

# FEDERATED ADVISORY SERVICES COMPANY

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FederatedInvestors.com

March 25, 2013

**Federated Advisory Services Company 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 Advisory Services Company. 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 Advisory Services Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2. MATERIAL CHANGES

As required by SEC rules, through this summary, Federated Advisory Services Company is identifying and discussing the changes from its last annual update to its Form ADV, Part 2A, brochure, dated March 29, 2012, 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 29, 2012. 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 25, 2013 (Updated Brochure), in its entirety or to contact Federated Advisory Services Company with questions about the changes.

**Under Section B (“Our Ownership Structure”) in Item 4 (“Advisory Business”) of our brochure, Federated Advisory Services Company is updating the second paragraph to add “commodity pool operators” to the illustrative list of the types of companies owned by our ultimate parent company, Federated Investors, Inc. Accordingly, under Section B in Item 4, please replace the second paragraph with the following:**

Federated Investors owns seven other domestic advisory subsidiaries that are under common control with, and affiliates of, Federated Advisory Services Company. 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, commodity pool operators, and trust companies. (Please refer to “Other Financial Industry Activities and Affiliations” in this brochure for further information regarding our affiliates.)

**Under Section C (“Our Services”) in Item 4 (“Advisory Business”) of our brochure, we are updating the description of the services we provide by replacing the last paragraph with the following two paragraphs. This revised text reflects the fact that: (1) Federated Advisory Services Company also provides certain administrative and other services to other Federated Advisory Companies relating to Managed Accounts and Model Portfolio Management; and (2) Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. Accordingly, under Section C in Item 4, please replace the last paragraph with the following:**

Federated Advisory Services Company also provides certain back-office, administrative, and other services to Federated Investment Counseling, Federated MDTA LLC and Federated Global Investment Corp. in support of their Managed Account and Model Portfolio Management businesses.

Our services are not limited to certain types of investments, except that we do not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. The services that we provide to certain of the other Federated Advisory Companies may be tailored to their individual needs based on objectives, policies, risk tolerances, financial condition, restrictions and other relevant factors. We do not provide traditional investment supervisory services or model portfolio management services to any client. We also do not participate as a portfolio manager in wrap fee (or Managed Account) programs. We provide our services to other Federated Advisory Companies that provide (on either a discretionary or non-discretionary basis) traditional investment supervisory services and model portfolio management services, and that serve as portfolio managers in wrap fee or managed account programs. We do not have any assets under management. (Please refer to “Requirements for Services” under “Types of Clients” for information on the requirements to receive our services.)

**Under Section C.2 (“Other Actual or Potential Conflicts of Interest – Conflicts Relating to Personal Trading”) in Item 6 (“Performance-Based Compensation and Side by Side Management”) of our brochure, Federated Advisory Services Company is updating the second paragraph to reflect a change in our Code of Ethics relating to when portfolio managers and research analysts identified as servicing 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 (*i.e.*, within fifteen (15) calendar days before or after the security is purchased or sold if the aggregate related open “buy” or “sell” orders and/or purchases or sells of that covered security by those accounts are thereafter determined to have been of an amount sufficient to trigger a blackout period). Accordingly, under Section C.2 in Item 6, please replace the second paragraph under “Conflicts Relating to Personal Trading” with the following:

To address these actual or potential conflicts of interest, the internal controls of the Federated Advisory Companies, including our Code of Ethics, are reasonably believed to be designed to prevent Federated Advisory Services Company, and our employees, supervised persons and related persons, from buying or selling securities contemporaneously with account 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 within fifteen (15) calendar days before or after the security is purchased or sold if the aggregate related open “buy” or “sell” orders and/or purchases or sells of that covered security by those accounts are thereafter determined to have been of an amount sufficient to trigger a blackout period. 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 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 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.

**In Item 8 (“Methods of Analysis, Investment Strategies and Risk of Loss”) of our brochure, we are clarifying the text in the eighth paragraph to make clear that Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. Accordingly, in Item 8, please replace the eighth paragraph with the following:**

Subject to the considerations identified in the above bullet points, we may perform our services with respect to a variety of securities and other investments. Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest.

**Under the heading “Derivative Contracts and Hybrid Instruments” in Item 8 (“Methods of Analysis, Investment Strategies and Risk of Loss”) of our brochure, Federated Advisory Services Company is clarifying the existing text to make clear that Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. Accordingly, under the heading “Derivative Contracts and Hybrid Instruments” in Item 8, please replace the existing text with the following:**

Derivative contracts are financial instruments that require payments based upon changes in the values of designated securities, 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 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.

Certain of the Federated Advisory Companies 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: 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, 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 Fund 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.

**Under the heading "Portfolio Turnover" in Item 8 ("Methods of Analysis, Investment Strategies and Risk of Loss") of our brochure, we are clarifying the existing text by removing the parenthetical reference to "futures contracts" to make clear that Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. Accordingly, under the heading "Portfolio Turnover" in Item 8, please replace the existing text with the following:**

There may be high portfolio turnover during a particular period of time depending upon market conditions, the types of investments utilized in pursuing an applicable investment objective and other factors. As discussed under "Fees and Expenses, Other Than Our Fees" under "Fees and Compensation" in this brochure, an 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 there is a higher portfolio turnover rate, this may indicate higher transaction costs and may result in higher taxes. These costs affect an account's performance.

**Under Section A ("Relationships with Broker-Dealers") in Item 10 ("Other Financial Industry Activities and Affiliations") of our brochure, Federated Advisory Services Company is updating the fourth and fifth paragraphs to reflect a title change for Mary Anne DeJohn, additional information regarding Brian P. Bouda and the replacement of Denis McAuley, III, Assistant Treasurer, by Richard A. Novak, Assistant Treasurer. This change is expected to become effective on or about April 1, 2013. Accordingly, under Section A in Item 10, please replace the fourth and fifth paragraphs under "Relationships with Broker-Dealers" with the following:**

The following management persons of Federated Advisory Services Company are registered representatives of Federated Securities Corp.:

- J. Christopher Donahue, Trustee, Chairman
- Brian P. Bouda, Chief Compliance Officer
- Stephen J. Carl, Chief Operating Officer of the Clover Division of Federated Global Investment Management Corp., one of the Federated Advisory Companies
- Mary Anne DeJohn, Director of Operations and Compliance

Mr. Bouda is also a registered representative of Edgewood Services, Inc.

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

- Richard A. Novak, 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.)

**Under Section B ("Relationships with Commodity Pool Operators and Commodity Trading Advisors") in Item 10 ("Other Financial Industry Activities and Affiliations") of our brochure, we are updating the description of our relationships with commodity pool operators and commodity trading advisors by adding a new first paragraph, before the existing paragraph, to disclose that two of our affiliated Federated Advisory Companies,**

**due to recent changes in applicable law, have registered as commodity pool operators. Accordingly, under Section B in Item 10, please add under “Relationships with Commodity Pool Operators and Commodity Trading Advisors” the following text as a new first paragraph above the existing text:**

Certain other Federated Advisory Companies, Federated Investment Management Company and Federated Equity Management Company of Pennsylvania, discussed under “Other Investment Advisers” under “Relationships with Certain Related Persons” under “Other Financial Industry Activities and Affiliations” are registered as commodity pool operators.

**Under Section A.1 (“Selection Criteria for Brokers/Dealers – Research and Other Soft Dollar Benefits”) in Item 12 (“Brokerage Practices”) of our brochure, Federated Advisory Services Company is updating the text to clarify certain matters, including, for example, (1) that soft dollars could be utilized to purchase research services that can be used in managing both equity and fixed income investments, (2) that the Soft Dollar Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services, (3) that any particular Research or Brokerage Services received by the Federated Advisory Companies may not be used to service each and every account, may not benefit the particular accounts that generated the brokerage commissions, and may be used in managing other accounts, and (4) that both soft dollar budget and brokerage allocations are reviewed with the Equity Brokerage Practices Committee quarterly. Accordingly, under Section A.1 in Item 12, please replace the existing text under “Research and Other Soft Dollar Benefits” with the following text:**

The Federated Advisory Companies generally do not generate 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 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. For example, soft dollars could be utilized to purchase research services that can be used in managing both equity and fixed income investments.

The Federated Advisory Companies (including Federated Advisory Services Company) may execute portfolio transactions with broker-dealers from or through which Research and Brokerage Services are received. This means that the Federated Advisory Companies 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 are received are known as “soft dollar benefits.” Such Research and Brokerage Services may be furnished directly to the client, to Federated Advisory Services Company 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 the Federated Advisory Companies (including Federated Advisory Services Company) for purposes of making investment decisions, the Federated Advisory Companies, based upon an allocation of expected use, bear that portion of the cost of Research and Brokerage Services that are not related to making investment decisions. The Soft Dollar Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services.

When client brokerage commissions (or markups or markdowns) are used to obtain research or other products or services, we and the other Federated Advisory Companies receive a benefit because we and the other Federated Advisory Companies 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 the Federated Advisory Companies or related persons 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 the Federated Advisory Companies (including Federated Advisory Services Company) and related persons in advising their respective clients, are supplemental to our and their own research and, when utilized, are subject to internal analysis before being incorporated into investment management process. Research and Brokerage Services (*i.e.*, soft dollar benefits) assist the Federated Advisory Companies (including Federated Advisory Services Company) in terms of their overall investment responsibilities to investment companies and investment accounts for which they have investment discretion. However, any particular Research or Brokerage Services received by the Federated Advisory Services Companies (including Federated Advisory Services Company) may not be used to service each and every account, and may not benefit the particular accounts that generated the brokerage commissions. In addition, Research and Brokerage Services paid for with commissions generated by an account(s) may be used in managing other accounts.

When allocating soft dollar benefits to client accounts or investment products, while the Federated Advisory Companies (including Federated Advisory Services Company) do not seek to allocate soft dollar benefits to client accounts strictly proportionally to the soft dollar credits the accounts generate, the 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. Both the soft dollar budget and brokerage allocations are reviewed with the Equity Brokerage Practices Committee quarterly.

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 the Federated Advisory Companies (including Federated Advisory Services Company) and our related persons. For example, the Federated Advisory Companies have an incentive to select or recommend brokers/dealers based on their interest in receiving research or other products or services, rather than on 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.)

**Under Section B.1 (“Our Proxy Voting Policies and Procedures – Proxy Voting Policies”) in Item 17 (“Voting Client Securities”) of our brochure, we are updating the tenth paragraph to clarify that we will not be obligated**

**to incur any expense to send a representative to a shareholder meeting or to translate proxy materials to English. Accordingly, under Section B.1 in Item 17, please replace the tenth paragraph under “Proxy Voting Policies” with the following:**

Federated Advisory Services Company, and the other Federated Advisory Companies, will not vote if we, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, will not vote proxies for such shares. In addition, Federated Advisory Services Company, and the other Federated Advisory Companies, shall not be obligated to incur any expense to send a representative to a shareholder meeting or to translate proxy materials to English.

If securities lending is permitted in a client portfolio, we, and the other Federated Advisory Companies, will not have a right to vote securities while they are on loan. However, we, and the other Federated Advisory Companies, will take reasonable steps to recall and vote such securities when the meeting raises issues that we, and the other Federated Advisory Companies, believe would have a material effect on shareholder value. There can be no assurance that we, and the other Federated Advisory Companies, will be able to terminate the loan in time to vote on such matters.

**Under Section D (“How to Obtain Information About How Federated Advisory Services Company Voted With Respect to a Security Held in the Client’s Account or a Copy of Our Proxy Voting Policies and Procedures”) in Item 17 (“Voting Client Securities”) of our brochure, Federated Advisory Services Company is updating the directions as to where Form P-X filings may be found on Federated’s website and we are updating the address to which clients may send a written request for information about how we voted with respect to a security held in a client’s account. Accordingly, under Section D in Item 17, please replace the existing text with the following:**

**1. Investment Companies and Private Investment Companies**

A report on "Form N-PX" of how the Federated Advisory Companies voted any proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to [FederatedInvestors.com](http://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 “Literature and Prospectus” 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](http://www.sec.gov).

**2. Others**

A copy of Federated Advisory Services Company’s and the other Federated Advisory Companies’, Proxy Voting Policies and Procedures may be obtained as required under SEC Rule 206(4)-6 under the Advisers Act upon request. A client may request a copy of the Proxy Voting Policies and Procedures, and/or a client may obtain information about how a proxy was voted with respect to a security held in the client's account, by sending a written request to the following address:

Investment Administration-Proxy Services  
125 High Street  
Oliver Street Tower, 21st Floor  
Boston, Massachusetts 02110



### **Certain Other Changes**

**Under Item 8 (“Methods of Analysis, Investment Strategies and Risk of Loss”) of our brochure, we are updating the fourth paragraph to further describe what generally can be described as the “technology risk” inherent in investment management. Accordingly, in Item 8, please replace the fourth paragraph with the following:**

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. When proprietary and third-party data and systems are utilized to support decision-making, data imprecisions, software and other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance.

**Under Section B.1 (“Our Proxy Voting Policies and Procedures – Proxy Voting Policies”) in Item 17 (“Voting Client Securities”) of our brochure, Federated Advisory Services Company is updating the last paragraph to change “a particular proxy or proxies” to “a particular proxy or corporate action.” Accordingly, under Section B.1 in Item 17, please replace the last paragraph under “Proxy Voting Policies” with the following:**

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

### ITEM 3. TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1 COVER PAGE.....	i
ITEM 2. MATERIAL CHANGES .....	ii
ITEM 3. TABLE OF CONTENTS.....	x
ITEM 4. ADVISORY BUSINESS .....	1
A.    How We are Organized.....	1
B.    Our Ownership Structure .....	1
C.    Our Services.....	1
D.    Our Use of “Shared Personnel” and Third-Party Service Providers .....	3
ITEM 5. FEES AND COMPENSATION .....	3
A.    Our Fees for Our Services .....	3
B.    Fees and Expenses, Other Than Our Fees.....	3
C.    Sales Compensation.....	4
ITEM 6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT .....	6
A.    Conflicts of Interest Relating to Performance-Based Fees .....	8
B.    Other Conflicts of Interest Relating to Side by Side Management.....	8
1.    Conflicts of Interest Relating to Management of Different Investment Strategies and Certain Pooled Investment Vehicles .....	8
2.    Conflicts of Interest Relating to Affiliated Investment Vehicles.....	9
3.    Conflicts of Interest Relating to Uninvested Cash Positions.....	10
4.    Conflicts of Interest Relating to Proprietary Accounts.....	11
5.    Conflicts of Interest Relating to Certain Cross Transactions.....	11
6.    Certain Other Conflicts of Interest Relating to Certain Investment and Brokerage Practices .....	12
C.    Other Actual or Potential Conflicts of Interest.....	14
1.    Conflicts of Interest Relating to Receipt of Compensation or Benefits, Other Than Advisory Fees .....	14
2.    Conflicts of Interest Relating to Personal Trading .....	15
3.    Conflicts of Interest Relating to Voting Securities Held in Client Accounts.....	16
4.    Other Conflicts of Interest .....	17
ITEM 7. TYPES OF CLIENTS.....	17
A.    Types .....	17
B.    Requirements for Services .....	18
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	18
ITEM 9. DISCIPLINARY INFORMATION.....	23
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	24
A.    Relationships with Broker-Dealers .....	24

B.	Relationships with Commodity Pool Operators and Commodity Trading Advisors .....	25
C.	Relationships with Certain Related Persons .....	25
1.	Investment Companies, Private Investment Companies and Pooled Investment Vehicles .....	26
2.	Other Investment Advisers .....	26
3.	Banking or Thrift Institutions .....	27
4.	Sponsor or Syndicator of Limited Partnerships .....	27
D.	Relationships with Certain Investment Advisers .....	27
 <b>ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>		
A.	Our Code of Ethics .....	28
B.	Participation or Interest in Client Transactions .....	28
C.	Personal Trading .....	29
 <b>ITEM 12. BROKERAGE PRACTICES .....</b>		
A.	Selection Criteria for Brokers/Dealers .....	29
1.	Research and Other Soft Dollar Benefits .....	31
2.	Brokerage for Client Referrals .....	32
3.	Directed Brokerage .....	33
a.	Separate Accounts and Other Investment Advisory Services .....	33
b.	Managed Account Programs .....	34
B.	Trade Aggregation or Allocation Policy .....	34
C.	Other Considerations for Certain Separate Accounts, Managed Accounts, Model Portfolio Management Services, and Other Advisory Services .....	35
D.	Confidential and Privileged Information .....	35
 <b>ITEM 13. REVIEW OF ACCOUNTS .....</b>		
 <b>ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....</b>		
A.	Arrangements Involving Receipt of Economic Benefits from Non-Clients .....	36
B.	Arrangements Where Compensation is Paid to Another Person for Client Referrals .....	37
 <b>ITEM 15. CUSTODY .....</b>		
 <b>ITEM 16. INVESTMENT DISCRETION .....</b>		
 <b>ITEM 17. VOTING CLIENT SECURITIES .....</b>		
A.	Voting Authority .....	39
B.	Proxy Voting Policies and Procedures .....	39
1.	Proxy Voting Policies .....	40
2.	Proxy Voting Procedures .....	42
3.	Conflicts of Interest .....	42
C.	Directing a Particular Vote .....	42
D.	How to Obtain Information About How a Proxy was Voted With Respect to a Security Held in an Account or a Copy of Proxy Voting Policies and Procedures .....	42
1.	Investment Companies and Private Investment Companies .....	42
2.	Others .....	43

E.	What Happens When Federated Advisory Services Company Does Not Have Authority to Vote Client Securities.....	43
ITEM 18.	FINANCIAL INFORMATION .....	43
PRIVACY POLICY.....		44

#### **ITEM 4. ADVISORY BUSINESS**

This brochure explains Federated Advisory Services Company's advisory business, and provides important information about us and, in certain cases, our affiliates and 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 similar functions).

Additional information about us, any investment adviser representatives that we may have, 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](http://www.adviserinfo.sec.gov). These registrations do not imply a certain level of skill or training. For further information on the advisory services provided by the other Federated Advisory Companies, reference should be made to the Form ADV, Part 1, and Form ADV, Part 2A brochures for the other Federated Advisory Companies, which may be obtained (to the extent prepared and filed with the SEC) via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Available Form ADV, Part 2A, brochures for the following Federated Advisory Companies also may be obtained free of charge from our website ([FederatedInvestors.com](http://FederatedInvestors.com)): Federated Investment Counseling; Federated MDTA LLC (including its MDT Advisers division); and Federated Global Investment Management Corp. (including its Federated Clover Investment Advisors division). 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 October 22, 2003. We first registered with the SEC as an investment adviser under the Advisers Act on November 28, 2003. 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 Advisory Services Company.

Federated Investors owns seven other domestic advisory subsidiaries that are under common control with, and affiliates of, Federated Advisory Services Company. 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, commodity pool operators, and trust companies. (Please refer to "Other Financial Industry Activities and Affiliations" in this brochure for further information regarding our affiliates.)

##### **C. Our Services**

Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). Registration does not imply a certain level of skill or training. (Please refer to "Types of Clients" in this brochure for information on the Federated Advisory Companies that are our clients.)

Our services vary depending upon whether a Federated Advisory Company manages equity or fixed income assets. We provide the following advisory services:

### Equity Trading and Transaction Settlement

The equity trading desks execute buy and sell orders based on instructions provided by portfolio managers. The trading staff either places orders electronically or contacts brokers to place orders, find liquidity and seek price levels. Upon completion of a transaction, the transaction settlement group works with the broker and the account custodian to insure timely and accurate exchange of securities and monies.

### Fundamental Analysis

The equity investment analysts perform independent research and analysis including review of published reports, interviews of company management, on-site observation of company operations, and the use of various financial models. In addition, analysts read trade journals, attend industry conferences, and focus on trends within the industry. Finally, they perform macroeconomics and other market based research. This analysis factors into buy/sell decisions in client portfolios.

### Quantitative Analysis

Quantitative analysts develop and apply financial models designed to enable equity portfolio managers and fundamental analysts to screen potential and current investments, assess relative risk and enhance performance relative to benchmarks and peers, identify attractive sector and countries for investment, and other similar variables.

Federated Advisory Services Company also may provide the following services which we do not consider to be advisory services:

### Performance Attribution

Performance attribution enables portfolio managers and senior management to identify the specific drivers behind each portfolio's performance. Performance attribution analysts are responsible for data integrity, creation of attribution reports and maintenance of attribution models.

### Administration and Risk Management

Employees of Federated Advisory Services Company provide support to portfolio managers and other employees of affiliated advisers. Such services may include development of risk management programs, production of portfolio and compliance reports for clients and/or fund Boards, coordination of client portfolios and related fixed income trade execution implementation and administration, completion of required broker and custody documentation, development and documentation of operational procedures, coordination of proxy voting activities, on-site support of hardware and software, etc.

Federated Advisory Services Company also provides certain back-office, administrative, and other services to Federated Investment Counseling, Federated MDTA LLC and Federated Global Investment Corp. in support of their Managed Account and Model Portfolio Management businesses.

Our services are not limited to certain types of investments, except that we do not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest. The services that we provide to certain of the other Federated Advisory Companies may be tailored to their individual needs based on objectives, policies, risk tolerances, financial condition, restrictions and other relevant factors. We do not provide traditional investment supervisory services or model portfolio management services to any client. We also do not participate as a portfolio manager in wrap fee (or Managed Account) programs. We provide our services to other Federated Advisory Companies that provide (on either a discretionary or non-discretionary basis) traditional investment supervisory services and model portfolio management services, and that serve as portfolio managers in wrap fee or managed account programs. We do not have any assets under management. (Please refer to "Requirements for Services" under "Types of Clients" for information on the requirements to receive our services.)

#### **D. Our Use of “Shared Personnel” and Third-Party Service Providers**

Federated Advisory Services Company shares certain directors/trustees and officers with the other Federated Advisory Companies. We also may share certain supervised persons with certain of the other Federated Advisory Companies. In connection with providing our services, certain proxy voting services 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 Advisory Services Company. For example, a third party proxy voting service has been engaged in accordance with the Proxy Voting Policy for the Federated Advisory Companies. (Please refer to “Voting Client Securities” in this brochure for a discussion of the Proxy Voting Policy.) In cases where Service Providers have been engaged, we may disclose confidential information, including non-public personal information about clients and the clients of the other Federated Advisory Companies, to these Service Providers for the purpose of processing transactions for and servicing accounts or investment products.

### **ITEM 5. FEES AND COMPENSATION**

#### **A. Our Fees for Our Services**

For each category of service that we provide, Federated Advisory Services Company charges its related party investment adviser clients (*i.e.*, certain of the other Federated Advisory Companies) aggregate fees equal to 110% of our operating expenses incurred in providing that category of service. These fees are payable monthly in arrears based on the costs of providing services in each month and are allocated among the related party investment advisers (*i.e.*, certain of the other Federated Advisory Companies) receiving that particular category of service based on their average assets under management during the month. We do not invoice for our fees or deduct our fees from client accounts. Our compensation is paid by intercompany credit by the other Federated Advisory Companies out of their own legitimate profits and other resources and is not added to the fees the other Federated Advisory Companies charge their clients (unless otherwise specifically disclosed to applicable clients). Our compensation was agreed upon by us and the other Federated Advisory Companies and is not negotiable. Our compensation is not paid in advance and is not subject to refund.

#### **B. Fees and Expenses, Other Than Our Fees**

As discussed under “Our Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). As with other investment accounts, the other Federated Advisory Companies, and/or their clients, will incur fees and expenses, other than investment advisory fees, when we provide our services and the other Federated Advisory Companies manage client assets. Clients will incur brokerage costs, other transaction costs and other related costs and expenses. Also, if another advisor is involved, any advisory fees of such 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 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 of the Relevant Other Federated Advisory Companies that serve as portfolio manager in such Managed Account Programs covers portfolio manager selection, performance monitoring and evaluation, custody, investment advice, brokerage and/or other administrative services. In some cases, brokerage commissions and/or 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 programs, the sponsors or platform providers for the Managed Account programs also may impose a separate fee if, in seeking best execution, trades are executed 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 a determination to be made 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 brokerage practices, including the factors that are considered when selecting brokers, dealers or other securities intermediaries for client transactions.)

### **C. Sales Compensation**

Federated Securities Corp., an affiliate of Federated Advisory Services Company and another Federated Advisory Company, 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 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 Advisory Services Company, 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 Advisory Services Company 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 certain of the other Federated Advisory Companies. Federated Securities Corp., and its employee-representatives, act in the capacity of solicitors for certain other Federated Advisory Companies and, in certain cases, also provide advice on behalf of certain of the other Federated Advisory Companies to the institutional, high-net worth, separately managed account/wrap-fee account and other clients of the other Federated Advisory Companies.

Federated Securities Corp.'s services, and its employee-representatives' services, are provided to the other relevant Federated Advisory Companies pursuant to one or more written agreements with 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 the other relevant Federated Advisory Companies;
- Describe the compensation to be received for such services;
- Require that Federated Securities Corp.'s status, and its employee-representatives' status as its employee-representatives, be disclosed to the client or potential client of 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 the other relevant Federated Advisory Companies, be disclosed to the client or potential client of 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 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 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 such other Federated Advisory Companies (in the form of an intercompany credit) for performing these activities on 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.

Federated Securities Corp.'s employee-representatives generally are not employees of the other Federated Advisory Companies for which they serve as sales people. Federated Securities Corp., and its employee-representatives, are supervised persons of such other Federated Advisory Companies. They also are deemed to be "persons associated with" such other Federated Advisory Companies. Federated Securities Corp.'s employee-representatives also are registered as investment adviser representatives of 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 such other Federated Advisory Companies. As such, they are subject to the compliance programs of such other Federated Advisory Companies when soliciting clients or potential clients for them or providing advice on their behalf.

Federated Advisory Services Company does not receive commissions or other compensation for the sale of investment products. Since we do not receive commissions, we do not charge our fees in addition to commissions or markups. Under appropriate circumstances, investments may be recommended in certain Investment Companies (or mutual funds), including no-load funds, Private Investment Companies, or Pooled Investment Vehicles advised by other Federated Advisory Companies and distributed by Federated Securities Corp. (Affiliated Investment Vehicles). Our affiliated companies (including Federated Securities Corp.) may receive distribution, investment advisory, administrative or other fees and compensation from such Affiliated Investment Vehicles. The other Federated Advisory Companies to which we provide our services also can pay our fees through the intercompany credit out of the advisory fees they receive from such Affiliated Investment Vehicles. (Please refer to “Our Fees for Our Services” under “Fees and Compensation” for further information regarding our fees.)

Certain employees of Federated Advisory Services Company who are supervised persons serve as client service representatives for the Federated Clover Investment Advisors division of Federated Global Investment Management Corp., which is another Federated Advisory Company. These supervised persons are salaried employees of Federated Advisory Services Company and receive no commission, fees or other remuneration in connection with individual securities transactions. Bonuses for these individuals are based on revenue of assigned accounts/investment products.

The practices discussed above create actual and potential conflicts of interest because Federated Securities Corp., Federated Securities Corp.’s employee-representatives, and the 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 (including its representatives that are employees of Federated Advisory Services Company), or the Federated Advisory Companies (or any affiliate) recommend, or to preclude investment in any investment product (including Affiliated Investment Vehicles). If a client of the other Federated Advisory Companies desires to preclude investment in a particular investment product, the client should impose a restriction on the client’s account by instructing the other Federated Advisory Company 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 Advisory Services Company.

#### **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 Advisory Services Company and our employees and supervised persons. In order to provide further information regarding other actual or potential conflicts of interest faced by Federated Advisory Services Company or our related persons in connection with our business, this section of our brochure also discusses other conflicts of interest that we believe are important 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, other actual or potential conflicts of interest arise from Federated Advisory Services Company’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. For example, we provide our services exclusively to certain of the other Federated Advisory Companies. (Please refer to “Types of Clients” in this brochure for further information on the Federated Advisory Companies to whom we provide our services.) We also share certain directors/trustees and officers with other Federated Advisory Companies, and share certain supervised persons with certain other Federated Advisory Companies. 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 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 the practices discussed below (or similar practices), it is likely that we and our shared directors/trustees, officers, or supervised persons, as well as the other Federated Advisory Companies, have the same incentives, and face the same actual or potential conflicts of interest, as those discussed below.

Federated Advisory Services Company, 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 – a benefit received is given back to an account (*e.g.*, the other Federated Advisory Companies that manage Separate Accounts will waive or reimburse a Separate Account accountholder for the account's share of the advisory fees, if any, paid to the other Federated Advisory Companies by an Affiliated Investment Vehicle into which account assets are invested);
- Delegation – a neutral third-party is engaged to act or make a decision (*e.g.*, a proxy voting service is engaged to vote proxies);
- Isolation – information barriers are constructed to prevent a person from gaining knowledge that gives rise to a conflict of interest (*e.g.*, certain individuals may be isolated from knowing information about a strategic transaction that Federated Investors is considering);
- Validation – a benchmark for conduct is established that is designed to protect client interests or limit the benefit that creates the conflict of interest (*e.g.*, the Federated Advisory Companies 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 them);
- Disclosure/Consent – we disclose the conflict of interest (*e.g.*, the solicitation fees that certain other Federated Advisory Companies pay to our affiliate, Federated Securities Corp., are disclosed); 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 Advisory Services Company 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 perform our services consistent with applicable law and in the best interests of clients, including clients of the other Federated Advisory Companies to which we provide our services. To that end, we have procedures in place which we believe are reasonably designed to treat 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 (and the business of the other Federated Advisory Companies), that we believe are important 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, and the other Federated Advisory Companies, generally address these conflicts of interests as described above. Specific examples of how we, and the other Federated Advisory Companies, seek to address the conflicts of interest discussed below also are provided.

## **A. Conflicts of Interest Relating to Performance-Based Fees**

Federated Advisory Services Company does not charge performance-based fees. As discussed under “Our Services” under “Advisory Business” in this brochure, however, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), some of which may accept performance-based fees. Certain of these other Federated Advisory Companies also manage both accounts that are charged a performance-based fee and another type of fee (*e.g.*, asset-based fees or flat fees). We can provide services to the other Federated Advisory Companies in connection with both types of accounts. The other Federated Advisory Companies only charge performance-based fees to qualified clients as and when permitted under Section 205 of the Advisers Act and SEC Rule 205-3 promulgated under the Advisers Act.

Actual or potential conflicts of interest arise in connection with the other Federated Advisory Companies’ charging of performance-based fees on certain accounts of the other Federated Advisory Companies while they are managing other accounts at the same time for asset-based fees or flat fees. There is an incentive to favor any account for which the other Federated Advisory Companies receive performance-based fees. For example, when the other Federated Advisory Companies offer investment advisory services to eligible Separate Account, Private Investment Company and Pooled Investment Vehicle clients for performance-based fees, the other Federated Advisory Companies have an opportunity to receive greater fees or compensation from their accounts or investment products that they charge performance-based fees as opposed to their accounts or investment products for which performance-based fees are not charged. As a result, there is 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), an account or investment product that pays another Federated Advisory Company a performance-based fee. We, and our employees and supervised persons, also have an incentive to perform our services in ways that otherwise assist the other Federated Advisory Companies to earn performance-based fees.

To address these actual or potential conflicts of interest, the Federated Advisory Companies’ 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 accounts or investment products. The Compliance Department for the Federated Advisory Companies reviews and reaffirms these allocation policies annually, as well as the procedures adopted by each Federated Advisory Company’s Trading Department and portfolio managers to comply with these policies. The 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 accounts and/or investment products simultaneously. (Please refer to “Advisory Business” in this brochure for more information on the types of services we provide.)

As a general matter, Federated Advisory Services Company, and our employees and supervised persons, may have conflicts in allocating their time and services. Federated Advisory Services Company, and our employees and supervised persons, will endeavor to devote such time to performing our services as Federated Advisory Services Company deems appropriate under the circumstances to perform our duties and obligations in accordance with applicable law and relevant agreements.

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 Advisory Services Company does not offer its own investment strategies. As discussed under “Our Services” under “Advisory Business” in this brochure, however, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies do manage investment accounts and products, including, in certain cases, certain Pooled Investment Vehicles (*e.g.*, hedge funds), that have different investment objectives, policies, strategies, and limitations/restrictions. We can provide services to the other Federated Advisory Companies in connection with their management of their client

accounts and investment products that have different investment objectives, policies, strategies, and limitations/restrictions. The types of services we provide also varies depending upon whether the other Federated Advisory Company is utilizing a fixed income or equity investment strategy.

In addition to actual or potential conflicts of interest relating to performance fees, actual and potential conflicts of interest arise from differing investment strategies. For example, it is possible that various accounts could have different investment strategies that, at times, might conflict with one another to the possible detriment of an 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. 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 the Federated Advisory Companies, as part of their investment strategy, may short securities which have been 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 account and a gain for another account. Uncovered option strategies, portfolio leveraging and significant positions in illiquid securities also may result in conflicts of interest when the Federated Advisory Companies manage certain account assets side by side with other accounts and investment products.

To address these actual or potential conflicts of interest, the Federated Advisory Companies' 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 that are made by portfolio managers, and the Compliance Department for the Federated Advisory Companies 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**

As discussed under "Our Services" under "Advisory Business" in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies may invest their clients' assets in Investment Companies, Private Investment Companies or other Pooled Investment Vehicles that are advised by the Federated Advisory Companies (including those Federated Advisory Companies to which we provide our services) or distributed by Federated Securities Corp. (Affiliated Investment Vehicles). 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 recommend investments in these Affiliated Investment Vehicles in order to increase the compensation that will be paid to the other Federated Advisory Companies, our affiliates and, in certain cases, employees and supervised persons of the Federated Advisory Companies or our affiliates (*e.g.*, Federated Securities Corp.'s employee-representatives) by these Affiliated Investment Vehicles, rather than investing assets in the best interests of our Federated Advisory Company clients or the clients of the other Federated Advisory Companies.

To address these actual or potential conflicts of interest, investments in Affiliated Investment Vehicles will be recommended and/or made only when such investments are consistent with an account'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, the Federated Advisory Companies or 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 such client's authorization to invest in Affiliated Investment Vehicles; and
- Specify in such client's authorization whether: (a) the Federated Advisory Companies will charge, waive or reimburse the client for advisory fees attributable to investments in Affiliated Investment Vehicles; or (b) the

Federated Advisory Companies will waive or reimburse the account for the account's share of the advisory fees, if any, paid by the Affiliated Investment Vehicle to the other Federated Advisory Companies.

Any 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 related persons' 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 "Our Services" under "Advisory Business" in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that have discretion with respect to uninvested cash. When the other Federated Advisory Companies have investment discretion, they generally have the ability to determine whether a portion of a portfolio will be uninvested (*i.e.*, remain in cash). If cash is uninvested, the cash may be invested in money market mutual funds or other liquid investments or cash management vehicles, including in Affiliated Investment Vehicles, subject to an account's investment policies, guidelines and restrictions, and applicable law.

When certain other Federated Advisory Companies are providing Investment Supervisory Services with respect to Managed Accounts or model portfolio management services, they 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 accountholder or the sponsor or platform provider for the Managed Account program or an overlay manager. These cash positions generally are small portions of each overall portfolio managed by these other Federated Advisory Companies and are maintained for operational purposes (*e.g.*, payment of fees, settlement of transactions, etc.). In certain cases, the money market mutual funds or other cash management vehicles into which uninvested cash may be invested may include money market mutual funds or other cash management vehicles that are Affiliated Investment Vehicles. In these circumstances, the Federated Advisory Companies are not recommending the investment of the cash positions maintained in the Managed Accounts in the Affiliated Investment Vehicles (they are taking direction from the Managed Account program sponsor, platform provider or accountholder), and their 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 the other Federated Advisory Companies have investment discretion, they generally have the ability to determine whether a portion of a client's portfolio will be uninvested. If cash is uninvested, an account's custodian may invest the uninvested cash in money market mutual funds or other liquid investments or cash management vehicles selected by the accountholder or the account's custodian (which could be Affiliated Investment Vehicles) or they may invest the cash in Affiliated Investment Vehicles, subject to an account's investment policies, guidelines and restrictions, and applicable law.

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

In connection with Managed Accounts and the model portfolio management services provided by certain other Federated Advisory Companies, the Federated Advisory Companies generally do not know prior to the uninvested cash being invested whether the uninvested cash will be invested in an Affiliated Investment Vehicle. The selection of the cash sweep vehicle for an account may be changed without their knowledge by the accountholder and/or the sponsor or platform provider for a Managed Account program or an overlay manager. The same is true outside of Managed Accounts and their model portfolio management services when they manage Separate Accounts and an account's custodian invests the uninvested cash.

To address these actual or potential conflicts of interest, the Federated Advisory Companies may set parameters around the amount of cash that remains uninvested for a particular account or investment product, or an account may establish

such parameters in its investment policies, guidelines and restrictions. Investments in Affiliated Investment Vehicles will be recommended and/or made only when such investments are consistent with an account's investment objectives, policies, guidelines and restrictions, and applicable law. To the extent required under applicable law, the other Federated Advisory Companies may waive or reimburse an account for the account's share of the advisory fees, if any, paid to the other Federated Advisory Companies by an Affiliated Investment Vehicle into which account assets are invested. For Managed Accounts and 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 this waiver and reimbursement policy.)

#### **4. Conflicts of Interest Relating to Proprietary Accounts**

Certain of our related persons (*i.e.*, the other Federated Advisory Companies) create, manage and/or provide services with respect to certain Proprietary Accounts. As discussed under "Our Services" under "Advisory Business" in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that create, manage and/or provide services with respect to Proprietary Accounts. The clients, accountholders, shareholders and investors in these Proprietary Accounts generally are the Federated Advisory Companies, our affiliates or employees of the Federated Advisory Companies or our affiliates. As a result, there is 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 accounts or investment products. For example, there could be an incentive to cause accounts to participate in an offering because:

- There is a desire to participate in the offering on behalf of a Proprietary Account and the account would otherwise be unable to meet minimum purchase requirements; or
- There is a desire to increase a Proprietary Account's overall allocation of securities in that offering, or to increase the Proprietary Account's 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 account, we and the other Federated Advisory Companies could be seen as potentially harming the performance of another account for our or the other Federated Advisory Companies', or our affiliates', own benefit if securities are sold short in a Proprietary Account while the same securities are held long in another account, causing the market value of the securities to move lower. An actual or potential conflict of interest also could be considered to exist if a transaction for a Proprietary Account closely precedes a transaction in related securities in another account, such as when a subsequent purchase by another account increases the value of securities that were previously purchased for a Proprietary Account.

To address these actual or potential conflicts of interest, the Federated Advisory Companies' trade allocation policies establish that, as a general matter, trade allocations are to be guided by the relative interests of the participating accounts managed by the Federated Advisory Companies (which include Proprietary Accounts). The 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 accounts. Records are maintained regarding the investment and allocation decisions made by portfolio managers, and the Compliance Department for the Federated Advisory Companies 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**

The other Federated Advisory Companies may effect certain cross transactions between accounts and other investment products (including Proprietary Accounts). As discussed under "Our Services" under "Advisory Business" in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that effect cross transactions. Trades may be recommended (including cross trades) between 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 account. (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 cross transactions.) Such cross transactions create actual or potential conflicts of interest. 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 conflicts of interest, when engaging in such cross transactions, no Federated Advisory Company, nor any affiliate, receives any compensation for acting as a broker-dealer. For cross-trades involving Investment Companies or Private Investment Companies, procedures are followed that comply with SEC Rule 17a-7 under the Investment Company Act of 1940 (Investment Company Act). Similar procedures also are followed 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 the Employee Retirement Income Securities Act of 1974 (ERISA) generally are not used in cross trades. ERISA plan assets would only be used in a cross trade if permitted under ERISA, an exception to the general policy is made and an account requests, or consents to, the transaction. For non-ERISA accounts, a consent disclosing the cross-trades policy is sent. The letter specifically articulates that a Federated Advisory Company does not act as a broker (*i.e.* receives any commission) and contains an acknowledgment of full and fair disclosure regarding the cross-trades procedure. A list of accounts that are prohibited from participating in cross trades also is maintained. 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 discussed under “Our Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services (including, in certain cases, equity trading and settlement) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies provide instructions to buy and sell securities in their client accounts. Our equity trading and settlement services involve equity trading desks executing buy and sell orders based on instructions provided by portfolio managers. In certain cases, we also provide administrative services, such as coordination of client portfolios and related fixed income trade execution implementation and administration. 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 Advisory Services Company, and our employees and supervised persons, or other Federated Advisory Companies, may give advice or take action with respect to investments of one or more accounts or investment products that may not be given or taken with respect to other accounts or investment products with similar investment strategies or objectives. Accordingly, investment accounts or products with similar strategies or objectives may not hold the same securities or instruments or achieve the same performance. Advice also may be provided to investment accounts or products with conflicting strategies or objectives. Legal restrictions on the combined size of positions which may be taken for all assets managed by the Federated Advisory Companies, and the difficulty of liquidating an investment for more than one investment account or product 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 investment accounts or products.

There also are times when the same portfolio manager for one or more other Federated Advisory Companies is managing Investment Company (mutual fund), Managed Account and other account 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. We, and our employees and supervised persons, can be providing our services to the other Federated Advisory Companies with respect to these different types of accounts or investment products or these same investment styles or strategies.

In these situations, when securities are selected, consistent with account investment objectives, policies, guidelines and restrictions, a variety of factors are taken into consideration, 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, trading allocation policies establish that, as a general matter, trade allocations are to be guided by the relative interests of the participating accounts (which include Proprietary Accounts). Records are maintained regarding the investment and allocation decisions made by the other Federated Advisory Companies' portfolio managers, and the Compliance Department of the Federated Advisory Companies 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, there are 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 an account not being aggregated with batched trades for other accounts and accounts 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 accounts (such as Managed Accounts, and other accounts managed to the same model portfolio as Managed Accounts, by certain Federated Advisory Companies) being effected either before or after trades for other accounts. Also, for example, when the Federated Advisory Companies provide non-discretionary model portfolio management services, except as discussed below, the applicable Federated Advisory Companies currently communicate model changes to overlay managers as concurrently as practicable with commencing trading with respect to the Managed Accounts that the applicable Federated Advisory Companies manage on a discretionary basis; the overlay managers have discretion to accept or reject the 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 other accounts. Managed Account programs that require directed brokerage/trading (and other clients who direct brokerage/trading) may instruct that account transactions be executed through specific brokers/dealers. Except as discussed below, all of the other Federated Advisory Companies that manage client assets have adopted similar policies. Taking these scenarios and factors into account, there are procedures in place which are believed to be consistent with the duty to seek to obtain best execution of 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 designed to commence trade execution as concurrently as practicable for Managed Accounts, on the one hand, and other 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 an account that has directed use of a particular broker or dealer are 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 account will receive the same price for a security, and, depending upon the circumstances, different accounts 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 account will receive the same price for a security, and, depending upon the circumstances, different accounts may receive different prices, either higher or lower, for the same security.

It also is important to be aware that conflicts of interest arise because portfolio decisions regarding one account may impact other accounts. If authorized under an investment management agreement, another Federated Advisory Company may in its discretion (a) participate in bankruptcy proceedings or join creditor committees on behalf of some or all of their accounts with respect to securities or other assets held in the accounts, (b) participate in other litigation, actions or decisions involving securities or other assets held in accounts, or (c) otherwise pursue or enforce rights available to creditors with respect to a security held in an account. For example, rights with respect to a security of an issuer in which an account's assets have been invested may be sought to be enforced, and those activities may potentially have an adverse effect on that or other securities of that issuer held in accounts. As a result, prices, availability, liquidity and other investment terms may be negatively impacted by such activities, and transactions for 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 Advisory Services Company, or our employees, supervised persons or 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 one or more of the other Federated Advisory Companies, or 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 a 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 another Federated Advisory Company. Since other Federated Advisory Companies act as portfolio managers in Managed Account programs, the Federated Advisory Companies, in hopes of gaining clients for these other Federated Advisory Companies 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 these other Federated Advisory Companies to Managed Account program clients. Outside of Managed Accounts, the willingness of the Federated Advisory Companies to direct brokerage/trades to a particular broker or dealer when instructed to do so by accounts likewise may encourage a broker or dealer to refer business, resulting in higher advisory, servicing, distribution or other compensation or other benefits. "Soft dollar benefits" also may be received from certain brokers or dealers. The receipt and use of brokerage and research services also creates various conflicts of interest. For example, there is an incentive to select or recommend brokers or dealers based on the Federated Advisory Companies' interest in receiving research or other products or services, rather than on client interests 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, recommendations to invest assets in Affiliated Investment Vehicles are made only when such investments are consistent with an account's investment objectives, policies, guidelines and restrictions. With respect to solicitation arrangements, we disclose through this brochure the solicitation activities of Federated Securities Corp. and its employee-representatives who serve as sales people for services and products of certain of the other Federated Advisory Companies and third parties. The solicitation policies of the Federated Advisory Companies relating to advisory clients also require any unaffiliated third-party solicitor to whom a cash solicitation fee is paid to provide a separate disclosure statement to clients and prospective clients. The policies and procedures are reasonably designed to comply with applicable SEC rules (and, to the extent applicable once finalized, MSRB 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, the Federated Advisory Companies that manage Separate Accounts may, for example, waive or reimburse a Separate Account for the account's share of the advisory fees, if any, paid to Federated Advisory Companies by an Affiliated Investment Vehicle into which client assets are invested. Finally, trade allocation policies prohibit the consideration of the compensation or other benefits received by the Federated Advisory Companies 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 Advisory Services Company, and/or our employees, supervised persons and related persons (*e.g.*, the other Federated Advisory Companies), may recommend or invest in the same securities, or related securities, that we, or our employees, supervised persons or related persons recommend to, or invest in on behalf of, 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 Advisory Services Company and our employees, supervised persons and related persons. For example, personnel of the Federated Advisory Companies could make a personal investment in a thinly-traded security and then recommend a large investment in that same security in order to drive up the value of that security or such personnel could sell a personal investment in a security in advance of recommending the sale of positions in such security if the selling of positions in such security would drive the value of the security down.

To address these actual or potential conflicts of interest, the internal controls of the Federated Advisory Companies, including our Code of Ethics, are reasonably believed to be designed to prevent Federated Advisory Services Company, and our employees, supervised persons and related persons, from buying or selling securities contemporaneously with

account 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 within fifteen (15) calendar days before or after the security is purchased or sold if the aggregate related open “buy” or “sell” orders and/or purchases or sells of that covered security by those accounts are thereafter determined to have been of an amount sufficient to trigger a blackout period. 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 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 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**

The Federated Advisory Companies that accept investment discretion to manage client accounts or investment products often accept authority to vote securities held in client accounts or investment products. As discussed under “Our Services” under “Advisory Business” in this brochure, we provide services (including coordination of proxy voting activities) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that accept authority to vote securities from their clients. Conflicts of interest arise from time to time between the interests of the Federated Advisory Companies, and the interests of clients of the other Federated Advisory Companies. Federated Advisory Services Company, and the other Federated Advisory Companies, have adopted procedures to address situations where a matter on which a proxy is sought may present a potential conflict between the interests of a client of the other Federated Advisory Companies and those of a Federated Advisory Company or affiliates. This may occur where a significant business relationship exists between Federated Advisory Services Company (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 the Federated Advisory Companies’, Proxy Committee has this type of significant business relationship, is referred to as an “Interested Company.”

We, and the other Federated Advisory Companies, have implemented the following procedures in order to avoid concerns that the conflicting interests of the Federated Advisory Companies, or affiliates, have influenced proxy votes. Any employee of Federated Advisory Services Company, or another Federated Advisory Company, who is contacted by an Interested Company regarding proxies to be voted by a Federated Advisory Company 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 the Federated Advisory Companies 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 applicable proxy voting policies,

without regard for the interests of any Federated Advisory Company 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, the Federated Advisory Companies voted as they did.

If an investment company client of the other Federated Advisory Companies 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 policies.

If an account holds shares of an Investment Company or Private Investment Company for which another Federated Advisory Company 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 the Federated Advisory Companies 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, for Federated Advisory Services Company, or our employees, supervised persons or related persons (*e.g.*, the other Federated Advisory Companies):

- 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, the Federated Advisory Companies' 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 the Compliance Department of the Federated Advisory Companies and they are monitored on an ongoing basis. The 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 accounts from being negatively affected as a result of these actual or potential conflicts of interest. For example, compensation and promotion incentives that reward traders based on the volume or size of trades or asset growth are prohibited.

### **ITEM 7. TYPES OF CLIENTS**

#### **A. Types**

Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). The Federated Advisory Companies to which we provide our services include:

- Federated Investment Counseling;
- Federated MDTA LLC (including its MDT Advisers division);

- Federated Global Investment Management Corp. (including its Federated Clover Investment Advisors division);
- Federated Investment Management Company; and
- Federated Equity Management Company of Pennsylvania.

Federated Investment Management Company is the general partner of Passport Research, Ltd., another Federated Advisory Company, and also utilizes our services in connection with its operation of Passport Research, Ltd.

The Federated Advisory Companies also provide advisory services with respect to Proprietary Accounts. (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 conflicts of interest relating to Proprietary Accounts.) For further information on the clients of these other Federated Advisory Companies, reference should be made to the Form ADV, Part 1, and Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain the Form ADV, Part 1, and any available brochures of the other Federated Advisory Companies.

## **B. Requirements for Services**

Federated Advisory Services Company has written services agreements with the other Federated Advisory Companies to which we provide services. We also may obtain limited powers of attorney from other Federated Advisory Companies that utilize our services in order to permit us to perform our services on their behalf.

We, and our employees and supervised persons, or the other Federated Advisory Companies may request clients of the other Federated Advisory Companies to provide proof of authority, directed trading letters, qualified purchaser or accredited investors letters/certifications, or other information to allow us to perform our services or the other Federated Advisory Companies to manage client assets. For further information on the requirements that the other Federated Advisory Companies impose for managing client assets, reference should be made to the Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain any available brochures of the other Federated Advisory Companies.

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

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

Federated Advisory Services Company does not offer our own investment strategies or make investment decisions, but rather we take instructions from and provide research to our clients. As discussed under “Our Services” under “Advisory Business” in this brochure, we provide services (such as fundamental and quantitative analysis and performance attribution) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies do offer their own investment strategies. For information regarding the specific methods of analysis utilized, and specific investment strategies offered (and related investment risks involved with the specific investment strategies offered), by the other Federated Advisory Companies, reference should be made to the Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain any available brochures of the other Federated Advisory Companies.

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. We, and the other Federated Advisory Companies, do not guarantee future performance, any specific level of performance or the success of any particular investment decision or strategy.

We may employ one or more of the following methods of analysis in providing our 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. When proprietary and third-party data and systems are utilized to support decision-making, data imprecisions, software and other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance.

The types of securities and other investments regarding which we provide our services can include the following:

- Equity securities;
- Fixed income securities or bonds;
- Derivative contracts and hybrid instruments;
- 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 the other Federated Advisory Companies and distributed by Federated Advisory Services Company).

While the types of services we offer varies depending upon whether our Federated Advisory Company clients are utilizing a fixed income or equity investment strategy, our services generally are not limited to (and we generally do not recommend) primarily a particular type of security, and our services may not be limited to the above list of securities and other investments.

We generally provide our services consistent with:

- The terms of the relevant service agreements we have with our Federated Advisory Company clients;
- Any information provided by our Federated Advisory Company clients;
- Any reasonable investment restrictions imposed on the other Federated Advisory Companies by their clients;
- The investment objectives, strategies, policies and limitations for accounts provided to our Federated Advisory Company clients; and/or
- Our knowledge of restrictions imposed under applicable law on our services.

Subject to the considerations identified in the above bullet points, we may perform our services with respect to a variety of securities and other investments. Federated Advisory Services Company does not provide advice with respect to any commodity, futures contract, other derivative or instrument or investment that could be deemed to be a commodity or commodity interest.

## **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.

### **Derivative Contracts and Hybrid Instruments**

Derivative contracts are financial instruments that require payments based upon changes in the values of designated securities, 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 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.

Certain of the Federated Advisory Companies 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: 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, 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 Fund 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 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.

## **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.

## **Portfolio Turnover**

There may be high portfolio turnover during a particular period of time depending upon market conditions, the types of investments utilized in pursuing an applicable investment objective and other factors. As discussed under "Fees and Expenses, Other Than Our Fees" under "Fees and Compensation" in this brochure, an 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 there is a higher portfolio turnover rate, this may indicate higher transaction costs and may result in higher taxes. These costs affect an account's performance.

## **ITEM 9. DISCIPLINARY INFORMATION**

Federated Advisory Services Company 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 Advisory Services Company, 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 Services" and "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 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**

Federated Advisory Services Company 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. Employee-representatives of Federated Securities Corp. serve as sales people for, and provide certain investment advice on behalf of, certain other Federated Advisory Companies, and are supervised persons of those Federated Advisory Companies. (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 Advisory Services Company 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 Advisory Services Company are registered representatives of Federated Securities Corp.:

- J. Christopher Donahue, Trustee, Chairman
- Brian P. Bouda, Chief Compliance Officer
- Stephen J. Carl, Chief Operating Officer of the Clover Division of Federated Global Investment Management Corp., one of the Federated Advisory Companies
- Mary Anne DeJohn, Director of Operations and Compliance

Mr. Bouda is also a registered representative of Edgewood Services, Inc.

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

- Richard A. Novak, 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 Advisory Services Company, 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 Advisory Services Company, and Passport Research, Ltd.’s Limited Partner is Edward D. Jones & Co., L.P. (Edward Jones). Edward Jones is a broker-dealer the clients of which 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 or Federated Investors, Inc. or its subsidiaries. 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., or Federated Advisory Services Company, 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 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**

Certain other Federated Advisory Companies, Federated Investment Management Company and Federated Equity Management Company of Pennsylvania, discussed under “Other Investment Advisers” under “Relationships with Certain Related Persons” under “Other Financial Industry Activities and Affiliations” are also registered as commodity pool operators.

In addition, Federated Investors, Inc., which is Federated Advisory Services Company’s ultimate parent company, owns a nonvoting, 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 Advisory Services Company, 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 Advisory Services Company 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 Advisory Services Company 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 Advisory Services Company has certain directors/trustees, officers, employees or supervised persons in common with:

- The 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

- Other affiliated companies owned by Federated Investors, Inc. (such as, among others, the affiliated 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, or supervised persons of Federated Advisory Services Company 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 “Our Services” under “Advisory Business” in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including the other Federated Advisory Companies that serve as investment adviser or sub-adviser to domestic and foreign funds (*i.e.*, Pooled Investment Vehicles), Investment Companies, and Private Investment Companies, as well as to other nonaffiliated funds and accounts. The other Federated Advisory Companies may charge advisory clients a fee other than the fund's fees on assets which are invested in U.S. registered funds which the other Federated Advisory Companies may advise. Under appropriate circumstances, we, and our employees and supervised persons, and the other Federated Advisory Companies may recommend investments, and the other Federated Advisory Company clients may advise their clients, to invest assets in certain Affiliated Investment Vehicles (*i.e.*, Investment Companies, Private Investment Companies, or Pooled Investment Vehicles advised by the 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, clients of the other Federated Advisory Companies can pay the fees and expenses charged or assessed by any Investment Companies, Private Investment Companies or Pooled Investment Vehicles to the extent that their assets are invested 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 the Federated Advisory Companies or other affiliated companies. Federated Advisory Services Company 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 Advisory Services Company 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 share certain supervised persons with certain of the other Federated Advisory Companies. As discussed under “Our Services” under “Advisory Business” in this brochure, we provide our services to certain of the other Federated Advisory Companies. Federated Advisory Services Company also provides certain back-office, administrative and other services to Federated Investment Counseling, Federated MDTA LLC and Federated Global Investment Management Corp. in support of their Managed Account and Model Portfolio Management businesses. The Federated Advisory Companies also share common compliance policies, procedures and programs.

Federated Advisory Services Company 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 Advisory Services Company and the other Federated Advisory Companies)

- Federated Advisory Services Company;
- Federated Investment Counseling;
- 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**

Related persons of Federated Advisory Services Company (*i.e.*, certain other Federated Advisory Companies, including those to which we provide services) act 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 Advisory Services Company. Federated Securities Corp., an affiliate of Federated Advisory Services Company, 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 Advisory Services Company (*i.e.*, certain other Federated Advisory Companies, including those to which we provide services) 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 the Federated Advisory Companies are generally not actively solicited to invest in these funds. However, assets of clients of another Federated Advisory Company may be invested in Core Trust II based on recommendations or advice provided by an applicable Federated Advisory Company as part of the overall investment strategy for that client. Assets are invested pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (“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 Advisory Services Company does not recommend or select other investment advisers for its clients for either direct or indirect compensation. As discussed above, however, Federated Advisory Services Company, and/or its 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). This registration does not imply a certain level of skill or training. The business relationships can create conflicts of interest for Federated Advisory Services Company, the other Federated Advisory Companies and our employees, supervised persons, and related persons. For example, we may recommend to our Federated Advisory Company clients, and our Federated Advisory Company clients may advise their clients, 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 Federated Advisory Company clients or their 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 Advisory Services Company 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 upon request.

### **B. Participation or Interest in Client Transactions**

Related persons of Federated Advisory Services Company (*i.e.*, the other Federated Advisory Companies, including those to which we provide our services) may, from time to time, invest client assets in or recommend investments in registered Investment Companies (*e.g.*, mutual funds), Private Investment Companies and unregistered investment companies (*e.g.*, hedge funds or other Pooled Investment Vehicles) managed, distributed or administered by Federated Advisory Services Company or its related persons (*e.g.*, Affiliated Investment Vehicles). (Please refer to “Performance-Based Fees and Side by Side Management” in this brochure for further information). As part of providing our services, we also may recommend investments in Affiliated Investment Vehicles to the other Federated Advisory Companies to which we provide our services.

Related persons of Federated Advisory Services Company (*i.e.*, the other Federated Advisory Companies, including those to which we provide our services) 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 the Federated Advisory Companies are generally not actively solicited to invest in these funds. However, assets of clients of another Federated Advisory Company may be invested in Core Trust II based on recommendations or advice provided by an applicable Federated Advisory Company 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.)

Affiliates of Federated Advisory Services Company (*i.e.*, the other Federated Advisory Companies, including those to which we provide our services) 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 their total managed client assets and their own assets. (Please refer to “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.)

The other Federated Advisory Companies that manage client assets also may from time to time buy or sell portfolio securities:

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



As discussed under “Our Services” under “Advisory Business” in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that effect cross transactions. When engaging in such cross transactions, no Federated Advisory Company, nor any affiliate, receives any compensation for acting as a broker-dealer and any applicable SEC rules or guidance for cross transactions or, if applicable, principal transactions are followed.

The above activities can create various actual or potential conflicts of interest for Federated Advisory Services Company and our employees, supervised persons and related persons (*i.e.*, the other Federated Advisory Companies, including those to which we provide our services). (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 Advisory Services Company, and/or our employees, supervised persons and related persons (*e.g.*, the other Federated Advisory Companies, including those to which we provide our services), may recommend or invest in the same securities, or related securities, that we, or our employees or supervised persons, may recommend, or our related persons invest in on behalf of, or recommend to, clients, including at or around the same time. Personal trading can create various actual or potential conflicts of interest for Federated Advisory Services Company 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**

As discussed under “Our Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services (including, in certain cases, equity trading and settlement) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies provide instructions to buy and sell securities in their client accounts. Our equity trading and settlement services involve equity trading desks executing buy and sell orders based on instructions provided by portfolio managers. In certain cases, we also provide administrative services, such as coordination of client portfolios and related fixed income trade execution implementation and administration. This section of our brochure discusses how Federated Advisory Services Company, and the other Federated Advisory Companies, select broker-dealers and intermediaries (collectively, brokers-dealers) for client transactions and determine the reasonableness of broker-dealer compensation. Each Federated Advisory Company applies similar policies and procedures, and engages in similar practices, to those described below to the extent relevant to its business.

For purposes of this section of our brochure, references to “clients” generally means the clients of the other Federated Advisory Companies that manage client assets to which we provide our services.

### **A. Selection Criteria for Brokers/Dealers**

Depending upon their activities, the Federated Advisory Companies (including Federated Advisory Services Company) can have two “Brokerage Practices” committees - one for equity securities and one for fixed income securities – charged with oversight of brokerage and trading practices, which are more fully discussed below. A primary function, among others, of the Committees is to oversee 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. The Federated Advisory Companies (including Federated Advisory Services Company) seeks to obtain best execution of client trades by balancing the costs inherent in trading, including opportunity costs, market impact costs and commissions. As a general matter, the Federated Advisory Companies seek to add value to investment management by using market information to capitalize on market opportunities, actively seek liquidity and discover price. The Federated Advisory Companies continually monitor 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. The Federated Advisory Companies seek to use dealers believed 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.

The Federated Advisory Companies (including Federated Advisory Services Company) have adopted written policies for brokerage allocation (Brokerage Policies), which are part of and are periodically reviewed as part of a 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 the Federated Advisory Companies in fulfilling 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.

Certain 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). We can provide our services to these Federated Advisory Companies with respect to these foreign funds. Under the terms and procedures with such foreign funds and their respective primary managers, these other Federated Advisory Companies are provided with a list of approved brokers/dealers. 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 Advisory Services Company'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 generate 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 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. For example, soft dollars could be utilized to purchase research services that can be used in managing both equity and fixed income investments.

The Federated Advisory Companies (including Federated Advisory Services Company) may execute portfolio transactions with broker-dealers from or through which Research and Brokerage Services are received. This means that the Federated Advisory Companies 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 are received are known as "soft dollar benefits." Such Research and Brokerage Services may be furnished directly to the client, to Federated Advisory Services Company 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 the Federated Advisory Companies (including Federated Advisory Services Company) for purposes of making investment decisions, the Federated Advisory Companies, based upon an allocation of expected use, bear that portion of the cost of Research and Brokerage Services that are not related to making investment decisions. The Soft Dollar Committee is responsible for periodically reviewing and approving the allocation of the cost of such Research and Brokerage Services.

When client brokerage commissions (or markups or markdowns) are used to obtain research or other products or services, we and the other Federated Advisory Companies receive a benefit because we and the other Federated Advisory Companies 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 the Federated Advisory Companies or related persons 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 the Federated Advisory Companies (including Federated Advisory Services Company) and related persons in advising their respective clients, are supplemental to our and their own research and, when utilized, are subject to internal analysis before being incorporated into investment management process. Research and Brokerage Services (*i.e.*, soft dollar benefits) assist the Federated Advisory Companies (including Federated Advisory Services Company) in terms of their overall investment responsibilities to investment companies and investment accounts for which they have investment discretion. However, any particular Research or Brokerage Services received by the Federated Advisory Services Companies (including Federated Advisory Services Company) may not be used to service each and every account, and may not benefit the particular accounts that generated the brokerage commissions. In addition, Research and Brokerage Services paid for with commissions generated by an account(s) may be used in managing other accounts.

When allocating soft dollar benefits to client accounts or investment products, while the Federated Advisory Companies (including Federated Advisory Services Company) do not seek to allocate soft dollar benefits to client accounts strictly proportionally to the soft dollar credits the accounts generate, the 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. Both the soft dollar budget and brokerage allocations are reviewed with the Equity Brokerage Practices Committee quarterly.

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 the Federated Advisory Companies (including Federated Advisory Services Company) and our related persons. For example, the Federated Advisory Companies have an incentive to select or recommend brokers/dealers based on their interest in receiving research or other products or services, rather than on 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**

The Federated Advisory Companies (including Federated Advisory Services Company), and related persons, do not consider, in selecting or recommending brokers/dealers, whether they or related persons receive client referrals from brokers/dealers or any third-party. This practice would create a conflict of interest in that the Federated Advisory Companies, and related persons, would have an incentive to select or recommend a broker-dealer based on their, or related persons’, interest in receiving client referrals, rather than on 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 Advisory Services Company generally does not recommend, request or require that its clients direct execution of transactions through a specific broker-dealer. As discussed under “Our Services” under “Advisory Business” in this brochure, however, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). These other Federated Advisory Companies also generally do not recommend, request or require that their clients direct execution of 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.

The other Federated Advisory Companies that manage client assets do, however, permit clients to direct brokerage, and we would follow such directions, as applicable, in performing our services for such other Federated Advisory Companies. The Federated Advisory Companies’ (including Federated Advisory Services Company’s) practices surrounding directed brokerage are discussed below. When a client directs brokerage, the Federated Advisory Companies 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 the Federated Advisory Companies may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices. The willingness of the other Federated Advisory Companies to accept such direction may encourage a broker-dealer to refer business to the Federated Advisory Companies or 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 of Federated Advisory Services Company may limit our authority as mutually agreed. Clients of the other Federated Advisory Companies that manage client assets may limit their discretionary authority in certain situations as mutually agreed, and we generally would abide by such limitations, as applicable, in providing our services. (Please refer to “Investment Discretion” in this brochure for further information.) In particular, clients may direct the use of particular brokers/dealers to execute portfolio transactions for their accounts. Where a client directs the use of a particular broker-dealer, or brokers/dealers, the Federated Advisory Companies (including Federated Advisory Services Company) may not be in a position to 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 the Federated Advisory Companies. 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 the Federated Advisory Companies (including Federated Advisory Services Company) 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 an account; 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, directed brokerage may prevent the Federated Advisory Companies 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 Managed Account program sponsor or other brokers/dealers affiliated with those programs, consistent with the duty to seek to obtain best execution. In yet other circumstances, transactions may be executed by or on behalf of the other Federated Advisory Companies (including those to which we provide our services) that participate in Managed Account programs with other brokers/dealers in pursuit of best execution.

Similar to Separate Accounts, Managed Account clients also may limit (either directly or through the Managed account program sponsor or platform provider) the applicable other Federated Advisory Companies' (including those to which we provide our services) discretionary authority, including directing the use of a particular broker-dealer to execute portfolio transactions. (Please refer to "Investment Discretion" in this brochure for further information.) In such a case, the applicable Federated Advisory Companies may not be in a position to 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 the other Federated Advisory Companies. (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. 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 Managed Account program sponsor or other broker-dealer identified with the specific Managed Account program. In a traditional Managed Account program, given the wrapped fee, the applicable Federated Advisory Companies 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 trades may be aggregated for accounts within each separate Managed Account program). In certain Managed Account programs, the applicable other Federated Advisory Companies' advisory fees may be billed separately from brokerage, custody and other fees charged by Managed Account program 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, the applicable Federated Advisory Companies may execute transactions with other brokers/dealers in pursuit of best execution, in which case such trades may be aggregated with trades for other client accounts for execution purposes.

## **B. Trade Aggregation or Allocation Policy**

Written trade allocation policies (Allocation Policies) have been adopted for the allocation of securities transactions among accounts. The Allocation Policies are premised on the Federated Advisory Companies' (including Federated Advisory Services Company's) general practice of aggregating the transactions executed on behalf of clients and clients of related persons. The Federated Advisory Companies may, but are not obligated to, aggregate transactions. The type of account or investment product (*e.g.*, direct Separate Account versus Managed Accounts), client instructions (*e.g.*, directed brokerage/trading), the investment strategies applicable to accounts, system capabilities and constraints, and other factors may result in transactions for certain 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 a discussion regarding 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 the Federated Advisory Companies (including Federated Advisory Services Company) aggregates such transactions, the Allocation Policies state that the Federated Advisory Companies and 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 the Federated Advisory Companies (including Federated Advisory Services Company) or related persons in allocating transactions among clients.

The Allocation Policies set forth procedures for allocating primary and secondary market transactions among accounts. 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, the Federated Advisory Companies (including Federated Advisory Services Company) believe that coordination and the ability to participate in volume transactions generally benefits clients.

The Federated Advisory Companies (including Federated Advisory Services Company) periodically review the aggregate allocation of client transactions among broker-dealers and the aggregate amount of commissions paid. Upon request, aggregate allocation information relating to a client's transactions will be provided to such client. Compliance personnel review the Allocation Policies annually with senior trading and investment management personnel. A copy of the Allocation Policies will be furnished upon request.

The trading desk for certain institutional and high net worth separate accounts sourced through the Federated Clover division of Federated Global Investment Management Corp., an affiliate of Federated Advisory Services Company (and one of the other Federated Advisory Companies), may be separate and apart from the trading desks of certain other Federated Advisory Companies (including Federated Advisory Services Company), so it is therefore, possible that certain trades for such accounts may not be able to be batched or aggregated with trades of other clients of certain of the other Federated Advisory Companies.

#### **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 the Federated Advisory Companies (including Federated Advisory Services Company) and related persons. 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**

The Federated Advisory Companies (including Federated Advisory Services Company), and related persons, 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, the Federated Advisory Companies or related persons may be restricted from executing certain trades if doing so could violate insider trading policies and procedures or applicable legal requirements/laws. Federated Advisory Services Company, 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**

As discussed under “Our Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). Accordingly, Federated Advisory Services Company does not have any other clients, and does not conduct account reviews of its own clients. We prepare certain internal performance-, portfolio-, trading-, and compliance-related reports, and other reports, periodically (*e.g.*, daily, weekly, monthly or otherwise) for use by our clients in connection with

the operation of their businesses. These reports are provided in writing or electronically as requested by our clients. Clients are urged to review and compare any reports provided by us carefully.

In providing our services (such as, for example, production of portfolio and compliance reports), we, and our employees and supervised persons, may assist the other Federated Advisory Companies to which we provide our services in conducting reviews of the accounts and investment products of their clients and providing reports to their clients. (Please refer to “Our Services” under “Advisory Business” for further information on the services we provide to certain other Federated Advisory Companies.) For further information regarding the account review practices of the other Federated Advisory Companies, and regarding the reports the other Federated Advisory Companies provide to their clients, reference should be made to the Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain any available brochures of the other Federated Advisory Companies.

#### **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 the Federated Advisory Companies (including Federated Advisory Services Company), related persons, and the clients of the other Federated Advisory Companies that manage client assets may furnish Research and Brokerage Services which may be used 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 Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). Certain of these other Federated Advisory Companies act as portfolio managers in Managed Account programs. In Managed Account program arrangements, 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, our affiliates could be viewed as receiving cash from a non-client in connection with advice given to Managed Account program participants. Similarly, our affiliates receive fees for investment advisory services provided to sub-advisory clients from the primary advisers for those clients.

Certain other Federated Advisory Companies have entered into a written agreement with our affiliate, Federated Securities Corp., a registered broker-dealer, municipal advisor, municipal securities dealer, and investment adviser. These registrations do not imply a certain level of skill or training. 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 certain of the other Federated Advisory Companies. Federated Securities Corp., and its employee-representatives, act in the capacity of solicitors for certain other Federated Advisory Companies. In certain cases, Federated Securities Corp., and its employee-representatives, also provide advice on behalf of these other Federated Advisory Companies to the institutional, high-net worth, separately managed account/wrap-fee account and other clients of these other Federated Advisory Companies. Federated Securities Corp. receives compensation from such other Federated Advisory Companies (in the form of an intercompany credit) for performing these activities on 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 of these other Federated Advisory Companies. (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 adviser, 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 Advisory Services Company 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 of Federated Advisory Services Company and/or our affiliates (*i.e.*, the other Federated Advisory Companies) also may receive certain entertainment and gifts from third parties to the extent permitted under Federated Advisory Services Company'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 Advisory Services Company'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 Advisory Services Company or its related persons receive economic benefits from non-clients create conflicts of interest for us and our related persons. We, and our employees, supervised persons and related persons have an incentive to favor these non-clients over the interests of clients. For example, there is an incentive to utilize the services of a particular broker-dealer, or recommend a particular security to or buy a particular security for, an 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**

Affiliates of Federated Advisory Services Company (*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 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), certain Federated Advisory Companies 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 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, supervised persons and related persons 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, the Federated Advisory Companies, 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 discussion of these conflicts of interest and how they are addressed.)

#### ITEM 15. CUSTODY

Federated Advisory Services Company does not have custody of client assets.

As discussed under “Our Services” under “Advisory Business” in this brochure, Federated Advisory Services Company provides services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). Certain of the other Federated Advisory Companies to which we provide our services are considered to have custody of their clients’ assets in certain circumstances, such as when they have arrangements that authorize them to have their advisory fees deducted from their clients’ accounts or serve as Managing Member to a Pooled Investment Vehicle. In providing our services, we may assist these other Federated Advisory Services in connection with invoicing for and collecting their advisory fees. To address potential conflicts of interest and other possible client concerns with these arrangements we, and the other Federated Advisory Companies, 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 the other Federated Advisory Companies’ fees are billed is accurate and that our fees are consistent with the terms of the investment management agreements the other Federated Advisory Companies have with their clients. For example, certain Federated Advisory Companies have segregated the responsibilities of employees responsible for invoicing and collecting fees or the auditing department of the Federated Advisory Companies periodically reviews invoicing and collection practices. Fee calculations are also periodically tested on a sample basis to confirm their accuracy. For further information regarding custody and the other Federated Advisory Companies, reference should be made to the Form ADV, Part 1, and Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain the Form ADV, Part 1, and any available brochures of the other Federated Advisory Companies.

Related persons of Federated Advisory Services Company (*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 custodian’s experience in acting as custodian for the type(s) of assets owned by the client, 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

Federated Advisory Service Company does not accept discretionary authority on behalf of clients to manage their accounts. As discussed under “Our Services” under “Advisory Business” in this brochure, we provide services exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies). We may obtain limited powers of attorney from the other Federated Advisory Companies that utilize our services in order to permit us to perform our services on their behalf. Clients of Federated Advisory Services Company may limit our authority as mutually agreed.

The other Federated Advisory Companies to which we provide our services do accept investment discretion from their clients to manage their accounts, and their clients may limit their discretionary authority in certain situations as mutually agreed. We generally would abide by such limitations, as applicable, in providing our services. (Please refer to “Our Services” under “Advisory Business” for further information on the services we provide to certain other Federated Advisory Companies.) The authority of the other Federated Advisory Companies, and our authority, also may be limited by:

- the written investment objectives, policies, guidelines and restrictions/limitations that may be provided to the other Federated Advisory Companies by their client or which are adopted by such client's board of trustees/directors or other governing body;
- 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); and
- applicable securities, tax, and other laws (*e.g.*, ERISA).

For further information regarding the investment discretion of the other Federated Advisory Companies, reference should be made to the Form ADV, Part 1, and Form ADV, Part 2A brochures for the other Federated Advisory Companies (to the extent prepared and filed with the SEC). Please refer to “Advisory Business” in this brochure for information on how to obtain the Form ADV, Part 1, and any available brochures for the other Federated Advisory Companies.

## ITEM 17. VOTING CLIENT SECURITIES

### A. Voting Authority

Federated Advisory Services Company does not accept authority to vote securities held in client accounts. As discussed under “Our Services” under “Advisory Business” in this brochure, we provide services (including coordination of proxy voting activities) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that accept authority to vote securities from their clients. In providing our services to these other Federated Advisory Companies, we, and our employees and supervised persons, may assist them in connection with coordinating the voting of securities held in their clients' accounts. (Please refer to “Our Services” under “Advisory Business” for further information on the services we provide to certain other Federated Advisory Companies.)

The Federated Advisory Companies' authority to vote securities held in client accounts 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 this authority to vote securities held in client accounts typically is set forth in the investment management agreements that these Federated Advisory Companies have with their clients or, in the case of Managed Accounts, in their agreements with the Managed Account program sponsors and platform providers and the client's Managed Account documentation.

### B. Proxy Voting Policies and Procedures

While Federated Advisory Services Company does not accept authority to vote securities held in client accounts, since Federated Advisory Services Company assists the other Federated Advisory Companies in connection with coordinating the voting of securities held in their clients' accounts and we share written compliance policies and procedures with the other Federated Advisory Companies, Federated Advisory Services Company has adopted proxy voting policies and

procedures. These policies and procedures are consistent with the proxy voting policies and procedures adopted by the other Federated Advisory Companies that manage client assets, which are required to adopt such policies and procedures under SEC Rule 206(4)-6.

## **1. Proxy Voting Policies**

Under these policies, the general policy of Federated Advisory Services Company, and the other Federated Advisory Companies, 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 this general policy may apply to proposals submitted by a company's board of directors. However, whether Federated Advisory Services Company, or another Federated Advisory Company, 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 Advisory Services Company, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, 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 Advisory Services Company, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, generally will vote against proposals to eliminate such preemptive rights.

On matters relating to management compensation, generally Federated Advisory Services Company, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, will vote on such changes based on our evaluation of the proposed transaction or contested election. In these circumstances, we, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, decide to vote against a proposed transaction, we, and the other Federated Advisory Companies, may vote for anti-takeover measures reasonably designed to prevent the transaction, even though we, and the other Federated Advisory Companies, typically vote against such measures in other contexts.

Federated Advisory Services Company, and the other Federated Advisory Companies, generally vote against proposals submitted by shareholders without the favorable recommendation of a company's board. We, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, generally will limit exceptions to this practice to shareholder proposals that we, and the other Federated Advisory Companies, 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.

Federated Advisory Services Company, and the other Federated Advisory Companies, will not vote if we, and the other Federated Advisory Companies, 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, and the other Federated Advisory Companies, will not vote proxies for such shares. In addition, Federated Advisory Services Company, and the other Federated Advisory Companies, shall not be obligated to incur any expense to send a representative to a shareholder meeting or to translate proxy materials to English.

If securities lending is permitted in a client portfolio, we, and the other Federated Advisory Companies, will not have a right to vote securities while they are on loan. However, we, and the other Federated Advisory Companies, will take reasonable steps to recall and vote such securities when the meeting raises issues that we, and the other Federated Advisory Companies, believe would have a material effect on shareholder value. There can be no assurance that we, and the other Federated Advisory Companies, will be able to terminate the loan in time to vote on such matters.

If a sub-adviser has been engaged to manage a client portfolio, our personnel (and personnel of certain of the other Federated Advisory Companies) do not perform proprietary research on securities held in that client's portfolio. With respect to such securities, if the Federated Advisory Companies or 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, and certain of the other Federated Advisory Companies, 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 the Federated Advisory Companies' or 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, and the other Federated Advisory Companies, will vote as recommended by Glass Lewis & Company LLC (Glass Lewis), and, if none of the previous conditions apply, we, and the other Federated Advisory Companies, will vote as recommended by the subject company's board of directors.

Federated MDTA LLC is one of the other Federated Advisory Companies to which we provide our services. Due to the nature of Federated MDTA LLC's investment process, its personnel do not perform proprietary research on securities held in its client's portfolio. The same is true with respect to securities held only in an Investment Company managed by the "Intercontinental team" at Federated Global Investment Management Corp., another Federated Advisory Company to which we provide our services, and in certain Investment Companies managed by Federated Equity Management Company of Pennsylvania (FEMCOPA), another Federated Advisory Company to which we provide our services, and for which FEMCOPA has engaged a third-party sub-adviser. Therefore, if affiliates' (*i.e.*, the other Federated Advisory Companies') investment personnel provide proprietary research with respect to such securities held in another client's portfolio, the proxies will be voted on such securities in accordance with the applicable general guidelines and in the same manner as the proxies are voted with respect to such securities in the affiliate's client's portfolio. If 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, the proxy will be voted as recommended by Glass Lewis & Co., and, if none of the previous conditions apply the proxy will be voted 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 Advisory Services Company may not be able to vote a particular proxy or corporate actions.

## **2. Proxy Voting Procedures**

Federated Advisory Services Company, and the other Federated Advisory Companies, have established a Proxy Voting Committee (Proxy Committee), to exercise all voting discretion granted to them in accordance with the proxy voting policies. We, and the other Federated Advisory Companies, 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 Federated Advisory Services Company's, and the other Federated Advisory Company'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 the Federated Advisory Companies, and affiliates, and the interests of 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**

As discussed under "Voting Authority" under "Voting Client Securities" in this brochure, Federated Advisory Services Company does not accept authority to vote securities held in client accounts; however, we provide services (including coordination of proxy voting activities) exclusively to related persons that are investment advisers (*i.e.*, certain of the other Federated Advisory Companies), including those Federated Advisory Companies that accept authority to vote securities from their clients. To the extent that a Federated Advisory Company has accepted authority to vote securities in a client's account, a client generally can direct how they vote with respect to a particular solicitation. A client wishing to do so should submit a written instruction to the address specified for notices in the client's investment management agreement with the applicable Federated Advisory Company. Managed Account program clients may be required to submit a written instruction to the Managed Account program sponsor or platform provider. The Federated Advisory Companies' will endeavor to vote in accordance with any such written instructions that are timely communicated to the applicable Federated Advisory Company and received reasonably in advance of the time that they, or Glass Lewis, the proxy voting service, votes with respect to a particular solicitation.

## **D. How to Obtain Information About How a Proxy was Voted With Respect to a Security Held in an Account or a Copy of Our Proxy Voting Policies and Procedures**

### **1. Investment Companies and Private Investment Companies**

A report on "Form N-PX" of how the Federated Advisory Companies voted any proxies during the most recent 12-month period ended June 30 is available through Federated's website. Go to [FederatedInvestors.com](http://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 "Literature and Prospectus" 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](http://www.sec.gov).

## **2. Others**

A copy of Federated Advisory Services Company's and the other Federated Advisory Companies', Proxy Voting Policies and Procedures may be obtained as required under SEC Rule 206(4)-6 under the Advisers Act upon request. A client may request a copy of the Proxy Voting Policies and Procedures, and/or a client may obtain information about how a proxy was voted with respect to a security held in the client's account, by sending a written request to the following address:

Investment Administration-Proxy Services  
125 High Street  
Oliver Street Tower, 21st Floor  
Boston, Massachusetts 02110

### **E. What Happens When Federated Advisory Services Company 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:

- A Federated Advisory Company does not have the authority to vote securities held in the client's account under the client's investment management agreement with the Federated Advisory Company, or, in the case of Managed Account programs, the applicable agreements with the Managed Account program sponsors or platform providers; or
- The client has revoked any authority granted to a Federated Advisory Company to vote securities held in the client's account.

Any revocation of authority to vote securities held in a client's account generally must be in writing and sent to the applicable Federated Advisory Company at the address specified for notices in the client's investment management agreement with the applicable Federated Advisory Company. Managed Account program clients may be required to submit a written revocation to the Managed Account program sponsor or platform provider.

If we, or another Federated Advisory Company, 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, 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 any Federated Advisory Company or the intermediary prior to the voting deadline for the solicitation.

To the extent that the Federated Advisory Companies do not have the authority to vote securities held in a client's account, the client can still ask questions of the applicable Federated Advisory Company regarding the particular solicitation by sending the question in writing at the address specified under "How to Obtain Information About How a Proxy was Voted With Respect to a Security Held in an Account or a Copy of Proxy Voting Policies and Procedures" under "Voting Client Securities" in this brochure. The Federated Advisory Companies 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 Advisory Services Company 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. There are no financial conditions affecting us that are reasonably likely to impair our ability to meet contractual commitments to our clients. We also 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](mailto: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.