MMDT

MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

MMDT
Cash Portfolio

2016 Investment Circular

September 30, 2016

MMDT
MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST

Commonwealth of Massachusetts
Department of the State Treasurer
State House, Room 227
Boston, MA 02133

Welcome new and current participants in the MMDT,

As Treasurer and Receiver General of the Commonwealth of Massachusetts, my responsibilities include oversight of the Massachusetts Municipal Depository Trust (MMDT). Thank you for your support and confidence in this investment option.

For over three decades, MMDT has helped local governments and agencies across the Commonwealth manage cash flows. These combined investment funds provide eligible public entities the opportunity to pool money together, creating economies of scale, in an effort to receive professional investment management at a competitive cost. Your assets will continue to be managed and serviced with full transparency and within the exact specifications of the stated investment policies. As your Treasurer, I will work hard to make certain our promise to you and the commitment of excellence remains intact.

Federated Investors, one of the nation's largest investment managers, with a more than 40-year history of managing fixed-income and money market portfolios, began managing the MMDT assets in 2013. Since that time, the team of seasoned portfolio managers and credit research analysts has done an excellent job in a challenging rate environment to preserve your capital investment and maintain sufficient liquidity to meet your business needs, while seeking the highest possible level of income.

MMDT offers two portfolios: a money market investment option, the MMDT Cash Portfolio, and a fixed-income alternative, the MMDT Short Term Bond Portfolio. This investment circular provides information on the MMDT Cash Portfolio, which offers participants security, along with consistent and competitive yields at costs lower than other products in the market.

There are also several enhanced features that MMDT offers, including the ability to transact purchases, exchanges and redemptions at MyMMDT.com. With 24-hour access, you can view information and transact business on your schedule. You have the option to future-date transactions up to 90 days in advance. Additionally, there is a mobile version of the website for use on smartphones to conduct transactions on-the-go. MMDT also provides a Voice Response Unit (VRU) that delivers detailed account information and transaction processing via one toll-free telephone call.

I trust that the information contained in this investment circular will provide answers to a number of your questions, but if you'd like even more information, I encourage you to contact MMDT Participant Services at 1-888-965-MMDT (6638) or visit MyMMDT.com.

It is my pleasure to serve as your Treasurer and supporting the MMDT.

Sincerely,

Deborah B. Goldberg
Treasurer and Receiver General
Commonwealth of Massachusetts

This circular is the only authorized source of definitive information regarding investment in the Massachusetts Municipal Depository Trust Cash Portfolio. Participants should read and retain it for future reference.

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Authority for Organization

In 1975, the General Court of the Commonwealth enacted legislation permitting the Massachusetts State Treasurer (State Treasurer), with the advice of the Investment Advisory Council, to establish one or more combined investment funds, and to offer participation units in such funds to agencies, authorities, commissions, boards, political subdivisions, and other public units. In addition, statutes were amended making purchase of such participation units a legal investment for funds in the custody of such public units (M.G.L. Ch. 29, Sec. 38A) and state and local retirement boards (M.G.L. Ch. 32, Sec. 23(2)(b)). The enabling legislation also requires the State Treasurer to adopt appropriate accounting procedures to determine the exact earnings of each participant.

Accordingly, the State Treasurer established the Massachusetts Municipal Depository Trust (MMDT or Trust) to provide an investment pool entirely separate from other financial activities of the Commonwealth. The State Treasurer serves as the Trustee, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Further, M.G.L. Ch. 44, Sec. 55A, provides that certain local officials, who in good faith and with the exercise of due care purchase units of the Trust, shall not be personally liable to their cities or towns for the loss of funds invested in the Trust due to the Trust's closure.

Structure and Purpose

The Trust offers the MMDT Cash Portfolio (Portfolio), an investment pool in which the Commonwealth and its political subdivisions can invest their cash. The primary purpose of the Portfolio is to offer participation in a diversified portfolio of high quality money market instruments that seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity.

Participation in the Trust is open to the Commonwealth and its political subdivisions, including the following:

- Cities, towns, and counties
- Housing and redevelopment authorities
- Public retirement systems
- Regional transit authorities
- Regional school districts
- Most special purpose districts and authorities
- State and community colleges
- Certain state and local public agencies

Investment Objectives

The investment objectives of the Portfolio are as follows:

Preservation of Capital

The Portfolio seeks to preserve the capital investment of all participants through prudent management and sound investment policies and restrictions.

Liquidity

The Portfolio aims to maintain sufficient liquidity to meet reasonably foreseeable participant redemptions.

High Current Yield

The Portfolio seeks to attain the highest possible level of current income consistent with the objectives of preservation of capital and liquidity.

There is no assurance that the Portfolio will achieve its investment objectives.

Investment Policies and Restrictions

I. Strategy

Federated Investment Counseling (the "Trust's Investment Advisor") will seek to achieve the Portfolio's objective by investing in a portfolio of high quality, U.S. dollar denominated, money market instruments, as are authorized for investment pursuant to the statutory requirements to which the Portfolio is subject and consistent with Governmental Accounting Standards Board (GASB) Statement 79. Although the Trust's Investment Advisor may not buy all of these instruments or use all of these techniques, currently, the statutory requirements to which the Portfolio is subject permit the Trust's Investment Advisor to invest the Trust's assets in any of the following permissible investments to achieve the stated investment objectives.

II. Permissible Investments

i. Obligations of the U.S. Government and foreign governments and their agencies or instrumentalities;

(Continued on page 5)

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ii. Supranational and other quasi-governmental organizations' debt obligations;

iii. Obligations of banks (including Yankee and Euro certificates of deposit, commercial paper, time deposits and bankers' acceptances);

iv. Obligations of other companies in the financial services industry, including banks, bank holding companies, savings and loan associations, consumer and industrial finance companies, securities brokerage companies and a variety of firms in the insurance field;

v. Deposits in any savings bank, cooperative bank, and federal savings and loan institution whose principal office is located in the Commonwealth of Massachusetts;

vi. Short-term corporate obligations, including commercial paper, notes, and bonds;

vii. Asset-backed securities;

viii. Overnight and term repurchase agreements and reverse repurchase agreements;

ix. Municipal securities;

x. GASB 79 eligible extendibles, variable, and floating rate securities are permitted. Variable and floating rate securities shall approximate amortized cost upon reset. Extendible securities will have an initial maturity not to exceed 397 days and require explicit action by the investor to extend;

xi. U.S. Treasury Separate Trading of Registered and Principal Securities ("STRIPS");

xii. Callable securities;

xiii. Shares of investment companies that are money market mutual funds under Rule 2a-7 and are managed by the Trust's Investment Advisor or its affiliates ("Federated funds"). Investments in investment companies will be governed by the terms of the investment guidelines of such investment companies, notwithstanding anything to the contrary herein. All management fees associated with an investment in the Federated funds shall be credited back to the Portfolio.

III. Maturity and Concentration Guidelines

i. The Portfolio's assets will be managed to maintain a dollar-weighted average portfolio maturity of 60 days or less.

ii. The Portfolio's assets will be managed to maintain a dollar-weighted average life to maturity of 120 days or less.

iii. The Portfolio will not purchase any security other than cash, direct obligations of the U.S. Government or securities that will mature or are subject to a demand feature that is exercisable and payable within 1 business day (collectively, "daily liquid assets") if, immediately after the purchase, the Portfolio will have invested less than 10% of its total assets in daily liquid assets.

iv. The Portfolio will not purchase any security other than cash, direct obligations of the U.S. Government, government securities issued by a person controlled or supervised by and acting as an instrumentality of the U.S. Government that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity date of 60 calendar days or less, or securities that will mature or are subject to a demand feature that is exercisable and payable within 5 business days (collectively, "weekly liquid assets") if, immediately after the purchase, the Portfolio will have invested less than 30% of its total assets in weekly liquid assets.

v. The Portfolio will seek to hold liquid assets sufficient to meet reasonably foreseeable redemptions, based upon knowledge of the expected cash needs of participants.

vi. The Trust's Investment Advisor will purchase only instruments with a remaining maturity of 397 days or less (with maturities calculated as provided in GASB 79), except that obligations underlying a repurchase agreement may have a final maturity date of more than 397 days.

vii. At the time of purchase, no more than 5% of the Portfolio's total assets will be invested in securities of any single issuer except that there is no limitation on the percentage of assets that may be invested in securities of the U.S. Government, its agencies or instrumentalities or in repurchase agreements collateralized fully by such obligations or in shares of any money market mutual fund.

viii. No more than 25% of the total assets of the Portfolio may be invested in any one industry; except there is no limitation on the percentage of assets that may be invested in the financial services industry.

IV. Credit Quality

The Portfolio's assets will be invested only in securities rated in the highest rating category (if rated) or evaluated by the Trust's Investment Advisor to be of equivalent credit quality (if unrated), and bank deposits meeting the portfolio credit quality requirements of GASB 79. Investments that were permissible at the time acquired may continue to be held to the extent consistent with GASB 79.

V. Prohibited Transactions and Limitations

i. No investments may be made in "derivative" securities whose market value would not approximate par at scheduled interest rate reset dates. Examples of such securities include, but are not limited to the following:

   a. futures
   b. swaps
   c. options
   d. interest-only and principal-only mortgage-backed securities
   e. inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters
   f. Structured Investment Vehicles (SIVs)
   g. Collateralized Debt Obligations (CDOs)
   h. Auction Rate Securities

ii. Investments in securities with a floating rate coupon corresponding to short-term money market interest rate benchmarks and which conform to other Treasury maturity and credit standards are not considered derivatives and may be purchased under the condition that interest rate reset periods may not exceed six months.

iii. Investments in illiquid securities (i.e., securities that cannot be sold or disposed of in the ordinary course within seven days at approximately the value ascribed to it by the Portfolio), will be limited to no more than 5% of the Portfolio's net assets at the time of purchase.

iv. While the Trust's Investment Advisor normally purchases securities with the intention of holding them to maturity, it may, from time to time, engage in portfolio trading in an attempt to maximize yield.

The Portfolio's yield will change daily based on changes in interest rates and other market conditions. While the Portfolio's assets will be invested in high quality instruments as described above, investment in the Portfolio is not without risk. For example, an increase in interest rates or a decrease in the credit quality of the issuer of one of the Portfolio's investments could cause the Portfolio's unit price to decrease. If securities are sold before their maturity, their value may be more or less than par due to changes in value when interest rates rise or fall. Securities with longer maturities and the securities of issuers in the financial services sector can be more sensitive to interest rate changes. Short-term securities tend to react to changes in short-term interest rates. Several policies have been instituted to minimize these changes in value (see "How Dividend, Yield, and Net Asset Value Are Determined"). Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of issuer, and changes in general economic or political conditions can affect the credit quality or value of an issuer's securities. Entities providing credit support or a maturity-shortening structure also can be affected by these types of changes. If the structure of a security fails to function as intended, the security could decline in value. The Trust's Investment Advisor invests assets only with issuers whose creditworthiness and compliance with the applicable statutes and policies have been reviewed and found satisfactory by the Trust's Investment Advisor and approved by the Treasurer. See "Risks" for more information.

Risks

The following pages provide a brief description of securities in which the Portfolio's assets may be invested and the principal risks associated with the investments, as well as the transactions the Trust's Investment Advisor may initiate on behalf of the Portfolio. The Trust's Investment Advisor is not limited by this discussion, however, and may purchase other types of securities and enter into other types of transactions if they are consistent with the investment objectives and policies and the statutory requirements to which the Portfolio is subject.

Asset-Backed Securities represent interests in pools of mortgages, loans, receivables, or other assets. Payment of interest and repayment of principal may be largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds, or other credit enhancements. Asset-backed security values may also be affected by other factors including changes in interest rates, the availability of information concerning the pool and its structure, the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities providing the credit enhancement. In addition, these securities may be subject to prepayment risk.

Domestic and Foreign Investments include U.S. dollar-denominated time deposits, certificates of deposit, and bankers' acceptances of U.S. banks and their branches located outside the United States, U.S. branches and agencies of foreign banks, and foreign branches of foreign banks. Domestic and foreign investments may also include U.S. dollar denominated securities issued or guaranteed by other U.S. or foreign issuers, including U.S. and foreign corporations or other business organizations, foreign governments, foreign government agencies or instrumentalities, and U.S. and foreign financial institutions, including savings and loan institutions, insurance companies, mortgage bankers, and real estate investment trusts, as well as banks.

The obligations of foreign branches of U.S. banks may not be obligations of the parent bank in addition to the issuing branch, and may be limited by the terms of a specific obligation and by governmental regulation. Payment of interest and repayment of principal on these obligations may also be affected by governmental action in the country of domicile of the branch (generally referred to as sovereign risk) or by war or civil conflict. In addition, settlement of trades may occur outside of the United States and evidence of ownership of portfolio securities may be held outside of the United States. Accordingly, the Portfolio may be subject to the risks associated with the settlement of trades and the holding of such property overseas. Various provisions of federal law governing the establishment and operation of U.S. branches do not apply to foreign branches of U.S. banks.

Obligations of U.S. branches and agencies of foreign banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by federal and state regulation, as well as by governmental action in the country in which the foreign bank has its head office.

Obligations of foreign issuers involve certain additional risks. These risks may include future unfavorable political and economic developments, withholding taxes, seizures of foreign deposits, currency controls, interest limitations, or other governmental restrictions that might affect repayment of principal or payment of interest, or the ability to honor a credit commitment. Additionally, there may be less public information available about foreign entities. Foreign issuers may be subject to less governmental regulation and supervision than U.S. issuers. Foreign issuers also generally are not bound by uniform accounting, auditing, and financial reporting requirements comparable to those applicable to U.S. issuers.

Illiquid Securities cannot be sold or disposed of in the ordinary course of business within seven calendar days at approximately the value ascribed to them by the Portfolio. Difficulty in selling securities may result in a loss or may be costly to the Portfolio. In determining the liquidity of the Portfolio's investments, the Trust's Investment Advisor may consider various factors, including:

1. The frequency and volume of trades and quotations
2. The number of dealers and prospective purchasers in the marketplace
3. Dealer undertakings to make a market and,
4. The nature of the security and the market in which it trades (including any demand, put or tender features, the mechanics and other requirements for transfer, any letters of credit or other credit enhancement features, any ratings; the number of holders, the method of soliciting offers, the time required to dispose of the security, and the ability to assign or offset the rights and obligations of the security).

Money Market Securities are high-quality, short-term securities that pay a fixed, variable or floating interest rate. Money market securities may be structured to be, or may employ a trust or other form so that they are eligible investments for the Portfolio. For example, put features can be used to modify the maturity of a security or interest rate adjustment features can be used to enhance price stability. If a structure fails to function as intended, adverse tax or investment consequences may result. Neither the Internal Revenue Service (IRS) nor any other regulatory authority has ruled definitively on certain legal issues presented by certain structured securities. Future tax or other regulatory determinations could adversely affect the value, liquidity, or tax treatment of the income received from these securities or the nature and timing of distributions made by the Portfolio. Money market securities include bank certificates of deposit, bank acceptances, bank time deposits, notes, commercial paper, and U.S. Government securities.

Put Features entitle the holder to sell a security back to the issuer or a third party at any time or at specified intervals. In exchange for this benefit, the Portfolio may accept a lower interest rate. Securities with put features are subject to the risk that the put provider is unable to honor the put feature (purchase the security). Put providers often support their ability to buy securities on demand by obtaining letters of credit or other guarantees from other entities. Demand features, standby commitments, and tender options are types of put features.

Repurchase Agreements involve an agreement to purchase a security and to sell that security back to the original seller at an agreed-upon price. The resale price reflects the purchase price plus an agreed-upon incremental amount which is unrelated to the coupon rate or maturity of the purchased security. As protection against the risk that the original seller will not fulfill its obligation, the securities are held in a separate account at a bank, marked-to-market daily and maintained at a value at least equal to the sale price plus the accrued incremental amount. The value of the security purchased may be more or less than the price at which the counterparty has agreed to purchase the security. In addition, delays or losses could result if the other party to the agreement defaults or becomes insolvent. The Portfolio will engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by the Trust's Investment Advisor. The securities that are subject to the repurchase agreement shall be limited to securities that the Trust would be permitted to own, except that the maturities of the securities subject to the repurchase agreement shall not be subject to the maturity limits otherwise applicable to the Trust's investments.

Restricted Securities are subject to legal restrictions on their sale. Difficulty in selling securities may result in a loss or be costly to the Portfolio. Restricted securities generally can be sold in privately negotiated transactions pursuant to an exemption from registration under the Securities Act of 1933 (1933 Act), or in a registered public offering. Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the holder might obtain a less favorable price than prevailed when it decided to seek registration of the security.

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Reverse Repurchase Agreements. In a reverse repurchase agreement, the Portfolio sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at an agreed-upon price and time. The Portfolio will enter into reverse repurchase agreements with parties whose creditworthiness has been reviewed and found satisfactory by the Trust's Investment Advisor. Such transactions may increase fluctuations in the market value of the Portfolio's assets and in the Portfolio's yield and may be viewed as a form of leverage.

Securities of Other Investment Companies. The Portfolio may invest its assets in shares of other investment companies as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These investments may include shares of a Federated fund that is a money market fund; or preferred shares of a closed-end fund that are eligible for purchase by money market funds (generally, because such preferred shares are structured as unconditional demand instruments with a third-party put provider). Other investment companies are managed independently of the Portfolio and incur additional fees and/or expenses which would, therefore, be borne indirectly by the Portfolio in connection with any such investment; notwithstanding the foregoing, all management fees associated with an investment in the Federated funds will be credited back to the Portfolio. The Trust's Investment Advisor believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses.

Sources of Liquidity or Credit Support. Issuers may employ various forms of credit and liquidity enhancements, including letters of credit, guarantees, swaps, puts, and demand features, and insurance provided by domestic or foreign entities such as banks and other financial institutions. For purposes of making initial and ongoing minimal credit determinations, the Trust's Investment Advisor may rely on its evaluation of the credit of the issuer or the credit of the liquidity or credit enhancement provider. In evaluating the credit of a foreign bank or other foreign entities, factors considered may include whether adequate public information about the entity is available and whether the entity may be subject to unfavorable political or economic developments, currency controls, or other government restrictions that might affect its ability to honor its commitment. Changes in the credit quality of the issuer and/or entity providing the enhancement could affect the value of the security or the Portfolio's unit price.

U.S. Government Securities are high-quality securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government. U.S. Government securities may be backed by the full faith and credit of the

U.S. Treasury, the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security.

Variable and Floating Rate Securities provide for periodic adjustments in the interest rate paid on the security. Variable rate securities provide for a specified periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer's credit quality. Some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries.

When-Issued and Forward Purchase or Sale Transactions involve a commitment to purchase or sell specific securities at a predetermined price or yield in which payment and delivery take place after the customary settlement period for that type of security. Typically, no interest accrues to the purchaser until the security is delivered.

When purchasing securities pursuant to one of these transactions, the purchaser assumes the rights and risks of ownership, including the risks of price and yield fluctuations and the risk that the securities will not be issued as anticipated. Because payment for the securities is not required until the delivery date, these risks are in addition to the risks associated with the Portfolio's investments. If the Portfolio remains substantially fully invested at a time when a purchase is outstanding, the purchases may result in a form of leverage. When the Portfolio has sold a security pursuant to one of these transactions, the Portfolio does not participate in further gains or losses with respect to the security. If the other party to a delayed-delivery transaction fails to deliver or pay for the securities, the Portfolio could miss a favorable price or yield opportunity or suffer a loss.

The Portfolio may renegotiate a when-issued or forward transaction and may sell the underlying securities before delivery, which may result in capital gains or losses for the Portfolio.

Ratings

The descriptions that follow are examples of eligible ratings of securities that the Portfolio may purchase. The Portfolio may consider the ratings for other types of investments and the ratings assigned by other nationally recognized statistical rating organizations when determining the eligibility of a particular investment.

Description of Moody's Investors Service, Inc. commercial paper ratings

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

I. Leading market positions in well established industries

II. High rates of return on funds employed

III. Conservative capitalization structures with moderate reliance on debt and ample asset protection

IV. Broad margins in earnings coverage of fixed financial charges with high internal cash generation

V. Well-established access to a range of financial markets and assured sources of alternate liquidity

Prime-2: Issuers rated Prime-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. Normally this will be evidenced by many of the characteristics cited previously 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.

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Description of Moody's Investors Service, Inc. long-term debt ratings

Aaa: Bonds and preferred stock 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 and preferred stock 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 risk appear somewhat larger than the Aaa securities.

A: Bonds and preferred stock 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.

Description of Standard & Poor's commercial paper ratings

A-1: A short-term obligation rated A-1 is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

Description of Standard & Poor's long-term debt ratings

AAA: An obligation rated AAA has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A: An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

How Dividends, Yield, and Net Asset Value Are Determined

Dividends

The net income of Portfolio assets is determined at the close of business each day. The calculation includes interest accrued or discount earned (including both original issue and market discount), plus or minus amortization of accumulated gains or losses realized on the sale of assets of the Portfolio (see below), less amortization of premium and the expenses accrued to the Portfolio applicable to that dividend period.

All net income so determined is declared as a dividend to participants each day. Dividends are accrued throughout the month and purchase additional participation units at the net asset value (expected to be $1) determined on the last business day of the current month. Your dividends will be automatically reinvested into the account unless otherwise instructed by an authorized representative. If the entire balance in an account is withdrawn

during the month, the accrued dividends will be sent with the redemption proceeds unless a prior request has been made to pay them on the first business day of the following month.

Yield

Annualized One-Day Yield Calculation

To determine the annualized one-day yield for the Portfolio, take the daily dividend rate for a specific day, multiply it by 365, and then multiply it by 100 to arrive at a percentage (example: daily dividend rate of 0.000144 x 365 x 100 = 5.26%).

The annualized seven-day and annualized monthly yields reflect an average of the yield over the past seven days or month.

A participant may call MMDT Participant Services or visit MyMMDT.com for a current yield quote. The current yield refers to the income generated by an investment in the Portfolio over a period of time (normally one day, seven days, or monthly) expressed as an annual percentage rate.

Net Asset Value

The net asset value (NAV) per unit of the Portfolio is normally calculated as of 5:00 p.m. ET on each day that both of the New York Stock Exchange and the Federal Reserve Bank are open; except that on the day after Thanksgiving and Christmas Eve (when Christmas Eve falls on a weekday) NAV is determined at 3:00 p.m. ET. NAV is calculated by adding the value of all portfolio securities and other assets, deducting the Portfolio's actual and accrued liabilities, and dividing by the number of units outstanding. The time as of when NAV is determined, and when orders must be placed, may be changed by the Trust's Investment Advisor, subject to approval from the Treasurer.

Investments in the Portfolio are not a deposit of a bank and are neither insured nor guaranteed by the Commonwealth of Massachusetts, the Federal Deposit Insurance Corporation (FDIC), the U.S. Government, or any of its agencies. Although the Portfolio is managed to seek to maintain a stable $1 unit price, there is no guarantee it will be able to do so and it is possible to lose money by investing in the Portfolio.

The Portfolio's assets are valued on the basis of the amortized cost valuation technique. This involves valuing an instrument at its cost as adjusted for amortization of a premium or accretion of a discount, rather than its value based on current market quotations or appropriate substitutes that reflect current market conditions. While this method provides certainty of valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price received if the instrument were sold. The Trust has established policies to stabilize, to the extent reasonably possible, the price per unit at $1. These policies include regular review of the market value of the Portfolio's holdings by the Trustee, and the right of the Trustee to take corrective action as deemed appropriate. Such corrective action could include any of the following actions:

- The sale of instruments prior to maturity to realize capital gains or losses, or to shorten average portfolio maturity
- Withholding dividends
- Redemption of units in kind
- Establishing NAV by using available market quotations
- Other measures the Treasurer may deem appropriate

Certain occasions may arise in which the Trust's Investment Advisor sells some portfolio holdings prior to maturity. The proceeds realized by such a sale may be higher or lower than the original cost, resulting in a capital gain or loss. These gains and losses are amortized by adjusting the daily net income and distribution. Gains and losses shall be amortized and distributed as soon as practicable, but in no case shall the period of amortization exceed one year.

Trust Investment Advisor, Servicing Agents, and Custodian

The Trust has retained as its investment advisor Federated Investment Counseling, a wholly owned subsidiary of Federated Investors, Inc. (Collectively, Federated Investment Counseling, Federated Investors, Inc. and their affiliates are referred to as Federated.) Pursuant to a contract dated September 13, 2012, including any extensions thereto, effective March 4, 2013, Federated Investment Counseling will provide the Trust with advice and assistance in the selection of portfolio investments. Federated also will provide all necessary office space, facilities, and personnel; assist in providing participant communications; pay all expenses of the Portfolio (see "Expenses of the Portfolio"); and generally maintain the Portfolio's organization. Federated Investment Counseling and other subsidiaries of Federated Investors, Inc. advise approximately 123 equity, fixed-income and money market mutual funds as well as a variety of other pooled investment vehicles, private investment companies and customized separately managed accounts (including non-U.S./offshore funds) which totaled approximately $367 billion in assets as of June 30, 2016 .

Federated will provide ongoing communications and education services for members and participants.

Boston Financial Data Services (BFDS) is transfer agent to the Trust and provides such services as maintaining and servicing participant account records and distributing dividends.

State Street Bank and Trust Company of Boston (State Street) has been selected as custodian of the assets of the Trust. State Street has one of the largest custody operations in the industry. State Street also determines the NAV and income distributions of the Trust assets and maintains the portfolio and general accounting records for the Trust.

Expenses of the Portfolio

The Trust pays one all-inclusive management fee to Federated for investment management, custody, administration, and other participant services. The fee is accrued each day and is paid monthly at an annual percentage rate determined using the fee schedule that follows. Federated is responsible for paying all operating expenses of the Trust (excluding expenses of the Trustee, brokerage fees, commissions, taxes, and extraordinary nonrecurring expenses). No direct fees are charged to participants.

AVERAGE NET ASSETS ANNUALIZED ($ BILLIONS)	FEE RATE
Assets up to but not including $1 billion	0.07%
Assets from $1 billion to but not including $3 billion	0.06%
Assets from $3 billion to but not including $5 billion	0.05%
Assets equal to or in excess of $5 billion	0.045%

Annualized fee rates are charged in a tiered fashion such that 0.07% is charged on average net assets up to but not including $1 billion, 0.06% is charged on amounts from $1 billion to but not including $3 billion, and so on.

The sole Trustee of MMDT is the State Treasurer, who is supported by an Investment Advisory Council.

Arbitrage Calculation

Certain federal income tax regulation changes effective for tax-exempt bonds issued after July 7, 1997, may cause an investment of tax-exempt bonds in the Portfolio to incur phantom income. Participants who deposit the proceeds of such bonds

into the Portfolio may be required by the Internal Revenue Service (IRS) to characterize all or a portion of the management fee associated with the Portfolio as additional income when calculating the bond issuer's arbitrage rebate liability. Failure to include this phantom income in arbitrage rebate calculations may cause the participant to rebate less than is required to the Internal Revenue Service. Participants who wish to invest proceeds of tax-exempt bonds issued after July 7, 1997, in the MMDT may be required to sign a form acknowledging the change in tax regulations and its potential effect on any rebate relating to their investment in the Portfolio.

Participants should consult their bond counsel before investing the proceeds of such bonds in the Portfolio.

Legal Considerations

MMDT is not a mutual fund and is exempted from the Investment Company Act of 1940. An investment in MMDT is not a deposit of a bank and is not insured or guaranteed by the FDIC, the Commonwealth of Massachusetts, the U.S. government, or any of its agencies. For more information about MMDT's structure, please see "Structure and Purpose" and "Authority for Organization."

Annual Audit

An independent registered public accounting firm will audit the Portfolio's financial statements following the close of each fiscal year. The audit will include a physical count of securities held by the custodian, State Street, and a review of the adequacy of controls through a systems review and evaluation. An annual report including the Auditor's opinion will be issued to each participant of record as of June 30, the close of the Portfolio's fiscal year. Federated will pay all costs of conducting the audit and issuing the annual report.

Advisory Board

An Advisory Board, whose members have been chosen by the State Treasurer, has been established to serve as a liaison to participants in the Trust, the State Treasurer as Trustee of the Trust, and the Trust's Investment Advisor. The Board is comprised of officials of entities eligible to participate in the Trust and a representative of the State Treasurer, and meets periodically.

Changes in Policies and Regulations

Under the Trust's enabling legislation and Declaration of Trust, the Treasurer of the Commonwealth has the sole authority to make changes in the policies and regulations governing the operations of the Trust, and to take certain actions that could increase the expenses of the Trust to account holders. The authority to declare suspensions of business exists primarily to protect unit holders in the event of unusual or unforeseen circumstances arising in the Portfolio's operations.

At the present time, the Treasurer has no plans to use such authority except in the event of emergencies such as those described in "Business Days," or if the Treasurer determines that failure to act under the circumstances could have a material adverse effect upon the unit holders of the Portfolio. The Treasurer hereby assures participants that no actions either changing the Portfolio Investment Policies and Restrictions or increasing the expenses of the Portfolio will be initiated without prior written notice to all affected parties unless such changes are made pursuant to legislation. Unless otherwise noted, whenever an investment policy or limitation states a maximum percentage of the Portfolio's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of the Portfolio's acquisition of such security or other asset. Accordingly, any subsequent change in values, net assets, or other circumstances will not be considered when determining whether the investment complies with the Portfolio's investment policies and limitations.

MMDT Suite of Products

To facilitate your investment in the Portfolio, MMDT Participant Services (Participant Services) has created MyMMDT. MyMMDT includes the MyMMDT participant website, located at MyMMDT.com; MyMMDT Account Access online, a voice response unit; and Mobile Account Access. MyMMDT Account Access is a robust, user-friendly tool that will enable you to place transactions in the Portfolio, perform inquiries on your accounts, review Portfolio performance information, and tutorials.

You may obtain all forms necessary to participate in MMDT through the participant website located at MyMMDT.com.

How to Contact Participant Services

You may contact Participant Services by telephone at 1-888-965-MMDT (6638) during the hours of 8:00 a.m. – 6:00 p.m. ET on any business day.

You also may contact Participant Services by email at MMDTParticipantServices@federatedinv.com.

The mailing address for Participant Services is P.O. Box 8699, Boston, MA 02266-8699, and the facsimile number is 617-235-7171.

Please have your Participant ID# and PIN, each as described in the following sections, readily available when you contact Participant Services, as you will be asked to provide such information for security purposes.

New Participant Enrollment in MMDT

To enroll in MMDT, complete a New Account Application and Designating Authorized Representatives Form, and submit such forms to Participant Services. You are required to complete a separate New Account Application for each account that you wish to establish.

Upon receipt and review of the New Account Application and Designating Authorized Representatives Form, Participant Services will establish the relationship. New participants to MMDT will be assigned a single participant identification number (Participant ID#), which is a unique, five digit numeric identifier. You also will be assigned a separate account number for each account that you have established.

Authorized Representative Designation

You are required to complete a Designating Authorized Representatives Form to specify those individuals who are authorized to sign documentation, execute transactions and perform inquiry functions on behalf of your account. There is no set number of individuals that may be so authorized.

Participant Services will mail unique, six-digit PINs to all authorized representatives who are listed on the Designating Authorized Representatives Form. For security reasons, your authorized representatives should treat PINs as personal and confidential.

You are required to submit a new Designating Authorized Representatives Form if you want to include additional individuals as authorized representatives. You are required to submit a new Designating Authorized Representatives Form, or an Authorized Representative Deletion Form, if you want to delete individuals from the list of authorized representatives. Participant Services will rely upon the accuracy and completeness of a Designating Authorized Representatives Form, and will accept directions from those individuals listed therein, until such time as the Designating Authorized Representatives Form is superseded, as described herein.

General Instructions for Placing Transactions with the Portfolio

- To transact in the Portfolio, you must contact Participant Services by telephone, transmit an instruction through MyMMDT Account Access, or mail a written request. **Do not attempt to submit or cancel transactions to Participant Services by email, as such transactions will not be honored.**
- All transaction instructions must identify the Participant ID#, Portfolio number 470, and the applicable account number. Authorized representatives also will be required to verify their PIN.
- All completed transactions receive a confirmation number. This is your notification that MMDT has received your request.
- All transactions may be entered with a future transaction date up to 90 business days in advance.
- For transactions conducted through the MyMMDT Account Access online, the use of an Internet browser with 128-bit encryption is recommended.

Warning Calls for Large Transactions

To assist the Trust's Investment Advisor in managing the Portfolio effectively, we ask that participants provide advance notice for large purchases or redemptions by calling Participant Services.

Purchases in the Portfolio

Purchases in the Portfolio may be made on any business day in one of four ways, as described below.

1. By Wire

Purchases in any Portfolio account may be made by wiring federal funds. The following information should be included on the wire advice in order to ensure proper credit to your account:

State Street Bank & Trust Company
Boston, MA

Amount (2000): $_____
BNF (4200) = Attn: MMDT #9905-880-2
RFB (4320) = Participant ID #
OBI (6000) = Pool #, MMDT Account Number
Participant Name: _____
ABA (3400) = 011000028
*MMDT Cash Portfolio – 470

Purchases by wire that are preceded by a telephone call to Participant Services, by fax or by an instruction transmitted through the MyMMDT Account Access before 5:00 p.m. ET on a business day (or 3:00 p.m. ET on those days when NAV is determined at 3:00 p.m.) will be made at the NAV next calculated after your transaction is received. The transaction will be credited that day, and you will be entitled to dividends beginning on that day.

Any transaction received after 5:00 p.m. ET will be made at the NAV next calculated after your transaction is received (normally 5:00 p.m. ET on the next business day).

Participants must contact their bank to initiate a wire to MMDT.

2. By Automated Clearing House (ACH)

Purchases in any Portfolio account may be made by prearranged Automated Clearing House (ACH) instructions. If your ACH transaction request is received by telephone call to Participant Services, by fax or by an instruction transmitted through MyMMDT Account Access prior to 5:00 p.m. ET on a business day (or 3:00 p.m. ET on those days when NAV is determined at 3:00 p.m.), that day is considered to be your trade date. If your ACH transaction request is received after 5:00 p.m. ET on a business day (or 3:00 p.m. ET on those days when NAV is determined at 3:00 p.m.), the next business day is considered to be your trade date. Settlement occurs on the next business day after the trade date. You will be entitled to dividends beginning on the day that your transaction is settled.

MMDT will debit the prearranged account as provided on the New Account Application or Banking Instructions Form.

3. By Mail

Investments in any Portfolio account may be made by sending a check payable to the "Massachusetts Municipal Depository Trust" to:

MMDT Participant Services
P.O. Box 8699
Boston, MA 02266-8699

Your order will be priced at the NAV next calculated after the Portfolio receives your check and you will be entitled to dividends beginning the day the check is converted into federal funds (normally the business day after the check is received).

Seven business days should be allowed for a check to clear the bank on which it was drawn. Funds may be redeemed only on collected balances. Purchase checks should be accompanied by a deposit slip that includes the total amount of the investment, amounts of the individual checks, and the Portfolio account number. Please note that the

Portfolio does not accept cash deposits. Deposit slips are available on MyMMDT.com or by calling Participant Services.

4. By Direct Deposit

Direct deposits of certain federal aid and state reimbursements can be arranged. Funds will be credited at the NAV next calculated after your investment is received by Participant Services; your investment will begin to accrue dividends on the day the Portfolio receives payment, and may be redeemed the following business day. For further information and necessary forms, please call Participant Services.

Redemptions in the Portfolio

Redemption from an account may be made on any business day, as noted below. Your redemption will be priced at the NAV next calculated after the request is received by the Portfolio.

Note that neither the Trust nor the Trust's Investment Advisor will be responsible for any losses resulting from an unauthorized redemption transaction. Participant Services may record calls or request other verification information for security purposes. You should verify the accuracy of your confirmation statements upon receipt and notify Participant Services immediately of any discrepancies in your account activity.

1. By Wire

All wire redemption requests must be received before 5:00 p.m. ET (or 3:00 p.m. ET on days on which NAV is determined at 3:00 p.m.) to be wired that day by the close of the Federal Reserve wire system. Dividends are earned until, but not including the day of the redemption. For your protection, funds may be wired only to those bank accounts designated in writing by an authorized representative. Bank wire changes may not be made directly on MyMMDT Account Access. Please call Participant Services for instructions on how to designate additional bank accounts for redemptions.

Participants may initiate redemption transactions by telephone, fax or electronically.

2. By Automated Clearing House (ACH)

Redemptions in any Portfolio account may be made by prearranged Automated Clearing House (ACH) instructions. If your ACH transaction request is received by telephone call to Participant Services, by fax or by an instruction transmitted through MyMMDT Account Access prior to 5:00 p.m. ET on a business day (or 3:00 p.m. ET on those days when NAV is determined at 3:00 p.m.), that day is considered to be your trade date. If your ACH transaction request is received after 5:00 p.m. ET on a business day (or 3:00 p.m. ET on those days when NAV is determined at 3:00 p.m.), the next business day is considered to be your trade date. Settlement occurs on the next business day after the trade date. You will earn dividends through the trade date. Please note that full liquidations cannot be processed by ACH.

MMDT will credit the prearranged account as provided on the designated form. Please note that full liquidations cannot be processed by ACH.

3. By Check

Participants may request that the Portfolio issue a check made payable to the participant. Checks will be mailed to the participant's address of record upon receipt of properly authorized instructions. Normally, a check for your redemption proceeds will be mailed to you on the next business day after your request is priced, and you will be entitled to dividends through the day on which the Portfolio priced your request.

4. By Vendor Payment

Participants may request that redemption proceeds be sent to a vendor, or third party, by submitting a Vendor Payment Instructions Form to Participant Services. Vendor Payments can be made by wire or ACH and may be future dated up to 90 business days in advance. For more information on Vendor Payments, contact Participant Services.

Transfers Between Accounts and Investment Pools

A participant may make transfers between accounts and between investment pools by calling Participant Services, through MyMMDT Account Access, or by mailing or faxing written notification to Participant Services.

Exchange requests are considered to be redemptions and purchases and will be processed in accordance with the sections "Redemptions in the Portfolio" and "Purchases in the Portfolio."

Closing an Account

Participants who wish to close an account with MMDT can process a redemption as described in "Redemptions in the Portfolio" to bring the account to a zero balance. An account can remain on the MMDT system with a zero balance until otherwise notified or be removed from the listing of accounts by request immediately or at a later time.

Audit Confirmation Request

A participant's auditor may submit written requests for confirmations of account balances to Participant Services. Participant Services will respond to such requests, provided that an authorized representative of the participant has executed the auditor's written request.

Business Days

The Trust's Investment Advisor is open for business and the Portfolio's NAV per unit is calculated each day on which both the Federal Reserve Bank and the New York Stock Exchange are open. At no time will Participant Services be closed for more than one day in observance of the same holiday. In the event such a case should arise, the Trust's Investment Advisor would follow the New York Stock Exchange closing schedule.

All holiday announcements will be available on MyMMDT.com and MyMMDT Account Access prior to the upcoming holiday.

The following are the holidays or their observances on which MMDT will normally be closed:

- New Year's Day
- Martin Luther King, Jr. Day
- Presidents Day
- Good Friday
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day – Closed for Transactions but Participant Services will be open for inquiries
- Veterans Day – Closed for Transactions but Participant Services will be open for inquiries
- Thanksgiving Day
- Christmas Day

MMDT reserves the right to suspend the right of redemption or to postpone the date of payment on redemption for any period during which an emergency exists (including any day on which trading on the New York Stock Exchange is suspended or restricted or the Federal Reserve wire transfer system is unavailable), as a result of which disposal of the portfolio securities owned by the Portfolio is not reasonably practicable, or it is not reasonably practicable to determine the fair value of its net assets. The sole Trustee of the MMDT (i.e., the State Treasurer) shall have the sole authority to determine when suspensions of business shall be made.

Transaction Confirmations and Statements

After each account transaction is processed, a confirmation statement reflecting the date, amount, transaction type, and resulting balance will be promptly sent. A monthly account statement reflecting all transactions for the month and the dividend paid will be sent after the close of each month, within five business days. Participants who prefer to suppress the delivery of paper monthly statements or transaction confirmations should contact Participant Services. Account information is also available through the MyMMDT Account Access.

Managed and serviced by subsidiaries
of Federated Investors, Inc.

MMDT Participant Services
PO Box 8699
Boston, MA 02266-8699

1-888-965-MMDT (6638)
MyMMDT.com

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Federated Investment Counseling

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