FIXED INCOME INVESTING

Table of Contents

Corporate Cash Investing	2
Addressing The Corporate Treasury Challenge	4
Internal Framework and Communications	6
Benchmark Selection	8
Benchmark Definitions	10
Guide for Constructing the Investment Policy	11
Investment Policy Components	12
Types of Investment Securities	16
Conclusion	. 20
Appendix	
Credit Rating Agency Scales – Issuer's Ratings	22

To ease the investment process, you may wish to adopt a methodology for categorizing your corporate cash by its usage.

Corporate Cash Investing

The investment of corporate cash is often overlooked as the duties and responsibilities of treasury professionals have expanded over the last decade. Treasury officers are now accountable for a number of activities including, disbursements, collections, borrowing, managing bank relationships, management of foreign currency exposures, insurance contracts, and, of course, the investment of corporate cash. With finite resources at their disposal, these officers often place investments of corporate cash at the bottom of their list.

To ease the investment process, you may wish to adopt a methodology for categorizing corporate cash by its usage. From a saver's perceptive, it is appropriate to distinguish between operating cash and reserve cash.

Operating Cash

Operating cash encompasses the liquid assets used to fund daily corporate activities, such as netting the collection and disbursements to vendors. The investment horizon for operating cash is typically overnight, but no longer than five business days.

Reserve Cash

Reserve cash falls into the next category in terms of liquidity. The main uses of reserve cash include possible acquisitions, share buybacks and anticipated R&D expenditures. Due to its uses, the investment horizon can be longer, ranging from one to six months, which widens the available investment choices of for the treasurer. However, more choices would require the treasurer to conduct more due diligence and have a deeper knowledge of the range of available securities prior to making the investment decisions.

Restricted Cash

The next category is restricted cash. Restricted cash is termed as such as it is specifically earmarked for regulatory or contractual obligations, including payment of future tax liabilities, closing of legal settlements, loan collateralization and settlement of forward contracts. The complexity of these restrictions could mean the investment horizon is extended beyond six months, perhaps as long as several years. Given the longer investment horizon of restricted cash, the treasurer typically has a wide selection of investments, which necessitates an increased level of due diligence and expertise.

Strategic Cash

Lastly, there is the strategic cash category, which is the excess cash after factoring in operating, reserve and restricted cash. Depending on each company's investment objectives and risk tolerance, the treasurer may use strategic cash to achieve its financial goals, which includes funding long-term projects, achieving a specific rate of return or simply maintaining the performance aligned with a pre-determined benchmark.

Addressing The Corporate Treasury Challenge

Creating an investment policy compels you to define your goals and sets guidelines for your investment activity.

Having written controls commits you to a disciplined investment plan.

From start-ups to multibillion dollar, revenue-generating companies, the challenges for corporate treasurers in maintaining well-diversified investment portfolios is ever-growing due to the increased complexity in the fixed income market. Adding to the challenge is the lack of transparency of non-traditional investment classes that have made their way into many investment portfolios.

By using a combination of a sound investment policy, transparent reporting tools and a well-defined corporate governance policy, you can take important steps towards constructing a framework that preserves the company's most prized asset — the working capital.

Creating an investment policy compels you to define your goals and sets guidelines for your investment activity. Having written controls commits you to a disciplined investment plan.

An investment policy establishes a board-approved set of guidelines for investment of your company's corporate cash. It defines the parameters, or limits, for investments, including the establishment of investment objectives, approved security types, portfolio maturity and diversification, and performance measurement. Established investment parameters are intended to protect capital, provide for liquidity when needed and optimize income.

Although the purpose of an investment policy is to establish the boundaries for investing, it should not dictate investment strategy. Your investment philosophy defines what preservation of capital and liquidity over obtaining yield means to you. By contrast, your investment strategy includes a detailed approach to placing funds in the markets given the current economic environment and should adapt over time as the markets and your company's situation changes.

For this reason, it is important to establish guidelines that are not overly restrictive. For example, it may be preferable to specify a maximum duration for individual securities of 12 months, even if the cash flow needs of your company dictate having access to the cash prior to the 12-month milestone. Similarly, a breadth of asset classes may be included in the investment policy, even if it is the board's intention to be conservative and invest only in treasury securities. Keeping investment guidelines open allows for greater flexibility in deploying an investment strategy that meets your company's changing liquidity needs and eliminates the need for repeated board approval.

Internal Framework and Communications

An investment policy should be a streamlined document that is easy to read and provides practical guidance. It should provide a framework for corporate decision making, while tailored to the needs of your company and providing specific guidelines for implementing an investment strategy.

Upon completion, the policy should be approved by the company's board of directors. It is important to remember that a policy is a living document and should be reviewed on an annual basis to ensure that it meets current corporate objectives.

Recommended Guidelines for Roles and Responsibilities

Board of Directors

The board of directors has the following responsibilities with respect to the management of the company's investments:

- Review and approval of the company's investment policy.
- Review of one monthly portfolio report per quarter to determine whether the investment activity adheres to the
 established investment policy, and whether the performance to benchmark of the investment strategies are
 reasonable given the objectives of the Company and the current economic and financial environment.

Chief Financial Officer

The chief financial officer has the following responsibilities with respect to the management of the company's investments:

- Review and approval of the company's foreign exchange policy.
- Approval of all relationships with investment managers and other financial institutions (e.g., custodian) established by the investment manager for the purpose of conducting investment activities.
- Review each investment position and monthly reports for investment compliance and performance.
- Approval in advance of all investment transactions that are not consistent with the guidelines prescribed in this policy. He or she must notify the board of directors of such transactions.
- The chief financial officer will implement control systems and procedures that provide for an appropriate level of segregation of duties related to the conducting and accounting for investment activity.

Investment Manager

The investment manager has the following responsibilities with respect to the management of the company's investments. Conducting investment activity that has been authorized and approved by the Company, including:

- The buying and selling of securities
- Monthly reviews of investment portfolio and adjusting the composition of the portfolio securities as necessary

Security downgrades below the company's minimum credit rating may be held with the approval of the CFO. Notification of downgrades will be sent to the CFO within two days of the downgrade event.

The Decision Process

The investment process begins with the selection of an appropriate benchmark by which investment return and risk is measured. The benchmark selection process and a well-defined investment policy are key elements in limiting the duration and price volatility of an investment portfolio.

The corporate treasurer should consider the visibility of the company's cash needs before selecting a benchmark. Historically, longer portfolios will provide higher return while experiencing greater return variance.

Benchmark Selection

Along with crafting an investment policy, one of the most important decisions your company makes for its investable cash is choosing which benchmark to use to evaluate your portfolio manager's performance. The benchmark you choose should take into account your time horizon, liquidity and your return expectations. Choosing a benchmark that takes into account the guidelines set forth in your investment policy tells your investment manager what your overall expectations are for the investment of the corporate cash. The manager then sets strategy given those variables and the economic and interest rate environment with the goal of outperforming the benchmark. Measuring performance against the benchmark also allows you to judge objectively whether or not your investment manager has made the right strategic decisions over a business cycle.

The appropriate benchmark for your portfolio will:

- Have a target duration that fits with your investment policy maximum
- Represent a return level that you should exceed over time given your investment policy and liquidity constraints.
- Serve as a market-neutral "middle ground" that your portfolio manager will seek to outperform through changes to portfolio risk and maturity structure.

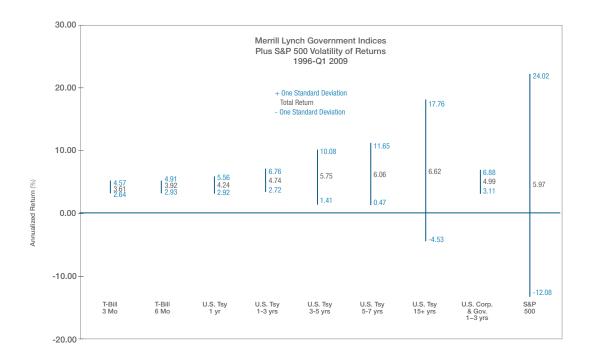
For short-term corporate cash management, the most widely used and available benchmarks are treasury indices. Because of the perceived lack of credit risk, most managers expect to outperform these benchmarks consistently over time. When selecting a benchmark, keep in mind that your firm's current liquidity needs may make a benchmark that appears to be suitable per your investment policy unattainable in practice. Liquidity considerations should be the central driver of managing your corporate cash portfolio.

Typically a managed account will have an average maturity in a range of either 10-20 percent above or 10-20 percent below the target benchmark depending on the manager's belief about the market's direction. A manager should take the average duration of the portfolio beyond these levels only in periods of extreme bullishness or bearishness.

Typical benchmarks for corporate cash portfolios are:

- Merrill Lynch 3-month U.S. Treasury Bill Index
- Merrill Lynch 6-month U.S. Treasury Bill Index
- Merrill Lynch 1-year U.S. Treasury Bill Index
- Merrill Lynch 1-3 Year Government and Corporate Index

Months of Cash in Account	Maximum Maturity (Individual Security)	Suggested Benchmark
12-24 months	12 Months	Merrill Lynch 3-Month T-Bill Index
24+ months	24 Months	Merrill Lynch 6-Month T-Bill Index
Positive Cash Flow	36 Months	Merrill Lynch 12-Month T-Bill Index
Positive Cash Flow	60 Months	Merrill Lynch 1-3 Year Govt and Corp Index



Benchmark Definitions

Benchmark Definitions

3-month U.S. Treasury Bill Index (Ticker: G0O1)

The 3-month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end re-balancing is the outstanding Treasury bill that matures closest to, but not beyond 3 months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month-end) date. While the index will often hold the Treasury bill issued at the most recent or prior 3-month auction, it is also possible for a seasoned 6-month or 1-year bill to be selected. (Source: Merrill Lynch)

6-month U.S. Treasury Bill Index (Ticker: G0O2)

The 6-month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end re-balancing is the outstanding Treasury bill that matures closest to, but not beyond 6 months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month-end) date. While the index will often hold the Treasury bill issued at the most recent or prior 6-month auction, it is also possible for a seasoned 1-year bill to be selected. (Source: Merrill Lynch)

1-year U.S. Treasury Bill Index (Ticker: G0O3)

The 1-year U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end re-balancing is the outstanding Treasury bill with the longest maturity. To qualify for selection, an issue must have settled on or before the re-balancing month-end) date. At times, it is possible for the longest bill, and therefore the selected issue, to have slightly longer than one year remaining term to maturity. Also, in the event the new 1-year bill has not settled by month-end, the prior bill could be held for a second month, meaning that the maturity of the index could be as short as 10 months by the time of the next re-balancing. (Source: Merrill Lynch)

1-3 Year Government and Corporate Index (Ticker: B1A0)

The 1-3 Year Government and Corporate Index is an unmanaged index tracking short term U.S. government and corporate securities with maturities between 1 and 2.99 years. The index is a sub-index of the BofA Merrill Lynch U.S. Corporate and Government Master Index. (Source: Merrill Lynch)

It is important to note that transactions for your account may differ from those in the index, including date of purchase or liquidation, security type, and duration. Performance for these unmanaged indices include the reinvestment of interest, dividends and capital gains' but do not reflect the deduction of commissions, fees and expenses.

Guide for Constructing the Investment Policy

The intent of the investment policy is to establish a board approved set of guidelines for investment of your company's corporate cash. The investment policy defines the parameters, or limits, for investments, including the establishment of investment objectives, approved security types, portfolio diversification, performance measurement and portfolio maturity.

From venture-backed to public companies the primary objective of the investment policy is to establish investment boundaries that are designed to protect capital and provide for liquidity when needed. The third objective is largely considered to be income optimization.

The purpose of an investment policy is to define your minimum transparency requirements and to establish your maximum risk tolerance. For this reason, it is important to establish guidelines that are not overly restrictive. The guidelines should define your desired level of risk and transparency for all seasons, rather than crafting a policy that fits any particular economic environment. An "all seasons" approach positions you to proactively avoid emerging investment risk when the market is under stress, and it prevents you from chasing yield with poorly understood security types whose underlying risk can be difficult to assess in a surging economy.

An investment policy built for all market environments allows for greater flexibility in deploying a strategy that meets your company's changing liquidity needs and eliminates the need for repeated board approval.

The guidelines should define your desired level of risk and transparency for all seasons, rather than crafting a policy that fits any particular economic environment.

Investment Policy Components

Heading/Title

It is important to date the investment policy. This ensures all parties have the most updated version.

Objectives

The investment objectives are prioritized as: 1) preserve capital, 2) provide liquidity, and 3) maximize income. By stating clearly and concisely the order of these three objectives, the outside money manager can clearly balance the trade-offs among safety, liquidity and return.

Investment Guidelines: Commonly Approved Instruments

The approval of asset classes as appropriate investments will be company specific depending on each company's investment horizon, risk tolerance, liquidity needs and tax status. (See table of Types of Investment Securities for a description of security types that corporations typically invest in.)

- · Obligations of the U.S. government and its agencies
- Tax-exempt or taxable obligations of states, agencies and municipalities (municipals or munis, variable rate demand notes, and Build America Bonds (BABs))
- Repurchase agreements (repo)
- Certificates of deposit (negotiable and non-negotiable CDs)
- Eurodollar certificates of deposit
- SEC Rule 2a-7 registered money market mutual funds
- Commercial paper
- Corporate bonds
- Floating rate securities without interest rate caps
- Asset-backed securities
- Overseas money funds (offered to offshore entities) must be managed similarly to SEC 2a-7 rules

Prohibited Investments

The risk level of these securities is generally not appropriate for corporate cash portfolios.

- Auction rate securities, including auction market preferred shares (AMPS), auction preferred shares (APS), auction rate certificates (ARC)
- Collateralized loan obligations
- Collateralized debt obligations
- Extendable commercial paper
- Structured investment vehicles

Investment Guidelines: Credit Quality

Defining the minimum acceptable short-term and long-term credit ratings is an important component of the investment policy and helps to define the investment universe. While AAA ratings are implicit in U.S. government obligations and agency securities, other approved investments such as municipal obligations, commercial paper and corporate bonds are assigned distinct ratings by the major ratings agencies.

For example, the ratings often specified in an investment policy (A-1/P-1 for commercial paper and A/A2 for long-term credit ratings) allow for investing in top-tier issuers while still providing investment diversity and acceptable risk profile of the portfolio. Default potential for A-rated issues remains very low with a two-year default rate of 0.2 percent (Standard and Poor's).

Investment Guidelines: Diversification

Given the variety of instruments and maturities money managers are allowed to choose, it is important to limit concentration risk. A typical corporate cash portfolio will limit risk per parent issuer to the greater of 5 percent of account value or \$1 million. The reason for "greater of" language is due to the potential for a portfolio to become very small over time as cash is needed for regular operations.

Investment Policy Components (continued)

Investment Guidelines: Liquidity/Marketability/Transparency

Liquidity is very important for corporate cash investors. There are two potential pitfalls with regard to liquidity when investing in the corporate cash markets. The first is owning a small issue size, which reduces the number of other owners in the marketplace who may be willing to provide a bid for your securities. Issue size should normally be greater than \$50 million for corporate bonds, although exceptions are permissible with prior approval of the Chief Financial Officer. No single position in any issue will equal more than 5 percent of that issue without permission of the Chief Financial Officer. The second pitfall is a high concentration of one particular issue, which can put you at a disadvantage for the same reason.

Investment managers who mark up, underwrite or hold an inventory of securities present corporate cash investors with a distinct source of transparency issues and investment bias/risk that may not be disclosed. Each of these issues could impact the marketability and liquidity of the securities in the portfolio as well as be a source of non-transparent costs and risks. If the company chooses to work with investment managers that perform these acts, companies should mandate regular disclosure of these activities, at least monthly. Disclosures should include the amount of mark ups, whether the seller also underwrote the security, and whether they are selling the investor securities out of their own inventory.

Companies should require their investment managers to disclose quarterly the number of current or former customers that have filed written complaints through any regulators against the brokers or registered investment adviser employed on the company's behalf. Firms should consider asking investment managers to disclose the general nature of these complaints as well. This number should include complaints settled during the quarter and complaints that remain unsettled or are pending resolution.

Lastly, companies should require a comprehensive summary document reviewing all sources of potential revenue and transaction costs that could impact the client no less than annually related to their work on the company's behalf. The summary should explain any business structures that represent real or potential conflicts of interest with regard to the services they employ for the client.

Investment Guidelines: Performance Measurement

Performance should be measured according to the CFA Institute's Global Investment Performance Standards (GIPS®), which mandate a time-weighted total return performance measurement method. This measurement standard gives the company a readily comparable "apples to apples" performance number that can be compared against agreed upon benchmarks. Approved asset managers should be able to claim compliance with the GIPS® standards and have that claim verified annually by an independent auditor. Any asset manager that does not claim compliance with the GIPS® standards should agree to be able to claim compliance within one year of management.

In addition, performance measurements should provide the proper asset quality/mark-to-market disclosures per FAS 115-2 and FAS 157.

Signature Line

It is important for the board-approved investment policy to be signed by the appropriate authorized agent in order to ensure complete communication between the company and its outside money manager.

Many instruments are at the disposal of a corporate treasurer for meeting and exceeding the organization's investment objectives. To achieve capital preservation and provide sufficient liquidity for working capital purposes, the securities listed in the next section are recommended for constructing a well diversified portfolio.

A select set of investment vehicles is provided to illustrate the various financing vehicles used by governments, government-sponsored agencies and corporations to bridge the gap between expenditures and cash receipts.

Types of Investment Securities

Security Type	Minimum Credit Rating	Description	
U.S. Treasury Securities	A-1/P-1 or AAA/Aaa	Direct debt obligations of the U.S. government. The U.S. Treasury market is the largest and most liquid securities market in the world.	
U.S. Federal Agency Obligations	AAA/Aaa	Securities that are issued by government agencies and government-sponsored enterprises (GSEs) such as Fannie Mae, Freddie Mac, Farm Credit System and Federal Home Loan Banks. These financing entities were established by Congress to perform important roles to fund loans to certain groups of borrowers, such as home buyers, agricultural producers and financial institutions.	
		Debt securities issued by GSEs are solely the obligation of the issuer and, unless explicitly stated, do not carry any guarantee by the federal government. However, as a group, GSEs benefit from a perceived tie to the federal government and have enjoyed implicit support from the government. Fannie Mae and Freddie Mac's senior debt holders have seen increased government support since the entities were placed under conservatorship on September 6, 2008 under the supervision of Federal Housing Finance Agency (FHFA).	
Sovereign Governments Obligations	AAA/Aaa	Direct debt obligations issued and guaranteed by a non-U.S. government. Sovereign governments issue debt obligations in order to borrow money to finance government operations, services and budget deficits.	
		Select foreign governments with stable government policies and fiscal discipline have continued to exhibit strong underlying credit characteristics and have enjoyed strong demand for its direct obligations throughout the financial crisis.	
Supranational Debt Obligations	AAA/Aaa	Obligations of supranational entities include securities issued by an agency organization that encompasses more than one nation to provide financing assistance to governmental entities and private sectors in member countries for economic and social development. Examples include the International Bank for Reconstruction and Development (the "World Bank"), Asian Development Bank and Inter-American Development Bank.	
		Each supranational entity's lending activities are limited to a percentage of its total capital, reserves and surplus. There is no assurance that participating governments will be able or willing to honor their commitments to make capital contributions to a supranational entity. Nevertheless, given the quasi-sovereign status, preferred creditor status and fundamental credit strengths, certain supranationals' obligations are competitively priced with narrow bid/ask spreads.	

Security Type	Minimum Credit Rating	Description
Commercial Paper	A-1/P-1	Promissory notes with fixed maturities of one to 270 days, usually sold at a discount from face value. Commercial paper (CP) is generally issued by large financial institutions and corporations to meet short-term obligations and working capital needs and is backed by an issuing entity's promise to pay the face amount on the maturity date specified on the note.
		The CP market is an extremely liquid market with various access points. Investments could be placed directly with the issuers, which provides flexibility to match maturities (day-specific). Indirect access through broker-dealers is also an option.
		Due to the size of this market, liquidation prior to maturity historically has been competitively priced with a narrow bid/ask spread by issuers and broker-dealers.
Certificates of Deposit and Time Deposits	A-1/P-1	Certificates of deposit (CDs) are certificates issued by a bank that show a specific amount of money has been deposited at the issuing institution for a definite period of time, interest rate and denomination.
		Investments in CDs from any one FDIC-insured institution are currently guaranteed in full by the FDIC for up to \$250,000. If multiple CDs are purchased or if the investor has multiple deposits from one institution, the investor is still only covered up to \$250,000 in total.
		Negotiable CDs can be sold in the secondary market prior to the maturity date. Time deposits or non-negotiable CDs, cannot be traded on the secondary market.
		A CD with a maturity of one year or less typically pays interest at maturity, whereas a longer term CD typically pay the interest on a semi-annual basis.
Banker's Acceptances	A-1/P-1	A draft or bill of exchange accepted by a bank to guarantee payment of the bill. Banker's Acceptances (BAs) are often issued by banks as a by product of a foreign trade transaction and incorporate the use of a letter of credit issued against a specific set of imported goods.
		BAs are sold at a discount and redeemed by the accepting bank at full face value at maturity. The technical difference between BAs and CP: CP is backed by the creditworthiness of the issuing entity, whereas BAs are backed by the underlying goods or products that are being financed.
Money Market Mutual Funds (Stable NAV)	AAAm/Aaa	Mutual funds that invest in highly-rated, short-term debt instruments. As they provide the benefit of pooled investments, investors can participate in a more diverse and high-quality portfolio than they otherwise could individually. Limited to only money market funds, which seek to maintain a stable net asset value of \$1 per share.
		In the U.S., money market funds that are registered with the SEC are required to comply with Rule 2a-7 under the Investment Company Act of 1940. Rule 2a-7 includes diversification, liquidity, maturity and credit quality restrictions on short-term investments.

Security Type	Minimum Credit Rating	Description
Corporate Debt Securities	A/A2	Debt obligations issued by private and public corporations. An investor essentially is lending money to the issuing corporation to finance activities of the issuer. Principal is returned to investors at maturity, with interest paid on specific or periodic dates.
		Credit spectrum ranges from investment grade to high yield "junk" status and ratings are typically assigned by Nationally Recognized Statistical Rating Organizations (NRSROs) such as Standard & Poor's, Moody's and Fitch. Nonetheless, in many instances, the credit rating alone has proven to be a poor predictor of investments which may be facing credit pressure. Therefore, it is important to obtain incremental perspective from the credit teams at your investment manager beyond what NRSROs provide.
		Corporate debt securities provide a substantial yield pickup to comparable Treasury investments — the longer the maturity, the greater the marginal yield. However, it requires ongoing credit and event risk evaluation, although the possible additional returns warrant the added analysis.
Asset-Backed Securities	AAA/Aaa	Structured investments backed by specific cash flow streams from a specified pool of loans, leases or auto or credit card receivables, depending on the underlying collateral of the securities. Additional credit enhancements such as over-collateralization and liquidity support may be included in the structure to provide further credit support to the securities.
		Asset-backed securities provide meaningful yield enhancement above U.S. Treasuries of equivalent maturity and typically provide some yield pick-up relative to bullet corporate bonds due to a certain level of extension risk faced by investors. Ongoing credit risk evaluation for the underlying collateral and the sponsor's creditworthiness is crucial for asset-backed securities, as the cash flow profile of the securities is dependent on each unique securities structure and sponsor's financial strength.
		SAM is currently limiting exposure to selected credit card issuers in view of the weak economic conditions and regulatory uncertainties affecting credit card securitization.
Repurchase Agreements	Not applicable	Repurchase agreements or repo are short-term loans arranged by selling securities to an investor with an agreement to repurchase them at a fixed price including interest on a fixed date — terms typically range from overnight to one month.
		The bulk of repo financing is done on an overnight basis called overnight repo. Many purchasers of repos ask for an over-collateralization of the transaction that equates to more than the face value of the securities that are on loan.
		Repos are viewed as safer investments because of the direct and often over-collateralized lending link. Used properly, repo offers investors the opportunity to keep surplus working capital cash invested with minimal liquidity or credit risk.
		However, as the underlying securities have become more varied to include structured notes and equity securities which may lose significant value within a short period of time, our recommendation is to remain within the traditional repo transaction with U.S. Treasury or U.S. Federal Agency Obligations.

Security Type	Minimum Credit Rating	Description
Variable Rate Demand Notes	A-1/P-1, VMIG-1/SP1	Variable rate demand notes (VRDNs) are generally a long-term, tax-exempt investment vehicle with a floating interest rate that investors can put (sell) at par to the lead manager of the issuing syndicate or the issuer with seven days notice or sooner. The interest rate adjusts automatically when a particular predetermined interest rate, such as the prime rate, changes. A liquidity facility is typically incorporated in the structure for issuers with weaker credit.
		Most VRDNs are highly rated due to credit enhancements, which guarantee the principal and interest, as well as the liquidity for bonds tendered. Also known as Variable Rate Demand Obligations (VRDOs).
Local, City, State Government and Agency Obligations	AAA/Aaa	Typically termed municipal securities, these obligations are issued by public agencies to raise money to finance operations or projects and include areas as diverse as education, transportation, healthcare, housing, sewer systems and utilities. Municipal securities come in many forms, including long-term fixed rate bonds, short-term notes, adjustable-rate securities (such as VRDNs), zero-coupon bonds, and others.
		For tax -exempt municipal securities, interest income is typically exempt from federal income taxes. Many states also exempt their municipal securities from their own taxes, which makes those securities particularly attractive investments for their residents.
		Build America Bonds (BABs) are a taxable municipal bond that provide a 35 percent rebate on interest costs to the issuers or a tax credit to the investor. This type of bond was created as part of the U.S. government's 2009 stimulus plan.
		Municipal securities can be further divided to General Obligations Notes, Revenue Bonds, Tax Anticipation Notes, Project Bonds, etc.
Agency Mortgage- Backed Securities	AAA/Aaa	Mortgage-backed securities (MBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization.
		Agency securities are issued by a government agency such as Ginnie Mae or a government-sponsored enterprise such as Fannie Mae or Freddie Mac. These agencies typically guarantee the interest and principal payments on their securities and are considered to offer strong credit quality due to their explicit government backing (in the case of Ginnie Mae) or access to support from the U.S. Treasury (in the case of Fannie Mae and Freddie Mac).
		An important risk with regard to residential mortgages involves uncertainty in the timing of principal cash flow due to prepayments, because homeowners may refinance the entire mortgage at any time especially when interest rates fall.

Note: This is not an exhaustive list of types of investment securities and ratings. For illustrative purposes only.

Conclusion

To address the challenges of prudently investing the company's corporate cash, corporate treasurers should define the different categories of cash available to invest. Once the strategy is developed, the company should create a comprehensive investment policy, which sets the investment parameters for the hired investment manager or inhouse portfolio manager. The investment policy will not only outline the appropriate investment vehicles allowable, maximum credit risk tolerance or maximum duration, it will outline the spirit and objectives for the company's cash.

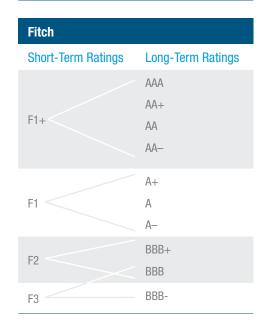
While an investment policy is a starting guideline for expressing the company's overall risk and return tolerance, it is not the fail-safe method for preventing excessive risk-taking. That diligence can only be achieved by an active, knowledgeable corporate staff and/or money manager along with solid governance practice.

Appendix _____

Credit Rating Agency Scales – Issuer's Ratings







Speculative Grade				
BB+	Ba1	BB+		
BB	Ba2	BB		
BB-	Ba3	BB-		
B+	B1	B+		
В	B2	В		
В-	В3	B-		

Predominantly Speculative, Substantial Risk or in Default				
CCC+	Caa1	CCC+		
CCC	Caa2	CCC		
CCC	Caa3	CCC		
CC	Ca	CC		
С	С	С		
DDD				
DD	D	SD/D		
D				

Investment Grade Short-Term Ratings			
Moody's	S&P	Fitch	
P-1	A1+	F1+	
	A1	F1	
P-2	A2	F2	
P-3	A3	F3	

Investment Grade Long-Term Ratings			
	Moody's	S&P	Fitch
Best Quality	Aaa	AAA	AAA
High Quality	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper-medium	A1	A+	A+
Grade	A2	А	А
	A3	Α-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

About SVB Financial Group

For 25 years, SVB Financial Group and its subsidiaries, including Silicon Valley Bank, have been dedicated to helping entrepreneurs succeed. SVB Financial Group is a financial holding company that serves companies in the technology, life science, venture capital/private equity and premium wine industries. Offering diversified financial services through Silicon Valley Bank, SVB Analytics, SVB Capital, SVB Global and SVB Private Client Services, SVB Financial Group provides clients with commercial, investment, international and private banking services. The company also offers funds management, broker-dealer transactions and asset management, as well as the added value of its knowledge and networks worldwide. Headquartered in Santa Clara, Calif., SVB Financial Group (Nasdaq: SIVB) operates through 27 offices in the U.S. and international operations in China, India, Israel and the United Kingdom. More information on the company can be found at www.svb.com.

About SVB Asset Management

SVB Asset Management, a registered investment advisor, is a non-bank affiliate of Silicon Valley Bank and member of SVB Financial Group. SVB Asset Management is 100 percent focused on managing cash portfolios of short-term, fixed income investments for corporate clients, most of which are rapidly growing companies in the technology and life sciences sectors. The exclusive dedication to corporate cash portfolios allows SVB Asset Management to deploy resources in a highly disciplined manner, without distractions of managing other type of assignments (ERISA, endowments, retail) or asset classes (equities or derivatives). Without exception, the investment priorities for the clients are 1) to preserve capital, 2) to manage liquidity, 3) to generate competitive returns. SVB Asset Management is registered with the Securities and Exchange Commission (SEC) and maintains a strict fiduciary duty. and provides complete visibility into risk, return, strategy and treasury accounting. More information on SVB Asset Management can be found at http://www.svb.com/assetmanagement/

SVB>Find a way SVB Financial Group

SVB Asset Management

555 Mission Street, San Francisco, California 94105 U.S.A. Phone 866.719.9117 svbassetmanagement.com

This material, including without limitation the statistical information herein, is provided for informational purposes only. The material is based in part upon information from third-party sources that we believe to be reliable, but which has not been independently verified by us and, as such, we do not represent that the information is accurate or complete. The information should not be viewed as tax, investment, legal or other advice nor is it to be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision. Nothing relating to the material should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction.

©2010 SVB Financial Group. ® All rights reserved. SVB, SVB> and SVB>Find a way are all service marks of SVB Financial Group.SVB Asset Management is a registered investment advisor and non-bank affiliate of Silicon Valley Bank, and member of SVB Financial Group. Investment products offered through SVB Asset Management are not insured by the FDIC or any other federal government agency. They are not deposits of or guaranteed by Silicon Valley Bank or any bank affiliate, and may lose value. Rev. 04-05-10.