

**IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF MARYLAND**

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| IN RE MUTUAL FUNDS INVESTMENT LITIGATION | : | MDL DOCKET NO. 1586 |
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| IN RE EXCELSIOR, FEDERATED, SCUDDER and AMCAP | : | Civil No. 04-md-15861 (CCB) |
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| [Federated Subtrack] | : | Case No. 1:04-cv-00928-JFM |
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| | : | Case No. 04-md-00933 |
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NOTICE OF CLASS ACTION SETTLEMENT

TO: All shareholders in Federated fluctuating value mutual funds from October 21, 1998 to the present.

On September 30, 2003, a class action complaint was filed, and later amended, against Federated Investors, Inc., Federated Investment Management Company, Federated Equity Management Company of Pennsylvania, Federated Services Company, Federated Securities Corporation, and certain individual defendants (“Defendants”). The Consolidated Amended Class Action Complaint asserts claims against the Defendants relating to alleged “market timing” and “late trading” within certain Federated Fluctuating Value Mutual Funds. The lawsuit is pending in the United States District Court for the District of Maryland before United States District Judge Catherine C. Blake. The Lead Class Plaintiff was a shareholder of Federated fluctuating value mutual funds at some time during the period from October 21, 1998 to present. The Lead Class Plaintiff sought to represent a class of persons who have similar claims, and were appointed Lead Class Plaintiff by Order of May 26, 2010.

On November 18, 2005, Federated settled regulatory investigations into, in relevant part, alleged market-timing and late-trading activities with the Securities and Exchange Commission (“SEC”) in *In the Matter of Federated Investment Management Company, et al.*, Admin. Proceeding File No. 3-12111, and the New York Attorney General’s Office (“NYAG”) in *In the Matter of Federated Investment Management Company, Federated Securities Corp and Federated Shareholders Services Company*, that provided inter alia, for the distribution of \$72 million to shareholders in certain Federated fluctuating value mutual funds (the “Regulatory Settlement Funds”).

On December 14, 2009, the parties in the lawsuit arrived at a proposed settlement of the lawsuit and signed a Stipulation of Settlement. Under the proposed settlement, Federated has agreed to enact certain governance changes relating to its efforts to detect and prevent market timing and late trading. Under the proposed settlement, Class Members would retain the right to assert individual claims, for compensatory damages only, against certain Defendants, but would no longer be permitted to assert claims on a class basis or a derivative basis relating to the conduct alleged in the Consolidated Amended Class Action Complaint, and would not be permitted to aggregate or join such claims with those of any other Class member, except with respect to an account previously held jointly with another subclass member. Under the proposed settlement, Defendants would agree, for a one-year period, not to assert any time-based defense, such as a defense based on the statute of limitations, to the assertion of any individual claim that Class members retain the right to assert. In addition, certain members of the Class and/or certain Federated Funds may receive distributions from the following:

1. Certain Members of the Class and/or certain Federated Funds may be entitled to distributions pursuant to settlements with the Cross Track Defendants by virtue of the Federated Funds held in their accounts.
2. Some Members of Class will receive distributions from the Regulatory Settlement Fund pursuant to the distribution plan developed by the Federated Independent Distribution Consultant and approved by the Securities and Exchange Commission.
3. In March 2007, certain Members of the Class and/or Federated Funds received distributions totaling approximately \$1.1 million from a fund established by Veras Partners in connection with its regulatory settlement with the Securities and Exchange Commission.

In addition to relief that applies to all Class members, the settlement provides for the certification of a Subclass consisting of certain shareholders who have been identified and who placed certain orders that may have been incorrectly processed with a price based on that same day's Net Asset Value ("NAV") instead of the next day's NAV. Under the proposed settlement, Federated is to establish a claims process through which the members of the Subclass may be compensated, in a total amount not to exceed approximately \$1.824 million, plus interest that accrues through the date of payment, for any damage that they may have suffered if their orders were incorrectly priced. If you are a member of this Subclass, you will receive separate and more detailed notice of the proposed settlement, as well as a claim form, through the mail.

The proposed settlement requires Judge Blake's approval. On October 21 and 22, 2010 at 10:00 a.m., Judge Blake will hold a hearing on the proposed settlement located at U.S. District Court for the District of Maryland, Baltimore Division, 101 W. Lombard Street, Baltimore, MD 21201. At the hearing, the Court will consider the proposed settlement, and the applications for awards of attorneys' fees and reimbursement of expenses of Class Counsel, Derivative Counsel and Plaintiffs' Administrative Chair and Liaison Counsel, including administrative costs. Any Class member or Subclass member may appear at the settlement fairness hearing and be heard on any of the matters to be considered at the hearing; provided, however, that no such person shall be heard unless his, her, or its objection or opposition is made in writing and is filed by him, her, or it with the Office of the Clerk, U.S. District Court for the District of Maryland, Baltimore Division, 101 W. Lombard Street, Baltimore, MD 21201 no later than September 21, 2010.

Copies of these documents must also be served by hand or by overnight delivery upon Class Counsel, U. Seth Ottensoser or Stephanie M. Beige at Bernstein Liebhard LLP, 10 East 40th Street, 22nd Floor, New York, NY 10016.

The full settlement terms are contained in a Stipulation of Settlement (“Stipulation”) dated December 14, 2009. You can obtain a copy of the Stipulation by contacting U. Seth Ottensoser, Bernstein Liebhard LLP, 10 East 40th Street, New York, NY 10016, (212) 779-1414; or H. Adam Prussin, Pomerantz Haudek Grossman & Gross LLP, 100 Park Avenue, New York, NY 10017-5516, (212) 661-1100. In addition, a website has been established on the internet which contains detailed information regarding the proposed settlement as well as the rights of Class and Subclass members with respect to the proposed settlement. The website address is www.noticeclass.com/federatedsettlement.

• **Deadlines:**

- Subclass Members must submit a Proof of Claim and Release Form by **December 8, 2010**.
- Subclass Members wishing to exclude themselves from the Settlement must do so by **September 21, 2010**.
- Class Members wishing to object to the Settlement must do so by **September 21, 2010**.
- Court Hearing on Fairness of Settlement: **October 21 and 22, 2010**.