

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1996-08-26**
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FILER

FEDERATED SHORT TERM MUNICIPAL TRUST

CIK: **353101** | IRS No.: **251400935** | State of Incorpor.: **MA** | Fiscal Year End: **0630**
Type: **485BPOS** | Act: **33** | File No.: **002-72277** | Film No.: **96620622**

Business Address
*FEDERATED INVESTORS
TWR
PITTSBURGH PA 15222
4122881412*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X

Pre-Effective Amendment No.

Post-Effective Amendment No. 31 X
-- -----

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 X

Amendment No. 23 X
-- -----

FEDERATED SHORT-TERM MUNICIPAL TRUST

Federated Investors Tower, Pittsburgh, Pennsylvania 15222-3779
(Address of Principal Executive Offices)

(412) 288-1900
(Registrant's Telephone Number)

John W. McGonigle, Esquire,
Federated Investors Tower,
Pittsburgh, Pennsylvania 15222-3779
(Name and Address of Agent for Service)

It is proposed that this filing will become effective:

- immediately upon filing pursuant to paragraph (b)
- on August 31, 1996 pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a) (i)
- on pursuant to paragraph (a) (i).
- 75 days after filing pursuant to paragraph (a) (ii)
- on pursuant to paragraph (a) (ii) of Rule 485.

If appropriate, check the following box:

This post-effective amendment designates a new effective date for a previously filed post-effective amendment.

Registrant has filed with the Securities and Exchange Commission a declaration pursuant to Rule 24f-2 under the Investment Company Act of 1940, and:

filed the Notice required by that Rule on _____ ; or
-- -----

intends to file the Notice required by that Rule on or about _____ ; or

during the most recent fiscal year did not sell any securities pursuant to Rule 24f-2 under the Investment Company Act of 1940, and, pursuant to Rule 24f-2(b)(2), need not file the Notice.

Copies to:

Matthew J. Maloney, Esquire
Dickstein, Shapiro & Morin, L.L.P.
2101 L Street, N.W.
Washington, D.C. 20037

CROSS REFERENCE SHEET

This Amendment to the Registration Statement of FEDERATED SHORT-TERM MUNICIPAL TRUST, which consists of one portfolio: Federated Short-Term Municipal Trust, which is offered in two separate classes of shares, Institutional Shares and Institutional Service Shares, is comprised of the following:

PART A. INFORMATION REQUIRED IN A PROSPECTUS.

	Prospectus Heading (Rule 404(c) Cross Reference)
Item 1.	Cover Page.....Cover Page.
Item 2.	Synopsis.....Summary of Trust Expenses.
Item 3.	Condensed Financial Information.....Financial Highlights; Performance Information.
Item 4.	General Description of Registrant.....General Information; Investment Information; Investment Objective; Investment Policies; Municipal Securities; Investment Risks; Investment Limitations.
Item 5.	Management of the Trust..Trust Information; Management of the Trust; Distribution of (Institutional or Institutional Service) Shares; Administration of the Trust;
Item 6.	Capital Stock and Other Securities.....Dividends; Capital Gains; Shareholder Information; Voting Rights; Tax Information; Federal Income Tax; State and Local Taxes; Other Classes of Shares.
Item 7.	Purchase of Securities Being Offered.....Net Asset Value; Investing in (Institutional or Institutional Service) Shares; Share Purchases; Minimum Investment Required; What Shares Cost; Certificates and Confirmations.
Item 8.	Redemption or Repurchase.Redeeming (Institutional or Institutional Service) Shares; Telephone Redemption; Written Requests; Accounts With Low Balances.
Item 9.	Pending Legal Proceedings None.

PART B. INFORMATION REQUIRED IN A STATEMENT OF ADDITIONAL INFORMATION.

Item 10.	Cover Page.....Cover Page.
Item 11.	Table of Contents.....Table of Contents.
Item 12.	General Information and History.....General Information About the Trust; About Federated Investors; Economic and Market Information.
Item 13.	Investment Objectives and Policies.....Investment Objective and Policies;Acceptable Investments; When Issued and Delayed Delivery Transactions;Portfolio Turnover; Investment Limitations.
Item 14.	Management of the Fund...Trust Management; Trust Ownership; Trustees' Compensation; Trustee Liability.
Item 15.	Control Persons and Principal Holders of Securities....Not Applicable.
Item 16.	Investment Advisory and Other Services.....Investment Advisory Services; Adviser to the Trust; Advisory Fees; State Expense Limitations; Other Related Services;

Other Services; Trust Administration;
Custodian and Portfolio Accountant;
Independent Public Accountants; Transfer
Agent.

- Item 17. Brokerage Allocation.....Brokerage Transactions.
- Item 18. Capital Stock and Other
Securities.....Massachusetts Partnership Law.
- Item 19. Purchase, Redemption and
Pricing of Securities Being
Offered.....Purchasing Shares; Distribution Plan
(Institutional Service Shares only) and
Shareholder Services Agreement;
Determining Net Asset Value; Redeeming
Shares; Valuing Municipal Securities;
Use of Amortized Cost; Redemption In
Kind.
- Item 20. Tax Status.....Tax Status; The Trust's tax Status.
- Item 21. Underwriters.....Not applicable.
- Item 22. Calculation of Performance
Data.....Total Return; Yield; Tax-Equivalent
Yield; Performance Comparisons.
- Item 23. Financial Statements.....Filed in Part A.

FEDERATED SHORT-TERM MUNICIPAL TRUST
INSTITUTIONAL SHARES

PROSPECTUS

The Institutional Shares offered by this prospectus represent interests in a diversified portfolio of securities of Federated Short-Term Municipal Trust (the "Trust"). The Trust is an open-end management investment company (a mutual fund).

The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. The Trust pursues this investment objective by investing in a portfolio of municipal securities with a dollar-weighted average maturity of less than three years.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in Institutional Shares of the Trust. Keep this prospectus for future reference.

The Trust has also filed a Statement of Additional Information for Institutional Shares and Institutional Service Shares dated August 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information or a paper copy of this prospectus, if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information, or make inquiries about the Trust, contact the Trust at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Trust is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

<TABLE>	
<S>	<C>
SUMMARY OF TRUST EXPENSES	1
FINANCIAL HIGHLIGHTS -- INSTITUTIONAL SHARES	2
GENERAL INFORMATION	3
INVESTMENT INFORMATION	3
Investment Objective	3
Investment Policies	3
Municipal Securities	5
Investment Risks	5
Investment Limitations	6
TRUST INFORMATION	6
Management of the Trust	6
Distribution of Institutional Shares	7
Administration of the Trust	8
NET ASSET VALUE	8
INVESTING IN INSTITUTIONAL SHARES	9
Share Purchases	9
Minimum Investment Required	9
What Shares Cost	9
Certificates and Confirmations	10
Dividends	10
Capital Gains	10
REDEEMING INSTITUTIONAL SHARES	10
Telephone Redemption	10
Written Requests	11
Accounts with Low Balances	11
SHAREHOLDER INFORMATION	11
Voting Rights	11
TAX INFORMATION	12
Federal Income Tax	12
State and Local Taxes	12
PERFORMANCE INFORMATION	13
OTHER CLASSES OF SHARES	13
FINANCIAL HIGHLIGHTS --	
INSTITUTIONAL SERVICE SHARES	14
FINANCIAL STATEMENTS	15
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	28
ADDRESSES	29
</TABLE>	

SUMMARY OF TRUST EXPENSES

INSTITUTIONAL SHARES
SHAREHOLDER TRANSACTION EXPENSES

<TABLE>		<C>
<S>		
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)		None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price)		None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable)		None
Redemption Fee (as a percentage of amount redeemed, if applicable)		None
Exchange Fee		None
</TABLE>		

ANNUAL OPERATING EXPENSES
(As a percentage of average net assets)

<TABLE>		<C>	<C>
<CAPTION>			
<S>			
Management Fee (after waiver) (1)			0.27%
12b-1 Fee			None
Total Other Expenses			0.20%
Shareholder Services Fee (after waiver) (2)	0.00%		
Total Operating Expenses (3)			0.47%
</TABLE>			

(1) The management fee has been reduced to reflect the waiver of a portion of the management fee. The maximum management fee is 0.40%.

(2) The maximum shareholder services fee is 0.25%.

(3) Total Trust operating expenses would have been 0.85% absent the waiver of a portion of the management fee and the shareholder services fee.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of Institutional Shares of the Trust will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Investing in Institutional Shares" and "Trust Information." Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

<TABLE>
<CAPTION>
EXAMPLE

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period	\$5	\$15	\$26	\$59

</TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

The information set forth in the foregoing table and example relates only to Institutional Shares of the Trust. The Trust also offers another class of shares called Institutional Service Shares. Institutional Shares and Institutional Service Shares are subject to certain of the same expenses; however, Institutional Service Shares are subject to a 12b-1 fee of up to 0.25%. See "Other Classes of Shares."

FEDERATED SHORT-TERM MUNICIPAL TRUST
FINANCIAL HIGHLIGHTS - INSTITUTIONAL SHARES
(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 28.

<TABLE>
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	YEAR ENDED JUNE 30,									
<S>	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.28	\$10.15	\$10.37	\$10.29	\$10.18	\$10.14	\$10.10	\$10.19	\$10.24	\$10.31
INCOME FROM INVESTMENT OPERATIONS										
Net investment income	0.43	0.42	0.40	0.44	0.53	0.60	0.60	0.57	0.54	0.51
Net realized and unrealized gain (loss) on investments	(0.04)	0.13	(0.22)	0.08	0.11	0.04	0.04	(0.09)	(0.05)	(0.07)
Total from investment operations	0.39	0.55	0.18	0.52	0.64	0.64	0.64	0.48	0.49	0.44
LESS DISTRIBUTIONS										
Distributions from net investment income	(0.43)	(0.42)	(0.40)	(0.44)	(0.53)	(0.60)	(0.60)	(0.57)	(0.54)	(0.51)
NET ASSET VALUE END OF PERIOD	\$10.24	\$10.28	\$10.15	\$10.37	\$10.29	\$10.18	\$10.14	\$10.10	\$10.19	\$10.24
TOTAL RETURN (A)	3.82%	5.52%	1.76%	5.11%	6.40%	6.47%	6.54%	4.84%	4.89%	4.37%
RATIOS TO AVERAGE NET ASSETS										
Expenses	0.47%	0.46%	0.47%	0.46%	0.46%	0.46%	0.47%	0.46%	0.47%	0.47%
Net investment income	4.14%	4.09%	3.89%	4.21%	5.12%	5.89%	5.94%	5.59%	5.25%	4.95%
Expense waiver/reimbursement (b)	0.25%	--	--	--	--	--	--	--	--	--
SUPPLEMENTAL DATA										
Net assets, end of period (000 omitted)	\$189,467	\$217,713	\$316,810	\$318,932	\$205,101	\$142,493	\$139,113	\$178,978	\$315,154	\$483,279
Portfolio turnover	20%	33%	36%	15%	42%	40%	69%	55%	63%	57%

</TABLE>

(a) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(b) This voluntary expense decrease for the shareholder services fee is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

Further information about the Trust's performance is contained in the Trust's Annual Report for the fiscal year ended June 30, 1996, which can be obtained free of charge.

GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated May 8, 1981. On December 15, 1994, the name of the Trust was changed from Short-Term Municipal Trust to Federated Short-Term Municipal Trust. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. As of the date of this prospectus, the Board of Trustees (the "Trustees") has established two classes of shares of the Trust, known as Institutional Shares and Institutional Service Shares. This prospectus relates only to Institutional Shares (the "Shares") of the Trust.

Shares of the Trust are sold primarily to accounts for which financial institutions act in a fiduciary or agency capacity, or other accounts where the financial institution maintains master accounts with an aggregate investment of at least \$400 million in certain funds which are advised or distributed by affiliates of Federated Investors. An investment in the Trust serves as a convenient means of accumulating an interest in a professionally managed, diversified portfolio of municipal securities. A minimum initial investment of \$25,000 over a 90-day period is required. The Trust may not be a suitable investment for retirement plans since it invests in municipal securities.

Shares are currently sold and redeemed at net asset value without a sales charge imposed by the Trust.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. Interest income of the Trust that is exempt from federal regular income tax retains its tax-free status when distributed to the Trust's shareholders. The Trust attempts to achieve its investment objective by investing at least 80% of its net assets in a diversified portfolio of municipal securities or by investing its assets so that at least 80% of its income will be tax-exempt. While there is no assurance that the Trust will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus. The investment objective, and the above investment policy, cannot be changed without approval of shareholders.

INVESTMENT POLICIES

The investment policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. The municipal securities in which the Trust invests are:

- * debt obligations issued by or on behalf of any state, territory, or possession of the United States, including the District of Columbia, or any political subdivision of any of these, including industrial development bonds, the interest from which is, in the opinion of bond counsel for the issuers or in the opinion of officers of the Trust and/or the investment adviser to the Trust, exempt from federal regular income tax; and
- * participation interests, as described below, in any of the above obligations.

AVERAGE MATURITY. The dollar-weighted average maturity of the Trust's portfolio of municipal securities will be less than three years. For purposes of determining the dollar-weighted average maturity of the Trust's portfolio, the maturity of a municipal security will be its ultimate maturity, unless it is probable that the issuer of the security will take advantage of maturity-shortening devices such as a call, refunding, or redemption provision, in which case the maturity date will be the date on which it is probable that the security will be called, refunded, or redeemed. If the municipal security includes the right to demand payment, the maturity of the security for purposes of determining the Trust's dollar-weighted average maturity will be the period remaining until the principal amount of the security can be recovered by exercising the right to

demand payment.

CHARACTERISTICS. The municipal securities in which the Trust invests are:

- * rated within the three highest ratings for municipal securities by Moody's Investors Service, Inc. ("Moody's") (Aaa, Aa or A) or by Standard & Poor's Ratings Group ("S&P") (AAA, AA, or A);
- * guaranteed at the time of purchase by the U.S. government as to the payment of principal and interest, such as Tax Exempt Project Notes;
- * fully collateralized by an escrow of U.S. government or other securities acceptable to the Trust's adviser;
- * rated at the time of purchase within Moody's highest short-term municipal securities rating (MIG1/VMIG1) or Moody's highest municipal commercial paper rating (P-1) or S&P's highest municipal commercial paper rating (A-1);
- * unrated if, at the time of purchase, longer term municipal securities of the issuer are rated A or better by Moody's or S&P or
- * determined by the Trust's investment adviser to be equivalent to municipal securities which are rated A or better by Moody's or by S&P.

Downgraded securities will be evaluated on a case-by-case basis by the adviser. The adviser will determine whether or not the security continues to be an acceptable investment. If not, the security will be sold. The prices of fixed income securities fluctuate inversely to the direction of interest rates. A description of the rating categories is contained in the Appendix to the Statement of Additional Information.

PARTICIPATION INTERESTS. The Trust may purchase participation interests from financial institutions such as commercial banks, savings associations, and insurance companies. These participation interests give the Trust an undivided interest in municipal securities. The financial institutions from which the Trust purchases participation interests frequently provide or secure irrevocable letters of credit or guarantees to assure that the participation interests are of high quality. The Trustees will determine that participation interests meet the prescribed quality standards for the Trust.

VARIABLE RATE MUNICIPAL SECURITIES. Some of the municipal securities which the Trust purchases may have variable interest rates. Variable interest rates are ordinarily based on a published interest rate or interest rate index or some similar standard, such as the 91-day U.S. Treasury bill rate. Variable rate municipal securities will be treated as maturing on the date of the next scheduled adjustment to the interest rate for purposes of determining the dollar-weighted average maturity of the portfolio.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Trust may purchase municipal securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Trust purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Trust to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Trust may pay more/less than the market value of the securities on the settlement date. The Trust may dispose of a commitment prior to settlement if the adviser deems it appropriate to do so. In addition, the Trust may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. The Trust may realize short-term profits or losses upon the sale of such commitments.

TEMPORARY INVESTMENTS. From time to time on a temporary basis, when the investment adviser determines that market conditions call for a temporary defensive posture, the Trust may invest in short-term temporary investments which may or may not be exempt from federal income tax. Temporary investments include: tax-exempt variable and floating rate demand notes; tax-free commercial paper; other temporary municipal securities; obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities; other debt securities; commercial paper; certificates of deposit of domestic branches of U.S. banks; and repurchase agreements (arrangements in which the organization selling the Trust a security agrees at the time of sale to repurchase it at a mutually agreed upon time and price).

There are no rating requirements applicable to temporary investments with the exception of temporary municipal securities which are subject to the same rating requirements as all other municipal securities in which the Trust invests. However, the investment adviser will limit temporary

investments to those it considers to be of comparable quality to the acceptable investments of the Trust.

Although the Trust is permitted to make taxable, temporary investments, there is no current intention of generating income subject to federal regular income tax.

MUNICIPAL SECURITIES

Municipal securities are generally issued to finance public works such as airports, bridges, highways, housing, hospitals, mass transportation projects, schools, streets, and water and sewer works. They are also issued to repay outstanding obligations, to raise funds for general operating expenses, and to make loans to other public institutions and facilities. Municipal securities include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or construct and equip facilities for privately or publicly owned corporations. The availability of this financing encourages these corporations to locate within the sponsoring communities and thereby increases local employment. The two principal classifications of municipal securities are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. Interest on and principal of revenue bonds, however, are payable only from the revenue generated by the facility financed by the bond or other specified sources of revenue. Revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority. Industrial development bonds are typically classified as revenue bonds.

INVESTMENT RISKS

Yields on municipal securities depend on a variety of factors, including: the general conditions of the money market and the taxable and municipal bond markets; the size of the particular offering; the maturity of the obligations; and the rating of the issue. The ability of the Trust to achieve its investment objective also depends on the continuing ability of the issuers of municipal securities and participation interests, or the guarantors of either, to meet their obligations for the payment of interest and principal when due.

INVESTMENT LIMITATIONS

The Trust will not:

- * Invest more than 5% of its total assets in securities of one issuer (except cash and cash items and U.S. government obligations); or
- * borrow money or pledge securities except, under certain circumstances, the Trust may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following limitations, however, can be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

The Trust will not:

- * commit more than 15% of its net assets to illiquid obligations;
- * invest more than 10% of its total assets in securities subject to restrictions on resale; or
- * invest more than 5% of its total assets in industrial development bonds of issuers that have a record of less than three years of continuous operations.

TRUST INFORMATION

MANAGEMENT OF THE TRUST

BOARD OF TRUSTEES. The Trust is managed by a Board of Trustees. The Trustees are responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board of Trustees handles the Board's responsibilities between meetings of the Board.

INVESTMENT ADVISER. Investment decisions for the Trust are made by Federated Management, the Trust's investment adviser (the "Adviser"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Trust and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Trust.

ADVISORY FEES. The Trust's Adviser receives an annual investment advisory fee equal to .40% of the Trust's average daily net assets. Under the

investment advisory contract, the Adviser will reimburse the Trust the amount, limited to the amount of the advisory fee, by which the Trust's aggregate annual operating expenses, including its investment advisory fee, but excluding interest, taxes, brokerage commissions, expenses of registering and qualifying the Trust and its shares under federal and state laws and regulations, expenses of withholding taxes, and extraordinary expenses, exceed .45% of its average daily net assets. This does not include reimbursement to the Trust of any expenses incurred by shareholders who use the transfer agent's subaccounting facilities. The Adviser has also undertaken to reimburse the Trust for operating expenses in excess of limitations established by certain states.

ADVISER'S BACKGROUND. Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors.

Jonathan C. Conley has been the Trust's portfolio manager since January 1984. Mr. Conley joined Federated Investors in 1979 and has been a Senior Vice President of the Trust's investment adviser since 1995. Mr. Conley was a Vice President of the Trust's investment adviser from 1982 to 1995. Mr. Conley is a Chartered Financial Analyst and received his M.B.A. in Finance from the University of Virginia.

Jeff A. Kozemchak has been the Trust's portfolio manager since June 1, 1996. Mr. Kozemchak joined Federated Investors in 1987 and has been a Vice President of the Trust's investment adviser since 1993. Mr. Kozemchak served as an Assistant Vice President of the investment adviser from 1990 until 1992, and from 1987 until 1990 he acted as an investment analyst. Mr. Kozemchak is a Chartered Financial Analyst and received his M.S. in Industrial Administration from Carnegie Mellon University in 1987.

Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Adviser have adopted strict codes of ethics governing the conduct of all employees who manage the Trust and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Trust's shareholders and must place the interests of shareholders ahead of the employees' own interest. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Trust; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Board of Trustees and could result in severe penalties.

DISTRIBUTION OF INSTITUTIONAL SHARES

Federated Securities Corp. is the principal distributor for Institutional Shares. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

State securities law may require certain financial institutions such as depository institutions to register as dealers.

ADMINISTRATION OF THE TRUST

ADMINISTRATIVE SERVICES. Federated Services Company, a subsidiary of Federated Investors, provides administrative personnel and services (including certain legal and financial reporting services) necessary to operate the Trust. Federated Services Company provides these at an annual rate which relates to the average aggregate daily net assets of all funds advised by subsidiaries of Federated Investors ("Federated Funds") as specified below:

<TABLE>

<CAPTION>	
MAXIMUM	AVERAGE AGGREGATE
ADMINISTRATIVE FEE	DAILY NET ASSETS
<C>	<S>
0.15 %	on the first \$250 million
0.125 %	on the next \$250 million
0.10 %	on the next \$250 million
0.075 %	on assets in excess of \$750 million

The administrative fee received during any fiscal year shall be at least \$125,000 per portfolio and \$30,000 per each additional class of shares. Federated Services Company may choose voluntarily to waive a portion of its fee.

SHAREHOLDER SERVICES. The Trust has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Trust may make payments up to .25% of the average daily net asset value of its shares, computed at an annual rate, to obtain certain personal services for shareholders and to maintain shareholder accounts. From time to time and for such periods as deemed appropriate, the amount stated above may be reduced voluntarily. Under the Shareholder Services Agreement, Federated Shareholder Services will either perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Trust and Federated Shareholder Services.

SUPPLEMENTAL PAYMENTS TO FINANCIAL INSTITUTIONS. In addition to payments made pursuant to the Distribution Plan and Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or shareholder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Trust. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Trust's investment adviser or its affiliates.

NET ASSET VALUE

The Trust's net asset value per Share fluctuates. The net asset value for Shares is determined by adding the interest of the Shares in the market value of all securities and other assets of the Trust, subtracting the interest of the Shares in the liabilities of the Trust and those attributable to Shares, and dividing the remainder by the total number of Shares outstanding. The net asset value for Shares may differ from that of Institutional Service Shares due to the variance in daily net income realized by each class. Such variance will reflect only accrued net income to which the shareholders of a particular class are entitled.

INVESTING IN INSTITUTIONAL SHARES SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange and the Federal Reserve wire system are open for business. Shares may be purchased either by wire or by mail.

To purchase Shares, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Trust reserves the right to reject any purchase request.

BY WIRE. To purchase Shares by Federal Reserve wire, call the Trust before 4:00 p.m. (Eastern time) to place an order. The order is considered received immediately. Payment by federal funds must be received before 3:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company, Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Short-Term Municipal Trust Institutional Shares; Trust Number (this number can be found on the account statement or by contacting the Trust); Group Number or Wire Order Number; Nominee or Institution Name; and ABA Number 011000028. Shares cannot be purchased on days on which the New York Stock Exchange is closed and on federal holidays restricting wire transfers. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed

on your account statement.

BY MAIL. To purchase Shares by mail, send a check made payable to Federated Short-Term Municipal Trust-Institutional Shares to: Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Orders by mail are considered received after payment by check is converted into federal funds. This is normally the next business day after the check is received.

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in Shares is \$25,000 plus any financial intermediary's fee, if applicable. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. The minimum investment for an institutional investor will be calculated by combining all accounts it maintains with the Trust. Accounts established through a financial intermediary may be subject to a smaller minimum investment.

WHAT SHARES COST

Shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Trust. Investors who purchase Shares through a financial intermediary may be charged a service fee by that financial intermediary.

The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange, Monday through Friday, except on (i) days on which there are not sufficient changes in the value of the Trust's portfolio securities that its net asset value might be materially affected; (ii) days during which no Shares are tendered for redemption and no orders to purchase Shares are received; or (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Trust, Federated Shareholder Services Company maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Trust.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Monthly confirmations are sent to report dividends paid during that month.

DIVIDENDS

Dividends are declared daily and paid monthly. Dividends are declared just prior to determining net asset value. If an order for Shares is placed on the preceding business day, Shares purchased by wire begin earning dividends on the business day wire payment is received by State Street Bank. If the order for Shares and payment by wire are received on the same day, Shares begin earning dividends on the next business day. Shares purchased by check begin earning dividends on the business day after the check is converted, upon instruction of the transfer agent, into federal funds. Dividends are automatically reinvested in additional Shares unless cash payments are requested by contacting the Trust.

CAPITAL GAINS

Distributions of net realized long-term capital gains realized by the Trust, if any, will be made at least annually.

REDEEMING INSTITUTIONAL SHARES

The Trust redeems Shares at their net asset value next determined after the Trust receives the redemption request. Investors who redeem Shares through a financial intermediary may be charged a service fee by that financial intermediary. Redemptions may be made on days on which the Trust computes its net asset value. Redemption requests must be received in proper form and can be made by telephone request or by written request.

TELEPHONE REDEMPTION

Shareholders may redeem their Shares by telephoning the Trust before 4:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. If at any time the Trust shall determine it necessary to terminate or modify this method of redemption, shareholders would be

promptly notified.

An authorization form permitting the Trust to accept telephone requests must first be completed. It is recommended that investors request this privilege at the time of their initial application. If not completed at the time of initial application, authorization forms and information on this service can be obtained through Federated Securities Corp. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Trust, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption, such as "Written Requests," should be considered.

WRITTEN REQUESTS

Shares may also be redeemed by sending a written request to Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Call the Trust for specific instructions before redeeming by letter. The shareholder will be asked to provide in the request his name, the Trust name and class of shares, his account number, and the Share or dollar amount requested. If Share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail to the address noted above.

SIGNATURES. Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Trust, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- * a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- * a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- * a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- * any other "eligible guarantor institution" as defined in the Securities Exchange Act of 1934, as amended.

The Trust does not accept signatures guaranteed by a notary public.

The Trust and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Trust may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Trust and its transfer agent reserve the right to amend these standards at any time without notice.

RECEIVING PAYMENT. Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Trust may redeem Shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000 due to shareholder redemptions. This requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Trust's net asset value. Before Shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional Shares to meet the minimum requirement.

SHAREHOLDER INFORMATION

VOTING RIGHTS

Each Share of the Trust gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of all classes of each portfolio in the Trust have equal voting rights except that in matters affecting only a particular portfolio or class, only shares of that portfolio or class are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of shareholders shall be called for this purpose

by the Trustees upon written request of shareholders owning at least 10% of the outstanding shares of the Trust entitled to vote.

TAX INFORMATION FEDERAL INCOME TAX

The Trust will pay no federal income tax because it expects to meet requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

Shareholders are not required to pay the federal regular income tax on any dividends received from the Trust that represent net interest on tax-exempt municipal bonds. However, dividends representing net interest earned on some municipal bonds may be included in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations.

The alternative minimum tax, equal to up to 28% of alternative minimum taxable income for individuals and 20% for corporations, applies when it exceeds the regular tax for the taxable year. Alternative minimum taxable income is equal to the regular taxable income of the taxpayer increased by certain "tax preference" items not included in regular taxable income and reduced by only a portion of the deductions allowed in the calculation of the regular tax.

Interest on certain "private activity" bonds issued after August 7, 1986, is treated as a tax preference item for both individuals and corporations. Unlike traditional governmental purpose municipal bonds, which finance roads, schools, libraries, prisons and other public facilities, private activity bonds provide benefits to private parties. The Trust may purchase all types of municipal bonds, including private activity bonds. Thus, while the Trust has no present intention of purchasing any private activity bonds, should it purchase any such bonds, a portion of the Trust's dividends may be treated as a tax preference item.

In addition, in the case of a corporate shareholder, dividends of the Trust which represent interest on municipal bonds may be subject to the 20% corporate alternative minimum tax because the dividends are included in a corporation's "adjusted current earnings." The corporate alternative minimum tax treats 75% of the excess of a taxpayer's pre-tax "adjusted current earnings" over the taxpayer's alternative minimum taxable income as a tax preference item. "Adjusted current earnings" is based upon the concept of a corporation's "earnings and profits." Since "earnings and profits" generally includes the full amount of any Trust dividend, and alternative minimum taxable income does not include the portion of the Trust's dividend attributable to municipal bonds which are not private activity bonds, the difference will be included in the calculation of the corporation's alternative minimum tax.

Dividends of the Trust representing net interest income earned on some temporary investments and any realized net short-term gains are taxed as ordinary income.

These tax consequences apply whether dividends are received in cash or as additional Shares. Information on the tax status of dividends and distributions is provided annually.

STATE AND LOCAL TAXES

In the opinion of Houston, Houston & Donnelly, counsel to the Trust, Trust shares may be subject to personal property taxes imposed by counties, municipalities and school districts in Pennsylvania to the extent that the portfolio securities in the Trust would be subject to such taxes if owned directly by residents of those jurisdictions. Distributions representing net interest received on tax-exempt municipal securities are not necessarily free from income taxes of any state or local taxing authority. State laws differ on this issue and shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

PERFORMANCE INFORMATION

From time to time the Trust advertises its total return, yield, and tax-equivalent yield for Institutional Shares.

Total return represents the change, over a specified period of time, in the value of an investment in Shares of the Trust after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of Shares of the Trust is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by Shares over a thirty-day period by the maximum offering price per share of Shares on the last day of the period. This number is then annualized using semi-annual compounding. The tax-equivalent yield of Shares is calculated similarly to the yield, but is adjusted to reflect the taxable yield that Shares would have had to earn to equal its actual yield, assuming a specific tax rate. The yield and the tax-equivalent yield do not necessarily reflect income actually earned by Shares and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

The Trust is sold without any sales charge or other similar non-recurring charges.

Total return, yield, and tax-equivalent yield will be calculated separately for Shares and Institutional Service Shares.

From time to time, advertisements for the Trust may refer to ratings, rankings and other information in certain financial publications and/or compare the Trust's performance to certain indices.

OTHER CLASSES OF SHARES

The Trust also offers another class of shares called Institutional Service Shares.

Institutional Service Shares are sold primarily to retail and private banking customers of financial institutions at net asset value and are subject to a minimum initial investment of \$25,000.

Institutional Shares and Institutional Service Shares are subject to certain of the same expenses; however, Institutional Service Shares are distributed pursuant to a 12b-1 Plan adopted by the Trust whereby the distributor is paid a fee of up to 0.25% of the Institutional Service Shares' average daily net assets. Expense differences between Institutional Shares and Institutional Service Shares may affect the performance of each class.

Financial institutions and brokers providing sales and/or administrative services may receive different compensation depending upon which class of shares of the Trust is sold.

The stated advisory fee is the same for both classes of shares.

To obtain more information and a prospectus for Institutional Service Shares, investors may call 1-800-341-7400.

FEDERATED SHORT-TERM MUNICIPAL TRUST FINANCIAL HIGHLIGHTS - INSTITUTIONAL SERVICE SHARES (FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 28.

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,		
	1996	1995	1994 (A)
<S>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.28	\$10.15	\$10.35
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.40	0.39	0.31
Net realized and unrealized gain (loss) on investments	(0.04)	0.13	(0.20)
Total from investment operations	0.36	0.52	0.11
LESS DISTRIBUTIONS			
Distributions from net investment income	(0.40)	(0.39)	(0.31)
NET ASSET VALUE, END OF PERIOD	\$10.24	\$10.28	\$10.15
TOTAL RETURN (B)	3.56%	5.26%	1.08%
RATIOS TO AVERAGE NET ASSETS			
Expenses	0.72%	0.71%	0.72%*
Net investment income	3.90%	3.69%	3.65%*
Expense waiver/reimbursement (c)	0.25%	0.25%	0.18%*
SUPPLEMENTAL DATA			
Net assets, end of period (000 omitted)	\$6,209	\$5,223	\$31,459
Portfolio turnover	20%	33%	36%

</TABLE>

* Computed on an annualized basis.

(a) Reflects operations for the period from August 31, 1993 (date of initial public offering) to June 30, 1994.

- (b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.
- (c) This voluntary expense decrease for the distribution services fee and shareholder services fee is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

Further information about the Trust's performance is contained in the Trust's Annual Report for the fiscal year ended June 30, 1996, which can be obtained free of charge.

FEDERATED SHORT-TERM MUNICIPAL TRUST
PORTFOLIO OF INVESTMENTS

JUNE 30, 1996

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT	<S>	CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- 99.0%			
ALABAMA -- 3.0%			
\$ 4,000,000	Alabama State, UT GO Refunding Bonds, 5.55%, 9/1/1997	AA	\$ 4,081,080
1,850,000	Alabama State, UT GO Refunding Bonds, 5.70%, 9/1/1998	AA	1,907,572
	Total		5,988,652
CALIFORNIA -- 18.1%			
4,000,000	California State, UT GO Bonds, 10.00%, 4/1/1998	Aa	4,383,440
7,500,000	California State, UT GO Bonds, 6.50%, 11/1/1997	A1	7,759,500
2,000,000	California Statewide Communities Development Authority, Certificates of Participation, 4.30% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/1998	A	1,991,640
2,000,000	California Statewide Communities Development Authority, Certificates of Participation, 4.60% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/1999	A	1,980,880
1,500,000	California Statewide Communities Development Authority, Certificates of Participation, 4.80% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/2000	A	1,485,045
13,000,000	Los Angeles, CA Wastewater System, Revenue Bonds (Series D), 6.70% (MBIA INS)/(United States Treasury PRF)/(Original Issue Yield: 6.769%), 12/1/2000 (@102)	Aaa	14,318,590
3,310,000	University of California, Hospital Revenue Refunding Bonds, 8.00% (UCLA Medical Center)/(MBIA INS), 12/1/1998	Aaa	3,593,402
	Total		35,512,497
CONNECTICUT -- 2.0%			
4,000,000	State of Connecticut Special Assessment Unemployment Compensation Advance Fund, Refunding Revenue Bonds, Series 1996A, 4.50% (AMBAC LOC)/(Original Issue Yield: 4.55%), 11/15/1999	Aaa	3,996,720

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT	<S>	CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED			
GEORGIA -- 3.2%			
\$ 2,000,000	Atlanta, GA, Airport Facilities Revenue Refunding Bonds (Series 1996), 5.25% (AMBAC INS), 1/1/1999	Aaa	\$ 2,032,360
4,060,000	Georgia State, UT GO Bonds (Series D), 8.40%, 6/1/1997	Aaa	4,231,332
	Total		6,263,692
HAWAII -- 7.9%			
5,000,000	Hawaii State, UT GO Bonds (Series BN), 7.10% (United States Treasury PRF), 6/1/1998 (@101.5)	Aaa	5,339,100
5,500,000	Hawaii State, UT GO Refunding Bonds (Series BV), 5.40% (Original Issue Yield: 5.45%), 11/1/1997	AA	5,609,065
4,500,000	Honolulu, HI City & County, UT GO Bonds (Series B), 4.80% (Original Issue Yield: 4.90%), 6/1/1998	AAA	4,548,870
	Total		15,497,035
ILLINOIS -- 3.1%			
2,900,000	Illinois State Sales Tax, Revenue Bonds (Series V),		

	5.625%, 6/15/1998	AAA	2,975,690
3,000,000	Illinois State, UT GO Bonds, 5.50%, 8/1/1999	AA-	3,075,120
	Total		6,050,810
	LOUISIANA -- 3.8%		
7,000,000	Louisiana State, Refunding GO Bonds (Series 1996A), 6.00% (FGIC INS), 8/1/2000	Aaa	7,349,440
	MICHIGAN -- 3.1%		
3,000,000	Michigan Underground Storage Tank Financial Assurance Authority, Revenue Refunding Bonds (Series I), 5.00% (AMBAC INS), 5/1/1999	Aaa	3,036,630
3,000,000	Michigan Underground Storage Tank Financial Assurance Authority, Revenue Refunding Bonds (Series I), 5.00% (AMBAC INS), 5/1/2001	Aaa	3,031,260
	Total		6,067,890

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
	SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED		
	MINNESOTA -- 2.6%		
\$ 5,000,000	Minnesota State, UT GO Refunding Bonds, 4.70%, 8/1/1997	AA+	\$ 5,049,750
	NEVADA -- 7.1%		
8,500,000	Nevada State Highway Improvement Authority, Motor Vehicle Fuel Tax Revenue Bond, 4.75% (Original Issue Yield: 4.90%), 4/1/1998	AA	8,574,375
5,000,000	Nevada State Highway Improvement Authority, Motor Vehicle Fuel Tax Revenue Bonds, 7.00%, 4/1/1999	AA	5,306,400
	Total		13,880,775
	NEW HAMPSHIRE -- 4.3%		
7,900,000	New Hampshire State Turnpike System, Revenue Bonds, 8.25% (United States Treasury PRF)/(Original Issue Yield: 8.30%), 11/1/1997 (@102)	Aaa	8,502,928
	NEW JERSEY -- 7.6%		
7,000,000	New Jersey State, UT GO Bonds, 7.20%, 4/15/1999	AA+	7,499,100
7,000,000	New Jersey State, UT GO Refunding Bonds (Series C), 6.50%, 1/15/2002	AA+	7,318,150
	Total		14,817,250
	NEW MEXICO -- 4.4%		
8,650,000	Albuquerque, NM, GO UT Bonds (Series A & B), 4.60%, 7/1/1998	AA	8,715,135
	NEW YORK -- 2.7%		
5,000,000	New York City Municipal Water Finance Authority, Water & Sewer System Revenue Bonds (Series A), 7.20%, 6/15/1999	A	5,343,700
	OHIO -- 3.7%		
3,630,000	Lucas County, OH HFA, Refunding Revenue Bonds (Series 1996), 5.00% (ProMedica Healthcare Obligated Group)/(MBIA INS), 11/15/1999	Aaa	3,677,626
3,600,000	Miami Valley Regional Transit Authority, OH, Ltd Tax GO Bonds, 4.75%, 4/15/1997	A	3,625,416
	Total		7,303,042

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
	SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED		
	OREGON -- 2.1%		
\$ 2,000,000	Oregon State Department of Transportation, Regional Light Rail Revenue Bond, Westside Project, 5.375% (MBIA INS), 6/1/1999	Aaa	\$ 2,049,320
2,000,000	Oregon State Department of Transportation, Regional Light Rail Revenue Bond, Westside Project, 5.50% (MBIA INS), 6/1/2000	Aaa	2,064,980
	Total		4,114,300
	PENNSYLVANIA -- 8.0%		
5,000,000	Commonwealth of Pennsylvania, UT GO Second Series Refunding Bonds, 4.75%, 6/15/1998	AA-	5,048,900

4,375,000	Pennsylvania Intergovernmental Coop Authority, Special Tax Revenue Bond, City of Philadelphia Funding Program, 5.40% (FGIC INS)/(Original Issue Yield: 5.50%), 6/15/1997	Aaa	4,445,350
4,000,000	Pennsylvania Intergovernmental Coop Authority, Special Tax Revenue Refunding Bonds, Philadelphia Funding Program, 5.75% (FGIC INS), 6/15/1999	Aaa	4,128,800
2,000,000	Pennsylvania State Higher Education Facilities Authority, Health Services Revenue Bonds (Series A), 4.60% (Allegheny Delaware Valley Obligated Group)/(MBIA INS)/(Original Issue Yield: 4.65%), 11/15/1999	Aaa	1,998,660
	Total		15,621,710
	TEXAS -- 6.9%		
3,000,000	Mesquite, TX Independent School District No. 1, UT GO Refunding Bonds, 7.00%, 2/15/1997	A+	3,059,700
2,425,000	Texas State Public Property Finance Corp., Revenue Refunding Bonds, 4.30% (Mental Health & Retardation, TX)/(FSA INS), 9/1/1997	Aaa	2,434,894
4,440,000	Texas State, UT GO Public Finance Authority (Series B), 8.00%, 10/1/1999	AA	4,903,492
3,000,000	Texas State, UT GO Public Finance Authority (Series C), 6.50%, 10/1/1997	AA	3,096,330
	Total		13,494,416

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
	SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED		
	WASHINGTON -- 5.4%		
\$ 3,000,000	Washington State, UT GO Bonds (Series B), 5.00%, 5/1/1998	AA	\$ 3,039,540
7,425,000	Washington State, UT GO Bonds (Series B), 5.00%, 5/1/1999	AA	7,513,654
	Total		10,553,194
	TOTAL SHORT-INTERMEDIATE MUNICIPAL SECURITIES (IDENTIFIED COST \$192,280,606)		194,122,936
	SHORT-TERM MUNICIPAL SECURITIES -- 2.6%		
	PENNSYLVANIA -- 0.3%		
600,000	Geisinger Authority, PA Health System, (Series 1992B) Daily VRDNs	AA	600,000
	PUERTO RICO -- 0.9%		
1,700,000	Puerto Rico Government Development Bank Weekly VRDNs (Credit Suisse, Zurich LOC)	AA+	1,700,000
	TEXAS -- 1.4%		
2,800,000	Harris County, TX HFDC, (Series 1994) Daily VRDNs (Methodist Hospital, Houston, TX)	AA	2,800,000
	TOTAL SHORT-TERM MUNICIPAL SECURITIES (AT AMORTIZED COST)		\$ 5,100,000
	TOTAL INVESTMENTS (IDENTIFIED COST \$197,380,606) (A)		\$ 199,222,936

(a) The cost of investments for federal tax purposes amounts to \$197,380,606. The net unrealized appreciation of investments on a federal tax basis amounts to \$1,842,330 which is comprised of \$1,893,757 appreciation and \$51,427 depreciation at June 30, 1996.

* Please refer to the Appendix of the Statement of Additional Information for an explanation of the credit ratings. Current credit ratings are unaudited.

Note: The categories of investments are shown as a percentage of net assets (\$195,676,284) at June 30, 1996.

The following acronym(s) are used throughout this portfolio:

AMBAC -- American Municipal Bond Assurance Corporation
 FGIC -- Financial Guaranty Insurance Company
 FSA -- Financial Security Assurance
 GO -- General Obligation
 HFA -- Housing Finance Authority
 HFDC -- Health Facility Development Corporation
 INS -- Insured
 LOC -- Letter of Credit
 MBIA -- Municipal Bond Investors Assurance
 PRF -- Prerefunded
 UT -- Unlimited Tax

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1996

</TABLE>

<TABLE>

<S>	<C>	<C>
ASSETS:		
Total investments in securities, at value (identified and tax cost \$197,380,606)		\$ 199,222,936
Cash		118,108
Income receivable		2,256,922
Receivable for investments sold		1,618,383
Receivable for shares sold		236,303
Total assets		203,452,652
LIABILITIES:		
Payable for investments purchased	\$ 5,709,695	
Payable for shares redeemed	1,547,752	
Income distribution payable	494,308	
Accrued expenses	24,613	
Total liabilities		7,776,368
Net Assets for 19,106,684 shares outstanding		\$ 195,676,284
NET ASSETS CONSIST OF:		
Paid in capital		\$ 200,697,688
Net unrealized appreciation of investments		1,842,330
Accumulated net realized loss on investments		(6,863,734)
Total Net Assets		\$ 195,676,284
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:		
INSTITUTIONAL SHARES:		
\$189,467,202 / 18,500,404 shares outstanding		\$10.24
INSTITUTIONAL SERVICE SHARES:		
\$6,209,082 / 606,280 shares outstanding		\$10.24

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 1996

<TABLE>

<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest			\$ 9,653,664
EXPENSES:			
Investment advisory fee		\$ 837,213	
Administrative personnel and services fee		158,326	
Custodian fees		24,310	
Transfer and dividend disbursing agent fees and expenses		50,103	
Directors'/Trustees' fees		13,381	
Auditing fees		15,957	
Legal fees		4,912	
Portfolio accounting fees		77,741	
Distribution services fee - Institutional Service Shares		14,775	
Shareholder services fee - Institutional Shares		508,483	
Shareholder services fee - Institutional Service Shares		14,775	
Share registration costs		28,147	
Printing and postage		16,909	
Insurance premiums		6,711	
Taxes		13,761	
Miscellaneous		2,076	
Total expenses		1,787,580	
Waivers --			
Waiver of investment advisory fee	\$ (266,026)		
Waiver of distribution services fee - Institutional Service Shares	(13,988)		
Waiver of shareholder services fee - Institutional Shares	(508,483)		
Waiver of shareholder services fee - Institutional Service Shares	(786)		
Total waivers		(789,283)	
Net expenses			998,297
Net investment income			8,655,367

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Net realized loss on investments	(175,989)
Net change in unrealized appreciation (depreciation) of investments	(614,249)
Net realized and unrealized gain on investments	(790,238)
Change in net assets resulting from operations	\$ 7,865,129

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1996 <C>	YEAR ENDED JUNE 30, 1995 <C>
<S>		
INCREASE (DECREASE) IN NET ASSETS: OPERATIONS --		
Net investment income	\$ 8,655,367	\$ 11,058,131
Net realized gain (loss) on investments (\$ (2,597,123) and \$1,189,491, respectively, as computed for federal tax purposes	(175,989)	(3,533,063)
Net change in unrealized appreciation (depreciation)	(614,249)	5,627,330
Change in net assets resulting from operations	7,865,129	13,152,398
DISTRIBUTIONS TO SHAREHOLDERS --		
Distributions from net investment income		
Institutional Shares	(8,424,725)	(10,679,008)
Institutional Service Shares	(230,642)	(379,123)
Change in net assets resulting from distributions to shareholders	(8,655,367)	(11,058,131)
SHARE TRANSACTIONS --		
Proceeds from sale of shares	64,151,068	51,547,320
Net asset value of shares issued to shareholders in payment of distributions declared	2,372,964	2,700,836
Cost of shares redeemed	(92,993,242)	(181,676,422)
Change in net assets resulting from share transactions	(26,469,210)	(127,428,266)
Change in net assets	(27,259,448)	(125,333,999)
NET ASSETS:		
Beginning of period	222,935,732	348,269,731
End of period	\$ 195,676,284	\$ 222,935,732

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

1. ORGANIZATION

Federated Short-Term Municipal Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. The Trust offers two classes of shares: Institutional Shares and Institutional Service Shares. The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. The Trust pursues this investment objective by investing in a portfolio of municipal securities with a dollar-weighted average maturity of less than three years.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. These policies are in conformity with generally accepted accounting principles.

INVESTMENT VALUATIONS -- Municipal bonds are valued by an independent pricing service, taking into consideration yield, liquidity, risk, credit quality, coupon, maturity, type of issue, and any other factors or market data the pricing service deems relevant. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS -- Interest income and

expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES -- It is the Trust's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

At June 30, 1996, the Trust, for federal tax purposes, had a capital loss carryforward of \$6,687,424, which will reduce the Trust's taxable income arising from future net realized gain on investments, if any, to the extent permitted by the Code, and thus will reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Trust of any liability for federal tax. Pursuant to the Code, such capital loss carryforward will expire as follows:

<TABLE>
<CAPTION>

EXPIRATION YEAR	EXPIRATION AMOUNT
1997	\$ 1,097,445
1998	\$ 1,729,378
1999	\$ 11,866
2001	\$ 62,121
2003	\$ 1,189,491
2004	\$ 2,597,123

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

Additionally, net capital losses of \$175,989 attributable to security transactions incurred after October 31, 1995 are treated as arising on July 1, 1996, the first day of the Trust's next taxable year.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS -- The Trust may engage in when-issued or delayed delivery transactions. The Trust records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated.

OTHER -- Investment transactions are accounted for on the trade date.

3. SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares.

Transactions in shares were as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
INSTITUTIONAL SHARES				
Shares sold	5,801,109	\$ 59,763,022	4,823,992	\$ 48,787,554
Shares issued to shareholders in payment of distributions declared	210,577	2,168,702	234,548	2,373,194
Shares redeemed	(8,687,459)	(89,426,238)	(15,099,319)	(152,318,952)
Net change resulting from Institutional share transactions	(2,675,773)	\$ (27,494,514)	(10,040,779)	\$ (101,158,204)

</CAPTION>

	YEAR ENDED JUNE 30,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
INSTITUTIONAL SERVICE SHARES				
Shares sold	424,713	\$ 4,388,046	272,110	\$ 2,759,766
Shares issued to shareholders in payment of				

distributions declared	19,833	204,262	32,358	327,642
Shares redeemed	(346,274)	(3,567,004)	(2,896,311)	(29,357,470)
Net change resulting from Institutional Service share transactions	98,272	\$ 1,025,304	(2,591,843)	\$ (26,270,062)
Net change resulting from share transactions	(2,577,501)	\$ (26,469,210)	(12,632,622)	\$ (127,428,266)

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

4. INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE -- Federated Management, the Trust's investment adviser, (the "Adviser"), receives for its services an annual investment advisory fee equal to 0.40% of the Trust's average daily net assets. The Adviser will waive, to the extent of its advisory fee, the amount, if any, by which the Trust's aggregate annual operating expenses (excluding interest, taxes, brokerage commissions, expenses of registering and qualifying the Trust and its shares under federal and state laws and regulations, expenses of withholding taxes, and extraordinary expenses) exceeded 0.45% of average daily net assets of the Trust.

ADMINISTRATIVE FEE -- Federated Services Company ("FServ"), under the Administrative Services Agreement, provides the Trust with administrative personnel and services. The fee paid to FServ is based on the level of average aggregate daily net assets of all funds advised by subsidiaries of Federated Investors for the period. The administrative fee received during the period of the Administrative Services Agreement shall be at least \$125,000 per portfolio and \$30,000 per each additional class of shares.

DISTRIBUTION SERVICES FEE -- The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Trust will compensate Federated Securities Corp ("FSC"), the principal distributor, from the net assets of the Trust to finance activities intended to result in the sale of the Trust's Institutional Service Shares. The Plan provides that the Trust may incur distribution expenses up to 0.25% of the average daily net assets of the Institutional Service Shares, annually, to compensate FSC. The distributor may voluntarily choose to waive any portion of its fee. The distributor can modify or terminate this voluntary waiver at any time at its sole discretion.

SHAREHOLDER SERVICES FEE -- Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Trust will pay FSS up to 0.25% of daily average net assets of the Trust for the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. For the period ended June 30, 1996, the Institutional Shares did not incur a shareholder services fee. FSS may voluntarily choose to waive any portion of its fee. FSS can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES AND EXPENSES -- FServ, through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Trust. The fee paid to FSSC is based on the size, type, and number of accounts and transactions made by shareholders.

PORTFOLIO ACCOUNTING FEES -- FServ maintains the Trust's accounting records for which it receives a fee. The fee is based on the level of the Trust's average daily net assets for the period, plus out-of-pocket expenses.

INTERFUND TRANSACTIONS -- During the period ended June 30, 1996, the Trust engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees, and/or common Officers. These purchase and sale transactions were made at current market value pursuant to Rule 17a-7 under the Act amounting to \$97,900,000 and \$90,300,000, respectively.

GENERAL -- Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

FEDERATED SHORT-TERM MUNICIPAL TRUST

5. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities (and in-kind contributions), for the period ended June 30, 1996, were as follows:

<TABLE>	
<S>	<C>
PURCHASES	\$41,436,333
SALES	\$63,412,214

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
To the Shareholders and Board of Trustees of
FEDERATED SHORT-TERM MUNICIPAL TRUST:

We have audited the accompanying statement of assets and liabilities of Federated Short-Term Municipal Trust (a Massachusetts business trust), including the schedule of portfolio of investments as of June 30, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights (see pages 2 and 14 of the prospectus) for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1996, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Short-Term Municipal Trust as of June 30, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
August 2, 1996

ADDRESSES

Federated Short-Term Municipal Trust Institutional Shares	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Distributor Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Investment Adviser Federated Management	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Custodian State Street Bank and Trust Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
Transfer Agent and Dividend Disbursing Agent Federated Shareholder Services Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
Independent Public Accountants Arthur Andersen LLP	2100 One PPG Place Pittsburgh, Pennsylvania 15222

FEDERATED SHORT-TERM
MUNICIPAL TRUST
INSTITUTIONAL SHARES

PROSPECTUS

A No-Load, Open-End, Diversified
Management Investment Company

Prospectus dated August 31, 1996

Federated Investors
[graphic]
Federated Investors Tower
Pittsburgh, PA 15222-3779
Federated Securities Corp. is the distributor of the fund
and is a subsidiary of Federated Investors.

[graphic]

Cusip 313907107
8072507A-IS (8/96)

FEDERATED SHORT-TERM MUNICIPAL TRUST
INSTITUTIONAL SERVICE SHARES

PROSPECTUS

The Institutional Service Shares offered by this prospectus represent interests in a diversified portfolio of securities of Federated Short-Term Municipal Trust (the "Trust"). The Trust is an open-end management investment company (a mutual fund).

The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. The Trust pursues this investment objective by investing in a portfolio of municipal securities with a dollar-weighted average maturity of less than three years.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in Institutional Service Shares of the Trust. Keep this prospectus for future reference.

The Trust has also filed a Statement of Additional Information for Institutional Shares and Institutional Service Shares dated August 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information or a paper copy of this prospectus, if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information, or make inquiries about the Trust, contact the Trust at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Trust is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated August 31, 1996

TABLE OF CONTENTS

<TABLE>

<S>

<C>

SUMMARY OF TRUST EXPENSES	1
FINANCIAL HIGHLIGHTS --	
INSTITUTIONAL SERVICE SHARES	2
GENERAL INFORMATION	3
INVESTMENT INFORMATION	3
Investment Objective	3
Investment Policies	3
Municipal Securities	5
Investment Risks	5
Investment Limitations	5
TRUST INFORMATION	6
Management of the Trust	6
Distribution of Institutional Service Shares	7
Administration of the Trust	8

NET ASSET VALUE	8
INVESTING IN INSTITUTIONAL SERVICE SHARES	9
Share Purchases	9
Minimum Investment Required	9
What Shares Cost	9
Certificates and Confirmations	9
Dividends	10
Capital Gains	10
REDEEMING INSTITUTIONAL SERVICE SHARES	10
Telephone Redemption	10
Written Requests	10
Accounts with Low Balances	11
SHAREHOLDER INFORMATION	11
Voting Rights	11
TAX INFORMATION	12
Federal Income Tax	12
State and Local Taxes	12
PERFORMANCE INFORMATION	13
OTHER CLASSES OF SHARES	13
FINANCIAL HIGHLIGHTS --	
INSTITUTIONAL SHARES	14
FINANCIAL STATEMENTS	15
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	28
ADDRESSES	29

</TABLE>

SUMMARY OF TRUST EXPENSES

INSTITUTIONAL SERVICE SHARES
SHAREHOLDER TRANSACTION EXPENSES

<TABLE>	
<S>	
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)	<C> None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price)	None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable)	None
Redemption Fee (as a percentage of amount redeemed, if applicable)	None
Exchange Fee	None
</TABLE>	

ANNUAL OPERATING EXPENSES
(As a percentage of average net assets)

<TABLE>	
<S>	
Management Fee (after waiver) (1)	<C> 0.27%
12b-1 Fee (after waiver) (2)	0.01%
Total Other Expenses	0.44%
Shareholder Services Fee (after waiver) (3)	0.24%
Total Operating Expenses (4)	0.72%
</TABLE>	

(1) The management fee has been reduced to reflect the waiver of a portion of the management fee. The maximum management fee is 0.40%.

(2) The maximum 12b-1 fee is 0.25%.

(3) The maximum shareholder services fee is 0.25%.

(4) Total Trust operating expenses would have been 1.10% absent the waiver of a portion of the management fee and portions of the 12b-1 and the shareholder services fee.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of Institutional Service Shares of the Trust will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Investing in Institutional Service Shares" and "Trust Information." Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

<TABLE>				
<CAPTION>				
EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period				
	\$7	\$23	\$40	\$89
</TABLE>				

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

The information set forth in the foregoing table and example relates only to Institutional Service Shares of the Trust. The Trust also offers another class of shares called Institutional Shares. Institutional Service Shares and Institutional Shares are subject to certain of the same expenses; however, Institutional Shares are not subject to a 12b-1 fee. See "Other Classes of Shares."

FEDERATED SHORT-TERM MUNICIPAL TRUST
FINANCIAL HIGHLIGHTS - INSTITUTIONAL SERVICE SHARES
(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 28.

<TABLE>

<CAPTION>

<S>	YEAR ENDED JUNE 30,		
	1996 <C>	1995 <C>	1994 (A) <C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.28	\$10.15	\$10.35
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.40	0.39	0.31
Net realized and unrealized gain (loss) on investments	(0.04)	0.13	(0.20)
Total from investment operations	0.36	0.52	0.11
LESS DISTRIBUTIONS			
Distributions from net investment income	(0.40)	(0.39)	(0.31)
NET ASSET VALUE, END OF PERIOD	\$10.24	\$10.28	\$10.15
TOTAL RETURN (B)	3.56%	5.26%	1.08%
RATIOS TO AVERAGE NET ASSETS			
Expenses	0.72%	0.71%	0.72%*
Net investment income	3.90%	3.69%	3.65%*
Expense waiver/reimbursement (c)	0.25%	0.25%	0.18%*
SUPPLEMENTAL DATA			
Net assets, end of period (000 omitted)	\$6,209	\$5,223	\$31,459
Portfolio turnover	20%	33%	36%

</TABLE>

* Computed on an annualized basis.

- (a) Reflects operations for the period from August 31, 1993 (date of initial public offering) to June 30, 1994.
- (b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.
- (c) This voluntary expense decrease for the distribution services fee and shareholder services fee is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

Further information about the Trust's performance is contained in the Trust's Annual Report for the fiscal year ended June 30, 1996, which can be obtained free of charge.

GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated May 8, 1981. On December 15, 1994, the name of the Trust was changed from Short-Term Municipal Trust to Federated Short-Term Municipal Trust. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. As of the date of this prospectus, the Board of Trustees (the "Trustees") has established two classes of shares of the Trust, known as Institutional Service Shares and Institutional Shares. This prospectus relates only to Institutional Service Shares (the "Shares") of the Trust.

Shares of the Trust are sold primarily to retail and private banking customers of financial institutions as a convenient means of accumulating an interest in a professionally managed, diversified portfolio of municipal securities. A minimum initial investment of \$25,000 over a 90-day period is required. The Trust may not be a suitable investment for retirement plans since it invests in municipal securities.

Shares are currently sold and redeemed at net asset value without a sales charge imposed by the Trust.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. Interest income of the Trust that is exempt from federal regular income tax retains its tax-free status when distributed to the Trust's shareholders. The Trust attempts to achieve its investment objective by investing at least 80% of its net assets in a diversified portfolio of municipal securities or by investing its assets so that at least 80% of its income will be tax-exempt. While there is no assurance that the Trust will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus. The investment objective, and the above investment policy, cannot be changed without approval of shareholders.

INVESTMENT POLICIES

The investment policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. The municipal securities in which the Trust invests are:

- * debt obligations issued by or on behalf of any state, territory, or possession of the United States, including the District of Columbia, or any political subdivision of any of these, including industrial development bonds, the interest from which is, in the opinion of bond counsel for the issuers or in the opinion of officers of the Trust and/or the investment adviser to the Trust, exempt from federal regular income tax; and
- * participation interests, as described below, in any of the above obligations.

AVERAGE MATURITY. The dollar-weighted average maturity of the Trust's portfolio of municipal securities will be less than three years. For purposes of determining the dollar-weighted average maturity of the Trust's portfolio, the maturity of a municipal security will be its ultimate maturity, unless it is probable that the issuer of the security will take advantage of maturity-shortening devices such as a call, refunding, or redemption provision, in which case the maturity date will be the date on which it is probable that the security will be called, refunded, or redeemed. If the municipal security includes the right to demand payment, the maturity of the security for purposes of determining the Trust's dollar-weighted average maturity will be the period remaining until the principal amount of the security can be recovered by exercising the right to demand payment.

CHARACTERISTICS. The municipal securities in which the Trust invests are:

- * rated within the three highest ratings for municipal securities by Moody's Investors Service, Inc. ("Moody's") (Aaa, Aa or A) or by Standard & Poor's Ratings Group ("S&P") (AAA, AA, or A);
- * guaranteed at the time of purchase by the U.S. government as to the payment of principal and interest, such as Tax Exempt Project Notes;
- * fully collateralized by an escrow of U.S. government or other securities acceptable to the Trust's adviser;
- * rated at the time of purchase within Moody's highest short-term municipal securities rating (MIG1/VMIG1) or Moody's highest municipal commercial paper rating (P-1) or S&P's highest municipal commercial paper rating (A-1);
- * unrated if, at the time of purchase, longer term municipal securities of the issuer are rated A or better by Moody's or S&P; or
- * determined by the Trust's investment adviser to be equivalent to municipal securities which are rated A or better by Moody's or by S&P.

Downgraded securities will be evaluated on a case by case basis by the adviser. The adviser will determine whether or not the security continues to be an acceptable investment. If not, the security will be sold. The prices of fixed income securities fluctuate inversely to the direction of interest rates. A description of the rating categories is contained in the Appendix to the Statement of Additional Information.

PARTICIPATION INTERESTS. The Trust may purchase participation interests from financial institutions such as commercial banks, savings associations, and insurance companies. These participation interests give the Trust an undivided interest in municipal securities. The financial institutions from which the Trust purchases participation interests frequently provide or

secure irrevocable letters of credit or guarantees to assure that the participation interests are of high quality. The Trustees will determine that participation interests meet the prescribed quality standards for the Trust.

VARIABLE RATE MUNICIPAL SECURITIES. Some of the municipal securities which the Trust purchases may have variable interest rates. Variable interest rates are ordinarily based on a published interest rate or interest rate index or some similar standard, such as the 91-day U.S. Treasury bill rate. Variable rate municipal securities will be treated as maturing on the date of the next scheduled adjustment to the interest rate for purposes of determining the dollar-weighted average maturity of the portfolio.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Trust may purchase municipal securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Trust purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Trust to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Trust may pay more/less than the market value of the securities on the settlement date. The Trust may dispose of a commitment prior to settlement if the adviser deems it appropriate to do so. In addition, the Trust may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. The Trust may realize short-term profits or losses upon the sale of such commitments.

TEMPORARY INVESTMENTS. From time to time on a temporary basis, when the investment adviser determines that market conditions call for a temporary defensive posture, the Trust may invest in short-term temporary investments which may or may not be exempt from federal income tax. Temporary investments include: tax-exempt variable and floating rate demand notes; tax-free commercial paper; other temporary municipal securities; obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities; other debt securities; commercial paper; certificates of deposit of domestic branches of U.S. banks; and repurchase agreements (arrangements in which the organization selling the Trust a security agrees at the time of sale to repurchase it at a mutually agreed upon time and price).

There are no rating requirements applicable to temporary investments with the exception of temporary municipal securities which are subject to the same rating requirements as all other municipal securities in which the Trust invests. However, the investment adviser will limit temporary investments to those it considers to be of comparable quality to the acceptable investments of the Trust.

Although the Trust is permitted to make taxable, temporary investments, there is no current intention of generating income subject to federal regular income tax.

MUNICIPAL SECURITIES

Municipal securities are generally issued to finance public works such as airports, bridges, highways, housing, hospitals, mass transportation projects, schools, streets, and water and sewer works. They are also issued to repay outstanding obligations, to raise funds for general operating expenses, and to make loans to other public institutions and facilities. Municipal securities include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or construct and equip facilities for privately or publicly owned corporations. The availability of this financing encourages these corporations to locate within the sponsoring communities and thereby increases local employment. The two principal classifications of municipal securities are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. Interest on and principal of revenue bonds, however, are payable only from the revenue generated by the facility financed by the bond or other specified sources of revenue. Revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority. Industrial development bonds are typically classified as revenue bonds.

INVESTMENT RISKS

Yields on municipal securities depend on a variety of factors, including: the general conditions of the money market and the taxable and municipal bond markets; the size of the particular offering; the maturity of the

obligations; and the rating of the issue. The ability of the Trust to achieve its investment objective also depends on the continuing ability of the issuers of municipal securities and participation interests, or the guarantors of either, to meet their obligations for the payment of interest and principal when due.

INVESTMENT LIMITATIONS

Investment Limitations

The Trust will not:

- * Invest more than 5% of its total assets in securities of one issuer (except cash and cash items and U.S. government obligations); or
- * borrow money or pledge securities except, under certain circumstances, the Trust may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following limitations, however, can be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

The Trust will not:

- * commit more than 15% of its net assets to illiquid obligations;
- * invest more than 10% of its total assets in securities subject to restrictions on resale; or
- * invest more than 5% of its total assets in industrial development bonds of issuers that have a record of less than three years of continuous operations.

TRUST INFORMATION

MANAGEMENT OF THE TRUST

BOARD OF TRUSTEES. The Trust is managed by a Board of Trustees. The Trustees are responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The Executive Committee of the Board of Trustees handles the Board's responsibilities between meetings of the Board.

INVESTMENT ADVISER. Investment decisions for the Trust are made by Federated Management, the Trust's investment adviser (the "Adviser"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Trust and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Trust.

ADVISORY FEES. The Trust's Adviser receives an annual investment advisory fee equal to .40% of the Trust's average daily net assets. Under the investment advisory contract, the Adviser will reimburse the Trust the amount, limited to the amount of the advisory fee, by which the Trust's aggregate annual operating expenses, including its investment advisory fee, but excluding interest, taxes, brokerage commissions, expenses of registering and qualifying the Trust and its shares under federal and state laws and regulations, expenses of withholding taxes, and extraordinary expenses, exceed .45% of its average daily net assets. This does not include reimbursement to the Trust of any expenses incurred by shareholders who use the transfer agent's subaccounting facilities. The Adviser has also undertaken to reimburse the Trust for operating expenses in excess of limitations established by certain states.

ADVISER'S BACKGROUND. Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors.

Jonathan C. Conley has been the Trust's portfolio manager since January 1984. Mr. Conley joined Federated Investors in 1979 and has been a Senior Vice President of the Trust's investment adviser since 1995. Mr. Conley was a Vice President of the Trust's investment adviser from 1982 to 1995. Mr. Conley is a Chartered Financial Analyst and received his M.B.A. in Finance from the University of Virginia.

Jeff A. Kozemchak has been the Trust's portfolio manager since June 1, 1996. Mr. Kozemchak joined Federated Investors in 1987 and has been a Vice President of the Trust's investment adviser since 1993. Mr. Kozemchak served as an Assistant Vice President of the investment adviser from 1990 until 1992, and from 1987 until 1990 he acted as an investment analyst. Mr. Kozemchak is a Chartered Financial Analyst and received his M.S. in

Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Adviser have adopted strict codes of ethics governing the conduct of all employees who manage the Trust and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Trust's shareholders and must place the interests of shareholders ahead of the employees' own interest. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Trust; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Board of Trustees and could result in severe penalties.

DISTRIBUTION OF INSTITUTIONAL SERVICE SHARES

Federated Securities Corp. is the principal distributor for Institutional Service Shares. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

State securities laws may require certain financial institutions such as depository institutions to register as dealers.

DISTRIBUTION PLAN AND SHAREHOLDER SERVICES. Under a distribution plan adopted in accordance with Rule 12b-1 under the Investment Company Act of 1940 (the "Plan"), the distributor may be paid a fee by the Trust in an amount computed at an annual rate of up to .25% of the average daily net asset value of the Shares. The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales services or distribution-related support services as agents for their clients or customers.

The Plan is a compensation-type plan. As such, the Trust makes no payments to the distributor except as described above. Therefore, the Trust does not pay for unreimbursed expenses of the distributor, including amounts expended by the distributor in excess of amounts received by it from the Trust, interest, carrying, or other financing charges in connection with excess amounts expended, or the distributor's overhead expenses. However, the distributor may be able to recover such amounts or may earn a profit from future payments made by the Trust under the Plan.

In addition, the Trust has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Trust may make payments up to .25% of the average daily net asset value of its shares to obtain certain personal services for shareholders and to maintain shareholder accounts. From time to time and for such periods as deemed appropriate, the amount stated above may be reduced voluntarily. Under the Shareholder Services Agreement, Federated Shareholder Services will either perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which fees will be paid will be determined from time to time by the Trust and Federated Shareholder Services.

SUPPLEMENTAL PAYMENTS TO FINANCIAL INSTITUTIONS. In addition to payments made pursuant to the Distribution Plan and Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or shareholder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Trust. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial

institution. Any payments made by the distributor may be reimbursed by the Trust's investment adviser or its affiliates.

ADMINISTRATION OF THE TRUST

ADMINISTRATIVE SERVICES. Federated Services Company, a subsidiary of Federated Investors, provides administrative personnel and services (including certain legal and financial reporting services) necessary to operate the Trust. Federated Services Company provides these at an annual rate which relates to the average aggregate daily net assets of all funds advised by subsidiaries of Federated Investors ("Federated Funds") as specified below:

MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS
0.15%	on the first \$250 million
0.125%	on the next \$250 million
0.10%	on the next \$250 million
0.075%	on assets in excess of \$750 million

The administrative fee received during any fiscal year shall be at least \$125,000 per portfolio and \$30,000 per each additional class of shares. Federated Services Company may choose voluntarily to waive a portion of its fee.

NET ASSET VALUE

The Trust's net asset value per Share fluctuates. The net asset value for Shares is determined by adding the interest of the Shares in the market value of all securities and other assets of the Trust, subtracting the interest of the Shares in the liabilities of the Trust and those attributable to Shares, and dividing the remainder by the total number of Shares outstanding. The net asset value for Shares may differ from that of Institutional Shares due to the variance in daily net income realized by each class. Such variance will reflect only accrued net income to which the shareholders of a particular class are entitled.

INVESTING IN INSTITUTIONAL SERVICE SHARES

SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange and the Federal Reserve wire system are open for business. Shares may be purchased either by wire or by mail.

To purchase Shares, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Trust reserves the right to reject any purchase request.

BY WIRE. To purchase Shares by Federal Reserve wire, call the Trust before 4:00 p.m. (Eastern time) to place an order. The order is considered received immediately. Payment by federal funds must be received before 3:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company, Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Short-Term Municipal Trust Institutional Service Shares; Trust Number (this number can be found on the account statement or by contacting the Trust); Group Number or Wire Order Number; Nominee or Institution Name; and ABA Number 011000028. Shares cannot be purchased on days on which the New York Stock Exchange is closed and on federal holidays restricting wire transfers. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed on your account statement.

BY MAIL. To purchase Shares by mail, send a check made payable to Federated Short-Term Municipal Trust-Institutional Service Shares to: Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Orders by mail are considered received when payment by check is converted into federal funds. This is normally the next business day after the check is received.

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in Shares is \$25,000 plus any financial intermediary's fee, if applicable. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. The

minimum investment for an institutional investor will be calculated by combining all accounts it maintains with the Trust. Accounts established through a financial intermediary may be subject to a smaller minimum investment.

WHAT SHARES COST

Shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Trust. Investors who purchase Shares through a financial intermediary may be charged an additional service fee by that financial intermediary.

The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange Monday through Friday, except on (i) days on which there are not sufficient changes in the value of the Trust's portfolio securities that its net asset value might be materially affected; (ii) days during which no Shares are tendered for redemption and no orders to purchase Shares are received; or (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Trust, Federated Shareholder Services Company maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Trust.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Monthly confirmations are sent to report dividends paid during that month.

DIVIDENDS

Dividends are declared daily and paid monthly. Dividends are declared just prior to determining net asset value. If an order for Shares is placed on the preceding business day, Shares purchased by wire begin earning dividends on the business day wire payment is received by State Street Bank. If the order for Shares and payment by wire are received on the same day, Shares begin earning dividends on the next business day. Shares purchased by check begin earning dividends on the business day after the check is converted, upon instruction of the transfer agent, into federal funds. Dividends are automatically reinvested in additional Shares unless cash payments are requested by contacting the Trust.

CAPITAL GAINS

Distributions of net realized long-term capital gains realized by the Trust, if any, will be made at least annually.

REDEEMING INSTITUTIONAL SERVICE SHARES

The Trust redeems Shares at their net asset value next determined after the Trust receives the redemption request. Investors who redeem Shares through a financial intermediary may be charged a service fee by that financial intermediary. Redemptions may be made on days on which the Trust computes its net asset value. Redemption requests must be received in proper form and can be made by telephone request or by written request.

TELEPHONE REDEMPTION

Shareholders may redeem their Shares by telephoning the Trust before 4:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. If at any time the Trust shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting the Trust to accept telephone requests must first be completed. It is recommended that investors request this privilege at the time of their initial application. If not completed at the time of initial application, authorization forms and information on this service can be obtained through Federated Securities Corp. Telephone redemption instructions may be recorded. If reasonable procedures are not followed by the Trust, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption, such as "Written Requests," should be

considered.

WRITTEN REQUESTS

Shares may also be redeemed by sending a written request to Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Call the Trust for specific instructions before redeeming by letter. The shareholder will be asked to provide in the request his name, the Trust name and class of shares, his account number, and the share or dollar amount requested. If Share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail to the address noted above.

SIGNATURES. Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Trust, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- * a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- * a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- * a savings bank or savings and loan association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- * any other "eligible guarantor institution" as defined in the Securities Exchange Act of 1934, as amended.

The Trust does not accept signatures guaranteed by a notary public.

The Trust and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Trust may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Trust and its transfer agent reserve the right to amend these standards at any time without notice.

RECEIVING PAYMENT. Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Trust may redeem Shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000 due to shareholder redemptions. This requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Trust's net asset value. Before Shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional Shares to meet the minimum requirement.

SHAREHOLDER INFORMATION

VOTING RIGHTS

Each Share of the Trust gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of all classes of each portfolio in the Trust have equal voting rights except that in matters affecting only a particular portfolio or class only shares of that portfolio or class are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of shareholders shall be called for this purpose by the Trustees upon written request of shareholders owning at least 10% of the outstanding shares of the Trust entitled to vote.

TAX INFORMATION

FEDERAL INCOME TAX

The Trust will pay no federal income tax because it expects to meet requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

Shareholders are not required to pay the federal regular income tax on any

dividends received from the Trust that represent net interest on tax-exempt municipal bonds. However, dividends representing net interest earned on some municipal bonds may be included in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations.

The alternative minimum tax, equal to up to 28% of alternative minimum taxable income for individuals and 20% for corporations, applies when it exceeds the regular tax for the taxable year. Alternative minimum taxable income is equal to the regular taxable income of the taxpayer increased by certain "tax preference" items not included in regular taxable income and reduced by only a portion of the deductions allowed in the calculation of the regular tax.

Interest on certain "private activity" bonds issued after August 7, 1986, is treated as a tax preference item for both individuals and corporations. Unlike traditional governmental purpose municipal bonds, which finance roads, schools, libraries, prisons and other public facilities, private activity bonds provide benefits to private parties. The Trust may purchase all types of municipal bonds, including private activity bonds. Thus, while the Trust has no present intention of purchasing any private activity bonds, should it purchase any such bonds, a portion of the Trust's dividends may be treated as a tax preference item.

In addition, in the case of a corporate shareholder, dividends of the Trust which represent interest on municipal bonds may be subject to the 20% corporate alternative minimum tax because the dividends are included in a corporation's "adjusted current earnings." The corporate alternative minimum tax treats 75% of the excess of a taxpayer's pre-tax "adjusted current earnings" over the taxpayer's alternative minimum taxable income as a tax preference item. "Adjusted current earnings" is based upon the concept of a corporation's "earnings and profits." Since "earnings and profits" generally includes the full amount of any Trust dividend, and alternative minimum taxable income does not include the portion of the Trust's dividend attributable to municipal bonds which are not private activity bonds, the difference will be included in the calculation of the corporation's alternative minimum tax.

Dividends of the Trust representing net interest income earned on some temporary investments and any realized net short-term gains are taxed as ordinary income.

These tax consequences apply whether dividends are received in cash or as additional Shares. Information on the tax status of dividends and distributions is provided annually.

STATE AND LOCAL TAXES

In the opinion of Houston, Houston & Donnelly, counsel to the Trust, Trust shares may be subject to personal property taxes imposed by counties, municipalities and school districts in Pennsylvania to the extent that the portfolio securities in the Trust would be subject to such taxes if owned directly by residents of those jurisdictions.

Distributions representing net interest received on tax-exempt municipal securities are not necessarily free from income taxes of any state or local taxing authority. State laws differ on this issue and shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

PERFORMANCE INFORMATION

From time to time the Trust advertises its total return, yield, and tax-equivalent yield for Institutional Service Shares.

Total return represents the change, over a specific period of time, in the value of an investment in Shares of the Trust after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of Shares of the Trust is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by Shares over a thirty-day period by the maximum offering price per share of Shares on the last day of the period. This number is then annualized using semi-annual compounding. The tax-equivalent yield of Shares is calculated similarly to the yield, but is adjusted to reflect the taxable yield that Shares would have had to earn to equal its actual yield, assuming a specific tax rate. The yield and the tax-equivalent yield do not necessarily reflect income actually earned by Shares and, therefore, may not correlate to the dividends or other distributions paid to

shareholders.

The Trust is sold without any sales charge or other similar non-recurring charges.

Total return, yield, and tax-equivalent yield will be calculated separately for Shares and Institutional Shares.

From time to time, advertisements for the Trust may refer to ratings, rankings and other information in certain financial publications and/or compare the Trust's performance to certain indices.

OTHER CLASSES OF SHARES

The Trust also offers another class of shares called Institutional Shares.

Institutional Shares are sold primarily to accounts for which financial institutions act in a fiduciary or agency capacity, or other accounts where the financial institution maintains master accounts with an aggregate investment of at least \$400 million in certain funds which are advised or distributed by affiliates of Federated Investors.

Institutional Service Shares and Institutional Shares are subject to certain of the same expenses; however, Institutional Shares are sold at net asset value, distributed without a 12b-1 Plan, and are subject to a minimum initial investment of \$25,000. Expense differences between Institutional Service Shares and Institutional Shares may affect the performance of each class.

Financial institutions and brokers providing sales and/or administrative services may receive different compensation depending upon which class of shares of the Trust is sold.

The stated advisory fee is the same for both classes of shares.

To obtain more information and a prospectus for Institutional Shares, investors may call 1-800-341-7400.

FEDERATED SHORT-TERM MUNICIPAL TRUST FINANCIAL HIGHLIGHTS - INSTITUTIONAL SHARES (FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 28.

<TABLE>

<CAPTION>

<S>	YEAR ENDED JUNE 30,									
	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.28	\$10.15	\$10.37	\$10.29	\$10.18	\$10.14	\$10.10	\$10.19	\$10.24	\$10.31
INCOME FROM INVESTMENT OPERATIONS										
Net investment income	0.43	0.42	0.40	0.44	0.53	0.60	0.60	0.57	0.54	0.51
Net realized and unrealized gain (loss) on investments	(0.04)	0.13	(0.22)	0.08	0.11	0.04	0.04	(0.09)	(0.05)	(0.07)
Total from investment operations	0.39	0.55	0.18	0.52	0.64	0.64	0.64	0.48	0.49	0.44
LESS DISTRIBUTIONS										
Distributions from net investment income	(0.43)	(0.42)	(0.40)	(0.44)	(0.53)	(0.60)	(0.60)	(0.57)	(0.54)	(0.51)
NET ASSET VALUE END OF PERIOD	\$10.24	\$10.28	\$10.15	\$10.37	\$10.29	\$10.18	\$10.14	\$10.10	\$10.19	\$10.24
TOTAL RETURN(A)	3.82%	5.52%	1.76%	5.11%	6.40%	6.47%	6.54%	4.84%	4.89%	4.37%
RATIOS TO AVERAGE NET ASSETS										
Expenses	0.47%	0.46%	0.47%	0.46%	0.46%	0.46%	0.47%	0.46%	0.47%	0.47%
Net investment income	4.14%	4.09%	3.89%	4.21%	5.12%	5.89%	5.94%	5.59%	5.25%	4.95%
Expense waiver/ reimbursement (b)	0.25%	--	--	--	--	--	--	--	--	--
SUPPLEMENTAL DATA										
Net assets, end of period										

(000 omitted)	\$189,467	\$217,713	\$316,810	\$318,932	\$205,101	\$142,493	\$139,113	\$178,978	\$315,154	\$483,279
Portfolio turnover	20%	33%	36%	15%	42%	40%	69%	55%	63%	57%

- (a) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.
- (b) This voluntary expense decrease for the shareholder services fee is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

Further information about the Trust's performance is contained in the Trust's Annual Report for the fiscal year ended June 30, 1996, which can be obtained free of charge.

FEDERATED SHORT-TERM MUNICIPAL TRUST
PORTFOLIO OF INVESTMENTS

JUNE 30, 1996

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- 99.0%			
ALABAMA -- 3.0%			
\$ 4,000,000	Alabama State, UT GO Refunding Bonds, 5.55%, 9/1/1997	AA	\$ 4,081,080
1,850,000	Alabama State, UT GO Refunding Bonds, 5.70%, 9/1/1998	AA	1,907,572
	Total		5,988,652
CALIFORNIA -- 18.1%			
4,000,000	California State, UT GO Bonds, 10.00%, 4/1/1998	Aa	4,383,440
7,500,000	California State, UT GO Bonds, 6.50%, 11/1/1997	A1	7,759,500
2,000,000	California Statewide Communities Development Authority, Certificates of Participation, 4.30% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/1998	A	1,991,640
2,000,000	California Statewide Communities Development Authority, Certificates of Participation, 4.60% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/1999	A	1,980,880
1,500,000	California Statewide Communities Development Authority, Certificates of Participation, 4.80% (Queen of Angels-Hollywood Presbyterian Medical Center), 1/1/2000	A	1,485,045
13,000,000	Los Angeles, CA Wastewater System, Revenue Bonds (Series D), 6.70% (MBIA INS)/(United States Treasury PRF)/(Original Issue Yield: 6.769%), 12/1/2000 (@102)	Aaa	14,318,590
3,310,000	University of California, Hospital Revenue Refunding Bonds, 8.00% (UCLA Medical Center)/(MBIA INS), 12/1/1998	Aaa	3,593,402
	Total		35,512,497
CONNECTICUT -- 2.0%			
4,000,000	State of Connecticut Special Assessment Unemployment Compensation Advance Fund, Refunding Revenue Bonds, Series 1996A, 4.50% (AMBAC LOC)/(Original Issue Yield: 4.55%), 11/15/1999	Aaa	3,996,720

FEDERATED SHORT-TERM MUNICIPAL TRUST

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED			
GEORGIA -- 3.2%			
\$ 2,000,000	Atlanta, GA, Airport Facilities Revenue Refunding Bonds (Series 1996), 5.25% (AMBAC INS), 1/1/1999	Aaa	\$ 2,032,360
4,060,000	Georgia State, UT GO Bonds (Series D), 8.40%, 6/1/1997	Aaa	4,231,332
	Total		6,263,692
HAWAII -- 7.9%			
5,000,000	Hawaii State, UT GO Bonds (Series BN), 7.10% (United States Treasury PRF), 6/1/1998 (@101.5)	Aaa	5,339,100
5,500,000	Hawaii State, UT GO Refunding Bonds (Series BV), 5.40% (Original Issue Yield: 5.45%), 11/1/1997	AA	5,609,065
4,500,000	Honolulu, HI City & County, UT GO Bonds (Series B), 4.80% (Original Issue Yield: 4.90%), 6/1/1998	AAA	4,548,870

	Total		15,497,035
	ILLINOIS -- 3.1%		
2,900,000	Illinois State Sales Tax, Revenue Bonds (Series V), 5.625%, 6/15/1998	AAA	2,975,690
3,000,000	Illinois State, UT GO Bonds, 5.50%, 8/1/1999	AA-	3,075,120
	Total		6,050,810
	LOUISIANA -- 3.8%		
7,000,000	Louisiana State, Refunding GO Bonds (Series 1996A), 6.00% (FGIC INS), 8/1/2000	Aaa	7,349,440
	MICHIGAN -- 3.1%		
3,000,000	Michigan Underground Storage Tank Financial Assurance Authority, Revenue Refunding Bonds (Series I), 5.00% (AMBAC INS), 5/1/1999	Aaa	3,036,630
3,000,000	Michigan Underground Storage Tank Financial Assurance Authority, Revenue Refunding Bonds (Series I), 5.00% (AMBAC INS), 5/1/2001	Aaa	3,031,260
	Total		6,067,890

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
	SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED		
	MINNESOTA -- 2.6%		
\$ 5,000,000	Minnesota State, UT GO Refunding Bonds, 4.70%, 8/1/1997	AA+	\$ 5,049,750
	NEVADA -- 7.1%		
8,500,000	Nevada State Highway Improvement Authority, Motor Vehicle Fuel Tax Revenue Bond, 4.75% (Original Issue Yield: 4.90%), 4/1/1998	AA	8,574,375
5,000,000	Nevada State Highway Improvement Authority, Motor Vehicle Fuel Tax Revenue Bonds, 7.00%, 4/1/1999	AA	5,306,400
	Total		13,880,775
	NEW HAMPSHIRE -- 4.3%		
7,900,000	New Hampshire State Turnpike System, Revenue Bonds, 8.25% (United States Treasury PRF)/(Original Issue Yield: 8.30%), 11/1/1997 (@102)	Aaa	8,502,928
	NEW JERSEY -- 7.6%		
7,000,000	New Jersey State, UT GO Bonds, 7.20%, 4/15/1999	AA+	7,499,100
7,000,000	New Jersey State, UT GO Refunding Bonds (Series C), 6.50%, 1/15/2002	AA+	7,318,150
	Total		14,817,250
	NEW MEXICO -- 4.4%		
8,650,000	Albuquerque, NM, GO UT Bonds (Series A & B), 4.60%, 7/1/1998	AA	8,715,135
	NEW YORK -- 2.7%		
5,000,000	New York City Municipal Water Finance Authority, Water & Sewer System Revenue Bonds (Series A), 7.20%, 6/15/1999	A	5,343,700
	OHIO -- 3.7%		
3,630,000	Lucas County, OH HFA, Refunding Revenue Bonds (Series 1996), 5.00% (ProMedica Healthcare Obligated Group)/(MBIA INS), 11/15/1999	Aaa	3,677,626
3,600,000	Miami Valley Regional Transit Authority, OH, Ltd Tax GO Bonds, 4.75%, 4/15/1997	A	3,625,416
	Total		7,303,042

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING*	VALUE
<C>	<S>	<C>	<C>
	SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED		
	OREGON -- 2.1%		
\$ 2,000,000	Oregon State Department of Transportation, Regional Light Rail Revenue Bond, Westside Project, 5.375% (MBIA INS), 6/1/1999	Aaa	\$ 2,049,320
2,000,000	Oregon State Department of Transportation, Regional Light Rail Revenue Bond, Westside Project, 5.50% (MBIA INS), 6/1/2000	Aaa	2,064,980
	Total		4,114,300

PRINCIPAL AMOUNT	DESCRIPTION	CREDIT RATING*	VALUE
PENNSYLVANIA -- 8.0%			
5,000,000	Commonwealth of Pennsylvania, UT GO Second Series Refunding Bonds, 4.75%, 6/15/1998	AA-	5,048,900
4,375,000	Pennsylvania Intergovernmental Coop Authority, Special Tax Revenue Bond, City of Philadelphia Funding Program, 5.40% (FGIC INS)/(Original Issue Yield: 5.50%), 6/15/1997	Aaa	4,445,350
4,000,000	Pennsylvania Intergovernmental Coop Authority, Special Tax Revenue Refunding Bonds, Philadelphia Funding Program, 5.75% (FGIC INS), 6/15/1999	Aaa	4,128,800
2,000,000	Pennsylvania State Higher Education Facilities Authority, Health Services Revenue Bonds (Series A), 4.60% (Allegheny Delaware Valley Obligated Group)/(MBIA INS)/(Original Issue Yield: 4.65%), 11/15/1999	Aaa	1,998,660
	Total		15,621,710
TEXAS -- 6.9%			
3,000,000	Mesquite, TX Independent School District No. 1, UT GO Refunding Bonds, 7.00%, 2/15/1997	A+	3,059,700
2,425,000	Texas State Public Property Finance Corp., Revenue Refunding Bonds, 4.30% (Mental Health & Retardation, TX)/(FSA INS), 9/1/1997	Aaa	2,434,894
4,440,000	Texas State, UT GO Public Finance Authority (Series B), 8.00%, 10/1/1999	AA	4,903,492
3,000,000	Texas State, UT GO Public Finance Authority (Series C), 6.50%, 10/1/1997	AA	3,096,330
	Total		13,494,416

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT	DESCRIPTION	CREDIT RATING*	VALUE
SHORT-INTERMEDIATE MUNICIPAL SECURITIES -- CONTINUED			
WASHINGTON -- 5.4%			
\$ 3,000,000	Washington State, UT GO Bonds (Series B), 5.00%, 5/1/1998	AA	\$ 3,039,540
7,425,000	Washington State, UT GO Bonds (Series B), 5.00%, 5/1/1999	AA	7,513,654
	Total		10,553,194
	TOTAL SHORT-INTERMEDIATE MUNICIPAL SECURITIES (IDENTIFIED COST \$192,280,606)		194,122,936
SHORT-TERM MUNICIPAL SECURITIES -- 2.6%			
PENNSYLVANIA -- 0.3%			
600,000	Geisinger Authority, PA Health System, (Series 1992B) Daily VRDNs	AA	600,000
PUERTO RICO -- 0.9%			
1,700,000	Puerto Rico Government Development Bank Weekly VRDNs (Credit Suisse, Zurich LOC)	AA+	1,700,000
TEXAS -- 1.4%			
2,800,000	Harris County, TX HFDC, (Series 1994) Daily VRDNs (Methodist Hospital, Houston, TX)	AA	2,800,000
	TOTAL SHORT-TERM MUNICIPAL SECURITIES (AT AMORTIZED COST)		\$ 5,100,000
	TOTAL INVESTMENTS (IDENTIFIED COST \$197,380,606) (A)		\$ 199,222,936

</TABLE>

(a) The cost of investments for federal tax purposes amounts to \$197,380,606. The net unrealized appreciation of investments on a federal tax basis amounts to \$1,842,330 which is comprised of \$1,893,757 appreciation and \$51,427 depreciation at June 30, 1996.

* Please refer to the Appendix of the Statement of Additional Information for an explanation of the credit ratings. Current credit ratings are unaudited.

Note: The categories of investments are shown as a percentage of net assets (\$195,676,284) at June 30, 1996.

The following acronym(s) are used throughout this portfolio:

AMBAC -- American Municipal Bond Assurance Corporation
 FGIC -- Financial Guaranty Insurance Company
 FSA -- Financial Security Assurance
 GO -- General Obligation
 HFA -- Housing Finance Authority
 HFDC -- Health Facility Development Corporation

INS -- Insured
 LOC -- Letter of Credit
 MBIA -- Municipal Bond Investors Assurance
 PRF -- Prerefunded
 UT -- Unlimited Tax
 VRDns -- Variable Rate Demand Notes

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
 STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1996

<TABLE>

<S>	<C>	<C>
ASSETS:		
Total investments in securities, at value (identified and tax cost \$197,380,606)		\$199,222,936
Cash		118,108
Income receivable		2,256,922
Receivable for investments sold		1,618,383
Receivable for shares sold		236,303
Total assets		203,452,652
LIABILITIES:		
Payable for investments purchased	\$ 5,709,695	
Payable for shares redeemed	1,547,752	
Income distribution payable	494,308	
Accrued expenses	24,613	
Total liabilities		7,776,368
Net Assets for 19,106,684 shares outstanding		\$195,676,284
NET ASSETS CONSIST OF:		
Paid in capital		\$200,697,688
Net unrealized appreciation of investments		1,842,330
Accumulated net realized loss on investments		(6,863,734)
Total Net Assets		\$195,676,284
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:		
INSTITUTIONAL SHARES:		
\$189,467,202 / 18,500,404 shares outstanding		\$10.24
INSTITUTIONAL SERVICE SHARES:		
\$6,209,082 / 606,280 shares outstanding		\$10.24

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
 STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 1996

<TABLE>

<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest			\$9,653,664
EXPENSES:			
Investment advisory fee		\$ 837,213	
Administrative personnel and services fee		158,326	
Custodian fees		24,310	
Transfer and dividend disbursing agent fees and expenses		50,103	
Directors'/Trustees' fees		13,381	
Auditing fees		15,957	
Legal fees		4,912	
Portfolio accounting fees		77,741	
Distribution services fee - Institutional Service Shares		14,775	
Shareholder services fee - Institutional Shares		508,483	
Shareholder services fee - Institutional Service Shares		14,775	
Share registration costs		28,147	
Printing and postage		16,909	
Insurance premiums		6,711	
Taxes		13,761	
Miscellaneous		2,076	
Total expenses		1,787,580	
Waivers --			
Waiver of investment advisory fee	\$ (266,026)		
Waiver of distribution services fee			

- Institutional Service Shares	(13,988)		
Waiver of shareholder services fee			
- Institutional Shares	(508,483)		
Waiver of shareholder services fee			
- Institutional Service Shares	(786)		
Total waivers		(789,283)	
Net expenses			998,297
Net investment income			8,655,367
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized loss on investments			(175,989)
Net change in unrealized appreciation (depreciation) of investments			(614,249)
Net realized and unrealized gain on investments			(790,238)
Change in net assets resulting from operations			\$ 7,865,129

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS --		
Net investment income	\$ 8,655,367	\$ 11,058,131
Net realized gain (loss) on investments (\$ (2,597,123) and \$1,189,491, respectively, as computed for federal tax purposes)	(175,989)	(3,533,063)
Net change in unrealized appreciation (depreciation)	(614,249)	5,627,330
Change in net assets resulting from operations	7,865,129	13,152,398
DISTRIBUTIONS TO SHAREHOLDERS --		
Distributions from net investment income		
Institutional Shares	(8,424,725)	(10,679,008)
Institutional Service Shares	(230,642)	(379,123)
Change in net assets resulting from distributions to shareholders	(8,655,367)	(11,058,131)
SHARE TRANSACTIONS --		
Proceeds from sale of shares	64,151,068	51,547,320
Net asset value of shares issued to shareholders in payment of distributions declared	2,372,964	2,700,836
Cost of shares redeemed	(92,993,242)	(181,676,422)
Change in net assets resulting from share transactions	(26,469,210)	(127,428,266)
Change in net assets	(27,259,448)	(125,333,999)
NET ASSETS:		
Beginning of period	222,935,732	348,269,731
End of period	\$195,676,284	\$222,935,732

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED SHORT-TERM MUNICIPAL TRUST
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

1. ORGANIZATION

Federated Short-Term Municipal Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. The Trust offers two classes of shares: Institutional Shares and Institutional Service Shares. The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax. The Trust pursues this investment objective by investing in a portfolio of municipal securities with a dollar-weighted average maturity of less than three years.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. These policies are in conformity with generally accepted accounting principles.

INVESTMENT VALUATIONS -- Municipal bonds are valued by an independent pricing service, taking into consideration yield, liquidity, risk, credit quality, coupon, maturity, type of issue, and any other factors or market data the pricing service deems relevant. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS -- Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES -- It is the Trust's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

At June 30, 1996, the Trust, for federal tax purposes, had a capital loss carryforward of \$6,687,424, which will reduce the Trust's taxable income arising from future net realized gain on investments, if any, to the extent permitted by the Code, and thus will reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Trust of any liability for federal tax. Pursuant to the Code, such capital loss carryforward will expire as follows:

<TABLE>
<CAPTION>

EXPIRATION YEAR	EXPIRATION AMOUNT
1997	\$ 1,097,445
1998	\$ 1,729,378
1999	\$ 11,866
2001	\$ 62,121
2003	\$ 1,189,491
2004	\$ 2,597,123

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

Additionally, net capital losses of \$175,989 attributable to security transactions incurred after October 31, 1995 are treated as arising on July 1, 1996, the first day of the Trust's next taxable year.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS -- The Trust may engage in when-issued or delayed delivery transactions. The Trust records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated.

OTHER -- Investment transactions are accounted for on the trade date.

3. SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares.

Transactions in shares were as follows:

<TABLE>
<CAPTION>

INSTITUTIONAL SHARES	YEAR ENDED JUNE 30,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares sold	5,801,109	\$ 59,763,022	4,823,992	\$ 48,787,554
Shares issued to shareholders in payment of distributions declared	210,577	2,168,702	234,548	2,373,194
Shares redeemed	(8,687,459)	(89,426,238)	(15,099,319)	(152,318,952)

Net change resulting from Institutional share transactions (2,675,773) \$ (27,494,514) (10,040,779) \$ (101,158,204)
 <CAPTION>

	YEAR ENDED JUNE 30,			
	1996		1995	
INSTITUTIONAL SERVICE SHARES	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold	424,713	\$ 4,388,046	272,110	\$ 2,759,766
Shares issued to shareholders in payment of distributions declared	19,833	204,262	32,358	327,642
Shares redeemed	(346,274)	(3,567,004)	(2,896,311)	(29,357,470)
Net change resulting from Institutional Service share transactions	98,272	\$ 1,025,304	(2,591,843)	\$ (26,270,062)
Net change resulting from share transactions	(2,577,501)	\$ (26,469,210)	(12,632,622)	\$ (127,428,266)

</TABLE>

FEDERATED SHORT-TERM MUNICIPAL TRUST

4. INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE -- Federated Management, the Trust's investment adviser, (the "Adviser"), receives for its services an annual investment advisory fee equal to 0.40% of the Trust's average daily net assets. The Adviser will waive, to the extent of its advisory fee, the amount, if any, by which the Trust's aggregate annual operating expenses (excluding interest, taxes, brokerage commissions, expenses of registering and qualifying the Trust and its shares under federal and state laws and regulations, expenses of withholding taxes, and extraordinary expenses) exceeded 0.45% of average daily net assets of the Trust.

ADMINISTRATIVE FEE -- Federated Services Company ("FServ"), under the Administrative Services Agreement, provides the Trust with administrative personnel and services. The fee paid to FServ is based on the level of average aggregate daily net assets of all funds advised by subsidiaries of Federated Investors for the period. The administrative fee received during the period of the Administrative Services Agreement shall be at least \$125,000 per portfolio and \$30,000 per each additional class of shares.

DISTRIBUTION SERVICES FEE -- The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Trust will compensate Federated Securities Corp ("FSC"), the principal distributor, from the net assets of the Trust to finance activities intended to result in the sale of the Trust's Institutional Service Shares. The Plan provides that the Trust may incur distribution expenses up to 0.25% of the average daily net assets of the Institutional Service Shares, annually, to compensate FSC. The distributor may voluntarily choose to waive any portion of its fee. The distributor can modify or terminate this voluntary waiver at any time at its sole discretion.

SHAREHOLDER SERVICES FEE -- Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Trust will pay FSS up to 0.25% of daily average net assets of the Trust for the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. For the period ended June 30, 1996, the Institutional Shares did not incur a shareholder services fee. FSS may voluntarily choose to waive any portion of its fee. FSS can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES AND EXPENSES -- FServ, through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Trust. The fee paid to FSSC is based on the size, type, and number of accounts and transactions made by shareholders.

PORTFOLIO ACCOUNTING FEES -- FServ maintains the Trust's accounting records for which it receives a fee. The fee is based on the level of the Trust's average daily net assets for the period, plus out-of-pocket expenses.

INTERFUND TRANSACTIONS -- During the period ended June 30, 1996, the Trust engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees, and/or common Officers. These purchase and sale transactions were made at current market value pursuant to Rule 17a-7 under the Act amounting to \$97,900,000 and \$90,300,000, respectively.

FEDERATED SHORT-TERM MUNICIPAL TRUST

GENERAL -- Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

5. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities (and in-kind contributions), for the period ended June 30, 1996, were as follows:

<TABLE>	
<S>	<C>
PURCHASES	\$41,436,333
SALES	\$63,412,214
</TABLE>	

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of
FEDERATED SHORT-TERM MUNICIPAL TRUST:

We have audited the accompanying statement of assets and liabilities of Federated Short-Term Municipal Trust (a Massachusetts business trust), including the schedule of portfolio of investments as of June 30, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights (see pages 2 and 14 of the prospectus) for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1996, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Short-Term Municipal Trust as of June 30, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania
August 2, 1996

ADDRESSES

Federated Short-Term Municipal Trust	
Institutional Service Shares	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Distributor	
Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Investment Adviser	
Federated Management	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Custodian	
State Street Bank and Trust Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
Transfer Agent and Dividend Disbursing Agent	
Federated Shareholder Services Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
Independent Public Accountants	
Arthur Andersen LLP	2100 One PPG Place Pittsburgh, Pennsylvania 15222

FEDERATED SHORT-TERM

MUNICIPAL TRUST
INSTITUTIONAL SERVICE SHARES

PROSPECTUS

A No-Load, Open-End, Diversified
Management Investment Company

Prospectus dated August 31, 1996

[graphic]
Federated Investors
Federated Investors Tower
Pittsburgh, PA 15222-3779

Federated Securities Corp. is the distributor of the fund
and is a subsidiary of Federated Investors.

[graphic]

Cusip 313907206
8072507A-SS (8/96)

FEDERATED SHORT-TERM MUNICIPAL TRUST
INSTITUTIONAL SHARES
INSTITUTIONAL SERVICE SHARES
STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the
prospectuses for Institutional Shares and Institutional Service
Shares of Federated Short-Term Municipal Trust (the "Trust"), dated
August 31, 1996 This Statement is not a prospectus. You may request a
copy of a prospectus or a paper copy of this Statement, if you have
received it electronically, free of charge by calling 1-800-341-7400.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated August 31, 1996

FEDERATED INVESTORS
Federated Investors Tower
Pittsburgh, PA 15222-3779

Federated Securities Corp. is the distributor of the Fund(s)
and is a subsidiary of Federated Investors.

Cusip 313907107
Cusip 313907206
8072507B (8/96)

GENERAL INFORMATION ABOUT THE TRUST	2
INVESTMENT OBJECTIVE AND POLICIES	2
Acceptable Investments	2
Characteristics	2
Participation Interests	3
Variable Rate Municipal Securities	3
When-Issued and Delayed Delivery	
Transactions	4
Portfolio Turnover	4
Investment Limitations	5
Diversification of Investments	5
Borrowing Money	5
Pledging Assets	6
Underwriting	6
Investing in Real Estate	6
Investing in Commodities or Minerals	6
Making Loans	7
Selling Short And Buying On Margin	7
Issuing Senior Securities	7
Investing in Issuers Whose Securities are Owned by Officers and Trustees of the Trust	7
Investing in Restricted Securities	7

Acquiring Securities	7
Investing in New Issuers	8
Investing in Illiquid Securities	8
Investing in Puts, Calls, Straddles, and Spreads	8
TRUST MANAGEMENT	9
Trust Ownership	17
Trustees' Compensation	18
Trustee Liability	19
INVESTMENT ADVISORY SERVICES	20
Adviser to the Trust	20
Advisory Fees	20
State Expense Limitations	20
Other Related Services	21
BROKERAGE TRANSACTIONS	21
OTHER SERVICES	22
Trust Administration	22
Custodian and Portfolio Accountant	23
Transfer Agent	23
Independent Public Accountants	23
PURCHASING SHARES	24
Distribution Plan (Institutional Service Shares only) and Shareholder Services Agreement	24
DETERMINING NET ASSET VALUE	25
Valuing Municipal Securities	25
Use of Amortized Cost	25
REDEEMING SHARES	26
REDEMPTION IN KIND	26
MASSACHUSETTS PARTNERSHIP LAW	27
TAX STATUS	27
The Trust's Tax Status	27
TOTAL RETURN	28
YIELD	28
TAX-EQUIVALENT YIELD	29
Tax-Equivalency Table	29
PERFORMANCE COMPARISONS	31
Economic and Market Information	33
ABOUT FEDERATED INVESTORS	33
Mutual Fund Market	34
Institutional Clients	35
Trust Organizations	35
Broker/Dealers and Bank Broker/Dealer Subsidiaries	35
APPENDIX	36
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GENERAL INFORMATION ABOUT THE TRUST

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated May 8, 1981. The name of the Trust was Federated Short-Intermediate Municipal Trust prior to August 23, 1993. On August 23, 1993, the shareholders of the Trust voted to change the name of the Trust to Short-Term Municipal Trust. On December 15, 1994, the name of the Trust was changed from Short-Term Municipal Trust to Federated Short-Term Municipal Trust.

Shares of the Trust are offered in two classes, known as Institutional Shares and Institutional Service Shares (individually and collectively referred to as "Shares," as the context may require). This Statement of Additional Information relates to the above-mentioned Shares of the Trust.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Trust is to provide dividend income which is exempt from federal regular income tax.

ACCEPTABLE INVESTMENTS

The Trust attempts to achieve its investment objective by investing at least 80% of its net assets in a diversified portfolio of municipal securities or by investing its assets so that at least 80% of its income will be tax exempt. The investment objective and the policy stated above cannot be changed without the approval of shareholders. The investment policies described below may be changed without shareholder approval.

CHARACTERISTICS

The municipal securities in which the Trust invests have the

characteristics set forth in the prospectuses. The Trust may use similar services or ratings other than Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Group ("S&P"). If a security's rating is reduced below the required minimum after the Trust has purchased it, the Trust is not required to sell the security, but may consider doing so. If ratings made by Moody's or S&P change because of changes in those organizations or in their rating systems, the Trust will try to use comparable ratings as standards in accordance with the investment policies described in the Shares' prospectuses.

PARTICIPATION INTERESTS

The financial institutions from which the Trust purchases participation interests frequently provide or secure from another financial institution irrevocable letters of credit or guarantees and give the Trust the right to demand payment of the principal amounts of the participation interests plus accrued interest on short notice (usually within seven days). These financial institutions may charge certain fees in connection with their repurchase commitments, including a fee equal to the excess of the interest paid on the municipal securities over the negotiated yield at which the participation interests were purchased by the Trust. By purchasing participation interests having a seven day demand feature, the Trust is buying a security meeting the quality requirements of the Trust and also is receiving the tax-free benefits of the underlying securities.

VARIABLE RATE MUNICIPAL SECURITIES

Variable interest rates generally reduce changes in the market value of municipal securities from their original purchase prices. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable rate

municipal securities than for fixed income obligations. Many municipal securities with variable interest rates purchased by the Trust are subject to repayment of principal (usually within seven days) on the Trust's demand. For purposes of determining the Trust's average maturity, the maturities of these variable rate demand municipal securities (including participation interests) are the longer of the periods remaining until the next readjustment of their interest rates or the periods remaining until their principal amounts can be recovered by exercising the right to demand payment. The terms of these variable rate demand instruments require payment of principal and accrued interest from the issuer of the municipal obligations, the issuer of the participation interests, or a guarantor of either issuer.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price and yield for the Trust. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Trust sufficient to make payment for the securities to be purchased are segregated on the Trust's records at the trade date. These securities are marked to market daily and maintained until the transaction is settled. The Trust does not intend to engage in when-issued and delayed delivery transactions to the extent that would cause the segregation of

more than 20% of the total value of its assets.

PORTFOLIO TURNOVER

The Trust will not attempt to set or meet a portfolio turnover rate since any turnover would be incidental to transactions undertaken in an attempt

to achieve the Trust's investment objective. During the fiscal years ended June 30, 1996 and 1995, the portfolio turnover rates were 20% and 33%, respectively.

INVESTMENT LIMITATIONS

DIVERSIFICATION OF INVESTMENTS

The Trust will not purchase the securities of any issuer (except cash and cash instruments and securities issued or guaranteed by the United States government, its agencies and instrumentalities) if, as a result, more than 5 percent of its total assets would be invested in the securities of such issuer. For purposes of this limitation, each governmental subdivision, i.e., state, territory, possession of the United States or any political subdivision of any of the foregoing, including agencies, authorities, instrumentalities, or similar entities, or of the District of Columbia, shall be considered a separate issuer if its assets and revenues are separate from those of the governmental body creating it and the security is backed only by its own assets and revenues. In the case of an industrial development bond, if the security is backed only by the assets and revenues of a non-governmental user, then such non-governmental user will be deemed to be the sole issuer. If, however, in the case of an industrial development bond or governmental issued security, a governmental or some other entity guarantees the security, such guarantee would be considered a separate security issued by the guarantor as well as the other issuer (as above defined) subject to limited exclusions allowed by the Investment Company Act of 1940.

BORROWING MONEY

The Trust will not borrow money except as a temporary measure for extraordinary or emergency purposes and then (a) only in amounts not

in excess of 5% of the value of its total assets or (b) in an amount up to one-third of the value of its total assets, including the amount borrowed. (This borrowing provision is not for investment leverage but solely to facilitate management of the portfolio by enabling the Trust to meet redemption requests when the liquidation of portfolio securities would be inconvenient or disadvantageous.)

While any such borrowings are outstanding, no net purchases of investment securities will be made by the Trust. If, due to market fluctuations or other reasons, the value of the Trust's assets falls below 300% of its borrowings, the Trust will reduce its borrowings within three business days. To do this, the Trust may have to sell a portion of its investments at a time when it may be disadvantageous to do so.

PLEDGING ASSETS

The Trust will not mortgage, pledge, or hypothecate its assets except to secure permitted borrowings. In those cases, it may mortgage, pledge, or hypothecate assets having a market value not exceeding 10% of the value of total assets at the time of the borrowing.

UNDERWRITING

The Trust will not underwrite any issue of securities, except as it may be deemed to be an underwriter under the Securities Act of 1933 in connection with the sale of securities in accordance with its investment objective, policies, and limitations.

INVESTING IN REAL ESTATE

The Trust will not buy or sell real estate, although it may invest in municipal securities secured by real estate or interests in real estate.

INVESTING IN COMMODITIES OR MINERALS

The Trust will not buy or sell commodities, commodity contracts, or

oil, gas, or other mineral exploration or development programs.

MAKING LOANS

The Trust will not make loans, but may acquire publicly or nonpublicly issued municipal securities as permitted by its investment objective, policies, and limitations.

SELLING SHORT AND BUYING ON MARGIN

The Trust will not sell any securities short or purchase any securities on margin but may obtain such short-term credits as may be necessary for clearance of purchases and sales of securities.

ISSUING SENIOR SECURITIES

The Trust will not issue senior securities, except as permitted by its

investment objective and policies.

The above investment limitations cannot be changed without shareholder approval. The following limitations, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

INVESTING IN ISSUERS WHOSE SECURITIES ARE OWNED BY OFFICERS AND TRUSTEES OF THE TRUST

The Trust will not purchase or retain the securities of any issuer if the officers and Trustees of the Trust or its investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

INVESTING IN RESTRICTED SECURITIES

The Trust will not invest more than 10% of the value of its total assets in securities which are subject to restrictions on resale under federal securities laws, except for securities which meet the criteria for liquidity, as established by the Trustees.

ACQUIRING SECURITIES

The Trust will not acquire voting securities, except as part of a

merger, consolidation, reorganization, or acquisition of assets. The Trust will not invest in securities issued by any other investment company or investment trust.

INVESTING IN NEW ISSUERS

The Trust will not invest more than 5% of its total assets in industrial development bonds where the payment of principal and interest are the responsibility of companies with less than three years of operating history.

INVESTING IN ILLIQUID SECURITIES

The Trust will not invest more than 15% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice and certain restricted securities.

INVESTING IN PUTS, CALLS, STRADDLES, AND SPREADS

The Trust will not purchase or sell puts, calls, straddles, spreads, or any combination thereof except that the Trust may purchase municipal securities from a broker, dealer, or other person accompanied by the agreement of such seller to purchase, at the Trust's option, the municipal security prior to the maturity thereof.

The Trust does not intend to purchase securities if, as a result of such purchase, more than 25% of the value of its assets would be invested in the securities of governmental subdivisions located in any one state, territory, or possession of the United States.

Except with respect to borrowing money, if a percentage limitation is adhered to at the time of the investment, a later increase or decrease in percentage resulting from any change in value or net assets will not result in violation of such restriction.

The Trust did not borrow money, pledge securities or invest in illiquid securities or restricted securities in excess of 5% of the value of its

total assets during the last fiscal year and has no present intent to do so in the coming fiscal year.

For purposes of this limitation, the Trust considers cash instruments and items to be instruments issued by a U.S. branch of a domestic bank or savings association having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of the investment.

TRUST MANAGEMENT

Officers and Trustees are listed with their addresses, birthdates, present positions with Federated Government Trust, and principal occupations.

John F. Donahue@*

Federated Investors Tower

Pittsburgh, PA

Birthdate: July 28, 1924

Chairman and Trustee

Chairman and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; Chairman and Director, Federated Research Corp. and Federated Global Research Corp.; Chairman, Passport Research, Ltd.; Chief Executive Officer and Director or Trustee of the Funds. Mr. Donahue is the father of J. Christopher Donahue, Executive Vice President of the Trust.

Thomas G. Bigley

28th Floor, One Oxford Centre

Pittsburgh, PA

Birthdate: February 3, 1934

Trustee

Chairman of the Board, Children's Hospital of Pittsburgh; Director or Trustee of the Funds; formerly, Senior Partner, Ernst & Young LLP.

John T. Conroy, Jr.

Wood/IPC Commercial Department
John R. Wood and Associates, Inc., Realtors
3255 Tamiami Trail North
Naples, FL

Birthdate: June 23, 1937

Trustee

President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; Partner or Trustee in private real estate ventures in Southwest Florida; Director or Trustee of the Funds; formerly, President, Naples Property Management, Inc.

William J. Copeland

One PNC Plaza - 23rd Floor
Pittsburgh, PA

Birthdate: July 4, 1918

Trustee

Director and Member of the Executive Committee, Michael Baker, Inc.; Director or Trustee of the Funds; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.

James E. Dowd

571 Hayward Mill Road
Concord, MA

Birthdate: May 18, 1922

Trustee

Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director or Trustee of the Funds.

Lawrence D. Ellis, M.D.*

3471 Fifth Avenue, Suite 1111
Pittsburgh, PA

Birthdate: October 11, 1932

Trustee

Professor of Medicine and Member, Board of Trustees, University of Pittsburgh; Medical Director, University of Pittsburgh Medical Center - Downtown; Member, Board of Directors, University of Pittsburgh Medical Center; formerly, Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Director or Trustee of the Funds.

Edward L. Flaherty, Jr.@

Henny, Kochuba, Meyer and Flaherty
Two Gateway Center - Suite 674
Pittsburgh, PA

Birthdate: June 18, 1924

Trustee

Attorney-at-law; Shareholder, Henny, Kochuba, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.;

Director or Trustee of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.

Glen R. Johnson *

Federated Investors Tower
Pittsburgh, PA

Birthdate: May 2, 1929

President and Trustee

Trustee, Federated Investors; President and/or Trustee of some of the Funds; staff member, Federated Securities Corp.

Peter E. Madden

Seacliff
562 Bellevue Avenue
Newport, RI

Birthdate: March 16, 1942
Trustee
Consultant; State Representative, Commonwealth of Massachusetts; Director or Trustee of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation.

Gregor F. Meyer
Henny, Kochuba, Meyer and Flaherty
Two Gateway Center - Suite 674

Pittsburgh, PA
Birthdate: October 6, 1926
Trustee
Attorney-at-law; Shareholder, Henny, Kochuba, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director or Trustee of the Funds.

John E. Murray, Jr., J.D., S.J.D.
President, Duquesne University
Pittsburgh, PA
Birthdate: December 20, 1932
Trustee
President, Law Professor, Duquesne University; Consulting Partner, Mollica, Murray and Hogue; Director or Trustee of the Funds.

Wesley W. Posvar
1202 Cathedral of Learning
University of Pittsburgh
Pittsburgh, PA
Birthdate: September 14, 1925
Trustee
Professor, International Politics and Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Management Center; Director or Trustee of the Funds; President Emeritus, University of Pittsburgh; founding Chairman, National Advisory Council for Environmental Policy and Technology and Federal Emergency Management Advisory Board.

Marjorie P. Smuts
4905 Bayard Street
Pittsburgh, PA
Birthdate: June 21, 1935
Trustee
Public relations/marketing consultant; Conference Coordinator, Non-profit entities; Director or Trustee of the Funds.

J. Christopher Donahue
Federated Investors Tower
Pittsburgh, PA
Birthdate: April 11, 1949
Executive Vice President
President and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; President and Director, Federated Research Corp. and Federated Global Research Corp.; President, Passport Research, Ltd.; Trustee, Federated Shareholder Services Company, and Federated Shareholder Services; Director, Federated Services Company; President or Executive Vice President of the Funds; Director or Trustee of some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and Trustee of the Trust.

Edward C. Gonzales
Federated Investors Tower
Pittsburgh, PA
Birthdate: October 22, 1930

Executive Vice President
Vice Chairman, Treasurer, and Trustee, Federated Investors; Vice President,

Federated Advisers, Federated Management, Federated Research, Federated Research Corp., Federated Global Research Corp. and Passport Research, Ltd.; Executive Vice President and Director, Federated Securities Corp.; Trustee, Federated Shareholder Services Company; Trustee or Director of some of the Funds; President, Executive Vice President and Treasurer of some of the Funds.

John W. McGonigle
Federated Investors Tower
Pittsburgh, PA
Birthdate: October 26, 1938
Executive Vice President, Secretary and Treasurer
Executive Vice President, Secretary, and Trustee, Federated Investors;
Trustee, Federated Advisers, Federated Management, and Federated Research;
Director, Federated Research Corp. and Federated Global Research Corp.;
Trustee, Federated Shareholder Services Company; Director, Federated Services Company; President and Trustee, Federated Shareholder Services;
Director, Federated Securities Corp.; Executive Vice President, Secretary and Treasurer of the Funds.

Richard B. Fisher
Federated Investors Tower
Pittsburgh, PA
Birthdate: May 17, 1923
Vice President

Executive Vice President and Trustee, Federated Investors; Chairman and Director, Federated Securities Corp.; President or Vice President of some of the Funds; Director or Trustee of some of the Funds.

* This Trustee is deemed to be an "interested person" as defined in the Investment Company Act of 1940.

@ Member of the Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board between meetings of the Board.

As used in the table above, "The Funds" and "Funds" mean the following investment companies: 111 Corcoran Funds; Annuity Management Series; Arrow Funds; Automated Government Money Trust; Blanchard Funds; Blanchard Precious Metals Fund, Inc.; Cash Trust Series II; Cash Trust Series, Inc. ; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities, Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.; Federated Government Trust; Federated High Income Bond Fund, Inc.; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Institutional Trust; Federated Insurance Series; Federated Master Trust; Federated Municipal Opportunities Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal Trust; Federated Short-Term Municipal Trust; Federated Short-Term U.S. Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.; Federated U.S. Government Bond Fund; Federated U.S. Government Securities Fund: 1-3 Years; Federated U.S. Government Securities

Fund: 2-5 Years; Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; Fortress Utility Fund, Inc.; High Yield Cash Trust; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; Investment Series Trust; Liberty Term Trust, Inc. - 1999; Liberty U.S. Government Money Market Trust; Liquid Cash Trust; Managed Series Trust; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; Newpoint Funds; Peachtree Funds; RIMCO Monument Funds; Targeted Duration Trust; Tax-Free Instruments Trust; The Planters Funds; The Starburst Funds; The Starburst Funds II; The Virtus Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; and World Investment Series, Inc.

TRUST OWNERSHIP

Officers and Trustees own less than 1% of the Trust's outstanding shares.

As of August 2, 1996 the following shareholders of record owned 5% or more of the outstanding Institutional Service Shares of the Trust: Fidelity

State Street Bank & Trust Co., Dodge City, Kansas, owned approximately 53,574 Shares (8.85%); National Financial Services For The Exclusive Benefit of Our Customers, New York, New York, owned approximately 44,689 Shares (7.38%); John H. Seale, Jasper, Texas, owned approximately 63,652 Shares (10.52%); CPB Trust Division Fiduciary Account 102007, Honolulu, Hawaii, owned approximately 31,087 Shares (5.14%); and Ron Vanderpol & Sharon Vanderpol, Bryon Center, Michigan, owned approximately 97,918 Shares (16.18%);

As of August 2, 1996, the following shareholders of record owned 5% or more of the outstanding Institutional Shares of the Trust: Charles Schwab & Co., Inc., San Francisco, California owned approximately 2,158,621 Shares (11.42%);

TRUST'S RECORDS RE TRUST TRUSTEES' COMPENSATION

NAME , POSITION WITH TRUST	AGGREGATE COMPENSATION		TOTAL COMPENSATION PAID FROM FUND COMPLEX +
	FROM TRUST *	
John F. Donahue, \$ 0 Chairman and Trustee Complex	\$-0-	for the Trust and 54 other investment companies in the Fund Complex	
Thomas G. Bigley, ++ Trustee	\$1,211.53	\$86,331 for the Trust and 54 other investment companies in the Fund Complex	
John T. Conroy, Trustee	\$1,323.63	\$115,760 for the Trust and 54 other investment companies in the Fund Complex	
William J. Copeland, Trustee	\$1,323.63	\$115,760 for the Trust and 54 other investment companies in the Fund Complex	
James E. Dowd, Trustee	\$1,323.63	\$115,760 for the Trust and 54 other investment companies in the Fund Complex	
Lawrence D. Ellis, M.D., Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	
Edward L. Flaherty, Jr., Trustee	\$1,323.63	\$115,760 for the Trust and 54 other investment companies in the Fund Complex	
Glen R. Johnson, \$ 0 President and Trustee Complex	\$-0-	for the Trust and 9 other investment companies in the Fund Complex	
Peter E. Madden, Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	
Gregor F. Meyer, Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	
John E. Murray, Jr., Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	
Wesley W. Posvar, Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	
Marjorie P. Smuts, Trustee	\$1,211.53	\$104,898 for the Trust and 54 other investment companies in the Fund Complex	

*Information is furnished for the fiscal year ended June 30, 1996.

#The aggregate compensation is provided for the Trust which is comprised of one portfolio.

+The information is provided for the last calendar year.

++ Mr. Bigley served on 39 investment companies in the Federated Funds Complex from January 1 through September 30, 1995. On October 1, 1995, he was appointed a Trustee on 15 additional Federated Funds.

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees will not be liable for errors of judgment or mistakes of fact or law. However, they are not protected against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE TRUST

The Trust's investment adviser is Federated Management (the "Adviser"). It is a subsidiary of Federated Investors. All of the securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue,

his wife, and his son, J. Christopher Donahue.

The Adviser shall not be liable to the Trust or its shareholders for any losses that may be sustained in the purchase, holding, or sale of any security, for anything done or omitted by it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Federated Management receives an annual investment advisory fee as described in the prospectuses. During the fiscal years ended June 30, 1996, 1995, and 1994, the Trust's adviser earned \$837,213, \$1,084,312, and \$1,414,365, respectively, which were reduced by \$266,026, \$346,925, and \$452,665, respectively, because of undertakings to limit the Trust's expenses.

STATE EXPENSE LIMITATIONS

The Adviser has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Trust's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes and extraordinary expenses) exceed 2.5% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1.5% per year of the

remaining average net assets, the Adviser will reimburse the Trust for its expenses over the limitation.

If the Trust's monthly projected operating expenses exceed this expense limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

OTHER RELATED SERVICES

Affiliates of the Adviser may, from time to time, provide certain electronic equipment and software to institutional customers in order to facilitate the purchase of shares of funds offered by Federated Securities Corp.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the adviser looks for prompt execution of the order at a favorable price. In working with dealers, the adviser will generally use those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. The adviser makes decisions on portfolio transactions and selects brokers and dealers subject to guidelines established by the Trustees. The adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Trust or to the adviser and may include: advice as to the advisability of investing in securities; security analysis and reports; economic studies; industry studies; receipt of quotations for portfolio evaluations; and

similar services. Research services provided by brokers and dealers may be used by the adviser or its affiliates in advising the Trust and other accounts. To the extent that receipt of these services may supplant services for which the adviser or its affiliates might otherwise have paid, it would tend to reduce their expenses. The adviser and its affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided. During the fiscal year(s) ended June 30, 1996, 1995 and 1994, the Trust paid no brokerage commissions.

Although investment decisions for the Trust are made independently from those of the other accounts managed by the adviser, investments of the type the Trust may make may also be made by those other accounts. When the Trust and one or more other accounts managed by the adviser are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the adviser to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Trust or the size of the position obtained or disposed of by the Trust. In other cases, however, it is believed that coordination and the ability to participate in volume transactions will be to the benefit of the Trust.

OTHER SERVICES

TRUST ADMINISTRATION

Federated Services Company, a subsidiary of Federated Investors, provides administrative personnel and services to the Trust for a fee as described in the prospectus. From March 1, 1994 to March 1, 1996, Federated Administrative Services served as the Trust's Administrator. Prior to March

1, 1994, Federated Administrative Services, Inc. served as the Trust's Administrator. Both former Administrators are subsidiaries of Federated Investors. For purposes of this Statement of Additional Information, Federated Services Company, Federated Administrative Services and Federated Administrative Services, Inc. may hereinafter collectively be referred to as the "Administrators." For the fiscal years ended June 30, 1996, 1995, and 1994, the Administrators earned \$158,326, \$205,206, and \$346,714, respectively. Dr. Henry J. Gailliot, an officer of Federated Management, the adviser to the Trust, holds approximately 20% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Services Company.

CUSTODIAN AND PORTFOLIO ACCOUNTANT

State Street Bank and Trust Company, Boston, MA, is custodian for the securities and cash of the Trust. Federated Services Company, Pittsburgh, PA, provides certain accounting and recordkeeping services with respect to the Trust's portfolio investments. The fee paid for this service is based upon the level of the Trust's average net assets for the period plus out-of-pocket expenses.

TRANSFER AGENT

Federated Services Company, through its registered transfer agent, Federated Shareholder Services Company, maintains all necessary shareholder records. For its services, the transfer agent receives a fee based on size, type, number of accounts and transactions made by shareholders.

INDEPENDENT PUBLIC ACCOUNTANTS

The independent auditors for the Trust are Arthur Andersen LLP, Pittsburgh, PA.

PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange is open for business. The procedure for purchasing Shares is explained in the respective prospectuses under "Investing in Institutional Shares" or "Investing in Institutional Service Shares."

DISTRIBUTION PLAN (INSTITUTIONAL SERVICE SHARES ONLY) AND SHAREHOLDER SERVICES AGREEMENT

These arrangements permit the payment of fees to financial institutions, the distributor, and Federated Shareholder Services to stimulate distribution activities and to cause services to be provided to shareholders by a representative who has knowledge of the shareholder's particular circumstances and goals. These activities and services may include, but are not limited to, marketing efforts; providing office space, equipment, telephone facilities, and various clerical, supervisory, computer, and other personnel as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries; and assisting clients in changing dividend options, account designations, and addresses.

With respect to the Institutional Service Shares, by adopting the Distribution Plan, the Board of Trustees expects that the Trust will be able to achieve a more predictable flow of cash for investment purposes and to meet redemptions. This will facilitate more efficient portfolio management and assist the Trust in pursuing its investment objectives. By identifying potential investors whose needs are served by the Trust's objectives, and properly servicing these accounts, it may be possible to curb sharp fluctuations in rates of redemptions and sales.

Other benefits, which may be realized under either arrangement, may include: (1) providing personal services to shareholders; (2) investing shareholder assets with a minimum of delay and administrative detail; (3) enhancing shareholder recordkeeping systems; and (4) responding promptly to shareholders' requests and inquiries concerning their accounts.

For the fiscal year ended June 30, 1996 payments in the amount of \$14,775 were made pursuant to the Distribution Plan (Institutional Service Shares only) of which \$13,988 was waived. In addition, for this period, the Trust paid shareholder service fees in the amount of \$523,258, of which 509,269 was waived.

DETERMINING NET ASSET VALUE

Net asset value generally changes each day. The days on which the net asset value is calculated by the Trust are described in each respective prospectus.

VALUING MUNICIPAL SECURITIES

The Trustees use an independent pricing service to value municipal securities. The independent pricing service takes into consideration: yield; stability; risk; quality; coupon rate; maturity; type of issue; trading characteristics; special circumstances of a security or trading market; and any other factors or market data it considers relevant in determining valuations for normal institutional size trading units of debt securities and does not rely exclusively on quoted prices.

USE OF AMORTIZED COST

The Trustees have decided that the fair value of municipal securities authorized to be purchased by the Trust with remaining maturities of 60 days or less at the time of purchase shall be their amortized cost value,

unless the particular circumstances of the security indicate otherwise. Under this method, portfolio instruments and assets are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. The Executive Committee continually assesses this method of valuation and recommends changes where necessary to assure that the Trust's portfolio instruments are valued at their fair value as determined in good faith by the Trustees.

REDEEMING SHARES

The Trust redeems Shares at the next computed net asset value after the Trust receives the redemption request. Redemption procedures are explained in each respective prospectus under "Redeeming Institutional Shares" or "Redeeming Institutional Service Shares." Although State Street Bank does not charge for telephone redemptions, it reserves the right to charge a fee for the cost of wire-transferred redemptions of less than \$5,000.

REDEMPTION IN KIND

Although the Trust intends to redeem shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part by a distribution of securities from the Trust's portfolio. Redemption in kind will be made in conformity with applicable Securities and Exchange Commission rules, taking such securities at the same value employed in determining net asset value and selecting the securities in a manner the Trustees determine to be fair and equitable.

The Trust has elected to be governed by Rule 18f-1 of the Investment Company Act of 1940 under which the Trust is obligated to redeem shares for any one shareholder in cash only up to a lesser of \$250,000 or 1% of a class's net asset value during any 90-day period.

MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable as partners under Massachusetts law for acts or obligations of the Trust. To protect shareholders, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of its shareholders for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument that the Trust or its Trustees enter into or sign on behalf of the Trust. In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required to use its property to protect or compensate the shareholder. On request, the Trust will defend any claim made and pay any judgment against a shareholder for any act or obligation of the Trust. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust itself cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

TAX STATUS

THE TRUST'S TAX STATUS

The Trust will pay no federal income tax because it expects to meet the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, the Trust must, among other requirements:

- o derive at least 90% of its gross income from dividends, interest, and gains from the sale of securities;
- o derive less than 30% of its gross income from the sale of securities held less than three months;
- o invest in securities within certain statutory limits; and

o distribute to its shareholders at least 90% of its net income earned during the year.

TOTAL RETURN

The average annual total return for each class of shares of the Trust is the average compounded rate of return for a given period that would equate a \$1,000 initial investment to the ending redeemable value of that investment. The ending redeemable value is computed by multiplying the number of shares owned at the end of the period by the net asset value per share at the end of the period. The number of shares owned at the end of the period is based on the number of shares purchased at the beginning of the period with \$1,000, adjusted over the period by any additional shares, assuming monthly reinvestment of all dividends and distributions.

The Trust's average annual total returns for Institutional Shares for the one-year, five-year, and ten-year periods ended June 30, 1996, were 3.82%, 4.51%, and 4.96%, respectively.

The Trust's average annual total return for Institutional Service Shares for the fiscal year ended June 30, 1996 and for the period since inception (August 31, 1993, date of initial public offering), to June 30, 1996 was 3.56% and 3.48% respectively.

YIELD

The Trust's yields for the thirty-day period ended June 30, 1996, for Institutional Shares and Institutional Service Shares were 3.82% and 3.57%, respectively.

The yield for both classes of shares of the Trust is determined by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by either class of shares over a thirty-day

period by the maximum offering price per share of either class on the last day of the period. This value is then annualized using semi-annual compounding. This means that the amount of income generated during the thirty-day period is assumed to be generated each month over a twelve-month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by the Trust because of certain adjustments required by the Securities and Exchange Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent that financial intermediaries charge fees in connection with services provided in conjunction with an investment in either class of shares, performance will be reduced for those shareholders paying those fees.

TAX-EQUIVALENT YIELD

The Trust's tax-equivalent yields for the thirty-day period ended June 30, 1996, for Institutional Shares and Institutional Service Shares were 5.31% and 4.96%, respectively.

The tax-equivalent yield of the Trust is calculated similarly to the yield, but is adjusted to reflect the taxable yield that the Trust would have had to earn to equal its actual yield, assuming the shareholder is in the 28% tax-bracket and that income is 100% tax-exempt.

TAX-EQUIVALENCY TABLE

The Trust may also use a tax-equivalency table in advertising and sales literature. The interest earned by the municipal bonds in the Trust's portfolio generally remains free from federal regular income tax,* and is often free from state and local taxes as well. As the table below indicates, a "tax-free" investment is an attractive choice

for investors, particularly in times of narrow spreads between tax-free and taxable yields.

TAXABLE YIELD EQUIVALENT FOR 1996 MULTISTATE MUNICIPAL FUNDS

FEDERAL INCOME TAX BRACKET:

15.00%	28.00%	31.00%	36.00%	39.60%
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JOINT	\$1-	\$40,101-	\$96,901-	\$147,701-	OVER
RETURN	40,100	96,900	147,700	263,750	\$263,750

SINGLE	\$1- \$24,001-	\$58,151-	\$121,301-	OVER
RETURN	24,000 58,150	121,300	263,750	\$263,750

Tax-Exempt
Yield

Taxable Yield Equivalent

1.00%	1.18%	1.39%	1.45%	1.56%	1.66%
1.50%	1.76%	2.08%	2.17%	2.34%	2.48%
2.00%	2.35%	2.78%	2.90%	3.13%	3.31%
2.50%	2.94%	3.47%	3.62%	3.91%	4.14%
3.00%	3.53%	4.17%	4.35%	4.69%	4.97%
3.50%	4.12%	4.86%	5.07%	5.47%	5.79%
4.00%	4.71%	5.56%	5.80%	6.25%	6.62%
4.50%	5.29%	6.25%	6.52%	7.03%	7.45%
5.00%	5.88%	6.94%	7.25%	7.81%	8.28%
5.50%	6.47%	7.64%	7.97%	8.59%	9.11%
6.00%	7.06%	8.33%	8.70%	9.38%	9.93%
6.50%	7.65%	9.03%	9.42%	10.16%	10.76%
7.00%	8.24%	9.72%	10.14%	10.94%	11.59%
7.50%	8.82%	10.42%	10.87%	11.72%	12.42%
8.00%	9.41%	11.11%	11.59%	12.50%	13.25%

Note: The maximum marginal tax rate for each bracket was used in calculating the taxable yield equivalent. Furthermore, additional state and local taxes paid on comparable taxable investments were not used to increase federal deductions.

The chart above is for illustrative purposes only. It is not an indicator of past or future performance of Fund shares.

* Some portion of the Trust's income may be subject to the federal alternative minimum tax and state and local income taxes.

PERFORMANCE COMPARISONS

The performance of both classes of Shares depends upon such variables as:

- o portfolio quality;
- o average portfolio maturity;
- o type of instruments in which the portfolio is invested;
- o changes in interest rates and market value of portfolio securities;
- o changes in the Trust's expenses or either class of Shares' expenses;
- and

- o various other factors.

Either class of Shares' performance fluctuates on a daily basis largely because net earnings and offering price per share fluctuate daily. Both net earnings and offering price per share are factors in the computation of yield and total return.

Investors may use financial publications and/or indices to obtain a more complete view of the Trust's performance. When comparing performance, investors should consider all relevant factors, such as the composition of any index used, prevailing market conditions, portfolio compositions of other funds, and methods used to value portfolio securities and compute offering price. The financial publications and/or indices which the Trust uses in advertising may include:

- o LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in offering price over a specific period of time. From time to time, the Trust will quote its Lipper ranking in the "intermediate municipal bond funds" category in advertising and sales literature.
- o THE LEHMAN BROTHERS STATE 5-YEAR G.O. BOND INDEX is a composite measure of total return performance for the municipal bond market on those municipal bonds with maturities of five years. The securities on this index include ratings categories of A and Aaa. Total returns are calculated twice monthly as well as for one month, three month, and twelve month periods. Total returns are also calculated as of the beginning of the index inception on December 31, 1979.
- o THE LEHMAN BROTHERS STATE 3-YEAR G.O. BOND INDEX is a total return performance benchmark for the short-term general obligation sector of

the tax-exempt bond market. Returns and attributes for the index are calculated semi-monthly.

- o MORNINGSTAR, INC., an independent rating service, is the publisher of

the bi-weekly Mutual Fund Values. Mutual Fund Values rates more than 1,000 NASDAQ-listed mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for two weeks.

Advertising and other promotional literature may include charts, graphs and other illustrations using the Trust's returns, or returns in general, that demonstrate basic investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment. In addition, the Trust can compare its performance, or performance for the types of securities in which it invests, to a variety of other investments, such as bank savings accounts, certificates of deposit, and Treasury bills.

ECONOMIC AND MARKET INFORMATION

Advertising and sales literature for the Trust may include discussions of economic, financial and political developments and their effect on the securities market. Such discussions may take the form of commentary on these developments by the Trust portfolio managers and their views and analysis on how such developments could affect the Trust. In addition, advertising and sales literature may quote statistics and give general information about the mutual fund industry, including the growth of the industry, from sources such as the Investment Company Institute.

ABOUT FEDERATED INVESTORS

Federated Investors is dedicated to meeting investor needs which is reflected in its investment decision making-structured, straightforward, and consistent. This has resulted in a history of competitive performance

with a range of competitive investment products that have gained the confidence of thousands of clients and their customers.

The company's disciplined security selection process is firmly rooted in sound methodologies backed by fundamental and technical research. Investment decisions are made and executed by teams of portfolio managers, analysts, and traders dedicated to specific market sectors. These traders handle trillions of dollars in annual trading volume.

In the municipal sector, as of December 31, 1995, Federated Investors managed 12 bond funds with approximately \$2.0 billion in assets and 20 money market funds with approximately \$7.8 billion in total assets. In 1976, Federated introduced one of the first municipal bond mutual funds in the industry and is now one of the largest institutional buyers of municipal securities. The Funds may quote statistics from organizations including The Tax Foundation and the National Taxpayers Union regarding the tax obligations of Americans.

J. Thomas Madden, Executive Vice President, oversees Federated's equity and high yield corporate bond management while William D. Dawson, Executive Vice President, oversees Federated's domestic fixed income management. Henry A. Frantzen, Executive Vice President, oversees the management of Federated's international portfolios.

MUTUAL FUND MARKET

Twenty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$3 trillion to the more than 5,500 funds available.*

Federated Investors, through its subsidiaries, distributes mutual funds for a variety of investment applications. Specific markets include:

INSTITUTIONAL CLIENTS

Federated Investors meets the needs of more than 4,000 institutional clients nationwide by managing and servicing separate accounts and mutual funds for a variety of applications, including defined benefit and defined contribution programs, cash management, and asset/liability management. Institutional clients include corporations, pension funds, tax-exempt entities, foundations/endowments, insurance companies, and investment and financial advisors. The marketing effort to these institutional clients is headed by John B. Fisher, President, Institutional Sales Division.

TRUST ORGANIZATIONS

Other institutional clients include close relationships with more than 1,500 banks and trust organizations. Virtually all of the trust divisions of the top 100 bank holding companies use Federated funds in their clients' portfolios. The marketing effort to trust clients is

headed by Mark R. Gensheimer, Executive Vice President, Bank Marketing & Sales.

BROKER/DEALERS AND BANK BROKER/DEALER SUBSIDIARIES

Federated funds are available to consumers through major brokerage firms nationwide - including 200 New York Stock Exchange firms - supported by more wholesalers than any other mutual fund distributor. Federated's service to financial professionals and institutions has

earned it high ranking in several DALBAR Surveys. The marketing effort to these firms is headed by James F. Getz, President, Broker/Dealer Division.

* SOURCE: Investment Company Institute

APPENDIX

STANDARD AND POOR'S RATINGS GROUP ("S&P") MUNICIPAL BOND RATINGS

AAA--Debt rated "AAA" has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

NR--Indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

Plus (+) or minus (-): The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

MOODY'S INVESTORS SERVICE, INC. MUNICIPAL BOND RATINGS

AAA--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

NR--Not rated by Moody's.

Moody's applies numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa through B in its corporate or municipal bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

STANDARD AND POOR'S RATINGS GROUP MUNICIPAL NOTE RATINGS

SP-1--Very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus sign (+) designation.

SP-2--Satisfactory capacity to pay principal and interest.

MOODY'S INVESTORS SERVICE, INC. SHORT-TERM LOAN RATINGS

MIG1/VMIG1--This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad based access to the market for refinancing.

MIG2/VMIG2--This designation denotes high quality. Margins of protection are ample although not so large as in the preceding group.

STANDARD AND POOR'S RATINGS GROUP COMMERCIAL PAPER RATINGS

A-1--This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation. A-2--Capacity for timely payment on issues with this designation is satisfactory. However, the relative degree of safety is not as high for issues designated A-1.

MOODY'S INVESTORS SERVICE, INC. COMMERCIAL PAPER RATINGS

P-1--Issuers rated P-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. P-1 repayment capacity will normally be evidenced by the following characteristics:

- o leading market positions in well-established industries;
 - o high rates of return on funds employed;
 - o conservative capitalization structure with moderate reliance on debt and ample asset protection;
 - o broad margins in earning coverage of fixed financial charges and high internal cash generation; and
-
- o well-established access to a range of financial markets and assured sources of alternative liquidity.

P-2--Issuers rated P-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above, but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

PART C. OTHER INFORMATION

Item 24. Financial Statements and Exhibits:

(a) Financial Statements. (Filed in Part A)

(b) Exhibits:

- (1) (i) Conformed Copy of Declaration of Trust of the Registrant; (13)
- (ii) Conformed Copy of amendment No. 1 to the Declaration of Trust; (13)
- (ii) Conformed Copy of amendment No. 2 to the Declaration of Trust; (13)
- (ii) Conformed Copy of amendment No. 3 to the Declaration of Trust; (13)
- (iii) Conformed Copy of amendment No.4 to the Declaration of Trust of Registrant; (12)
- (2) (i) Copy of the By-Laws of the Registrant; (13)
- (ii) Copy of amendment to the By-Laws of the Registrant; (7)
- (3) Not applicable;
- (4) Copy of Specimen Certificate of Shares; (13)
- (5) Conformed Copy of the Investment Advisory Contract; (9)
- (6) (i) Conformed copy of the Distributor's Contract; (11)
- (ii) The Registrant hereby incorporates the conformed copy of the specimen Mutual Funds Sales and Service Agreement; Mutual Funds Service Agreement; and Plan Trustee/Mutual Funds Service Agreement from Item 24 (b) (6) of the Cash Trust Series II Registration Statement on Form N-1A, filed with the Commission on July 24, 1995. (File Numbers 33-38550 and 811-6269).
- (7) Not applicable;
- (8) Conformed copy of the Custodian Agreement of the Registrant; (11)

- (9) (i) Conformed copy of Agreement for Fund Accounting Services, Administrative Services, Transfer Agency Services, and Custody Services Procurement;+

+ All exhibits have been filed electronically.

7. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 10 on Form N-1A filed August 24, 1987. (File Nos. 2-72277 and 811-3181)
9. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 15 on Form N-1A filed August 24, 1989. (File Nos. 2-72277 and 811-3181)
11. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 26 on Form N-1A filed August 26, 1994. (File Nos. 2-72277 and 811-3181)
12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 28 on Form N-1A filed August 25, 1995. (File Nos. 2-72277 and 811-3181)
13. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 29 on Form N-1A filed April 25, 1996. (File Nos. 2-72277 and 811-3181)

(ii) The responses described in Item 24 (b) (6) are hereby incorporated by reference.

(iii) The registrant hereby incorporates the conformed copy of the Shareholder Services Sub-Contract between Fidelity and Federated Shareholder Services from Item 24(b)(9)(iii) of the Federated GNMA Trust Registration Statement on Form N-1A, filed with the Commission on March 25, 1996. (File Nos. 2-75670 and 811-3375)

- (10) Not Applicable;
- (11) Conformed copy of the Consent of Independent Public Accountants;+
- (12) Not applicable;
- (13) Copy of Initial Capital Understanding; (13)
- (14) Not applicable;
- (15) Conformed copy of Rule 12B-1 Plan; (11)
- (16) Schedule for Computation of Fund Performance Data; (8)
- (17) Copy of Financial Data Schedules;+
- (18) The Registrant hereby incorporates the conformed copy of the specimen Multiple Class Plan from Item 24(b)(18) of the World Investment Series, Inc. Registration Statement on Form N-1A, filed with the Commission on January 26, 1996. (File Nos. 33-52149 and 811-07141)
- (19) Power of Attorney;+

Item 25. Persons Controlled by or Under Common Control with Registrant:
None

Item 26. Number of Holders of Securities:

Title of Class	Number of Record Holders as of August 2, 1996
Shares of Beneficial Interest (no par value)	
Institutional Shares.....	1,179
Institutional Service Shares	107

Item 27. Indemnification: (10.)

+ All exhibits have been filed electronically.

8. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 12 on Form N-1A filed August 22, 1988. (File Nos. 2-72277 and 811-3181)
10. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 17 on Form N-1A filed August 24, 1990. (File Nos. 2-72277 and 811-3181)
11. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 26 on Form N-1A filed August 26, 1994. (File Nos. 2-72277 and 811-3181)

12. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 28 on Form N-1A filed August 25, 1995. (File Nos. 2-72277 and 811-3181)

Item 28. Business and Other Connections of Investment Adviser:

For a description of the other business of the investment adviser, see the section entitled "Trust Information - Management of the Trust" in Part A. The affiliations with the Registrant of four of the Trustees and one of the Officers of the investment adviser and their business addresses are included in Part B of this Registration Statement under "Trust Management." The remaining Trustee of the investment adviser, his position with the investment adviser, and, in parentheses, his principal occupation is: Mark D. Olson, Partner, Wilson, Halbrook & Bayard, 107 W. Market Street, Georgetown, Delaware 19947.

The remaining Officers of the investment adviser are: William D. Dawson, Henry A. Frantzen, J. Thomas Madden, and Mark L. Mallon, Executive Vice Presidents; Henry J. Gailliot, Senior Vice President-Economist; Peter R. Anderson, Drew J. Collins, Jonathan C. Conley, J. Alan Minter, and Mary Jo Ochson Senior Vice Presidents; J. Scott Albrecht, Joseph M. Balestrino, Randall A. Bauer, David F. Belton, David A. Briggs, Kenneth J. Cody, Deborah A. Cunningham, Michael P. Donnelly, Alexandre de Bethmann, Linda A. Duessel, Kathleen M. Foody-Malus, Thomas M. Franks, Edward C. Gonzales, James E. Grefenstette, Stephen A. Keen, Mark S. Kopinski, Robert M. Kowitz, Jeff A. Kozemchak, Marian R. Marinack, Sandra L. McInerney, Susan M. Nason, Robert J. Ostrowski, Charles A. Ritter, Frank Semack, William F. Stotz, Tracy P. Stouffer, Edward J. Tiedge, Christopher H. Wiles, and Jolanta M. Wysocka, Vice Presidents, Thomas R. Donahue, Treasurer, and Stephen A. Keen, Secretary. The business address of each of the Officers of

the investment adviser is Federated Investors Tower, Pittsburgh, PA 15222-3779. These individuals are also officers of a majority of the investment advisers to the Funds listed in Part B of this Registration Statement found under the main heading entitled "Trust Management."

Item 29. Principal Underwriters:

- (a) Federated Securities Corp., the Distributor for shares of the Registrant, also acts as principal underwriter for the following open-end investment companies:

111 Corcoran Funds; Annuity Management Series; Arrow Funds; Automated Government Money Trust; BayFunds; Blanchard Funds; Blanchard Precious Metals Fund, Inc.; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities, Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.; Federated Government Trust; Federated High Income Bond Fund, Inc.; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Institutional Trust; Federated Insurance Series; Federated Master Trust; Federated Municipal Opportunities Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal Trust; Federated Short-Term Municipal Trust; Federated

Short-Term U.S. Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.; Federated U.S. Government Bond Fund; Federated U.S. Government Securities Fund: 1-3 Years; Federated U.S. Government Securities Fund: 2-5 Years; Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; Fortress Utility Fund, Inc.; High Yield Cash Trust;

Independence One Mutual Funds; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; Investment Series Trust; Liberty U.S. Government Money Market Trust; Liquid Cash Trust; Managed Series Trust; Marshall Funds, Inc.; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; Newport Funds; Peachtree Funds; RIMCO Monument Funds; SouthTrust Vulcan Funds; Star Funds; Targeted Duration Trust; Tax-Free Instruments Trust; The Biltmore Funds; The Biltmore Municipal Funds; The Monitor Funds; The Planters Funds; The Starburst Funds; The Starburst Funds II; The Virtus Funds; Tower Mutual Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; Vision Group of Funds, Inc.; and World Investment Series, Inc.

Federated Securities Corp. also acts as principal underwriter for the following closed-end investment company: Liberty Term Trust, Inc.- 1999.

(b)

(1)	(2)	(3)
Name and Principal	Positions and Offices	Positions and Offices
Business Address	With Underwriter	With Registrant
Richard B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Chairman, Chief Executive Officer, Chief Operating Officer, Asst. Secretary, and Asst. Treasurer, Federated Securities Corp.	Vice President

Edward C. Gonzales Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Executive Vice President, Federated, Securities Corp.	Executive Vice President
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(1)	(2)	(3)
Name and Principal	Positions and Offices	Positions and Offices
Business Address	With Underwriter	With Registrant
John W. McGonigle Federated Investors Tower Pittsburgh, PA 15222-3779	Director, Federated Securities Corp.	Executive Vice President, Secretary and Treasurer

John B. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	President-Institutional Sales, Federated Securities Corp.	--
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James F. Getz Federated Investors Tower Pittsburgh, PA 15222-3779	President-Broker/Dealer, Federated Securities Corp.	--
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Pittsburgh, PA 15222-3779

Mark R. Gensheimer Federated Investors Tower Pittsburgh, PA 15222-3779	Executive Vice President of Bank/Trust, Federated Securities Corp.	--
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Mark W. Bloss Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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Richard W. Boyd Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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Theodore Fadool, Jr. Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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Bryant R. Fisher Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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Christopher T. Fives Federated Investors Tower Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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James S. Hamilton Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

James M. Heaton Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Keith Nixon Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Solon A. Person, IV Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Timothy C. Pillion Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Thomas E. Territ Senior Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

(1)	(2)	(3)
Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant

John B. Bohnet	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Byron F. Bowman	Vice President, Secretary,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Jane E. Broeren-Lambesis	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Mary J. Combs	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

R. Edmond Connell, Jr.	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Kevin J. Crenny	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Daniel T. Culbertson	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

G. Michael Cullen	Vice President,	--
Federated Investors Tower	Federated Securites Corp.	
Pittsburgh, PA 15222-3779		

Laura M. Deger	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Jill Ehrenfeld	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Mark D. Fisher	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Michael D. Fitzgerald	Vice President,	--
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Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Joseph D. Gibbons Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Craig S. Gonzales Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Richard C. Gonzales Vice President, --
Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

(1)	(2)	(3)
Name and Principal Business Address	Positions and Offices With Underwriter	Positions and Offices With Registrant

Scott A. Hutton	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

H. Joseph Kennedy	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

William E. Kugler	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Steven A. La Versa	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Mark J. Miehle	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Richard C. Mihm	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

J. Michael Miller	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Michael P. O'Brien	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Robert D. Oehlschlager	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Robert F. Phillips	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Eugene B. Reed	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

Paul V. Riordan	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

John C. Shelar, Jr.	Vice President,	--
Federated Investors Tower	Federated Securities Corp.	
Pittsburgh, PA 15222-3779		

David W. Spears	Vice President,	--
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Federated Investors Tower Federated Securities Corp.
Pittsburgh, PA 15222-3779

Jeffrey A. Stewart Vice President, --
 Federated Investors Tower Federated Securities Corp.
 Pittsburgh, PA 15222-3779

(1) Name and Principal Business Address	(2) Positions and Offices With Underwriter	(3) Positions and Offices With Registrant
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Jamie M. Teschner Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
---	---	----

William C. Tustin Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
---	---	----

Paul A. Uhlman Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
--	---	----

Richard B. Watts Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
--	---	----

Michael P. Wolff Federated Investors Tower Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
--	---	----

Charlene H. Jennings Federated Investors Tower Pittsburgh, PA 15222-3779	Assistant Vice President, Federated Securities Corp.	--
--	---	----

J. Timothy Radcliff Federated Investors Tower Pittsburgh, PA 15222-3779	Assistant Vice President, Federated Securities Corp.	--
---	---	----

Denis McAuley Federated Investors Tower Pittsburgh, PA 15222-3779	Treasurer, Federated Securities Corp.	--
---	--	----

Thomas R. Donahue Federated Investors Tower Pittsburgh, PA 15222-3779	Asstistant Secretary, Assistant Treasurer, Federated Securities Corp.	--
---	---	----

Joseph M. Huber Federated Investors Tower Pittsburgh, PA 15222-3779	Assistant Secretary, Federated Securities Corp.	--
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David M. Taylor Federated Investors Tower Pittsburgh, PA 15222-3779	Assistant Secretary, Federated Securities Corp.	
---	--	--

Item 30. Location of Accounts and Records:

Federated Short-Term Municipal Trust Pittsburgh, Pennsylvania	Federated Investors Tower 15222-3779
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Federated Shareholder Services Company Agent, Dividend Disbursing Agent and Portfolio Recordkeeper")	Federated Investors Tower ("Transfer Pittsburgh, Pennsylvania 15222-3779
--	--

Federated Administrative Services ("Administrator")	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
--	---

Federated Management ("Adviser")	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-------------------------------------	---

State Street Bank and Trust Company ("Custodian")	c/o Federated Shareholder Services
--	---------------------------------------

Item 31. Management Services: Not applicable.

Item 32. Undertakings: (10.)

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of the Registrant's latest annual report to shareholders, upon request and without charge.

Registrant hereby undertakes to comply with the provisions of Section 16(c) of the 1940 Act with respect to the removal of Trustees and the calling of special shareholder meetings by shareholders.

10. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 17 filed August 24, 1990. (File Nos. 2-72277 and 811-3181)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, FEDERATED SHORT-TERM MUNICIPAL TRUST certifies that it meets all of the requirements for effectiveness of this Amendment to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Amendment to its Registration Statement to be signed on its behalf by the

undersigned, thereto duly authorized, in the City of Pittsburgh and Commonwealth of Pennsylvania, on the 26th day of August, 1996.

FEDERATED SHORT-TERM MUNICIPAL TRUST

BY: /s/ S. Elliott Cohan
S. Elliott Cohan, Assistant Secretary
Attorney in Fact for John F. Donahue
August 26, 1996

Pursuant to the requirements of the Securities Act of 1933, this Amendment to its Registration Statement has been signed below by the following person in the capacity and on the date indicated:

NAME	TITLE	DATE
By:/s/ S. Elliott Cohan S. Elliott Cohan ASSISTANT SECRETARY	Attorney In Fact For the Persons Listed Below	August 26, 1996

NAME	TITLE
John F. Donahue*	Chairman and Trustee (Chief Executive Officer)
Glen R. Johnson*	President and Trustee
Edward C. Gonzales*	Executive Vice President
John W. McGonigle*	Treasurer and Executive Vice President (Principal Financial and Accounting Officer)
Thomas G. Bigley*	Trustee
John T. Conroy, Jr.*	Trustee
William J. Copeland*	Trustee
James E. Dowd*	Trustee

Lawrence D. Ellis, M.D.*	Trustee
Edward L. Flaherty, Jr.*	Trustee
Glen R. Johnson*	Trustee
Peter E. Madden*	Trustee
Gregor F. Meyer*	Trustee
John E. Murray, Jr.*	Trustee
Wesley W. Posvar*	Trustee
Marjorie P. Smuts*	Trustee

Exhibit (11) under N-1A
Exhibit 23 under Item 601/Reg SK

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use in Post-Effective Amendment No. 31 to Form N-1A Registration Statement of Federated Short-Term Municipal Trust of our report dated August 2, 1996, on the financial statements as of June 30, 1996, included in or made a part of this registration statement.

By: ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Pittsburgh, Pennsylvania,
August 26, 1996

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints the Secretary and Assistant Secretary of FEDERATED SHORT-TERM MUNICIPAL TRUST, and the Deputy General Counsel of Federated Services Company, and each of them, their true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for them and in their names, place and stead, in any and all capacities, to sign any and all documents to be filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Company Act of 1940, by means of the Securities and Exchange Commission's electronic disclosure system known as EDGAR; and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to sign and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

SIGNATURES	TITLE	DATE
/s/ John F. Donahue John F. Donahue	Chairman and Trustee (Chief Executive Officer)	August 1, 1996
/s/Glen R. Johnson Glen R. Johnson	President and Trustee	August 1, 1996
/s/John W. McGonigle John W. McGonigle	Treasurer and Executive Vice President (Principal Financial and Accounting Officer)	August 1, 1996
/s/ Thomas G. Bigley Thomas G. Bigley	Trustee	August 1, 1996
/s/ John T. Conroy, Jr. John T. Conroy, Jr.	Trustee	August 1, 1996
/s/ William J. Copeland William J. Copeland	Trustee	August 1, 1996
/s/ James E. Dowd James E. Dowd	Trustee	August 1, 1996

/s/ Lawrence D. Ellis, M.D. Trustee August 1, 1996
Lawrence D. Ellis, M.D.

/s/ Edward L. Flaherty, Jr. Trustee August 1, 1996
Edward L. Flaherty, Jr.

/s/ Peter E. Madden Trustee August 1, 1996
Peter E. Madden

/s/ Gregor F. Meyer Trustee August 1, 1996
Gregor F. Meyer

/s/ John E. Murray Trustee August 1, 1996
John E. Murray

/s/ Wesley W. Posvar Trustee August 1, 1996
Wesley W. Posvar

/s/ Marjorie P. Smuts Trustee August 1, 1996
Marjorie P. Smuts

Sworn to and subscribed before me this 1st day of August, 1996.

/s/ Marie M. Hamm

Exhibit 9(i) under Form N-1A
Exhibit 10 under Item 601/Reg. S-K

AGREEMENT
FOR
FUND ACCOUNTING SERVICES,
ADMINISTRATIVE SERVICES,
TRANSFER AGENCY SERVICES
AND
CUSTODY SERVICES PROCUREMENT

AGREEMENT made as of March 1, 1996, by and between those investment companies listed on Exhibit 1 as may be amended from time to time, having their principal office and place of business at Federated Investors Tower, Pittsburgh, PA 15222-3779 (the "Investment Company"), on behalf of the portfolios (individually referred to herein as a "Fund" and collectively as "Funds") of the Investment Company, and FEDERATED SERVICES COMPANY, a Pennsylvania corporation, having its principal office and place of business at Federated Investors Tower, Pittsburgh, Pennsylvania 15222-3779 on behalf of itself and its subsidiaries (the "Company").

WHEREAS, the Investment Company is registered as an open-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), with authorized and issued shares of capital stock or beneficial interest ("Shares");

WHEREAS, the Investment Company may desire to retain the Company as fund accountant to provide fund accounting services (as herein defined) including certain pricing, accounting and recordkeeping services for each of the Funds, including any classes of shares issued by any Fund ("Classes") if so indicated on Exhibit 1, and the Company desires to accept such appointment;

WHEREAS, the Investment Company may desire to appoint the Company as its administrator to provide it with administrative services (as herein defined), if so indicated on Exhibit, and the Company desires to accept such appointment;

WHEREAS, the Investment Company may desire to appoint the Company as its transfer agent and dividend disbursing agent to provide it with transfer agency services (as herein defined) if so indicated on Exhibit 1, and agent in connection with certain other activities, and the Company desires to accept such appointment; and

WHEREAS, the Investment Company may desire to appoint the Company as its agent to select, negotiate and subcontract for custodian services from an approved list of qualified banks if so indicated on Exhibit 1, and the Company desires to accept such appointment; and

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION ONE: FUND ACCOUNTING.

ARTICLE 1. APPOINTMENT.

The Investment Company hereby appoints the Company to provide certain pricing and accounting services to the Funds, and/or the Classes, for the period and on the terms set forth in this Agreement. The Company accepts such appointment and agrees to furnish the services herein set forth in return for the compensation as provided in Article 3 of this Section.

ARTICLE 2. THE COMPANY'S DUTIES.

Subject to the supervision and control of the Investment Company's Board of Trustees or Directors ("Board"), the Company will assist the Investment Company with regard to fund accounting for the Investment Company, and/or the Funds, and/or the Classes, and in connection therewith undertakes to perform the following specific services;

- A. Value the assets of the Funds using: primarily, market quotations, including the use of matrix pricing, supplied by the independent pricing services selected by the Company in consultation with the adviser, or sources selected by the adviser, and reviewed by the board; secondarily, if a designated pricing service does not provide a price for a security which the Company believes should be available by market quotation, the Company may obtain a price by calling brokers designated by the investment adviser of the fund holding the security, or if the adviser does not supply the names of such brokers, the Company will attempt on its own to find brokers to price those securities; thirdly, for securities for which no market price is available, the Pricing Committee of the Board will determine a fair value in good faith. Consistent with Rule 2a-4 of the 40 Act, estimates may be used where necessary or appropriate. The Company's obligations with regard to the prices received from outside pricing services and designated brokers or other outside sources, is to exercise reasonable care in the supervision of the pricing agent. The Company is not the guarantor of the securities prices received from such agents and the Company is not liable to the Fund for potential errors in valuing a Fund's assets or calculating the net asset value per share of such Fund or Class when the calculations are based upon such prices. All of the above sources of prices used as described are deemed by the Company to be authorized sources of security prices. The Company provides daily to the adviser the securities prices used in calculating the net asset value of the fund, for its use in preparing exception reports for those prices on which the adviser has comment. Further, upon receipt of the exception reports generated by the adviser, the Company diligently pursues communication regarding exception reports with the designated pricing agents;
- B. Determine the net asset value per share of each Fund and/or Class, at the time and in the manner from time to time determined by the Board and as set forth in the Prospectus and Statement of Additional Information ("Prospectus") of each Fund;
- C. Calculate the net income of each of the Funds, if any;
- D. Calculate realized capital gains or losses of each of the Funds resulting from sale or disposition of assets, if any;
- E. Maintain the general ledger and other accounts, books and financial records of the Investment Company, including for each Fund, and/or Class, as required under Section 31(a) of the 1940 Act and the Rules

- thereunder in connection with the services provided by the Company;
- F. Preserve for the periods prescribed by Rule 31a-2 under the 1940 Act the records to be maintained by Rule 31a-1 under the 1940 Act in connection with the services provided by the Company. The Company further agrees that all such records it maintains for the Investment Company are the property of the Investment Company and further agrees to surrender promptly to the Investment Company such records upon the Investment Company's request;
 - G. At the request of the Investment Company, prepare various reports or other financial documents in accordance with generally accepted accounting principles as required by federal, state and other applicable laws and regulations; and
 - H. Such other similar services as may be reasonably requested by the Investment Company.

The foregoing, along with any additional services that the Company shall agree in writing to perform for the Investment Company under this Section One, shall hereafter be referred to as "Fund Accounting Services."

ARTICLE 3. COMPENSATION AND ALLOCATION OF EXPENSES.

- A. The Funds will compensate the Company for Fund Accounting Services in accordance with the fees agreed upon from time to time between the parties hereto. Such fees do not include out-of-pocket disbursements of the Company for which the Funds shall reimburse the Company. Out-of-pocket disbursements shall include, but shall not be limited to, the items agreed upon between the parties from time to time.
- B. The Fund and/or the Class, and not the Company, shall bear the cost of: custodial expenses; membership dues in the Investment Company Institute or any similar organization; transfer agency expenses; investment advisory expenses; costs of printing and mailing stock certificates, Prospectuses, reports and notices; administrative expenses; interest on borrowed money; brokerage commissions; taxes and fees payable to federal, state and other governmental agencies; fees of Trustees or Directors of the Investment Company; independent auditors expenses; legal and audit department expenses billed to the Company for work performed related to the Investment Company, the Funds, or the Classes; law firm expenses; organizational expenses; or other expenses not specified in this Article 3 which may be properly payable by the Funds and/or Classes.
- C. The compensation and out-of-pocket expenses attributable to the Fund shall be accrued by the Fund and shall be paid to the Company no less frequently than monthly, and shall be paid daily upon request of the Company. The Company will maintain detailed information about the compensation and out-of-pocket expenses by Fund and Class.
- D. Any schedule of compensation agreed to hereunder, as may be adjusted from time to time, shall be dated and signed by a duly authorized officer of the Investment Company and/or the Funds and a duly authorized officer of the Company.
- E. The fee for the period from the effective date of this Agreement with respect to a Fund or a Class to the end of the initial month shall be prorated according to the proportion that such period bears to the full month period. Upon any termination of this Agreement

before the end of any month, the fee for such period shall be prorated according to the proportion which such period bears to the full month period. For purposes of determining fees payable to the Company, the value of the Fund's net assets shall be computed at the time and in the manner specified in the Fund's Prospectus.

- F. The Company, in its sole discretion, may from time to time subcontract to, employ or associate with itself such person or persons as the Company may believe to be particularly suited to assist it in performing Fund Accounting Services. Such person or persons may be affiliates of the Company, third-party service providers, or they may be officers and employees who are employed by both the Company and the Investment Company; provided, however, that the Company shall be as fully responsible to each Fund for the acts and omissions of any such subcontractor as it is for its own acts and omissions. The compensation of such person or persons shall be paid by the Company and no obligation shall be incurred on behalf of the Investment Company, the Funds, or the Classes in such respect.

SECTION TWO: ADMINISTRATIVE SERVICES.

ARTICLE 4. APPOINTMENT.

The Investment Company hereby appoints the Company as Administrator for the period on the terms and conditions set forth in this Agreement. The Company hereby accepts such appointment and agrees to furnish the services set forth in Article 5 of this Agreement in return for the compensation set forth in Article 9 of this Agreement.

ARTICLE 5. THE COMPANY'S DUTIES.

As Administrator, and subject to the supervision and control of the Board and in accordance with Proper Instructions (as defined hereafter) from the Investment Company, the Company will provide facilities, equipment, and personnel to carry out the following administrative services for operation of the business and affairs of the Investment Company and each of its portfolios:

- A. prepare, file, and maintain the Investment Company's governing documents and any amendments thereto, including the Charter (which has already been prepared and filed), the By-laws and minutes of meetings of the Board and Shareholders;
- B. prepare and file with the Securities and Exchange Commission and the appropriate state securities authorities the registration statements for the Investment Company and the Investment Company's shares and all amendments thereto, reports to regulatory authorities and shareholders, prospectuses, proxy statements, and such other documents all as may be necessary to enable the Investment Company to make a continuous offering of its shares;
- C. prepare, negotiate, and administer contracts (if any) on behalf of the Investment Company with, among others, the Investment Company's investment advisers and distributors, subject to any applicable restrictions of the Board or the 1940 Act;
- D. calculate performance data of the Investment Company for dissemination to information services covering the investment company industry;
- E. prepare and file the Investment Company's tax returns;
- F. coordinate the layout and printing of publicly disseminated

- prospectuses and reports;
- G. perform internal audit examinations in accordance with a charter to be adopted by the Company and the Investment Company;
 - H. assist with the design, development, and operation of the Investment Company and the Funds;
 - I. provide individuals reasonably acceptable to the Board for nomination, appointment, or election as officers of the Investment Company, who will be responsible for the management of certain of the Investment Company's affairs as determined by the Investment Company's Board; and
 - J. consult with the Investment Company and its Board on matters concerning the Investment Company and its affairs.

The foregoing, along with any additional services that the Company shall agree in writing to perform for the Investment Company under this Section 4, shall hereafter be referred to as "Administrative Services."

ARTICLE 6. RECORDS.

The Company shall create and maintain all necessary books and records in accordance with all applicable laws, rules and regulations, including but not limited to records required by Section 31(a) of the Investment Company act of 1940 and the rules thereunder, as the same may be amended from time to time, pertaining to the Administrative Services performed by it and not otherwise created and maintained by another party pursuant to contract with the Investment Company. Where applicable, such records shall be maintained by the Company for the periods and in the places required by Rule 31a-2 under the 1940 Act. The books and records pertaining to the Investment Company which are in the possession of the Company shall be the property of the Investment Company. The Investment Company, or the Investment Company's authorized representatives, shall have access to such books and records at all times during the Company's normal business hours. Upon the reasonable request of the Investment Company, copies of any such books and records shall be provided promptly by the Company to the Investment Company or the Investment Company's authorized representatives.

ARTICLE 7. DUTIES OF THE FUND.

The Fund assumes full responsibility for the preparation, contents and distribution of its own offering document and for complying with all applicable requirements the 1940 Act, the Internal Revenue Code, and any other laws, rules and regulations of government authorities having jurisdiction.

ARTICLE 8. EXPENSES.

The Company shall be responsible for expenses incurred in providing office space, equipment, and personnel as may be necessary or convenient to provide the Administrative Services to the Investment Company, including the compensation of the Company employees who serve as trustees or directors or officers of the Investment Company. The Investment Company shall be responsible for all other expenses incurred by the Company on behalf of the Investment Company, including without limitation postage and courier expenses, printing expenses, travel expenses, registration fees, filing fees, fees of outside counsel and independent auditors, or other professional services, organizational expenses, insurance premiums, fees payable to persons who are not the Company's employees, trade association dues, and other expenses properly payable by the Funds and/or the Classes.

ARTICLE 9. COMPENSATION.

For the Administrative Services provided, the Investment Company hereby agrees to pay and the Company hereby agrees to accept as full compensation for its services rendered hereunder an administrative fee at an annual rate per Fund, as specified below.

The compensation and out of pocket expenses attributable to the Fund shall be accrued by the Fund and paid to the Company no less frequently than monthly, and shall be paid daily upon request of the Company. The Company will maintain detailed information about the compensation and out of pocket expenses by the Fund.

MAX. ADMIN. FEE	AVERAGE DAILY NET ASSETS OF THE FUNDS
.150%	on the first \$250 million
.125%	on the next \$250 million
.100%	on the next \$250 million
.075%	on assets in excess of \$750 million

(Average Daily Net Asset break-points are on a complex-wide basis)

However, in no event shall the administrative fee received during any year of the Agreement be less than, or be paid at a rate less than would aggregate \$125,000 per Fund and \$30,000 per Class. The minimum fee set forth above in this Article 9 may increase annually upon each March 1 anniversary of this Agreement over the minimum fee during the prior 12 months, as calculated under this agreement, in an amount equal to the increase in Pennsylvania Consumer Price Index (not to exceed 6% annually) as last reported by the U.S. Bureau of Labor Statistics for the twelve months immediately preceding such anniversary.

ARTICLE 10. RESPONSIBILITY OF ADMINISTRATOR.

- A. The Company shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Investment Company in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement. The Company shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Investment Company) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice. Any person, even though also an officer, director, trustee, partner, employee or agent of the Company, who may be or become an officer, director, trustee, partner, employee or agent of the Investment Company, shall be deemed, when rendering services to the Investment Company or acting on any business of the Investment Company (other than services or business in connection with the duties of the Company hereunder) to be rendering such services to or acting solely for the Investment Company and not as an officer, director, trustee, partner, employee or agent or one under the control or direction of the Company even though paid by the Company.
- B. The Company shall be kept indemnified by the Investment Company and be without liability for any action taken or thing done by it in performing the Administrative Services in accordance with the above

standards. In order that the indemnification provisions contained in this Article 10 shall apply, however, it is understood that if in any case the Investment Company may be asked to indemnify or hold the Company harmless, the Investment Company shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the Company will use all reasonable care to identify and notify the Investment Company promptly concerning any situation which presents or appears likely to present the probability of such a claim for indemnification against the Investment Company. The Investment Company shall have the option to defend the Company against any claim which may be the subject of this indemnification. In the event that the Investment Company so elects, it will so notify the Company and thereupon the Investment Company shall take over complete defense of the claim, and the Company shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this Article. the Company shall in no case confess any claim or make any compromise in any case in which the Investment Company will be asked to indemnify the Company except with the Investment Company's written consent.

SECTION THREE: TRANSFER AGENCY SERVICES.

ARTICLE 11. TERMS OF APPOINTMENT.

Subject to the terms and conditions set forth in this Agreement, the Investment Company hereby appoints the Company to act as, and the Company agrees to act as, transfer agent and dividend disbursing agent for each Fund's Shares, and agent in connection with any accumulation, open-account or similar plans provided to the shareholders of any Fund ("Shareholder(s)"), including without limitation any periodic investment plan or periodic withdrawal program.

ARTICLE 12. DUTIES OF THE COMPANY.

The Company shall perform the following services in accordance with Proper Instructions as may be provided from time to time by the Investment Company as to any Fund:

A. Purchases

- (1) The Company shall receive orders and payment for the purchase of shares and promptly deliver payment and appropriate documentation therefore to the custodian of the relevant Fund, (the "Custodian"). The Company shall notify the Fund and the Custodian on a daily basis of the total amount of orders and payments so delivered.
- (2) Pursuant to purchase orders and in accordance with the Fund's current Prospectus, the Company shall compute and issue the appropriate number of Shares of each Fund and/or Class and hold such Shares in the appropriate Shareholder accounts.
- (3) For certificated Funds and/or Classes, if a Shareholder or its agent requests a certificate, the Company, as Transfer Agent, shall countersign and mail by first class mail, a certificate to the Shareholder at its address as set forth on the transfer books of the Funds, and/or Classes, subject to any Proper Instructions regarding the delivery of certificates.
- (4) In the event that any check or other order for the purchase of

Shares of the Fund and/or Class is returned unpaid for any reason, the Company shall debit the Share account of the Shareholder by the number of Shares that had been credited to its account upon receipt of the check or other order, promptly mail a debit advice to the Shareholder, and notify the Fund and/or Class of its action. In the event that the amount paid for such Shares exceeds proceeds of the redemption of such Shares plus the amount of any dividends paid with respect to such Shares, the Fund and/the Class or its distributor will reimburse the Company on the amount of such excess.

B. Distribution

- (1) Upon notification by the Funds of the declaration of any distribution to Shareholders, the Company shall act as Dividend Disbursing Agent for the Funds in accordance with the provisions of its governing document and the then-current Prospectus of the Fund. The Company shall prepare and mail or credit income, capital gain, or any other payments to Shareholders. As the Dividend Disbursing Agent, the Company shall, on or before the payment date of any such distribution, notify the Custodian of the estimated amount required to pay any portion of said distribution which is payable in cash and request the Custodian to make available sufficient funds for the cash amount to be paid out. The Company shall reconcile the amounts so requested and the amounts actually received with the Custodian on a daily basis. If a Shareholder is entitled to receive additional Shares by virtue of any such distribution or dividend, appropriate credits shall be made to the Shareholder's account, for certificated Funds and/or Classes, delivered where requested; and
- (2) The Company shall maintain records of account for each Fund and Class and advise the Investment Company, each Fund and Class and its Shareholders as to the foregoing.

C. Redemptions and Transfers

- (1) The Company shall receive redemption requests and redemption directions and, if such redemption requests comply with the procedures as may be described in the Fund Prospectus or set forth in Proper Instructions, deliver the appropriate instructions therefor to the Custodian. The Company shall notify the Funds on a daily basis of the total amount of redemption requests processed and monies paid to the Company by the Custodian for redemptions.
- (2) At the appropriate time upon receiving redemption proceeds from the Custodian with respect to any redemption, the Company shall pay or cause to be paid the redemption proceeds in the manner instructed by the redeeming Shareholders, pursuant to procedures described in the then-current Prospectus of the Fund.
- (3) If any certificate returned for redemption or other request for redemption does not comply with the procedures for redemption approved by the Fund, the Company shall promptly notify the Shareholder of such fact, together with the reason therefor,

and shall effect such redemption at the price applicable to the date and time of receipt of documents complying with said procedures.

- (4) The Company shall effect transfers of Shares by the registered owners thereof.
- (5) The Company shall identify and process abandoned accounts and uncashed checks for state escheat requirements on an annual basis and report such actions to the Fund.

D. Recordkeeping

- (1) The Company shall record the issuance of Shares of each Fund, and/or Class, and maintain pursuant to applicable rules of the Securities and Exchange Commission ("SEC") a record of the total number of Shares of the Fund and/or Class which are authorized, based upon data provided to it by the Fund, and issued and outstanding. The Company shall also provide the Fund on a regular basis or upon reasonable request with the total number of Shares which are authorized and issued and outstanding, but shall have no obligation when recording the issuance of Shares, except as otherwise set forth herein, to monitor the issuance of such Shares or to take cognizance of any laws relating to the issue or sale of such Shares, which functions shall be the sole responsibility of the Funds.
- (2) The Company shall establish and maintain records pursuant to applicable rules of the SEC relating to the services to be performed hereunder in the form and manner as agreed to by the Investment Company or the Fund to include a record for each Shareholder's account of the following:
 - (a) Name, address and tax identification number (and whether such number has been certified);
 - (b) Number of Shares held;
 - (c) Historical information regarding the account, including dividends paid and date and price for all transactions;
 - (d) Any stop or restraining order placed against the account;
 - (e) Information with respect to withholding in the case of a foreign account or an account for which withholding is required by the Internal Revenue Code;
 - (f) Any dividend reinvestment order, plan application, dividend address and correspondence relating to the current maintenance of the account;
 - (g) Certificate numbers and denominations for any Shareholder holding certificates;
 - (h) Any information required in order for the Company to perform the calculations contemplated or required by this Agreement.
- (3) The Company shall preserve any such records required to be maintained pursuant to the rules of the SEC for the periods prescribed in said rules as specifically noted below. Such record retention shall be at the expense of the Company, and such records may be inspected by the Fund at reasonable times. The Company may, at its option at any time, and shall forthwith upon the Fund's demand, turn over to the Fund and cease to

retain in the Company's files, records and documents created and maintained by the Company pursuant to this Agreement, which are no longer needed by the Company in performance of its services or for its protection. If not so turned over to the Fund, such records and documents will be retained by the Company for six years from the year of creation, during the first two of which such documents will be in readily accessible form. At the end of the six year period, such records and documents will either be turned over to the Fund or destroyed in accordance with Proper Instructions.

E. Confirmations/Reports

- (1) The Company shall furnish to the Fund periodically the following information:
 - (a) A copy of the transaction register;
 - (b) Dividend and reinvestment blotters;
 - (c) The total number of Shares issued and outstanding in each state for "blue sky" purposes as determined according to Proper Instructions delivered from time to time by the Fund to the Company;
 - (d) Shareholder lists and statistical information;
 - (e) Payments to third parties relating to distribution agreements, allocations of sales loads, redemption fees, or other transaction- or sales-related payments;
 - (f) Such other information as may be agreed upon from time to time.
- (2) The Company shall prepare in the appropriate form, file with the Internal Revenue Service and appropriate state agencies, and, if required, mail to Shareholders, such notices for reporting dividends and distributions paid as are required to be so filed and mailed and shall withhold such sums as are required to be withheld under applicable federal and state income tax laws, rules and regulations.
- (3) In addition to and not in lieu of the services set forth above, the Company shall:
 - (a) Perform all of the customary services of a transfer agent, dividend disbursing agent and, as relevant, agent in connection with accumulation, open-account or similar plans (including without limitation any periodic investment plan or periodic withdrawal program), including but not limited to: maintaining all Shareholder accounts, mailing Shareholder reports and Prospectuses to current Shareholders, withholding taxes on accounts subject to back-up or other withholding (including non-resident alien accounts), preparing and filing reports on U.S. Treasury Department Form 1099 and other appropriate forms required with respect to dividends and distributions by federal authorities for all Shareholders, preparing and mailing confirmation forms and statements of account to Shareholders for all purchases and redemptions of Shares and other conformable transactions in Shareholder accounts, preparing and mailing activity statements for

Shareholders, and providing Shareholder account information; and

- (b) provide a system which will enable the Fund to monitor the total number of Shares of each Fund (and/or Class) sold in each state ("blue sky reporting"). The Fund shall by Proper Instructions (i) identify to the Company those transactions and assets to be treated as exempt from the blue sky reporting for each state and (ii) verify the classification of transactions for each state on the system prior to activation and thereafter monitor the daily activity for each state. The responsibility of the Company for each Fund's (and/or Class's) state blue sky registration status is limited solely to the recording of the initial classification of transactions or accounts with regard to blue sky compliance and the reporting of such transactions and accounts to the Fund as provided above.

F. Other Duties

- (1) The Company shall answer correspondence from Shareholders relating to their Share accounts and such other correspondence as may from time to time be addressed to the Company;
- (2) The Company shall prepare Shareholder meeting lists, mail proxy cards and other material supplied to it by the Fund in connection with Shareholder meetings of each Fund; receive, examine and tabulate returned proxies, and certify the vote of the Shareholders;
- (3) The Company shall establish and maintain facilities and procedures for safekeeping of stock certificates, check forms and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such certificates, forms and devices.

ARTICLE 13. DUTIES OF THE INVESTMENT COMPANY.

A. Compliance

The Investment Company or Fund assume full responsibility for the preparation, contents and distribution of their own and/or their classes' Prospectus and for complying with all applicable requirements of the Securities Act of 1933, as amended (the "1933 Act"), the 1940 Act and any laws, rules and regulations of government authorities having jurisdiction.

B. Share Certificates

The Investment Company shall supply the Company with a sufficient supply of blank Share certificates and from time to time shall renew such supply upon request of the Company. Such blank Share certificates shall be properly signed, manually or by facsimile, if authorized by the Investment Company and shall bear the seal of the Investment Company or facsimile thereof; and notwithstanding the death, resignation or removal of any officer of the Investment Company authorized to sign certificates, the Company may continue to countersign certificates which bear the manual or facsimile signature of such officer until otherwise directed by the Investment Company.

C. Distributions

The Fund shall promptly inform the Company of the declaration of any dividend or distribution on account of any Fund's shares.

ARTICLE 14. COMPENSATION AND EXPENSES.

A. Annual Fee

For performance by the Company pursuant to Section Three of this Agreement, the Investment Company and/or the Fund agree to pay the Company an annual maintenance fee for each Shareholder account as agreed upon between the parties and as may be added to or amended from time to time. Such fees may be changed from time to time subject to written agreement between the Investment Company and the Company. Pursuant to information in the Fund Prospectus or other information or instructions from the Fund, the Company may subdivide any Fund into Classes or other sub-components for recordkeeping purposes. The Company will charge the Fund the same fees for each such Class or sub-component the same as if each were a Fund.

B. Reimbursements

In addition to the fee paid under Article 7A above, the Investment Company and/or Fund agree to reimburse the Company for out-of-pocket expenses or advances incurred by the Company for the items agreed upon between the parties, as may be added to or amended from time to time. In addition, any other expenses incurred by the Company at the request or with the consent of the Investment Company and/or the Fund, will be reimbursed by the appropriate Fund.

C. Payment

The compensation and out-of-pocket expenses shall be accrued by the Fund and shall be paid to the Company no less frequently than monthly, and shall be paid daily upon request of the Company. The Company will maintain detailed information about the compensation and out-of-pocket expenses by Fund and Class.

D. Any schedule of compensation agreed to hereunder, as may be adjusted from time to time, shall be dated and signed by a duly authorized officer of the Investment Company and/or the Funds and a duly authorized officer of the Company.

SECTION FOUR: CUSTODY SERVICES PROCUREMENT.

ARTICLE 15. APPOINTMENT.

The Investment Company hereby appoints Company as its agent to evaluate and obtain custody services from a financial institution that (i) meets the criteria established in Section 17(f) of the 1940 Act and (ii) has been approved by the Board as eligible for selection by the Company as a custodian (the "Eligible Custodian"). The Company accepts such appointment.

ARTICLE 16. THE COMPANY AND ITS DUTIES.

Subject to the review, supervision and control of the Board, the Company shall:

- A. evaluate and obtain custody services from a financial institution that meets the criteria established in Section 17(f) of the 1940 Act and has been approved by the Board as being eligible for selection by the Company as an Eligible Custodian;
- B. negotiate and enter into agreements with Eligible Custodians for the benefit of the Investment Company, with the Investment Company as a

- party to each such agreement. The Company may, as paying agent, be a party to any agreement with any such Eligible Custodian;
- C. establish procedures to monitor the nature and the quality of the services provided by Eligible Custodians;
 - D. monitor and evaluate the nature and the quality of services provided by Eligible Custodians;
 - E. periodically provide to the Investment Company (i) written reports on the activities and services of Eligible Custodians; (ii) the nature and amount of disbursements made on account of the each Fund with respect to each custodial agreement; and (iii) such other information as the Board shall reasonably request to enable it to fulfill its duties and obligations under Sections 17(f) and 36(b) of the 1940 Act and other duties and obligations thereof;
 - F. periodically provide recommendations to the Board to enhance Eligible Custodian's customer services capabilities and improve upon fees being charged to the Fund by Eligible Custodian; and

The foregoing, along with any additional services that Company shall agree in writing to perform for the Fund under this Section Four, shall hereafter be referred to as "Custody Services Procurement."

ARTICLE 17. FEES AND EXPENSES.

A. Annual Fee

For the performance of Custody Services Procurement by the Company pursuant to Section Four of this Agreement, the Investment Company and/or the Fund agree to compensate the Company in accordance with the fees agreed upon from time to time.

B. Reimbursements

In addition to the fee paid under Section 11A above, the Investment Company and/or Fund agree to reimburse the Company for out-of-pocket expenses or advances incurred by the Company for the items agreed upon between the parties, as may be added to or amended from time to time. In addition, any other expenses incurred by the Company at the request or with the consent of the Investment Company and/or the Fund, will be reimbursed by the appropriate Fund.

C. Payment

The compensation and out-of-pocket expenses shall be accrued by the Fund and shall be paid to the Company no less frequently than monthly, and shall be paid daily upon request of the Company. The Company will maintain detailed information about the compensation and out-of-pocket expenses by Fund.

- D. Any schedule of compensation agreed to hereunder, as may be adjusted from time to time, shall be dated and signed by a duly authorized officer of the Investment Company and/or the Funds and a duly authorized officer of the Company.

ARTICLE 18. REPRESENTATIONS.

The Company represents and warrants that it has obtained all required approvals from all government or regulatory authorities necessary to enter into this arrangement and to provide the services contemplated in Section Four of this Agreement.

SECTION FIVE: GENERAL PROVISIONS.

ARTICLE 19. PROPER INSTRUCTIONS.

As used throughout this Agreement, a "Proper Instruction" means a

writing signed or initialed by one or more person or persons as the Board shall have from time to time authorized. Each such writing shall set forth the specific transaction or type of transaction involved. Oral instructions will be deemed to be Proper Instructions if (a) the Company reasonably believes them to have been given by a person previously authorized in Proper Instructions to give such instructions with respect to the transaction involved, and (b) the Investment Company, or the Fund, and the Company promptly cause such oral instructions to be confirmed in writing. Proper Instructions may include communications effected directly between electro-mechanical or electronic devices provided that the Investment Company, or the Fund, and the Company are satisfied that such procedures afford adequate safeguards for the Fund's assets. Proper Instructions may only be amended in writing.

ARTICLE 20. ASSIGNMENT.

Except as provided below, neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by either party without the written consent of the other party.

- A. This Agreement shall inure to the benefit of and be binding upon the parties and their respective permitted successors and assigns.
- B. With regard to Transfer Agency Services, the Company may without further consent on the part of the Investment Company subcontract for the performance of Transfer Agency Services with
 - (1) its subsidiary, Federated Shareholder Service Company, a Delaware business trust, which is duly registered as a transfer agent pursuant to Section 17A(c)(1) of the Securities Exchange Act of 1934, as amended, or any succeeding statute ("Section 17A(c)(1)"); or
 - (2) such other provider of services duly registered as a transfer agent under Section 17A(c)(1) as Company shall select.

The Company shall be as fully responsible to the Investment Company for the acts and omissions of any subcontractor as it is for its own acts and omissions.

- C. With regard to Fund Accounting Services, Administrative Services and Custody Procurement Services, the Company may without further consent on the part of the Investment Company subcontract for the performance of such services with Federated Administrative Services, a wholly-owned subsidiary of the Company.
- D. The Company shall upon instruction from the Investment Company subcontract for the performance of services under this Agreement with an Agent selected by the Investment Company, other than as described in B. and C. above; provided, however, that the Company shall in no way be responsible to the Investment Company for the acts and omissions of the Agent.

ARTICLE 21. DOCUMENTS.

- A. In connection with the appointment of the Company under this Agreement, the Investment Company shall file with the Company the following documents:
 - (1) A copy of the Charter and By-Laws of the Investment Company and all amendments thereto;
 - (2) A copy of the resolution of the Board of the Investment Company authorizing this Agreement;

- (3) Specimens of all forms of outstanding Share certificates of the Investment Company or the Funds in the forms approved by the Board of the Investment Company with a certificate of the Secretary of the Investment Company as to such approval;
- (4) All account application forms and other documents relating to Shareholders accounts; and
- (5) A copy of the current Prospectus for each Fund.

B. The Fund will also furnish from time to time the following documents:

- (1) Each resolution of the Board of the Investment Company authorizing the original issuance of each Fund's, and/or Class's Shares;
- (2) Each Registration Statement filed with the SEC and amendments thereof and orders relating thereto in effect with respect to the sale of Shares of any Fund, and/or Class;
- (3) A certified copy of each amendment to the governing document and the By-Laws of the Investment Company;
- (4) Certified copies of each vote of the Board authorizing officers to give Proper Instructions to the Custodian and agents for fund accountant, custody services procurement, and shareholder recordkeeping or transfer agency services;
- (5) Specimens of all new Share certificates representing Shares of any Fund, accompanied by Board resolutions approving such forms;
- (6) Such other certificates, documents or opinions which the Company may, in its discretion, deem necessary or appropriate in the proper performance of its duties; and
- (7) Revisions to the Prospectus of each Fund.

ARTICLE 22. REPRESENTATIONS AND WARRANTIES.

A. Representations and Warranties of the Company

The Company represents and warrants to the Fund that:

- (1) it is a corporation duly organized and existing and in good standing under the laws of the Commonwealth of Pennsylvania;
- (2) It is duly qualified to carry on its business in each jurisdiction where the nature of its business requires such qualification, and in the Commonwealth of Pennsylvania;
- (3) it is empowered under applicable laws and by its Articles of Incorporation and By-Laws to enter into and perform this Agreement;
- (4) all requisite corporate proceedings have been taken to authorize it to enter into and perform its obligations under this Agreement;
- (5) it has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement;
- (6) it is in compliance with federal securities law requirements and in good standing as an administrator and fund accountant; and

B. Representations and Warranties of the Investment Company

The Investment Company represents and warrants to the Company that:

- (1) It is an investment company duly organized and existing and in

- good standing under the laws of its state of organization;
- (2) It is empowered under applicable laws and by its Charter and By-Laws to enter into and perform its obligations under this Agreement;
 - (3) All corporate proceedings required by said Charter and By-Laws have been taken to authorize it to enter into and perform its obligations under this Agreement;
 - (4) The Investment Company is an open-end investment company registered under the 1940 Act; and
 - (5) A registration statement under the 1933 Act will be effective, and appropriate state securities law filings have been made and will continue to be made, with respect to all Shares of each Fund being offered for sale.

ARTICLE 23. STANDARD OF CARE AND INDEMNIFICATION.

A. Standard of Care

With regard to Sections One, Three and Four, the Company shall be held to a standard of reasonable care in carrying out the provisions of this Contract. The Company shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Investment Company) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice, provided that such action is not in violation of applicable federal or state laws or regulations, and is in good faith and without negligence.

B. Indemnification by Investment Company

The Company shall not be responsible for and the Investment Company or Fund shall indemnify and hold the Company, including its officers, directors, shareholders and their agents, employees and affiliates, harmless against any and all losses, damages, costs, charges, counsel fees, payments, expenses and liabilities arising out of or attributable to:

- (1) The acts or omissions of any Custodian, Adviser, Sub-adviser or other party contracted by or approved by the Investment Company or Fund,
- (2) The reliance on or use by the Company or its agents or subcontractors of information, records and documents in proper form which
 - (a) are received by the Company or its agents or subcontractors and furnished to it by or on behalf of the Fund, its Shareholders or investors regarding the purchase, redemption or transfer of Shares and Shareholder account information;
 - (b) are received by the Company from independent pricing services or sources for use in valuing the assets of the Funds; or
 - (c) are received by the Company or its agents or subcontractors from Advisers, Sub-advisers or other third parties contracted by or approved by the Investment Company of Fund for use in the performance of services under this Agreement;
 - (d) have been prepared and/or maintained by the Fund or its affiliates or any other person or firm on behalf of the

Investment Company.

- (3) The reliance on, or the carrying out by the Company or its agents or subcontractors of Proper Instructions of the Investment Company or the Fund.
- (4) The offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such Shares in such state.

Provided, however, that the Company shall not be protected by this Article 23.B. from liability for any act or omission resulting from the Company's willful misfeasance, bad faith, negligence or reckless disregard of its duties or failure to meet the standard of care set forth in 23.A. above.

C. Reliance

At any time the Company may apply to any officer of the Investment Company or Fund for instructions, and may consult with legal counsel with respect to any matter arising in connection with the services to be performed by the Company under this Agreement, and the Company and its agents or subcontractors shall not be liable and shall be indemnified by the Investment Company or the appropriate Fund for any action reasonably taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel provided such action is not in violation of applicable federal or state laws or regulations. The Company, its agents and subcontractors shall be protected and indemnified in recognizing stock certificates which are reasonably believed to bear the proper manual or facsimile signatures of the officers of the Investment Company or the Fund, and the proper countersignature of any former transfer agent or registrar, or of a co-transfer agent or co-registrar.

D. Notification

In order that the indemnification provisions contained in this Article 23 shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.

ARTICLE 24. TERM AND TERMINATION OF AGREEMENT.

This Agreement shall be effective from March 1, 1996 and shall continue until February 28, 2003 ("Term"). Thereafter, the Agreement will continue for 18 month terms. The Agreement can be terminated by either party upon 18 months notice to be effective as of the end of such 18 month period. In the event, however, of willful misfeasance, bad faith, negligence or

reckless disregard of its duties by the Company, the Investment Company has the right to terminate the Agreement upon 60 days written notice, if Company has not cured such willful misfeasance, bad faith, negligence or reckless disregard of its duties within 60 days. The termination date for all original or after-added Investment companies which are, or become, a party to this Agreement. shall be coterminous. Investment Companies that merge or dissolve during the Term, shall cease to be a party on the effective date of such merger or dissolution.

Should the Investment Company exercise its rights to terminate, all out-of-pocket expenses associated with the movement of records and materials will be borne by the Investment Company or the appropriate Fund. Additionally, the Company reserves the right to charge for any other reasonable expenses associated with such termination. The provisions of Articles 10 and 23 shall survive the termination of this Agreement.

ARTICLE 25. AMENDMENT.

This Agreement may be amended or modified by a written agreement executed by both parties.

ARTICLE 26. INTERPRETIVE AND ADDITIONAL PROVISIONS.

In connection with the operation of this Agreement, the Company and the Investment Company may from time to time agree on such provisions interpretive of or in addition to the provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. Any such interpretive or additional provisions shall be in a writing signed by both parties and shall be annexed hereto, provided that no such interpretive or additional provisions shall contravene any applicable federal or state regulations or any provision of the Charter. No interpretive or additional provisions made as provided in the preceding sentence shall be deemed to be an amendment of this Agreement.

ARTICLE 27. GOVERNING LAW.

This Agreement shall be construed and the provisions hereof interpreted under and in accordance with the laws of the Commonwealth of Massachusetts

ARTICLE 28. NOTICES.

Except as otherwise specifically provided herein, Notices and other writings delivered or mailed postage prepaid to the Investment Company at Federated Investors Tower, Pittsburgh, Pennsylvania, 15222-3779, or to the Company at Federated Investors Tower, Pittsburgh, Pennsylvania, 15222-3779, or to such other address as the Investment Company or the Company may hereafter specify, shall be deemed to have been properly delivered or given hereunder to the respective address.

ARTICLE 29. COUNTERPARTS.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original.

ARTICLE 30. LIMITATIONS OF LIABILITY OF TRUSTEES AND SHAREHOLDERS OF THE COMPANY.

The execution and delivery of this Agreement have been authorized by the Trustees of the Company and signed by an authorized officer of the Company, acting as such, and neither such authorization by such Trustees nor such execution and delivery by such officer shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, and the obligations of this Agreement are not binding upon any of the Trustees or Shareholders of the Company, but bind only the

appropriate property of the Fund, or Class, as provided in the Declaration of Trust.

ARTICLE 31. MERGER OF AGREEMENT.

This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject hereof whether oral or written.

ARTICLE 32. SUCCESSOR AGENT.

If a successor agent for the Investment Company shall be appointed by the Investment Company, the Company shall upon termination of this Agreement deliver to such successor agent at the office of the Company all properties of the Investment Company held by it hereunder. If no such successor agent shall be appointed, the Company shall at its office upon receipt of Proper Instructions deliver such properties in accordance with such instructions.

In the event that no written order designating a successor agent or Proper Instructions shall have been delivered to the Company on or before the date when such termination shall become effective, then the Company shall have the right to deliver to a bank or trust company, which is a "bank" as defined in the 1940 Act, of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report, of not less than \$2,000,000, all properties held by the Company under this Agreement. Thereafter, such bank or trust company shall be the successor of the Company under this Agreement.

ARTICLE 33. FORCE MAJEURE.

The Company shall have no liability for cessation of services hereunder or any damages resulting therefrom to the Fund as a result of work stoppage, power or other mechanical failure, natural disaster, governmental action, communication disruption or other impossibility of performance.

ARTICLE 34. ASSIGNMENT; SUCCESSORS.

This Agreement shall not be assigned by either party without the prior written consent of the other party, except that either party may assign all of or a substantial portion of its business to a successor, or to a party controlling, controlled by, or under common control with such party. Nothing in this Article 34 shall prevent the Company from delegating its responsibilities to another entity to the extent provided herein.

ARTICLE 35. SEVERABILITY.

In the event any provision of this Agreement is held illegal, void or unenforceable, the balance shall remain in effect.

ARTICLE 36. LIMITATIONS OF LIABILITY OF TRUSTEES AND SHAREHOLDERS OF THE INVESTMENT COMPANY.

The execution and delivery of this Agreement have been authorized by the Trustees of the Investment Company and signed by an authorized officer of the Investment Company, acting as such, and neither such authorization by such Trustees nor such execution and delivery by such officer shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, and the obligations of this Agreement are not binding upon any of the Trustees or Shareholders of the Investment Company, but bind only the property of the Fund, or Class, as provided in the Declaration of Trust.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

executed in their names and on their behalf under their seals by and through their duly authorized officers, as of the day and year first above written.

INVESTMENT COMPANIES
(LISTED ON EXHIBIT 1)

By: /s/ S. Elliott Cohan
S. Elliott Cohan
Assistant Secretary

FEDERATED SERVICES COMPANY

By: /s/ Thomas J. Ward
Thomas J. Ward
Secretary

EXHIBIT 1

CONTRACT
DATE

INVESTMENT COMPANY
Portfolios
Classes

March 1, 1996 Federated Short-Term Municipal Trust
 Institutional Shares
 Institutional Service Shares

FEDERATED SERVICES COMPANY provides the following services:

FUND ACCOUNTING SERVICES;
ADMINISTRATIVE SERVICES;
TRANSFER AGENCY SERVICES; and

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