

Georgia Institute of Technology
Investment Policy Guidelines – Short Term Funds
May 16, 2005

I. OBJECTIVES

In order of importance the primary objectives of GEORGIA INSTITUTE OF TECHNOLOGY (“GIT”) investment guidelines are as follows:

PRESERVATION OF CAPITAL - In order to maximize preservation of capital, strict investment guidelines enclosed herein will be adhered to at all times. The objective of these guidelines will be to provide competitive investment return with little to no potential loss of principal.

LIQUIDITY - Ongoing liquidity needs of GIT will be monitored regularly to assure cash flow requirements are met on a day-to-day, cyclical, and long-term basis.

INVESTMENT RETURN - Once the two aforementioned objectives have been explored and met, then investments may be made from the approved list of investment securities (see section III below). Recognizing that investments will be diversified in order to minimize any risk of principal or inappropriate concentrations of investments with any one entity, the investment return objective will be to deliver no less than market returns. Additionally, any trading counterparties managing pools of funds must identify and document a baseline market index. The agreed upon and documented baseline market index can only be changed/revised with the written approval of GIT.

GIT’s investment guidelines have been instituted to meet the above objectives and to ensure conformity with Regents policy and applicable federal and state laws (Georgia Code Sections 50-17-59 and 50-17-63). The guidelines set forth herein have been created as a tool of management and should be interpreted as such. This tool is to be used to properly manage all investable cash balances to assure safekeeping of these assets. Any flexibility regarding addressing this subject must be derived from interpretation of these guidelines unless otherwise preapproved by the Senior Vice President of Administration & Finance.

GIT has adopted this written investment policy that establishes guidelines relating to diversification, credit ratings, and maturities with the stated purpose of conserving capital and maintaining liquidity until funds are used in the operations of GIT.

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II. LIQUIDITY/MATURITY GUIDELINES

Investments shall mature to meet anticipated cash requirements. At least the greater of 10% of the portfolio or \$5 million shall mature within thirty five (35) days. In addition, the portfolio shall include securities with active secondary or resale markets to provide maximum liquidity.

Maximum allowable maturity is two (2) years. Maximum average maturity of portfolio is one (1) year. For securities where the interest rate is adjusted periodically, the reset date will be used to determine the maximum maturity date. The portfolio must not hold more than 20% in any one issuer, except US Treasury and other Federal Government issuances and obligations.

III. APPROVED INVESTMENTS

The currently approved Investment Instruments are listed below. The maturities of these Investment Instruments must meet the maturity guidelines previously listed in section II above.

U.S. Treasuries - GIT may invest in any of the direct obligations of the U.S. Treasury such as Bills, Notes, Bonds and Strips.

U.S. Government Agencies - GIT may invest in any one of the obligations of the U.S. Government Agencies listed below (but are not limited to) through discount notes or interest bearing bonds.

- Commodity Credit Corporation (CCC)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corp. (FHLMC)
- Federal National Mortgage Assoc. (FNMA)
- Government National Mortgage Association (GNMA)
- Resolution Trust Corporation (RTC)
- Tennessee Valley Authority (TVA)
- Student Loan Marketing Assoc. (SLMA)

Certificates of Deposit - GIT may invest in Certificates of Deposits through a domestic bank or Eurodollars.

Commercial Paper - GIT may invest in the commercial paper issued by a domestic corporation, providing the corporation has a market capitalization equivalent to \$100 million.

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Medium Term Notes - GIT may invest in medium term notes issued by a domestic corporation, providing the corporation has a market capitalization equivalent to \$100 million.

Repurchase Agreements – GIT may invest in repurchase agreements and reverse repurchase agreements with authorized dealers and banks having a minimum of \$100 million in capital. Repurchase agreements must be collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government having a market value of at least 102% of the investment.

Bankers Acceptances - Bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.

State of Georgia Issuances - Obligations issued by this state or its agencies or other political subdivisions of this state.

International Bank for Reconstruction and Development or the International Financial Corporation (World Bank) – GIT may invest in obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.

IV. CREDIT QUALITY

In all categories, emphasis will be on securities of high credit quality. GIT shall use only rating systems of Standard and Poor's and Moody's. Holdings are subject to achieving the following minimum credit ratings from either Standard and Poor's or Moody's (any security with a split rating between agencies will be considered as only the lower of the two ratings):

- Certificates of Deposit: A+/A1
- Commercial paper: A-1/P-1
- Corporate Obligations: A+/A1
- Repurchase agreements: underlying collateral meets all foregoing requirements.
- State Issuances: A+/A1
- World Bank Obligations: A+/A1

V. TRADING COUNTERPARTIES

GIT is authorized to conduct transactions with investment firms that maintain a net worth of at least \$100 million and are members of the Securities Investor Protection Corporation (SIPC), and the State of Georgia – Office of Treasury & Fiscal Services. All purchases and sales will be executed at the best net price with the principal dealers and banks in the

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particular securities. All securities purchased will be in the name of GIT. All securities firms with whom GIT does business must be qualified to safe keep securities on GIT's behalf at no charge. The Senior Vice President of Administration & Finance will authorize these firms to hold securities. All investments will be held by the custodian named by the investment manager, except for time deposits, which will be held in the name of GIT by issuing bank.

Treasury Services will manage short-term investing internally. Acceptable trading brokers, listed in alphabetical order, are:

- Bank of America / Banc of America Securities LLC
- Goldman Sachs
- Merrill Lynch
- Morgan Stanley
- State of Georgia – Office of Treasury & Fiscal Services
- SunTrust Robinson Humphrey
- TRUSTCO Capital Management
- UBS Financial Services Inc.
- Wachovia Securities

VI. SAFEKEEPING/COMMUNICATION

All investments will be held in accounts in the name of GIT. GIT will not take delivery of Investment instruments. GIT requires a timely confirmation of sale and/or safekeeping receipt giving full particulars of the transaction and security purchased. Monthly/quarterly interim statements and year-end statements covering all transactions and particulars are required on a timely basis.

Trading counterparties shall report the results of their investments against the agreed upon baseline index, as applicable, at least annually. Any performance results that do not meet the agreed upon baseline index must be overviewed and explained in a written document no later than 45 days after the close of the calendar year. Any significant individual or cumulative losses of principal (deemed 2% or greater) must be reported in a written document no later than 5 business days after the occurrence of loss. Additionally, GIT must be informed within two business days of any security that is downgraded below the credit requirements noted above in section IV. Upon notification, GIT and the trading counterparty will agree upon how ensure continued compliance with this investment policy, while minimizing risk of principal loss.

VII. COLLATERALIZATION

Funds belonging to the State of Georgia cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of

a surety bond, the depository may pledge as collateral the securities enumerated in the Official Code of Georgia Annotated Section 50-17-59.

VIII. REPORTING

The Associate Vice President – Financial Services will receive a quarterly Investment Report that contains the following:

- Listing of portfolio investments as the date of the report and percentage mix of portfolio by type of investment.
- Average portfolio maturity.
- An analysis of the rate of return on the portfolio compared to an appropriate benchmark (such as the 90-day [or 6 month] U.S. Treasury Bill rate).
- Reasons for and amounts of violations or exceptions to the investment policy during the quarter.
- Status of any investments that might require management attention (such as investments affected by a credit rating change, or similar circumstances, that could have an effect on the value and collectibility of the investment).

IX. TRADING GUIDELINES

Normal investing practice is to reinvest the funds on the day a security matures, in order to minimize lost interest. A daily transaction log is to be maintained and available for review at any time. All trading firms must generate a document that is mailed or transmitted to the investment manager on a timely basis for each transaction executed. This documentation is to be matched to the transaction log for accuracy.

X. FIDUCIARY DISCRETION

The Associate Vice President – Financial Services and the Director of Treasury Services and their authorized employees are responsible for securing and managing investments and cash for operations. These individuals have full discretion to invest any excess capital to strict adherence to these guidelines. These guidelines are to be reviewed periodically with the Senior Vice President of Administration & Finance at least annually, and revisions made consistent with objectives set forth here.

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Approved:

(Signature)

(Title)

(Date)

(Signature)

(Title)

(Date)

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(Date)

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