

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67187 / June 12, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12111**

**In the Matter of**

**FEDERATED INVESTMENT  
MANAGEMENT COMPANY,  
FEDERATED SECURITIES  
CORP. and FEDERATED  
SHAREHOLDER SERVICES  
COMPANY,**

**Respondents.**

**ORDER MODIFYING  
DISTRIBUTION PLAN AND  
DIRECTING DISBURSEMENT**

On December 4, 2009, the Commission issued a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”) in connection with this proceeding (Exchange Act Release No. 61118) pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103. No comments were received by the Commission in response to the Notice and on January 28, 2010, the Commission approved the proposed plan of distribution (“Plan”) (Exchange Act Release No. 61437).

The Plan provides that a Fair Fund consisting of \$72 million in disgorgement and a civil penalty, plus any accrued interest, be transferred to Deutsche Bank to be distributed by the Fund Administrator to injured investors according to the methodology set forth in the Plan. Pursuant to the Plan, and following the issuance of Orders Directing Disbursement, the Independent Distribution Consultant (“IDC”) and the Fund Administrator, in two tranches, distributed \$77,153,245.32 to injured investors.<sup>1</sup> There is a significant amount remaining in the Fair Fund after the distribution of those amounts, which is considered the Residual pursuant to the Plan. Paragraph 9.18 of the Plan provides that any Residual shall be distributed to the Federated Funds, based on the proportionate excess profits by market timers accounted for by each Federated Fund.

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<sup>1</sup> See Exchange Act Release Nos. 62542 (July 21, 2010) and 62836 (September 2, 2010).

A substantial portion of the Residual is comprised of approximately \$3.8 million in Fair Fund monies that the Fund Administrator had originally distributed to a broker-dealer for application among the beneficial holders of non-disclosed accounts. The broker-dealer returned the \$3.8 million to the Fund Administrator due to the broker-dealer's inability, at that time, to obtain the necessary shareholder data to distribute the monies. However, the broker-dealer has since provided the Fund Administrator with the necessary information. In addition, a substantial portion of the Residual is comprised of amounts that were distributed but which were not claimed (i.e., checks that were not presented for payment within the time period prescribed by the Plan). Consistent with the Plan's primary objective to distribute funds to affected investors at the time of the misconduct and with the concurrence of the IDC and Federated, the Plan is modified in the following respects:

- A. Additional Steps: The IDC and the Fund Administrator will take the following additional steps ("Additional Steps") relating to the distribution: (1) reissue and mail all checks in the amount of \$250 to \$499 to investors who failed to present those checks for payment within the time prescribed by the Plan and whose check was not otherwise previously reissued; (2) identify and issue checks to the beneficial accountholders of non-disclosed accounts consisting of approximately \$3.8 million in Fair Fund monies that the Fund Administrator had originally distributed to an intermediary; and (3) reissue and mail all checks to investors who contacted Federated, BFDS, or the staff after March 4, 2011, the last date that checks were honored, to request that their checks be reissued.
- B. Stale Dates for Reissued Checks: Checks reissued as a result of the Additional Steps shall be void 60 days after issuance. The IDC may, in his discretion, reissue a check which was issued pursuant to the Additional Steps, but only if the request for reissuance is made before the stale date of the original reissued check (i.e., within 60 days after original reissuance). Any check so reissued will be void no later than 30 days after the stale date of the original reissued check. Except as provided in this paragraph, the IDC will not reissue any other checks.
- C. Remaining Uncashed Checks to be Returned to Residual: Any checks issued pursuant to the Additional Steps which remain uncashed after their stale date or which are returned as undeliverable, shall be cancelled and returned to the Fair Fund as Residual to be distributed as part of the Second Residual, described in paragraph G, below.
- D. Costs of Additional Steps: Federated will pay, but shall be reimbursed from the Fair Fund, for the fees and expenses of the IDC and Fund Administrator that are attributable to the Additional Steps which are found not to be unreasonable by the Commission staff. Such reimbursable costs, however, are not to exceed \$600,000 ("Total Reimbursable Amount"). Fees and expenses of the IDC and Fund Administrator which are not attributable to the Additional Steps, as determined by the Commission staff, shall be borne by Federated in accordance with the Order Instituting Administrative and Cease-and-Desist Proceedings,

Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b)(4) and 17A(c)(3) of the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) and 9(f) of the Investment Company Act of 1940, dated November 28, 2005, and shall not be reimbursed from the Fair Fund.

Accordingly, fees and expenses attributable to the Additional Steps but which exceed the Total Reimbursable Amount shall not be reimbursed.

- E. Amount to be Reserved From the Residual: The amount of \$5,511,081.65 will be reserved from the Fair Fund (“Reserved Amount”) to pay: (1) any check issuances or re-issuances that result from the Additional Steps; (2) the Total Reimbursable Amount of the Additional Steps as described above; and (3) estimated tax liabilities of the Fair Fund.
- F. First Residual Distribution: The current balance of the Fair Fund less the Reserved Amount shall be considered the Residual and shall be distributed to the affected Federated Funds in accordance with the Plan. The First Residual distribution may be made while the Additional Steps are being taken. Upon certification that a validated payment file has been received by Commission staff and the distribution information has also been received by the affected Federated Funds, the Secretary shall issue an Order to Disburse the First Residual pursuant to the Plan.
- G. Second Residual Distribution: After the stale date for all checks issued or reissued as a result of the Additional Steps, any funds from the Reserved Amount remaining in the Fair Fund shall be considered Residual. Upon certification that a validated payment file has been received by Commission staff and the distribution information has also been received by the affected Federated Funds, the Secretary shall issue an Order to Disburse the Second Residual pursuant to the Plan.

Accordingly, it is ORDERED that:

A. Pursuant to Rule 1104 of the Fair Fund Rules, 17 C.F.R. § 201.1104, the Distribution Plan is modified as described above, and approved with such modification;

B. The Commission staff shall transfer \$16,932.03 of the Fair Fund to Deutsche Bank and the Fund Administrator shall include such monies in its distributions to the affected Federated Funds, as provided for in the Distribution Plan and in paragraph C., below;

C. The Fund Administrator shall disburse the First Residual as described above in Paragraph F. to the affected Federated Funds, in the amount stated in the validated payment file of \$14,575,932.22, as provided for in the Distribution Plan as hereby modified.

By the Commission.

Elizabeth M. Murphy  
Secretary