

# SECURITIES AND EXCHANGE COMMISSION

## FORM 485APOS

Post-effective amendments [Rule 485(a)]

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### FILER

#### **FEDERATED HIGH INCOME BOND FUND INC**

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  -----

Pre-Effective Amendment No. ....

Post-Effective Amendment No. 44 .....  -----

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 37 .....  -----

FEDERATED HIGH INCOME BOND FUND, INC.

(Exact Name of Registrant as Specified in Charter)

Federated Investors Funds  
5800 Corporate Drive

Pittsburgh, Pennsylvania 15237-7000  
(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)

(Notices should be sent to the Agent for Service)

It is proposed that this filing will become effective:

immediately upon filing pursuant to paragraph (b) on pursuant to paragraph  
(b) 60 days after filing pursuant to paragraph (a) (i)

X on MAY 31, 1999 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.

Copies To:

Matthew G. Maloney, Esquire  
Dickstein Shapiro Morin & Oshinsky LLP

2101 L Street, N.W.

PROSPECTUS

FEDERATED HIGH INCOME BOND FUND, INC.

CLASS A SHARES

CLASS B SHARES

CLASS C SHARES

A mutual fund seeking high current income by investing primarily in a diversified portfolio of professionally managed fixed income securities.

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus, and any representation to the contrary is a criminal offense.

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may 31, 1999

RISK/RETURN SUMMARY

WHAT IS THE FUND'S INVESTMENT OBJECTIVE?

The Fund's investment objective is to seek high current income by investing primarily in a diversified portfolio of professionally managed fixed income securities. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the strategies and policies described in this prospectus.

WHAT ARE THE FUND'S MAIN INVESTMENT STRATEGIES?

The Fund pursues its investment objective by investing in a diversified portfolio of high-yield, lower-rated corporate bonds.

WHAT ARE THE MAIN RISKS OF INVESTING IN THE FUND?

All mutual funds take investment risks. Therefore, it is possible to lose money by investing in the Fund. The primary factors that may reduce the Fund's returns include:

WHAT ARE THE MAIN RISKS OF INVESTING IN THE FUND?

- o The corporate bonds in which the fund invests have a higher default risk than investment-grade securities. Low-grade bonds are almost always uncollateralized and subordinated to other debt that a firm has outstanding.
- o Liquidity of individual corporate bonds varies considerably. Low-grade corporate bonds have less liquidity than investment grade securities, which means that trades in these securities will be made at larger bid-ask spreads.

- o Low-grade corporate bond returns are sensitive to both changes in prevailing interest rates and in the U.S. and global economy. An increase in market interest rates may result in a decrease in the value of Fund shares. The value of the Fund's portfolio may also decline in tandem with a drop in the overall value of the stock market.

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 or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency.

RISK/RETURN BAR CHART AND TABLE

The graphic presentation displayed here consists of a bar chart representing the annual total returns of Class A Shares as of the calendar year-end for each of ten years.

The 'y' axis reflects the "% Total Return" beginning with "-20.00%" and increasing in increments of 10.00% up to 70.00%

The 'x' axis represents calculation periods for the last ten calendar years of the Fund, beginning with the earliest year. The light gray shaded chart features ten distinct vertical bars, each shaded in charcoal, and each visually representing by height the total return percentages for the calendar year stated directly at its base. The calculated total return percentage for the Class A Shares for each calendar year is stated directly at the top of each respective bar, for the calendar years 1989 through 1998. The percentages noted are: 0.26%, -12.80%, 60.50%, 17.17%, 17.42%, 1.68%, 19.19%, 13.54%, 13.24% and 2.15%.

The bar chart shows the variability of the Fund's Class A Shares actual total return on a calendar year-end basis.

The total returns displayed for the Fund do not reflect the payment of any sales charges or recurring shareholder account fees. If these charges or fees had been included, the returns shown would have been lower.

The Fund's Class A Shares total return from January 1, 1999 to March 31, 1999 was xx%.

Within the period shown in the Chart, the Fund's Class A Shares highest quarterly return was 25.55% (quarter ended March 31, 1991). Its lowest quarterly return was -8.70% (quarter ended September 30, 1990).

AVERAGE ANNUAL TOTAL RETURN

	LIFE OF THE FUND <sup>1</sup>	1 YEAR	5 YEARS	10 YEARS
Class A Shares	NA	%	%	%
Class B Shares	%	%	NA	NA
Class C Shares	%	%	%	NA
LBSBRI	%	%	%	%
LHCYFA	%	%	%	%

<sup>1</sup> The Fund's Class B Shares and Class C Shares start of performance dates were September 28, 1994 and May 1, 1993, respectively.

The table shows the Fund's Class A Shares, Class B Shares and Class C Shares average annual total returns compared to the Lehman Brothers Single B Rated Index (LBSBRI) and the Lipper High Current Yield Funds Average (LHCYFA).

Past performance does not necessarily predict future performance. This information provides you with historical performance so that you can analyze whether the Fund's investment risks are balanced by its potential rewards.

WHAT ARE THE FUND'S FEES AND EXPENSES?

FEDERATED HIGH INCOME BOND FUND, INC.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund's Class A Shares, Class B Shares and Class C Shares.

<TABLE>  
<CAPTION>

SHAREHOLDER FEES	CLASS	CLASS	CLASS
<S>	<C>	<C>	<C>
	A	B	C
FEES PAID DIRECTLY FROM YOUR INVESTMENT			
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	4.50%	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable)	0.00%	5.50%	1.00%
Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price)	None	None	None
Redemption Fee (as a percentage of amount redeemed, if applicable)	None	None	None
Exchange Fee	None	None	None

ANNUAL FUND OPERATING EXPENSES (Before Waiver) (1) EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS (AS A PERCENTAGE OF AVERAGE NET ASSETS) Management Fee 0.75% 0.75% 0.75% Distribution (12b-1) Fee None 0.75% 0.75% Shareholder Services Fee 0.25% 0.25% 0.25% Other Expenses % % % Total Annual Fund Operating Expenses % % % 1 Although not contractually obligated to do so, the shareholder services provider waived certain amounts. These are shown below along with the net expenses the Fund ACTUALLY PAID for the fiscal year ended March 31, 1999.

Waiver of Fund Expenses	%	%	%
Total Actual Annual Fund Operating Expenses (after waiver)	%	%	%

- The shareholder services fee for Class A Shares has been voluntarily reduced. This voluntary reduction can be terminated at any time. The shareholder services fee paid by the Fund's Class A Shares (after the voluntary reduction) was xx% for the year ended March 31, 1999.
- Class B Shares convert to Class A Shares (which pay lower ongoing expenses) approximately eight years after purchase.

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund's Class A Shares, Class B Shares and Class C Shares with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund's Class A Shares, Class B Shares and Class C Shares for the time periods indicated and then redeem all of your Shares at the end of those periods. Expenses assuming no redemption are also shown. The Example also assumes that your investment has a 5% return each year and that the Fund's Class A, B, and C Shares operating expenses are BEFORE WAIVERS as shown in the table and remain the same. Although your actual

costs may be higher or lower, based on these assumptions your costs would be:  
SHARE CLASS 1 YEAR 3 YEARS 5 YEARS 10 YEARS CLASS A SHARES Expenses assuming  
redemption \$ \$ \$ \$ Expenses assuming no \$ \$ \$ \$ redemption CLASS B SHARES  
Expenses assuming redemption \$ \$ \$ \$ Expenses assuming no \$ \$ \$ \$ redemption  
CLASS C SHARES Expenses assuming redemption \$ \$ \$ \$ Expenses assuming no \$ \$ \$ \$  
redemption

#### WHAT ARE THE FUND'S INVESTMENT STRATEGIES?

The Fund provides exposure to the high-yield, lower-rated corporate bond market. At least 65 percent of the Fund's assets are invested in corporate bonds rated BBB or lower. The adviser actively manages the Fund's portfolio seeking to realize the potentially higher returns of high-yield bonds (also known as "junk bonds") compared to returns of high-grade securities by seeking to minimize default risk and other risks through careful security selection and diversification.

The adviser selects securities seeking high yields, low relative credit risk, and high portfolio diversification. If the issuer of a bond is unable to make all coupon and principal payments as promised, realized yields will be less than promised. The securities in which the Fund invests have high yields primarily because of the market's greater uncertainty about default, and therefore about the returns that will be in fact be realized.

The adviser attempts to select bonds for investment by the Fund which offer superior potential returns for the default risks being assumed. The adviser's securities selection process consists of a credit-intensive, fundamental analysis of the issuing firm. The adviser's analysis focuses on the financial condition of the issuing firm, together with the issuer's business and product strength, competitive position, and management expertise. Further, the adviser considers current economic, financial market, and industry factors, which may affect the issuer.

The adviser attempts to minimize the Fund's portfolio credit risk through diversification. The adviser selects securities to maintain broad portfolio diversification both by company and industry.

Interest rate risk is typically not a significant factor in the adviser's security selection process. While market interest rates will affect the value of the Fund's portfolio, the prices of high yield bonds are influenced to a much greater extent by default risks than by changes in the general level of interest rates.

#### TEMPORARY DEFENSIVE INVESTMENTS

The Fund may temporarily depart from its principal investment strategies by investing its assets in cash, cash items, and shorter-term, higher-quality debt securities and similar obligations. It may do this to minimize potential losses and maintain liquidity to meet shareholder redemptions during adverse market conditions. This may cause the Fund to give up greater investment returns to maintain the safety of principal, that is, the original amount invested by shareholders.

#### WHAT ARE THE PRINCIPAL SECURITIES IN WHICH THE FUND INVESTS?

The Fund invests primarily in lower-rated corporate fixed income securities. Corporate fixed income securities are debt securities issued by U.S. or foreign businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The Fund may also purchase interests in bank loans to companies.

The Fund treats preferred stock which is redeemable by the issuer as a fixed income security. Preferred stocks have the right to receive specified dividends or distributions before the issuer makes payments on its common stock. Some preferred stock also participates in dividends and distributions paid on common stock.

The Fund may invest in fixed income securities of issuers based outside the U.S. The securities of foreign issuers in which the Fund invests are primarily traded in the U.S. and are denominated in U.S. dollars.

Fixed income securities pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a fixed income security must repay the principal amount of the security, normally within a specified time.

A security's current yield measures the annual income earned on a security as a percentage of its price. A security's yield to maturity will increase or decrease depending upon whether it costs less (a discount) or more (a premium) than the principal amount.

The credit risks of corporate debt securities vary widely among issuers. In addition, the credit risk of an issuer's debt securities may vary based on their priority for repayment. For example, higher-ranking (senior) securities have a higher priority than lower ranking (subordinated) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. Typically, both senior and subordinated debt securities have a higher priority than redeemable preferred stock. Most of the fixed income securities in which the Fund invests will be uncollateralized and subordinated to other debt that a corporation has outstanding.

Lower rated fixed income securities are securities rated below investment grade (i.e., BB or lower) by a Nationally Recognized Rating Service. There is no minimal acceptable rating for a security to be purchased or held by the Fund and the Fund may purchase or hold unrated securities and securities whose issuers are in default.

#### WHAT ARE THE SPECIFIC RISKS OF INVESTING IN THE FUND?

##### CREDIT RISKS

Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. If an issuer defaults, the Fund will lose money. The high yield bonds in which the Fund invests have a higher default risk than investment grade securities. Low-grade bonds are almost always uncollateralized and subordinated to other debt that a firm has outstanding.

Many fixed income securities receive credit ratings from services such as Standard & Poor's and Moody's Investor Services, Inc. These services assign ratings to securities by assessing the likelihood of issuer default. Lower credit ratings correspond to higher credit risk. If a security has not received a rating, the Fund must rely entirely upon the adviser's credit assessment.

Fixed income securities generally compensate for greater credit risk by paying interest at a higher rate. The difference between the yield of a security and the yield of a U.S. Treasury security with a comparable maturity (the spread) measures the additional interest paid for risk. Spreads may increase generally in response to adverse economic or market conditions. A security's spread may also increase if the security's rating is lowered, or the security is perceived to have an increased credit risk. An increase in the spread will cause the price of the security to decline.

##### LIQUIDITY RISKS

Trading opportunities are more limited for fixed income securities that have not received any credit ratings, have received ratings below investment grade or are not widely held. These features may make it more difficult to sell or buy a security at a favorable price or time. Consequently, the Fund may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the Fund's performance. Infrequent trading of securities may also lead to an increase in their price volatility.

##### BOND MARKET RISKS

Prices of fixed income securities rise and fall in response to interest rate changes for similar securities. Generally, when interest rates rise, prices of

fixed income securities fall.

Interest rate changes have a greater effect on the price of fixed income securities with longer durations. Duration measures the price sensitivity of a fixed income security to changes in interest rates.

#### RISKS RELATED TO THE ECONOMY

Like equity securities, the prices of high-yield securities are affected by investor sentiment, which is keyed to current and anticipated developments in the U.S. and global economy.

#### WHAT DO SHARES COST?

You can purchase, redeem, or exchange Shares any day the New York Stock Exchange (NYSE) is open. When the Fund receives your transaction request in proper form, it is processed at the next calculated net asset value (NAV) plus any applicable front-end sales charge (public offering price). NAV is determined at the end of regular trading (normally 4:00 p.m. Eastern time) each day the NYSE is open..

The Fund's current NAV and public offering price may be found in the mutual funds section of certain local newspapers under "Federated" and the appropriate class designation listing.

The following table summarizes the minimum required investment amount and the maximum sales charge, if any, that you will pay on an investment in the Fund. Keep in mind that investment professionals may charge you fees for their services in connection with your Share transactions.

SHARES OFFERED	MINIMUM INITIAL/SUBSEQUENT INVESTMENT AMOUNTS <sup>1</sup>	MAXIMUM SALES CHARGE	
		FRONT-END SALES CHARGE <sup>2</sup>	CONTINGENT DEFERRED SALES CHARGE <sup>3</sup>
Class A	\$1,500/\$100	4.50%	0.00%
Class B	\$1,500/\$100	None	5.50%
Class C	\$1,500/\$100	None	1.00%

<sup>1</sup> THE MINIMUM INITIAL AND SUBSEQUENT INVESTMENT AMOUNTS FOR RETIREMENT PLANS ARE \$250 AND \$100, RESPECTIVELY. THE MINIMUM SUBSEQUENT INVESTMENT AMOUNTS FOR SYSTEMATIC INVESTMENT PROGRAMS IS \$50. INVESTMENT PROFESSIONALS MAY IMPOSE HIGHER OR LOWER MINIMUM INVESTMENT REQUIREMENTS ON THEIR CUSTOMERS THAN THOSE IMPOSED BY THE FUND. ORDERS FOR \$250,000 OR MORE WILL BE INVESTED IN CLASS A SHARES INSTEAD OF CLASS B SHARES TO MAXIMIZE YOUR RETURN AND MINIMIZE THE SALES CHARGES AND MARKETING FEES. ACCOUNTS HELD IN THE NAME OF AN INVESTMENT PROFESSIONAL MAY BE TREATED DIFFERENTLY. CLASS B SHARES WILL AUTOMATICALLY CONVERT INTO CLASS A SHARES AFTER EIGHT FULL YEARS FROM THE PURCHASE DATE. THIS CONVERSION IS A NON-TAXABLE EVENT. <sup>2</sup> FRONT-END SALES CHARGE IS EXPRESSED AS A PERCENTAGE OF PUBLIC OFFERING PRICE. SEE "SALES CHARGE WHEN YOU PURCHASE." <sup>3</sup> SEE "SALES CHARGE WHEN YOU REDEEM."

#### CLASS A SHARES

Purchase Amount	Sales Charge as a Percentage of Public Offering Price	Sales Charge as a Percentage of NAV
Less than \$100,000	4.50%	4.71%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.50%	2.56%
\$500,000 but less than \$1 million	2.00%	2.04%
\$1 million or greater <sup>1</sup>	0.00%	0.00%



1 A CONTINGENT DEFERRED SALES CHARGE OF 0.75% OF THE REDEMPTION AMOUNT APPLIES TO CLASS A SHARES REDEEMED UP TO 24 MONTHS AFTER PURCHASE UNDER CERTAIN INVESTMENT PROGRAMS WHERE AN INVESTMENT PROFESSIONAL RECEIVED AN ADVANCE PAYMENT ON THE TRANSACTION.

THE SALES CHARGE AT PURCHASE MAY BE REDUCED OR ELIMINATED BY:

- o purchasing Shares in greater quantities to reduce the applicable sales charge;
- o combining concurrent purchases of Shares:
  - by you, your spouse, and your children under age 21; or
  - of the same share class of two or more Federated Funds (other than money market funds); o accumulating purchases (in calculating the sales charge on an additional purchase, include the current value of previous Share purchases still invested in the Fund); or
- o signing a letter of intent to purchase a specific dollar amount of Shares within 13 months (call your investment professional or the Fund for more information).

THE SALES CHARGE WILL BE ELIMINATED WHEN YOU PURCHASE SHARES:

- o within 120 days of redeeming Shares of an equal or lesser amount;
- o by exchanging shares from the same share class of another Federated Fund (other than a money market fund);
- o through wrap accounts or other investment programs where you pay the investment professional directly for services;
- o through investment professionals that receive no portion of the sales charge;
- o as a Federated Life Member (Class A Shares only) and their immediate family members; or
- o as a Director or employee of the Fund, the adviser, the Distributor and their affiliates, and the immediate family members of these individuals.

If your investment qualifies for a reduction or elimination of the sales charge, you or your investment professional should notify the Fund's Distributor, Federated Securities Corp., at the time of purchase. If the Distributor is not notified, you will receive the reduced sales charge only on additional purchases, and not retroactively on previous purchases.

SALES CHARGE WHEN YOU REDEEM

Your redemption proceeds may be reduced by a sales charge, commonly referred to as a contingent deferred sales charge (CDSC).

CLASS A SHARES

A contingent deferred sales charge of 0.75% of the redemption amount applies to Class A Shares redeemed up to 24 months after purchase under certain investment programs where an investment professional received an advance payment on the transaction. CLASS B SHARES Shares Held Up To: CDSC 1 year 5.50% 2 years 4.75% 3 years 4.00% 4 years 3.00% 5 years 2.00% 6 years 1.00% 7 years or more 0.00% CLASS C SHARES You will pay a 1% CDSC if you redeem Shares within one year of the purchase date.

YOU WILL NOT BE CHARGED A CDSC WHEN REDEEMING SHARES:

- o purchased with reinvested dividends or capital gains;
- o purchased within 120 days of redeeming Shares of an equal or lesser amount;
- o that you exchanged into the same share class of another Federated Fund where the shares were held for the applicable CDSC holding period (other than a money market fund);
- o purchased through investment professionals who did not receive advanced sales payments; or
- O if, after you purchase Shares, you become disabled as defined by the IRS.

IN ADDITION, YOU WILL NOT BE CHARGED A CDSC:

- o if the Fund redeems your Shares and closes your account for not meeting the minimum balance requirement;
- o if your redemption is a required retirement plan distribution;
- o upon the death of the last surviving shareholder of the account.

If your redemption qualifies, you or your investment professional should notify the Distributor at the time of redemption to eliminate the CDSC. If the Distributor is not notified, the CDSC will apply.

TO KEEP THE SALES CHARGE AS LOW AS POSSIBLE, THE FUND REDEEMS YOUR SHARES IN THIS ORDER:

- o Shares that are not subject to a CDSC; and
- o Shares held the longest (to determine the number of years your Shares have been held, include the time you held shares of other Federated Funds that have been exchanged for Shares of this Fund); and
- o The CDSC is then calculated using the share price at the time of purchase or redemption, whichever is lower.

HOW IS THE FUND SOLD?

The Fund offers three share classes: Class A Shares, Class B Shares and Class C Shares, each representing interests in a single portfolio of securities.

The Fund's Distributor markets the Shares described in this prospectus to customers of financial institutions or individuals, directly or through investment professionals.

When the Distributor receives sales charges and marketing fees, it may pay some or all of them to investment professionals. The Distributor and its affiliates may pay out of their assets other amounts (including items of material value) to investment professionals for marketing and servicing Shares. The Distributor is a subsidiary of Federated Investors, Inc. (Federated). ]

RULE 12B-1 PLAN

The Fund has adopted a Rule 12b-1 Plan, which allows it to pay marketing fees to the Distributor and investment professionals for the sale, distribution and customer servicing of the Fund's Class B Shares and Class C Shares. Because these Shares pay marketing fees on an ongoing basis, your investment cost may be higher over time than other shares with different sales charges and marketing fees.

HOW TO PURCHASE SHARES

You may purchase Shares through an investment professional, directly from the Fund, or through an exchange from another Federated Fund. The Fund reserves the right to reject any request to purchase or exchange Shares.

Where the Fund offers more than one share class and you do not specify the class

choice on your New Account Form or form of payment (e.g., Federal Reserve wire or check) you automatically will receive Class A Shares.

THROUGH AN INVESTMENT PROFESSIONAL

- o Establish an account with the investment professional; and
- o Submit your purchase order to the investment professional before the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time). You will receive the next calculated NAV if the investment professional forwards the order to the Fund on the same day and the Fund receives payment within three business days. You will become the owner of Shares and receive dividends when the Fund receives your payment.

Investment professionals should send payments according to the instructions in the sections "By Wire" or "By Check."

DIRECTLY FROM THE FUND

- o Establish your account with the Fund by submitting a completed New Account Form; and
- o Send your payment to the Fund by Federal Reserve wire or check.

You will become the owner of Shares and your Shares will be priced at the next calculated NAV after the Fund receives your wire or your check. If your check does not clear, your purchase will be canceled and you could be liable for any losses or fees the Fund or its transfer agent incurs.

An institution may establish an account and place an order by calling the Fund and the Shares will be priced at the next calculated NAV after the Fund receives the order.

BY WIRE Send your wire to:

State Street Bank and Trust Company  
Boston, MA  
Dollar Amount of Wire

ABA Number 011000028  
Attention: EDGEWIRE

Wire Order Number, Dealer Number, or Group Number  
Nominee/Institution Name  
Fund Name and Number and Account Number

You cannot purchase Shares by wire on holidays when wire transfers are restricted.

BY CHECK

Make your check payable to THE FEDERATED FUNDS, note your account number on the check, and mail it to:

Federated Shareholder Services Company  
P.O. Box 8600

Boston, MA 02266-8600

If you send your check by a PRIVATE COURIER OR OVERNIGHT DELIVERY SERVICE that requires a street address, mail it to:

Federated Shareholder Services Company  
1099 Hingham Street

Rockland, MA 02370-3317

Payment should be made in U.S. dollars and drawn on a U.S. bank. The Fund will not accept third-party checks (checks originally payable to someone other than you or The Federated Funds).

#### THROUGH AN EXCHANGE

You may purchase Shares through an exchange from the same Share class of another Federated Fund. You must meet the minimum initial investment requirement for purchasing Shares and both accounts must have identical registrations.

#### BY SYSTEMATIC INVESTMENT PROGRAM

Once you have opened an account, you may automatically purchase additional Shares on a regular basis by completing the Systematic Investment Program (SIP) section of the New Account Form or by contacting the Fund or your investment professional.

#### BY AUTOMATED CLEARING HOUSE (ACH)

Once you have opened an account, you may purchase additional Shares through a depository institution that is an ACH member. This purchase option can be established by completing the appropriate sections of the New Account Form.

#### RETIREMENT INVESTMENTS

You may purchase Shares as retirement investments (such as qualified plans and IRAs or transfer or rollover of assets). Call your investment professional or the Fund for information on retirement investments. We suggest that you discuss retirement investments with your tax adviser. You may be subject to an annual IRA account fee.

#### HOW TO REDEEM AND EXCHANGE SHARES

You should redeem or exchange Shares:

- o through an investment professional if you purchased Shares through an investment professional; or
- o directly from the Fund if you purchased Shares directly from the Fund.

#### THROUGH AN INVESTMENT PROFESSIONAL

Submit your redemption or exchange request to your investment professional by the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time). The redemption amount you will receive is based upon the next calculated NAV after the Fund receives the order from your investment professional.

#### DIRECTLY FROM THE FUND

##### BY TELEPHONE

You may redeem or exchange Shares by calling the Fund once you have completed the appropriate authorization form for telephone transactions.

If you call before the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time) you will receive a redemption amount based on that day's NAV.

##### BY MAIL

You may redeem or exchange Shares by mailing a written request to the Fund.

You will receive a redemption amount based on the next calculated NAV after the Fund receives your written request in proper form.

Send requests by mail to:

Federated Shareholder Services Company  
P.O. Box 8600

Boston, MA 02266-8600

Send requests by PRIVATE COURIER OR OVERNIGHT DELIVERY SERVICE to:

Federated Shareholder Services Company

1099 Hingham Street

Rockland, MA 02370-3317 All requests must include:

- o Fund Name and Share Class, account number and account registration;
- o amount to be redeemed or exchanged;
- o signatures of all shareholders exactly as registered; and

IF EXCHANGING, the Fund Name and Share Class, account number and account registration into which you are exchanging.

Call your investment professional or the Fund if you need special instructions.

SIGNATURE GUARANTEES Signatures must be guaranteed if:

- o your redemption will be sent to an address other than the address of record;
- o your redemption will be sent to an address of record that was changed within the last 30 days;
- o a redemption is payable to someone other than the shareholder(s) of record; or

IF EXCHANGING (TRANSFERRING) into another fund with a different shareholder registration.

A signature guarantee is designed to protect your account from fraud. Obtain a signature guarantee from a bank or trust company, savings association, credit union or broker, dealer, or securities exchange member. A NOTARY PUBLIC CANNOT PROVIDE A SIGNATURE GUARANTEE.

#### PAYMENT METHODS FOR REDEMPTIONS

Your redemption proceeds will be mailed by check to your address of record. The following payment options are available if you complete the appropriate section of the New Account Form or an Account Service Options Form. These payment options require a signature guarantee if they were not established when the account was opened:

- o an electronic transfer to your account at a financial institution that is an ACH member; or
- o wire payment to your account at a domestic commercial bank that is a Federal Reserve System member.

#### REDEMPTION IN KIND

Although the Fund intends to pay Share redemptions in cash, it reserves the right to pay the redemption price in whole or in part by a distribution of the Fund's portfolio securities.

#### LIMITATIONS ON REDEMPTION PROCEEDS

Redemption proceeds normally are wired or mailed within one business day after receiving a request in proper form. Payment may be delayed up to seven days:

- o to allow your purchase to clear;
- o during periods of market volatility; or
- o when a shareholder's trade activity or amount adversely impacts the Fund's ability to manage its assets.

You will not accrue interest or dividends on uncashed checks from the Fund if those checks are undeliverable and returned to the Fund.

#### REDEMPTIONS FROM RETIREMENT ACCOUNTS

In the absence of your specific instructions, 10% of the value of your redemption from a retirement account in the Fund may be withheld for taxes. This withholding only applies to certain types of retirement accounts.

#### EXCHANGE PRIVILEGES

You may exchange Shares of the Fund into Shares of the same class of another Federated Fund. To do this, you must:

- o ensure that the account registrations are identical;
- o meet any minimum initial investment requirements; and
- o receive a prospectus for the fund into which you wish to exchange.

An exchange is treated as a redemption and a subsequent purchase, and is a taxable transaction.

The Fund may modify or terminate the exchange privilege at any time. The Fund's management or investment adviser may determine from the amount, frequency and pattern of exchanges that a shareholder is engaged in excessive trading that is detrimental to the Fund and other shareholders. If this occurs, the Fund may terminate the availability of exchanges to that shareholder and may bar that shareholder from purchasing other Federated Funds.

#### SYSTEMATIC WITHDRAWAL PROGRAM

You may automatically redeem Shares in a minimum amount of \$100 on a regular basis. Complete the appropriate section of the New Account Form or an Account Service Options Form or contact your investment professional or the Fund. Your account value must meet the minimum initial investment amount at the time the program is established. This program may reduce, and eventually deplete, your account. Payments should not be considered yield or income.

Generally, it is not advisable to continue to purchase Shares subject to a sales charge while redeeming Shares using this program.

SYSTEMATIC WITHDRAWAL PROGRAM (SWP) ON CLASS B SHARES You will not be charged a CDSC on SWP redemptions if:

- o you redeem 12% or less of your account value in a single year;
- o you reinvest all dividends and capital gains distributions; and
- o your account has at least a \$10,000 balance when you establish the SWP. (You cannot aggregate multiple Class B Share accounts to meet this minimum balance).

You will be subject to a CDSC on redemption amounts that exceed the 12% annual limit. In measuring the redemption percentage, your account is valued when you establish the SWP and then annually at calendar year-end. You can redeem monthly, quarterly, or semi-annually.

#### ADDITIONAL CONDITIONS

##### TELEPHONE TRANSACTIONS

The Fund will record your telephone instructions. If the Fund does not follow reasonable procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

##### SHARE CERTIFICATES

The Fund no longer issues share certificates. If you are redeeming or exchanging Shares represented by certificates previously issued by the Fund, you must return the certificates with your written redemption or exchange request. For your protection, send your certificates by registered or certified mail, but do not endorse them.

##### ACCOUNT AND SHARE INFORMATION

## CONFIRMATIONS AND ACCOUNT STATEMENTS

You will receive confirmation of purchases, redemptions and exchanges (except for systematic transactions). In addition, you will receive periodic statements reporting all account activity, including systematic transactions, dividends and capital gains paid.

## DIVIDENDS AND CAPITAL GAINS

The Fund declares and pays any dividends monthly to shareholders. Dividends are paid to all shareholders invested in the Fund on the record date. The record date is the date on which a shareholder must officially own shares in order to earn a dividend.

In addition, the Fund pays any capital gains at least annually. Your dividends and capital gains distributions will be automatically reinvested in additional Shares without a sales charge, unless you elect cash payments.

If you purchase Shares just before a Fund declares a dividend or capital gain distribution, you will pay the full price for the Shares and then receive a portion of the price back in the form of a taxable distribution, whether or not you reinvest the distribution in Shares. Therefore, you should consider the tax implications of purchasing Shares shortly before the Fund declares a dividend or capital gain. Contact your investment professional or the Fund for information concerning when dividends and capital gains will be paid.

## ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, non-retirement accounts may be closed if redemptions or exchanges cause the account balance to fall below the minimum initial investment amount. Before an account is closed, you will be notified and allowed 30 days to purchase additional Shares to meet the minimum.

## TAX INFORMATION

The Fund sends an annual statement of your account activity to assist you in completing your federal, state and local tax returns. Fund distributions of dividends and capital gains are taxable to you whether paid in cash or reinvested in the Fund. Dividends are taxable as ordinary income; capital gains are taxable at different rates depending upon the length of time the Fund holds its assets.

Fund distributions are expected to be primarily income. Redemptions and exchanges are taxable sales. Please consult your tax adviser regarding your federal, state, and local tax liability.

## WHO MANAGES THE FUND?

The Board of Directors governs the Fund. The Board selects and oversees the Adviser, Federated Investment Management Company. The Adviser manages the Fund's assets, including buying and selling portfolio securities. The Adviser's address is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

The Adviser and other subsidiaries of Federated advise approximately 175 mutual funds and separate accounts, which total approximately \$111 billion in assets as of December 31, 1998. Federated was established in 1955 and is one of the largest mutual fund investment managers in the United States with approximately 1,900 employees.

More than 4,000 investment professionals make Federated Funds available to their customers.

The Fund's portfolio managers are:

Mark E. Durbiano has been the Fund's portfolio manager since August 1989. Mr. Durbiano joined Federated in 1982 and has been a Senior Vice President of the Fund's Adviser since January 1996. From 1988 through 1995, Mr. Durbiano was a Vice President of the Fund's Adviser. Mr. Durbiano is a Chartered Financial Analyst and received his M.B.A. in Finance from the University of Pittsburgh.

Constantine Kartsonas has been the Fund's portfolio manager since June 1998. Mr. Kartsonas joined Federated in 1994 as an Investment Analyst and has been an Assistant Vice President of the Fund's Adviser since January 1997. From 1990 to 1993, he served as an Operations Analyst at Lehman Brothers. Mr. Kartsonas earned his M.B.A. with a concentration in Finance, from the University of Pittsburgh in 1994.

#### ADVISORY FEES

The Adviser receives an annual investment advisory fee of 0.75% of the Fund's average daily net assets. Under the investment advisory contract, which is subject to annual renewal by the Fund's Board of Directors, the Adviser will waive the amount, limited to the amount of the advisory fee, by which the Fund's aggregate annual operating expenses, including the investment advisory fee but excluding interest, taxes, brokerage commissions, expenses of registering or qualifying the Fund and its shares under federal and state laws and regulations, expenses of withholding taxes, and extraordinary expenses exceed 0.45% of its average daily net assets.

#### YEAR 2000 READINESS

The "Year 2000" problem is the potential for computer errors or failures because certain computer systems may be unable to interpret dates after December 31, 1999 or experience other date-related problems. The Year 2000 problem may cause systems to process information incorrectly and could disrupt businesses, such as the Fund, that rely on computers.

While it is impossible to determine in advance all of the risks to the Fund, the Fund could experience interruptions in basic financial and operational functions. Fund shareholders could experience errors or disruptions in Fund share transactions or Fund communications.

The Fund's service providers are making changes to their computer systems to fix any Year 2000 problems. In addition, they are working to gather information from third-party providers to determine their Year 2000 readiness.

Year 2000 problems would also increase the risks of the Fund's investments. To assess the potential effect of the Year 2000 problem, the Adviser is reviewing information regarding the Year 2000 readiness of issuers of securities the Fund may purchase.

However, this may be difficult with certain issuers. For example, funds dealing with foreign service providers or investing in foreign securities will have difficulty determining the Year 2000 readiness of those entities. This is especially true of entities or issuers in emerging markets.

The financial impact of these issues for the Fund is still being determined. There can be no assurance that potential Year 2000 problems would not have a material adverse effect on the Fund.

#### FINANCIAL INFORMATION

##### FINANCIAL HIGHLIGHTS

The Financial Highlights will help you understand the Fund's financial performance for its past five fiscal years, or since inception, if the life of the Fund is shorter. Some of the information is presented on a per share basis. Total returns represent the rate an investor would have earned (or lost) on an investment in the Fund, assuming reinvestment of any dividends and capital gains.

This information has been audited by Arthur Andersen LLP, whose report, along with the Fund's audited financial statements, is included in the Annual Report.

[Financial Highlights to be filed by amendment.]



FEDERATED HIGH INCOME BOND FUND, INC.

CLASS A SHARES  
CLASS B SHARES  
CLASS C SHARES

A Statement of Additional Information (SAI) dated May 31, 1999, is incorporated by reference into this prospectus. Additional information about the Fund's investments is contained in the Fund's annual and semi-annual reports to shareholders as they become available. The annual report discusses market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year. To obtain the SAI, the annual report, semi-annual report and other information without charge, call your investment professional or the Fund at 1-800-341-7400.

You can obtain information about the Fund (including the SAI) by visiting or writing the Public Reference Room of the Securities and Exchange Commission in Washington, DC 20549-6009 or from the Commission's Internet site at <http://www.sec.gov>. You can call 1-800-SEC-0330 for information on the Public Reference Room's operations and copying charges.

INVESTMENT COMPANY ACT FILE NO. 811-2782  
CUSIP 314195108

CUSIP 314195207

CUSIP 314195306

G00667-02 (5/99)

STATEMENT OF ADDITIONAL INFORMATION

FEDERATED HIGH INCOME BOND FUND, INC.

CLASS A SHARES  
CLASS B SHARES  
CLASS C SHARES

This Statement of Additional Information (SAI) is not a prospectus. Read this SAI in conjunction with the prospectus for Class A Shares, Class B Shares and Class C Shares of Federated High Income Bond Fund, Inc. (Fund), dated May 31, 1999. This SAI incorporates by reference the Fund's Annual Report. Obtain the prospectus or the Annual Report without charge by calling 1-800-341-7400.

may 31, 1999

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CUSIP 314195108

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#### HOW IS THE FUND ORGANIZED?

The Fund is a diversified open-end, management investment company that was established under the laws of the State of Maryland on October 14, 1977. The Fund changed its name from Liberty High Income Bond Fund, Inc. to Federated High Income Bond Fund on February 26, 1996. The Fund's investment adviser is Federated Investment Management Company (Adviser).

The Board of Directors (the Board) has established three classes of shares of the Fund, known as Class A Shares, Class B Shares and Class C Shares (Shares). This SAI relates to all classes of the above-mentioned Shares.

#### SECURITIES IN WHICH THE FUND INVESTS

In pursuing its investment strategy, the Fund may invest in the following securities for any purpose that is consistent with its investment objective.

#### SECURITIES DESCRIPTIONS AND TECHNIQUES

The following provides additional information about the types of securities in which the Fund invests.

#### FIXED INCOME SECURITIES

**ZERO COUPON SECURITIES.** Zero coupon securities are discount securities which pay interest or principal only at final maturity, unlike debt securities that provide periodic payments of interest (referred to as a coupon payment). A zero coupon step-up security converts to a coupon security before final maturity. The difference between the purchase price and amount paid at maturity represents interest on the zero coupon security.

**CONVERTIBLE SECURITIES** are fixed income securities that the Fund has the option to exchange for equity securities at a specified conversion price. The option allows the Fund to realize additional returns if the market price of the equity securities exceeds the conversion price. For example, the Fund may hold fixed income securities that are convertible into shares of common stock at a conversion price of \$10 per share. If the market value of the shares of common stock reached \$12, the Fund could realize an additional \$2 per share by converting its fixed income securities.

Convertible securities have lower yields than comparable fixed income securities. In addition, at the time a convertible security is issued the conversion price exceeds the market value of the underlying equity securities. Thus, convertible securities may provide lower returns than non-convertible fixed income securities or equity securities depending upon changes in the price of the underlying equity securities. However, convertible securities permit the Fund to realize some of the potential appreciation of the underlying equity securities with less risk of losing its initial investment.

The Fund treats convertible securities as fixed income securities for purposes of its investment policies and limitations.

**TREASURY SECURITIES** are direct obligations of the federal government of the United States. Investors regard treasury securities as having the lowest credit risk.

**AGENCY SECURITIES** are issued or guaranteed by a federal agency or other government sponsored entity acting under federal authority (a "GSE"). Some GSEs are supported by the full, faith and credit of the United States. Other GSEs receive support through federal subsidies, loans or other benefits. A few GSEs have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. Investors regard agency securities as having low credit risk, but not as low as Treasury

securities.

The Fund treats mortgage backed securities guaranteed by GSEs as agency securities. Although a GSE guarantee protects against credit risk, it does not reduce the market and prepayment risks of these mortgage backed securities.

ASSET BACKED SECURITIES are payable from pools of obligations other than mortgages. Almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. However, most asset backed securities involve consumer or commercial debts with maturities of less than ten years. Asset backed securities may take the form of commercial paper or notes, in addition to pass through certificates. Asset backed securities may also resemble some types of CMOs, such as Floaters, Inverse Floaters, IOs and POs.

Historically, borrowers are more likely to refinance their mortgage than any other type of consumer debt or short term commercial debt. In addition, some asset backed securities use prepayment to buy additional assets, rather than paying off the securities. Therefore, although asset backed securities may have some prepayment risks, they generally do not present the same degree of risk as mortgage backed securities.

COMMERCIAL PAPER is an issuer's draft or note with a maturity of less than nine months. Companies typically issue commercial paper to fund current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. Commercial paper may default if the issuer cannot continue to obtain liquidity in this fashion. The short maturity of commercial paper reduces both the market and credit risk as compared to other debt securities of the same issuer.

EQUITY SECURITIES represent a share of the issuer's earnings and assets, after the issuer pays its liabilities. Generally, issuers have discretion as to the payment of any dividends or distributions. As a result, investors cannot predict the income they will receive from equity securities. However, equity securities offer greater potential for appreciation than many other types of securities, because their value increases directly with the value of the issuer's business. The following describes the types of equity securities in which the Fund invests.

COMMON STOCKS are the most prevalent type of equity security. Common stockholders receive the residual value of the issuer's earnings and assets after the issuer pays its creditors and any preferred stockholders. As a result, changes in an issuer's earnings directly influence the value of its common stock.

INTERESTS IN OTHER LIMITED LIABILITY COMPANIES. Corporations typically issue stocks. Other types of entities may issue securities comparable to common or preferred stocks. These entities include limited partnerships, limited liability companies, business trusts and companies organized outside the United States.

REITS are real estate investment trusts that lease, operate and finance commercial real estate. REITs are exempt from federal corporate income tax if they limit their operations and distribute most of their income. Such tax requirements limit a REIT's ability to respond to changes in the commercial real estate market.

WARRANTS give the Fund the option to buy the issuer's stock or other equity securities at a specified price. The Fund may buy the designated shares by paying the exercise price before the warrant expires. Warrants may become worthless if the price of the stock does not rise above the exercise price by the expiration date. RIGHTS are the same as warrants, except they are typically issued to existing stockholders.

FOREIGN SECURITIES are securities of issuers based outside the U.S. The Fund invests in foreign securities which are traded in the U.S. and are denominated in U.S. dollars. In addition to the risks normally associated with U.S. securities of the same type, Foreign Securities are subject to Country Risk.

DEPOSITARY RECEIPTS represent interests in underlying securities issued by a foreign company, but traded in another market than the underlying security. The

foreign securities underlying American Depositary Receipts (ADRs) are traded in the U.S. ADRs provide a way to buy shares of foreign-based companies in the U.S. rather than in overseas markets. ADRs are also traded in U.S. dollars, eliminating the need for foreign exchange transactions. The foreign securities underlying European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs), and International Depositary Receipts (IDRs), are traded globally or outside the U.S. Depositary Receipts involve many of the same risks of investing directly in foreign securities.

#### SPECIAL TRANSACTIONS

REPURCHASE AGREEMENTS are transactions in which a Fund buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed upon time and price. The repurchase price exceeds the sale price, reflecting an agreed upon interest rate effective for the period the Fund owns the security subject to repurchase. The agreed upon interest rate is unrelated to the interest rate on the underlying security. The Funds will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed by the Adviser to be creditworthy

A Fund's custodian or subcustodian is required to take possession of the securities subject to repurchase agreements. The Adviser or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase Agreements are subject to Credit Risk.

WHEN ISSUED TRANSACTIONS are arrangements in which a Fund purchases securities for a set price, with payment and delivery scheduled for a future time. During the period between purchase and settlement, no payment is made by the Fund to the issuer and no interest accrues to the Fund. The Fund records the transaction when it agrees to purchase the securities and reflects their value in determining the price of its shares. 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. Therefore, when issued transactions create Market Risk for the Fund. When issued transactions also involve Credit Risk in the event of a counterparty default.

SECURITIES LENDING. A Fund may lend portfolio securities to firms that the Adviser has determined are creditworthy. In return, it will receive either cash or liquid securities as collateral from the borrower. A Fund will reinvest cash collateral in securities that qualify as an otherwise acceptable investment for the Fund. However, the Fund must pay interest to the borrower for the use of any cash collateral. If the market value of the loaned securities increases, the borrower must furnish additional collateral. While portfolio securities are on loan, the borrower pays the Fund the equivalent of any dividends or interest received on them. Loans are subject to termination at the option of the Fund or the borrower. The Fund will not have the right to vote on securities while they are being lent, but it will terminate a loan in anticipation of any important vote. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash collateral to a securities lending agent or broker.

Securities lending activities are subject to Market Risk and Credit Risk.

ASSET COVERAGE. In order to secure its obligations in connection with when-issued and delayed-delivery transactions, the Fund will "cover" such transactions, as required under applicable interpretations of the SEC, either by owning the underlying securities; entering into an offsetting transaction; or segregating, earmarking, or depositing into an escrow account readily marketable securities in an amount at all times equal to or exceeding the Fund's commitment with respect to these instruments or contracts. As a result, use of these instruments will impede the Fund's ability to freely trade the assets being used to cover them, which could result in harm to the Fund.

#### INVESTMENT RISKS

There are many factors which may affect an investment in the Fund. The Fund's principal risks are described in its prospectus. Additional risk factors are outlined below.

## FIXED INCOME RISKS

### CREDIT RISK

Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. If an issuer defaults, the Fund will lose money. The high yield bonds in which the Fund invests have a higher default risk than investment grade securities. Low-grade bonds are almost always uncollateralized and subordinated to other debt that a firm has outstanding.

Many fixed income securities receive credit ratings from services such as Standard & Poor's and Moody's Investor Services, Inc. These services assign ratings to securities by assessing the likelihood of issuer default. Lower credit ratings correspond to higher credit risk. If a security has not received a rating, the Fund must rely entirely upon the Adviser's credit assessment.

Fixed income securities generally compensate for greater credit risk by paying interest at a higher rate. The difference between the yield of a security and the yield of a U.S. Treasury security with a comparable maturity (the spread) measures the additional interest paid for risk. Spreads may increase generally in response to adverse economic or market conditions. A security's spread may also increase if the security's rating is lowered, or the security is perceived to have an increased credit risk. An increase in the spread will cause the price of the security to decline.

### RISKS OF FOREIGN INVESTING

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets may also be subject to taxation policies that reduce returns for U.S. investors.

Foreign companies may not provide information (including financial statements) as frequently or to as great an extent as companies in the United States. Foreign companies may also receive less coverage than United States companies by market analysts and the financial press. In addition, foreign countries may lack uniform accounting, auditing and financial reporting standards or regulatory requirements comparable to those applicable to U.S. companies. These factors may prevent the Fund and its Adviser from obtaining information concerning foreign companies that is as frequent, extensive and reliable as the information available concerning companies in the United States.

Foreign countries may have restrictions on foreign ownership of securities or may impose exchange controls, capital flow restrictions or repatriation restrictions which could adversely affect the liquidity of the Fund's investments.

### LEVERAGE RISKS

Leverage risk is created when an investment exposes the Fund to a level of risk that exceeds the amount invested. Changes in the value of the investment magnify the Fund's risk of loss and potential gain.

### EQUITY RISKS

#### STOCK MARKET RISKS

The value of equity securities in the Fund's portfolio will go up and down. These fluctuations could be a sustained trend or a drastic movement. The Fund's portfolio will reflect changes in prices of individual portfolio stocks or general changes in stock valuations. Consequently, the Fund's share price may decline and you could lose money.

### INVESTMENT LIMITATIONS

#### BUYING ON MARGIN

The Fund will not purchase any securities on margin but may obtain such short-term credits as may be necessary for the clearance of transactions.

#### BORROWING MONEY

The Fund will not borrow money except as a temporary measure for extraordinary or emergency purposes and then only from banks and only in amounts not in excess of 5% of the value of its total assets, taken at the lower of cost or market.

In addition, to meet redemption requests without immediately selling portfolio securities, the Fund may borrow up to one-third of the value of its total assets (including the amount borrowed) less its liabilities (not including borrowings, but including the current fair market value of any securities carried in open short positions). If, due to market fluctuations or other reasons, the value of the Fund's assets falls below 300% of its borrowings, it will reduce its borrowings within three business days. No more than 10% of the value of the Fund's total assets at the time of providing such security may be used to secure borrowings. This practice is not for investment leverage but solely to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous.

#### DIVERSIFICATION OF INVESTMENTS

The Fund will not invest more than 5% of its total assets in the securities of any one issuer (except cash and cash instruments, securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities, or instruments secured by these money market instruments, such as repurchase agreements).

#### INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of companies, including their predecessors, that have been in operation for less than three years.

#### INVESTING IN FOREIGN SECURITIES

The Fund will not invest more than 5% of the value of its total assets in foreign securities which are not publicly traded in the United States.

#### UNDERWRITING

The Fund 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 Fund will not purchase or sell real estate, although it may invest in marketable securities secured by real estate or interests in real estate, and it may invest in the marketable securities of companies investing or dealing in real estate.

#### INVESTING IN MINERALS

The Fund will not purchase or sell oil, gas, or other mineral exploration or development programs, although it may invest in the marketable securities of companies which invest in or sponsor such programs.

#### INVESTING IN COMMODITIES

The Fund will not purchase or sell commodities or commodity contracts, although it may invest in the marketable securities of companies which invest or deal in or sponsor such programs.

ISSUING SENIOR SECURITIES The Fund will not issue senior securities.

#### MAKING LOANS

The Fund will not make loans, except through the purchase or holding of securities in accordance with its investment objective, policies, and limitations and through repurchase agreements.

The purchase of a portion of an issue of such securities distributed publicly, whether or not the purchase is made on the original issuance, is not considered the making of a loan. The Fund will not enter into repurchase agreements with securities dealers if such transactions constitute the purchase of an interest in such dealer under applicable law.

Lending portfolio securities shall be permitted where the borrower of such securities provides 100% collateral in the form of cash or U.S. government securities. This collateral must be valued daily and should the market value of the loaned securities increase, the borrower must furnish additional collateral to the fund. During the time portfolio securities are on loan, the Fund retains the right to any dividends or interest or other distribution paid on the securities and any increase in their market value. Loans will be subject to termination at the option of the Fund or the borrower.

#### INVESTING IN ISSUERS WHOSE SECURITIES ARE OWNED BY OFFICERS AND DIRECTORS OF THE FUND

The Fund will not purchase or retain the securities of any issuer if the officers and Directors of the Fund or its Adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities. This limitation does not apply to the Fund's securities.

#### DEALING IN PUTS AND CALLS

The Fund will not write, purchase, or sell puts, calls, or any combination thereof.

#### PURCHASING SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will not purchase securities of other investment companies, except purchases in the open market involving only customary brokerage commissions and as a result of which not more than 5% of the value of its total assets would be invested in such securities, or except as part of a merger, consolidation, or other acquisition.

#### SELLING SHORT

The Fund will not make short sales of securities or maintain short positions, unless:

- o during the time the short position is open, it owns an equal amount of the securities sold or securities readily and freely convertible into or exchangeable, without payment of additional consideration, for securities of the same issue as, and equal in amount to, the securities sold short; and
- o not more than 10% of the Fund's net assets (taken at current value) is held as collateral for such sales at any one time.

#### ACQUIRING SECURITIES

The Fund will not purchase securities of a company for the purpose of exercising control or management. However, the Fund may invest in up to 10% of the voting securities of any one issuer and may exercise its voting powers consistent with the best interests of the Fund. From time to time, the Fund, together with other investment companies advised by subsidiaries or affiliates of Federated Investors, may together buy and hold substantial amounts of a company's voting stock. All such stock may be voted together.

In some such cases, the Fund and the other investment companies might collectively be considered to be in control of the company in which they have invested.

In some cases, Directors, agents, employees, officers, or others affiliated with or acting for the Fund, its Adviser, or affiliated companies might possibly

become directors of companies in which the Fund holds stock.

#### CONCENTRATION OF INVESTMENTS

The Fund will not purchase securities if as a result of such purchase more than 25% of the value of the Fund's assets would be invested in any one industry. However, the Fund may at times invest more than 25% of the value of its assets in cash or cash items (including bank time and demand deposits such as certificates of deposits), securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities or instruments secured by these money market instruments, such as repurchase agreements, for temporary or defensive purposes.

THE ABOVE LIMITATIONS CANNOT BE CHANGED UNLESS AUTHORIZED BY THE "VOTE OF A MAJORITY OF ITS OUTSTANDING VOTING SECURITIES," AS DEFINED BY THE INVESTMENT COMPANY ACT. THE FOLLOWING LIMITATIONS, HOWEVER, MAY BE CHANGED BY THE BOARD WITHOUT SHAREHOLDER APPROVAL. SHAREHOLDERS WILL BE NOTIFIED BEFORE ANY MATERIAL CHANGE IN THESE LIMITATIONS BECOMES EFFECTIVE.

#### RESTRICTED AND ILLIQUID SECURITIES

The Fund will not invest more than 15% of its total assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice and certain restricted securities not determined by the Directors to be liquid.

The Directors may consider the following criteria in determining the liquidity of certain restricted securities:

- o the frequency of trades and quotes for the security;
- o the number of dealers willing to purchase or sell the security and the number of other potential buyers;
- o dealer undertakings to make a market in the security; and
- o the nature of the security and the nature of the marketplace trades.

#### DETERMINING MARKET VALUE OF SECURITIES

Market values of the Fund's portfolio securities are determined as follows:

for equity securities, according to the last sale price in the market in which they are primarily traded (either a national securities exchange or the over-the-counter market), if available;

in the absence of recorded sales for equity securities, according to the mean between the last closing bid and asked prices;

for bonds and other fixed income securities, at the last sale price on a national securities exchange, if available, otherwise, as determined by an independent pricing service;

for short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service, except that short-term obligations with remaining maturities of less than 60 days at the time of purchase may be valued at amortized cost or at fair market value as determined in good faith by the Board; and

for all other securities at fair value as determined in good faith by the Board.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may consider institutional trading in similar groups of securities, yield, quality, stability, risk, coupon rate, maturity, type of issue, trading characteristics, and other market data or factors. From time to time, when prices cannot be obtained from an independent pricing service, securities may be valued based on quotes from broker-dealers or other financial institutions that trade the securities.

#### TRADING IN FOREIGN SECURITIES



Trading in foreign securities may be completed at times which vary from the closing of the New York Stock Exchange (NYSE). In computing its NAV, the Fund values foreign securities at the latest closing price on the exchange on which they are traded immediately prior to the closing of the NYSE. Certain foreign currency exchange rates may also be determined at the latest rate prior to the closing of the NYSE. Foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. Occasionally, events that affect these values and exchange rates may occur between the times at which they are determined and the closing of the NYSE. If such events materially affect the value of portfolio securities, these securities may be valued at their fair value as determined in good faith by the Fund's Board, although the actual calculation may be done by others.

#### WHAT DO SHARES COST?

The Fund's net asset value (NAV) per Share fluctuates and is based on the market value of all securities and other assets of the Fund.

The NAV for each class of Shares may differ 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.

#### REDUCING OR ELIMINATING THE FRONT-END SALES CHARGE

You can reduce or eliminate the applicable front-end sales charge, as follows.

#### QUANTITY DISCOUNTS

Larger purchases of the same Share class reduce or eliminate the sales charge you pay. You can combine purchases of Shares made on the same day by you, your spouse and your children under age 21. In addition, purchases made at one time by a trustee or fiduciary for a single trust estate or a single fiduciary account can be combined.

#### ACCUMULATED PURCHASES

If you make an additional purchase of Shares, you can count previous Share purchases still invested in the Fund in calculating the applicable sales charge on the additional purchase.

#### CONCURRENT PURCHASES

You can combine concurrent purchases of the same Share class of two or more Federated Funds in calculating the applicable sales charge.

#### LETTER OF INTENT - CLASS A SHARES

You can sign a Letter of Intent committing to purchase a certain amount of the same class of Shares within a 13-month period to combine such purchases in calculating the sales charge. The Fund's custodian will hold Shares in escrow equal to the maximum applicable sales charge. If you complete the Letter of Intent, the Custodian will release the Shares in escrow to your account. If you do not fulfill the Letter of Intent, the Custodian will redeem the appropriate amount from the Shares held in escrow to pay the sales charges that were not applied to your purchases.

#### REINVESTMENT PRIVILEGE

You may reinvest, within 120 days, your Share redemption proceeds at the next determined NAV without any sales charge.

#### PURCHASES BY AFFILIATES OF THE FUND

The following individuals and their immediate family members may buy Shares at NAV without any sales charge because there are nominal sales efforts associated with their purchases:

- o the Directors, employees and sales representatives of the Fund, the Adviser, the Distributor and their affiliates;

- o Employees of State Street Bank Pittsburgh who started their employment on January 1, 1998, and were employees of Federated Investors, Inc. (Federated) on December 31, 1997;
- o any associated person of an investment dealer who has a sales agreement with the Distributor; and
- o trusts, pension or profit-sharing plans for these individuals.

#### FEDERATED LIFE MEMBERS

Shareholders of the Fund known as "Federated Life Members" are exempt from paying any front-end sales charge. These shareholders joined the Fund originally:

- o through the "Liberty Account," an account for Liberty Family of Funds shareholders on February 28, 1987 (the Liberty Account and Liberty Family of Funds are no longer marketed); or
- o as Liberty Account shareholders by investing through an affinity group prior to August 1, 1987.

#### REDUCING OR ELIMINATING THE CONTINGENT DEFERRED SALES CHARGE

These reductions or eliminations are offered because: no sales commissions have been advanced to the investment professional selling Shares; the shareholder has already paid a Contingent Deferred Sales Charge (CDSC); or nominal sales efforts are associated with the original purchase of Shares.

Upon notification to the Distributor or the Fund's transfer agent, no CDSC will be imposed on redemptions:

- o following the death or post-purchase disability, as defined in Section 72(m)(7) of the Internal Revenue Code of 1986, of the last surviving shareholder;
- o representing minimum required distributions from an Individual Retirement Account or other retirement plan to a shareholder who has attained the age of 70 1/2;
- o which are qualifying redemptions of Class B Shares under a Systematic Withdrawal Program; o of Shares that represent a reinvestment within 120 days of a previous redemption;
- o of Shares held by the Directors, employees, and sales representatives of the Fund, the Adviser, the Distributor and their affiliates; employees of any investment professional that sells Shares according to a sales agreement with the Distributor; and the immediate family members of the above persons; and
- o of Shares originally purchased through a bank trust department, a registered investment adviser or retirement plans where the third party administrator has entered into certain arrangements with the Distributor or its affiliates, or any other investment professional, to the extent that no payments were advanced for purchases made through these entities.

#### HOW IS THE FUND SOLD?

Under the Distributor's Contract with the Fund, the Distributor (Federated Securities Corp.), located at Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779, offers Shares on a continuous, best-efforts basis.

#### FRONT-END SALES CHARGE REALLOWANCES

The Distributor receives a front-end sales charge on certain Share sales. The Distributor generally pays up to 90% (and as much as 100%) of this charge to investment professionals for sales and/or administrative services. Any payments to investment professionals in excess of 90% of the front-end sales charge are considered supplemental payments. The Distributor retains any portion not paid to an investment professional.

## RULE 12B-1 PLAN (CLASS B SHARES AND CLASS C SHARES)

As a compensation-type plan, the Rule 12b-1 Plan is designed to pay the Distributor (who may then pay investment professionals such as banks, broker/dealers, trust departments of banks, and registered investment advisers) for marketing activities (such as advertising, printing and distributing prospectuses, and providing incentives to investment professionals) to promote sales of Shares so that overall Fund assets are maintained or increased. This helps the Fund achieve economies of scale, reduce per share expenses, and provide cash for orderly portfolio management and Share redemptions. In addition, the Fund's service providers that receive asset-based fees also benefit from stable or increasing Fund assets.

The Fund may compensate the Distributor more or less than its actual marketing expenses. In no event will the Fund pay for any expenses of the Distributor that exceed the maximum Rule 12b-1 Plan fee.

For some classes of Shares, the maximum Rule 12b-1 Plan fee that can be paid in any one year may not be sufficient to cover the marketing-related expenses the Distributor has incurred. Therefore, it may take the Distributor a number of years to recoup these expenses.

Federated and its subsidiaries may benefit from arrangements where the Rule 12b-1 Plan fees related to Class B Shares may be paid to third parties who have advanced commissions to investment professionals.

### SHAREHOLDER SERVICES

The Fund may pay Federated Shareholder Services Company, a subsidiary of Federated, for providing shareholder services and maintaining shareholder accounts. Federated Shareholder Services Company may select others to perform these services for their customers and may pay them fees.

### SUPPLEMENTAL PAYMENTS

Investment professionals may be paid fees out of the assets of the Distributor and/or Federated Shareholder Services Company (but not out of Fund assets). The Distributor and/or Federated Shareholder Services Company may be reimbursed by the Adviser or its affiliates.

Investment professionals receive such fees for providing distribution-related or shareholder services such as sponsoring sales, providing sales literature, conducting training seminars for employees, and engineering sales-related computer software programs and systems. Also, investment professionals may be paid cash or promotional incentives, such as reimbursement of certain expenses relating to attendance at informational meetings about the Fund or other special events at recreational-type facilities, or items of material value. These payments will be based upon the amount of Shares the investment professional sells or may sell and/or upon the type and nature of sales or marketing support furnished by the investment professional.

When an investment professional's customer purchases shares, the investment professional may receive:

- o an amount equal to 0.50% of the NAV of Class A Shares under certain qualified retirement plans as approved by the Distributor. (Such payments are subject to a reclaim from the investment professional should the assets leave the program within 12 months after purchase.)
- o an amount up to 5.50% and 1.00%, respectively, of the NAV of Class B and C Shares.

In addition, the Distributor may pay investment professionals 0.25% of the purchase price of \$1 million or more of Class A Shares that its customer has not redeemed over the first year.

### CLASS A SHARES

Investment professionals purchasing Class A Shares for their customers are eligible to receive an advance payment from the Distributor based on the

following breakpoints:

AMOUNT	ADVANCE PAYMENTS AS A PERCENTAGE OF PUBLIC OFFERING PRICE
--------	---

First million	\$1 - \$5 0.75%
Next million	\$5 - \$20 0.50%
Over \$20 million	0.25%

For accounts with assets over \$1 million, the dealer advance payments reset annually to the first breakpoint on the anniversary of the first purchase.

Class A Share purchases under this program may be made by Letter of Intent or by combining concurrent purchases. The above advance payments will be paid only on those purchases that were not previously subject to a front-end sales charge and dealer advance payments. Certain retirement accounts may not be eligible for this program.

A contingent deferred sales charge of 0.75% of the redemption amount applies to Class A Shares redeemed up to 24 months after purchase. The CDSC does not apply under certain investment programs where the investment professional does not receive an advance payment on the transaction including, but not limited to, trust accounts and wrap programs where the investor pays an account level fee for investment management.

#### EXCHANGING SECURITIES FOR SHARES

You may contact the Distributor to request a purchase of Shares in exchange for securities you own. The Fund reserves the right to determine whether to accept your securities and the minimum market value to accept. The Fund will value your securities in the same manner as it values its assets. This exchange is treated as a sale of your securities for federal tax purposes.

#### SUBACCOUNTING SERVICES

Certain investment professionals may wish to use the transfer agent's subaccounting system to minimize their internal recordkeeping requirements. The transfer agent may charge a fee based on the level of subaccounting services rendered. Investment professionals holding Shares in a fiduciary, agency, custodial, or similar capacity may charge or pass through subaccounting fees as part of or in addition to normal trust or agency account fees. They may also charge fees for other services that may be related to the ownership of Shares. This information should, therefore, be read together with any agreement between the customer and the investment professional about the services provided, the fees charged for those services, and any restrictions and limitations imposed.

#### REDEMPTION IN KIND

Although the Fund intends to pay Share redemptions in cash, it reserves the right, as described below, to pay the redemption price in whole or in part by a distribution of the Fund's portfolio securities.

Because the Fund has elected to be governed by Rule 18f-1 under the Investment Company Act of 1940, the Fund is obligated to pay Share redemptions to any one shareholder in cash only up to the lesser of \$250,000 or 1% of the net assets represented by such Share class during any 90-day period.

Any Share redemption payment greater than this amount will also be in cash unless the Fund's Board determines that payment should be in kind. In such a case, the Fund will pay all or a portion of the remainder of the redemption in portfolio securities, valued in the same way as the Fund determines its NAV. The portfolio securities will be selected in a manner that the Fund's Board deems fair and equitable and, to the extent available, such securities will be readily marketable.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving the portfolio securities and selling them before their maturity could receive less than the redemption value of the securities and could incur certain transaction costs.

## ACCOUNT AND SHARE INFORMATION

### VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Director elections and other matters submitted to shareholders for vote. All Shares of the Fund have equal voting rights, except that in matters affecting only a particular class, only Shares of that class are entitled to vote.

Directors may be removed by the Board or by shareholders at a special meeting. A special meeting of shareholders will be called by the Board upon the written request of shareholders who own at least 10% of the Fund's outstanding shares of all series entitled to vote.

As of March 5, 1999, the following shareholders owned of record, beneficially, or both, 5% or more of outstanding Shares: MLPF&S, Jacksonville, FL, 7.63% of Class A Shares, MLPF&S, Jacksonville, FL, 6.58% of Class B Shares and MLPF&S, Jacksonville, FL, 30.96% of Class C Shares.

Shareholders owning 25% or more of outstanding Shares may be in control and be able to affect the outcome of certain matters presented for a vote of shareholders.

### TAX INFORMATION

#### FEDERAL INCOME TAX

The Fund intends to meet requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. If these requirements are not met, it will not receive special tax treatment and will pay federal income tax.

#### FOREIGN INVESTMENTS

If the Fund purchases foreign securities, their investment income may be subject to foreign withholding or other taxes that could reduce the return on these securities. Tax treaties between the United States and foreign countries, however, may reduce or eliminate the amount of foreign taxes to which the Fund would be subject. The effective rate of foreign tax cannot be predicted since the amount of Fund assets to be invested within various countries is uncertain. However, the Fund intends to operate so as to qualify for treaty-reduced tax rates when applicable.

Distributions from a Fund may be based on estimates of book income for the year. Book income generally consists solely of the coupon income generated by the portfolio, whereas tax-basis income includes gains or losses attributable to currency fluctuation. Due to differences in the book and tax treatment of fixed-income securities denominated in foreign currencies, it is difficult to project currency effects on an interim basis. Therefore, to the extent that currency fluctuations cannot be anticipated, a portion of distributions to shareholders could later be designated as a return of capital, rather than income, for income tax purposes, which may be of particular concern to simple trusts.

If the Fund invests in the stock of certain foreign corporations, they may constitute Passive Foreign Investment Companies (PFIC), and the Fund may be subject to Federal income taxes upon disposition of PFIC investments.

If more than 50% of the value of the Fund's assets at the end of the tax year is represented by stock or securities of foreign corporations, the Fund intends to qualify for certain Code stipulations that would allow shareholders to claim a foreign tax credit or deduction on their U.S. income tax returns. The Code may limit a shareholder's ability to claim a foreign tax credit. Shareholders who elect to deduct their portion of the Fund's foreign taxes rather than take the foreign tax credit must itemize deductions on their income tax returns.

### WHO MANAGES AND PROVIDES SERVICES TO THE FUND?

#### BOARD OF DIRECTORS

The Board is responsible for managing the Fund's business affairs and for exercising all the Fund's powers except those reserved for the shareholders.

Information about each Board member is provided below and includes each person's: name, address, birth-date, present position(s) held with the Fund, principal occupations for the past five years and positions held prior to the past five years, total compensation received as a Director from the Fund for its most recent fiscal year, and the total compensation received from the Federated Fund Complex for the most recent calendar year. The Federated Fund Complex is comprised of xx investment companies, whose investment advisers are affiliated with the Fund's Adviser.

As of March 5, 1999, the Fund's Board and Officers as a group owned less than 1% of the Fund's outstanding Class A, B and C Shares.

An asterisk (\*) denotes a Director who is deemed to be an interested person as defined in the Investment Company Act of 1940. The following symbol (#) denotes a Member of the Board's Executive Committee, which handles the Board's responsibilities between its meetings.

<TABLE>  
<CAPTION>

NAME BIRTHDATE ADDRESS POSITION WITH FUND	PRINCIPAL OCCUPATIONS FOR PAST FIVE YEARS	AGGREGATE COMPENSATION FROM FUND	TOTAL COMPENSATION FROM FUND AND FUND COMPLEX
<S>	<C>	<C>	<C>
JOHN F. DONAHUE** Birth date: July 28, 1924 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA CHAIRMAN AND DIRECTOR	Chief Executive Officer and Director or Trustee of the Federated Fund Complex; Chairman and Director, Federated Investors, Inc.; Chairman and Trustee, Federated Investment Management Company; Chairman and Director, Federated Investment Counseling, and Federated Global Investment Management Corp.; Chairman, Passport Research, Ltd.	\$0	\$0 for the Fund and 54 other investment companies in the Fund Complex
THOMAS G. BIGLEY Birth date: February 3, 1934 15 Old Timber Trail Pittsburgh, PA DIRECTOR	Director or Trustee of the Federated Fund Complex; Director, Member of Executive Committee, Children's Hospital of Pittsburgh; formerly: Senior Partner, Ernst & Young LLP; Director, MED 3000 Group, Inc.; Director, Member of Executive Committee, University of Pittsburgh.	\$	\$113,860.22 for the Fund and 54 other investment companies in the Fund Complex
JOHN T. CONROY, JR. Birth date: June 23, 1937 Wood/IPC Commercial Dept. John R. Wood Associates, Inc. Realtors 3255 Tamiami Trail North Naples, FL  DIRECTOR	Director or Trustee of the Federated Fund Complex; President, Investment Properties Corporation; Senior Vice President, John R. Wood and Associates, Inc., Realtors; Partner or Trustee in private real estate ventures in Southwest Florida; formerly: President, Naples Property Management, Inc. and Northgate Village Development Corporation.	\$	\$125,264.48 for the Fund and 54 other investment companies in the Fund Complex
JOHN F. CUNNINGHAM Birth date: March 5, 1943 353 El Brillo Way Palm Beach, FL DIRECTOR	Director or Trustee of some of the Federated Funds; Chairman, President and Chief Executive Officer, Cunningham & Co., Inc.; Trustee Associate, Boston College; Director, EMC Corporation; formerly: Director, Redgate Communications.  Previous Positions: Chairman of the Board and Chief Executive Officer, Computer Consoles, Inc.; President and Chief Operating Officer, Wang Laboratories; Director, First National Bank of Boston;	\$	\$0 for the Fund and 26 other investment companies in the Fund Complex

Director, Apollo Computer, Inc.

LAWRENCE D. ELLIS, M.D.* Birthdate: October 11, 1932 3471 Fifth Avenue Suite 1111 Pittsburgh, PA DIRECTOR	Director or Trustee of the Federated Fund Complex; Professor of Medicine, University of Pittsburgh; Medical Director, University of Pittsburgh Medical Center - Downtown; Hematologist, Oncologist, and Internist, University of Pittsburgh Medical Center; Member, National Board of Trustees, Leukemia Society of America.	\$	\$113,860.22 for the Fund and 54 other investment companies in the Fund Complex
PETER E. MADDEN Birth date: March 16, 1942 One Royal Palm Way 100 Royal Palm Way Palm Beach, FL DIRECTOR	Director or Trustee of the Federated Fund Complex; formerly: Representative, Commonwealth of Massachusetts General Court; President, State Street Bank and Trust Company and State Street Corporation.  Previous Positions: Director, VISA USA and VISA International; Chairman and Director, Massachusetts Bankers Association; Director, Depository Trust Corporation.	\$	\$113,860.22 for the Fund and 54 other investment companies in the Fund Complex
CHARLES F. MANSFIELD, JR. Birth date: April 10, 1945 80 South Road Westhampton Beach, NY DIRECTOR	Director or Trustee of some of the Federated Funds; Management Consultant.  Previous Positions: Chief Executive Officer, PBTC International Bank; Chief Financial Officer of Retail Banking Sector, Chase Manhattan Bank; Senior Vice President, Marine Midland Bank; Vice President, Citibank; Assistant Professor of Banking and Finance, Frank G. Zarb School of Business, Hofstra University.	\$	\$0 for the Fund and 26 other investment companies in the Fund Complex
JOHN E. MURRAY, JR., J.D., S.J.D. Birth date: December 20, 1932 President, Duquesne University Pittsburgh, PA DIRECTOR	Director or Trustee of the Federated Fund Complex; President, Law Professor, Duquesne University; Consulting Partner, Mollica & Murray.  Previous Positions: Dean and Professor of Law, University of Pittsburgh School of Law; Dean and Professor of Law, Villanova University School of Law.	\$	\$113,860.22 for the Fund and 54 other investment companies in the Fund Complex
MARJORIE P. SMUTS Birth date: June 21, 1935 4905 Bayard Street Pittsburgh, PA DIRECTOR	Director or Trustee of the Federated Fund Complex; Public Relations/Marketing/Conference Planning.  Previous Positions: National Spokesperson, Aluminum Company of America; business owner.	\$	\$113,860.22 for the Fund and 54 other investment companies in the Fund Complex
JOHN S. WALSH Birth date: November 28, 1957 2007 Sherwood Drive Valparaiso, IN DIRECTOR	Director or Trustee of some of the Federated Funds; President and Director, Heat Wagon, Inc.; President and Director, Manufacturers Products, Inc.; President, Portable Heater Parts, a division of Manufacturers Products, Inc.; Director, Walsh & Kelly, Inc.; formerly: Vice President, Walsh & Kelly, Inc.	\$	\$0 for the Fund and 23 other investment companies in the Fund Complex
J. CHRISTOPHER DONAHUE** Birth date: April 11, 1949 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA EXECUTIVE VICE PRESIDENT AND DIRECTOR	President or Executive Vice President of the Federated Fund Complex; Director or Trustee of some of the Funds in the Federated Fund Complex; President and Director, Federated Investors, Inc.; President and Trustee, Federated Investment Management Company; President and Director, Federated Investment Counseling and Federated Global Investment Management Corp.; President, Passport Research, Ltd.;	\$0	\$0 for the Fund and 16 other investment companies in the Fund Complex

Trustee, Federated Shareholder Services  
Company; Director, Federated Services

Company.

EDWARD C. GONZALES Birth date: October 22, 1930 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA EXECUTIVE VICE PRESIDENT	Trustee or Director of some of the Funds in the Federated Fund Complex; President, Executive Vice President and Treasurer of some of the Funds in the Federated Fund Complex; Vice Chairman, Federated Investors, Inc.; Vice President, Federated Investment Management Company, Federated Investment Counseling, Federated Global Investment Management Corp. and Passport Research, Ltd.; Executive Vice President and Director, Federated Securities Corp.; Trustee, Federated Shareholder Services  Company.	\$0	\$0 for the Fund and 1 other investment company in the Fund Complex
JOHN W. MCGONIGLE Birth date: October 26, 1938 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA EXECUTIVE VICE PRESIDENT AND SECRETARY	Executive Vice President and Secretary of the Federated Fund Complex; Executive Vice President, Secretary, and Director, Federated Investors, Inc.; Trustee, Federated Investment Management Company; Director, Federated Investment Counseling and Federated Global Investment Management Corp.; Director, Federated Services Company; Director, Federated Securities Corp.	\$0	\$0 for the Fund and 54 other investment companies in the Fund Complex
RICHARD J. THOMAS Birth date: June 17, 1954 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA TREASURER	Treasurer of the Federated Fund Complex; Vice President - Funds Financial Services Division, Federated Investors, Inc.; Formerly: various management positions within Funds Financial Services Division of Federated Investors, Inc.	\$0	\$0 for the Fund and 54 other investment companies in the Fund Complex
RICHARD B. FISHER Birth date: May 17, 1923 Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA PRESIDENT	President or Vice President of some of the Funds in the Federated Fund Complex; Director or Trustee of some of the Funds in the Federated Fund Complex; Executive Vice President, Federated Investors, Inc.; Chairman and Director, Federated Securities Corp.	\$0	\$0 for the Fund and 6 other investment companies in the Fund Complex
J. THOMAS MADDEN Birth date: October 22, 1945 Federated Investors Tower  1001 Liberty Avenue Pittsburgh, PA CHIEF INVESTMENT OFFICER	Chief Investment Officer of this Fund and various other Funds in the Federated Fund Complex; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp.,  Federated Investment Management Company, and Passport Research, Ltd.; Vice President, Federated Investors, Inc.;  Formerly: Executive Vice President and Senior Vice President, Federated Investment Counseling Institutional Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company, and Passport Research, Ltd.	\$0	\$0 for the Fund and 12 other investment companies in the Fund Complex
MARK E. DURBIANO Birth date: September	Mark E. Durbiano has been the Fund's portfolio manager since August 1989. He is	\$0	\$0 for the Fund and no other



21, 1959  
Federated Investors  
Tower  
1001 Liberty Avenue  
Pittsburgh, PA  
VICE PRESIDENT

Vice President of the Fund. Mr. Durbiano joined Federated in 1982 and has been a Senior Portfolio Manager and a Senior Vice President of the Fund's Adviser since 1996. From 1988 through 1995, Mr. Durbiano was a Portfolio Manager and a Vice President of

investment  
companies in  
the Fund Complex

the Fund's Adviser. Mr. Durbiano is a Chartered Financial Analyst and received his M.B.A. in Finance from the University of Pittsburgh.

</TABLE>

+ MR. DONAHUE IS THE FATHER OF J. CHRISTOPHER DONAHUE, EXECUTIVE VICE PRESIDENT AND DIRECTOR OF THE FUND.

++ MESSRS. CUNNINGHAM, MANSFIELD AND WALSH BECAME MEMBERS OF THE BOARD OF DIRECTORS ON JANUARY 1, 1999. THEY DID NOT EARN ANY FEES FOR SERVING THE FUND COMPLEX SINCE THESE FEES ARE REPORTED AS OF THE END OF THE LAST CALENDAR YEAR. THEY DID NOT RECEIVE ANY FEES AS OF THE FISCAL YEAR END OF THE FUND.

#### INVESTMENT ADVISER

The Adviser conducts investment research and makes investment decisions for the Fund.

The Adviser is a wholly-owned subsidiary of Federated.

The Adviser shall not be liable to the Fund or any Fund shareholder for any losses that may be sustained in the purchase, holding, or sale of any security or 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 Fund.

The Adviser must waive the portion of its advisory fee that increases the Fund's aggregate annual operating expenses above 0.75% of its average daily net assets. The Fund's operating expenses include the advisory fee but exclude interest, taxes, brokerage commissions, expenses of registering the Fund and its shares under federal and state laws, expenses of withholding taxes, and extraordinary expenses.

#### 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 Fund Shares offered by the Distributor.

#### 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. 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 may select brokers and dealers based on whether they also offer research services (as described below). In selecting among firms believed to meet these criteria, the Adviser may give consideration to those firms which have sold or are selling Shares of the Fund and other funds distributed by the Distributor and its affiliates. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to review by the Fund's Board.

#### RESEARCH SERVICES

Research services 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 may be used by the Adviser or by affiliates of Federated in advising other accounts. To the extent that receipt of these services may replace 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 those 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.

For the fiscal year ended, March 31, 1999, the Fund's Adviser directed brokerage transactions to certain brokers due to research services they provided. The total amount of these transactions was \$xxxxxx for which the Fund paid \$xxxxxx in brokerage commissions.

On March 31, 1999, the Fund owned securities of the following regular broker/dealers:

Investment decisions for the Fund are made independently from those of other accounts managed by the Adviser. When the Fund and one or more of those accounts invests in, or disposes of, the same security, available investments or opportunities for sales will be allocated among the Fund and the account(s) in a manner believed by the Adviser to be equitable. While the coordination and ability to participate in volume transactions may benefit the Fund, it is possible that this procedure could adversely impact the price paid or received and/or the position obtained or disposed of by the Fund.

#### ADMINISTRATOR

Federated Services Company, a subsidiary of Federated, provides administrative personnel and services (including certain legal and financial reporting services) necessary to operate the Fund. Federated Services Company provides these at the following annual rate of the average aggregate daily net assets of all Federated Funds as specified below:

MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS OF THE FEDERATED FUNDS
0.150 of 1%	on the first \$250 million
0.125 of 1%	on the next \$250 million
0.100 of 1%	on the next \$250 million
0.075 of 1%	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 voluntarily waive a portion of its fee and may reimburse the Fund for expenses.

Federated Services Company also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments for a fee based on Fund assets plus out-of-pocket expenses.

#### CUSTODIAN

State Street Bank and Trust Company, Boston, Massachusetts, is custodian for the securities and cash of the Fund. Foreign instruments purchased by the Fund are held by foreign banks participating in a network coordinated by State Street Bank.

#### TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

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

#### INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP is the independent public accountant for the Fund.

#### FEEES PAID BY THE FUND FOR SERVICES

FOR THE YEAR ENDED MARCH	1999	1998	1997
Advisory Fee Earned	\$	\$	\$
Advisory Fee Reduction	\$	\$	\$
Brokerage Commissions	\$	\$	\$

Administrative Fee	\$	\$	\$
12B-1 FEE			
Class B Shares	\$	----	----
Class C Shares	\$	----	----
SHAREHOLDER SERVICES FEE			
Class A Shares	\$	----	----
Class B Shares	\$	----	----
Class C Shares	\$	----	----

Fees are allocated among Classes based on their pro rata share of Fund assets, except for marketing (Rule 12b-1) fees and shareholder services fees, which are borne only by the applicable class of Shares.

HOW DOES THE FUND MEASURE PERFORMANCE?

The Fund may advertise Share performance by using the Securities and Exchange Commission's (SEC) standard method for calculating performance applicable to all mutual funds. The SEC also permits this standard performance information to be accompanied by non-standard performance information.

Unless otherwise stated, any quoted Share performance reflects the effect of non-recurring charges, such as maximum sales charges, which, if excluded, would increase the total return and yield. The performance of Shares depends upon such variables as: portfolio quality; average portfolio maturity; type and value of portfolio securities; changes in interest rates; changes or differences in the Fund's or any class of Shares' expenses; and various other factors.

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

AVERAGE ANNUAL TOTAL RETURNS AND YIELD

Total returns given for the one-year, five-year, ten-year or since inception periods ended March 31, 1999.

Yield given for the 30-day period ended March 31, 1999.

<TABLE>  
<CAPTION>

	30 DAY PERIOD	1 Year	5 Years	10 Years	
CLASS A SHARES					
<S>	<C>	<C>	<C>	<C>	<C>
Total Return	NA	xx%	xx%	xx%	
Yield	xx%	NA	NA	NA	
	30 DAY PERIOD	1 Year	5 Years	10 Years	Since Inception on 9/27/94
CLASS B SHARES					
Total Return	NA	xx%	NA	NA	xx%
Yield	xx%	NA	NA	NA	NA
	30 DAY PERIOD	1 Year	5 Years	10 Years	Since Inception on 4/30/93
CLASS C SHARES					
Total Return	NA	xx%	xx%	NA	xx%
Yield	xx%	NA	NA	NA	NA

</TABLE>

TOTAL RETURN

Total return represents the change (expressed as a percentage) in the value of Shares over a specific period of time, and includes the investment of income and capital gains distributions.

The average annual total return for Shares 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 NAV 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, less any applicable sales charge, adjusted over the period by any additional Shares, assuming the annual reinvestment of all dividends and distributions.

#### YIELD

The yield of Shares is calculated by dividing: (i) the net investment income per Share earned by the Shares over a 30-day period; by (ii) the maximum offering price per Share on the last day of the period. This number is then annualized using semi-annual compounding. This means that the amount of income generated during the 30-day period is assumed to be generated each month over a 12-month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by Shares because of certain adjustments required by the SEC and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent investment professionals and broker/dealers charge fees in connection with services provided in conjunction with an investment in Shares, the Share performance is lower for shareholders paying those fees.

#### PERFORMANCE COMPARISONS

Advertising and sales literature may include:

- o references to ratings, rankings, and financial publications and/or performance comparisons of Shares to certain indices;
- o charts, graphs and illustrations using the Fund's returns, or returns in general, that demonstrate investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment;
- o discussions of economic, financial and political developments and their impact on the securities market, including the portfolio manager's views on how such developments could impact the Funds; and
- o information about the mutual fund industry from sources such as the Investment Company Institute.

The Fund may compare its performance, or performance for the types of securities in which it invests, to a variety of other investments, including federally insured bank products such as bank savings accounts, certificates of deposit, and Treasury bills.

The Fund may quote information from reliable sources regarding individual countries and regions, world stock exchanges, and economic and demographic statistics.

You may use financial publications and/or indices to obtain a more complete view of Share performance. When comparing performance, you should consider all relevant factors such as the composition of the 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 Fund 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 net asset value over a specific period of time. From time to time, the Fund will quote its Lipper ranking in the high current yield funds category in advertising and sales

literature.

- 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.
- o LEHMAN BROTHERS GOVERNMENT/CORPORATE (TOTAL) INDEX is comprised of approximately 5,000 issues which include: non-convertible bonds publicly issued by the U.S. government or its agencies; corporate bonds guaranteed by the U.S. government and quasi-federal corporations; and publicly issued, fixed-rate, non-convertible domestic bonds of companies in industry, public utilities, and finance. The average maturity of these bonds approximates nine years. Tracked by Lehman Brothers, Inc., the index calculates total returns for one-month, three-month, twelve-month, and ten-year periods and year-to-date.
- o LEHMAN BROTHERS GOVERNMENT/CORPORATE (LONG-TERM) INDEX is composed of the same types of issues as defined above. However, the average maturity of the bonds included on this index approximates 22 years.
- o LEHMAN BROTHERS HIGH YIELD INDEX covers the universe of fixed rate, publicly issued, noninvestment grade debt registered with the SEC. All bonds included in the High Yield Index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least \$100 million. Generally securities must be rated Ba1 or lower by Moody's Investors Service, Inc. ("Moody's"), including defaulted issues. If no Moody's rating is available, bonds must be rated BB+ or lower by Standard & Poor's ("S&P"); and if no S&P rating is available, bonds must be rated below investment grade by Fitch IBCA, Inc. A small number of unrated bonds is included in the index; to be eligible they must have previously held a high-yield rating or have been associated with a high-yield issuer, and must trade accordingly.

#### WHO IS FEDERATED INVESTORS, INC.?

Federated is dedicated to meeting investor needs by making structured, straightforward and consistent investment decisions. Federated investment products have a history of competitive performance and have gained the confidence of thousands of financial institutions and individual investors.

Federated's disciplined investment selection process is rooted in sound methodologies backed by fundamental and technical research. At Federated, success in investment management does not depend solely on the skill of a single portfolio manager. It is a fusion of individual talents and state-of-the-art industry tools and resources. Federated's investment process involves teams of portfolio managers and analysts, and investment decisions are executed by traders who are dedicated to specific market sectors and who handle trillions of dollars in annual trading volume.

#### FEDERATED FUNDS OVERVIEW

##### MUNICIPAL FUNDS

In the municipal sector, as of December 31, 1998, Federated managed 10 bond funds with approximately \$2.2 billion in assets and 23 money market funds with approximately \$12.5 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.

##### EQUITY FUNDS

In the equity sector, Federated has more than 28 years' experience. As of

December 31, 1998, Federated managed 27 equity funds totaling approximately \$14.9 billion in assets across growth, value, equity income, international, index and sector (i.e. utility) styles. Federated's value-oriented management style combines quantitative and qualitative analysis and features a structured, computer-assisted composite modeling system that was developed in the 1970s.

#### CORPORATE BOND FUNDS

In the corporate bond sector, as of December 31, 1998, Federated managed 9 money market funds and 15 bond funds with assets approximating \$22.8 billion and \$7.1 billion, respectively. Federated's corporate bond decision making--based on intensive, diligent credit analysis--is backed by over 26 years of experience in the corporate bond sector. In 1972, Federated introduced one of the first high-yield bond funds in the industry. In 1983, Federated was one of the first fund managers to participate in the asset-backed securities market, a market totaling more than \$209 billion.

#### GOVERNMENT FUNDS

In the government sector, as of December 31, 1998, Federated manages 9 mortgage-backed, 5 government/ agency and 19 government money market mutual funds, with assets approximating \$5.3 billion, \$1.8 billion and \$41.6 billion, respectively. Federated trades approximately \$425 million in U.S. government and mortgage-backed securities daily and places approximately \$25 billion in repurchase agreements each day. Federated introduced the first U.S. government fund to invest in U.S. government bond securities in 1969. Federated has been a major force in the short- and intermediate-term government markets since 1982 and currently manages approximately \$43.2 billion in government funds within these maturity ranges.

#### MONEY MARKET FUNDS

In the money market sector, Federated gained prominence in the mutual fund industry in 1974 with the creation of the first institutional money market fund. Simultaneously, the company pioneered the use of the amortized cost method of accounting for valuing shares of money market funds, a principal means used by money managers today to value money market fund shares. Other innovations include the first institutional tax-free money market fund. As of December 31, 1998, Federated managed more than \$76.7 billion in assets across 52 money market funds, including 19 government, 9 prime and 23 municipal with assets approximating \$41.6 billion, \$22.8 billion and \$12.5 billion, respectively.

The Chief Investment Officers responsible for oversight of the various investment sectors within Federated are: U.S. equity and high yield - J. Thomas Madden; U.S. fixed income -William D. Dawson, III; and global equities and fixed income - Henry A. Frantzen. The Chief Investment Officers are Executive Vice Presidents of the Federated

advisory companies.

#### MUTUAL FUND MARKET

Thirty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$5 trillion to the more than 7,300 funds available, according to the Investment Company Institute.

#### FEDERATED CLIENTS OVERVIEW

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

#### INSTITUTIONAL CLIENTS

Federated meets the needs of approximately 900 institutional clients nationwide by managing and servicing separate accounts and mutual funds for a variety of purposes, 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 advisers. The marketing effort to these institutional clients is headed by John B. Fisher, President,

#### BANK MARKETING

Other institutional clients include more than 1,600 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 Timothy C. Pillion, Senior Vice President, Bank Marketing & Sales.

#### BROKER/DEALERS AND BANK BROKER/DEALER SUBSIDIARIES

Federated Funds are available to consumers through major brokerage firms nationwide--we have over 2,200 broker/dealer and bank broker/dealer relationships across the country--supported by more wholesalers than any other mutual fund distributor. Federated's service to financial professionals and institutions has earned it high ratings in several surveys performed by DALBAR, Inc. DALBAR is recognized as the industry benchmark for service quality measurement. The marketing effort to these firms is headed by James F. Getz, President, Broker/Dealer Sales Division, Federated Securities Corp.

#### FINANCIAL INFORMATION

The Financial Statements for the Fund for the fiscal year ended March 31, 1999 are incorporated herein by reference to the Annual Report to Shareholders of Federated High Income Bond Fund, Inc. dated March 31, 1999.

#### INVESTMENT RATINGS

##### STANDARD AND POOR'S LONG-TERM DEBT RATING DEFINITIONS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's. 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.

BBB--Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB--Debt rated BB has less near-term, vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BBB-rating.

B--Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB or BB-rating.

CCC--Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse

business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or B-rating.

CC--The rating CC typically is applied to debt subordinated to senior debt that is assigned an actual or implied CCC debt rating.

C--The rating C typically is applied to debt subordinated to senior debt which is assigned an actual or implied CCC-debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

#### MOODY'S INVESTORS SERVICE, INC. LONG-TERM BOND RATING DEFINITIONS

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.

BAA--Bonds which are rated BAA are considered as medium grade obligations, (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA--Bonds which are BA are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B--Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

CAA--Bonds which are rated CAA are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA--Bonds which are rated CA represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C--Bonds which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

#### FITCH IBCA, INC. LONG-TERM DEBT RATING DEFINITIONS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay



principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB--Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

BB--Bonds are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.

B--Bonds are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.

CCC--Bonds have certain identifiable characteristics which, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.

CC--Bonds are minimally protected. Default in payment of interest and/or principal seems probable over time.

C--Bonds are imminent default in payment of interest or principal.

#### MOODY'S INVESTORS SERVICE, INC. COMMERCIAL PAPER RATINGS

PRIME-1--Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-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.
- o Well established access to a range of financial markets and assured sources of alternate liquidity.

PRIME-2--Issuers rated Prime-1 (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.

#### STANDARD AND POOR'S COMMERCIAL PAPER RATINGS

A-1--This designation 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 as for issues designated A-1.

#### FITCH IBCA, INC. COMMERCIAL PAPER RATING DEFINITIONS

FITCH-1--(Highest Grade) Commercial paper assigned this rating is regarded as having the strongest degree of assurance for timely payment.

FITCH-2--(Very Good Grade) Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than the strongest issues.

#### ADDRESSES

##### FEDERATED HIGH INCOME BOND FUND, INC.

Class A Shares  
Class B Shares  
Class C Shares

Federated Investors Funds  
5800 Corporate Drive  
Pittsburgh, PA 15237-7000

##### DISTRIBUTOR

Federated Securities Corp.  
Federated Investors Tower  
1001 Liberty Avenue,  
Pittsburgh, PA 15222-3779

##### INVESTMENT ADVISER

Federated Investment Management Company  
Federated Investors Tower  
1001 Liberty Avenue

Pittsburgh, PA 15222-3779

##### CUSTODIAN

State Street Bank and Trust Company  
P.O. Box 8600

Boston, MA 02266-8600

##### TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

Federated Shareholder Services Company  
P.O. Box 8600

Boston, MA 02266-8600

##### INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP  
225 Franklin Street  
Boston, MA 02110-2812

##### PART C. OTHER INFORMATION.

## EXHIBITS:

- (a) Conformed copy of Amended Articles of Incorporation of the Registrant; (19) (b) (i) Copy of Restated and Amended By-Laws of the Registrant; (19)
  - (ii) Copy of Amendment to the By-Laws of the Registrant effective August 26, 1987; (19)
  - (iii) Copy of Amendment No. 10 to the By-Laws of the Registrant; +
  - (iv) Copy of Amendment No. 11 to the By-Laws of the Registrant; +
  - (v) Copy of Amendment No. 12 to the By-Laws of the Registrant; +
- (c) Copies of Specimen Certificates for Shares of Capital Stock for Class A Shares, Class B Shares, and Class C Shares of the Registrant; (20)
- (d) Conformed copy of Investment Advisory Contract of the Registrant; (14)
- (e) (i) Conformed copy of Distributor's Contract of the Registrant, through and including Exhibit C; (16)
  - (ii) Conformed copy of Exhibit D to Distributor's Contract; (18) (iii) Conformed copy of Distributor's Contract of the Registrant (Class B Shares); (21) (iv) 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).
- (f) Not applicable;
- (g) (i) Conformed copy of Custodian Contract of the Registrant; (18)
  - (ii) Conformed copy of Custody Fee Schedule; (21)

+ Exhibits have been filed electronically.

- 14. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 33 on Form N-1A filed February 25, 1993 (File Nos. 2-60103 and 811-2782).
- 16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 38 on Form N-1A filed July 26, 1994 (File Nos. 2-60103 and 811-2782).
- 18. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 40 on Form N-1A filed May 25, 1995 (File Nos. 2-60103 and 811-2782).
- 19. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 41 on Form N-1A filed May 29, 1996 (Files Nos. 2-60103 and 811-2782).
- 20. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 42 on Form N-1A filed May 29, 1997 (Files Nos. 2-60103 and 811-2782).
- 21. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 43 on Form N-1A filed May 26, 1998 (Files Nos. 2-60103 and 811-2782).

- (h) (i) Conformed copy of Amended and Restated Agreement for Fund Accounting Services,

Administrative Services, Transfer Agency Services, and Custody Services Procurement; +

- (ii) The responses described in Item 23(e) (iv) 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).
- (iv) Conformed copy of Amended and Restated Shareholder Services Agreement; (21)
- (v) Conformed copy of Shareholder Services Agreement (Class B Shares); (21)
- (vi) Conformed copy of Principal Shareholder Services Agreement (Class B Shares); (21)
- (i) Not applicable;
- (j) Conformed copy of Consent of Independent Public Accountants; (21) (k) Not applicable; (l) Not applicable;
- (m)
  - (i) The responses described in Item 23(e) (iv) are hereby incorporated by reference.
  - (ii) Conformed copy of Rule 12b-1 Plan of the Registrant, through and including Exhibit B; (16)
  - (iii) Conformed copy of Exhibit C to the Rule 12b-1 Plan; (18)
  - (iv) Conformed Copy of Exhibit 1 and Schedule A to the 12b-1 Distribution Plan (Class B Shares) of the Registrant; +
- (n) Copy of Financial Data Schedules; (21)
- (o) 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).

+ Exhibits have been filed electronically.

- 16. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 38 on Form N-1A filed July 26, 1994 (File Nos. 2-60103 and 811-2782).
- 18. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 40 on Form N-1A filed May 25, 1995 (File Nos. 2-60103 and 811-2782).
- 21. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 43 on Form N-1A filed May 26, 1998 (Files Nos. 2-60103 and 811-2782).

- (p)
  - (i) Conformed copy of Power of Attorney of the Registrant; (20)
  - (ii) Conformed copy of Power of Attorney of Chief Investment Officer of the Registrant; +
  - (iii) Conformed copy of Power of Attorney of Treasurer of the Registrant; +
  - (iv) Conformed copy of Power of Attorney of

- (v) Director of the Registrant; +  
Conformed copy of Power of Attorney of  
Director of the Registrant; +
- (vi) Conformed copy of Power of Attorney of  
Director of the Registrant; +

Item 24. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE FUND:

None

Item 25. INDEMNIFICATION: (19)

Item 26. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER:

For a description of the other business of the investment adviser, see the section entitled "Who Manages the Fund" in Part A. The affiliations with the Registrant of four of the Trustees and one of the Officers of the investment adviser are included in Part B of this Registration Statement under "Who Manages and Provides Services to the Fund." 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:

Executive Vice Presidents: William D. Dawson, III  
Henry A. Frantzen  
J. Thomas Madden

Senior Vice Presidents: Joseph M. Balestrino  
Drew J. Collins  
Jonathan C. Conley  
Deborah A. Cunningham  
Mark E. Durbiano  
Sandra L. McInerney  
Susan M. Nason  
Mary Jo Ochson  
Robert J. Ostrowski

19. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 41 on Form N-1A filed May 29, 1996 (Files Nos. 2-6103 and 811-2782).

20. Response is incorporated by reference to Registrant's Post-Effective Amendment No. 42 on Form N-1A filed May 29, 1997 (Files Nos. 2-60103 and 811-2782).

Vice Presidents: Todd A. Abraham  
J. Scott Albrecht  
Arthur J. Barry  
Randall S. Bauer  
David A. Briggs  
Micheal W. Casey  
Kenneth J. Cody  
Alexandre de Bethmann  
Michael P. Donnelly  
Linda A. Duessel  
Donald T. Ellenberger  
Kathleen M. Foody-Malus  
Thomas M. Franks  
Edward C. Gonzales  
James E. Grefenstette  
Susan R. Hill

Stephen A. Keen  
Robert K. Kinsey  
Robert M. Kowitz  
Jeff A. Kozemchak  
Richard J. Lazarchic  
Steven Lehman  
Marian R. Marinack  
Keith J. Sabol  
Frank Semack  
Aash M. Shah  
Christopher Smith  
Tracy P. Stouffer  
Edward J. Tiedge  
Paige M. Wilhelm  
Jolanta M. Wysocka  
Marc Halperin

Assistant Vice Presidents:

Nancy J. Belz  
Robert E. Cauley  
Lee R. Cunningham, II  
B. Anthony Delserone, Jr.  
Paul S. Drotch  
Salvatore A. Esposito  
Donna M. Fabiano  
John T. Gentry  
William R. Jamison  
Constantine Kartsonas  
John C. Kerber  
Grant K. McKay  
Natalie F. Metz  
Joseph M. Natoli  
John Sheehy  
Michael W. Sirianni  
Leonardo A. Vila  
Lori A. Wolff  
Gary Farwell

Secretary:

Stephen A. Keen

Treasurer:

Thomas R. Donahue

Assistant Secretaries:

Thomas R. Donahue  
Richard B. Fisher  
Christine M. Newcamp

Assistant Treasurer:

Richard B. Fisher

The business address of each of the Officers of the investment adviser is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, Pennsylvania 15222-3779. These individuals are also officers of a majority of the investment advisers to the investment companies in the Federated Fund Complex described in Part B of this Registration Statement.

Item 27. PRINCIPAL UNDERWRITERS:

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

Automated Government Money Trust; Cash Trust Series II; Cash Trust Series, Inc.; CCB Funds; 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 Core Trust; 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.; Fixed Income Securities, Inc.; ; Hibernia Funds; Independence One Mutual Funds; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; 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 Obligations Trust II; Money Market Trust; Municipal Securities Income Trust; Newpoint Funds; Regions Funds; RIGGS Funds; SouthTrust Funds; Tax-Free Instruments Trust; The Planters Funds; The Wachovia Funds; The Wachovia Municipal Funds; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; Vision Group of Funds, Inc.; World Investment Series, Inc.; Blanchard Funds; Blanchard Precious Metals Fund, Inc.; DG Investor Series; High Yield Cash Trust; Investment Series Trust; Star Funds; Targeted Duration Trust; The Virtus Funds; Trust for Financial Institutions;

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

<TABLE>  
<CAPTION>

(b)

(1) Name and Principal BUSINESS ADDRESS	(2) Positions and Offices WITH DISTRIBUTOR	(3) Positions and Offices WITH REGISTRANT
<S>	<C>	<C>
Richard B. Fisher Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Director, Chairman, Chief Executive Officer, Chief Operating Officer, Asst. Secretary and Asst. Treasurer, Federated Securities Corp.	President
Edward C. Gonzales Federated Investors Tower  1001 Liberty Avenue Pittsburgh, PA 15222-3779	Director, Executive Vice President,  Federated Securities Corp.	Executive Vice President
Thomas R. Donahue Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Director, Assistant Secretary and Assistant Treasurer Federated Securities Corp.	--
James F. Getz Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	President-Broker/Dealer, Federated Securities Corp.	--
John B. Fisher	President-Institutional Sales,	--

Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Federated Securities Corp.	
David M. Taylor Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Executive Vice President Federated Securities Corp.	--
Mark W. Bloss Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Richard W. Boyd Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Laura M. Deger Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Theodore Fadool, Jr. Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Bryant R. Fisher Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
(1) Name and Principal	(2) Positions and Offices	(3) Positions and Offices
BUSINESS ADDRESS	WITH DISTRIBUTOR	WITH REGISTRANT
Christopher T. Fives Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
James S. Hamilton Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
James M. Heaton Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Keith Nixon Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Solon A. Person, IV Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
Timothy C. Pillion Federated Investors Tower 1001 Liberty Avenue	Senior Vice President, Federated Securities Corp.	--



Pittsburgh, PA 15222-3779

Thomas E. Territ Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Senior Vice President, Federated Securities Corp.	--
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Ernest G. Anderson Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Teresa M. Antoszyk Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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John B. Bohnet Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Jane E. Broeren-Lambesis Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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David J. Callahan Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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(1) Name and Principal  BUSINESS ADDRESS	(2) Positions and Offices  WITH DISTRIBUTOR	(3) Positions and Offices  WITH REGISTRANT
Mary J. Combs Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
R. Edmond Connell, Jr. Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
R. Leonard Corton, Jr. Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Kevin J. Crenny Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Daniel T. Culbertson Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
G. Michael Cullen Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--

Marc C. Danile Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
William C. Doyle Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Jill Ehrenfeld Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Mark D. Fisher Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Joseph D. Gibbons Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
John K. Goettlicher Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--

(1) Name and Principal	(2) Positions and Offices	(3) Positions and Offices
BUSINESS ADDRESS	WITH DISTRIBUTOR	WITH REGISTRANT
Craig S. Gonzales Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Raymond Hanley Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Bruce E. Hastings Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Beth A. Hetzel Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
James E. Hickey Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Charlene H. Jennings Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
H. Joseph Kennedy Federated Investors Tower	Vice President, Federated Securities Corp.	--

1001 Liberty Avenue  
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Michael W. Koenig Vice President, --  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779 Federated Securities Corp.

Michael R. Manning Vice President, --  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779 Federated Securities Corp.

Mark J. Miehle Vice President, --  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779 Federated Securities Corp.

Richard C. Mihm Vice President, --  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779 Federated Securities Corp.

Alec H. Neilly Vice President, --  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779 Federated Securities Corp.

(1) Name and Principal BUSINESS ADDRESS	(2) Positions and Offices WITH DISTRIBUTOR	(3) Positions and Offices WITH REGISTRANT
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Thomas A. Peters III Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Robert F. Phillips Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Richard A. Recker Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Eugene B. Reed Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Paul V. Riordan Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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John Rogers Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Brian S. Ronayne Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
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Thomas S. Schinabeck Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Edward L. Smith Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
David W. Spears Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
John A. Staley Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Colin B. Starks Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
(1) Name and Principal	(2) Positions and Offices	(3) Positions and Offices
BUSINESS ADDRESS	WITH DISTRIBUTOR	WITH REGISTRANT
Jeffrey A. Stewart Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
William C. Tustin Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Paul A. Uhlman Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Miles J. Wallace Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
John F. Wallin Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Richard B. Watts Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Edward J. Wojnarowski Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Vice President, Federated Securities Corp.	--
Michael P. Wolff	Vice President,	--

Federated Investors Tower  
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Pittsburgh, PA 15222-3779

Federated Securities Corp.

Edward R. Bozek  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779

Assistant Vice President,  
Federated Securities Corp.

--

Terri E. Bush  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779

Assistant Vice President,  
Federated Securities Corp.

--

Beth C. Dell  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779

Assistant Vice President,  
Federated Securities Corp.

--

David L. Immonen  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779

Assistant Vice President,  
Federated Securities Corp.

--

(1) Name and Principal  BUSINESS ADDRESS	(2) Positions and Offices  WITH DISTRIBUTOR	(3) Positions and Offices  WITH REGISTRANT
Renee L. Martin Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Assistant Vice President, Federated Securities Corp.	--
Robert M. Rossi Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Assistant Vice President, Federated Securities Corp.	--
Matthew S. Hardin Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Secretary, Federated Securities Corp.	--
Denis McAuley Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Treasurer, Federated Securities Corp.	--
Leslie K. Ross Federated Investors Tower 1001 Liberty Avenue Pittsburgh, PA 15222-3779	Assistant Secretary, Federated Securities Corp.	--

</TABLE>

(c) Not applicable

Item 28. LOCATION OF ACCOUNTS AND RECORDS:

All accounts and records required to be maintained by Section 31(a) of the Investment Company Act of 1940 and Rules 31a-1 through 31a-3 promulgated thereunder are maintained at one of the following locations:

Registrant  
Federated Investors Tower  
1001 Liberty Avenue

(Notices should be sent to the Agent for Service at the above address)

Federated Investors Funds  
5800 Corporate Drive  
Pittsburgh, PA 15237-7000

Federated Shareholder Services Company  
("Transfer Agent and Dividend

P.O. Box 8600  
Boston, MA 02266-8600

Disbursing Agent")

Federated Services Company  
("Adminstrator")

Federated Investors Tower  
1001 Liberty Avenue  
  
Pittsburgh, PA 15222-3779

Federated Investment Management Company  
("Adviser")

Federated Investors Tower  
1001 Liberty Avenue  
  
Pittsburgh, PA 15222-3779

State Street Bank and Trust Company  
("Custodian") Boston, MA 02266-8600

P.O. Box 8600

Item 29. MANAGEMENT SERVICES: Not applicable

Item 30. UNDERTAKINGS:

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, FEDERATED HIGH INCOME BOND FUND, INC., 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 March, 1999.

FEDERATED HIGH INCOME BOND FUND, INC.

BY: /s/ Nickolas J. Seitanakis  
Nickolas J. Seitanakis, Assistant Secretary  
Attorney in Fact for John F. Donahue

March 26, 1998

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/ Nickolas J. Seitanakis Nickolas J. Seitanakis ASSISTANT SECRETARY	Attorney In Fact For the Persons Listed Below	March 26, 1999

NAME	TITLE
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John F. Donahue*	Chairman and Director (Chief Executive Officer)
Richard B. Fisher*	President
J. Thomas Madden*	Chief Investment Officer
Richard J. Thomas*	Treasurer (Principal Financial and Accounting Officer)
J. Christopher Donahue*	Executive Vice President and Director
Thomas G. Bigley*	Director
John T. Conroy, Jr.*	Director
John F. Cunningham*	Director
Lawrence D. Ellis, M.D.*	Director
Peter E. Madden*	Director
Charles F. Manfield, Jr.*	Director
John E. Murray, Jr., J.D., S.J.D.*	Director
Marjorie P. Smuts*	Director
John S. Walsh*	Director

\* By Power of Attorney

FEDERATED HIGH INCOME BOND FUND, INC.

(FORMERLY: LIBERTY HIGH INCOME BOND FUND, INC.)

AMENDMENT #10  
TO THE BY-LAWS

(EFFECTIVE FEBRUARY 23, 1998)

Delete Sections 1, 2, 3, 4 & 5 from Article IV, OFFICERS, and replace with the following:

Section 1. GENERAL PROVISIONS. The Officers of the Corporation shall be a President, one or more Vice Presidents, a Treasurer, and a Secretary. The Board of Directors, in its discretion, may elect or appoint a Chairman of the Board of Directors and other Officers or agents, including one or more Assistant Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers. A Vice President, the Secretary or the Treasurer may appoint an Assistant Vice President, an Assistant Secretary or an Assistant Treasurer, respectively, to serve until the next election of Officers. Two or more offices may be held by a single person except the offices of President and Vice President may not be held by the same person concurrently. It shall not be necessary for any Director or any Officer to be a holder of shares in any Series or Class of the Corporation.

Section 2. ELECTION, TERM OF OFFICE AND QUALIFICATIONS. The Officers shall be elected annually by the Board of Directors at its Annual Meeting. Each Officer shall hold office for one year and until the election and qualification of his successor, or until earlier resignation or removal. The Chairman of the Board of Directors, if there is one, shall be elected annually by and from the Directors, and serve until a successor is so elected and qualified, or until earlier resignation or removal.

Section 3. REMOVAL. Any Officer elected by the Board of Directors or whose appointment has been ratified by the Board of Directors may be removed with or without cause at any time by a majority vote of all of the Directors. Any other employee of the Corporation may be removed or dismissed at any time by the President.

Section 4. RESIGNATIONS. Any Officer may resign at any time by giving



written notice to the Board of Directors. Any such resignation shall take effect at the time specified therein or, if no time is specified, at the time of receipt. Unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. VACANCIES. Any vacancy in any of the offices, whether by resignation, removal or otherwise, may be filled for the unexpired portion of the term by the President. A vacancy in the office of Assistant Vice President may be filled by a Vice President; in the office of by the Secretary; or in the office of Assistant Treasurer by the Treasurer. Any appointment to fill any vacancy shall serve subject to ratification by the Board of Directors at its next Regular Meeting.

FEDERATED HIGH INCOME BOND FUND, INC.

AMENDMENT #11  
TO THE BY-LAWS

(EFFECTIVE FEBRUARY 27, 1998)

Delete Section 7 PROXIES of Article I, MEETINGS OF SHAREHOLDERS, and replace with the following:

Section 7. PROXIES. Any Shareholder entitled to vote at any meeting of Shareholders may vote either in person or by proxy, but no proxy which is dated more than eleven months before the meeting named therein shall be accepted unless otherwise provided in the proxy. Every proxy shall be in writing and signed by the Shareholder or his duly authorized agent or be in such other form as may be permitted by the Maryland General Corporation Law, including electronic transmissions from the shareholder or his authorized agent. Authorization may be given orally, in writing, by telephone, or by other means of communication. A copy, facsimile transmission or other reproduction of the writing or transmission may be substituted for the original writing or transmission for any purpose for which the original transmission could be used. Every proxy shall be dated, but need not be sealed, witnessed or acknowledged. Where Shares are held of record by more than one person, any co-owner or co-fiduciary may appoint a proxy holder, unless the Secretary of the Corporation is notified in writing by any co-owner or co-fiduciary that the joinder of more than one is to be required. All proxies shall be filed with and verified by the Secretary or an Assistant Secretary of the Corporation, or the person acting as Secretary of the Meeting. Unless otherwise specifically limited by their term, all proxies shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after the final adjournment of such meeting.

FEDERATED HIGH INCOME BOND FUND, INC.

AMENDMENT #12  
TO THE BY-LAWS

(EFFECTIVE MAY 12, 1998)

Strike Section 3 - Place of Meetings from Article I - Meeting of Shareholder and replace it with the following:

Section 3. PLACE OF MEETINGS. All meetings of the Shareholders of the Corporation or a particular Series or Class, shall be held at such place within or without the State of Maryland as may be fixed by the Board of Directors.

AMENDED & RESTATED

AGREEMENT

FOR

FUND ACCOUNTING SERVICES,  
ADMINISTRATIVE SERVICES,  
TRANSFER AGENCY SERVICES

AND

CUSTODY SERVICES PROCUREMENT

AGREEMENT made as of March 1, 1996, and amended and restated as of September 1, 1997, 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, 1001 Liberty Avenue, Pittsburgh, Pennsylvania 15237 (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; 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 Two, 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) 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; 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;

time. (f) Such other information as may be agreed upon from time to

- (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 check forms and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such forms and devices.

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

#### 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. 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 sub-divide 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) Printed documentation from the recordkeeping system representing outstanding Share certificates of the Investment Company or the Funds;
- (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) Such other certifications, documents or opinions which the Company may, in its discretion, deem necessary or appropriate in the proper

performance of its duties; and

- (6) 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 September 1, 1997, 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 , , 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 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  
Name: S. Elliott Cohan  
Title: Assistant Secretary

FEDERATED SERVICES COMPANY

By: /S/ THOMAS J. WARD  
Name: Thomas J. Ward  
Title: Secretary

EXHIBIT 1

Federated High Income Bond Fund, Inc.  
Class A Shares  
Class B Shares  
Class C Shares

Exhibit 1  
Amendment to the  
  
Distribution Plan for  
the Investment Companies  
  
Class B Shares

1. This amendment to the Distribution Plan, ("Plan") is adopted by the Board of Trustees/Directors of the Investment Companies with respect to the Class of Shares of the portfolios ("Funds") of the Investment Companies set forth on the attached Schedule A as to which the Plan has been adopted. This Exhibit is hereby incorporated into the Plan in its entirety and made a part thereof. In the event of any inconsistency between the terms of this Exhibit and the terms of the Plan, the terms of this Exhibit shall govern. References herein to the Plan shall mean the Plan as amended by this Exhibit. The terms of the Plan as amended when effective in respect of the Class of Shares set forth above shall apply to all amounts payable to the Principal Distributor in respect of such Class of Shares whether arising out of sales of such Class of Shares before or after such effective date.

2. In compensation for the services provided pursuant to this Plan, the Investment Companies on behalf of the Fund shall pay the Principal Distributor its "Allocable Portion" (as defined in its Distributor's Contract as it relates to the Class B Shares of the Fund) of a fee (the "Distribution Fee") computed at the annual rate of 0.75 of 1% per annum on the average daily aggregate net asset value of the Class B Shares of those Funds listed on Schedule A outstanding, which fee shall be paid monthly in arrears.

3. The Distributor's Contract in respect of the Class B Shares of each Fund set forth above shall provide that: (I) the Principal Distributor in respect of such Distributor's Contract will be deemed to have performed all services required to be performed in order to be entitled to receive its Allocable Portion of the Distribution Fees payable in respect of the Class B Shares of such Fund upon the settlement date of each sale of a "Commission Share" (as defined below) of such Fund taken into account in determining such Principal Distributor's Allocable Portion of such Distribution Fees; (II) the Investment Companies' obligation to pay such Principal Distributor its Allocable Portion of the Distribution Fees payable in respect of the Class B Shares of such Fund shall not be terminated or modified for any reason (including a termination of the Distributor's Contract between such Principal Distributor and such Fund) except to the extent required by a change in the Act or the Conduct Rules of the National Association of Securities Dealers, Inc., in each case enacted or promulgated after May 1, 1997, or in connection with a "Complete Termination" (as hereinafter defined) of this Plan in respect of the Class B

Shares of such Fund; (III) the Investment Companies will not take any action to waive or change any CDSC in respect of the Class B Shares of such Fund, except as provided in the Funds' prospectus or statement of additional information without the consent of the Principal Distributor and its assigns; (IV) neither the termination of such Principal Distributor's role as Principal Distributor of the Class B Shares of such Fund, nor the termination of such Distributor's Contract nor the termination of this Plan will terminate such Principal Distributor's right to its Allocable Portion of the CDSCs; and (V) such Principal Distributor may assign, sell or pledge (collectively, "Transfer") its rights to its Allocable Portion of the Distribution Fees and CDSCs (but not such Principal Distributor's obligations to the Investment Companies under the Distributor's Contract) to raise funds to make the expenditures related to the distribution of Class B Shares of such Fund and in connection therewith, upon receipt of notice of such Transfer, the Investment Companies shall pay to the assignee, purchaser or pledgee (collectively with their subsequent transferees, "Transferees") or third party beneficiaries such portion of the Principal Distributor's Allocable Portion of the Distribution Fees or CDSCs in respect of the Class B Shares of such Fund so sold or pledged and except as provided in (II) above and notwithstanding anything of the contrary set forth in this Exhibit or the Plan or in the Distributor's Contract, to the extent the Principal Distributor has Transferred its right thereto as aforesaid, the Investment Companies' obligation to pay to the Principal Distributor's Transferee such Principal Distributor's Allocable Portion of the Distribution Fees and CDSCs payable in respect of the Class B Shares of such Fund shall be absolute and unconditional and shall not be subject to dispute, offset, counterclaim or any defense whatsoever, including without limitation, any of the foregoing based on the insolvency or bankruptcy of the Principal Distributor (it being understood that such provision is not a waiver of the Investment Companies' right to pursue such Principal Distributor and enforce such claims against the assets of such Principal Distributor other than its right to the Distribution Fees, CDSCs and servicing fees, in respect of the Class B Shares of any Fund transferred in connection with such Transfer. For purposes of this Plan, the term Allocable Portion of Distribution Fees or CDSCs payable in respect of the Class B Shares of any Fund as applied to any Principal Distributor shall mean the portion of such Distribution Fees or CDSCs payable in respect of such Fund allocated to such Principal Underwriter in accordance with the Allocation Schedule (as defined in the Distributor's Contract as it relates to the Class B Shares of the Fund)). For purposes of this Plan, the term "Complete Termination" of this Plan in respect of any Fund means a termination of this Plan involving the complete cessation of the payment of Distribution Fees in respect of all Class B Shares of such Fund, and the termination of the distribution plans and the complete cessation of the payment of distribution fees pursuant to every other Distribution Plan pursuant to rule 12b-1 of the Investment Companies in respect of such Fund and any successor Fund or any Fund acquiring a substantial portion of the assets of such Fund and for every future class of shares which has substantially similar characteristics to the Class B Shares of such Fund taking into account the manner of payment and amount of sales charge, contingent deferred sales charge or other similar charges borne directly or indirectly by the holders of such shares.

Witness the due execution hereof this execution date.

Schedule A)

Investment Companies (listed on

By: /S/ JOHN W. MCGONIGLE  
Title: EXECUTIVE VICE PRESIDENT  
Date: OCTOBER 24,1997

Schedule A

Federated High Income Bond Fund, Inc.  
Class B Shares

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints the Secretary and Assistant Secretaries of FEDERATED HIGH INCOME BOND FUND, INC. 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/J. THOMAS MADDEN ----- J. Thomas Madden	Chief Investment Officer	March 3, 1999

Sworn to and subscribed before me this 3 day of MARCH, 1999

/S/CHERI S. GOOD  
  
Cheri S. Good

Notarial Seal  
Cheri S. Good, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Nov. 19, 2001

Member, Pennsylvania Association of Notaries

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SIGNATURES	TITLE	DATE
/S/RICHARD J. THOMAS ----- Richard J. Thomas	Treasurer  (Principal Financial and Accounting Officer)	December 11, 1998

Sworn to and subscribed before me this 11 day of DECEMBER, 1998

/S/CHERI S. GOOD

Cheri S. Good

Notarial Seal  
Cheri S. Good, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Nov. 19, 2001

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SIGNATURES	TITLE	DATE
/S/JOHN F. CUNNINGHAM	Director	March 3, 1999

John F. Cunningham

Sworn to and subscribed before me this 3 day of MARCH, 1999

/S/CHERI S. GOOD

Cheri S. Good

Notarial Seal

Cheri S. Good, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Nov. 19, 2001

Member, Pennsylvania Association of Notaries



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SIGNATURES	TITLE	DATE
/S/CHARLES F. MANSFIELD, JR. ----- Charles F. Mansfield, Jr.	Director	March 3, 1999

Sworn to and subscribed before me this 3 day of MARCH, 1999

/S/CHERI S. GOOD

Cheri S. Good

Notarial Seal  
Cheri S. Good, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Nov. 19, 2001

Member, Pennsylvania Association of Notaries

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SIGNATURES	TITLE	DATE
/S/JOHN S. WALSH	Director	March 3, 1999

John S. Walsh

Sworn to and subscribed before me this 3 day of MARCH, 1999

/S/CHERI S. GOOD

Cheri S. Good

Notarial Seal

Cheri S. Good, Notary Public  
Pittsburgh, Allegheny County  
My Commission Expires Nov. 19, 2001

Member, Pennsylvania Association of Notaries

FEDERATED HIGH INCOME BOND FUND, INC.

Federated Investors Funds  
5800 Corporate Drive

Pittsburgh, Pennsylvania 15237-7000

March 26, 1999

EDGAR Operations Branch  
Securities and Exchange Commission  
Division of Investment Management  
450 Fifth Street, Northwest

Washington, DC 20549

RE: FEDERATED HIGH INCOME BOND FUND, INC. (the "Fund" or  
"Registrant")

1933 Act File No. 2-60103

1940 ACT FILE NO. 811-2782

Dear Sir or Madam:

Post-Effective Amendment No. 44 under the Securities Act of 1933 and Amendment No. 37 under the Investment Company Act of 1940 to the Registration Statement of the above-referenced Fund is hereby electronically transmitted.

As indicated on the facing page of the Amendment, the Registrant has specified that it is to become effective May 31, 1999 pursuant to the provisions of Rule 485(a) under the Securities Act of 1933. Consistent with the position of the Division of Investment Management, a Rule 485(a) filing is being made to make changes to the Registrant's registration statement to comply with the requirements of "New" Form N-1A and Rule 421 under the Securities Act of 1933, as amended effective October 1, 1998.

The Registrant's Risk/Return Bar Chart and Table as required under Item 2 and a form of the Risk/Return Summary: Fee Table as required under Item 3 will be separately transmitted via fax to (202)628-9002 within 3 business days of this filing.

Because we have essentially re-drafted the Fund's prospectuses and statement of additional information to comply with New N-1A, it is our opinion that it would not be productive or useful to mark all of the changes in the document to reflect differences from the Fund's currently effective prospectuses and statement of additional information. However, in order to facilitate the Staff's review, the dates on the documents contained in this registration

statement are redlined.

Pursuant to Investment Company Act Release No. 13,768, I respectfully request, on behalf of the Registrant, selective review of this post-effective amendment. The following sections of this amendment have not yet been reviewed by the Staff:

PROSPECTUS:

Item 2: Risk/Return Summary: Investments, Risks and Performance  
Item 3: Risk/Return Summary: Fee Table  
Item 4: Investment Objectives, Principal Investment Strategies and  
Related Risks

STATEMENT OF ADDITIONAL INFORMATION:

Item 12: Description of the Fund and Its Investments and Risks.

In addition, we respectfully request SEC comments within 45 days of the date of this filing in order to meet our print production and shareholder mailing schedules. The Registrant's prospectuses and statement of additional information must release to print no later than May 20, 1999 in order to mail to shareholders on June 1, 1999 so that financial statements are provided to shareholders within sixty days of the Registrant's fiscal year end.

Registrant anticipates filing the Fund's updated financial statements by post-effective amendment pursuant to Rule 485(b) on or about May 26, 1999 to become effective on May 31, 1999, simultaneously with the effectiveness of Registrant's Rule 485(a) post-effective amendment.

If you have any questions regarding this filing, please call me at (412) 288-7405.

Very truly yours,

/s/Maureen A. Ferguson  
Maureen A. Ferguson  
Senior Paralegal

Enclosures