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Georgia Fund 1 Rating Changed To 'AAAf/S1+' From 'AAAm' At The Sponsor's Request

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NEW YORK (Standard & Poor's) Dec. 18, 2012--Standard & Poor's Ratings Services today said it changed its ratings on Georgia Fund 1 to a 'AAAf' fund credit quality rating and a 'S1+' fund volatility rating from a 'AAAm' principal stability fund rating. We made the change at the request of Georgia's Office of the State Treasurer so the fund has the flexibility to manage to less restrictive criteria given the sustained period of extremely low interest rates.

The 'AAAf' rating reflects that Georgia Fund 1's portfolio provides extremely strong protection against losses from credit defaults. The 'S1+' volatility rating signifies that the pool possesses extremely low sensitivity to changing market conditions and an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest-quality fixed-income instruments with an average maturity of 12 months or less.

Georgia Fund 1 began operating in July 1981 and conforms to all statutes governing the investment of public funds. The fund's primary investment objectives are safety of capital, liquidity, yield, and diversification, with a primary emphasis on safety of capital and liquidity. Georgia Fund 1, which we had rated 'AAAm' since June 19, 1995, is offered by the State of Georgia to counties, municipalities, public colleges and universities, boards of education, special districts, state agencies, and other authorized entities as a conservative, efficient, and liquid investment alternative.

Since its inception, Georgia Fund 1 has commingled local government funds with state general fund investments to provide greater economies of scale in

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investing funds as well as to minimize the fluctuations in investment portfolio balances. The state operating monies invested in the pool provide additional stability to the fund because the state highly controls the disbursement of these monies.

The Office of the State Treasurer (OST) assumes the daily responsibility of managing the assets of the pool. The State Depository Board prescribes the investment policy and cash management policies and procedures for the state and provides oversight for the pool. The board meets quarterly and consists of the governor, the commissioner of insurance, the state accounting officer, the commissioner of transportation, the commissioner of banking and finance, the state revenue commissioner, and the state treasurer. State law requires the board to formulate such policies to maximize efficient and effective utilization of the state's cash resources. We also rate one other pool managed by Georgia's Office of State Treasurer. The Georgia Extended Asset Pool, rated since Nov. 9, 2000, is currently rated 'AA+f/S1'.

The OST generally invests Georgia Fund 1 assets in U.S. Treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances, repurchase agreements contracted with highly rated counterparties, negotiated investment deposit agreements, and highly rated commercial paper.

RELATED CRITERIA AND RESEARCH

- Methodology: Updated Fund Credit Quality Ratings Criteria For Counterparty Transactions, July 22, 2011
- Methodology: Principal Stability Fund Ratings, June 8, 2011
- Fund Credit Quality Rating Criteria, Feb. 2, 2007
- Fund Volatility Rating Criteria, Feb. 2, 2007

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