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MEMORANDUM

To: Public File # S7-22-06

From: Linda Sundberg

Date: May 8, 2007

RE: Meeting regarding Regulation B

A meeting was held on Friday, May 4, 2007 to discuss proposed Regulation R in Release No. 34-54946, pursuant to the Securities Exchange Act of 1934 ("Exchange Act"). This proposal addresses the functional exceptions for banks from the definitions of "broker" that were added to the Exchange Act by the Gramm-Leach-Bliley Act. Present were Eugene F. Maloney and Melanie Fein of Federated Investors, Inc. From the Commission were Catherine McGuire, Linda Sundberg, John Fahey and Owen Donley.

The Federated comment letter was discussed. The attached materials were submitted by Federated.

Attachment

REGULATION R

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1. *Regulation R (Proposed): Bank Securities Brokerage Activities – Analysis and Guidance for Banks* prepared by Melanie L. Fein

Sample Agreements:

2. Mutual Funds Account Administration Agreement
3. Non-Omnibus Amendment to Mutual Funds Account Administration Agreement
4. Money Market Fund Addendum to Mutual Funds Account Administration Agreement
5. Retirement Plan Account Agreement

6. Spectrem Group report – p. 11

7. Reg R conference calls hosted by Federated Investors, Inc.

REGULATION R

(PROPOSED)

BANK SECURITIES BROKERAGE ACTIVITIES

ANALYSIS AND GUIDANCE FOR BANKS

PREPARED FOR FEDERATED INVESTORS, INC.

BY

MELANIE L. FEIN

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I. INTRODUCTION

The Securities and Exchange Commission ("SEC") and the Federal Reserve Board ("FRB") have jointly issued a proposed regulation to implement the provisions of the Gramm-Leach-Bliley Act ("GLBA") that exempt banks from registration as securities brokers under the Securities Exchange Act of 1934.[1] The newly proposed regulation has been designated as "Regulation R" and supersedes the SEC's earlier Regulation B proposed in 2004.

The new regulation includes a number of significant provisions designed to make the GLBA exemptions more workable for banks. On the whole, Regulation R should make it possible for banks to continue offering traditional securities brokerage services for their custody, fiduciary, and other customers without the burden of registering as brokers with the SEC, consistent with the intent of Congress.[2]

This memorandum is intended to assist banks in understanding the key provisions of proposed Regulation R and identifying how the regulation may affect their business operations and structures.

II. BANK EXEMPTIONS FROM BROKER-DEALER REGULATION

A. Trust and Fiduciary Activities

The Gramm-Leach-Bliley Act provided an exemption for bank trust and fiduciary activities, subject to certain conditions: the so-called "chiefly compensated" test, a limitation on advertising, and the requirement that trades in publicly traded securities be executed through a registered broker-dealer. *See pages 11-15.* The exemption does not include any limitations on employee compensation.

Under the statute, a bank is not eligible for the fiduciary exemption unless it is "chiefly compensated" for securities transactions on the basis of an administration or annual fee, a percentage of assets under management, a flat or capped per order processing fee at cost, or any combination of such fees. These fees are referred to as

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[1] Prior to the enactment of GLBA in 1999, banks enjoyed a blanket exemption from broker-dealer regulation in recognition of their status as regulated entities under the federal banking laws. GLBA replaced the blanket exemption with eleven specific exemptions. After several unsuccessful rulemaking initiatives by the SEC to interpret the exemptions, Congress last year directed the Federal Reserve Board to work with the SEC in jointly adopting a single set of rules to implement the bank exemptions. Financial Services Regulatory Relief Act of 2006, Pub. L. No. 109-351 (2006) (the "Regulatory Relief Act"). The SEC and Federal Reserve Board consulted with the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision in drafting the proposed rules in Regulation R.

[2] The term "bank" includes national and state banks, savings associations, and U.S. branches of foreign banks.

"relationship compensation" in the regulation. *See page 12.* As explained in the Federal Reserve Board staff memorandum concerning Regulation R, the purpose of the chiefly compensated test is "to ensure that banks are not principally compensated for the securities transactions they conduct for trust and fiduciary customers by per-transaction fees (i.e., brokerage commissions) in excess of the bank's related costs."[3]

The prior versions of the regulation as proposed in 2001 and 2004 would have treated as "unrelated compensation" seven specifically enumerated mutual fund administrative service fees, and as "sales compensation" 12b-1 fees. Regulation R does away with "unrelated compensation" and "sales compensation" definitions and treats as relationship compensation all of these mutual fund fees, including shareholder servicing, administrative, and sub-transfer agent fees.

50 Percent Account-by-Account Test. Under Regulation R, a bank satisfies the "chiefly compensated" test if the "relationship-total compensation percentage" for each of its trust or fiduciary accounts is greater than 50 percent on an annualized basis averaged over the preceding two years. This percentage generally is calculated by dividing relationship compensation by total compensation received from an account.

Alternative 70 Percent Bank-Wide Test. Alternatively, a bank may be exempt from the account-by-account chiefly compensated test if the aggregate relationship-total compensation percentage for the bank's "trust and fiduciary business" as a whole is at least 70 percent. Given the broad definition of relationship compensation, most banks should be able to satisfy the 70 percent bank-wide ratio.[4]

Advertising Restriction. As noted, the Gramm-Leach-Bliley Act imposed an advertising restriction on banks seeking to rely on the exemption for trust and fiduciary activities. A bank generally will comply with the advertising restriction if advertisements by or on behalf of the bank do not advertise that the bank provides securities brokerage services for trust or fiduciary accounts except as part of advertising the bank's broader trust or fiduciary services and the advertisements do not give greater prominence to the brokerage services. This provision generally should not pose a compliance problem for banks.

Execution of Trades Through Broker-Dealer. Under the statute and the proposed regulation, securities transactions for a trust or fiduciary account generally must be executed through a registered broker-dealer. Transactions in shares of mutual funds may be executed through the funds' transfer agent or Fund/SERV. This provision generally should not pose a compliance problem for banks.

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[3] Federal Reserve Board Staff Memorandum dated Dec. 12, 2006, at 6.

[4] The Federal Reserve Staff Memorandum stated that the 70 percent bank-wide test "likely will be used by the vast majority of banks." Memorandum at 7.

B. Safekeeping and Custody Accounts

The Gramm-Leach-Bliley Act provided an exemption for safekeeping and custody activities. Exempt activities include the following when part of "customary banking activities":

> Providing safekeeping or custody services with respect to securities, including the exercise of warrants and other rights on behalf of customers;
>
> Facilitating the transfer of funds or securities, as a custodian or a clearing agency, in connection with the clearance and settlement of its customers' transactions in securities;
>
> Effecting securities lending or borrowing transactions with or on behalf of customers as part of services provided to customers pursuant to the above activities, or investing cash collateral in connection with such transactions;
>
> Holding securities pledged by a customer to another person or securities subject to purchase or resale agreements involving a customer, or facilitating the pledging or transfer of such securities by book entry or as otherwise provided under applicable law, if the bank maintains records separately identifying the securities and the customer; or
>
> Serving as a custodian or provider of other related administrative services to any individual retirement account, pension, retirement, profit sharing, bonus, thrift savings, profit sharing, bonus, thrift savings, incentive, or other similar benefit plan.

The exemptions for custody activities do not apply if the bank, in connection with such activities, acts in the United States as a carrying broker (as defined in section 15(c)(3) of the Exchange Act) for any broker or dealer, except with respect to government securities. Also, securities trades generally must be executed through a registered broker-dealer.

Exemptions Under Proposed Regulation R. The SEC previously had interpreted the exemption for custody accounts as not permitting a bank to take orders for securities transactions for custody accounts, notwithstanding that the bank passed the order to a broker-dealer for execution. Regulation R provides more flexibility for banks to facilitate securities transactions for custody accounts by exempting transactions for employee benefit plan accounts and accommodation trades for other custody clients.

In order for a bank to qualify for these exemptions, bank employees may not receive any compensation, including 12b-1 fees, from the bank, broker, or any person based on whether a securities transaction is executed for the account or that is based on

the quantity, price, or identity of securities purchased or sold by the account. A bank employee may receive certain referral fees, however, to the extent permitted under the exemption for networking arrangements.

The exemptions are not available if the bank acts as a trustee or fiduciary with respect to the account. Rather, the trust and fiduciary exemption would apply.

Employee Benefit and Individual Retirement Accounts. A bank may effect securities transactions for an employee benefit plan account[5] or an individual retirement plan account or "similar account" (i.e., a health savings account) for which the bank acts as a custodian if the bank complies with certain limitations on advertising and employee compensation. The exemption is not available for accounts for which a bank acts as a directed trustee. Rather, for such accounts, the bank must rely on the trust and fiduciary exemption.

Accommodation Trades. In addition, a bank may effect transactions for other custodial accounts on an accommodation basis if the bank complies with restrictions on advertising and employee compensation. The bank may not provide investment advice or research concerning securities for the account, make recommendations, or otherwise solicit securities transactions from the account. This restriction does not prevent a bank from responding to customer inquiries regarding the bank's services by providing sales literature or prospectuses from registered investment companies. The bank's fee for accommodation transactions may not vary based on whether the bank accepted the order for the transaction or the quantity or price of the securities to be bought or sold.

The agencies stated that they will issue policies and procedures defining the meaning of "accommodation basis" at a future date.

Employee Benefit Plan Administrators. Under proposed Regulation R, the custody exemption is available to a bank that acts as a non-fiduciary and non-custodial administrator or recordkeeper for an employee benefit plan for which another bank acts as custodian. Both the custodian bank and the administrator or recordkeeper bank must meet the requirements of the exemption and the administrator or recordkeeper bank may not execute a cross-trade with or for the employee benefit plan or net orders for securities for the plan, other than orders for shares of open-end investment companies not traded on an exchange.

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[5] Regulation R defines an employee benefit plan account to mean a pension plan, retirement plan, profit sharing plan, bonus plan, thrift savings plan, incentive plan, or other similar plan, including, without limitation, an employer-sponsored plan qualified under section 401(a) of the Internal Revenue Code, a governmental or other plan described in section 457 of the Code, a tax-deferred plan described in section 403(b) of the Code, a church plan, governmental, multiemployer or other plan described in section 414(d), (e), or (f) of the Code, an incentive stock option plan described in section 422 of the Code, a Voluntary Employee Beneficiary Association Plan, a non-qualified deferred compensation plan (including a rabbi or secular trust), a supplemental or mirror plan, and a supplemental unemployment benefit plan.

C. Third-Party Brokerage Arrangements

The Gramm-Leach-Bliley Act included an exemption for third party brokerage or "networking" arrangements whereby a bank enters into an agreement with a registered broker-dealer to provide securities brokerage services to the bank's customers on or off the premises of the bank. The exemption is subject to certain limitations, including a requirement that non-licensed bank employees receive only nominal fees for referring customers to the broker-dealer. The SEC's somewhat narrow interpretation of "nominal" in Regulation B has been replaced with a more flexible standard in Regulation R.

Among other things, bank employees who deal with high net worth or institutional customers are exempt from the restrictions on referral fees if the bank discloses to the customer the name of the broker-dealer and the fact that the bank employee participates in an incentive compensation program under which the employee may receive a fee of more than a nominal amount for referring the customer to the broker-dealer. Payment of the fee may be contingent on whether the referral results in a transaction, provided the broker conducts a suitability or sophistication analysis of the securities transaction or customer being referred. The employee must be predominantly engaged in banking activities other than making referrals to a broker-dealer and must not have been disqualified under the Securities Exchange Act. The employee must encounter the customer in the ordinary course of assigned banking duties (i.e., no "cold calling").

D. Sweep Programs and Money Market Mutual Funds

The Gramm-Leach-Bliley Act provides an exemption for banks with respect to transactions effected as part of a "program" for the investment or reinvestment of deposit funds into any registered no-load, open-end investment company that holds itself out as a money market fund.

Regulation R provides a broader exemption for transactions in money market mutual funds generally, including funds that do not qualify as no-load funds (i.e., which contemplate payment of fees in excess of 25 basis points). Under this exemption—which is not included in the statute itself—a bank may effect transactions in securities issued by a money market mutual fund if the bank provides the customer, directly or indirectly, any other product or service (which would not require the bank to register as a broker). *See page 26.*

E. Foreign Securities Transactions

Regulation R exempts banks when they act as agent in effecting sales of eligible securities to purchasers outside of the United States in compliance with Regulation S. The exemption also allows a bank to effect a resale of an eligible security after its initial sale if the bank has a reasonable belief that the security was initially sold outside of the United States by or on behalf of a person who is not a U.S. person to a purchaser who is outside the United States or a registered broker-dealer. Also exempt are transactions effecting the resale of an eligible security after its initial sale outside of the United States

by or on behalf of a broker-dealer to a non-U.S. purchaser. An "eligible security" is one that is not being sold from the inventory of the bank or an affiliate of the bank and is not being underwritten by the bank or an affiliate of the bank on a firm commitment basis, unless the bank acquired the security from an unaffiliated distributor that did not purchase the security from the bank or its affiliate. A "purchaser" cannot be a U.S. person.

F. Securities Lending Transactions

Regulation R includes an exemption for banks in connection with securities lending services. The bank must believe that the client is a qualified investor or an employee benefit plan that owns and invests on a discretionary basis not less than $25 million in investments.

The term "securities lending services" means:

> Selecting and negotiating with a borrower and executing, or directing the execution of the loan with the borrower;
>
> Receiving, delivering, or directing the receipt or delivery of loaned securities;
>
> Receiving, delivering, or directing the receipt or delivery of collateral;
>
> Providing mark-to-market, corporate action, recordkeeping or other services incidental to the administration of the securities lending transaction;
>
> Investing, or directing the investment of, cash collateral; or
>
> Indemnifying the lender of securities with respect to various matters.

G. Effecting Transactions in Investment Company Securities

Regulation R provides an exemption that allows transactions in investment company securities to be transacted other than through a broker-dealer. In order for the exemption to apply, the investment company securities may not be traded on a national securities exchange or through the facilities of a national securities association or an interdealer quotation system. The transactions must be effected through the National Securities Clearing Corporation's Mutual Fund Services or directly with a transfer agent acting for the investment company. In addition, the securities must be distributed by a broker-dealer, or else the sale sales charge must be no more than the amount a broker-dealer may charge pursuant to NASD rules or SEC rules under section 22(b)(1) of the Investment Company Act of 1940.

III. RELEVANT DATES

Regulation R was published in the Federal Register on December 26, 2006. The public comment period on the proposed regulation ends on March 26, 2007. After the SEC and Federal Reserve Board have reviewed the public comments and conferred with the Office of the Comptroller of the Currency, FDIC and Office of Thrift Supervision, they will publish a final regulation with an effective date.

Regulation R provides that a bank is deemed to be exempt from the definition of "broker" under the Securities Exchange Act of 1934 until the first day of its first fiscal year commencing after June 30, 2008. This date could be changed in the final regulation.

Regulation R also provides that a customer may not seek to void a contract with a bank for securities transactions solely because the bank failed to comply with Regulation R if the contract was entered into during the 18 month period after the effective date of the regulation, provided it is shown that the bank acted in good faith and had reasonable compliance policies and procedures in place and no significant harm or financial loss or cost to the customer occurred.

IV. ASSESSING THE IMPACT OF REGULATION R

The following guidance is intended to assist banks in evaluating the impact of proposed Regulation R on their business operations.

A. Identify All Securities Brokerage Transactions

Each bank should identify all circumstances where it effects transactions in securities for its customers. The definition of a securities "broker" in the Securities Exchange Act of 1934 means any person "engaged in the business of effecting transactions in securities for the account of others." The meaning of "engaged in the business" and "effecting" transaction in securities thus are the crux of the definition of a broker.

1. Does the Bank "Engage in the Business" of Effecting Securities Transactions?

A bank is not a broker for purposes of the Securities Exchange Act if it is not "engaged in the business" of effecting securities transactions for others. Regulation R does not define the meaning of "engaged in the business."

2. Does the Bank "Effect" Securities Transactions?

Regulation R similarly does not define the meaning of "effecting" transactions in securities. The SEC previously has stated that "effecting" transactions in securities "includes more than just executing trades or forwarding securities orders to a broker-dealer for execution" and that "[s]olicitation is one of the most relevant factors in

determining whether a person is effecting transactions."[6] According to the SEC, "effecting" transactions includes the following activities:

> Identifying potential purchasers of securities;
>
> Screening potential participants in a transaction for creditworthiness;
>
> Soliciting securities transactions;
>
> Routing or matching orders, or facilitating the execution of a securities transaction;
>
> Handling customer funds and securities; and
>
> Preparing and sending transaction confirmations.[7]

Nevertheless, the SEC has taken the position that an investment adviser is not engaged in "effecting" securities transactions and is not required to register as a broker-dealer merely because it has discretionary authority to place orders with brokers and to execute securities transactions for client accounts without specific compensation for this function.[8] An investment adviser thus may act in the role of an introducing broker without being required to register as a broker-dealer.

B. Identify All Trust and Fiduciary Accounts

A trust or fiduciary account is defined in Regulation R to mean an account for which a bank acts in a trust or fiduciary capacity.

1. Does the Bank Acting in a "Fiduciary Capacity"?

The exemption for trust and fiduciary activities applies when a bank acts in a "fiduciary capacity." That term is defined generally to mean when the bank acts as trustee, exercises investment discretion with respect to an account, or gives investment advice for a fee. Specifically, a fiduciary capacity is defined to mean the following:

> acting as trustee (including as directed trustee for an employee benefit plan account),
>
> acting as executor, or administrator, guardian, assignee, receiver, or custodian under a uniform gift to minors act,
>
> acting as a registrar of stocks and bonds,
>
> acting as a transfer agent,

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[6] 66 Fed. Reg. 27,760, 27,772 n.124 (2001).
[7] *Id.*
[8] 50 Fed. Reg. 49,835, 49,839 (1985).

acting as an investment adviser if the bank receives a fee for its investment advice or possesses investment discretion on behalf of another (e.g., investment adviser for investment agency accounts and managed agency accounts, acting as investment adviser to mutual funds or other investment companies),

acting in "any other similar capacity."

Regulation R does not define these capacities and specifically does not define "any other similar capacity."

2. Does the Bank Meet the "Chiefly Compensated" Test?

Under the statute, a bank is not eligible for the fiduciary exemption unless it is "chiefly compensated" for securities transactions on the basis of an administration or annual fee, a percentage of assets under management, a flat or capped per order processing fee at cost, or any combination of such fees. These fees are referred to as "relationship compensation" in the Regulation R.

a. Should the Bank Use the Account-by-Account Method or Bank-Wide Method?

Under Regulation R, a bank may comply with the chiefly compensated test on an account-by-account basis or bank-wide basis.

50 Percent Account-by-Account Test. A bank may satisfy the "chiefly compensated" test if the "relationship-total compensation percentage" for each of its trust or fiduciary accounts is greater than 50 percent on an annualized basis averaged over the preceding two years. This percentage generally is calculated by dividing relationship compensation by total compensation received from an account.

Alternative 70 Percent Bank-Wide Test. Alternatively, a bank may be exempt from the account-by-account chiefly compensated test if the aggregate relationship-total compensation percentage for the bank's "trust and fiduciary business" as a whole is at least 70 percent. The bank-wide ratio is calculated by (i) dividing the aggregate relationship compensation attributable to the bank's trust and fiduciary business "as a whole" during each of the immediately preceding two years by the total compensation attributable to the bank's trust and fiduciary business as a whole during the relevant year; (ii) translating the quotient obtained for each of the two years into a percentage; and (iii) then averaging the percentages obtained for each of the two immediately preceding years.

The bank-wide method of meeting the chiefly compensated test will be much less burdensome for most banks, and most banks should be able to comply with the bank-wide method.

The Federal Reserve Board staff has provided the following mathematical equation for the bank-wide test:[9]

$$(RC_{Y\text{-}1}/TC_{Y\text{-}1}) + (RC_{Y\text{-}2}/TC_{Y\text{-}2}) / 2 \geq 0.70$$

RC = Relationship compensation attributable to all trust and fiduciary accounts
TC = Total compensation attributable to all trust and fiduciary accounts
Y-1 = Immediately preceding year
Y-2 = Year immediately preceding Y-1

b. What is the Amount of "Relationship Compensation"?

In order to determine whether it complies with the chiefly compensated test, a bank will need to identify how it is compensated for its trust and fiduciary services and determine whether any of its compensation falls outside the definition of "relationship compensation."

Definition of "Relationship Compensation". "Relationship compensation" is defined in Regulation R as follows:

> (i) An administration fee, including, without limitation, a fee paid for personal services, tax preparation, or real estate settlement services, or a fee paid by an investment company for personal service, the maintenance of shareholder accounts or any service described in paragraph (a)(4)(iii)(C) of this section;
>
> (ii) An annual fee (payable on a monthly, quarterly or other basis);
>
> (iii) A fee based on a percentage of assets under management, including, without limitation:
>
> > (A) A fee paid by an investment company pursuant to a plan under 17 CFR 270.12b-1 [i.e. 12b-1 fees]; (B) A fee paid by an investment company for personal service or the maintenance of shareholder accounts; or (C) A fee paid by an investment company based on a percentage of assets under management for any of the following services:
> >
> > (1) Providing transfer agent or sub-transfer agent services for beneficial owners of investment company shares; (2) Aggregating and processing purchase and redemption orders for investment company shares; (3) Providing

[9] Federal Reserve Board Staff Memorandum dated Dec. 12, 2006, at 7.

beneficial owners with account statements showing their purchases, sales, and positions in the investment company; (4) Processing dividend payments for the investment company; (5) Providing sub-accounting services to the investment company for shares held beneficially; (6) Forwarding communications from the investment company to the beneficial owners, including proxies, shareholder reports, dividend and tax notices, and updated prospectuses; or (7) Receiving, tabulating, and transmitting proxies executed by beneficial owners of investment company shares;

(iv) A flat or capped per order processing fee, paid by or on behalf of a customer or beneficiary, that is equal to not more than the cost incurred by the bank in connection with executing securities transactions for trust or fiduciary accounts; or

(v) Any combination of such fees.

Most of a bank's compensation for trust and fiduciary services should fall within the definition of relationship compensation. Compensation that would *not* be relationship compensation would include brokerage commissions, for example, or processing fees that exceed the bank's cost in connection with executing securities transactions.[10]

Some banks may receive a single fee from their institutional or other clients for a range of services, including trust and fiduciary services and then allocate the fee to various units or divisions of the bank through internal credits. The regulation does not address how a bank should determine its relationship and other compensation in such circumstances. A bank should attempt to identify what components of the single fee are attributable to trust and fiduciary services and, of those components, what amount is relationship compensation.

If a bank provides non-trustee or non-fiduciary services to a fiduciary account, the bank may need to consider whether all of the compensation received from the account may be treated as relationship compensation. Regulation R does not address how a bank should allocate its compensation in such cases, and banks might want to comment on this aspect of the regulation and request clarification in their comment letters on the regulation. If the non-trustee or non-fiduciary services are of a type that customarily would be provided to a trust of fiduciary account, such services arguably should not affect the status of the account as a fiduciary account and all of the relationship compensation received from the account should be treated as such for purposes of

[10] If a bank receives a flat or capped per order processing fee, the fee must be paid by or on behalf of a customer or beneficiary and the fee must be "equal to not more than the cost incurred by the bank in connection with executing securities transactions for trust or fiduciary accounts."

Regulation R. If, on the other hand, the services are not of a type that customarily would be provided to a trust or fiduciary account, any compensation associated with such services arguably should not be included as relationship compensation.

c. What Is The Bank's Fiduciary "Business as a Whole"?

In order for a bank to comply with the chiefly compensated test on a bank-wide basis, its relationship compensation generally must equal at least 70 percent of its bank-wide compensation from its trust and fiduciary business as a whole. Thus, the bank must be able to identify its trust and fiduciary "business as a whole." Such business would include trust and fiduciary services within any part of the bank that is "regularly examined for compliance with fiduciary standards." Regulation R does not address whether operating subsidiaries or other affiliates of a bank may be included within the meaning of the bank's trust and fiduciary "business as a whole."

3. How Does the Bank Advertise Its Fiduciary Services?

A bank should review its advertisements to ensure compliance with the restriction against advertising that it effects transactions in securities. An "advertisement" is defined to mean "any material that is published or used in any electronic or other public media, including any Web site, newspaper, magazine or other periodical, radio, television, telephone or tape recording, videotape display, signs or billboards, motion pictures, or telephone directories (other than routine listings). Any non-published or non-public advertising is not restricted.[11]

Regulation R provides that a bank will be deemed to be in compliance with the advertising restriction if (i) its advertisements do not advertise that the bank provides securities brokerage services for trust or fiduciary accounts except as part of advertising the bank's broader trust or fiduciary services, and (ii) it does not advertise its securities brokerage services for trust and fiduciary accounts more prominently than the other aspects of its trust and fiduciary services.

4. How Are Transactions For Fiduciary Accounts Executed?

A bank should review how transactions in securities are executed for its trust and fiduciary accounts. Under the statute and the proposed regulation, transactions in publicly-traded securities for a trust or fiduciary account generally must be executed through a registered broker-dealer. Alternatively, the trade may be a cross trade or other substantially similar trade of a security that is made by the bank or between the bank and

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[11] The Federal Reserve Board staff memo states that "Banks would remain free in sales literature that is not distributed through public media to describe fully and independently the securities brokerage services provided to trust and fiduciary customers. Federal Reserve Board Staff Memorandum dated Dec. 12, 2006.

an affiliated fiduciary and is not in contravention of fiduciary principles established under applicable federal or state law. Or, the trade may be conducted in some other manner permitted under SEC rules.

A bank is not required to use a broker-dealer to execute transactions in securities of an open-end investment company that is neither traded on a national securities exchange nor through the facilities of a national securities association or interdealer quotation system. Such a transaction may be effected through the National Securities Clearing Corporation's Mutual Fund Services or directly with a transfer agent acting for the investment company, provided that the securities are distributed by a registered broker-dealer or the sales charge is no more than the amount a broker-dealer may charge pursuant to SRO rules.

C. Identify All Custody Accounts

The bank should identify all safekeeping and custody accounts for which the bank effects transactions in securities and determine whether all such accounts fall within either the statutory exemptions for safekeeping and custody activities or the exemptions in Regulation R.

1. Review Accounts Exempt by Statute

The following types of accounts are exempt by the Gramm-Leach-Bliley Act. The SEC in the past interpreted the statute as not permitting order taking for these types of accounts, although it is not clear whether that interpretation will govern under Regulation R.

Safekeeping or custody accounts with respect to securities;

Safekeeping or custody accounts for which the bank exercises warrants or other rights;

Accounts for which the bank facilitates the transfer of funds or securities as a custodian or a clearing agency, in connection with the clearance and settlement of its customers' transactions in securities;

Accounts for which the bank conducts securities lending or borrowing transactions with or on behalf of customers as part of services provided to customers pursuant to the clearance and settlement of transactions, or investing cash collateral in connection with such transactions;

Accounts for which the bank holds securities pledged by a customer to another person or securities subject to purchase or resale agreements involving a customer, or for which the bank facilitates the pledging or transfer of such securities by book entry or as otherwise provided under applicable law;

Accounts for which the bank serves as a custodian or provider of other related administrative services to any individual retirement account, pension, retirement, profit sharing, bonus, thrift savings, profit sharing, bonus, thrift savings, incentive, or other similar benefit plan.

2. Review Written Custody Agreements

A custody account for purposes of the Regulation R exemptions is an account established by a written agreement between the bank and the customer that sets forth the terms that will govern the fees payable to, and rights and obligations of, the bank regarding the safekeeping or custody of securities. The bank should review this definition to determine whether it adequately describes the bank's custody accounts.

3. Review Employee Benefit Accounts

The following types of accounts are exempt under proposed Regulation R:

An employee benefit plan account for which the bank acts as custodian, including the following:

a pension plan, retirement plan,

profit sharing plan,

bonus plan,

thrift savings plan,

incentive plan,

other similar plan,

an employer-sponsored plan qualified under section 401(a) of the Internal Revenue Code,

a governmental or other plan described in section 457 of the Code,

a tax-deferred plan described in section 403(b) of the Code,

a church plan,

governmental, multiemployer or other plan described in section 414(d), (e), or (f) of the Code,

an incentive stock option plan described in section 422 of the Code,

a Voluntary Employee Beneficiary Association Plan,

a non-qualified deferred compensation plan (including a rabbi or secular trust),

a supplemental or mirror plan, and

a supplemental unemployment benefit plan

An individual retirement plan, a Roth IRA, health savings account, Archer medical savings account, Coverdell education savings account, or similar account for which the bank acts as custodian.

The bank should determine whether it acts as custodian for other types of employee benefit plan accounts not enumerated in the regulation.

4. Review Accommodation Accounts

Regulation R provides an exemption for securities transactions in a custody account on an "accommodation" basis. The SEC and Federal Reserve have not yet provided guidance on what constitutes an accommodation basis, although the Federal Reserve Board staff memorandum stated that it encompasses unsolicited trades.[12] The bank should review its activities and formulate a definition of "accommodation" that can be suggested in its comment letter on Regulation R.

The bank may not provide investment advice or research concerning securities for the account, make recommendations, or otherwise solicit securities transactions from the account. This restriction does not prevent a bank from responding to customer inquiries regarding the bank's services by providing sales literature or prospectuses from registered investment companies.

The bank's fee for accommodation transactions may not vary based on whether the bank accepted the order for the transaction or the quantity or price of the securities to be bought or sold by the account. Thus, for example, the bank must charge the same securities movement fee for transferring securities into or out of the custody account regardless of whether the customer places the securities order with the bank or a securities broker. The securities movement fee may vary based on the identity or type of security bought or sold (e.g., government debt, corporate equity or foreign securities).[13]

5. How Are Trades for Custody Accounts Executed?

The bank should review the manner in which trades for its custody accounts are executed to determine whether it complies with the statute. As noted above, the statutory and regulatory exemptions for custody activities are not applicable if a bank's custody activities result in the trade in the United States of any publicly traded security unless the bank directs the trade to a registered broker-dealer for execution or the trade is a cross trade or other substantially similar trade of a security that is made by the bank or between

[12] Federal Reserve Board Staff Memorandum dated Dec. 12, 2006, at 11.
[13] *Id.* at 12.

the bank and an affiliated fiduciary and is not in contravention of fiduciary principles. The trade also is permitted if conducted in some other manner permitted by the SEC.

6. Does the Bank Act as a Carrying Broker?

The exemptions for custody activities also do not apply if the bank, in connection with such activities, acts in the United States as a carrying broker (as defined in section 15(c)(3) of the Exchange Act) for any broker or dealer, except with respect to government securities.

A broker generally is deemed to be a carrying broker if it carries customer or broker or dealer accounts and receives or holds funds or securities for those persons. A broker is deemed to be a carrying broker if, in connection with its activities as a broker, it receives checks, drafts, or other evidences of indebtedness made payable to itself or persons other than the requisite registered broker or dealer carrying the account of a customer, escrow agent, issuer, underwriter, sponsor, or other distributor of securities. A broker is deemed to hold securities for, or to carry customer or broker or dealer accounts, and hold securities of, those persons if it does not promptly forward or promptly deliver all of the securities of customers or of other brokers or dealers received by the firm in connection with its activities as a broker.[14]

7. Does the Bank Act as Trustee or Fiduciary with Respect to Safekeeping or Custody Accounts

The safekeeping and custody exemptions are not available when the bank acts as trustee or fiduciary. Thus, for example, if the bank acts as a directed trustee for an employee benefit account, the custody exemption will not apply. Rather, the bank must rely on the exemption for trust and fiduciary activities.

8. How Does the Bank Advertise Its Custody Services?

With respect to employee benefit plan accounts and accommodation accounts for which the bank acts as a custodian, the bank must conform with restrictions on advertising in Regulation R.

The bank may not advertise that it accepts orders for securities transactions for employee benefit plan accounts or individual retirement accounts or similar accounts, except as part of advertising the other custodial or safekeeping services the bank provides to these accounts. The bank may not advertise that such accounts are securities brokerage accounts or that the bank's safekeeping and custody services substitute for a securities brokerage account.

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[14] Securities Exchange Act Rule 15(c)(3).

An additional advertising restriction applies to individual retirement and similar accounts, due to the retail nature of these accounts. Advertisements and sales literature issued by or on behalf of the bank may not describe the securities order-taking services more prominently than the other aspects of the custody or safekeeping services provided by the bank to these accounts. This restriction does not apply to employee benefit plan accounts.

With respect to accommodation accounts, advertisements by or on behalf of the bank may not state that the bank accepts orders for securities transactions for accommodation accounts. Sales literature issued by or on behalf of the bank may not state that the bank accepts orders for securities transactions for the account except as part of describing the other custodial or safekeeping services the bank provides to the account and may not describe the order-taking services more prominently than the other aspects of the custody or safekeeping services.

9. Does the Bank Act As a Non-Fiduciary Employee Benefit Plan Administrator?

Under proposed Regulation R, the custody exemption is available to a bank that acts as a non-fiduciary and non-custodial administrator or recordkeeper for an employee benefit plan for which another bank acts as custodian. Both the custodian bank and the administrator or recordkeeper bank must meet the requirements of the exemption and the administrator or recordkeeper bank may not execute a cross-trade with or for the employee benefit plan or net orders for securities for the plan, other than orders for shares of open-end investment companies not traded on an exchange.

10. How Does the Bank Execute Mutual Fund Trades?

The exemptions for custody activities are not applicable if a bank's custody activities result in the trade in the United States of any publicly traded security unless the bank directs the trade to a registered broker-dealer for execution or the trade is a cross trade or other substantially similar trade of a security that is made by the bank or between the bank and an affiliated fiduciary and is not in contravention of fiduciary principles. The trade also is permitted if conducted in some other manner permitted by the SEC.

a. How Are the Bank's Employees Compensated?

In order for a bank to qualify for the employee benefit plan or accommodation exemptions, bank employees may not receive any compensation, including 12b-1 fees, from the bank, broker, or any person based on whether a securities transaction is executed for the account or that is based on the quantity, price, or identity of securities purchased or sold by the account. A bank employee may receive certain referral fees, however, to the extent permitted under the exemption for networking arrangements. The bank will need to review how its employee's are compensation to ensure compliance with the regulation.

The restrictions on employee compensation do not restrict the types of compensation that the bank may receive for accepting securities orders for employee benefit plan accounts and IRAs. Also, the restrictions do not prevent bank employees from receiving compensation under the types of traditional, discretionary bonus plans described under the networking exemption.

b. Does the Bank Act as a Non-Fiduciary Administrator or Recordkeeper?

Regulation R allows a non-fiduciary administrator or recordkeeper for an employee benefit plan for which another bank acts as custodian to rely on the exemption for employee benefit plan accounts. In order to qualify for the exemption, both the custodian bank and the administrator or recordkeeper bank must meet the requirements of the exemption and the latter may not execute a cross-trade with or for the employee benefit plan or net orders for securities for the plan, other than orders for shares of open-end investment companies not traded on an exchange.

D. Identify Third-Party Brokerage Arrangements

The bank should identify all arrangements with affiliated or unaffiliated broker-dealers whereby securities brokerage services are provided on or off the premises of the bank.

1. Is the Broker Clearly Identified as Providing the Services?

Under the statutory exemption, the broker-dealer must be clearly identified as the person performing the brokerage services. The broker-dealer must perform its brokerage services in an area that is clearly marked and, to the extent practicable, physically separate from the routine deposit-taking activities of the bank. Any materials used by the bank to advertise or promote generally the availability of brokerage services under the arrangement must clearly indicate that the brokerage services are being provided by the broker-dealer and not by the bank, and must be in compliance with federal securities laws.

The brokerage services must be provided by the broker-dealer on a basis in which all customers that receive any services are fully disclosed to the broker-dealer, and the bank may not carry a securities account of any customer except as permitted under the exemption for trust and fiduciary activities and the exemption for safekeeping and custody services.

The bank and broker-dealer must inform each customer that the brokerage services are provided by the broker-dealer and not by the bank and that the securities are not deposits or other obligations of the bank, are not guaranteed by the bank, and are not insured by the Federal Deposit Insurance Corporation.

2. Is the Role of Bank Employees Limited?

Under the statutory exemption, bank employees (other than associated persons of a broker-dealer who are qualified pursuant to SROs may perform only clerical or ministerial functions in connection with brokerage transactions, including scheduling appointments with associated persons of the broker-dealer. Bank employees may forward customer funds or securities and may describe in general terms the types of investment vehicles available fro the bank and the broker-dealer under the arrangement.

3. Is the Incentive Compensation of Bank Employees Limited?

Under the statute, bank employees may not receive incentive compensation for any brokerage transaction unless they are associated persons of a broker-dealer and are SRO qualified. However, bank employees may receive compensation for customer referrals to the broker-dealer if the compensation is "a nominal one-time cash fee of a fixed dollar amount and the payment of the fee is not contingent on whether the referral results in a transaction." A "referral" is defined in proposed Regulation R to mean "action taken by a bank employee to direct a customer of the bank to a broker or dealer for the purchase or sale of securities for the customer's account."

Regulation R provides extensive guidance on the statutory limitations on incentive compensation. The term "incentive compensation" is defined in the proposal to mean "compensation that is intended to encourage a bank employee to refer potential customers to a broker or dealer or give a bank employee an interest in the success of a securities transaction at a broker or dealer." The term does not include compensation paid by a bank under a bonus or similar plan that is paid on a discretionary basis and based on multiple factors or variables. The bonus plan must be based on "significant" factors or variables that are not related to securities transactions at the broker or dealer. A referral made by the employee cannot be a factor or variable in determining the employee's compensation under the plan, and the employee's compensation under the plan may not be determined by reference to referrals made by any other person.

Nevertheless, under certain conditions, a bank is not prevented from compensating an officer, director or employee on the basis of any measure of the overall profitability of: (i) the bank, either on a stand-alone or consolidated basis, (ii) any of the bank's operating units or affiliates (other than a broker or dealer), or (iii) a broker or dealer. Profitability can be only one of multiple factors or variables used to determine the compensation of the officer, director or employee, and the factors or variables used to determine such compensation must include significant factors or variables that are not related to the profitability of the broker or dealer.

Regulation R also defines the meaning of a "nominal one-time cash fee of a fixed dollar amount." The term means a cash payment for a referral in an amount that meets any of the following three standards:

- The payment does not exceed (i) Twice the average of the minimum and maximum hourly wage established by the bank for the current or prior year for the job family that includes the employee; or (ii) 1/1000th of the average of the minimum and maximum annual base salary established by the bank for the current or prior year for the job family that includes the employee; or

- The payment does not exceed twice the employee's actual base hourly wage; or

- The payment does not exceed twenty-five dollars ($25), as adjusted for inflation.

The term "job family" is defined to mean "a group of jobs or positions involving similar responsibilities, or requiring similar skills, education or training, that a bank, or a separate unit, branch or department of a bank, has established and uses in the ordinary course of its business to distinguish among its employees for purposes of hiring, promotion, and compensation."

4. Do Employees Qualify for Referral Fees for Institutional and High Net-Worth Clients?

Regulation R provides an exemption from the limitations on incentive compensation for referrals of certain institutional and high net worth customers. The exemption is limited to bank employees who are not SRO qualified, not subject to statutory disqualification under the Securities Exchange Act, and who are "predominantly engaged in banking activities" other than making referrals to a broker-dealer.[15] In addition, the institutional or high net worth customer must be "encountered" by the bank employee "in the ordinary course of the employee's assigned duties for the bank."

An "institutional customer" is defined to mean "any corporation, partnership, limited liability company, trust or other non-natural person that has at least: $10 million in investments, $40 million in assets, or $25 million in assets if the bank employee refers the customer to the broker-dealer for investment banking services.[16]

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[15] Before the referral fee is paid to the bank employee, the bank must provide the broker-dealer with the name of the employee and such other identifying information that may be necessary for the broker-dealer to determine whether the bank employee is associated with a broker-dealer or is subject to statutory disqualification.

[16] Investment banking services include, without limitation, acting as an underwriter in an offering for an issuer; acting as a financial adviser in a merger, acquisition, tender-offer or similar transaction; providing venture capital, equity lines of credit, private investment-private equity transactions or similar investments; serving as placement agent for an issuer; and engaging in similar activities.

A "high net worth customer" is defined to mean "any natural person who, either individually or jointly with his or her spouse, has at least $5 million in net worth excluding the primary residence and associated liabilities of the person and, if applicable, his or her spouse."[17]

For purposes of this exemption, the term "referral fee" means a fee paid (in one or more installments) for the referral of a customer to a broker-dealer that is a predetermined dollar amount, or a dollar amount determined in accordance with a predetermined formula (such as a fixed percentage of the dollar amount of total assets placed in an account with the broker or dealer). The fee may not vary based on the revenue generated by or the profitability of securities transactions conducted by the customer with the broker or dealer, the quantity, price, or identity of securities transactions conducted over time by the customer with the broker or dealer, or the number of customer referrals made. Alternatively, a "referral fee" may be a dollar amount based on a fixed percentage of the revenues received by the broker-dealer for investment banking services provided to the customer.

Required Disclosure. In order to qualify for this exemption, a bank must disclose to the customer at or prior to the time of the referral: (i) the name of the broker-dealer, and (ii) the fact that the bank employee participates in an incentive compo program under which he or she may receive a fee of more than a nominal amount for referring the customer to the broker-dealer, and the payment of the fee may be contingent on whether the referral results in a transaction.

Customer Qualification. In addition, the bank must take certain steps to ensure that the customer meets certain qualifications. Before the referral fee is paid, the bank must determine that the customer is an institutional customer or, in the case of a customer that is a natural person, the bank, the bank must either determine that the customer is a high net worth customer or obtain a signed acknowledgment from the customer that the customer meets the standards to be considered a high net worth customer.

A bank that acts in good faith and that has reasonable policies and procedures in place to comply with the requirements of the exemption will not be considered to be a broker solely because the bank fails to comply with the customer qualification provisions if the bank takes reasonable and prompt steps to remedy the error (such as, for example, by promptly making the required determination or promptly providing the broker-dealer with the required information), and makes reasonable efforts to reclaim the portion of the

[17] In determining whether any person is a high net worth customer, there may be included in the assets of such person assets held individually and fifty percent of any assets held jointly with such person's spouse and any assets in which such person shares with such person's spouse a community property or similar shared ownership interest. In determining whether spouses acting jointly are high net worth customers, there may be included in the amount of each spouse's assets any assets of the other spouse (whether or not such assets are held jointly).

referral fee paid to the bank employee for the referral that does not, following any required remedial action, meet the requirements of the exemption and that exceeds the nominal amount otherwise permitted.

Written Agreement with Broker-Dealer. The written agreement between the bank and the broker-dealer must provide the following:

> Before a referral fee may be paid to a bank employee, the bank and broker-dealer must determine that the bank employee is not subject to statutory disqualification and the broker-dealer must determine that the customer is a high net worth customer or an institutional customer.
>
> In any case in which payment of the referral fee is contingent on completion of a securities transaction at the broker or dealer, the broker-dealer must, before such securities transaction is conducted, perform a suitability analysis of the securities transaction in accordance with the rules of the broker-dealer's applicable SRO as if the broker or dealer had recommended the securities transaction. In any case in which payment of the referral fee is *not* contingent on the completion of a securities transaction at the broker-dealer, the broker-dealer must, before the referral fee is paid, either determine that the customer has the capability to evaluate investment risk and make independent decisions and is exercising independent judgment based on the customer's own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations; or perform a suitability analysis of all securities transactions requested by the customer contemporaneously with the referral in accordance with the rules of the broker or dealer's applicable self-regulatory organization as if the broker or dealer had recommended the securities transaction.
>
> The broker or dealer must promptly inform the bank if the broker-dealer determines that the customer is not a high net worth customer or institutional customer, the bank employee is subject to statutory disqualification, or the customer or the securities transaction(s) to be conducted by the customer do not meet the applicable suitability standard.

E. Identify Sweep Accounts and Other Transactions in Money Market Mutual Funds

The Gramm-Leach-Bliley Act provides an exemption for banks with respect to transactions effected as part of a "program" for the investment or reinvestment of deposit funds into any registered no-load, open-end investment company that holds itself out as a

money market fund. Accordingly, a bank should identify all sweep programs to determine whether they meet the terms of the exemption.

Regulation R does not address the meaning of a sweep "program." In issuing the prior version of the regulation as Regulation B in 2004, the SEC addressed whether the exemption would permit a bank to sweep deposit balances into mutual funds less frequently than daily and whether a bank could rely on the exemption to effect sweep transactions only at the direction of a customer rather than automatically. The SEC stated:

> In light of the legislative history, we do not believe that the sweep accounts exception permits other than regular, automatic sweeps. Moreover, we do not believe, and there is nothing in the legislative history to suggest, that this exception permits a bank to effect money market mutual fund transactions for another bank using deposits held at the other bank. Therefore, to limit potential confusion, we are clarifying that the term "program" . . . refers to arrangements for the automatic transfer of funds on a regular basis. We also interpret the term "program" as referring to a bank's investment and reinvestment of deposit balances held at the bank by the bank's own customers.[18]

The SEC's prior interpretations do not govern Regulation R but nevertheless provide insight as to how the SEC's staff may interpret the regulation and the statute in the future. Any interpretations of the regulation in the future will be made jointly by the SEC and the Federal Reserve Board.

1. Are the Sweep Funds "No-Load" Money Market Funds?

Regulation R defines a "money market fund" as a registered open-end investment company that is regulated as a money market fund under the Investment Company Act of 1940. The term "no-load" is defined in the regulation to mean, for securities of the class or series in which a bank effects transactions, that the class or series is not subject to a sales load or a deferred sales load, and total charges against net assets for sales or sales promotion expenses, for personal services, or for the maintenance of shareholder accounts do not exceed 0.25 of one percent of average net assets annually. Fees for the following services are not subject to the 25 basis point limitation:

> Providing transfer agent or sub-transfer agent services for beneficial owners of investment company shares;
>
> Aggregating and processing purchase and redemption orders for investment company shares;

[18] 69 Fed. Reg. 39,682, 39,706 (2004).

Providing beneficial owners with account statements showing their purchases, sales, and positions in the investment company;

Processing dividend payments for the investment company;

Providing sub-accounting services to the investment company for shares held beneficially;

Forwarding communications from the investment company to the beneficial owners, including proxies, shareholder reports, dividend and tax notices, and updated prospectuses; or

Receiving, tabulating, and transmitting proxies executed by beneficial owners of investment company shares.

Distribution fees paid pursuant to a 12b-1 plan generally would be subject to the 25 basis point fee limitation, whereas administrative fees would not be.

2. Does the Broader Exemption for Money Market Mutual Funds Apply?

If the bank's sweep program does not comply with the sweep exemption, a broader exemption for transactions in money market mutual funds is available. Under this exemption—which is not included in the statute itself—a bank may effect transactions in securities issued by a money market mutual fund if the bank provides the customer, directly or indirectly, any other product or service (which would not require the bank to register as a broker). If the mutual fund is not a no-load fund, the bank must provide the customer with a prospectus for the fund and the bank may not characterize or refer to the fund as no-load.[19]

F. Identify Transactions for Foreign Purchasers

Regulation R exempts banks when they act as agent in effecting sales of eligible securities to purchasers outside of the United States. The exemption allows a bank to effect a resale of an eligible security after its initial sale if the bank has a reasonable belief that the security was initially sold outside of the United States by or on behalf of a person who is not a U.S. person to a purchaser who is outside the United States or a registered broker-dealer. Also exempt are transactions in which the bank effects the resale of an eligible security after its initial sale outside of the United States by or on behalf of a broker-dealer to a non-U.S. purchaser.

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[19] The terms "money market fund" and "no-load" have the same meanings as in the sweep exemption.

1. Do the Transactions Comply with Regulation S?

In order to be exempt, the transaction must comply with Regulation S.

2. Are the Securities "Eligible Securities"?

An "eligible security" is one that is not being sold from the inventory of the bank or an affiliate of the bank and is not being underwritten by the bank or an affiliate of the bank on a firm commitment basis, unless the bank acquired the security from an unaffiliated distributor that did not purchase the security from the bank or its affiliate. A "purchaser" cannot be a U.S. person.

G. Identify Securities Lending Transactions

Regulation R includes an exemption for banks in connection with securities lending services.

1. Is the Client a Qualified Investor?

The bank must believe that the client is a qualified investor or an employee benefit plan that owns and invests on a discretionary basis not less than $25 million in investments. The term "qualified investor" includes the following:

- a registered investment company;
- a company exempt from registration under section 3(c)(7) of the Investment Company Act of 1940;
- a bank or savings association; broker-dealer;
- a small business investment company; any state sponsored employee benefit plan or other employee benefit plan, other than an individual retirement account, if the investment decisions are made by a plan fiduciary that is a bank, savings and loan association, insurance company, or registered investment adviser;
- a foreign bank; the government of any foreign country;
- any corporation, company, or partnership that owns and invests on a discretionary basis, not less than $25,000,000 in investments; any natural person who owns and invests on a discretionary basis, not less than $25,000,000 in investments;
- any government or political subdivision, agency, or instrumentality of a government that owns and invests on a discretionary basis not less than $50,000,000 in investments; or

- any multinational or supranational entity or any agency or instrumentality thereof.

2. Are the Services Within the Definition of "Securities Lending"?

The exemption allows the following activities, which are defined as "securities lending services":

> Selecting and negotiating with a borrower and executing, or directing the execution of the loan with the borrower;
>
> Receiving, delivering, or directing the receipt or delivery of loaned securities;
>
> Receiving, delivering, or directing the receipt or delivery of collateral;
>
> Providing mark-to-market, corporate action, recordkeeping or other services incidental to the administration of the securities lending transaction;
>
> Investing, or directing the investment of, cash collateral; or
>
> Indemnifying the lender of securities with respect to various matters.

H. Identify Transactions in Investment Company Securities

Regulation R provides an exemption that allows transactions in investment company securities to be transacted other than through a broker-dealer.

1. Are the Securities Traded on an Exchange or Interdealer Quotation System?

In order for the exemption to apply, the investment company securities may not be traded on a national securities exchange or through the facilities of a national securities association or an interdealer quotation system.

2. Are the Transactions Effected Through FundServ or a Transfer Agent?

In order for the exemption to apply, the transactions must be effected through the National Securities Clearing Corporation's Mutual Fund Services or directly with a transfer agent acting for the investment company.

3. Are the Securities Distributed by a Broker-Dealer?

In order for the exemption to apply, the securities must be distributed by a broker-dealer, or the sale sales charge must be no more than the amount a broker-dealer may

charge pursuant to NASD rules or SEC rules under section 22(b)(1) of the Investment Company Act of 1940.

V. Potential Issues for Public Comment

The following are potential issues for public comment that banks might wish to raise in their comment letters on proposed Regulation R.

A. General Definition of "Broker"

As a result of the Regulation Relief Act, the SEC's prior interpretations of the bank exemptions in the Securities Exchange Act do not apply to the bank exemptions from broker-dealer regulation.[20] It is unclear, however, whether the SEC's interpretations of the meaning of the term "broker" apart from the bank exemptions will govern. The SEC reasonably could argue that its meaning of "broker" is the starting point in any analysis of whether banks are exempt from the definition.

The statutory definition of a "broker" is any person that engages in the business of "effecting" transactions in securities for the account of others. The SEC has interpreted the term "effecting" broadly to include merely identifying potential purchasers of securities.

Banks should consider commenting on whether the SEC's definition is overly restrictive and whether the SEC's past interpretations should govern the definition of "broker" apart from the bank exemptions.

B. Trust and Fiduciary Exemption

Regulation R contemplates that different departments or divisions of a bank, or unaffiliated parties, may handle various aspects of its transactions or other services for its trust and fiduciary clients. Regulation R does not address how the bank's compensation arrangements should be accounted for under the chiefly compensated test if the bank receives a single fee from the client and then makes internal credits or other allocations, or enters into other non-standard compensation arrangements.

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[20] *See* 71 Fed. Reg. At 77,535 ("Under the Regulatory Relief Act, a final single set of rules or regulations jointly adopted by the Board and Commission in accordance with that Act shall supersede any other proposed or final rule issued by the Commission on or after the date of enactment of Section 201 of GLBA with regard to the definition of 'broker' under Exchange Act Section 3(a)(4). Moreover, the new law states that '[n]o such other rule, whether or not issued in final form, shall have any force or effect on or after that date of enactment.' . . . Any discussion or interpretation of these prior rules in their accompanying releases would not apply to the single set of rules adopted by the Agencies.").

Similarly, the regulation does not appear to take into consideration that some banks may charge a single fee to their "private banking" fiduciary clients for a range of services including deposit, loan, cash management, and other services as well as trust and fiduciary services. It is unclear whether the agencies expect banks to re-structure their accounts, or the services performed for their accounts, so that they can clearly identify the compensation they receive for trust and fiduciary services.

The regulation also does not define what is meant by a bank's trust and fiduciary "business." Presumably, it is contemplated that such "business" will encompass at a minimum all of the bank's traditional trust and fiduciary accounts. Such business also should include other fiduciary business lines such as, for example, a bank's services as an investment adviser to a mutual fund. Such services are fiduciary in nature to the extent that the bank provides investment advice to the fund for a fee. The compensation banks receive for such services generally takes the form of asset-based fees, which presumably would qualify as relationship compensation. The specific enumeration in the regulation of mutual fund fees that qualify as relationship compensation does not include such fees, however, and questions could arise as to whether such fees fall within the definition of relationship compensation.

It also should be noted that acting as a transfer agent is specifically defined as a fiduciary activity. It nevertheless would be useful to have the agencies confirm that such services are encompassed within a bank's fiduciary business for purposes of the chiefly compensated test.

The regulation does not define what is meant by a bank's trust and fiduciary business "as a whole." Presumably, such business would encompass any trust or fiduciary activities conducted by the bank within any of the bank's various departments or divisions that are regularly examined for compliance with fiduciary standards. Some banks may conduct certain of their fiduciary activities through separate operating subsidiaries, however, and it would be useful to obtain clarification as to whether such subsidiaries are considered to be part of the bank's trust and fiduciary business as a whole.

Arguably, a wholly-owned operating subsidiary engaged in activities permissible for the bank itself could be viewed as part of the bank. A Supreme Court ruling in the *Watters* case this year might be instructive in this regard.

C. Safekeeping and Custody Exemption

The SEC in the past interpreted the Gramm-Leach-Bliley Act as not permitting order taking with respect to safekeeping and custody activities exempt under the statute. It is not clear whether that interpretation will govern under Regulation R. The SEC's past

interpretations are no longer binding or valid.[21] In the future, the SEC and Federal Reserve Board will jointly interpret the Gramm-Leach-Bliley Act exemptions. Regulation R generally does not address the statutory exemptions, but creates exemptions allowing order taking for employee benefit plan accounts and certain custody accounts on an "accommodation" basis. The creation of these exemptions suggests that order taking is not permitted under the other statutory exemptions; otherwise, the regulatory exemptions would not be needed. Clarification on this point from the SEC and Federal Reserve would be useful.

Banks should consider what definition of "accommodation" would be workable for custody accounts under the Regulation R exemption for transactions effected on an accommodation basis.

In the prior version of Regulation R—Regulation B—the SEC had proposed an exemption that would have allowed banks to take orders for qualified investors with custody accounts. Banks should consider whether that exemption proposal should be resurrected in comment letters to the SEC and Federal Reserve Board.

VI. RECORDKEEPING RULES

The Gramm-Leach-Bliley Act requires the federal banking agencies to adopt regulations providing recordkeeping requirements for banks to demonstrate their compliance with the bank exemptions from broker-dealer regulation. The banking agencies have indicated that they most likely will not adopt such regulations until after Regulation R is finalized. Banks should begin considering what recordkeeping requirements would be useful and prepare to comment on the agencies' regulations when they are published for comment. Banks might want to consider communicating with the agencies in this regard prior to the issuance of proposed rules.

VII. INTERAGENCY STATEMENT ON RETAIL SALES OF NON-DEPOSIT INVESTMENT PRODUCTS

The federal banking agencies in 1994 issued a joint Interagency Statement on Retail Sales of Non-Deposit Investment Products. The Interagency Statement provided guidance to banks engaged in retail securities brokerage activities. Bank fiduciary activities and transactions for institutional clients were exempt from the Interagency Statement.

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[21] The Regulatory Relief Act provides that the final rules adopted by the SEC and Federal Reserve Board will supersede any other proposed or final rule issued by the SEC previously, and the agencies have stated that any discussion or interpretation of the SEC's prior rules will not be effective. 71 Fed. Reg. 77,522, 77,535 (2006).

The banking agencies have indicated that they will be reviewing and possibly revising the Interagency Statement in conjunction with the finalization of Regulation R.

Federated

WORLD-CLASS INVESTMENT MANAGER®

MUTUAL FUNDS ACCOUNT ADMINISTRATION AGREEMENT

(OMNIBUS)

This Agreement is entered into between the financial institution executing this Agreement (the "**Institution**") and Federated Shareholder Services Company ("**FSSC**"), as agent for the Funds identified in Schedule 1. Unless otherwise defined, Section 16 of this Agreement sets forth the definitions for capitalized terms used in this Agreement.

1. ACCOUNT ADMINISTRATION SERVICES

(a) Institution will provide, or cause to be provided the following "Account Administration Services" for each Sub-Account (as defined below). All Account Administration Services will be effected in accordance with each Fund's Prospectus:

(i) **Sub-Accounting.** Institution will maintain sub-accounts (each a "**Sub-Account** and collectively "**Sub-Accounts**") for its customers with respect to Shares held by Institution in a trustee or fiduciary capacity through one or more omnibus or master accounts in each Fund (individually an "**Account**" and collectively, the "**Accounts**"). Institution will reconcile the balances and transactions in the Accounts with the Sub-Accounts on each Business Day.

(ii) **Aggregating and processing purchase and redemption orders**. Institution will execute for its customers any purchase, redemption or exchange in the Shares at their net asset value and process the net amount of such transactions through the Accounts on each Business Day.

(iii) **Providing customer confirmations and Sub-Account statements.** As required by law, Institution will prepare and deliver trade confirmations and statements showing Share activity in each customer's Sub-Account.

(iv) **Processing dividend payments.** Upon payment by the Funds of any dividend to Shareholders, Institution will process and pay to its customers their respective share of such dividends.

(v) **Forwarding shareholder communications.** In accordance with applicable law, Institution will forward to its customers that are Shareholders all Disclosure Documents that the Funds are required to deliver to their Shareholders. With respect to any Shares, "**Disclosure Documents**" shall mean the: Prospectus (including the SAI if expressly requested), the Fund's annual or semi-annual reports, proxy statements and proxies for Shareholder meetings and tax notices. In addition, Institution will send to any customer that is a Shareholder a copy of any requested Disclosure Document within three Business Days of such request.

(vi) **Proxies.** Institution will receive, tabulate, and transmit to the Funds all proxies executed by its customers and will vote and transmit proxies for any Shares over which Institution has discretionary voting authority.

(vii) **Tax Reporting.** Institution shall provide to any customer that is a Shareholder, and shall file with the Internal Revenue Service, and any state or local tax authority, all forms, reports, certificates or other documents required by law with respect to any distributions or transactions involving Shares held in any Sub-Account. Institution shall obtain the taxpayer identification number certification from its customers required under the Internal Revenue Code and shall withhold and pay to the Internal Revenue Service or other appropriate authority any backup withholding required from any of its customers.

(b) FSSC will establish Account(s) in Institution's name, or such other name as Institution shall specify, in each Fund and class of Shares for which Institution maintains any Sub-Accounts.

(c) FSSC will provide Institution with the following for each Account:

(i) the net asset value per Share on each day for which a net asset value is calculated in accordance with each Fund's prospectus;

(ii) confirmations of all transactions in each Account on each day on which any Fund is open for trading;

(iii) the amount and ex-date of any dividends declared on Shares held in the Account and, in the case of income Funds, the daily accrual factor (mil rate) for the Shares;

(iv) copies of the then-current Disclosure Documents requested by Institution to satisfy its obligations under **Section 1(a)(v)**; and

(v) account level tax information reasonably necessary to permit Institution to prepare any tax reports required by **Section 1(a)(vii)**.

(d) **Redemption Fees.** Institution agrees to collect, or cause to be collected, all applicable redemption fees as described in the Prospectus on all Sub-Accounts and promptly remit such fees to FSSC. FSSC shall collect, or cause to be collected, all applicable redemption fees on accounts opened with the Fund on a fully-disclosed basis and which are not subject to the provisions of this Agreement.

(e) With respect to Account Administration Services provided under this Agreement, the parties agree to be bound by the Operational Guidelines.

2. ACCOUNT ADMINISTRATION FEE

(a) During the term of this Agreement, Institution will be entitled to receive Account Administration Fees paid by FSSC on behalf of each Fund as set forth in Schedule 1 to this Agreement. FSSC shall pay any amounts owed to Institution in accordance with its regular payment schedules and in no event less frequently than quarterly. For the payment period in which this Agreement becomes effective or terminates, there will be an appropriate proration of payments, on the basis of the number of days that this Agreement is in effect during the quarter.

(b) In connection with such payments, FSSC and the Funds may provide a statement setting forth the calculation of amounts paid to Institution. Absent manifest error, any such calculations will be final unless either party objects thereto within sixty (60) days of the date of the statement.

(c) No Account Administration Fee will be payable with respect to any additional Fund and/or Class unless and until the provision of Account Administration Services and the payment of Account Administration Fees in respect of such Fund and/or Class is specifically referenced by adding such Fund and/or Class to Schedule 1.

3. NATURE OF ACCOUNT ADMINISTRATION SERVICES

(a) The parties agree that the payment of the Account Administration Fee is for Account Administration Services only and not for any other services.

(b) Institution will not be performing any of the transfer agency functions set forth in Section 3(a)(25) of the 1934 Act. As such, Institution's Sub-Accounts do not constitute the Fund's records and any errors in the Sub-Account are Institution's responsibility. With respect to transactions in the Accounts and Shares held in Sub-Accounts, FSSC, the transfer agent and the Funds will act only on instructions given by Institution and not on instructions of any customers purporting to have beneficial ownership of any Shares held in the Account.

(c) Institution will perform all of its obligations and duties under this Agreement at its own expense.

4. REPRESENTATIONS

(a) Each party represents and warrants to the other party that:

(i) **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to be delivered and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any contractual restriction binding on or affecting it.

(iv) **Obligations Binding.** Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application regardless of whether enforcement is sought in a proceeding in equity or law).

(v) **Compliance with Laws.** It will comply with all applicable laws and orders to which it may be subject if failure to do so would materially impair its ability to perform its obligations under this Agreement.

(vi) **Party Names.** Neither party will use the name of the other party in any manner without the other party's written consent, except as required by any applicable federal or state law, rule or regulation, and except pursuant to any mutually agreed upon promotional programs.

(b) Institution represents and warrants to FSSC that:

(i) **Customer Account**. Institution holds all Shares in any Account in a trustee or fiduciary capacity on behalf of its customers and not on its own behalf.

(ii) **Disclosure.** Institution will not make any representations concerning any Shares other than those contained in the Disclosure Documents of the applicable Fund.

(iii) **Authorized Instructions.** Any purchase orders and redemption and exchange requests communicated to FSSC with respect to Shares held by the Sub-Accounts ("**Instructions**") are valid and duly authorized by the Institution's customers.

(iv) **Disruptive Activities.** (A) Institution shall not directly or indirectly offer, adopt, implement, conduct or participate in any program, plan, arrangement, advice or strategy that FSSC or the Funds reasonably deem to be harmful to Shareholders or potentially disruptive to the management of the Funds, as communicated to Institution by FSSC in writing from time to time, or which violates the policies and procedures of the Funds as disclosed in each Fund's Prospectus; including without limitation, any activity involving market timing, programmed transfer, frequent transfer and similar investment programs. Institution at all times during the term of this Agreement shall have active, formal policies and procedures aimed at deterring "market timers." Such policies and procedures shall provide for Institution's ongoing review of its customers' account activity and prescribe effective actions to deter or detect and stop disruptive activities. In addition, Institution shall not knowingly permit any customer to invest in any of the Funds if that customer has been identified to Institution as a "market timer" by another fund company. (B) With respect to Shares held by Institution on an omnibus basis with the Funds, Institution shall upon FSSC's request, promptly provide the Taxpayer Identification Number of each shareholder that purchased, redeemed, transferred or exchanged shares of a Fund and the amount and dates of such shareholder purchases, redemptions, transfers and exchanges; and (C) Institution shall follow FSSC's instructions to restrict or prohibit further purchases or exchanges of Shares by a shareholder that has been identified by FSSC as having engaged in transactions of Shares (whether directly or through the customer's Sub-Account) that violate the policies and procedures of the Funds as disclosed in each Fund's Prospectus or that are deemed disruptive to the Funds as determined by FSSC in its sole discretion.

(v) **Internal Controls**. Institution has, and will maintain at all times during the term of this Agreement, appropriate internal controls for the segregation of purchase and redemption orders received prior to the daily cut-off times disclosed in each Fund's Prospectus, from purchase and redemption orders received after the daily cut-off times disclosed in each Fund's prospectus.

(vi) If, due to the nature of its activities, Institution is not subject to oversight by a federal banking regulator, Institution further represents and warrants to FSSC that Institution will comply with the Interagency Statement on Retail Sales of Nondeposit Investment Products, dated February 15, 1994 (CCH Fed Banking L Rptr Para. 70-101), as if it were an institution subject to oversight by one of the federal banking regulators issuing that Statement.

(vii) Institution acknowledges that the Funds are only registered for sale in the United States of America and that no action has been taken by or on behalf of FSSC or the Funds in any other jurisdiction to permit a public offering or sale of Shares, or the possession or distribution of any Prospectus in any jurisdiction where action for such purposes is required. Institution agrees not to make the Funds available for sale to persons in any jurisdiction in which such offer is unlawful. Should Institution undertake to offer and/or sell Shares of the Funds in any jurisdiction other than the United States of America, Institution shall inform itself of, and shall comply with, at its own expense, any and all applicable law and regulation relating thereto, and none of FSSC, the Funds, or their respective authorized agents shall have any responsibility or liability in connection therewith. As used herein, "United States of America" shall be deemed to include any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, and any other possession of the United States.

(c) FSSC represents to Institution that any amounts paid under this Agreement will be paid or reimbursed by the Funds, or funded by FSSC from its own resources or an affiliate's resources, and will not be derived, directly or indirectly from any Fund distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act.

(d) **Anti-Money Laundering and Customer Identification.** The parties acknowledge that the SEC and the United States Treasury Department have adopted a series of rules and regulations arising out of the USA PATRIOT Act (together with such rules and regulations, the "AML-CIP Regulations"), specifically requiring certain financial institutions to establish a written anti-money laundering and customer identification program (an "AML-CIP Program").

(i) Institution represents, warrants and certifies that it has established, and covenants that at all times during the existence of this Agreement it will maintain, an AML-CIP Program in compliance with the AML-CIP Regulations.

(ii) Institution covenants that it will perform all activities, including the establishment and verification of customer identities as required by the AML-CIP Regulations and/or its Program, with respect to all customers on whose behalf Institution maintains a direct account with the Funds.

(iii) FSSC and Institution agree that (A) accounts in the Funds held in the name of, or beneficially owned by, Institution's customers shall be accounts of the Institution

for all purposes under Institution's Program and that (B) Institution's customers will be customers of Institution for all purposes under Institution's AML-CIP Program.

5. Security of Recordkeeping System

Institution agrees to provide such security as is necessary to prevent any unauthorized use of the Funds' recordkeeping system, accessed via any computer hardware or software provided to Institution by FSSC. Institution represents and warrants that it has examined and tested the internal systems that it has developed to support the services outlined in this Agreement and, as of the date of this Agreement, has no knowledge of any situation or circumstance that will inhibit the system's ability to perform the expected functions or inhibit Institution's ability to provide the expected services.

6. Maintenance of Records

(a) Institution will maintain and preserve all records as required by law to be maintained and preserved in connection with providing Account Administration Services. Upon the request of FSSC, Institution will provide copies of all records relating to the Funds as may reasonably be requested to enable the Funds or their representatives to (i) respond to the directors/trustees requests for information; (ii) monitor and review the services provided under this agreement; or (iii) comply with any request of a governmental body or self-regulatory organization. Institution will provide FSSC with access to the books and records in its possession relating to the Sub-Accounts upon reasonable notice during normal business hours.

(b) If, based on a review of these records or other information, FSSC in its reasonable judgment has any concerns regarding the adequacy of Institution's controls or financial viability, FSSC may request and Institution will provide, copies of (i) a report completed by independent public accountants in conformance with Statement on Auditing Standards #70, if applicable; (ii) the Annual Study and Evaluation of Internal Accounting Control required under Section 17Ad-13 of the Exchange Act, if applicable; (iii) Institution's audited financial statements; and (iv) certificates of insurance for any policies applicable to Account Administration Services, including without limitation errors and omissions or fidelity bonds.

7. Indemnification

(a) In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of FSSC and the Funds and their respective officers, directors, or employees (each a "**Fund Indemnified Party**"), Institution agrees to indemnify each Fund Indemnified Party against any and all claims, demands, liabilities (including the amount of any resulting dilution in a Fund's net asset value) and reasonable expenses (including attorneys' fees) which any Fund Indemnified Party may incur arising from, related to, or otherwise connected with: (i) any breach by Institution of any provision of this Agreement; or (ii) any action by Institution's Sub-Account customers relating to the actual or alleged performance or non-performance of the Account Administration Services herein. In no event shall Institution be liable to FSSC for special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with any event described in (i) or (ii) above.

(b) In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of Institution and its officers, directors, or employees (each an "**Institution Indemnified Party**"), FSSC agrees to indemnify each Institution Indemnified Party against any and all claims, demands, liabilities and reasonable expenses (including attorneys' fees) which any Institution Indemnified Party may incur arising from, related to, or otherwise connected with, any breach by FSSC of any provision of this Agreement. In no event shall FSSC be liable to Institution for special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with any such breach.

(c) The parties agreement in this Section to indemnify each other is conditioned upon the party entitled to indemnification ("**Claimant**") giving notice to the party required to provide indemnification ("**Indemnifier**") promptly after the summons or other first legal process for any claim as to which indemnity may be sought is served on the Claimant. The Claimant will permit the Indemnifier to assume the defense of any such claim or any litigation resulting from it, provided that Indemnifier's counsel that is conducting the defense of such claim or litigation will be approved by the Claimant (which approval will not unreasonably be withheld), and that the Claimant may participate in such defense at its expense. The failure of the Claimant to give notice as provided in this subparagraph (c) will not relieve the Indemnifier from any liability other than its indemnity obligation under this Paragraph. No Indemnifier, in the defense of any such claim or litigation, will, without the consent of the Claimant, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term the giving by the alleging party or plaintiff to the Claimant of a release from all liability in respect to such claim or litigation.

(d) The provisions of this Section 7 will survive the termination of this Agreement.

8. Privacy Policy

(a) Each party acknowledges that, in connection with the Account Administration Services to be provided hereunder, each may come into possession of non-public personal information regarding customers of the other ("**Customer NPI**").

(b) Each party hereby covenants that any Customer NPI which a party receives from the other will be subject to the following limitations and restrictions:

(i) Each party may redisclose Customer NPI to its own affiliates, who will be limited by the same disclosure and

use restrictions that are imposed on the parties under this Agreement; and

(ii) Each party may redisclose and use Customer NPI only as necessary in the ordinary course of business to provide the services identified in the Agreement except as permitted under Regulation S-P and as required by any applicable federal or state law.

(c) Each party represents and warrants that it has implemented, and will continue to carry out for the term of the Agreement, policies and procedures reasonably designed to:

(i) Insure the security and confidentiality of records and Customer NPI,

(ii) Protect against any anticipated threats or hazards to the security or integrity of customer records and Customer NPI, and

(iii) Protect against unauthorized access or use of such customer records or Customer NPI that could result in substantial harm or inconvenience to any customer.

(d) The provisions of this Section shall survive the termination of the Agreement.

9. NOTICES

(a) Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given pursuant to this Agreement will be given in writing and delivered by personal delivery or by postage prepaid, registered or certified United States first class mail, return receipt requested, overnight courier services, or by fax or e-mail (with a confirming copy by mail).

(b) Unless otherwise notified in writing, all notices to FSSC will be given or sent to:

Federated Shareholder Services Company
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, Pennsylvania 15222-3779
Attention: President.

With a copy to the attention of General Counsel at the address above.

(c) Unless otherwise notified in writing, all notices to Institution will be given or sent to it at its address, fax number or e-mail address shown below.

10. ASSIGNMENTS AND NO THIRD-PARTY RIGHTS

(a) This Agreement may not be assigned or subcontracted by either party, without prior written consent of the other party, except that (i) either party may assign or subcontract this Agreement to an affiliate having the same ultimate ownership as the assigning or subcontracting party and (ii) FSSC may, on behalf of the Funds, instruct the Funds' transfer agent to discharge some or all of FSSC's obligations hereunder, in either case without such consent. Subject to the preceding, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of permitted assigns and subcontractors of the parties. In no event shall FSSC or the Funds be obligated to make any payment under this Agreement to any person other than Institution.

(b) Excepting Section 7 "Indemnification", nothing expressed or referred to in this Agreement will be construed to give anyone other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their permitted assigns and subcontractors.

11. NON-EXCLUSIVITY

FSSC acknowledges and agrees that Institution may enter into agreements similar to this Agreement with other mutual fund families. Institution acknowledges and agrees that FSSC and the Funds may enter into agreements similar to this Agreement with other financial institutions, securities brokers and dealers, recordkeepers and other organizations providing Account Administration Services to their customers.

12. FORCE MAJEURE

If either Party is unable to carry out any of its obligations under this Agreement because of conditions beyond its reasonable control, including, but not limited to, acts of war or terrorism, work stoppages, fire, civil disobedience, delays associated with hardware malfunction or availability, riots, rebellions, storms, electrical failures, acts of God, and similar occurrences ("**Force Majeure**"), this Agreement will remain in effect and the non-performing party's obligations shall be suspended without liability for a period (which such period shall not exceed fifteen (15) business days) provided that:

(i) the non-performing party gives the other party prompt notice describing the Force Majeure, including the nature of the occurrence and its expected duration and, where reasonably practicable, continues to furnish regular reports with respect thereto during the period of Force Majeure;

(ii) the suspension of obligations is of no greater scope and of no longer duration than is required by the Force Majeure;

(iii) no obligations of either party that accrued before the Force Majeure are excused as a result of the Force Majeure; and

(iv) the non-performing Party uses all reasonable efforts to remedy its inability to perform as quickly as possible.

13. AMENDMENT

(a) This Agreement may be amended only by a writing signed by both parties, provided that, FSSC may amend Schedule 1 from time to time by posting an amended schedule to FSSC's website . Any such amendment shall be effective as of the date indicated in the amended Schedule 1.

(b) Any additional compensation paid to Institution must be set forth in a written addendum expressly referring to this Agreement and signed by FSSC's affiliate Federated Securities Corp.

14. TERMINATION

(a) This Agreement may be terminated as follows:

(i) upon a material breach by either party immediately after notice thereof; and

(ii) by either party without cause by giving the other party at least thirty (30) days' written notice of its intention to terminate.

(b) The termination of this Agreement with respect to any one Fund will not cause the Agreement's termination with respect to any other Fund.

(c) Institution will be obligated to return any payments made to it by FSSC earned following an event which causes the immediate termination of the Agreement.

15. MISCELLANEOUS

(a) This Agreement will become effective as of the date executed by FSSC.

(b) This Agreement supersedes any prior agreements between the parties with respect to its subject matter and constitutes (along with its Schedules, Amendments and Exhibits) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter.

(c) This Agreement may be executed by different parties on separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

(d) If any provision of this Agreement is held invalid or unenforceable, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(e) This Agreement will be governed by the laws of the Commonwealth of Pennsylvania, without regard to conflicts of laws principles thereof.

16. DEFINITIONS OF TERMS

(a) "**1934 Act**" means the Securities Exchange Act of 1934, and "**1940 Act**" means the Investment Company Act of 1940, in each case as amended and in effect at the relevant time.

(b) "**Business Day**" means any day on which Institution and the Fund issuing such Shares are open for business.

(c) "**Fund**" means an investment company registered under the 1940 Act and, in the case of a "series company" as defined in Rule 18f-2(a) under the 1940 Act, each individual portfolio of the series company, in each case for which Federated Administrative Services, an affiliate of FSSC, performs administrative services pursuant to an Administrative Services Agreement with the Funds. "**Funds**" means the Funds collectively.

(d) "**Operational Guidelines**" means those procedures established between FSSC and Institution as appended hereto as Exhibit A.

(e) "**Prospectus**" means, with respect to any Shares the most recent Prospectus and Statement of Additional Information ("SAI") and any supplement thereto, pursuant to which a Fund publicly offers the Shares; provided, however, that this definition shall not be construed to require FSSC, Institution or any Fund to deliver any SAI other than at the express request of Institution's customer.

(f) "**SEC**" means the Securities and Exchange Commission.

(g) "**Shares**" means (1) shares of beneficial interest in a Fund organized as a business trust; and (2) shares of capital stock in a Fund organized as a corporation. With respect to a Fund that has established separated classes of Shares in accordance with Rule 18f-3 under the 1940 Act, Shares refers to the relevant class. "**Shareholder**" means the beneficial owner of any Share.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth below by a duly authorized officer of each party.

FEDERATED SHAREHOLDER SERVICES COMPANY

By:______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

INSTITUTION

____

(please print or type)

By:______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

Address___________________________

____

City State Zip Code

Schedule 1

EXHIBIT A

OPERATIONAL GUIDELINES

(a) Institution will, on behalf of FSSC, receive instructions from the Sub-Accounts for acceptance prior to the applicable cut-off time for a Fund as set forth in such Fund's then current Prospectus ("**Close of Trading**") on each Business Day. Institution will, upon its acceptance of any such instructions, communicate such acceptance to the Sub-Accounts.

(b) Institution or its designee will communicate to FSSC, by means of electronic transmission or other mutually acceptable means, a report of the trading activity of each Account in any of the Funds for the most recent Business Day in accordance with each Fund's prospectus. However, if Institution will be communicating such information after the Close of Trading, then the Institution will be considered the Fund's agent for purposes of Rule 22c-1 of the 1940 Act. To the extent that each of the parties is a member of, and/or has access to, the National Securities Clearing Corporation's ("**NSCC**") systems and services, including Fund/SERV and Networking, the parties agree to utilize such services for all transactions contemplated hereunder and agree that all such dealings and transactions shall be processed in accordance with, and governed by, the NSCC's Rules and Procedures (as the same may be amended from time to time) and the Networking Agreement executed by each such party. In the event of the unavailability of the NSCC at any time, the following procedures will apply:

(i) FSSC shall use its best efforts to provide information listed in Section 1(c) of the Agreement to Institution by means of electronic transmission or other mutually acceptable means by 7:00 p.m. Eastern Time on each Business Day.

(ii) Institution or its designee will communicate to FSSC, by means of electronic transmission or other mutually acceptable means, a report of the trading activity of each Account in any of the Funds for the most recent Business Day ("**Trade Date**") by 9:00 a.m. Eastern Time on the Business Day following the Trade Date ("**Settlement Date**"). The number of shares to be purchased or redeemed for a Sub-Account will be determined based upon the net asset value at the Close of Trading on the Trade Date, provided that, if FSSC receives the trading information called for by this sub-paragraph after 9:00 a.m. Eastern Time on a Settlement Date, FSSC will use its best efforts to enter an Account's purchase or redemption order at the net asset value at the Close of Trading on the Trade Date, but if FSSC is unable to do so, the transaction will be entered at the net asset value next determined after FSSC receives the trading information.

(iii) In the event there is a net purchase for an Account in any Fund, Institution or its designee will exercise its best efforts to direct wire payment in the dollar amount of the net purchase to be received by FSSC by the close of the Federal Reserve Wire Transfer System on the Settlement Date. If the wire is not received by FSSC by such time, and such delay was not caused by the negligence or willful misconduct of FSSC, FSSC shall be entitled to receive from Institution the dollar amount of any overdraft plus any associated bank charges incurred.

(iv) In the event there is a net redemption by an Account in any Fund, FSSC will wire the redemption proceeds to the Account's custodial account, or to the designated depository for an Account, specified by Institution or its designee. If FSSC receives the redemption information by 9:00 a.m. Eastern Time on the Settlement Date, the redemption proceeds will be wired so as to be received on the Settlement Date. If FSSC receives the redemption information after that time, FSSC will use its best efforts to wire the redemption proceeds so that they are received by the Close of Trading on the Settlement Date, but if FSSC is unable to do so, the redemption proceeds will be wired so as to be received by the Close of Trading on the Business Day following the Settlement Date. If the wire is not received by the time specified in this sub-paragraph, and such delay was not caused by the negligence or willful misconduct of Institution or its designee, Institution or Institution's designee shall be entitled to receive from FSSC the dollar amount of any overdraft plus any associated bank charges incurred; provided, however, that if the delay was due to factors beyond the control of FSSC and its subsidiaries, FSSC will not be liable for any overdraft or any associated bank charges incurred.

(v) If the dollar amount of the redemption proceeds wired by FSSC exceeds the amount that should have been transmitted, Institution will use its best efforts to have such excess amount returned to FSSC as soon as possible.

(c) All wire payments referenced in this Agreement shall be transmitted via the Federal Reserve Wire Transfer System. Notwithstanding any other provision of this Agreement, in the event that the Federal Reserve Wire Transfer System is closed on any Business Day, the duties of FSSC, Institution, and their designees under this Agreement shall be suspended, and shall resume on the next Business Day that the Federal Reserve Wire Transfer System is open as if such period of suspension had not occurred.

(d) In the event a Fund is required (under the then prevailing pricing error guidelines of the Fund) to recalculate purchases and redemptions on any business day of Shares held in an Account due to an error in calculating the net asset value of such class of Shares (a "**NAV Error**") or (2) there is a dividend rate error with respect to any Fund held in an Account (a "**Rate Error**"; Rate Error and NAV Error individually and collectively shall be referred to as a "**Pricing Error**"):

(i) FSSC shall promptly notify Institution in writing of the Pricing Error, which written notice shall identify the class of Shares, the business day(s) on which the Pricing

Error(s) occurred and the corrected net asset value of the Shares on each Business Day.

(ii) Upon such notification, Institution shall promptly determine, for all Sub-Accounts which purchased or redeemed Shares on each business day on which a Pricing Error occurred, the correct number of Shares purchased or redeemed using the corrected price and the amount of transaction proceeds actually paid or received. Following such determination, the Institution shall adjust the number of Shares held in each Sub-Account to the extent necessary to reflect the correct number of Shares purchased or redeemed for the Sub-Account. Following such determination, Institution shall notify FSSC of the net changes in transactions for the relevant Account and FSSC shall adjust the Account accordingly.

(iii) If, after taking into account the adjustments required by subparagraph (d)(ii), Institution determines that some Sub-Account customers were still entitled to additional redemption proceeds (a "**Redemption Shortfall**"), it shall notify FSSC of the aggregate amount of the Redemption Shortfalls and provide supporting documentation for such amount. Upon receipt of such documentation, FSSC will cause the relevant Fund to remit to Institution additional redemption proceeds in the amount of such Redemption Shortfalls and Institution will apply such funds to payment of the Redemption Shortfalls.

(iv) If, after taking into account the adjustments required by subparagraph (d)(ii), Institution determines that a Sub-Account customer still received excess redemption proceeds (a "**Redemption Overage**"), Institution shall use its best efforts to collect the balance of such Redemption Overage from such Sub-Account customer. In no event, however, shall Institution be liable to FSSC or any Fund for any Redemption Overage. Nothing in this subparagraph (d) shall be deemed to limit the right of any Fund to recover any Redemption Overage directly or to be indemnified by any party for losses arising from a Pricing Error.

WORLD-CLASS INVESTMENT MANAGER®

NON-OMNIBUS AMENDMENT TO MUTUAL FUNDS ACCOUNT ADMINISTRATION AGREEMENT

The following is an Amendment to the Mutual Funds Account Administration Agreement between ________________ ("Institution") and Federated Shareholder Services Company ("FSSC") dated ______________________________ (the "Agreement") with respect to certain of Institution's customer accounts that are subject to the Agreement which the parties have agreed will be held on the Funds' records on a fully-disclosed basis. This Amendment has no bearing on Institution's customer accounts that are subject to the Agreement and are held by Institution on an omnibus basis on the Funds' records. Institution and FSSC hereby agree:

1. Section 1(a)(i) is deleted in its entirety and the remaining sub-sections are renumbered accordingly.

2. Section 1(b) is deleted in its entirety and replaced with the following:

"(b) FSSC will cause the Funds' transfer agent to maintain sub-accounts for Shares that are held by Institution on behalf of its customers ("Sub-Accounts") and will make such Sub-Account records available electronically for Institution's use in performing Institution's obligations under this Agreement. FSSC will instruct the Funds' transfer agent to suppress sending account statements, confirmations, shareholder communications and dividend payments to Institution's Sub-Accounts, as those remain obligations of Institution."

3. Section 1(c) is deleted in its entirety and replaced with the following:

"(c) FSSC will make available to Institution the following information for each Sub-Account:

(i) the net asset value per Share on each day for which a net asset value is calculated in accordance with each Fund's prospectus;

(ii) the amount and ex-date of any dividends declared on Shares held in the Sub-Accounts and, in the case of income Funds, the daily accrual factor (mil rate) for the Shares; and

(iii) copies of the then-current Disclosure Documents requested by Institution to satisfy its obligations under Section 1(a)(iv)."

4. Section 3(b) is deleted in its entirety.

5. Section (d) of the "Operational Guidelines" is deleted in its entirety.

6. All references to "Account" in the Agreement are changed to "Sub-Account".

7. With respect to Institution's Fund accounts subject to this Amendment, FSSC will provide Institution with a unique tracking number ("Dealer Number"). Institution will reference this Dealer Number when submitting transaction requests to the Funds. Institution is responsible for ensuring compliance to this requirement by its third party service providers.

8. This Amendment may be amended only by a writing signed by both parties.. All other terms and conditions of the Agreement not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF, the Amendment has been executed as of the date set forth below by a duly authorized officer of each party.

FEDERATED SHAREHOLDER SERVICES COMPANY

By:______________________________

Name:______________________________

Title:______________________________

Date:______________________________

INSTITUTION

By:______________________________

Name:______________________________

Title:______________________________

Date:______________________________

Federated

WORLD-CLASS INVESTMENT MANAGER®

MONEY MARKET FUND ADDENDUM TO MUTUAL FUNDS ACCOUNT ADMINISTRATION AGREEMENT

The following is an Addendum to the Mutual Funds Account Administration Agreement between ________________ ("Institution") and Federated Shareholder Services Company ("FSSC") dated ____________________________ ("Agreement"). In addition to the terms of the Agreement, which terms (including all defined terms) are hereby incorporated in this Addendum, Institution and FSSC's affiliate Federated Securities Corp. ("FSC"), on its own behalf and as agent for the money market funds listed in Schedule 1-A to this Addendum (the "Money Funds"), pursuant to a Distributor's Contract between FSC and each Money Fund, hereby agree:

(a) In addition to the Account Administration Services provided by Institution under the Agreement, Institution will in accordance with the 1934 Act and with each Money Fund prospectus (i) invest cash balances held by its customers in deposit accounts as part of a sweep program ("Sweep Balances") in one or more of the no-load classes of Shares of the Money Funds; and/or (ii) otherwise invest in the Money Funds for its customers' cash management needs; and (iii) perform administrative services in connection with such investments which may include, but are not limited to: account openings; account closings; assistance with purchase and redemption transactions; advertisement of Institution's services; and customer education services.

(b) If FSC and a Fund accept a purchase order and Institution settles the order by making payment for the Shares, Institution will be entitled to receive Rule 12b-1 fees paid by the Funds and supplemental payments paid by FSC, equal to the percentage of average net assets set forth in Schedule 1-A to this Addendum.

(c) Nothing in this Addendum shall obligate any Money Fund to pay compensation to Institution in excess of the limits established by the NASD or in violation of a Fund's distribution plan established in accordance with Rule 12b-1 under the 1940 Act. FSC shall provide quarterly reports to each Fund's Board detailing the amounts expended pursuant to the Rule 12b-1 Plans and the purposes for which such expenditures were made. Institution agrees to provide FSC with such other information as shall reasonably be requested by the Board with respect to the Rule 12b-1 Fees paid to Institution. Institution hereby waives its right to receive Rule 12b-1 Fees to the extent not paid by the Fund.

(d) This Addendum will become effective in this form as of the date executed by FSC. This Addendum shall continue in effect for a period of more than one year from its effective date so long as such continuance of the form of this Addendum is specifically approved by the Funds' Board at least annually in a manner prescribed in Rule 12b-1 of the 1940 Act. If the Addendum is not so approved, FSC shall terminate the Agreement in accordance with (f)(i) below.

(e) This Addendum may be amended only by a writing signed by both parties, provided that, FSC may amend Schedule 1-A from time to time by posting the amended Schedule on FSC's website. Any such amendment shall be effective as of the date indicated on the amended Schedule.

(f) This Addendum may be terminated as follows:

(i) at any time, without the payment of any penalty, by Institution or by FSC (on its own behalf or on behalf of any Fund) upon written notice to the other party;

(ii) immediately upon (A) the assignment (as defined in the 1940 Act) of the Agreement or this Addendum by either party; or (B) termination of the Agreement

The termination of this Addendum with respect to any one Fund will not cause the Addendum's termination with respect to any other Fund. Termination of this Addendum shall not affect, in any respect, the term of the Agreement.

IN WITNESS WHEREOF, the Addendum has been executed as of the date set forth below by a duly authorized officer of each party.

FEDERATED SECURITIES CORP.

By:______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

INSTITUTION

By:______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

WORLD-CLASS INVESTMENT MANAGER®

RETIREMENT PLAN ACCOUNT AGREEMENT

This Agreement is entered into between the institution executing this Agreement ("Institution") and Federated Securities Corp. ("FSC"), as distributor for the Funds subject to this Agreement, pursuant to Distributor's Contracts between FSC and each Fund. Unless otherwise defined, Section 19 of this Agreement sets forth the definitions for capitalized terms used in this Agreement.

1. OFFERS OF FUND SHARES

(a) Institution provides trustee, recordkeeping or similar administrative services to retirement plans and wishes to offer shares of the funds to its retirement plan customers at net asset value.

(b) FSC, as agent for the Funds, hereby authorizes Institution to offer Shares of the Funds to Institution's retirement plan customers at net asset value, upon the following terms and conditions:

(i) Institution agrees to comply with reasonable instructions provided by FSC or a Fund from time to time ("Instructions") with respect to establishing accounts and processing purchase orders.

(ii) FSC and each Fund reserves the right to reject, in its sole discretion, any purchase order for a Fund's Shares. Unless otherwise instructed by Institution, FSC agrees to confirm to Institution in writing (or by electronic or other reasonable means) a Fund's acceptance of any purchase order.

(iii) Share purchase orders shall be executed at the public offering price per share next calculated after the order is received subject to conditions disclosed in the applicable Prospectus.

(iv) Institution shall settle purchase order transactions in accordance with the applicable Prospectus.

(v) If a purchase order is not settled in accordance with this Section, FSC may without notice, cancel the sale and Institution shall be responsible for any resulting loss FSC or the Funds sustains.

(vi) Institution will deliver or cause to be delivered to each customer, at or prior to the time of any purchase of Shares, a copy of the Prospectus of such Shares.

2. RULE 12B-1 FEES

If FSC and a Fund accept a purchase order and Institution settles the order by making payment for the Shares, with respect to those Funds listed on Schedule 1 to this Agreement as providing for Rule 12b-1 fees, Institution will be entitled to receive Rule 12b-1 fees at the rates set forth in the Prospectus and Schedule 1 to this Agreement.

3. EXCHANGE AND REDEMPTION ORDERS

(a) Unless otherwise agreed by the parties, Institution agrees to comply with Instructions with respect to processing exchange and redemption orders.

(b) Exchange and redemption orders shall be executed at the net asset value next calculated after the order is received, subject to any redemption fee or other conditions disclosed in the applicable Prospectus.

(c) Institution agrees to collect, or cause to be collected, all applicable redemption fees as described in the Prospectus on all accounts opened with the Fund on an omnibus basis, and promptly remit such fees to FSC. FSC shall collect all applicable redemption fees on accounts opened with the Fund on a fully-disclosed basis, unless otherwise notified in writing by Institution that Institution will assume such obligation.

(d) FSC and each Fund reserves the right to reject any exchange order for Shares if permitted by the Prospectus. FSC agrees to confirm to Institution in writing (or by electronic or other reasonable means) the Fund's acceptance of any exchange order.

(e) At the reasonable request by FSC, Institution agrees to take such actions as may be appropriate to give effect to (i) any conversion of Shares as required by the Prospectus; (ii) any election by a Fund to redeem Shares as permitted by the Prospectus; or (iii) to collect and remit to the Fund any redemption fee incorrectly paid to Institution or its customer.

4. OTHER DUTIES

(a) **Compliance with Laws.** In performing their respective obligations under this Agreement, Institution and FSC shall each comply with all applicable provisions of the 1940 Act, the 1933 Act, the 1934 Act, the NASD's Conduct Rules, ERISA and all other federal and state laws, rules and regulations governing the sale and ownership of Shares.

(b) **Delivery of Disclosure Documents.** Upon request by a customer or Shareholder, Institution will send a copy of the current Prospectus for any Shares (including the SAI if expressly requested) and periodic reports for any Fund ("**Disclosure Documents**") to the customer or Shareholder within three business days of such request.

(c) **Taxpayer Identification Numbers.** Institution agrees to provide all necessary information to comply properly with all federal, state and local reporting and backup withholding requirements for its customer account including, without limitation, those requirements that apply by treating Shares as readily tradable instruments. Institution represents and agrees that all Taxpayer Identification Numbers ("TINS") provided are certified, and that no account which requires a certified TIN will be established without such certified TIN.

(d) **Suspension of Offering Efforts.** Upon notice of any Fund's election to suspend sales of its Shares, Institution agrees to suspend all offers regarding such Shares until otherwise notified by FSC.

(e) **Personal Services and Account Maintenance.** Institution agrees to respond to the reasonable inquiries and requests of any customer that is a Shareholder relating to their investment in a Fund, and to take such actions as such customer may reasonably request to maintain the customer's account with a Fund.

(f) **Statements and Confirmations.** Institution shall provide or cause to be provided all legally required account statements and confirmations to underlying beneficial owners on all accounts opened with the Fund on an omnibus basis. Except as otherwise provided in this subsection, FSC shall provide all legally required account statements and confirmations on all accounts opened with the Fund on a fully-disclosed basis. FSC agrees to comply with written instructions (including e-mails) provided by Institution to suppress account statements and confirmations on fully-disclosed accounts, provided any such instruction shall be deemed an undertaking by Institution to provide any legally required account statements and confirmations on the account.

(g) **Anti-Money Laundering and Customer Identification.** The parties acknowledge that the SEC and the United States Treasury Department have adopted a series of rules and regulations arising out of the USA PATRIOT Act (together with such rules and regulations, the "AML-CIP Regulations"), specifically requiring certain financial institutions, including FSC and Institution, to establish a written anti-money laundering and customer identification program (an "AML-CIP Program");

(i) FSC and Institution each represent, warrant and certify that they have established, and covenant that at all times during the existence of this Agreement they will maintain, an AML-CIP Program in compliance with the AML-CIP Regulations.

(ii) Institution covenants that it will perform all activities, including the establishment and verification of customer identities as required by the AML-CIP Regulations and/or its Program, with respect to all customers on whose behalf Institution maintains a direct account with the Funds.

(iii) FSC and Institution agree that (A) accounts in the Funds held in the name of, or beneficially owned by, Institution's customers shall be accounts of the Institution for all purposes under Institution's Program and that (B) Institution's customers will be customers of Institution for all purposes under Institution's AML-CIP Program.

5. SERVICE FEES

With respect to those Shares listed in Schedule 1 as providing for the payment of service fees in consideration of the services provided under Section 4(e), FSC, as agent for the Fund issuing such Shares, will pay a service fee to Institution equal to the percentage of average net assets set forth in the Prospectus and in Schedule 1 to this Agreement.

6. PAYMENT OF RULE 12B-1 FEES AND SERVICE FEES

(a) FSC and the Funds shall pay any amounts owed under this Agreement in accordance with their regular payment schedules and in no event less frequently than quarterly. For the payment period in which this Agreement becomes effective or terminates, there will be an appropriate proration of all payments, on the basis of the number of days that this Agreement is in effect during the quarter.

(b) In connection with such payments, FSC and the Funds may provide a statement setting forth the calculation of amounts paid to Institution. Absent manifest error, any such calculations will be final unless either party objects thereto within sixty (60) days of the date of the statement.

(c) Nothing in this Agreement shall obligate any Fund to pay compensation to Institution in excess of the limits established by the NASD or in violation of a Fund's distribution plan established in accordance with Rule 12b-1 under the 1940 Act. FSC shall provide quarterly reports to each Fund's Board detailing the amounts expended pursuant to the Rule 12b-1 Plans and the purposes for which such expenditures were made. Institution agrees to provide FSC with such other information as shall reasonably be requested by the Board with respect to the Rule 12b-1 Fees paid to Institution. Institution hereby waives its right to receive Rule 12b-1 Fees to the extent not paid by the Fund.

(d) If Shares sold under this Agreement are tendered for redemption within seven (7) business days after FSC's confirmation of the original purchase order, Institution will, with respect to such Shares, (i) promptly refund to FSC the full amount of any compensation retained or paid under this Agreement; and (ii) forfeit the right to receive any compensation not yet paid.

(e) Institution will perform all of its obligations and duties under this Agreement at its own expense.

7. REPRESENTATIONS

(a) Each party represents and warrants to the other party that:

(i) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

(ii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any contractual restriction binding on or affecting it.

(iii) **Obligations Binding.** Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application regardless of whether enforcement is sought in a proceeding in equity or law).

(iv) **Compliance with Laws.** It will comply with all applicable provisions of the 1940 Act, the 1933 Act, the 1934 Act, the NASD's Conduct Rules, ERISA and all other federal and state laws, rules and regulations governing the sale and ownership of Shares and will comply with all applicable laws and orders to which it may be subject if failure to do so would materially impair its ability to perform its obligations under this Agreement.

(v) **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

(b) Institution further represents and warrants to FSC that:

(i) **Representatives.** Any representative of Institution that offers or sells Shares is duly registered and licensed with the appropriate securities authorities in all states in which the representative's activities make such registration and licensing necessary.

(ii) **Authorization for Transactions.** Each transaction with a Fund initiated by Institution under this Agreement has been authorized by Institution's customer prior to initiation and is solely for the account of such customer.

(iii) **Compensation.** (i) Appropriate steps have been taken to notify Institution's customer of the existence of the compensation described herein and, if applicable, obtain their written acknowledgement and consent with respect to Institution's receipt of such compensation; and (ii) if required under applicable law, Institution will offset or credit the compensation it receives pursuant to this Agreement against fees and expenses that its customer owes to Institution.

(iii) **Disruptive Activities.** (A) Institution shall not directly or indirectly offer, adopt, implement, conduct or participate in any program, plan, arrangement, advice or strategy that FSC or the Funds reasonably deem to be harmful to Shareholders or potentially disruptive to the management of the Funds, as communicated to Institution by FSC in writing from time to time, or which violates the policies and procedures of the Funds as disclosed in each Fund's Prospectus; including without limitation, any activity involving market timing, programmed transfer, frequent transfer and similar investment programs. Institution at all times during the term of this Agreement shall have active, formal policies and procedures aimed at deterring "market timers." Such policies and procedures shall provide for Institution's ongoing review of its customers' account activity and prescribe effective actions to deter or detect and stop disruptive activities. In addition, Institution shall not knowingly permit any customer to invest in any of the Funds if that customer has been identified to Institution as a "market timer" by another fund company. (B) With respect to Shares held by Institution on an omnibus basis with the Funds, Institution shall upon FSC's request, promptly provide the Taxpayer Identification Number of each shareholder that purchased, redeemed, transferred or exchanged shares of a Fund and the amount and dates of such shareholder purchases, redemptions, transfers and exchanges; and (C) Institution shall follow FSC's instructions to restrict or prohibit further purchases or exchanges of Shares by a shareholder that has been identified by FSC as having engaged in transactions of Shares (whether directly or through the customer's Sub-Account)that violate the policies and procedures of the Funds as disclosed in each Fund's Prospectus or that are deemed disruptive to the Funds as determined by FSC in its sole discretion.

(iv) **Internal Controls.** Institution will forward for processing on each day only those purchase and redemption orders received by Institution prior to the daily cut-off times disclosed in each Fund's prospectus. Institution has, and will maintain at all times during the term of this Agreement, appropriate internal controls for the segregation of purchase and redemption orders received prior to the daily cut-off times disclosed in each Fund's Prospectus, from purchase and redemption orders received after the daily cut-off times disclosed in each

Fund's prospectus as and to the extent required by the 1940 Act.

(v) If, due to the nature of its activities, Institution is not subject to oversight by a federal banking regulator, Institution further represents and warrants to FSSC that Institution will comply with the Interagency Statement on Retail Sales of Nondeposit Investment Products, dated February 15, 1994 (CCH Fed Banking L Rptr Para. 70-101),as if it were an institution subject to oversight by one of the federal banking regulators issuing that Statement.

(vi) Institution acknowledges that the Funds are only registered for sale in the United States of America and that no action has been taken by or on behalf of FSC or the Funds in any other jurisdiction to permit a public offering or sale of Shares, or the possession or distribution of any Prospectus in any jurisdiction where action for such purposes is required. Institution agrees not to make the Funds available for sale to persons in any jurisdiction in which such offer is unlawful. Should Institution undertake to offer and/or sell Shares of the Funds in any jurisdiction other than the United States of America, Institution shall inform itself of, and shall comply with, at its own expense, any and all applicable law and regulation relating thereto, and none of FSC, the Funds, or their respective authorized agents shall have any responsibility or liability in connection therewith." As used herein, "United States of America" shall be deemed to include any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, and any other possession of the United States.

(c) The parties shall each be deemed to repeat all the foregoing representations and warranties made by it at the time of any transaction subject to this Agreement.

8. DISCLOSURE DOCUMENTS AND FUND LITERATURE

(a) FSC will furnish to Institution such number of copies of the Disclosure Documents of a Fund as required to fulfill Institution's obligations herein. In addition, FSC will furnish such number of copies of available promotional materials and Fund literature as Institution may reasonably request. Institution will follow FSC's written instructions regarding the use of any such literature. Institution will not prepare any written communications (other than individual correspondence with a customer or as required by law) that refer to the Funds or FSC in any manner, unless Institution has obtained FSC's prior written approval.

(b) In offering and selling Shares, Institution shall rely solely on the representations contained in the Disclosure Documents and authorized promotional materials and Fund literature, and neither Institution nor any of its representatives will make any representations concerning Shares except as contained therein.

9. SECURITY OF RECORDKEEPING SYSTEMS

Institution agrees to provide such security as is necessary to prevent any unauthorized use of the Funds' recordkeeping system, accessed via any computer hardware or software provided to Institution by FSC. Institution represents and warrants that it has examined and tested the internal systems that it has developed to support the services outlined in this Agreement and, as of the date of this Agreement, has no knowledge of any situation or circumstance that will inhibit the system's ability to perform the expected functions or inhibit Institution's ability to provide the expected services.

10. INDEMNIFICATION

(a) In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of FSC or the Funds, and their respective officers, directors, or employees (each a "Distributor Indemnified Party"), Institution agrees to indemnify each Distributor Indemnified Party against any and all claims, demands, liabilities and reasonable expenses (including attorneys' fees) which any Distributor Indemnified Party may incur arising from, related to or otherwise connected with: (i) any breach by Institution of any provision of this Agreement; or (ii) any actions or omissions of any Distributor Indemnified Party in reliance upon any oral, written or electronically transmitted instructions believed to be genuine and have been given to any of them by Institution or its representatives. In no event shall Institution be liable for special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with any event described in (i) and (ii) above.

(b) In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of Institution and its officers, directors, representatives or employees (each a "Institution Indemnified Party"), FSC agrees to indemnify each Institution Indemnified Party against any and all claims, demands, liabilities and reasonable expenses (including attorneys' fees) which any Institution Indemnified Party may incur arising from, related to or otherwise connected with: (i) any breach by FSC of any provision of this Agreement; or (ii), to the extent that FSC is entitled to indemnification from any Fund, any alleged untrue statement of a material fact contained in any Fund's Prospectus, or as a result of or based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading. In no event shall FSC be liable for special, indirect or consequential damages, or lost profits or loss of business, arising under or in connection with any event described in (i) and (ii) above.

(c) The parties' agreement in this Paragraph to indemnify each other is conditioned upon the party entitled to indemnification ("Claimant") giving notice to the party required to provide indemnification ("Indemnifier") promptly after the summons or other first legal process for any claim as to which indemnity may be sought is served on the Claimant. The Claimant shall permit the Indemnifier to assume the defense of any such claim or any litigation resulting from it, provided that Indemnifier's counsel that is conducting the defense of such claim or litigation shall be approved by the Claimant (which approval shall not be unreasonably withheld), and that the Claimant may participate in such

defense at its expense. The failure of the Claimant to give notice as provided in this subparagraph (c) shall not relieve the Indemnifier from any liability other than its indemnity obligation under this Paragraph. No Indemnifier, in the defense of any such claim or litigation, shall, without the consent of the Claimant, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term the giving by the alleging party or plaintiff to the Claimant of a release from all liability in respect to such claim or litigation.

(d) The provisions of this Section shall survive the termination of this Agreement.

11. Privacy Policy

(a) Each party acknowledges that, in connection with the services to be provided hereunder, each may come into possession of non-public personal information regarding customers of the other ("**Customer NPI**").

(b) Each party hereby covenants that any Customer NPI which a party receives from the other will be subject to the following limitations and restrictions:

(i) Each party may redisclose Customer NPI to its own affiliates, who will be limited by the same disclosure and use restrictions that are imposed on the parties under this Agreement; and

(ii) Each party may redisclose and use Customer NPI only as necessary in the ordinary course of business to provide the services identified in the Agreement except as permitted under Regulation S-P and as required by any applicable federal or state law.

(c) Each party represents and warrants that it has implemented, and will continue to carry out for the term of the Agreement, policies and procedures reasonably designed to:

(i) Insure the security and confidentiality of records and Customer NPI,

(ii) Protect against any anticipated threats or hazards to the security or integrity of customer records and Customer NPI, and

(iii) Protect against unauthorized access or use of such customer records or Customer NPI that could result in substantial harm or inconvenience to any customer.

(d) The provisions of this Section shall survive the termination of the Agreement.

12. Notices

(a) Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given under this Agreement shall be in writing and delivered by personal delivery or by postage prepaid, registered or certified United States first class mail, return receipt requested, overnight courier services, or by fax or e-mail (with a confirming copy by mail).

(b) Unless otherwise notified in writing, all notices to FSC shall be given or sent to:

Federated Securities Corp.
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, Pennsylvania 15222-3779
Attention: Secretary

(c) Unless otherwise notified in writing, all notices to Institution shall be given or sent to it at its address shown on the signature page to this Agreement.

13. No Third-Party Rights

Except with respect to Section 10 "Indemnification", this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement (including the Funds). Nothing expressed or referred to in this Agreement will be construed to give anyone other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. In no event shall FSC or any Fund be obligated to make any payment under this Agreement to any person other than Institution.

14. Non-Exclusivity

FSC acknowledges and agrees that Institution may enter into agreements similar to this Agreement with other mutual funds and distributors. Institution acknowledges and agrees that FSC and the Funds may enter into agreements similar to this Agreement with other broker/Institutions for sales and services of Fund Shares.

15. Force Majeure

If either Party is unable to carry out any of its obligations under this Agreement because of conditions beyond its reasonable control, including, but not limited to, acts of war or terrorism, work stoppages, fire, civil disobedience, delays associated with hardware malfunction or availability, riots, rebellions, storms, electrical failures, acts of God, and similar occurrences ("**Force Majeure**"), this Agreement will remain in effect and the non-performing party's obligations shall be suspended without liability for a period equal to the period of the continuing Force Majeure (which such period shall not exceed fifteen (15) business days), provided that:

(i) the non-performing party gives the other party prompt notice describing the Force Majeure, including the nature of the occurrence and its expected duration and, where reasonably practicable, continues to furnish regular reports with respect thereto during the period of Force Majeure;

(ii) the suspension of obligations is of no greater scope and of no longer duration than is required by the Force Majeure;

(iii) no obligations of either party that accrued before the Force Majeure are excused as a result of the Force Majeure; and

(iv) the non-performing Party uses all reasonable efforts to remedy its inability to perform as quickly as possible.

16. AMENDMENT

(a) Except as provided below, this Agreement may be amended only by a writing signed by both parties.

(b) Any additional compensation paid by FSC to Institution must be set forth in a written addendum expressly referring to this Agreement and signed by FSC.

(c) FSC may amend Schedule 1 from time to time by posting the amended Schedule on FSC's website. Any such amendment shall be effective as of the date indicated in the amended Schedule 1.

17. TERM

(a) This Agreement will become effective in this form as of the date executed by FSC. This Agreement shall continue in effect for a period of more than one year from its effective date so long as such continuance of the form of this Agreement is specifically approved by the Funds' Board at least annually in a manner prescribed in Rule 12b-1 of the 1940 Act. If the Agreement is not so approved, FSC shall terminate the Agreement in accordance with (b)(i) below.

(b) This Agreement may be terminated as follows:

(i) at any time, without the payment of any penalty, by Institution or by FSC (on its own behalf or on behalf of any Fund) upon written notice to the other party.

(ii) immediately upon the assignment (as defined in the 1940 Act) of the Agreement by either party.

(c) The termination of this Agreement with respect to any one class of Shares or Fund will not cause the Agreement's termination with respect to any other class of Shares or Fund.

18. MISCELLANEOUS

(a) This Agreement supersedes any prior agreements between the parties with respect to its subject matter (but specifically does not supersede any Recordkeeping Agreement between Institution and FSSC) and constitutes (along with its Schedules and any Instructions) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter.

(b) Neither this Agreement, nor any terms and conditions contained herein shall be construed as creating or constituting a partnership, joint venture, or agency or permitting Institution or its representatives to act as agent on behalf of FSC or the Funds.

(c) This Agreement may be executed by different parties on separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

(d) If any provision of this Agreement is held invalid or unenforceable, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(e) This Agreement will be governed by the laws of the Commonwealth of Pennsylvania, without regard to conflicts of laws principles thereof.

19. DEFINITION OF TERMS

(a) "**1933 Act**" means the Securities Act of 1933, "**1934 Act**" means the Securities Exchange Act of 1934, and "**1940 Act**" means the Investment Company Act of 1940, in each case as amended and in effect at the relevant time.

(b) "**ERISA**" means the Employee Retirement Income Security Act of 1974.

(c) "**Fund**" means those investment companies registered under the 1940 Act and, in the case of a "series company" as defined in Rule 18f-2(a) under the 1940 Act, each individual portfolio of the series company, for which FSC serves as distributor. "**Funds**" means the Funds described above, collectively.

(d) "**NASD**" means the National Association of Securities Dealers, or any successor self-regulatory organization under the 1934 Act.

(e) "**Prospectus**" means, with respect to any Shares the most recent Prospectus and Statement of Additional Information ("SAI") and any supplement thereto, pursuant to which a Fund publicly offers the Shares; provided, however, that this definition shall not be construed to require FSC, Institution or any Fund to deliver any SAI other than at the express request of Institution's customer.

(f) "**SEC**" means the Securities and Exchange Commission.

(g) "**Shares**" means (1) shares of beneficial interest in a Fund organized as a business trust; and (2) shares of capital stock in a Fund organized as a corporation. With respect to a Fund that has established separate classes of Shares in accordance with Rule 18f-3 under the 1940 Act, Shares refers to the relevant class. "**Shareholder**" means the beneficial owner of any Share.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth below by a duly authorized officer of each party

FEDERATED SECURITIES CORP.

By:________________________________

Name:______________________________

Title:_______________________________

Date:_______________________________

INSTITUTION

____

(please print or type)

By:________________________________

Name:______________________________

Title:_______________________________

Date:_______________________________

Address_____________________________

____

City State Zip Code

SpectremGroup

SEC Regulation B - Administrative Services Pricing Analysis

Prepared for:
Federated Investors, Inc.

October 5, 2004

Recommended Approach

A reasonable pricing scenario is presented in the table below:

Defined Task	Compensation (bps)
1. Aggregating and processing purchase and redemption orders for investment company shares	10-15
2. Providing beneficial owners with account statements showing their purchases, sales, and positions in the investment company	10 *
3. Processing dividend payments for investment company	1-2
4. Providing sub-accounting services to the investment company for shares held beneficially	15-20
5. Forwarding communications from the investment company to the beneficial owners, including proxies, shareholder reports, dividend and tax notices, and updated prospectuses	1-2
6. Receiving, tabulating, and transmitting proxies executed by beneficial owners of investment company shares	1-2
Minimally, bank must perform tasks 1 and 2, 1 and 4 or 2 and 4 to receive total compensation	

*** Opinion provided by SunGard Trust Systems**

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CONFERENCE PARTICIPANT LIST

COMPANY: Federated Investors
CONFERENCE ID#: MALONEY
DATE: January 19, 2007
START TIME (ET): 11:00 AM
MODERATOR: Gene Maloney
PROGRAM TITLE: Regulation R

Please Note: The information contained in this report should not be viewed as an invoice and/or billing data.

FIRST	LAST	AFFILIATION
***Gene	***Maloney	***Moderator
***Cary	***Moore	***Speaker
***Leslie	***Ross	***Speaker
Cynthia	Baker	Sovereign Bank
Ken	Baker	Texas State Bank
Paul	Benoit	Chittenden Bank
Lon	Biebighauser	First National Bank
Christopher	Blakeley	Willow Financial Bank
Tom	Blank	Association of Independent Trust Companies, Inc.
Lynn	Boerhave	BNC National Bank
Scott	Bork	Pinnacle Bank
Maury	Bouas	Citizens Bank and Trust Company
Stephen	Boyle	Choate, Hall & Stewart
Chad	Breunig	Wachovia Corporation
Marti	Brewerton	Border Capital Bank
Kevin	Briggs	Union Bank & Trust
Paul	Buckwalter	Federated Investors
Kendra	Cain	Hancock Bank
Tamara	Chaskes	Coconut Grove Bank
Greg	Cismoski	First National Bank
Jeb	Clarkson	Pioneer Bank and Trust
Stephen	Costlow	Federated Investors
Dan	Crawford	NexTier Wealth Management
Jennifer	Davies	Sovereign Bank
Frank	Davis	First Tennessee Bank
Donna	Dillon	Texas State Bank
Richard	Dobbs	Wilmington Trust Company
Robert	Doyle	BancTrust Financial Group, Inc.
Delores	Eagleson	Herget Bank
Steve	Eiting	Minster Bank
Cathy	Fitzpatrick	Renasant Bank
Kimberly	Fowler	Carolina First Bank
Dean	French	Alerus Financial
Chris	Gardill	Phillips, Gardill, Kaiser & Altmeyer, PLLC
John	George	Smith County State Bank and Trust Company
Lisa	Gibson	First Citizens Bank
Barry	Givner	Coconut Grove Bank
Gus	Grell	Security Bank and Trust Company
Steve	Halverson	Heartland Trust Company
Scott	Hancock	Planters Bank & Trust Company

Adriene	Hart	Sovereign Bank
Mark	Hartnett	M&F Bank
Karen	Hausmann	Ramsey National Bank and Trust Company
Colin	Hedlund	Hancock Bank
Pat	Heitzig	Cornerstone Bank & Trust
Eugene	Helbig	First United Bank
David	Helscher	Clinton National Bank
Jerry	Hoeniges	BancorpSouth
Michelle	Hohbein	BNC National Bank
Thomas	Holmes	Community Trust Company
Raymond	Hrin	First National Trust Company
John	Jeffrey	Alerus Financial
Thomas	Johnson	Brotherhood Bank & Trust
Mike	Jones	Argent Financial Group
Cynthia	Kelly	Sovereign Bank
Mike	Kelly	Central Illinois Bank
Tom	Knutson	Federated Investors
Cathy	Koebelin	CommunityBanks
William	Kringe	Keystone Nazareth Bank & Trust
Michael	Lammers	Investors Independent Trust Company
Eric	Lang	Federated Investors
Linda	Logan	Macatawa Bank
Eli	Lyons	Fiserv, Inc.
Yolanda	Martinez	R-G Premier Bank
Mike	McAlpine	People's Bank
Deborah	McDonald	First Tennessee Bank
Joe	McMahon	Wells Fargo & Company
Richard	McMinn	Farmers & Mechanics Bank
Michael	O'Reilly	First National Bank
Jeremy	Parker	Boston Private Bank & Trust
Tom	Pearsall	Jonestown Bank and Trust Company
David	Poch	CommunityBanks
Bruce	Quale	North Shore Investments and Trust
Matt	Ramsey	Amarillo National Bank
Linda	Reichenbacker	Jackson County Bank
Don	Richardson	Security State Bank
Mario	Rizzuto	Federated Investors
Christopher	Robinson	Lubbock National Bank
Greg	Salmen	Stephenson National Bank & Trust
Julie	Santers	Sovereign Bank
Cory	Saylor	TD Banknorth Inc.
Jerry	Schmitt	WesBanco
Andre	Scott	Alabama Banking Department
Monique	Serra	Alpine Bank
David	Sides	Trust Company of Sterne, Agee and Leach, Inc.
Brad	Smith	Federated Investors
Paul	Snodgrass	CommunityBanks
Cary	Sparks	First Financial Bank
Wendy	Steele	Huntington National Bank
Sandy	Swanson	Resource Bank
Bruce	Talen	Commerce Trust Company

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William	Taylor	Farmers & Mechanics Bank
John	Terrill	Smith County State Bank and Trust Company
Kathy	Thompson	Stock Yards Bank & Trust Company
Michelle	Ueding	First National Bank
Dave	Van Buren	National Bank & Trust Company
John	Wagner	Farmers & Mechanics Bank
Chuck	Walsh	Orrstown Financial Services, Inc.
Larry	Watson	BancorpSouth
John	Wells	Pinnacle Bank
Gregor	Young	S&T Bank

CONFERENCE PARTICIPANT LIST

COMPANY: Federated Investors
CONFERENCE ID#: MALONEY
DATE: February 1, 2007
START TIME (ET): 2:00 PM
MODERATOR: Gene Maloney
PROGRAM TITLE: Regulation R

Please Note: The information contained in this report should not be viewed as an invoice and/or billing data.

FIRST	LAST	AFFILIATION
***Gene	***Maloney	***Moderator
Jim	Anderson	First Citizens Bank and Trust Company, Inc.
John	Anderson	Trustmark National Bank
Charles	Baker	Bank of the West
Dan	Banis	First American Trust
Dave	Bartges	Woodland Bank
Mali	Bartlett	Citibank US
Matthew	Beagle	Columbia County Farmers National Bank
Louis	Beaulieu	Enterprise Bancorp, Inc.
Lewis	Beckett	MidFirst Trust Company
Melinda	Berardino	Sterling Financial Corporation
Bradley	Beshea	Frost National Bank
Douglas	Blattmachr	Alaska Trust Company
Wendy	Blosser	Wayne Savings Community Bank
Jeff	Boyle	Union Bank of California
Frank	Bramwell	UMB Financial Corporation
Bill	Brelsford	Sunflower Bank
Jon	Bren	Baker Boyer Bank
Mary Ann	Brustle	Omega Bank
Beth	Burns	Synovus Financial Corporation
Joe	Byers	Grabill Bank
Donna	Byrne	Synovus Financial Corporation
Jeff	Cadwell	North Shore Investments and Trust
William	Calpin	Penn Security Bank and Trust Company
Jay	Carlson	Southern Michigan Bank & Trust
Lisa	Carroll	Edward Jones Trust Company
Craig	Chaikin	Texas Bank and Trust
Sandy	Chambers	FSGBank, NA
Gary	Chumbley	National Independent Trust Company
Dan	Cicale	Suffolk County National Bank
Ted	Cohan	Baker Boyer Bank
Sharron	Corbiett	Wilmington Trust Corporation
Richard	Corcoran	First National Bank
Steve	Culvertson	BancFirst
Judy	Curran	Beverly National Bank
Betty	Davis	Wachovia Corporation
Raymond	Deering	Phoenixville Federal Bank & Trust
John	Dice	Macatawa Bank
Randy	Dickinson	Isabella Bank and Trust
Jane	Dilley	Anchor Trust

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Alan	Dillman	Baker Boyer Bank
Brian	Downs	Macatawa Bank
Charles	Ewald	Virginia National Bank
Gary	Failla	Comerica Bank
Roy	Ferell	Simmons First Trust Company
Annette	Fishel	Wachovia Corporation
David	Folz	Texas Capital Bank
Alan	Frazier	Wachovia Corporation
Mark	Freeman	Frost Bank
Judy	Fuchsteiner	North Central Trust Company
John	Fullerton	Adirondack Trust Company
Steve	Gegg	Sterling Financial Corporation
Jackie	Grieggs	Citizens Banking Company
Paul	Grimm	Frost Bank
Stephen	Gudelski	Valley National Bank
John	Gulas	Sky Financial Group
Adella	Heard	First Tennessee Bank
David	Helscher	Clinton National Bank
Daniel	Higham	Sterling Financial Corporation
Clardy	Hughes	First Citizens National Bank
Stacey	Hughes	First American Trust
Angela	Hutson	First Citizens Bank
Karen	Jefferson	Anchor Trust
Kirk	Johnson	Commerce Bank & Trust
Gene	Jordan	Old Point Trust & Financial Services
Stephanie	Katayama	Central Pacific Bank
Brian	Kearns	Central Pacific Bank
Mary	Knox	Wachovia Corporation
Karen	Koehn	INTRUST
Kim	Kutzer	Sterling Financial Corporation
Rex	Kyle	Bank of the Ozarks
Patti	LaChecki	American Trust & Savings Bank
Clint	Lackey	Wachovia Corporation
Suzanne	Landini	Wachovia Corporation
Steven	Layfield	First Community Bank
Bruce	Ley	BankWest
Paul	Lindsey	Farmers National Bank
Rhonda	Litchfield	Citizens & Northern Bank
Barry	Luse	Croghan Colonial Bank
Sylvia	Mackinnon	Ocean National Bank
Jean	Martin	County Bank Trust Services
Jim	McCloud	Bangor Savings Bank
Ray	McCulloch	BB&T Asset Management
Mary	McNichols	Fidelity Deposit & Discount Bank
Herb	McPherson	Investors Independent Trust Company
Sandy	Mico	West Coast Trust Company, Inc.
Brennan	Moseley	Reliance Trust Company
Kevin	Mote	Central State Bank
Bill	Mrozowski	First Commonwealth Financial Corporation
Tim	Murphy	Bremer Financial Corporation
Terry	Neal	Merchants Bank

Douglas	Oldaker	Security National Bank
Brian	Oszko	Park National Bank
James	Paszek	First Western Bank & Trust
Bond	Payne	Heritage Trust Federal Credit Union
Janis	Penton	Union Bank of California
Ann	Persun	Somerset Trust Company
Bruce	Rehmke	Dubuque Bank and Trust
Dirk	Richardson	Laconia Savings Bank
Don	Rinker	Pacific Capital Bancorp
Mario	Rizzuto	Federated Investors
Debbie	Rosenblum	Whitney National Bank
Beverly	Salazar	Alpine Banks of Colorado
Sherry	Schrock	State Bank & Trust
George	Schwartz	Boston Private Bank & Trust
Mike	Shade	Farmers State Bank
Gary	Shearer	Howard Trust Company
Herb	Simmerly	Wilber National Bank
Joe	Stork	Sterne, Agee & Leach, Inc.
Suzanne	Summerwill	Iowa State Bank & Trust
Will	Taylor	Farmers & Mechanics Bank
Chuck	Thompson	Georgia Bank and Trust Company
Russ	Tweiten	First International Bank and Trust
Pat	Valentine	Branch Banking & Trust Company
Steve	Vranich	Frandsen Bank and Trust
Rande	Whitham	Bryn Mawr Trust Company
Sarah	Yakel	Fauquier Bankshares, Inc.
Elizabeth	Young	Union Trust Company
Brad	Zerger	BancFirst

CONFERENCE PARTICIPANT LIST

COMPANY: Federated Investors
CONFERENCE ID#: MALONEY
DATE: February 8, 2007
START TIME (ET): 11:00 AM
MODERATOR: Gene Maloney
PROGRAM TITLE: Regulation R

Please Note: The information contained in this report should not be viewed as an invoice and/or billing data.

FIRST	LAST	AFFILIATION
***Melanie	***Fein	***Speaker
***Gene	***Maloney	***Moderator
***Leslie	***Ross	***Speaker
Connie	Allman	Hoosier Trust Company
Nadaya	Alsayed	Orchard Trust Company, LLC
Eric	Anders	Provident Bank
Joanne	Barton	Bank of Edwardsville
Matthew	Beagle	Columbia County Farmers National Bank
Helena	Bish	Mission Management & Trust Company
Stuart	Blain	First Market Bank
Mike	Bohl	Wyoming Bank & Trust
Michael	Boyle	American National Bank
James	Braasch	Urban Bank
Ken	Buckius	American National Bank
Patricia	Button	KNL Gate
Ben	Byers	Heritage Trust Federal Credit Union
Don	Cagluso	First Summit Bank
Gene	Clark	BankFIRST
Kelly	Click	Sterling Trust Company
Ron	Corn	Huntington National Bank
Scherrell	Coutain	Suburban Bank and Trust Company
Les	Cseter	First Bank and Trust
Kathy	Curry	Frandsen Bank and Trust
Dean	Daderaka	First International Bank and Trust
Doug	Degroot	Founders Bank & Trust
Frank	Delaney	Burlington Bank and Trust
Gilbert	Dick	First Bank and Trust
Steven	Dinovis	Susquehanna Financial Group, LLP
James	Dymek	Hudson Savings Bank
Kathy	Elbert	First State Bank and Trust
Mark	Ferrell	Security National Trust Company
Jonathan	Gay	Whitney National Bank
John	Gonner	First Community Trust
Whitney	Greer	Cumberland Valley National Bank
Lauren	Hall	First Charter
Andy	Hampson	Home Federal Bank
Jeff	Hancock	BB&T Asset Management
Tim	Handy	NBT Bank
Michelle	Hardesty	Unified Trust Company, NA
Catherine	Haupert	Tompkins Trust Company

Todd	Haward	South Carolina Bank and Trust
Kathy	Hayden	Southside Bank
Clay	Henry	First National Bank of Chester County
Dolleen	Higgins	Davidson Companies
Theresa	Hitch	Forethought Financial Group
Diane	Hofer	Baker Border Bank
Laurie	Holson	Mission Management & Trust Company
Kim	Husband	Argent Financial Group
Brian	Ippensen	First Bankers Trust Company
John	Jacobson	Treynor State Bank
Heather	Johnson	First National Bank South Dakota
Darlinda	Jones	Equitable Trust Company
John	Julius	FirstMerit Bank
Mark	Kajita	Baker Boyer Bank
Betty	Kedgington	Kanaly Trust Company
Kate	Kelly	Bremer Financial Corporation
Tiffany	Kenney	Dentru Bank
Miles	Kilcoin	Country Insurance
Karen	Kreider	American National Bank
Jeff	Kropschot	AG Edwards & Sons, Inc.
Mary	Leavitt	Androscoggin Bank
Bruce	Lee	Community Financial Advisors
Edward	Linsley	Reliance Trust Company
Herb	Lock	Monroe Bank & Trust
Mark	Lumley	NexTier
Paul	Lyle	First Charter
Billy	Macha	First Victoria National Bank
Tom	Manzer	First Bank and Trust
Brad	Markham	Millenium Trust Company, LLC
Paul	Maxwell	First Regional Bank
Terence	McCormick	Downers Grove National Bank
Shaun	McGarry	Rockland Trust
Winston	McQuaig	Synovus Financial Corporation
Tim	Melin	Eastwood Bank
Al	Melve	Century Bank
Lucrecia	Moore	Wachovia Corporation
Ed	Moss	FirstMerit Bank
Barb	Mosson	Country Trust Bank
Marie	Muldong	Westamerica Bank
Adam	Netlinger	Alpine Banks of Colorado
Paul	Neveu	BPA
Nathan	Newhall	People's Bank
Michael	O'Brien	OceanFirst Bank
Diane	Payne	Hilltop National Bank
Paula	Petersburg	Clear Lake Bank & Trust Company
Kevin	Reed	Whitney National Bank
Terry	Reitan	Trust Company of America
Ted	Rice	Anchor Trust
Cathy	Risley	American State Bank
Mario	Rizzuto	Federated Investors
David	Roberts	National Advisors Trust Company

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Connie	Sain	East Texas National Bank
Kathy	Schelling	Trust Company of Illinois
Susan	Schreiner	Garrison State Bank and Trust
Skip	Schweiss	Fiserv, Inc.
Cliff	Scott-Rudnick	Suburban Bank and Trust Company
Elena	Seidlitz	Amarillo National Bank
Tom	Sliger	Austin Trust Company
Susan	Sobocinski	Wilmington Trust Company
Jackie	Stanley	Community National Bank
Keith	Stunek	EnTrust Capital
Steve	Stunek	EnTrust Capital
Ken	Szot	First International Bank and Trust
William	Taylor	Farmers & Mechanics Bank
John	Thamert	Citizens State Bank & Trust Company
Jennifer	Thomas	Bank of Oklahoma
Jeff	Thorpe	Fidelity State Bank & Trust Company
Maureen	Tomshack	First Citizens Bank and Trust Company, Inc.
Tom	Tucker	Dunham Trust Company
Kim	Ufford	Trust Company of Kansas
Ashley	Weiler	Forethought Financial Group
Tom	Welch	BNC National Bank
James	Westerfield	Lake City Bank
Lucy	Williams	Trust Company of Manhattan
McKim	Williams	Old Point Trust & Financial Services
Michael	Williams	F&M Trust
Patty	Yates	First State Bank and Trust

CONFERENCE PARTICIPANT LIST

COMPANY: Federated Investors
CONFERENCE ID#: **MALONEY**
DATE: March 30, 2007
START TIME (ET): 11:00 AM
MODERATOR: Gene Maloney
PROGRAM TITLE: **Regulation R**

Please Note: The information contained in this report should not be viewed as an invoice and/or billing data.

FIRST	LAST	AFFILIATION
***Gene	***Maloney	***Moderator
***Leslie	***Ross	***Speaker
Joe	Anglin	Pioneer Bank & Trust
David	Armstrong	Alliance Bank
Jessica	Beavers	First Dakota National Bank
Douglas	Bell	Compass Bank
Flora	Belluomini	Bank of Blue Valley
Bradley	Beshea	Frost National Bank
Brett	Bowers	MidFirst Bank
Saloni	Bowry	Boston University
Marti	Brewerton	Border Capital Bank
Maryann	Brustle	Omega Bank
Paul	Buckwalter	Federated Investors
Jeff	Cadwell	North Shore Bank
Charlotte	Cfabi	Pinnacle National Bank
Stephen	Costlow	Federated Investors
John	Crone	Belvidere National Bank
Linda	Ditto	Extraco Banks
Richard	Dobbs	Wilmington Savings Fund Society
Marc	Driggs	Wilmington Savings Fund Society
Ken	Duetsch	Citizens Bank and Trust Company
Jessica	Eiben	Federated Investors
Mark	Freeman	Frost National Bank
Ursula	Garrison	KNBT Bancorp, Inc.
Jena	Hart	North Shore Bank
Debbie	Hippensteel	KNBT Bancorp, Inc.
George	Hnaras	Federated Investors
David	Hufnagle	US Bank
Greg	Jones	Trust Company of America
Renee	Laychur	Omega Bank
Mark	Lolacono	LaSalle Bank
Darcy	MacLaren	Davidson Companies
Tony	Maples	First Security Bank
Terry	McCormick	Downers Grove National Bank
Lewis	McReynolds	Extraco Banks
Robert	Newman	Pinnacle National Bank
Casey	Oliver	Citizens Bank and Trust Company
Doug	Rideout	Iowa State Bank & Trust
John	Robinson	Renesant Bank
Sunil	Sami	Alerus Financial
Skip	Schweiss	Fiserv, Inc.
Terry	Scoggin	GB Financial Consultancy Ltd.
Kimberly	Simpson	Northwestern Bank
Annette	Soderholm	US Bank
Mark	Strand	Bremer Trust
Tom	Thompson	Regents Bank

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CONFERENCE PARTICIPANT LIST

COMPANY: Federated Investors
CONFERENCE ID#: **MALONEY**
DATE: April 3, 2007
START TIME (ET): 2:00 PM
MODERATOR: Gene Maloney
PROGRAM TITLE: **Regulation R**

Please Note: The information contained in this report should not be viewed as an invoice and/or billing data.

FIRST	LAST	AFFILIATION
***Melanie	***Fein	***Speaker
***Eugene	***Maloney	***Moderator
***Kary	***Moore	***Speaker
Lewis	Beckett	MidFirst Trust Company
Naomi	Bensen	Dakota Bank
Roger	Boveres	MidFirst Trust Company
Julie	Christian	Hancock Bank
Donna	Dillon	Texas State Bank
Steve	DiNovis	Susquehanna Capital Trust and Investment Company
Ken	Duetsch	Citizens Bank and Trust Company
Dan	Florence	Commerical Bank of Texas
Pat	Heitzig	Cornerstone Bank & Trust
Gary	Howland	United Bank & Trust
Raymond	Hrin	First National Trust Company
Kimberly	Husband	National Independent Trust Company
Bridgette	Kovalik	Sky Trust
Donald	Lee	Capital One Bank
Bob	Leibrich	First Intrastate Bank
Bryant	Magee	Capital One Bank
Kent	Martineau	Deseret Trust Company
Terry	McCormick	Downers Grove National Bank
John	McNee	First Arkansas Bank & Trust
Kim	Milliken	Bankers Trust Company
Peter	Moehle	Moehle National Bank
Margarite	Montagnino	Hancock Bank
Troy	Murray	Federated Investors
Mike	Nawrot	American National Bank
Dale	Naylor	West Coast Investment Sevices
Laurel	Olson	Mission Management and Trust
Paul	Peckosh	Dubuque Bank & Trust
Gary	Pilcher	Butler Wick Trust Company
Robert	Qvale	Lake Elmo Bank
Doug	Rideout	Iowa State Bank & Trust
Clifton	Saik	Hancock Bank
Joe	Sayklay	Bank of the West
Vince	Scarpinato	Bank of The West
Barbara	Seifert	Keystone Nazareth Bank & Trust
Chris	Shankle	Capital One Bank
Jan	Smith	Valley Bank & Trust
William	Stokes	Extraco Banks
Jason	Sweatt	Regions Bank
Eileen	Tkacik	KNBT Bancorp, Inc.
Sarah	Webb	LaSalle Bank
Wayne	Wortmann	Hancock Bank

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