

# FEDERATED FUNDS BOARD

## AUDIT COMMITTEE CHARTER

### **I. Audit Committee Membership and Qualifications**

The Audit Committee (the “Committee”) shall consist of at least three members appointed by the Federated Funds Board of Directors/Trustees (the “Board”). The Board may replace members of the Committee for any reason.

No member of the Committee shall be an “interested person” of the Funds, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, nor shall any member receive any consulting, advisory, or other compensatory fee from the Funds except for service as a member of the Committee, the Board or other committee of the Board.

All members of the Committee shall be financially literate, as that qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable time after appointment to the Committee. At least one member of the Committee must have accounting or related financial management expertise as the Board interprets such qualification in its business judgment. For these purposes, a committee member who qualifies as an “audit committee financial expert” will be deemed to meet the foregoing standard.

### **II. Purposes of the Audit Committee**

The purposes of the Committee are:

- (a) to oversee the accounting and financial reporting processes of the Funds [and each series thereof] and their internal control over financial reporting and, as the Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party service providers;
- (b) to oversee the quality and integrity of the Funds’ financial statements and the independent audit thereof;
- (c) to oversee the Funds’ compliance with legal and regulatory requirements that relate to the Funds’ accounting and financial reporting, internal control over financial reporting and independent audits;
- (d) to review and evaluate the qualifications, independence and performance of the Funds’ independent auditors, and to act as a liaison between the independent auditors and the Board. The independent auditors for the Funds shall report directly to the Committee;
- (e) to oversee the Funds’ internal audit function;
- (f) to oversee the Funds’ Valuation Committee; and
- (g) where NYSE requirements are applicable, to prepare an audit committee report as required by Item 407(d)(3) of Regulation S-K to be included in proxy statements relating to the election of directors/trustees and to authorize the inclusion of the

Funds' audited financial statements in the Funds' annual and semi-annual reports to shareholders to be filed with the Securities and Exchange Commission (the "SEC").

### **III. Duties and Powers of the Audit Committee**

To carry out its purposes, the Committee shall have the following duties and powers:

- (a) to approve prior to appointment the engagement of independent auditors to annually audit and provide their opinion on the Funds' financial statements, to recommend to those Board members who are not "interested persons" (as that term is defined in Section 2(a)(19) of the Investment Company Act) the selection, retention or termination of the Funds' independent auditors and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the independent auditors.
- (b) In evaluating the independent auditors' qualifications, performance and independence, the Committee must, among other things, obtain and review a report by the independent auditors, at least annually, describing the following items:
  - (i) all relationships between the independent auditors and the Funds, as well as the Funds' investment adviser or any entity controlling, controlled by, or under common control with the investment adviser ("Adviser Affiliate") that provides ongoing services to the Funds;
  - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent audit firms, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent audit firms, and any steps taken to deal with any such issues; and
  - (iii) the independent audit firms' internal quality-control procedures.
- (c) to periodically review and evaluate the lead partner and other senior members of each independent auditors team, confirm the regular rotation of the lead audit partner and reviewing partner, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the independent audit firm itself. The Committee should present its conclusions with respect to the independent auditors to the full Board.
- (d) to approve prior to appointment the engagement of the independent auditors to provide other audit services to the Funds or to provide non-audit services to the Funds, its investment adviser or any Adviser Affiliate that provides ongoing services to the Funds, if the engagement relates directly to the operations and financial reporting of the Funds;
- (e) to develop, to the extent deemed appropriate by the Committee, policies and procedures for pre-approval of the engagement of the Funds' independent auditors to provide any of the services described in (d) above;

- (f) to review the controls applied by the independent auditors and any measures taken by management in an effort to assure that all items requiring pre-approval by the Committee are identified and referred to the Committee in a timely fashion;
- (g) to consider whether non-audit services provided by the Funds' independent auditor to the Funds' investment adviser or any Adviser Affiliate that provides ongoing services to the Funds, which services were not pre-approved by the Committee, are compatible with maintaining the auditors' independence;
- (h) to review the arrangements for and scope of the annual audit and any special audits;
- (i) to consider and approve the fees proposed to be charged to the Funds by the independent auditors for each audit and non-audit service;
- (j) to review information and comments from the independent auditors with respect to the Funds' accounting and financial reporting policies, procedures and internal control over financial reporting (including the Funds' critical accounting policies and practices), to review management's responses to any such comments and to meet with the independent auditors to discuss any matters of concern relating to the Funds' financial statements, including any adjustments to such statements recommended by the independent auditors;
- (k) to review any significant disagreements between management and the independent auditors;
- (l) to review with the independent auditors any reports of difficulties that may have arisen in the course of the audit, including any limitations on the scope of the audit or access to requested information, and management's response thereto;
- (m) to review with the Funds' principal executive officer and/or principal financial officer in connection with required certifications on Form N-CSR any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any reported evidence of fraud involving management or other employees who have a significant role in the Funds' internal control over financial reporting;
- (n) to review procedures for the receipt, retention and treatment of complaints received by the Funds relating to accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by officers of the Funds, or employees of its investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the Funds of concerns regarding accounting or auditing matters, and to address reports from attorneys or independent auditors of possible violations of federal or state law or fiduciary duty;
- (o) to investigate or initiate an investigation of reports of improprieties or suspected improprieties in connection with the Funds' accounting or financial reporting;

- (p) to set clear policies relating to the hiring by entities within the Funds' investment company complex<sup>1</sup> of employees or former employees of the independent auditors;
- (q) to review, approve and recommend to the Board approval of (i) the fair value determinations of the Valuation Committee presented to the Committee, and (ii) any other actions of the Valuation Committee necessary to effect the Board's appointment of the Valuation Committee to assist the Board in determining fair value consistent with the Funds' Policies and Procedures; to annually review the Valuation Committee's Charter and recommend the approval of any changes to such charter to the Board; and to annually review and approve the valuation-related procedures and recommend to the Board the approval of such procedures;
- (r) to annually review and approve the internal audit department's charter, including any changes to such charter, and to annual review and approve the internal audit plan and regularly monitor the execution of the audit plan;
- (s) to report its activities to the Board on a regular basis;
- (t) to perform such other duties and functions and have such powers as may be necessary or appropriate in the efficient and lawful discharge of the purposes, duties and powers provided in this Charter.
- (u) For Closed-End Funds only:
  1. to meet to review and discuss with management and the independent auditors the Funds' annual audited financial statements and semi-annual financial statements. In addition, if a Fund chooses to voluntarily include the section "Management's Discussion of Fund Performance" in its Form N-CSR, then the Committee is required to meet to review and discuss it;
  2. to review and discuss the Funds' earnings press releases, as well as any financial information and earnings guidance provided to analysts and rating agencies (if any). The Audit Committee may discharge this responsibility by discussing the general types of information to be disclosed by a Closed-End Fund and the form of presentation (i.e., a case-by-case review is not required) and need not review and discuss in advance of each such release of information;

<sup>1</sup> "Investment company complex" includes:

- the fund and its investment adviser or sponsor;
- any entity controlling, controlled by or under common control with the investment adviser or sponsor, if the entity (i) is an investment adviser or sponsor or (ii) is engaged in the business of providing administrative, custodian, underwriting or transfer agent services to any investment company, investment adviser or sponsor; and
- any investment company, hedge fund or unregistered fund that has an investment adviser included in the definition set forth in either of the two bullet points above.

An investment adviser, for these purposes, does not include a sub-adviser whose role is primarily portfolio management and that is subcontracted with or overseen by another investment adviser. Sponsor refers to the sponsor of a unit investment trust.

3. to discuss guidelines and policies with respect to risk assessment and risk management;
4. to prepare or cause to be prepared the disclosure required by Item 407(d)(3)(i) of Regulation S-K to be included in proxy statements and to authorize the inclusion of the Funds' audited financial statements in the Funds' annual and semi-annual reports to shareholders to be filed with the SEC.

The Committee shall have: (i) resources and authority appropriate to discharge its responsibilities, including appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of conducting the audit and rendering their audit report, or performing other audit, review or attest services for the Funds, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties; (ii) the authority to retain and compensate independent counsel and other experts or consultants as the Committee deems necessary to carry out its duties, and (iii) the authority to obtain specialized training for Committee members, at the expense of the appropriate Fund.

The Committee may delegate any portion of its authority, including the authority to grant pre-approvals of audit and permitted non-audit services, to a subcommittee consisting of one or more of its members. Any decisions of the subcommittee to grant pre-approvals shall be presented to the full Committee at its next regularly scheduled meeting.

#### **IV. Role and Responsibilities of the Audit Committee**

The function of the Committee is oversight. It is management's responsibility to maintain appropriate systems for accounting and internal control over financial reporting, and the independent auditors' responsibility to plan and carry out a proper audit. Fund management, among other things, is responsible for: (1) the preparation, presentation and integrity of the Funds' financial statements; (2) the maintenance of appropriate accounting and financial reporting principles and policies; and (3) the maintenance of internal control over financial reporting and other procedures designed to assure compliance with accounting standards and related laws and regulations. The independent auditors are responsible for planning and carrying out an audit consistent with applicable legal and professional standards and the terms of their engagement letter. Nothing in this Charter shall be construed to reduce the responsibilities or liabilities of the Funds' service providers, including the independent auditors.

Although the Committee is expected to take a detached and questioning approach to the matters that come before it, the review of a Fund's financial statements by the Committee is not an audit, nor does the Committee's review substitute for the responsibilities of the Fund's management for preparing, or the independent auditors for auditing, the financial statements. Members of the Committee are not full-time employees of the Funds and, in serving on this Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures.

In discharging their duties, the members of the Committee are entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers or directors of the Funds whom the

member reasonably believes to be reliable and competent in the matters presented; and (2) legal counsel, independent auditors, or other persons as to matters the member reasonably believes are within the person's professional or expert competence.

**V. Operations of the Audit Committee**

- (a) The Committee shall meet on a regular basis and at least four times annually and is empowered to hold special meetings as circumstances require. The chair or a majority of the members shall be authorized to call a meeting of the Committee and send notice thereof.
- (b) The Committee may meet in person or telephonically, and the Committee may act by written consent, to the extent permitted by law and by the Funds' bylaws.
- (c) The Committee shall have the authority to meet privately and to admit non-members individually by invitation.
- (d) The Committee shall regularly meet, in separate executive sessions, with the Chief Audit Executive and representatives of Fund management independent auditors, and may meet with such other persons as the Committee deems appropriate.
- (e) The Committee shall prepare and retain minutes of its meetings and appropriate documentation of decisions made outside of meetings by delegated authority.
- (f) The Committee shall select one of its members to be the chair and may select a vice chair.
- (g) A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the action of the Committee.
- (h) The Board shall adopt and approve this Charter and may amend it on the Board's own motion. The Committee shall review this Charter at least annually and recommend to the full Board any changes the Committee deems appropriate.
- (i) The Committee shall evaluate its performance at least annually.

Effective: 2/11/14