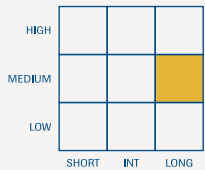


**MUNICIPAL**

**Fund Description**

The fund seeks to provide a high level of current income which is generally exempt from federal regular income tax. The fund pursues its objective by investing at least a majority of its assets in a portfolio of: (1) long-term, tax-exempt securities, and (2) medium-quality or non investment-grade, tax-exempt securities.

**Morningstar Style Box™**



**Morningstar Category**

High Yield Municipal

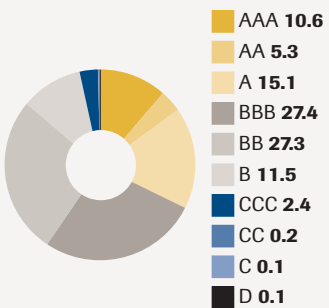
**Benchmark**

50% Barclays Capital High Yield Municipal Bond Index/50% Barclays Capital Municipal Bond Index

**Nasdaq Symbols**

Class A Shares (A)	FMOAX
Class B Shares (B)	FMOBX
Class C Shares (C)	FMNCX
Class F Shares (F)	FHTFX

**Quality Breakdown (%) \*\***



**Average Annual Total Returns (%)**

NAV	Performance Inception	Cumulative 3 Month	1 Year	5 Year	10 Year	15 Year	20 Year	Since Inception	Expense Ratio*	
									Before Waivers	After Waivers
A	8/5/96	2.30	19.06	1.90	4.29	N/A	N/A	4.02	1.13	0.79
B	8/5/96	2.24	18.17	1.16	3.67	N/A	N/A	3.55	1.83	1.54
C	8/5/96	2.24	18.17	1.16	3.52	N/A	N/A	3.24	1.83	1.54
F	4/10/87	2.30	19.06	1.90	4.29	4.08	4.91	5.32	1.13	0.79
Benchmark		2.57	15.65	3.68	5.56	5.63	N/A	N/A	N/A	N/A
Lipper High Yield Municipal Debt Funds Average		2.21	18.52	1.58	4.11	4.48	5.54	N/A	N/A	N/A

**Maximum Offering Price**

NAV	Performance Inception	Cumulative 3 Month	1 Year	5 Year	10 Year	15 Year	20 Year	Since Inception	Before Waivers	After Waivers
A	8/5/96	-2.30	13.71	0.97	3.82	N/A	N/A	3.67	1.13	0.79
B	8/5/96	-3.26	12.67	0.84	3.67	N/A	N/A	3.55	1.83	1.54
C	8/5/96	1.24	17.17	1.16	3.52	N/A	N/A	3.24	1.83	1.54
F	4/10/87	0.33	16.80	1.70	4.18	4.01	4.85	5.28	1.13	0.79

**Calendar Year Total Returns (%)**

Class F Shares/NAV

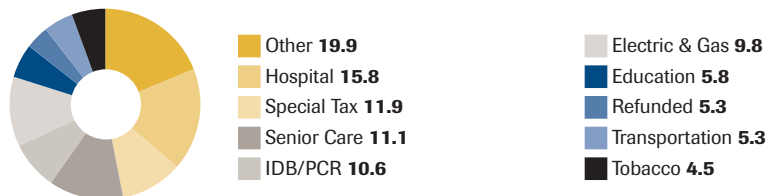
2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
29.11	-23.57	-2.51	7.05	6.22	6.73	7.57	6.31	4.59	5.93
1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
-6.40	5.47	9.79	1.91	15.86	-5.75	11.08	7.97	10.94	6.57

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Maximum Offering Price figures reflect the maximum sales charges of 4.5% for Class A Shares and 1% for Class F Shares, and the maximum contingent deferred sales charges of 5.5% for Class B Shares, 1% for Class C Shares and 1% for Class F Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

\* Pursuant to a settlement and Assurance of Discontinuance dated November 17, 2005, with the New York Attorney General, the Adviser agreed to waive management fees and the net management fee may not be increased above 0.3233% until after 12/31/10. In addition, the Adviser and its affiliates have voluntarily agreed to waive their fees and/or reimburse expenses so that the total operating expenses (excluding acquired fund fees and expenses) paid by Class A, B, C and F Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.7949%, 1.5449%, 1.5449% and 0.7949% respectively through the later of 12/31/10 or the date of the fund's next effective prospectus.

\*\* The ratings agencies that provided the ratings are Standard and Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities "junk bonds"; and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.

**Sector Weightings (%)**



## MUNICIPAL

### Key Investment Team Members

Lee R. Cunningham II  
R.J. Gallo, CFA

### Fund Statistics

Portfolio Assets	\$490.3 m
Number of Holdings	326
Dividends	Paid Monthly
30-Day Yield	5.46%
Weighted Average Effective Maturity	15.9 Years
Weighted Average Effective Duration	8.6 Years

### Top Holdings (%)

Buckeye Tobacco Settlement Financing Authority, OH, Tobacco Settlement Asset-Backed Bonds (Series 2007A), 6.500%, 06/01/2047	1.5
Maricopa County, AZ Pollution Control Corp., (Public Service CO., NM), PCR Refunding Bonds (Series 2003A), 6.250%, 01/01/2038	1.2
New York City, NY IDA, (7 World Trade Center LLC), Liberty Revenue Bonds (Series A), 6.500%, 03/01/2035	1.2
New York City, NY IDA, (American Airlines, Inc.), Special Facility Revenue Bonds (Series 2005), 8.000%, 08/01/2028	1.2
Wisconsin State General Fund Appropriation, (Wisconsin State), Revenue Bonds (Series 2009A), 5.750%, 05/01/2033	1.2

## Federated knows...

### Stability

Ranks as a leading global investment manager, managing approximately \$335 billion in assets, delivering competitive and consistent results since 1955 and fostering growth by reinvesting in the company

### Investment Solutions

Offers broad product lines spanning domestic and international equity, fixed income, alternative and money market strategies with the goal of long-term consistent, competitive performance

### Diligence

Takes the long view, believing that doing business the right way over time will present opportunity for future growth

### Client-centric

Delivers business solutions through consultative meetings, investment forums and market insights, often delivered proactively at client-specific locations

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus, or if available, a summary prospectus containing this and other information, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Please carefully read the prospectus or the summary prospectus before investing.**

**Past performance is no guarantee of future results.**

**For information on taxable equivalent yields, visit [FederatedInvestors.com](http://FederatedInvestors.com), "Products" section.**

The fund is the successor to the Federated Municipal High Yield Advantage Fund, Inc. pursuant to a reorganization that took place as of the close of business November 10, 2006.

### A WORD ABOUT RISK

High yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment grade securities.

Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

Interest income from the fund's investments may be subject to the federal alternative minimum tax for individuals and corporations (AMT), and state and local taxes.

### DEFINITIONS

The holdings percentages are based on net assets at the close of business on 6/30/10 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Total return would have been lower in the absence of temporary expense waivers or reimbursements.

The 30-day yield for Class F Shares is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the maximum offering price per share on that date. The figure is compounded and annualized. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 5.18%. Yields for other classes will vary.

Weighted average effective maturity is the average time to maturity of debt securities held in the fund.

Weighted average effective duration is a measure of security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Barclays Capital High Yield Municipal Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year. Barclays Capital Municipal Bond Index is a market-value-weighted index for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Indexes are unmanaged and cannot be invested in directly.

### RATINGS AND RATING AGENCIES

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Morningstar Style Box™ reveals a fund's investment strategy. For fixed-income funds the vertical axis shows the average credit quality of the bonds owned, and the horizontal axis shows interest rate sensitivity as measured by a bond's duration.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2010 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

