allocate them in a relatively equal manner. The Group Head of Equity Trading and the CIO of Equities establish a commission budget for the year identifying a breakdown in commission types (for example, discount, proprietary research, etc.). Equity investment personnel vote on the research services to which they would like to subscribe. That output further defines the underlying breakdown of the applicable commission types. The Group Head of Equity Trading regularly monitors the "commission type" breakdown of all trades executed by each individual trader. Under the directive of "best execution," the Group Head of Equity Trading will work to have traders conform to the commission budget as best as possible. This seeks to ensure that the underlying accounts that are generating commissions, of which the traders transact for, are also consuming those services in a relatively equal manner.

When selecting brokers/dealers to execute transactions for client accounts or investment products in return for soft dollar benefits, each trader selects the brokers/dealers that the trader reasonably believes will provide the best execution for each trade.

The trader may determine that multiple brokers/dealers will provide comparable execution value to any trade. In such cases, the trader may select the broker-dealer that provides Research or Brokerage Services as defined within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

The receipt and use of Research and Brokerage Services creates various conflicts of interest for Federated Investment Counseling and our related persons. For example, we may have an incentive to select or recommend brokers/dealers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. (Please refer to "Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for a further discussion of these conflicts of interest and how they are addressed.)

2. Brokerage for Client Referrals

Federated Investment Counseling, or our related persons (*e.g.*, the other Federated Advisory Companies), do not consider, in selecting or recommending brokers/dealers, whether we or our related persons receive client referrals from brokers/dealers or any third-party. This practice would create a conflict of interest in that we, and our related persons, would have an incentive to select or recommend a broker dealer based on our, or our related persons', interest in receiving client referrals, rather than on our clients' interests in receiving most favorable execution. (Please refer to "Selection Criteria for Brokers/Dealers" generally, and "Research and Other Soft Dollar Benefits" under "Selection Criteria for Brokers/Dealers," under "Brokerage Practices" in this brochure for a discussion of how brokers/dealers are selected to execute client securities transactions.)

3. Directed Brokerage

Federated Investment Counseling generally does not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer. Some investment advisers do recommend, request or require client directed brokerage, but not all investment advisers require clients to direct brokerage. Conflicts of interest could arise if we, or our related persons, and the broker-dealer would be affiliated or would have another economic relationship. Federated Investment Counseling does, however, permit clients to direct brokerage. Our practices surrounding permitting clients to direct brokerage are discussed below. When a client directs brokerage, we may be unable to achieve most favorable execution of client transactions. Directing brokerage also may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices. The willingness of Federated Investment Counseling to accept such direction may encourage a broker-dealer to refer business to us or our related persons and may result in other conflicts of interest. Clients subject to ERISA also must determine that any such direction is for the exclusive purpose of providing benefits to participants and beneficiaries of the plan and will not constitute or cause the plan to engage in a "prohibited transaction" as defined by ERISA.

a. Separate Accounts and Other Investment Advisory Services

Clients may limit Federated Investment Counseling's discretionary authority in certain situations as mutually agreed. (Please refer to "Investment Discretion" in this brochure for more general information on the limitations that may be placed on our discretionary authority.) In particular, clients may direct us to use particular brokers/dealers to execute portfolio transactions for their accounts. Where a client directs the use of a particular broker-dealer, or brokers/dealers, we may not be in a position where we can negotiate commission rates or spreads or obtain volume discounts.

In addition, it is possible that transactions for a client that directs brokerage may not be aggregated for execution purposes with orders for the same securities for other accounts managed by Federated Investment Counseling. Trades for a client that has directed use of a particular broker-dealer may be placed at the end of aggregated trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is more or less favorable than the price obtained for the aggregated order.

Under these circumstances, the direction by a client of a particular broker-dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we could negotiate commission rates or spreads freely, or select brokers/dealers based on best execution. It may also result in restrictions upon the securities available for purchase for the client's account, such as:

- The purchase of bonds where the designated broker may have a limited inventory and, therefore, may be unable to offer the desired bonds to the client; or
- The purchase of certain thinly-traded securities which may not be readily available at competitive prices from all brokerage firms.

The inability to purchase such securities may reduce the overall portfolio return. Overall, client directed brokerage may prevent us from seeking best execution and may cost clients more money.

b. Managed Account Programs

Certain Managed Account Programs, while not requiring directed brokerage/trading, are structured in such a way (in terms of fees and other factors) that transactions for Managed Accounts are executed through the Sponsor or other brokers/dealers affiliated with those programs, consistent with the duty to seek to obtain best execution. In yet other circumstances, as discussed under "Advisory Business" in this brochure, Federated Investment Counseling and other Federated Advisory Companies that participate in Managed Account Programs may execute transactions with other brokers/dealers in pursuit of best execution.

Similar to Separate Accounts, Managed Account clients (either directly or through the Managed Account Program Sponsor or Platform Provider) also may limit Federated Investment Counseling's discretionary authority, including directing us to use a particular broker-dealer to execute portfolio transactions. (Please refer to "Investment Discretion" in this brochure for more general information on the limitations that may be placed on our discretionary authority.) In such a case, we may not be in a position where we can negotiate commission rates or spreads or obtain volume discounts, and such transactions may not be aggregated with orders for the same securities of other accounts managed by Federated Investment Counseling. (Please refer to "Separate Accounts and Other Investment Advisory Services" under "Directed Brokerage" under "Selection Criteria for Brokers/Dealers" under "Brokerage Practices" in this brochure for further information on the consequences of directing brokerage/trading.)

Brokerage commissions in Managed Account Programs are generally determined by the designated broker-dealer and included in the Managed Account Program fee. As discussed in more detail under "Fees and Compensation" in this brochure, clients participating in Managed Account Programs generally pay a single fee or fees which covers investment management, custody and brokerage commissions for transactions effected through the Sponsor or other broker dealer identified with the specific Managed Account Program. In a traditional Managed Account Program, given the wrapped fee, we generally are not in a position to negotiate commission rates with the broker-dealers or aggregate trades with trades for other client accounts for execution purposes (except that we may aggregate trades for accounts within each separate Managed Account Program). As discussed in more detail under "Fees and Compensation" in this brochure, in certain Managed Account Programs, Federated Investment Counseling's advisory fees may be billed separately from

brokerage, custody and other fees charged by Sponsors, Platform Providers or other designated broker-dealers or custodians. In any case, transactions executed through other brokers/dealers may result in additional charges to the client account. To the extent permitted by the Managed Account Program or to the extent required by law and consistent with the policies discussed under the heading "Selection Criteria for Brokers and Dealers" under "Brokerage Practices" in this brochure, Federated Investment Counseling may execute transactions with other brokers/dealers in pursuit of best execution in which case, we may aggregate such trades with trades for other client accounts for execution purposes.

B. Trade Aggregation or Allocation Policy

Federated Investment Counseling has adopted written policies (Allocation Policies) for the allocation of securities transactions among our clients. The Allocation Policies are premised on Federated Investment Counseling's general practice of aggregating the transactions executed on behalf of our clients and clients of our related persons. We may, but are not obligated to, aggregate transactions. The type of client account or investment product (*e.g.*, direct Separate Account versus Managed Accounts), client instructions (*e.g.*, directed brokerage/trading), the investment strategies applicable to client accounts, system capabilities and constraints, and other factors may result in transactions for certain client accounts not being aggregated. If a client transaction is not aggregated, the client may pay higher brokerage commissions, may receive a less favorable price, or incur other costs, which also may affect the performance of the client's account. (Please refer to the discussion on "Managed Account Programs" under "Directed Brokerage" under "Selection Criteria for Brokers/Dealers" under "Brokerage Practices" in this brochure for additional information on Federated Investment Counseling's practices with respect to aggregating transactions for Managed Account Program client accounts and to "Certain Other Conflicts of Interest Relating to Certain Investment and Brokerage Practices" under "Other Conflicts of Interest Relating to Side by Side Management" under "Performance-Based Fees and Side by Side Management" in this brochure for an additional discussion of factors that may result in trades not being aggregated.)

To the extent that Federated Investment Counseling aggregates such transactions, the Allocation Policies state that Federated Investment Counseling and our related persons must do so in a manner:

- Consistent with the duty to seek best execution of client orders;
- That treats all clients fairly; and
- That does not systematically disadvantage any client.

The Allocation Policies expressly prohibit consideration of compensation or other benefits received by Federated Investment Counseling or our related persons in allocating transactions among clients.

The Allocation Policies set forth procedures for allocating primary and secondary market transactions among clients. The Allocation Policies also provide investment management personnel with guidelines for allocating securities among portfolios with common investment objectives. In some cases, the Allocation Policies may adversely affect the price paid or received by a client or amount of securities purchased or sold by a client. However, we believe that coordination and the ability to participate in volume transactions generally benefits clients.

Federated Investment Counseling periodically reviews the aggregate allocation of our clients' transactions among broker-dealers and the aggregate amount of commissions paid. Upon request, we will provide a client with aggregate allocation information relating to such client's transactions. Compliance personnel review the Allocation Policies annually with senior trading and investment management personnel. We will furnish a copy of the Allocation Policies upon request.

The trading desk for certain institutional and high net worth separate accounts sourced through the Federated Clover Investment Advisors division of Federated Global Investment Management Corp., may be separate and apart from Federated Investment Counseling's trading desk, so it is therefore, possible that certain trades for such accounts may not be able to be batched or aggregated with trades of Federated Investment Counseling's other clients.

C. Other Considerations for Certain Separate Accounts, Managed Accounts, Model Portfolio, Management Services, and Other Advisory Services

From time to time, various potential and actual conflicts of interest arise from the investment and brokerage activities of Federated Investment Counseling and our related persons (*e.g.*, the other Federated Advisory Companies). We, and the other Federated Advisory Companies, have established policies and procedures that we believe are reasonably designed to address conflicts of interest. (Please refer to “Brokerage Practices,” as well as “Performance-Based Fees and Side by Side Management” (including “Certain Other Conflicts of Interest Relating to Certain Investment and Brokerage Practices” under “Other Conflicts of Interest Relating to Side by Side Management”), in this brochure for a discussion of these conflicts of interest.)

D. Confidential and Privileged Information

Federated Investment Counseling and our related persons (*e.g.*, the other Federated Advisory Companies) may from time to time come into possession of confidential or privileged information about issuers of securities, or other persons or entities and their securities, as a result of their business activities. In such cases, Federated Investment Counseling or our related persons may be restricted from executing certain trades if doing so could violate our, or our related persons’, insider trading policies and procedures or applicable legal requirements/laws. Federated Investment Counseling, and the other Federated Advisory Companies, have adopted policies and procedures to address the treatment of such confidential or privileged information in a manner that we believe to be reasonable. These restrictions may have an adverse impact on client accounts or investment products.

ITEM 13. REVIEW OF ACCOUNTS

A. Account Reviews

Federated Investment Counseling assigns one or more portfolio manager(s) to each account or investment product. Each account is subject to periodic, continuous review and monitoring on a daily basis by the portfolio manager(s) assigned to the account or investment product. Individual portfolio manager accounts typically range from one to twenty accounts. All accounts or investment products are reviewed on an ongoing basis by the portfolio manager(s) and Chief Investment Officers for Federated Investment Counseling through the use of a set of summary control reports. Reviews with clients are conducted at time intervals established by each client and generally cover all significant investment aspects of an account’s portfolio.

For Managed Accounts, we assign one or more portfolio manager(s) to establish portfolios of specific investment styles. Individual accounts are reviewed by the portfolio manager(s) and the operations manager on a daily basis. Oversight is provided by a Chief Investment Officer and senior advisory personnel. Reviews also are conducted at least quarterly by each Managed Account Program Sponsor.

For the accounts sourced through the Federated Clover Investment Advisors division of Federated Global Investment Management Corp., a portfolio manager, with the assistance of portfolio coordinators, is responsible for reviewing each Separate Account. Portfolio coordinators take direction from portfolio managers as to the overall investment strategy, characteristics-based models and individual security/issuer assessments and approvals. Reviews are conducted periodically, and the frequency of reviews depends on market conditions and client requirements. Accounts are not reviewed in any particular sequence. There is no limit to the number of accounts assigned to one portfolio manager/coordinator. Client service representatives also assist with the reviews to seek to ensure portfolios are in-line with stated investment objectives and models. They also may meet with clients periodically as coordinated with or requested by clients.

The portfolio managers/coordinators observe the portfolio objectives and special requirements of each account as well as the investment restrictions. Triggering events for review include, among others, changes in account objectives and restrictions, assessments of the outlook in research, and cash inflows and outflows.

As part of the regular, ongoing, periodic reviews discussed above, or at other times determined necessary, reviews also are triggered for compliance purposes, such as in connection with compliance monitoring and testing for compliance with investment guidelines and investment restrictions.

B. Reports to Clients

The reports described below are typically written, but may be delivered electronically as requested by our clients (including, as applicable, their Board of Directors/Trustees or other governing body), or, as applicable, Managed Account Program Sponsors, Platform Providers, Overlay Managers, Trustees or Other Advisors. Reports to shareholders of our clients that are Private Investment Companies (or non-U.S. investment companies) also are typically written, but may be delivered electronically as authorized by such shareholders and applicable law.

Our Separate Account clients may receive from Federated Investment Counseling monthly or quarterly performance, current holdings, transaction activity and/or other reports as reasonably requested by the clients. Federated Investment Counseling's reporting obligations typically are set forth in our investment management agreement with our clients. Separate Account clients also may receive account statements and other reports from the custodians for their accounts.

We may provide quarterly performance or other reports to Managed Account Program Sponsors or Platform Providers as required by the Managed Account Program Sponsors or Platform Providers. Federated Investment Counseling's reporting requirements typically are set forth in our agreement with the Managed Account Program Sponsor or Platform Provider. Managed Account Program Sponsors and Platform Providers typically have the ability to reasonably modify, duplicate or incorporate such reports into the reports that they provide to Managed Account Program participants. Participants in these Managed Account Programs may receive quarterly performance and/or other reports, typically from the Managed Account Program Sponsor or Platform Provider, as provided in the Managed Account Program documentation.

As part of our Model Portfolio Management Services, Federated Investment Counseling provides Overlay Managers with model portfolios and updates thereto, as well as model performance and other reports as reasonably requested by the Overlay Managers. Federated Investment Counseling's reporting requirements typically are set forth in our agreement with the Overlay Manager. Overlay Managers may incorporate such model performance or other reports into the reports the Overlay Managers provide to their clients.

We may provide the Board of Directors/Trustees of a Private Investment Company or non-U.S. investment funds managed by Federated Investment Counseling with quarterly fund performance, sales, securities holdings, securities transaction, affiliate transaction, investment exposure, currency and other reports covering significant/material information as required by the Board of Directors/Trustees. Federated Investment Counseling's reporting requirements typically are described in our investment management agreement or in board materials prepared for quarterly Board of Director/Trustees meetings.

Shareholders of the Private Investment Company receive an updated prospectus, private placement memorandum, offering circular or similar offering document, and semi-annual and annual reports of the Private Investment Company, as required under the Investment Company Act and other applicable law. Shareholders of non-U.S. investment companies receive annual and semi-annual reports.

Federated Investment Counseling may provide reports to Pooled Investment Vehicle clients as reasonably requested by the client, or its governing body, or as required in the organic documents for such client.

We provide the Trustee of collective investment funds with daily and monthly reports on transaction activity, performance, and other matters as reasonably requested by the Trustee.

Participant Trusts of collective investment funds and common funds may receive quarterly and/or annual reports and annually-updated offering circulars.

When Federated Investment Counseling performs sub-advisory or other services for Other Advisors, we may provide monthly or quarterly performance, current holdings, transaction activity and/or other reports as reasonably requested by the Other Advisors. Federated Investment Counseling's reporting obligations typically are set forth in our sub-investment management or other agreement with the Other Advisors.

In addition to the above reports, Federated Investment Counseling generally will provide our clients with reasonable, periodic access to our investment personnel through conference calls or other reasonably agreed upon means (such as

quarterly in-person meetings) to discuss their accounts or our services and any questions regarding their accounts or our services.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

A. Arrangements Involving Receipt of Economic Benefits from Non-Clients

As discussed under “Brokerage Practices” in this brochure, some brokers or dealers that execute portfolio transactions for Federated Investment Counseling and our affiliates (*e.g.*, certain other Federated Advisory Companies) and their clients, may furnish Research and Brokerage Services which may be used by us and our affiliates in advising Investment Companies, Private Investment Companies, Pooled Investment Vehicles, Separate Accounts, Managed Accounts and other accounts. To the extent that receipt of these services and software may supplant services for which we or our affiliates might otherwise have paid, expenses would be reduced.

As discussed under “Our Advisory Services” under “Advisory Business” in this brochure, Federated Investment Counseling and our affiliates (*e.g.*, certain other Federated Advisory Companies) act as portfolio managers in Managed Account Programs. In Managed Account Program arrangements, we, and certain of our affiliates, receive fees from Sponsors to the Managed Account Programs, or Related Platform Providers, for services rendered to Managed Account Program participants. To the extent that the Sponsor or Platform Provider is not considered a client, and Managed Account Program participants may be deemed to be clients, we, and certain of our affiliates, could be viewed as receiving cash from a non-client in connection with advice given to Managed Account Program participants. Similarly, we, and certain of our affiliates, receive fees for investment advisory services provided to sub-advisory clients from the primary advisers for those clients.

As discussed under “Sales Compensation” under “Fees and Compensation” in this brochure, Federated Investment Counseling and certain other Federated Advisory Companies have entered into a written agreement with our affiliate, Federated Securities Corp., a registered broker-dealer, municipal securities dealer, and investment adviser. Under this arrangement, employee-representatives of Federated Securities Corp. also serve as sales people for the investment services and products sponsored by Federated and investment advisory services offered by Federated Investment Counseling and certain of the other Federated Advisory Companies. Federated Securities Corp., and its employee-representatives, act in the capacity of solicitors for Federated Investment Counseling and certain other Federated Advisory Companies. In certain cases, Federated Securities Corp., and its employee-representatives, also provide advice on behalf of us and other Federated Advisory Companies to the institutional, high-net worth, separately managed account/wrap fee account and other clients of Federated Investment Counseling and other Federated Advisory Companies. Federated Securities Corp. receives compensation from us and such other Federated Advisory Companies (in the form of an intercompany credit) for performing these activities on our and their behalf. Federated Securities Corp.’s employee-representatives also may receive compensation from Federated Securities Corp. for performing such solicitation and other functions. In connection with these services, under applicable guidance issued by the SEC, Federated Securities Corp.’s relevant regulatory history is required to be disclosed to clients and potential clients. (Please refer to “Disciplinary Information” in this brochure for information on Federated Securities Corp.’s regulatory history.)

Federated Securities Corp. also has entered into a solicitation agreement with Dix Hills Partners, LLC, an unaffiliated investment adviser and commodity trading advisor, pursuant to which Federated Securities Corp. receives compensation from Dix Hills Partners LLC. (Please refer to “Relationships with Commodity Pool Operators and Commodity Trading Advisors” under “Other Financial Industry Activities and Affiliations” in this brochure for more information.) Among other activities, Federated Securities Corp. also acts as a placement agent for GML Capital LLP, London, an unaffiliated foreign investment advisor, for compensation. (Please refer to “Sales Compensation” under “Fees and Compensation” in this brochure for more information on these arrangements, including other relevant Federated Securities Corp. arrangements.)

Employees and supervised persons of Federated Investment Counseling and/or our affiliates (*e.g.*, the other Federated Advisory Companies) also may receive salaries, bonuses and certain sales awards, such as travel and entertainment, from Federated Investors or other affiliates. For example, Federated Securities Corp.’s employee-representatives are salaried employees of Federated Securities Corp. and receive no commission, fees or other remuneration in connection with individual securities transactions. Bonuses may be based on a number of factors, including mutual fund/account sales, net sales, increase in average annual assets and/or revenue of assigned accounts/investment products or territories, and,

for certain sales managers, Federated Investors, Inc.'s overall financial results. Certain employee-representatives may be eligible to receive a portion of their annual bonus in cash or a combination of cash and restricted stock of Federated Investors, Inc. Certain representatives of Federated Securities Corp., who are not employees of Federated Securities Corp. but are salaried employees of Federated Advisory Services Company, receive no commission, fees or other remuneration in connection with individual securities transactions. Bonuses for these representatives are based on revenue of assigned accounts/investment products. Finally, investment professionals may receive a fixed-base salary and a variable annual incentive or bonus. Base salary is determined within a market competitive, position-specific salary range, based on the portfolio manager's experience and performance. The annual incentive amount or bonus is determined based primarily on the performance of the accounts/investment products managed by the investment professional and, to a lesser extent, Federated Investors' overall financial results, and may be paid entirely in cash, or in a combination of cash and restricted stock of Federated Investors. Such employees and supervised persons also may receive certain entertainment and gifts from third parties to the extent permitted under Federated Investment Counseling's, and the other Federated Advisory Companies', Code of Ethics. (Please refer to "Our Code of Ethics" under "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" in this brochure for further information on Federated Investment Counseling's Code of Ethics.)

We also may be provided with office space, phone systems, computer systems, internet and other administrative, clerical and technical support from or through our ultimate parent company, Federated Investors, Inc., or its affiliates.

Arrangements in which Federated Investment Counseling or our related persons receive economic benefits from non-clients create conflicts of interest for us and our related persons. We, and our employees and supervised persons, have an incentive to favor these non-clients over the interests of our clients. For example, we, and our employees and supervised persons, have an incentive to utilize the services of a particular broker-dealer, or recommend a particular security to or buy a particular security for, a client account based on economic benefits received from the broker-dealer or issuer or placement agent. There also is an incentive to recommend Dix Hills Partners or GML Capital LLP, London, products or services to clients because of:

- The solicitation and placement agent fees received by Federated Securities Corp.;
- Any return that Federated Investors, Inc., may receive on its non-voting minority interest in Dix Hills; and
- The strategic arrangements established by Federated Investors, Inc. with GML Capital, LLP, London, to market and distribute products and services focused on investment in global trade finance transactions, and the five-year option to acquire the trade finance investment activities of GML Capital LLP, London, acquired by Federated Investors, which is exercisable within two years after certain asset under management milestones are achieved.

(Please refer to "Sales Compensation" under "Fees and Compensation" in this brochure for additional information regarding these arrangements and option to purchase.) Conflicts of interest also arise in connection with certain portfolio manager or other employee and supervised person compensation arrangements. (Please refer to "Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for a further discussion of these conflicts of interest and how they are addressed.)

B. Arrangements Where Compensation is Paid to Another Person for Client Referrals

Federated Investment Counseling and our affiliates (*e.g.*, certain other Federated Advisory Companies) may enter into various arrangements pursuant to which employees, or affiliated and unaffiliated third parties, may be compensated, directly or indirectly, for referring clients to Federated Investment Counseling or our affiliates. (Please refer to "Arrangements Involving Receipt of Economic Benefits from Non-Clients" under "Client Referrals and Other Compensation," and "Sales Compensation" under "Fees and Compensation," in this brochure for further information.) Such compensation will not result in a charge to investment advisory clients, or in any differential in the level of advisory fees customarily charged, unless specifically disclosed to clients.

While not advisory clients of the Federated Advisory Companies (unless a separate advisory relationship exists), we and our affiliates may enter into arrangements pursuant to which potential shareholders are solicited for investment in Investment Companies or other investment products sponsored, managed serviced or distributed by Federated Investors or the Federated Advisory Companies (including Affiliated Investment Vehicles).

Arrangements where we, or our affiliates (*e.g.*, certain other Federated Advisory Companies), pay compensation to solicitors for referrals create conflicts of interest for us, and our affiliates, as well as the solicitors. We, and our employees and supervised persons, and our affiliates, have an incentive to utilize or recommend the solicitor's products and services. The solicitor also has a financial incentive to favor the services of, and products sponsored, distributed or managed by, Federated Investment Counseling and our affiliates, over the interest of clients. (Please refer to "Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for a further discussion of these conflicts of interest and how they are addressed.)

ITEM 15. CUSTODY

Under SEC Rule 206(4)-2 under the Advisers Act, Federated Investment Counseling is deemed to have custody of client funds because, in certain cases, we have arrangements that authorize us to have our advisory fees deducted from client accounts. (Please refer to "Fees and Compensation" in this brochure for further information regarding these arrangements.) To address potential conflicts of interest, and other possible client concerns with these arrangements, we have policies and procedures in place which we believe are reasonably designed to seek to ensure that the amount of assets under management on which our fees are billed is accurate and that our fees are consistent with the terms of our investment management agreements with our clients. For example, we either have segregated the responsibilities of employees responsible for invoicing and collecting our fees or our auditing department periodically reviews our practices. We also periodically test on a sample basis our fee calculations to confirm their accuracy. Except for these fee deduction arrangements, neither we, nor any related person, hold, directly or indirectly, funds or securities of Federated Investment Counseling's clients or have any authority to obtain possession of them in connection with the advisory services that Federated Investment Counseling provides to our clients.

We generally do not open accounts for our clients with qualified custodians. Clients generally are responsible for opening their own accounts directly with a qualified custodian or through an intermediary, such as a Managed Account Program Sponsor, Platform Provider or Overlay Manager. Qualified custodians include banks, savings associations, registered broker-dealers, registered futures commission merchants, and foreign financial institutions that customarily hold financial assets for their customers on a segregated basis. For Investment Company (*i.e.*, mutual fund) shares, the Investment Company's transfer agent is considered the qualified custodian.

Certain Managed Account Program Sponsors require us to execute trades for clients using prime brokerage arrangements. In these Managed Account Programs, we serve as a discretionary portfolio manager for clients in the Managed Account Program Sponsor's Managed Account Program. Under these prime brokerage arrangements, the Managed Account Program Sponsor, acting as the prime broker, generally requires that we only utilize clearing brokers ("Executing Brokers") with which the Managed Account Program Sponsor has prime brokerage agreements in place. In addition to our agreement with the Managed Account Program Sponsor, we are required to enter into agreements with the Executing Brokers for their execution/clearing services on behalf of the clients. These agreements with the Executing Brokers establish accounts at the Executing Broker in the name, or for the benefit, of the clients for purposes of executing trades. Under the client agreement between the Managed Account Program Sponsor and the client, in addition to other provisions relating to the prime brokerage arrangements, the client grants the authority to give instructions to each Executing Broker and to take all other actions necessary or incidental to the execution of such instructions. Based on this authorization, the Managed Account Program Sponsor also grants the authority to us to give instructions to each Executing Broker. The Managed Account Program Sponsor also has confirmed that we have the authority under the client agreement, and our agreement with the Managed Account Program Sponsor, to enter into the agreements with the Executing Brokers required by the prime brokerage arrangement. In addition to establishing accounts in the name, or for the benefit of, clients for purposes of executing trades, these agreements with the Executing Brokers purport to bind clients to arbitration clauses, confirmation waivers, consents to disclosure of financial information, acknowledgements of receipt of required disclosures, security interest grants and other provisions, all in connection with executing trades through the prime brokerage arrangement required by the Managed Account Program Sponsor. When entering into the agreements with the Executing Brokers, and executing trades through these prime brokerage arrangements, (1) we are acting pursuant to the authority granted, and requirements imposed by, the Managed Account Program Sponsor and the clients for purposes of effecting trades in the clients' accounts under the Managed Account Program, (2) we do not have possession or control over the client assets or the authority to withdraw client cash, securities or other assets or to otherwise obtain possession of client cash, securities or other assets, and (3) we do not have ownership of or access to client cash, securities or other assets."

Clients will receive account statements from the broker-dealer, bank or other qualified custodian for their accounts and clients should carefully review those statements. If you also receive an account report from us, we urge you to compare the account statement that you receive from the qualified custodian with any report you receive from us.

Related persons of Federated Investment Counseling (e.g., certain other Federated Advisory Companies) are sometimes asked by clients for suggestions of entities to act as custodians for accounts and, in response, recommend commercial banks or broker-dealers that act in that capacity. When asked for a recommendation concerning a custodian, consideration will be given to a number of factors such as the ability to execute trades, the overall cost of the custodian's services, the custodian's willingness to allow trading through other brokers or dealers, the custodian's willingness to perform the recordkeeping necessary to allow clients to pool their transactions in order to obtain the best price and execution, the custodian's geographic proximity to the client which may enhance the client's ability to deal with the custodian, the willingness and ability of the custodian to assist the client in transferring assets and distributions and overall service.

ITEM 16. INVESTMENT DISCRETION

As discussed under "Our Advisory Services" under "Advisory Business" in this brochure, Federated Investment Counseling accepts discretionary authority on behalf of clients to manage their accounts. If we accept discretionary authority, we typically obtain this authority at the outset of an advisory relationship. This authority permits us to select the identity and amount of securities to be bought and sold for a client's account without prior consultation with the client. The types and amounts of securities traded by Federated Investment Counseling or our related persons on behalf of any client's portfolio are limited by the written investment objectives, policies, guidelines and restrictions/limitations that may be provided by the client or which are adopted by such client's board of trustees/directors or other governing body (the Board). Ordinarily, the Board does not adopt express limitations on which broker-dealers may be used or what commissions are paid.

We strive to tailor our Investment Supervisory Services to the individual needs of our clients. For example, we generally permit clients to impose reasonable restrictions on investment in certain securities or types of securities. We will consider a restriction reasonable if, in our judgment, the restriction does not impair, in any material or other significant manner, our ability to manage a client's assets in accordance with the investment strategy and guidelines for that client's account. In all cases, our investment discretion is exercised in a manner consistent with the stated investment objectives, policies, guidelines, and restrictions/limitations for a particular client account or investment product.

Examples of restrictions or limitations that clients may (or customarily do) place on our discretionary authority include, among other possible restrictions or limitations:

- Not to invest in certain securities or types of securities or other investments (such as privately issued securities or Rule 144A securities, or all or certain derivatives);
- Not to engage in certain investment-related techniques or practices, such as soft dollars, securities lending or shorting of securities;
- Not to invest in securities issued by companies in certain specific industries identified by a client (such as, for example, tobacco companies), including any industries that the client does not consider to be socially responsible;
- Not to invest in investments that will result in a tax-exempt client receiving unrelated business taxable income;
- Not to invest in securities issued by companies that a client, or applicable law, consider to be supporting certain terrorist or embargoed nations;
- Not to invest in securities issued by companies affiliated with the client;
- Not to invest in securities of Federated Investors, Inc. or its affiliates; and
- To direct brokerage/trading of securities transactions to particular brokers/dealers (we do not recommend, request or require directed brokerage/trading. (Please refer to "Directed Brokerage" under "Selection Criteria for Brokers/Dealers" under "Brokerage Practices" in this brochure for further information.)

In certain Managed Account programs, Federated Investment Counseling's investment discretion also may be limited by policies, procedures and limitations imposed in connection with the Managed Account Programs (whether by the program Sponsor, Platform Provider, custodian or other third parties involved with the administration, operation and management of the Managed Account Programs). For example, our ability to purchase a security for a Managed

Account client's account may be limited, or delayed for a period of time (sometimes at least 31 days) if a Managed Account Program has a policy of preventing the acquisition of a security within 30 days of its disposition (a transaction sometimes referred to as a "wash sale") in order to preserve potential losses realized on the disposition of such security under applicable tax law.

Our discretionary authority also may be limited by applicable securities, tax, and other laws. For example, for accounts subject to ERISA, our discretionary authority may be limited by certain requirements of or prohibitions in ERISA. For Private Investment Companies, our discretionary authority also may be limited by certain federal securities laws or tax laws that require diversification of investments or, to obtain a more favorable tax treatment, favor the holding of investments once made.

As discussed under "Requirements for Accounts" under "Types of Clients" in this brochure, Federated Investment Counseling requires clients to enter into an investment management agreement with us. Our investment management agreements contain grants of authority from our clients that allow us to manage client assets and, in certain cases, we may request clients to execute and deliver a separate, stand-alone power of attorney. Managed Account clients may not enter into an investment management agreement directly with us. In that case, Managed Account clients will enter into investment management and/or other agreements with the Sponsors, Platform Providers or Overlay Managers for the Managed Account Program. We also may request clients to provide proof of authority, directed trading letters, qualified purchaser or accredited investor letters/certifications, or other information to allow us to manage client assets. (Please refer to "Requirements for Accounts" under "Types of Clients" in this brochure for further information.)

Investment objectives, policies, guidelines, and restrictions/limitations generally are required to be in writing. The scope of our investment discretion is generally described in our investment management agreements with our clients and/or in the disclosure documents for the investment products that we manage. Except for the limited ability to have fees deducted from client accounts as discussed under "Fees and Compensation" in this brochure, our investment discretion does not include the ability to withdraw client securities or other assets for our own benefit.

ITEM 17. VOTING CLIENT SECURITIES

A. Accepting Voting Authority

We will accept the authority to vote securities held in client accounts. This authority generally will include the authority to vote proxies and corporate actions, but may not include the authority to vote or file class action, bankruptcy or other litigation claims or related matters. The scope of our authority to vote securities held in client accounts typically is set forth in our investment management agreements with our clients or, in the case of Managed Accounts, in our agreements with the Managed Account Program Sponsors and Platform Providers and the client's Managed Account documentation.

B. Our Proxy Voting Policies and Procedures

As required under SEC Rule 206(4)-6 under the Advisers Act, Federated Investment Counseling has adopted proxy voting policies and procedures.

1. Proxy Voting Policies

Under these policies, Federated Investment Counseling's general policy is to cast proxy votes in favor of proposals that we anticipate will enhance the long-term value of the securities being voted. Generally, this will mean voting for proposals that we believe will: improve the management of a company; increase the rights or preferences of the voted securities; and/or increase the chance that a premium offer would be made for the company or for the voted securities.

The following examples illustrate how these general policies may apply to proposals submitted by a company's board of directors. However, whether Federated Investment Counseling supports or opposes a proposal will always depend on the specific circumstances described in the proxy statement and other available information.

On matters of corporate governance, generally Federated Investment Counseling will vote for the full slate of directors nominated in an uncontested election; and for proposals to:

- Require a company's audit committee to be comprised entirely of independent directors;
- Require independent tabulation of proxies and/or confidential voting by shareholders;
- Reorganize in another jurisdiction (unless it would reduce the rights or preferences of the securities being voted);
- Ratify the board's selection of auditors, unless compensation for non-audit services exceeded 50% of the total compensation received from the company, or the previous auditor was dismissed because of a disagreement with the company; and
- Repeal a shareholder rights plan (also known as a poison pill).

We will generally vote against the adoption of such a plan (unless the plan is designed to facilitate, rather than prevent, unsolicited offers for the company).

On matters of capital structure, generally Federated Investment Counseling will vote: against proposals to authorize or issue shares that are senior in priority or voting rights to the securities being voted; and for proposals to:

- Reduce the amount of shares authorized for issuance;
- Authorize a stock repurchase program; and
- Grant preemptive rights to the securities being voted.

We generally will vote against proposals to eliminate such preemptive rights.

On matters relating to management compensation, generally Federated Investment Counseling will vote:

- For stock incentive plans that align the recipients' interests with the interests of shareholders without creating undue dilution;
- Against proposals that would permit the amendment or replacement of outstanding stock incentives with new stock incentives having more favorable terms; and
- Against executive compensation plans that do not disclose the maximum amounts of compensation that may be awarded or the criteria for determining awards.

On matters relating to corporate transactions, we will vote proxies relating to proposed mergers, capital reorganizations, and similar transactions in accordance with the general policy, based upon our analysis of the proposed transaction. We will vote proxies in contested elections of directors in accordance with the general policy, based upon our analysis of the opposing slates and their respective proposed business strategies. Some transactions may also involve proposed changes to the company's corporate governance, capital structure or management compensation. We will vote on such changes based on our evaluation of the proposed transaction or contested election. In these circumstances, we may vote in a manner contrary to the general practice for similar proposals made outside the context of such a proposed transaction or change in the board. For example, if we decide to vote against a proposed transaction, we may vote for anti-takeover measures reasonably designed to prevent the transaction, even though we typically vote against such measures in other contexts.

Federated Investment Counseling generally votes against proposals submitted by shareholders without the favorable recommendation of a company's board. We believe that a company's board should manage its business and policies, and that shareholders who seek specific changes should strive to convince the board of their merits or seek direct representation on the board. We generally will limit exceptions to this practice to shareholder proposals that we regard as likely to result in an immediate and favorable improvement in the price of the voted security and unlikely to be adopted by the company's board in the absence of shareholder direction.

In addition, Federated Investment Counseling will not vote if we determine that the consequences or costs outweigh the potential benefit of voting. For example, if a foreign market requires shareholders casting proxies to retain the voted shares until the meeting date (thereby rendering the shares "illiquid" for some period of time), we will not vote proxies for such shares. Also, if securities lending is permitted in a client portfolio, we will not have a right to vote securities while they are on loan. However, we will take reasonable steps to recall and vote such securities when the meeting raises issues that we believe would have a material effect on shareholder value. There can be no assurance that we will be able to terminate the loan in time to vote on such matters.

If Federated Investment Counseling has engaged a sub-adviser to manage a client portfolio, our personnel do not perform proprietary research on securities held in that client's portfolio. With respect to such securities, if we or our affiliates manage another client's portfolio and investment personnel provide proprietary research with respect to such securities held in the other client's portfolio, we will vote proxies on such securities in accordance with our applicable general guidelines and in the same manner as the proxies are voted with respect to such securities in the other client's portfolio. If Federated Investment Counseling's or our affiliates' investment personnel do not provide proprietary research with respect to such securities in either the client's or another client's portfolio, and there is not an applicable voting instruction from the client, we will vote as recommended by Glass Lewis & Company LLC (Glass Lewis), and, if none of the previous conditions apply, we will vote as recommended by the subject company's board of directors.

If proxies or corporate actions are not delivered in a timely or otherwise appropriate basis, Federated Investment Counseling may not be able to vote a particular proxy or proxies.

2. Proxy Voting Procedures

Federated Investment Counseling has established a Proxy Voting Committee (Proxy Committee), to exercise all voting discretion granted to us in accordance with the proxy voting policies. We have hired Glass Lewis to obtain, vote, and record proxies in accordance with the Proxy Committee's directions. The Proxy Committee has supplied Glass Lewis with general instructions that represent decisions made by the Proxy Committee in order to vote common proxy proposals; however, the Proxy Committee retains the right to modify these instructions at any time or to vote contrary to the instructions at any time in order to cast proxy votes in a manner that the Proxy Committee believes is consistent with the Federated Investment Counseling's general policy. Glass Lewis may vote any proxy as directed in the instructions without further direction from the Proxy Committee and may make any determinations required to implement the instructions. However, if the instructions require case-by-case direction for a proposal, Glass Lewis shall provide the Proxy Committee with all information that it has obtained regarding the proposal and the Proxy Committee will provide specific direction to Glass Lewis.

3. Conflicts of Interest

Conflicts of interest arise from time to time between the interests of Federated Investment Counseling, and our affiliates (including the other Federated Advisory Companies), and the interests of our clients. (Please refer to "Conflicts of Interest Relating to Voting Securities Held in Client Accounts" under "Other Actual or Potential Conflicts of Interest" under "Performance-Based Fees and Side by Side Management" in this brochure for a discussion of these conflicts of interest and how they are addressed.)

C. Directing a Particular Vote

To the extent that we have accepted authority to vote securities in a client's account, a client generally can direct how Federated Investment Counseling votes with respect to a particular solicitation. A client wishing to do so should submit a written instruction to us at the address specified for notices in the client's investment management agreement with us. Managed Account Program clients may be required to submit a written instruction to the Managed Account Program Sponsor or Platform Provider. Federated Investment Counseling will endeavor to vote in accordance with any such written instructions that are timely communicated to Federated Investment Counseling and received by us reasonably in advance of the time that we, or our proxy voting service, votes with respect to a particular solicitation.

D. How to Obtain Information About How Federated Investment Counseling Voted With Respect to a Security Held in the Client's Account or a Copy of Our Proxy Voting Policies and Procedures

1. Private Investment Company Clients

A report on "Form N-PX" of how Federated Investment Counseling voted any proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to FederatedInvestors.com; from the home page, select "All" under "Asset Classes"; select the fund or account name to go to the next page; on the next page, select the "Documents" or "View More Documents" tab; at the bottom of that page, select "Proxy Voting Record Report (Form N-PX)." Form N-PX filings are also available at the SEC's website at www.sec.gov.

2. Any Client

Any client may obtain a copy of Federated Investment Counseling's Proxy Voting Policies and Procedures as required under SEC Rule 206(4)-6 under the Advisers Act upon request. A client may request a copy of our Proxy Voting Policies and Procedures, and/or a client may obtain information about how we voted with respect to a security held in the client's account, by sending us a written request at the following address:

Investment Administration
Federated Advisory Services Company
1001 Liberty Avenue, 24th Floor
Pittsburgh, PA 15222-3779

E. What Happens When Federated Investment Counseling Does Not Have Authority to Vote Client Securities

A client generally will receive proxies or other solicitations from their custodian, transfer agent or other intermediary (e.g., for Managed Accounts, from the Managed Account Program Sponsor or Platform Provider if different from the custodian) to the extent that:

- Federated Investment Counseling does not have the authority to vote securities held in the client's account under our investment management agreement with our client or, in the case of Managed Account Programs, our agreements with the Managed Account Program Sponsors or Platform Providers; or
- The client has revoked our authority to vote securities held in the client's account.

Any revocation of our authority to vote securities held in a client's account generally must be in writing and sent to us at the address specified for notices in the client's investment management agreement with us. Managed Account Program clients may be required to submit a written revocation to the Managed Account Program Sponsor or Platform Provider.

If we inadvertently receive a proxy or other solicitation, we will endeavor to return it promptly to the custodian, transfer agent or other intermediary (e.g., a proxy aggregator or, for Managed Accounts, from the Managed Account Program Sponsor or Platform Provider if different from the custodian) for the client's account, although there is no guarantee that it would be returned either by us or the intermediary prior to the voting deadline for the solicitation.

To the extent that we do not have the authority to vote securities held in a client's account, the client can still ask questions of Federated Investment Counseling regarding the particular solicitation by sending us the question in writing at the address specified under "How to Obtain Information About How Federated Investment Counseling Voted With Respect to a Security Held in the Client's Account or a Copy of Our Proxy Voting Policies and Procedures" under "Voting Client Securities" in this brochure. We will endeavor to respond to questions in a timely manner, but there is no guarantee that a response will be received by the client prior to the voting deadline for the solicitation.

ITEM 18. FINANCIAL INFORMATION

Federated Investment Counseling is not required to include a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Even though we do not require prepayment of our advisory fees, since we accept discretionary investment authority over client assets as discussed under "Investment Discretion" in this brochure and are deemed to have custody of client assets as discussed under "Custody" in this brochure, we disclose that there are no financial conditions affecting us that are reasonably likely to impair our ability to meet contractual commitments to our clients. We also disclose that we have not been subject to a bankruptcy petition at any time during the past ten years.

PRIVACY POLICY

Federated is committed to maintaining the confidentiality, security and integrity of client and shareholder information. We want you to understand how Federated obtains information, how that information is used and how it is kept secure.

Personal Information Federated Collects

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

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

Information Sharing Policy

Except as described below, Federated does not share customer information or disclose any personal information about you. If you decide to close your account(s) or become an inactive customer, we will continue to follow these privacy policies and practices.

Federated will **not** disclose personal information, account numbers, access numbers or access codes for 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:

- Information that is necessary and required to process a transaction or to service a customer relationship. For example, with a company that provides account record keeping services or proxy services to shareholders.
- Information that is required or permitted by law. For example, 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, with the financial intermediary (bank, investment advisor, or broker-dealer) through whom you purchased Federated products or services, or with providers of marketing, legal, accounting or other professional services.

Information Security

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.

When Federated shares nonpublic personal information, the information is made available for limited purposes and under controlled circumstances. We require third parties to comply with our standards for security and confidentiality. These requirements are included in written agreements between Federated and such third-party service providers.

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 privacy and confidentiality policies. Employee access to nonpublic personal information is authorized for business purposes only and is based 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 restricted sections of its websites for Investment Professionals and certain clients or shareholders. Information entered in these sites is only accessible by those individual clients or shareholders, persons with whom they share access information, a limited number of Federated employees and Federated’s service providers who maintain 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. 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.

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, analytical and other corporate purposes.

Changes to Our Privacy Statement

Federated reserves the right to modify this privacy statement at any time. We will notify you 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 email us at Services@FederatedInvestors.com or call us at 1-800-341-7400.

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 MDTA 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.

This policy is effective December 1, 2010.

FEDERATED INVESTMENT COUNSELING

March 12, 2012

ITEM 2. MATERIAL CHANGES

As required by SEC rules, through this summary, Federated Investment Counseling is identifying and discussing the changes from its last annual update to its Form ADV, Part 2A, brochure, dated March 31, 2011, that it believes may be material.

In the discussion immediately below, we are discussing only changes believed to be material from the last annual update of our brochure dated March 31, 2011. In the section below labeled "Certain Other Changes," we also discuss certain (but not all) other changes to our brochure from our last annual update. We encourage you to use this summary to determine whether to review our amended annual updated brochure, dated March 12, 2012 (Updated Brochure), in its entirety or to contact Federated Investment Counseling with questions about the changes.

You may contact us at 1-800-245-4770 (select option 3) if you have any questions or to request a copy of our Updated Brochure. A copy of our Updated Brochure will be provided free of charge. You also may obtain our Updated Brochure from our website (FederatedInvestors.com) free of charge. Additional information about us, our investment adviser representatives, and our affiliates that are domestic registered investment advisers (together with us, each a Federated Advisory company and, collectively, the Federated Advisory Companies) also is available via the SEC's website at www.adviserinfo.sec.gov.

Under Section F ("Our Assets Under Management") in Item 4 ("Advisory Business") of our brochure, Federated Investment Counseling is updating its assets under management because they have changed. Accordingly, under Section F in Item 4, please replace the existing text with the following:

As of December 31, 2011, Federated Investment Counseling had \$58,497,178,998 in assets under management. As of such date, our assets under management consisted of \$56,629,752,347 of assets that we managed on a discretionary basis. These include assets for which we provided Investment Supervisory Services and exercised discretionary authority or non-discretionary authority with trading responsibility. As of such date, our assets under management also consisted of \$1,867,426,651 of assets that we managed on a non-discretionary basis. These include assets for which we provided non-discretionary services and did not have trading responsibility. This latter category generally includes our Model Portfolio Management Services.

Under Section A.1 ("Our Basic Fee Schedules -- Separate Accounts, Managed Accounts, and Model Portfolio Management Services") in Item 5 ("Fees and Compensation") of our brochure, we are updating our basic fee schedule for our "Trade Finance Fixed Income Accounts" because it has changed. The basis point fee for the second and third breakpoint has increased by 5 basis points, and we have eliminated the performance based fee for this strategy. Accordingly, under Section A.1 in Item 5, please replace the fee schedule for "Trade Finance Fixed Income Accounts" with the following:

Trade Finance Fixed Income Accounts:

100 basis points - first \$25 million in assets under management (AUM)

80 basis points - over \$25 million to \$50 million in AUM

75 basis points - over \$50 million to \$100 million in AUM

Fee negotiable - over \$100 million in AUM

Under Section A.2 ("Our Basic Fee Schedules -- Pooled Investment Vehicles") in Item 5 ("Fees and Compensation") of our brochure, Federated Investment Counseling is updating our fee range because it has changed from "0.08% to 0.50%" to "0.07% to 0.50%." Accordingly, under Section A.2 in Item 5, please replace the text for "Pooled Investment Vehicles" with the following:

Federated Investment Counseling's fees for providing Investment Supervisory Services to Pooled Investment Vehicles may be consistent with the basic fee information and terms discussed above but also may vary depending upon the type of Pooled Investment Vehicle (collective or common fund, local government investment pool, etc.) and the scope of services being provided. The asset-based fees we currently receive generally range from 0.07% to 0.50%. We also may

receive a negotiated flat fee for assisting the Other Advisors in locating purchasers for assets held in Pooled Investment Vehicles for which the Other Advisors serve as trustees. We do not require any Pooled Investment Vehicles to prepay investment advisory fees (therefore, our fees are not refundable).

Under Section C.2 (“Relationships with Certain Related Persons -- Other Investment Advisers”) in Item 10 (“Other Financial Industry Activities and Affiliations”) in our brochure, we are adding disclosure under the heading “Foreign Advisers” regarding Federated Prime Rate Capital Management LLP, which is based in the United Kingdom (“U.K.”) and registered as an investment adviser in the U.K. Federated Investment Counseling’s ultimate parent company, Federated Investors, Inc., is expected to complete its acquisition of Prime Rate Capital Management LLP (which will change its name to Federated Prime Rate Capital Management LLP) on or before March 31, 2012. After the acquisition, Federated Investment Counseling, and its affiliate, Federated Advisory Services Company, will provide certain credit research and oversight services to Federated Prime Rate Capital Management LLP for to-be-agreed upon compensation most likely in the form of an inter-company credit. Accordingly, under the heading “International Advisers” under Section C.2 in Item 10, please replace the list of international advisers with the following list:

“Federated International Management Limited; Federated Asset Management GmbH, and Federated Prime Rate Capital Management LLP.”

In Item 15 (“Custody”) in our brochure, Federated Investment Counseling is updating this item to provide disclosure regarding certain prime brokerage arrangements that Federated Investment Counseling has been required to enter into by a Managed Account Program Sponsor. Accordingly, in Item 15, please insert the following text after the existing second paragraph:

“Certain Managed Account Program Sponsors require us to execute trades for clients using prime brokerage arrangements. In these Managed Account Programs, we serve as a discretionary portfolio manager for clients in the Managed Account Program Sponsor’s Managed Account Program. Under these prime brokerage arrangements, the Managed Account Program Sponsor, acting as the prime broker, generally requires that we only utilize clearing brokers (“Executing Brokers”) with which the Managed Account Program Sponsor has prime brokerage agreements in place. In addition to our agreement with the Managed Account Program Sponsor, we are required to enter into agreements with the Executing Brokers for their execution/clearing services on behalf of the clients. These agreements with the Executing Brokers establish accounts at the Executing Broker in the name, or for the benefit, of the clients for purposes of executing trades. Under the client agreement between the Managed Account Program Sponsor and the client, in addition to other provisions relating to the prime brokerage arrangements, the client grants the authority to give instructions to each Executing Broker and to take all other actions necessary or incidental to the execution of such instructions. Based on this authorization, the Managed Account Program Sponsor also grants the authority to us to give instructions to each Executing Broker. The Managed Account Program Sponsor also has confirmed that we have the authority under the client agreement, and our agreement with the Managed Account Program Sponsor, to enter into the agreements with the Executing Brokers required by the prime brokerage arrangement. In addition to establishing accounts in the name, or for the benefit of, clients for purposes of executing trades, these agreements with the Executing Brokers purport to bind clients to arbitration clauses, confirmation waivers, consents to disclosure of financial information, acknowledgements of receipt of required disclosures, security interest grants and other provisions, all in connection with executing trades through the prime brokerage arrangement required by the Managed Account Program Sponsor. When entering into the agreements with the Executing Brokers, and executing trades through these prime brokerage arrangements, (1) we are acting pursuant to the authority granted, and requirements imposed by, the Managed Account Program Sponsor and the clients for purposes of effecting trades in the clients’ accounts under the Managed Account Program, (2) we do not have possession or control over the client assets or the authority to withdraw client cash, securities or other assets or to otherwise obtain possession of client cash, securities or other assets, and (3) we do not have ownership of or access to client cash, securities or other assets.”

Certain Other Changes

Under Section D.4 (“The Types of Accounts/Products We Manage – Other Pooled Investment Vehicles”) in Item 4 (“Advisory Business”) of our brochure, we are updating the text to remove the reference to collateral debt obligations (“CDO”) because we no longer manage a CDO. Accordingly, under Section D.4 of Item 4, please remove the first sentence and bullet points and replace them with the following:

Federated Investment Counseling may provide Investment Supervisory Services to a variety of other pooled investment vehicles, such as, for example:

- Investment vehicles or funds that are domiciled outside of the United States;
- Collective funds, common funds, common and collective trust funds, or group trusts, (collectively, collective or common funds);
- Hedge funds;
- Local government investment pools; and
- Other investment vehicles or products.

Under Section A (“Types of Clients”) in Item 7 (“Types of Clients”) of our brochure, Federated Investment Counseling is updating the text to remove the reference to collateralized debt obligations (“CDO”) because we no longer manage a CDO. Accordingly, under Section A in Item 7, please remove the reference to “collateralized debt obligations (CDO), including collateralized bond obligations (CBOs).”

Under Section A (“Selection Criteria for Brokers/Dealers”) in Item 12 (“Brokerage Practices”) of our brochure, we are updating the text to clarify the description of our practices by moving language from Section A.1 (“Selection Criteria for Brokers/Dealers -- Research and Other Soft Dollar Benefits”) in Item 12 up into the language under the heading “Selection Criteria for Brokers/Dealers” in Section A. Accordingly, under Section A in Item 12, please replace the text that appears under the heading “Selection Criteria for Broker/Dealers” and before Section A.1 with the following text:

“Federated Investment Counseling has two “Brokerage Practices” committees - one for equity securities and one for fixed income securities - charged with oversight of the firm's brokerage and trading practices, which are more fully discussed below. A primary function, among others, of the Committees is to oversee our efforts to seek to achieve “best execution” in connection with client transactions. Generally, best execution can be described as seeking the best available price, in the best available market - giving effect to quantitative and qualitative factors. In seeking “best execution,” the trader looks for the best available price in the best available market so that a client’s total cost or proceeds from any trade are the most favorable under the circumstances. Cost includes “all in” costs of the trade proceeds, not necessarily the lowest commission rate nor the most expeditious execution. In making the selection, the trader considers the following:

- Trader’s evaluation of each broker/dealer, in total, and in each asset and market group;
- Price;
- Order size;
- Type of security;
- Market conditions;
- Cost and difficulty of execution;
- Likelihood of execution;
- The broker’s/dealer’s capital commitment;
- The broker’s/dealer’s knowledge of the market;
- The broker’s/dealer’s ability to execute desired volume;
- The broker’s/dealer’s ability to act with minimum market impact;
- The broker’s/dealer’s confidentiality;
- The broker’s/dealer’s error correction capability;
- The broker’s/dealer’s familiarity with the security, market conditions, trader, and similar factors;
- The broker’s/dealer’s reliability; and/or
- The broker’s/dealer’s financial strength and record.”

Under Section A.1 (“Selection Criteria for Brokers/Dealers -- Research and Other Soft Dollar Benefits”) in Item 12 (“Brokerage Practices”) of our brochure, we are updating the text following the bullet points to further

clarify our practices. Accordingly, under Section A.1 in Item 12, please remove the text that appears after the bullet points and replace it with the following:

“Where Research and Brokerage Services are not used exclusively by Federated Investment Counseling for purposes of making investment decisions, we, based upon our allocation of expected use, bear that portion of the cost of Research and Brokerage Services that are not related to making investment decisions. The Brokerage Practices Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. For example, to the extent that receipt of Research and Brokerage Services may supplant services for which Federated Investment Counseling or our related person might otherwise have paid, it would tend to reduce expenses. When Research and Brokerage Services are received, clients may pay commissions (or markups or markdowns) higher than those charged by other brokers/dealers (from or through which such Research and Brokerage Services were not received) in return for the soft dollar benefits received. This practice is known as “paying-up.”

Research and Brokerage Services received from or through brokers/dealers are used by Federated Investment Counseling and our related persons (*e.g.*, the other Federated Advisory Companies) in advising their respective clients, are supplemental to our own research and, when utilized, are subject to internal analysis before being incorporated by us into our investment management process. We use the Research and Brokerage Services (*i.e.*, soft dollar benefits) to service client accounts or investment products. We do not give any assurances that Research and Brokerage Services received from a broker/dealer that executes a client’s transactions will be used in managing that client’s portfolio, nor will services be used exclusively for the benefit of that client.

When allocating soft dollar benefits to client accounts or investment products, while we do not seek to allocate soft dollar benefits to client accounts strictly proportionally to the soft dollar credits the accounts generate, our procedures strive to allocate them in a relatively equal manner. The Group Head of Equity Trading and the CIO of Equities establish a commission budget for the year identifying a breakdown in commission types (for example, discount, proprietary research, etc.). Equity investment personnel vote on the research services to which they would like to subscribe. That output further defines the underlying breakdown of the applicable commission types. The Group Head of Equity Trading regularly monitors the “commission type” breakdown of all trades executed by each individual trader. Under the directive of “best execution,” the Group Head of Equity Trading will work to have traders conform to the commission budget as best as possible. This seeks to ensure that the underlying accounts that are generating commissions, of which the traders transact for, are also consuming those services in a relatively equal manner.

When selecting brokers/dealers to execute transactions for client accounts or investment products in return for soft dollar benefits, each trader selects the brokers/dealers that the trader reasonably believes will provide the best execution for each trade. “

Under Section B (“Reports to Clients”) in Item 13 (“Review of Accounts”) of our brochure, we are removing the second and third sentences of the seventh paragraph because we no longer manage a collateralized debt obligation (“CDO”). Accordingly, under Section B in Item 13, please replace the text in the seventh paragraph with the following:

“Federated Investment Counseling may provide reports to Pooled Investment Vehicle clients as reasonably requested by the client, or its governing body, or as required in the organic documents for such client.”

Under Section B.1 (“Proxy Voting Policies”) in Item 17 (“Voting Client Securities”) of our brochure, we added the following as the last paragraph in Section A.1 to disclose that there may be circumstances in which proxies or corporate actions cannot be voted:

“If proxies or corporate actions are not delivered in a timely or otherwise appropriate basis, Federated Investment Counseling may not be able to vote a particular proxy or proxies.”

Under Section D.1 (“How to Obtain Information About How Federated Investment Counseling Voted With Respect to a Security Held in the Client’s Account or a Copy of Our Proxy Voting Policies and Procedures – Private Investment Company Clients”) in Item 17 (“Voting Client Securities”) in our brochure, we are

updating the instructions under the heading “Private Investment Companies” to provide revised instructions as to where to locate “Form PX” through Federated’s website. Accordingly, under Section D.1 in Item 17, please replace the text under the heading “Private Investment Company Clients” with the following:

“A report on "Form N-PX" of how Federated Investment Counseling voted any proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to FederatedInvestors.com; from the home page, select “All” under “Asset Classes”; select the fund or account name to go to the next page; on the next page, select the “Documents” or “View More Documents” tab; at the bottom of that page, select “Proxy Voting Record Report (Form N-PX).” Form N-PX filings are also available at the SEC’s website at www.sec.gov.