ARNOLD & PORTER LLP

John D. Hawke, Jr.
John_Hawke@aporter.com

202.942.5908
202.942.5999 Fax

555 Twelfth Street, NW
Washington, DC 20004-1206

March 8, 2007

19

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 1-5
Washington, DC 20219

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
Attention: No. 2006-33
1700 G Street, N.W.
Washington, DC 20552

Re: *OCC Docket Number 06-09 (RIN 1557-AC91)*
Federal Reserve Board Docket No. R-1261
FDIC RIN 3064-AC73
OTS Docket No. 2006-33 (RIN 1550-AB56)

Risk-Based Capital Standards:
Advanced Capital Adequacy Framework

To the Agencies Addressed (the "Agencies"):

The following comments are submitted on behalf of Federated Investors, Inc. ("Federated") with respect to the Joint Notice of Proposed Rulemaking ("NPR") published by the Agencies in the Federal Register on September 25, 2006[1] relating to the implementation of the Basel Committee on Banking Supervision's Revised Framework for International Capital Measurement and Capital Standards ("Basel II").

Federated's comments relate solely to the impact of the NPR on the highest quality money market mutual funds ("MMFs").[2] Federated, a major issuer of MMFs, respectfully submits that the NPR would assign unreasonably high risk weights to top-rated MMFs, and would therefore create a needless and undesirable disincentive for institutions subject to Basel II to use these MMFs as a safe and efficient medium for managing cash and holding temporary liquidity.

Top-rated MMFs have characteristics that distinguish them from all other types of investment funds, including MMFs rated in lower categories. First, all MMFs are subject to special rules of the Securities and Exchange Commission ("SEC") intended to assure the quality and liquidity of MMF portfolios. Second, MMFs, rated in the highest rating category by the nationally recognized statistical rating organizations ("NRSROs"), must satisfy additional demanding requirements of the rating agencies relating to the liquidity, quality, maturity and diversification of the portfolio, as well as to the adequacy of management and internal controls. For these reasons, Federated requests that the final version of the Agencies rules implementing Basel II (the "Final Basel II Rules") recognize these special characteristics in the assignment of risk weights by affording top-rated MMFs the same treatment as top-rated tranches of securitizations.

I. <u>The Background of MMFs.</u>

A. <u>General.</u>

MMFs are open-end management investment companies registered under the Investment Company Act of 1940 (the "1940 Act") that have as their investment

---

[1] *Risk-Based Capital Standards: Advanced Capital Adequacy Framework and Market Risk; Proposed Rules and Notices*, 71 Fed. Reg. 55829 (Sept. 25, 2006) ("*Basel II NPR*").

[2] These comments may be considered as responsive to Question 59 in the NPR, *Basel II NPR*, *supra* note 1, 71 Fed. Reg at 55899.

objective the generation of income and preservation of capital and liquidity through investment in short-term, high quality securities. First introduced in 1972, MMFs today hold total assets of more than $2.3 trillion. MMFs offered by Federated hold total assets in excess of $160 billion.

MMFs seek to maintain a stable share price, typically $1.00 per share, which has encouraged investors to view MMFs as an alternative to bank deposits or checking accounts, even though MMFs do not have federal deposit insurance. The SEC has observed that "investors generally treat money market funds as cash investments."[3]

MMFs have been widely accepted by institutional investors. As the Investment Company Institute has noted, corporations have shown a preference to outsource cash management to MMFs rather than holding liquid securities directly.[4] By using MMFs institutions are able to obtain daily liquidity at par, together with true daily choice, flexibility and economies of scale that are unavailable through internal management of their liquid assets.[5] As of year-end 2005, U.S. businesses held about 19 percent of their short-term assets in MMFs.[6]

"Prime" MMFs typically invest in a variety of high-quality, short-duration assets, such as commercial paper, medium-term notes, bankers' acceptances, corporate debt, and certificates of deposit, as well as obligations of the U.S. government and government-sponsored agencies, and are highly rated by the NRSROs. Other funds may invest predominantly in U.S. Treasuries and obligations of government-sponsored enterprises, or solely in Treasuries ("government" funds), or in a variety of municipal securities ("municipal" funds). Government and municipal funds may also be rated by the NRSROs. **These comments address solely the NPR's impact on those prime, government and municipal funds that receive the highest ratings, typically Triple-A, from the NRSROs**

---

[3] *Revisions to Rules Regulating Money Market Funds*, Investment Company Act Rel. No. 21837 (Mar. 21, 1996, 61 Fed. Reg. 13955, 13957 (Mar. 28, 1996) ("*Money Market Rule Revisions*").

[4] Investment Company Institute, Mutual Fund Fact Book at 30 (42d ed. 2002).

[5] *See id.*

[6] Investment Company Institute, 2006 Investment Company Fact Book at 25 (46th ed. 2006).

B. SEC Regulations Governing MMFs.

Under the 1940 Act and its implementing rules, mutual funds generally are required to value portfolio investments at market value (or if market values are not readily available, at fair value) and to calculate current net asset value per share as the basis for issuing or redeeming shares. However, the SEC has exempted MMFs alone from this requirement in order to enable MMFs to maintain a stable share price by using the "amortized cost" method of valuation or the "penny-rounding" method of pricing. The SEC's Rule 2a-7 under the 1940 Act[7] effectively prohibits a registered investment company from holding itself out to investors "as a money market fund or the equivalent of a money market fund" (and thus from taking advantage of the exception that allows MMFs to maintain a stable net asset value per share) unless it meets specified conditions relating to portfolio maturity, portfolio quality, portfolio diversification, and portfolio liquidity. These conditions may be summarized as follows[8]:

Portfolio Maturity. MMFs must maintain a dollar-weighted average portfolio maturity appropriate to the objective of maintaining a stable net asset value per share. They may not acquire any instrument having a remaining maturity of greater than 397 calendar days, and may not maintain a dollar-weighted average portfolio maturity of more than 90 days.

Portfolio Quality. MMFs may purchase only securities that are denominated in United States dollars, that pose minimal risk to the fund, and that qualify as "Eligible Securities" under the rule. "Eligible Securities" are defined generally as (1) securities that are rated in one of the highest two short-term rating categories by a nationally recognized statistical rating organization, or (2) comparable unrated securities. Such securities must be determined by the fund's board of directors to present minimal credit risks. MMFs other than government and municipal MMFs may not have more than 5

[7] Securities and Exchange Comm., Rules and Regulations Under the Investment Company Act of 1940 §2a-7, 17 C.F.R. §270.2a-7.

[8] A more detailed discussion of SEC Rule 2a-7, including a description of the amortized cost and penny-rounding methodologies, is attached as Appendix A, together with the full text of the rule.

percent of their assets invested in Eligible Securities that are not in the highest rating category.

Portfolio Diversification. Rule 2a-7 subjects MMFs to a variety of requirements designed to limit the fund's exposure to the credit risk of any single issuer.

Portfolio Liquidity. SEC rules also subject MMFs to stringent portfolio liquidity standards. MMFs are limited to investing no more than 10 percent of their assets in illiquid securities. The SEC considers a security to be illiquid if it cannot be disposed of within seven days in the ordinary course of business at approximately the price at which the fund has valued it.[9]

As a result of these SEC rules, an MMF is effectively precluded from investing in securities having an equity risk, and as a consequence MMFs do not invest in equities.

C. **The Rating of MMF Shares**

Major NRSROs in the United States regularly rate MMFs, and their ratings criteria build significantly on the requirements of SEC Rule 2a-7. Indeed, an important aspect of the regular monitoring of MMFs by the rating agencies is to corroborate that the requirements of Rule 2a-7 relating to credit quality, diversification, maturity and liquidity are actually being observed. For an MMF to obtain a top rating, however, the NRSROs will apply even more stringent requirements than Rule 2a-7. For example, while Rule 2a-7 requires that an MMF maintain a weighted average maturity of 90 days or less in its portfolios, both Standard & Poor's and Fitch require a weighted average maturity of not more than 60 days in order to obtain a triple-A rating. S&P states explicitly that

> "there are significant differences between the minimum standards required by Rule 2a-7 and Standard & Poor's rating criteria for the highest rating categories. In fact, a fund that meets the minimum regulatory requirement would at best qualify for a 'BBB_m' rating from Standard & Poor's."[10]

---

[9] *Money Market Rule Revisions*, *supra* note 3, 61 Fed. Reg. at 13966.

[10] Standard & Poor's, *Fund Ratings Criteria* at 9-10 (2005).

The NRSROs also go beyond the requirements of Rule 2a-7 by making their own assessments of a fund's policies, procedures, management and oversight.[11] As Fitch states, "an assessment of management's qualifications and specific track record in managing the fund under review. . . is an integral part of the fund rating process."[12] Similarly, Moody's will assess fund management, as well as the professional skills and track record of the fund's investment advisor, in addition to the fund's operational procedures and controls.[13]

While all MMFs must satisfy the requirements of Rule 2a-7, only those that also meet the most rigorous standards of the NRSROs are awarded the highest rating. As of January 16, 2007:

- 41 percent of all MMFs, representing 45 percent of total MMF assets, have at least one AAA rating;

- 19 percent of all MMFs, holding 21 percent of all MMF assets, are rated AAA by S&P and Moody's; and

- 7 percent of all MMFs, holding 14 percent of all MMF assets, are rated AAA by all three major rating agencies.[14]

D. <u>The Safety Record of MMFs.</u>

MMFs that may invest in the full range of securities permitted by Rule 2a-7 have had an impressive record of safety for over 34 years. The vast majority of such funds have never invested in any money market instrument that did not pay off at maturity. While there have been relatively isolated circumstances in which an MMF has experienced the potential for deviations between its stabilized share price and its market based per share net asset value by virtue of its investments in all but one of such instances

[11] We have attached at Appendix B excerpts from publications of Fitch, Moody's and Standard & Poor's describing their processes and requirements for rating MMFs.

[12] Fitch Ratings, *U.S. Money Market Fund Ratings*, p. 5 (March 3, 2006).

[13] Moody's Investor Services, *Moody's Managed Funds Credit Quality Ratings Methodolgy*, p.4 (June 2004)

[14] See Appendix C

the funds' investment advisers have purchased the distressed or defaulted securities from their funds at their amortized cost value, plus accrued interest, or have contributed capital to the fund to maintain the constant share price.[15] Despite these incidents, "no individual investor has ever lost money in a modern money market fund."[16]

Most important for the purposes of the Basel II NPR, **no investor, individual or institutional, has ever lost money in a top-rated prime, government or municipal MMF.**

II. The NPR's Treatment of MMFs.

A. The Look-Through Approach

The NPR defines four categories of asset exposures: wholesale credit, retail credit, securitizations, and equities.[17] Shares in an "investment fund"[18] are treated as equities.[19] While equities are generally risk-weighted at 300 percent, if they are publicly traded, or 400 percent, if they are not publicly traded, the NPR has proposed, in Section 54, special rules for equity exposures to investment funds.[20] Specifically, the NPR proposes to adopt a "look-through" approach with respect to shares in an investment

---

[15] *Money Market Rule Revisions*, *supra*, 61 Fed Reg. at 13972 n.162. While MMF sponsors do not provide credit backing for their funds, Federated maintains uncommitted backup liquidity lines for various of its mutual funds with two different high quality banks.

[16] iMoneyNet, "Money Fund Basics," (available at http://www.imoneynet.com/mfBasics.htm) (accessed January 4, 2006).

[17] *Basel II NPR*, *supra*, 71 Fed. Reg. at 55858-60.

[18] An "investment fund" is defined as a company "(1) all or substantially all of the assets of which are financial assets; and (2) that has no material liabilities." *Basel II NPR*, *supra*, 71 Fed. Reg. at 55917.

[19] Although the NPR treats shares in investment funds as equities, it should be noted that the NPR definition of an "equity exposure" excludes ownership interests that are "redeemable.: *Basel NPR*, *supra*, 71 Fed. Reg at 55915. All MMF shares are fully redeemable.

[20] *Basel II NPR*, *supra*, 71 Fed. Reg. at 55945.

fund, so that the actual risk weighting for such shares would be based on the risk weightings for the exposures held or potentially held in the fund's portfolio. The NPR sets out three available methodologies:

The "Full Look-Through" Approach. This is essentially a weighted-average approach based on the fund's actual holdings. A bank may risk-weight its holding of fund shares as the greater of (1) the product of (i) the risk weights for each of the securities held by the fund (calculated as if they were held directly by the bank), and (ii) the bank's proportional ownership share of the fund, or (2) 7 percent of the carrying value of the bank's interest in the fund.

The Simple Modified Look-Through Approach. Where the bank cannot determine the composition of the fund, the risk weight for the bank's holding of fund shares would be the greater of the carrying value of the bank's interest times (1) the highest risk weight[21] applicable to any exposure the fund is permitted to hold, or (2) 7 percent.

The Alternative Modified Look-Through Approach. Under this approach the bank may risk-weight its fund shares on a pro rata assignment of risk weights applicable to the fund's holdings based on the investment limits in the fund's prospectus. If the sum of the investment limits exceeds 100 percent, the bank must assume that the fund invests to the maximum extent permitted in the assets with the highest risk weights, and then continues to make investments in assets with the next highest weight, and so on. However, the aggregate risk weight for the fund shares may not be less than 7 percent.

While these approaches may serve well for investment funds holding equities, or for MMFs that do not enjoy the highest ratings of the NRSROs, they significant penalize top-rated, prime MMFs, as well as MMFs holding only governments.

First, the "look-through" approaches would impose unduly high risk weights on the shares of top-rated prime or municipal MMFs in any case where these approaches would result in an overall weighted average risk weighting in excess of 7 percent. This would be the case under the "full look-through" approach, for example, where more than

[21] As determined by reference to Table 10 in the NPR, "Modified Look-Through Approaches for Equity Exposures to Investment Funds," *Basel II NPR*, *supra*, 71 Fed. Reg. at 55946.

35 percent of the fund's portfolio consisted of investments in securities having a risk weight of 20 percent. It would also be the case under the other two approaches where the fund's prospectus permitted unlimited investments in securities having a 20 percent risk weight.

The results with regard to government funds are even more onerous, since such funds invest predominantly, if not entirely,[22] in assets having a zero percent risk weighting, such as obligations of the U.S. government. In such cases, a "look-through" risk weighting of the fund shares would likely be less than 7 percent. Federated knows of no empirical basis for imposing a 7 percent minimum risk weighting on such shares, thus treating them as having a risk characteristic greater than the risks in the fund's portfolio.

III. A Proposed Alternative Treatment for MMFs.

Federated proposes and requests that the Final Basel II Rule exclude from the treatment otherwise provided for exposures to investment funds MMFs that comply with the SEC's Rule 2a-7[23] and that are rated in the highest category by the NRSROs.[24]

Specifically, Federated requests:

- That shares in prime MMFs rated in the highest rating grade by an NRSRO be assigned a risk weighting of 7 percent -- equivalent to that applicable to comparably rated securitization exposures; and
- That shares in government and municipal funds rated in the highest rating grade by an NRSRO be assigned a risk weighting calculated under one of the "look-through" approaches, but not more than 7 percent.

[22] Federated's U.S. Treasury Cash Reserves and Government Obligations Tax-Managed Funds, for example, invest only in short-term U.S. Treasury or agency securities.

[23] As indicated above, an investment fund subject to the SEC's jurisdiction cannot hold itself out as a money market mutual fund unless it is in compliance with Rule 2a-7.

[24] It should be emphasized that Federated is not urging this treatment for investment funds generally or for MMFs that do not enjoy the highest rating of the NRSROs.

We have set forth in Appendix D suggested amendments to Section 54 that would accomplish this alteration.

Federated believes that there are a number of compelling reasons for the Agencies to adopt the approach we have suggested:

- Most important, by using compliance with the SEC rule governing MMFs, as well as the attainment of the highest rating category of an NRSRO, as criteria for eligibility for special treatment for these MMFs, the Agencies would have an extremely strong basis for distinguishing the highest quality, least risky MMFs from other types of investment funds that may present greater risk characteristics or equity-like exposures. Moreover, by conditioning such special treatment on the requirements that an MMF both comply with Rule 2a-7 and maintain the highest rating grade, the Agencies can be comfortable that an investment in the shares of such an MMF does not present any market, credit, liquidity, or operational risk greater than that implied by a 7 percent risk weighting.

- Moreover, the treatment we propose would put qualifying MMFs on a par with the most highly rated senior securitization tranches, which the NPR affords a 7 percent risk weighting. This treatment of securitizations reflects the fact that the risks involved in holding senior tranches are mitigated by the existence of subordinate tranches, notwithstanding the risk characteristics of the underlying securities. It also recognizes the inherent difficulty of risk-weighting a security that represents an interest in an underlying pool. While prime MMFs do not have the protection of subordinated interests, they must meet stringent standards of quality, maturity, diversification and liquidity both under the SEC rule and in order to obtain an NRSRO rating comparable to that of the highest-rated securitizations.

- Highly-rated MMFs can serve an extremely important role for banks by providing them with a safe, proven and efficient cash management tool. The diversification that can be achieved through the use of an MMF diminishes, and does not increase, risk.

- While banks can hold directly the same investments that are permissible for MMFs, there are likely to be greater transaction costs involved, and thus greater inefficiencies, for a bank to attempt to achieve the same diversification as is available through an MMF. The Agencies should not create a needless disincentive for banks to forego the efficiencies and diversification that can be realized through MMFs.

- Finally, by assigning a flat 7 percent risk weight based on the top rating of an NRSRO, the rule would eliminate the cost and burden of having to risk-weight separately each of the hundreds of securities held in an MMF's portfolio. We understand that a similar concern was one of the considerations that led to the flat 7 percent charge on top-rated securitizations, and it is equally applicable with respect to MMFs.[25]

Respectfully submitted,

Arnold & Porter LLP

By: John D. Hawke, Jr.

Attorneys for Federated Investors, Inc.

---

[25] Federated provides institutional investors in its MMFs with month-end reports on the makeup of the funds' portfolios. An example of such a report is attached as Appendix E.

APPENDIX A

The SEC's Rule 2a-7

The essence of MMFs is their ability to maintain a constant share price -- generally $1.00 -- notwithstanding the requirements in section 2(a)(41) of the 1940 Act, 15 U.S.C. §80a-2(a)(41) and the SEC rules implementing that section, 17 C.F.R. §§270.2a-4 and 270.22c-1, that mutual funds generally value portfolio investments at market value (or if market values are not readily available, at fair value) and that sales, redemptions or repurchases of mutual fund shares be effected at net asset value per share.

Under the SEC's Rule 2a-7, MMFs may use either of two alternative methodologies for establishing the price or redemption value of their shares -- the Amortized Cost Method or the Penny-Rounding Method. Under the Amortized Cost Method, portfolio securities are valued at the fund's acquisition cost as adjusted for amortization of premium or accretion of discount, rather than at their value based on current market factors. 17 C.F.R §2a-7(a)(2). Under the Penny-Rounding Method shares are priced for purposes of distribution, redemption and repurchase at net asset value or amortized cost rounded to the nearest one percent, or one cent on a share value of a dollar. 17 C.F.R §270.2a-7(a)(18).

While Rule 2a-7 does not expressly define MMFs, it provides a comprehensive legal framework for MMFs, both by conditioning a fund's ability to hold itself out as an MMF and by conditioning the fund's ability to use one of the methodologies described above in order to maintain a constant price per share.

Holding Out as an MMF. Rule 2a-7(b)(1) makes it an untrue statement of material fact for a fund to be held out "as a money market fund or the equivalent" unless specified conditions relating to portfolio maturity, quality and diversification (the "2a-7 Conditions") are satisfied, and Rule 2a-7(b)(2) and (3) state that it shall constitute "the use of a materially deceptive or misleading name or title" for a fund to use the term "money market" as part of its name, or to suggest that it is a money market fund by using such terms as "cash," "liquid," "money," "ready assets," or the like unless the 2a-7 Conditions are satisfied.

Share Price Calculations. Rule 2a-7(c) provides an exemption from the standard requirement that fund shares be priced at net asset value so long as the 2a-7 Conditions are satisfied; and provided further that the fund's board "determine, in good faith, that it is in the best interests of the fund and its shareholders to maintain a stable net asset value per share" by using one of the methodologies described above, and that the fund "will continue to use such method only so long as the board of directors believes that it fairly reflects the market-based net asset value per share."

The 2a-7 Conditions.

Portfolio Maturity. MMFs must maintain a dollar-weighted average portfolio maturity appropriate to their objective of maintaining a stable net asset value per share. However, they may not (i) acquire an instrument with a remaining maturity greater than 397 days, or (ii) maintain a dollar-weighted average portfolio maturity greater than 90 days.

Portfolio Quality. Rule 2a7's conditions relating to portfolio quality are complex and extensive. Generally speaking, however, MMFs must limit their portfolios to U.S. dollar-denominated securities that their boards have determined to present minimal credit risks, and that:

- Are rated in one of the two highest short-term rating categories by a nationally recognized statistical rating organization (provided that not more of 5 percent of the assets of a taxable fund my be invested in securities not in the highest rating category);
- If unrated, are of comparable quality to a security meeting the requirements for a rating in one of the two highest categories;
- Are rated asset-backed securities;
- Are subject to a rated guarantee or are guaranteed by a rated guarantor; or
- Are fully-collateralized repurchase agreements.

Portfolio Diversification. Rule 2a-7's conditions on diversification are also complex and extensive. Generally speaking, however, MMFs may not invest more than 5 percent of their total assets in the securities of a single issuer. In the case of securities not in the highest rating category, MMFs are further limited to investing not more than the greater of one percent of their total assets or $1 million in the securities of a single issuer.

Downgrades and Defaults. If the rating of a portfolio security held by an MMF is downgraded (or if the fund's board determines that an unrated security is no longer of comparable quality), the fund's board must, unless the security is disposed of with five business days, promptly reassess whether the security continues to present minimal credit risks and take such action as it determines to be in the best interest of the fund and its shareholders.

If there is a default with respect to a portfolio security, or if a security ceases to be eligible for investment by an MMF or no longer presents minimal credit risks, or if there is an event of insolvency on the part of the issuer or guarantor, the MMF must generally dispose of the security as soon as practicable. If such default or event account for more than one-half of one percent of the fund's assets, the fund must promptly notify the SEC and describe the actions in intends to take.

The Text of Rule 2a-7. The full text of Rule 2a-7 follows:

§ 270.2a-7 Money market funds.

(a) *Definitions.* (1) *Acquisition* (or *Acquire*) means any purchase or subsequent rollover (but does not include the failure to exercise a Demand Feature).

(2) *Amortized Cost Method* of valuation means the method of calculating an investment company's net asset value whereby portfolio securities are valued a the fund's Acquisition cost as adjusted or amortization of premium or accretion of discount rather than at their value based on current market factors.

(3) *Asset Backed Security* means a fixed income security (other than a Government security) issued by a Special Purpose Entity (as defined in this paragraph), substantially all of the assets which consist of Qualifying Assets (as defined in this paragraph). *Special Purpose Entity* means a trust, corporation, partnership or other entity organized for the sole purpose of issuing securities that entitle their holders to receive payments that depend primarily on the cash flow from Qualifying Assets, but does not include a registered investment company. *Qualifying Assets* means financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders.

(4) *Business Day* means any day, other than Saturday, Sunday, or any customary business holiday.

(5) *Collateralized Fully* means "Collateralized Fully" as defined in § 270.5b-3(c)(1).

(6) *Conditional Demand Feature* means a Demand Feature that is not an Unconditional Demand Feature. A Conditional Demand Feature is not a Guarantee.

(7) *Conduit Security* means a security issued by a Municipal Issuer (as defined in this paragraph) involving an arrangement or agreement entered into, directly or indirectly, with a person other than a Municipal Issuer, which arrangement or agreement provides for or secures repayment of the security. *Municipal Issuer* means a state or territory of the United States (including the District of Columbia), or any political subdivision or public instrumentality of a state or territory of the United States. A Conduit Security *does not* include a security that is:

(i) Fully and unconditionally guaranteed by a Municipal Issuer; or

(ii) Payable from the general revenues of the Municipal Issuer or other Municipal Issuers (other than those revenues derived from an agreement or arrangement with a person who is not a Municipal Issuer that provides for or secures repayment of the security issued by the Municipal Issuer); or

(iii) Related to a project owned and operated by a Municipal Issuer; or

(iv) Related to a facility leased to and under the control of an industrial or commercial enterprise that is part of a public project which, as a whole, is owned and under the control of a Municipal Issuer.

(8) *Demand Feature* means:

(i) A feature permitting the holder of a security to sell the security at an exercise price equal to the approximate amortized cost of the security plus accrued interest, if any, at the time of exercise. A Demand Feature must be exercisable either:

(A) At any time on no more than 30 calendar days' notice; or

(B) At specified intervals not exceeding 397 calendar days and upon no more than 30 calendar days' notice; or

(ii) A feature permitting the holder of an Asset Backed Security unconditionally to receive principal and interest within 397 calendar days of making demand.

(9) *Demand Feature Issued By A Non-Controlled Person* means a Demand Feature issued by:

(i) A person that, directly or indirectly, does not control, and is not controlled by or under common control with the issuer of the security subject to the Demand Feature (*control* means "control" as defined in section 2(a)(9) of the Act (15 U.S.C. 80a-2(a)(9)); or

(ii) A sponsor of a Special Purpose Entity with respect to an Asset Backed Security.

(10) *Eligible Security* means:

(i) A Rated Security with a remaining maturity of 397 calendar days or less that has received a rating from the Requisite NRSROs in one of the two highest short-term rating categories (within which there may be sub-categories or gradations indicating relative standing); or

(ii) An Unrated Security that is of comparable quality to a security meeting the requirements for a Rated Security in paragraph (a)(10)(i) of this section, as determined by the money market fund's board of directors; *Provided, however,* that:

(A) A security that at the time of issuance had a remaining maturity of more than 397 calendar days but that has a remaining maturity of 397 calendar days or less and that is an Unrated Security is not an Eligible Security if the security has received a long-term rating from any NRSRO that is not within the NRSRO's three highest long-term ratings categories (within which there may be sub-categories or gradations indicating relative standing), unless the security has received a long-term rating from the Requisite NRSROs in one of the three highest rating categories;

(B) An Asset Backed Security (other than an Asset Backed Security substantially all of whose Qualifying Assets consist of obligations of one or more Municipal Issuers, as that term is defined in paragraph (a)(7) of this section) shall not be an Eligible Security unless it has received a rating from an NRSRO.

(iii) In addition, in the case of a security that is subject to a Demand Feature or Guarantee:

(A) The Guarantee has received a rating from an NRSRO or the Guarantee is issued by a guarantor that has received a rating from an NRSRO with respect to a class of debt obligations (or any debt obligation within that class) that is comparable in priority and security to the Guarantee, *unless*:

(*1*) The Guarantee is issued by a person that, directly or indirectly, controls, is controlled by or is under common control with the issuer of the security subject to the Guarantee (other than a sponsor of a Special Purpose Entity with respect to an Asset Backed Security);

(*2*) The security subject to the Guarantee is a repurchase agreement that is Collateralized Fully; or

(*3*) The Guarantee is itself a Government Security; and

(B) The issuer of the Demand Feature or Guarantee, or another institution, has undertaken promptly to notify the holder of the security in the event the Demand Feature or Guarantee is substituted with another Demand Feature or Guarantee (if such substitution is permissible under the terms of the Demand Feature or Guarantee).

(11) *Event of Insolvency* means "Event of Insolvency" as defined in § 270.5b-3(c)(2).

(12) *First Tier Security* means any Eligible Security that:

(i) Is a Rated Security that has received a short-term rating from the Requisite NRSROs in the highest short-term rating category for debt obligations (within which there may be sub-categories or gradations indicating relative standing); or

(ii) Is an Unrated Security that is of comparable quality to a security meeting the requirements for a Rated Security in paragraph (a)(12)(i) of this section, as determined by the fund's board of directors; or

(iii) Is a security issued by a registered investment company that is a money market fund; or

(iv) Is a Government Security.

(13) *Floating Rate Security* means a security the terms of which provide for the adjustment of its interest rate whenever a specified interest rate changes and that, at any time until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

(14) *Government Security* means any "Government security" as defined in section 2(a)(16) of the Act (15 U.S.C. 80a-2(a)(16)).

(15) *Guarantee* means an unconditional obligation of a person other than the issuer of the security to undertake to pay, upon presentment by the holder of the Guarantee (if required), the principal amount of the underlying security

plus accrued interest when due or upon default, or, in the case of an Unconditional Demand Feature, an obligation that entitles the holder to receive upon exercise the approximate amortized cost of the underlying security or securities, plus accrued interest, if any. A Guarantee includes a letter of credit, financial guaranty (bond) insurance, and an Unconditional Demand Feature (other than an Unconditional Demand Feature provided by the issuer of the security).

(16) *Guarantee Issued By A Non-Controlled Person* means a Guarantee issued by:

(i) A person that, directly or indirectly, does *not* control, and is not controlled by or under common control with the issuer of the security subject to the Guarantee (*control* means ''control'' as defined in section 2(a)(9) of the Act (15 U.S.C. 80a–2(a)(9)); or

(ii) A sponsor of a Special Purpose Entity with respect to an Asset Backed Security.

(17) *NRSRO* means any nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of § 240.15c3-1 of this Chapter, that is not an ''affiliated person,'' as defined in section 2(a)(3)(C) of the Act (15 U.S.C. 80a–2(a)(3)(C)), of the issuer of, or any insurer or provider of credit support for, the security.

(18) *Penny-Rounding Method* of pricing means the method of computing an investment company's price per share for purposes of distribution, redemption and repurchase whereby the current net asset value per share is rounded to the nearest one percent.

(19) *Rated Security* means a security that meets the requirements of paragraphs (a)(19)(i) or (ii) of this section, in each case subject to paragraph (a)(19)(iii) of this section:

(i) The security has received a short-term rating from an NRSRO, or has been issued by an issuer that has received a short-term rating from an NRSRO with respect to a class of debt obligations (or any debt obligation within that class) that is comparable in priority and security with the security; or

(ii) The security is subject to a Guarantee that has received a short-term rating from an NRSRO, or a Guarantee issued by a guarantor that has received a short-term rating from an NRSRO with respect to a class of debt obligations (or any debt obligation within that class) that is comparable in priority and security with the Guarantee; but

(iii) A security is not a Rated Security if it is subject to an external credit support agreement (including an arrangement by which the security has become a Refunded Security) that was not in effect when the security was assigned its rating, unless the security has received a short-term rating reflecting the existence of the credit support agreement as provided in paragraph (a)(19)(i) of this section, or the credit support agreement with respect to the security has received a short-term rating as provided in paragraph (a)(19)(ii) of this section.

(20) *Refunded Security* means ''Refunded Security'' as defined in § 270.5b–3(c)(4).

(21) *Requisite NRSROs* means:

(i) Any two NRSROs that have issued a rating with respect to a security or class of debt obligations of an issuer; or

(ii) If only one NRSRO has issued a rating with respect to such security or class of debt obligations of an issuer at the time the fund acquires the security, that NRSRO.

(22) *Second Tier Security* means any Eligible Security that is not a First Tier Security. *Second Tier Conduit Security* means any Conduit Security that is an Eligible Security that is not a First Tier Security.

(23) *Single State Fund* means a Tax Exempt Fund that holds itself out as seeking to maximize the amount of its distributed income that is exempt from the income taxes or other taxes on investments of a particular state and, where applicable, subdivisions thereof.

(24) *Tax Exempt Fund* means any money market fund that holds itself out as distributing income exempt from regular federal income tax.

(25) *Total Assets* means, with respect to a money market fund using the Amortized

Cost Method, the total amortized cost of its assets and, with respect to any other money market fund, the total market-based value of its assets.

(26) *Unconditional Demand Feature* means a Demand Feature that by its terms would be readily exercisable in the event of a default in payment of principal or interest on the underlying security or securities.

(27) *United States Dollar-Denominated* means, with reference to a security, that all principal and interest payments on such security are payable to security holders in United States dollars under all circumstances and that the interest rate of, the principal amount to be repaid, and the timing of payments related to such security do not vary or float with the value of a foreign currency, the rate of interest payable on foreign currency borrowings, or with any other interest rate or index expressed in a currency other than United States dollars.

(28) *Unrated Security* means a security that is not a Rated Security.

(29) *Variable Rate Security* means a security the terms of which provide for the adjustment of its interest rate on set dates (such as the last day of a month or calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

(b) *Holding Out and Use of Names and Titles.* (1) It shall be an untrue statement of material fact within the meaning of section 34(b) of the Act (15 U.S.C. 80a–33(b)) for a registered investment company, in any registration statement, application, report, account, record, or other document filed or transmitted pursuant to the Act, including any advertisement, pamphlet, circular, form letter, or other sales literature addressed to or intended for distribution to prospective investors that is required to be filed with the Commission by section 24(b) of the Act (15 U.S.C. 80a–24(b)), to hold itself out to investors as a money market fund or the equivalent of a money market fund, unless such registered investment company meets the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of this section.

(2) It shall constitute the use of a materially deceptive or misleading name or title within the meaning of section 35(d) of the Act (15 U.S.C. 80a–34(d)) for a registered investment company to adopt the term "money market" as part of its name or title or the name or title of any redeemable securities of which it is the issuer, or to adopt a name that suggests that it is a money market fund or the equivalent of a money market fund, unless such registered investment company meets the conditions of paragraphs (c)(2), (c)(3), and (c)(4) of this section.

(3) For purposes of this paragraph, a name that suggests that a registered investment company is a money market fund or the equivalent thereof shall include one that uses such terms as "cash," "liquid," "money," "ready assets" or similar terms.

(c) *Share Price Calculations.* The current price per share, for purposes of distribution, redemption and repurchase, of any redeemable security issued by any registered investment company ("money market fund" or "fund"), notwithstanding the requirements of section 2(a)(41) of the Act (15 U.S.C. 80a–2(a)(41)) and of §§ 270.2a–4 and 270.22c–1 thereunder, may be computed by use of the Amortized Cost Method or the Penny-Rounding Method; *Provided, however,* that:

(1) *Board Findings.* The board of directors of the money market fund shall determine, in good faith, that it is in the best interests of the fund and its shareholders to maintain a stable net asset value per share or stable price per share, by virtue of either the Amortized Cost Method or the Penny-Rounding Method, and that the money market fund will continue to use such method only so long as the board of directors believes that it fairly reflects the market-based net asset value per share.

(2) *Portfolio Maturity.* The money market fund shall maintain a dollar-weighted

average portfolio maturity appropriate to its objective of maintaining a stable net asset value per share or price per share; *Provided, however,* that the money market fund will not:

(i) Except as provided in paragraph (c)(2)(ii) of this section, Acquire any instrument with a remaining maturity of greater than 397 calendar days; or

(ii) In the case of a money market fund not using the Amortized Cost Method, Acquire a Government Security with a remaining maturity of greater than 762 calendar days; or

(iii) Maintain a dollar-weighted average portfolio maturity that exceeds ninety days.

(3) *Portfolio Quality*—i) *General.* The money market fund shall limit its portfolio investments to those United States Dollar-Denominated securities that the fund's board of directors determines present minimal credit risks (which determination must be based on factors pertaining to credit quality in addition to any rating assigned to such securities by an NRSRO) and that are at the time of Acquisition Eligible Securities.

(ii) *Second Tier Securities.* Immediately after the Acquisition of any Second Tier Security:

(A) *Taxable Funds.* A money market fund that is not a Tax Exempt Fund shall not have invested more than five percent of its Total Assets in securities that are Second Tier Securities; and

(B) *Tax Exempt Funds.* A money market fund that is a Tax Exempt Fund shall not have invested more than five percent of its Total Assets in Conduit Securities that are Second Tier Conduit Securities.

(iii) *Securities Subject to Guarantees.* A security that is subject to a Guarantee may be determined to be an Eligible Security or a First Tier Security based solely on whether the Guarantee is an Eligible Security or First Tier Security, as the case may be.

(iv) *Securities Subject to Conditional Demand Features.* A security that is subject to a Conditional Demand Feature (''Underlying Security'') may be determined to be an Eligible Security or a First Tier Security only if:

(A) The Conditional Demand Feature is an Eligible Security or First Tier Security, as the case may be;

(B) At the time of the Acquisition of the Underlying Security, the money market fund's board of directors has determined that there is minimal risk that the circumstances that would result in the Conditional Demand Feature not being exercisable will occur; and

(*1*) The conditions limiting exercise either can be monitored readily by the fund, or relate to the taxability, under federal, state or local law, of the interest payments on the security; or

(*2*) The terms of the Conditional Demand Feature require that the fund will receive notice of the occurrence of the condition and the opportunity to exercise the Demand Feature in accordance with its terms; and

(C) The Underlying Security or any Guarantee of such security (or the debt securities of the issuer of the Underlying Security or Guarantee that are comparable in priority and security with the Underlying Security or Guarantee) has received either a short-term rating or a long-term rating, as the case may be, from the Requisite NRSROs within the NRSROs' two highest short-term or long-term rating categories (within which there may be sub-categories or gradations indicating relative standing) or, if unrated, is determined to be of comparable quality by the money market fund's board of directors to a security that has received a rating from the Requisite NRSROs within the NRSROs' two highest short-term or long-term rating categories, as the case may be.

(4) *Portfolio Diversification*—(i) *Issuer Diversification.* The money market fund shall be diversified with respect to issuers of securities Acquired by the fund as provided in paragraphs (c)(4)(i) and (c)(4)(ii) of this section, other than with respect to Government Securities and securities subject to a Guarantee Issued By A Non-Controlled Person.

(A) *Taxable and National Funds.* Immediately after the Acquisition of any security, a money market fund other than a Single State Fund shall not have invested more than five percent of its Total Assets in securities issued by the issuer of the security; *Provided, however,* that such a fund may invest up to twenty-five percent of its Total Assets in the First Tier Securities of a single issuer for a period of up to three Business Days after the Acquisition thereof; *Provided, further,* that the fund may not invest in the securities of more than one issuer in accordance with the foregoing proviso in this paragraph at any time.

(B) *Single State Funds.* With respect to seventy-five percent of its Total Assets, immediately after the Acquisition of any security, a Single State Fund shall not have invested more than five percent of its Total Assets in securities issued by the issuer of the security; *Provided, however,* that a Single State Fund shall not invest more than five percent of its Total Assets in securities issued by the issuer of the security unless the securities are First Tier Securities.

(C) *Second Tier Securities—(1) Taxable Funds.* Immediately after the Acquisition of any Second Tier Security, a money market fund that is not a Tax Exempt Fund shall not have invested more than the greater of one percent of its Total Assets or one million dollars in securities issued by that issuer that are Second Tier Securities.

(2) Tax Exempt Funds. Immediately after the Acquisition of any Second Tier Conduit Security, a money market fund that is a Tax Exempt Fund shall not have invested more than the greater of one percent of its Total Assets or one million dollars in securities issued by that issuer that are Second Tier Conduit Securities.

(ii) *Issuer Diversification Calculations.* For purposes of making calculations under paragraph (c)(4)(i) of this section:

(A) *Repurchase Agreements.* The Acquisition of a repurchase agreement may be deemed to be an Acquisition of the underlying securities, provided the obligation of the seller to repurchase the securities from the money market fund is Collateralized Fully.

(B) *Refunded Securities.* The Acquisition of a Refunded Security shall be deemed to be an Acquisition of the escrowed Government Securities.

(C) *Conduit Securities.* A Conduit Security shall be deemed to be issued by the person (other than the Municipal Issuer) ultimately responsible for payments of interest and principal on the security.

(D) *Asset Backed Securities—(1) General.* An Asset Backed Security Acquired by a fund (''Primary ABS'') shall be deemed to be issued by the Special Purpose Entity that issued the Asset Backed Security, *Provided, however*:

(i) Holdings of Primary ABS. Any person whose obligations constitute ten percent or more of the principal amount of the Qualifying Assets of the Primary ABS (''Ten Percent Obligor'') shall be deemed to be an issuer of the portion of the Primary ABS such obligations represent; and

(ii) Holdings of Secondary ABS. If a Ten Percent Obligor of a Primary ABS is itself a Special Purpose Entity issuing Asset Backed Securities (''Secondary ABS''), any Ten Percent Obligor of such Secondary ABS also shall be deemed to be an issuer of the portion of the Primary ABS that such Ten Percent Obligor represents.

(2) Restricted Special Purpose Entities. A Ten Percent Obligor with respect to a Primary or Secondary ABS shall not be deemed to have issued any portion of the assets of a Primary ABS as provided in paragraph (c)(4)(ii)(D)*(1)* of this section if that Ten Percent Obligor is itself a Special Purpose Entity issuing Asset Backed Securities (''Restricted Special Purpose Entity''), and the securities that it issues (other than securities issued to a company that controls, or is controlled by or under common control with, the Restricted Special Purpose Entity and which is not itself a Special Purpose Entity issuing Asset Backed Securities) are held by only one other Special Purpose Entity.

(3) Demand Features and Guarantees. In the case of a Ten Percent Obligor deemed to be an issuer, the fund shall satisfy the diversification requirements of paragraph (c)(4)(iii) of this section with respect to any Demand Feature or Guarantee to which the Ten

Percent Obligor's obligations are subject.

(E) *Shares of Other Money Market Funds*. A money market fund that Acquires shares issued by another money market fund in an amount that would otherwise be prohibited by paragraph (c)(4)(i) of this section shall nonetheless be deemed in compliance with this section if the board of directors of the Acquiring money market fund reasonably believes that the fund in which it has invested is in compliance with this section.

(iii) *Diversification Rules for Demand Features and Guarantees*. The money market fund shall be diversified with respect to Demand Features and Guarantees Acquired by the fund as provided in paragraphs (c)(4)(iii) and (c)(4)(iv) of this section, *other than* with respect to a Demand Feature issued by the same institution that issued the underlying security, or with respect to a Guarantee or Demand Feature that is itself a Government Security.

(A) *General*. Immediately after the Acquisition of any Demand Feature or Guarantee or security subject to a Demand Feature or Guarantee, a money market fund, with respect to seventy five percent of its Total Assets, shall not have invested more than ten percent of its Total Assets in securities issued by or subject to Demand Features or Guarantees from the institution that issued the Demand Feature or Guarantee, subject to paragraphs (c)(4)(iii) (B) and (C) of this section.

(B) *Second Tier Demand Features or Guarantees*. Immediately after the Acquisition of any Demand Feature or Guarantee (or a security after giving effect to the Demand Feature or Guarantee) that is a Second Tier Security, a money market fund shall not have invested more than five percent of its Total Assets in securities issued by or subject to Demand Features or Guarantees from the institution that issued the Demand Feature or Guarantee.

(C) *Demand Features or Guarantees Issued by Non-Controlled Persons*. Immediately after the Acquisition of any security subject to a Demand Feature or Guarantee, a money market fund shall not have invested more than ten percent of its Total Assets in securities issued by, or subject to Demand Features or Guarantees from the institution that issued the Demand Feature or Guarantee, unless, with respect to any security subject to Demand Features or Guarantees from that institution (other than securities issued by such institution), the Demand Feature or Guarantee is a Demand Feature or Guarantee Issued By A Non-Controlled Person.

(iv) *Demand Feature and Guarantee Diversification Calculations*—(A) *Fractional Demand Features or Guarantees*. In the case of a security subject to a Demand Feature or Guarantee from an institution by which the institution guarantees a specified portion of the value of the security, the institution shall be deemed to guarantee the specified portion thereof.

(B) *Layered Demand Features or Guarantees*. In the case of a security subject to Demand Features or Guarantees from multiple institutions that have not limited the extent of their obligations as described in paragraph (c)(4)(iv)(A) of this section, each institution shall be deemed to have provided the Demand Feature or Guarantee with respect to the entire principal amount of the security.

(v) *Diversification Safe Harbor*. A money market fund that satisfies the applicable diversification requirements of paragraphs (c)(4) and (c)(5) of this section shall be deemed to have satisfied the diversification requirements of section 5(b)(1) of the Act (15 U.S.C. 80a-5(b)(1)) and the rules adopted thereunder.

(5) *Demand Features and Guarantees Not Relied Upon*. If the fund's board of directors has determined that the fund is not relying on a Demand Feature or Guarantee to determine the quality (pursuant to paragraph (c)(3) of this section), or maturity (pursuant to paragraph (d) of this section), or liquidity of a portfolio security, and maintains a record of this determination (pursuant to paragraphs (c)(9)(ii) and (c)(10)(vi) of this section), then the fund may disregard such Demand Feature or Guarantee for all purposes of this section.

(6) *Downgrades, Defaults and Other Events*—(i) *Downgrades*—(A) *General.* Upon the occurrence of either of the events specified in paragraphs (c)(6)(i)(A) (*1*) and (*2*) of this section with respect to a portfolio security, the board of directors of the money market fund shall reassess promptly whether such security continues to present minimal credit risks and shall cause the fund to take such action as the board of directors determines is in the best interests of the money market fund and its shareholders:

(*1*) A portfolio security of a money market fund ceases to be a First Tier Security (either because it no longer has the highest rating from the Requisite NRSROs or, in the case of an Unrated Security, the board of directors of the money market fund determines that it is no longer of comparable quality to a First Tier Security); and

(*2*) The money market fund's investment adviser (or any person to whom the fund's board of directors has delegated portfolio management responsibilities) becomes aware that any Unrated Security or Second Tier Security held by the money market fund has, since the security was Acquired by the fund, been given a rating by any NRSRO below the NRSRO's second highest short-term rating category.

(B) *Securities To Be Disposed Of.* The reassessments required by paragraph (c)(6)(i)(A) of this section shall not be required if, in accordance with the procedures adopted by the board of directors, the security is disposed of (or matures) within five Business Days of the specified event and, in the case of events specified in paragraph (c)(6)(i)(A)(*2*) of this section, the board is subsequently notified of the adviser's actions.

(C) *Special Rule for Certain Securities Subject to Demand Features.* In the event that after giving effect to a rating downgrade, more than five percent of the fund's Total Assets are invested in securities issued by or subject to Demand Features from a single institution that are Second Tier Securities, the fund shall reduce its investment in securities issued by or subject to Demand Features from that institution to no more than five percent of its Total Assets by exercising the Demand Features at the next succeeding exercise date(s), absent a finding by the board of directors that disposal of the portfolio security would not be in the best interests of the money market fund.

(ii) *Defaults and Other Events.* Upon the occurrence of any of the events specified in paragraphs (c)(6)(ii)(A) through (D) of this section with respect to a portfolio security, the money market fund shall dispose of such security as soon as practicable consistent with achieving an orderly disposition of the security, by sale, exercise of any Demand Feature or otherwise, absent a finding by the board of directors that disposal of the portfolio security would not be in the best interests of the money market fund (which determination may take into account, among other factors, market conditions that could affect the orderly disposition of the portfolio security):

(A) The default with respect to a portfolio security (other than an immaterial default unrelated to the financial condition of the issuer);

(B) A portfolio security ceases to be an Eligible Security;

(C) A portfolio security has been determined to no longer present minimal credit risks; or

(D) An Event of Insolvency occurs with respect to the issuer of a portfolio security or the provider of any Demand Feature or Guarantee.

(iii) *Notice to the Commission.* In the event of a default with respect to one or more portfolio securities (other than an immaterial default unrelated to the financial condition of the issuer) or an Event of Insolvency with respect to the issuer of the security or any Demand Feature or Guarantee to which it is subject, where immediately before default the securities (or the securities subject to the Demand Feature or Guarantee) accounted for 12 of 1 percent or more of a money market fund's Total Assets, the money market fund shall promptly notify the Commission of such fact and the actions the money market fund intends to take in response to such situation. Notification under this paragraph shall be made telephonically, or by means of a facsimile transmission or electronic mail, followed by letter sent by first class mail, directed to the attention of the Director of the Division of Investment Management.

(iv) *Defaults for Purposes of Paragraphs (c)(6) (ii) and (iii).* For purposes of paragraphs (c)(6) (ii) and (iii) of this section, an instrument subject to a Demand Feature or Guarantee shall not be deemed to be in default (and an Event of Insolvency with respect to the security shall not be deemed to have occurred) if:

(A) In the case of an instrument subject to a Demand Feature, the Demand Feature has been exercised and the fund has recovered either the principal amount or the amortized cost of the instrument, plus accrued interest; or

(B) The provider of the Guarantee is continuing, without protest, to make payments as due on the instrument.

(7) *Required Procedures: Amortized Cost Method.* In the case of a money market fund using the Amortized Cost Method:

(i) *General.* In supervising the money market fund's operations and delegating special responsibilities involving portfolio management to the money market fund's investment adviser, the money market fund's board of directors, as a particular responsibility within the overall duty of care owed to its shareholders, shall establish written procedures reasonably designed, taking into account current market conditions and the money market fund's investment objectives, to stabilize the money market fund's net asset value per share, as computed for the purpose of distribution, redemption and repurchase, at a single value.

(ii) *Specific Procedures.* Included within the procedures adopted by the board of directors shall be the following:

(A) *Shadow Pricing.* Written procedures shall provide:

(*1*) That the extent of deviation, if any, of the current net asset value per share calculated using available market quotations (or an appropriate substitute that reflects current market conditions) from the money market fund's amortized cost price per share, shall be calculated at such intervals as the board of directors determines appropriate and reasonable in light of current market conditions;

(*2*) For the periodic review by the board of directors of the amount of the deviation as well as the methods used to calculate the deviation; and

(*3*) For the maintenance of records of the determination of deviation and the board's review thereof.

(B) *Prompt Consideration of Deviation.* In the event such deviation from the money market fund's amortized cost price per share exceeds 12 of 1 percent, the board of directors shall promptly consider what action, if any, should be initiated by the board of directors.

(C) *Material Dilution or Unfair Results.* Where the board of directors believes the extent of any deviation from the money market fund's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, it shall cause the fund to take such action as it deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

(8) *Required Procedures: Penny-Rounding Method.* In the case of a money market fund using the Penny-Rounding Method, in supervising the money market fund's operations and delegating special responsibilities involving portfolio management to the money market fund's investment adviser, the money market fund's board of directors undertakes, as a particular responsibility within the overall duty of care owed to its shareholders, to assure to the extent reasonably practicable, taking into account current market conditions affecting the money market fund's investment objectives, that the money market fund's price per share as computed for the purpose of distribution, redemption and repurchase, rounded to the nearest one percent, will not deviate from the single price established by the board of directors.

(9) *Specific Procedures: Amortized Cost and Penny-Rounding Methods.* Included

within the procedures adopted by the board of directors for money market funds using either the Amortized Cost or Penny-Rounding Methods shall be the following:

(i) *Securities for Which Maturity is Determined by Reference to Demand Features.* In the case of a security for which maturity is determined by reference to a Demand Feature, written procedures shall require ongoing review of the security's continued minimal credit risks, and that review must be based on, among other things, financial data for the most recent fiscal year of the issuer of the Demand Feature and, in the case of a security subject to a Conditional Demand Feature, the issuer of the security whose financial condition must be monitored under paragraph (c)(3)(iv) of this section, whether such data is publicly available or provided under the terms of the security's governing documentation.

(ii) *Securities Subject to Demand Features or Guarantees.* In the case of a security subject to one or more Demand Features or Guarantees that the fund's board of directors has determined that the fund is not relying on to determine the quality (pursuant to paragraph (c)(3) of this section), maturity (pursuant to paragraph (d) of this section) or liquidity of the security subject to the Demand Feature or Guarantee, written procedures shall require periodic evaluation of such determination.

(iii) *Adjustable Rate Securities Without Demand Features.* In the case of a Variable Rate or Floating Rate Security that is not subject to a Demand Feature and for which maturity is determined pursuant to paragraphs (d)(1), (d)(2) or (d)(4) of this section, written procedures shall require periodic review of whether the interest rate formula, upon readjustment of its interest rate, can reasonably be expected to cause the security to have a market value that approximates its amortized cost value.

(iv) *Asset Backed Securities.* In the case of an Asset Backed Security, written procedures shall require the fund to periodically determine the number of Ten Percent Obligors (as that term is used in paragraph (c)(4)(ii)(D) of this section) deemed to be the issuers of all or a portion of the Asset Backed Security for purposes of paragraph (c)(4)(ii)(D) of this section; *Provided, however,* written procedures need not require periodic determinations with respect to any Asset Backed Security that a fund's board of directors has determined, at the time of Acquisition, will not have, or is unlikely to have, Ten Percent Obligors that are deemed to be issuers of all or a portion of that Asset Backed Security for purposes of paragraph (c)(4)(ii)(D) of this section, and maintains a record of this determination.

(10) *Record Keeping and Reporting*—(i) *Written Procedures.* For a period of not less than six years following the replacement of such procedures with new procedures (the first two years in an easily accessible place), a written copy of the procedures (and any modifications thereto) described in paragraphs (c)(6) through (c)(9) and (e) of this section shall be maintained and preserved.

(ii) *Board Considerations and Actions.* For a period of not less than six years (the first two years in an easily accessible place) a written record shall be maintained and preserved of the board of directors' considerations and actions taken in connection with the discharge of its responsibilities, as set forth in this section, to be included in the minutes of the board of directors' meetings.

(iii) *Credit Risk Analysis.* For a period of not less than three years from the date that the credit risks of a portfolio security were most recently reviewed, a written record of the determination that a portfolio security presents minimal credit risks and the NRSRO ratings (if any) used to determine the status of the security as an Eligible Security, First Tier Security or Second Tier Security shall be maintained and preserved in an easily accessible place.

(iv) *Determinations With Respect to Adjustable Rate Securities.* For a period of not less than three years from the date when the determination was most recently made, a written record shall be preserved and maintained, in an easily accessible place, of the determination required by paragraph (c)(9)(iii) of this section (that a Variable Rate or Floating Rate Security that is not subject to a Demand Feature and for which maturity is determined pursuant to paragraphs (d)(1), (d)(2) or (d)(4) of this section can reasonably be expected, upon readjustment of its interest rate at all times during the life of the instrument, to have a market value that approximates its amortized cost).

(v) *Determinations with Respect to Asset Backed Securities.* For a period of not less than three years from the date when the determination was most recently made, a written record shall be preserved and maintained, in an easily accessible place, of the determinations required by paragraph (c)(9)(iv) of this section (the number of Ten Percent Obligors (as that term is used in paragraph (c)(4)(ii)(D) of this section) deemed to be the issuers of all or a portion of the Asset Backed Security for purposes of paragraph (c)(4)(ii)(D) of this section). The written record shall include:

(A) The identities of the Ten Percent Obligors (as that term is used in paragraph (c)(4)(ii)(D) of this section), the percentage of the Qualifying Assets constituted by the securities of each Ten Percent Obligor and the percentage of the fund's Total Assets that are invested in securities of each Ten Percent Obligor; and

(B) Any determination that an Asset Backed Security will not have, or is unlikely to have, Ten Percent Obligors deemed to be issuers of all or a portion of that Asset Backed Security for purposes of paragraph (c)(4)(ii)(D) of this section.

(vi) *Evaluations with Respect to Securities Subject to Demand Features or Guarantees.* For a period of not less than three years from the date when the evaluation was most recently made, a written record shall be preserved and maintained, in an easily accessible place, of the evaluation required by paragraph (c)(9)(ii) (regarding securities subject to one or more Demand Features or Guarantees) of this section.

(vii) *Inspection of Records.* The documents preserved pursuant to this paragraph (c)(10) shall be subject to inspection by the Commission in accordance with section 31(b) of the Act (15 U.S.C. 80a–30(b)) as if such documents were records required to be maintained pursuant to rules adopted under section 31(a) of the Act (15 U.S.C. 80a–30(a)). If any action was taken under paragraphs (c)(6)(ii) (with respect to defaulted securities and events of insolvency) or (c)(7)(ii) (with respect to a deviation from the fund's share price of more than 1/2 of 1 percent) of this section, the money market fund will file an exhibit to the Form N-SAR (17 CFR274.101) filed for the period in which the action was taken describing with specificity the nature and circumstances of such action. The money market fund will report in an exhibit to such Form any securities it holds on the final day of the reporting period that are not Eligible Securities.

(d) *Maturity of Portfolio Securities.* For purposes of this section, the maturity of a portfolio security shall be deemed to be the period remaining (calculated from the trade date or such other date on which the fund's interest in the security is subject to market action) until the date on which, in accordance with the terms of the security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, except as provided in paragraphs (d)(1) through (d)(8) of this section:

(1) *Adjustable Rate Government Securities.* A Government Security that is a Variable Rate Security where the variable rate of interest is readjusted no less frequently than every 762 calendar days shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate. A Government Security that is a Floating Rate Security shall be deemed to have a remaining maturity of one day.

(2) *Short-Term Variable Rate Securities.* A Variable Rate Security, the principal amount of which, in accordance with the terms of the security, must unconditionally be paid in 397 calendar days or less shall be deemed to have a maturity equal to the earlier of the period remaining until the next readjustment of the interest rate or the period remaining

until the principal amount can be recovered through demand.

(3) *Long-Term Variable Rate Securities.* A Variable Rate Security, the principal amount of which is scheduled to be paid in more than 397 calendar days, that is subject to a Demand Feature, shall be deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand.

(4) *Short-Term Floating Rate Securities.* A Floating Rate Security, the principal amount of which, in accordance with the terms of the security, must unconditionally be paid in 397 calendar days or less shall be deemed to have a maturity of one day.

(5) *Long-Term Floating Rate Securities.* A Floating Rate Security, the principal amount of which is scheduled to be paid in more than 397 calendar days, that is subject to a Demand Feature, shall be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

(6) *Repurchase Agreements.* A repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.

(7) *Portfolio Lending Agreements.* A portfolio lending agreement shall be treated as having a maturity equal to the period remaining until the date on which the loaned securities are scheduled to be returned, or where the agreement is subject to demand, the notice period applicable to a demand for the return of the loaned securities.

(8) *Money Market Fund Securities.* An investment in a money market fund shall be treated as having a maturity equal to the period of time within which the Acquired money market fund is required to make payment upon redemption, unless the Acquired money market fund has agreed in writing to provide redemption proceeds to the investing money market fund within a shorter time period, in which case the maturity of such investment shall be deemed to be the shorter period.

(e) *Delegation.* The money market fund's board of directors may delegate to the fund's investment adviser or officers the responsibility to make any determination required to be made by the board of directors under this section (other than the determinations required by paragraphs (c)(1) (board findings); (c)(6)(i)(C) (rule for certain securities subject to second tier Demand Features); (c)(6)(ii) (defaults and other events); (c)(7)(i) (general required procedures: Amortized Cost Method); (c)(7)(ii)(A) (shadow pricing), (B) (prompt consideration of deviation), and (C) (material dilution or unfair results); and (c)(8) (required procedures: Penny Rounding Method) of this section) provided:

(1) *Written Guidelines.* The Board shall establish and periodically review written guidelines (including guidelines for determining whether securities present minimal credit risks as required in paragraph (c)(3) of this section) and procedures under which the delegate makes such determinations:

(2) *Oversight.* The Board shall take any measures reasonably necessary (through periodic reviews of fund investments and the delegate's procedures in connection with investment decisions and prompt review of the adviser's actions in the event of the default of a security or Event of Insolvency with respect to the issuer of the security or any Guarantee to which it is subject that requires notification of the Commission under paragraph (c)(6)(iii) of this section) to assure that the guidelines and procedures are being followed.

[62 FR 64978, Dec. 9, 1997, as amended at 66 FR 36161, July 11, 2001]

APPENDIX B

NRSRO Rating Procedures for MMFs

STANDARD
&POOR'S
Setting the Standard

Money Market Fund Ratings Criteria

2003

Standard & Poor's Investment Services

Group Contacts

U.S. CONTACTS

Sanford Bragg	Executive Managing Director	212-438-5030
Philip Edwards	Managing Director	212-438-5042
Gary Arne	Managing Director	212-438-5034
Roseanne Pane	Director	212-438-5057
Joel Friedman	Director	212-438-5043
Peter Rizzo	Director	212-438-5059
Michael Wasserman	Director	212-438-5066
Michael Matarazzo	Director	212-438-5039
Thomas Rooney	National Account Executive	212-438-5060
Wendy Liebeck	Associate	212-438-5052
Zoë Brunson	Associate	212-438-5046
Jeff Broadhurst	Associate	212-438-1538
Kammie Ho	Rating Specialist	212-438-5049
Lisa Vento	Manager Database Operations	212-438-1148
Todd Kerin	Rating Analyst	212-438-5074
Leni Valree	Senior Research Assistant	212-438-5065
Jacqueline Crino	Senior Research Assistant	212-438-5038
Katherine Gallagher	Senior Research Assistant	212-438-2144
Trudy Guy	Research Assistant	212-438-5061
Ellen Paukowits	Research Assistant	212-438-5068
Christine Chang	Research Assistant	212-438-5033
Ruth Shaw	Research Assistant	212-438-1410

EUROPEAN CONTACTS

Stephanie Carillon	Director	33-1-40-752502
Francoise Nichols	Associate Director	33-1-40-752551
Gordon Wright	Associate Director	44-20-7826-8407
Omar Gadsby	Associate	44-20-7826-8406
Roxana Mahboubian	Associate	44-20-7826-8417
Yamina Safer	Senior Research Assistant	44-20-7826-8419
Samuel Gervaise-Jones	Senior Research Assistant	44-20-7826-8389
Ian Biscoe	Research Assistant	44-20-7826-8416

Money Market Fund Ratings Criteria

TABLE OF CONTENTS

COMMENTARY

Money Market Fund Ratings Criteria

BACKGROUND AND OVERVIEW

Standard & Poor's has been rating money market funds since 1984. A money market fund rating is a safety rating, expressing Standard & Poor's opinion of the ability of a fund to maintain principal value and to limit exposure to loss. Ratings can range from 'AAAm' to 'Dm', with the 'm' denoting a money market fund. The 'm' distinguishes the money market fund rating from a Standard & Poor's traditional debt rating. A traditional debt rating usually is not subscripted and indicates a borrower's ability to repay principal and interest on a timely basis. A money market fund rating is not directly comparable to a debt rating because of differences in investment characteristics, rating criteria, and the creditworthiness of portfolio investments.

Standard & Poor's money market fund ratings encompass the following:

- Analysis of a fund's investment credit quality
- Liquidity
- Management
- Investment guidelines
- Strategies
- Operational policies
- Internal controls

A money market fund rating serves as a current assessment of the fund's overall safety as Standard & Poor's conducts ongoing monitoring of a fund's portfolio and management. Standard & Poor's has updated its rating criteria for money market funds as financial markets and financial products change and expand. Distinct criteria have been established for each rating category *(see Money Market Fund Ratings Definitions and Criteria Summary below)*.

RATING APPROACH AND PROCESS

Standard & Poor's rates money market funds solely upon the request of fund management (or sponsor), which agrees to provide all necessary portfolio information on a timely basis. The rating process begins when Standard & Poor's receives a written request to have a particular fund rated. At this point, the analyst assigned to the fund will request the fund sponsor to submit fund information *(see Information Needed for a Money Market Fund Rating, on page 4)*. Upon

Money Market Fund Ratings Definitions and Criteria Summary

A money market fund rating is not directly comparable with a bond rating due to differences in investment characteristics, rating criteria, and creditworthiness of portfolio investments. For example, a money market fund portfolio provides greater liquidity, price stability, and diversification than a long-term bond, but not necessarily the credit quality that would be indicated by the corresponding bond rating. Ratings are not commentaries on yield levels. A money market fund rating is not a recommendation to buy, sell, or hold the shares of a fund. Further, the rating may be changed, suspended, or withdrawn as a result of changes in or unavailability of information related to the fund.

Rating	Definitions	Minimum*** A-1+	Maximum A-1	Maximum A-2	Maximum Weighted Avg. Maturity (WAM) (Days)	Floating Rate Note (FRN) Maximum Final Maturity
AAAm	Safety is excellent. Fund provides superior capacity to maintain principal value and limit exposure to loss.	50%	50%	0%	60	Two years
AAm	Safety is very good. Fund provides strong capacity to maintain principal value and limit exposure to loss.	20%	80%	5% overnight	75	Three years
Am	Safety is good. Fund provides sound capacity to maintain principal value and limit exposure to loss.	0%	100%	10% overnight	90	Four years
BBBm	Safety is fair. Fund provides adequate capacity to maintain principal value and limit exposure to loss.	0%	100%	25% overnight	90	Five years
Dm	Fund has failed to maintain principal value; realized or unrealized losses exceed 0.5% of net asset value.					

'G' The letter 'G' follows the rating symbol when a fund's portfolio consists entirely of direct U.S. government securities.
+ or – Ratings may be modified (except AAAm) to show relative standing within the rating categories.

*** Investments rated A-1 maturing in 7 days or less can be counted toward the A-1+ percentage minimums.

review of the information, the analyst schedules a meeting with fund investment officials at their offices *(see Suggested Agenda for Money Market Fund Rating Management Meeting, on page 5)*.

After this meeting, the analyst and back-up analysts present their findings to a rating committee composed of senior Standard & Poor's fund analysts. The committee examines all relevant information uncovered in the rating process and votes on an initial rating. Once a rating is assigned to a money market fund, the fund is monitored on a weekly basis to ensure the accuracy of the rating.

Standard & Poor's actively monitors a fund's

- credit quality,
- average maturity,
- level of liquidity,
- introduction of new investments, and
- management.

See Information Needed to Monitor a Money Market Fund Rating, on page 6.

Additionally, Standard & Poor's conducts annual management review meetings for each rated fund to discuss changes that may have occurred in a fund's

- investment policy,
- philosophy,
- personnel,
- ownership,
- operations,
- daily operating procedures, and
- controls.

Standard & Poor's receives an annual fee for assigning and maintaining ratings for money market funds.

This publication is intended to describe the ratings criteria Standard & Poor's applies in the ratings process for money market funds. It is essential that managers and sponsors of rated funds clearly understand the parameters that make up the particular rating category, as these tend to be more stringent than regulatory requirements. By electing to meet the rating standards, fund management has demonstrated a commitment to its shareholders to limit a fund's market price exposure knowing that this may result in a lower yield for higher rated funds under certain market conditions. It should be stressed that lower ratings within the investment grade rating categories (down to 'BBBm') do not indicate that there is something "wrong" with a fund, but simply that the fund is managed with a slightly higher level of market risk. Investors should expect higher returns as compensation for these risks. A rating below 'BBBm' indicates that the fund does not provide adequate safety.

As outlined above, a money market fund rating reflects Standard & Poor's opinion of the safety of invested principal based on an analysis of portfolio credit quality, market price exposure, liquidity and management. Credit quality incorporates the credit risk of securities and the counterparty risk of transaction-based investments, such as repurchase agreements (repos). Market price exposure relates to the potential for a decline in the market value of a money market fund's assets. Within this area, Standard & Poor's looks at a fund's

- weighted average maturity (WAM),
- liquidity,
- diversification,
- investments in variable and floating-rate securities,
- policies regarding securities lending and reverse repos,
- shareholder composition,
- pricing of securities, and
- net asset value (NAV) deviation procedures.

The quality of management is based on a meeting with senior fund officials, and is based on public and nonpublic information.

Information Needed for a Money Market Fund Rating

1. Letter requesting a Standard & Poor's rating
2. The most recent prospectus and statement of additional information
3. A copy of the annual report for the past three years
4. Approved list of issuers for the fund and sample credit file
5. Policies regarding repurchase agreements (repos), including a copy of the master repo(s) and legal representations
6. Policies regarding use of securities lending and reverse repos
7. Historical variation between marked-to-market and amortized cost pricing in terms of share price, monthly, for the past three years (or since the fund's inception if less than three years old)
8. Explanation of any material deviation in the share price from $1.00 during the past three years (greater than 0.0015)
9. High and low weighted average portfolio maturities for each month during the past three years
10. Subscription and redemption history on a monthly basis for the past three years, reflecting gross purchases and gross redemptions
11. Detailed shareholder information: total number, mix (retail/institutional), and percentage held by each of the ten largest shareholders
12. Current list of portfolio holdings
13. Level of insurance coverage (Fidelity Bond, Error & Omission, Director & Officer)
14. A copy of the most recent SEC post-examination letter and fund adviser's response letter
15. Biographies and organization chart for key fund employees

CREDIT QUALITY

In evaluating a fund's credit quality, Standard & Poor's examines the risks associated with the quality, type, and diversification of the securities in each fund's portfolio. The credit quality assessment for each instrument is based on the credit rating Standard & Poor's has assigned to the security. The minimum credit quality standards for each fund' is based on the fund's rating and maturity structure of its portfolio *(see Money Market Fund Ratings Definitions and Criteria Summary, page 3).*

For funds rated 'AAAm', all securities should carry a Standard & Poor's rating of 'A-1+' or 'A-1' or deemed to be of equivalent credit quality by Standard &

Suggested Agenda for Money Market Fund Rating Management Meetings

OVERVIEW

1. Brief history of the fund:
   - Primary constituency
   - Growth patterns
   - Fund performance for the past three years (if applicable)
2. Basic philosophy:
   - Investment and marketing strategy
   - Operating controls
3. Organization:
   - Staff size and function
   - Role of board of directors and sponsors
   - Primary functions of key officers

CREDIT RISK

1. Credit quality of eligible investments:
   - How approved list of eligible investments is determined
   - What the approved list includes
   - When and by whom approved list can be modified
   - Comparison of eligible and actual investments
   - Criteria for creditworthiness
   - Credit evaluation system
   - Degree of reliance on Standard & Poor's credit ratings
2. The effect that public rating changes have on eligibility for investment
3. Policies on repurchase agreements:
   - Eligible sellers and repurchasers
   - Underlying securities
   - Degree of overcollateralization
   - Perfection of first priority security interest
4. Diversification/concentration:
   - Investment mix allowances by type
   - Investment mix allowances by credit quality
   - Maximum individual holdings by issuer and affiliates

MARKET PRICE RISK

1. Maturity:
   - General posture on weighted average portfolio maturity and maturity distribution
   - Basis for extending or shortening weighted average portfolio maturity
   - Historical maximums and averages of portfolio maturity
2. Liquidity:
   - Portfolio mix and its change with market conditions
   - Types of instruments purchased or not purchased, and put agreements, if any
   - Term repurchase agreements (repos)
   - Esoteric securities
   - Other secondary market considerations
3. Redemption:
   - Recent experience and assumptions relating to maturity structure
   - Largest weekly redemptions
   - Shareholder base and account characteristics

PRICING POLICY

1. Accounting method:
   - Pricing system and its use
2. Frequency and method of marking portfolio(s) to market
3. Triggers for management action and actual examples

OPERATING SCENARIOS

1. Use of securities lending and reverse repos, and accompanying risk management policies
2. Circumstances under which a fund(s) would extend weighted average maturity beyond normal guidelines, or alter credit quality
3. Trends in interest rate changes and tolerance of fund assets

CONTROLS

1. Daily modus operandi with respect to investments:
   - Procedures for assuring timely purchases and redemptions of shares and timely liquidation of investments
   - Computer applications, adequacy of computer facilities, and computer back-up provisions
   - Disaster recovery plans
   - Fidelity bond coverage, errors and omissions insurance, and other liability protection
2. History of any previous back-office problems
3. Time needed to meet shareholder redemption requests
4. Methods of monitoring investments and approved list
5. Role of compliance officer

Information Needed to Monitor a Money Market Fund Rating

1. Portfolio data, weekly:
   - Total assets; net assets; total portfolio valuation (original cost, amortized cost, and marked-to-market for each security)
   - Marked-to-market net asset value (NAV) per share
   - Total number of fund shares outstanding
   - Breakdown by issue, issuer, amount, maturity, and rating
   - Percent of portfolio covered by each credit support provider
   - Weighted average portfolio maturity for each day of the week
   - Subscriptions and redemptions on day of portfolio valuation and on day of greatest amount of redemptions during the week
   - Revisions to prior week's portfolio holdings
   - CUSIP numbers for all securities (where applicable)
   - Terms of floating-rate notes (reset formulas, frequencies)
   - Net yield (current, seven-day, and 30-day)
   - Interfund loan positions, including details on the money loaned at any time during the prior week, the name of the borrowing fund(s), the net asset size of the borrowing fund(s), and the maturities and interest rates of each loan
   - Identification of non-traditional repurchase agreements (repos), Credit Linked Notes (CLNs), and other esoteric securities
2. Revisions to current eligible investment list
3. Changes in investment policies or operating procedures
4. Current prospectus and statement of additional information
5. Notification of changes to prospectus or statement of additional information
6. Notification of fund name change or mergers
7. Notification of changes in board of directors, senior management, investment adviser, or custodian
8. Annual and semiannual reports
9. All press releases relevant to the fund

Poor's. A minimum of 50% of its portfolio should be comprised of 'A-1+' rated instruments. 'AAm', 'Am' and 'BBBm' ratings criteria allows for holdings in 'A-2' quality securities with overnight maturities, and provides for increased levels of 'A-1' exposure. The levels reflect acceptable amounts of credit risk for the different fund rating categories and are based on historical default and ratings transition rates for short-term debt securities. Additionally, securities rated A-1 or the equivalent by Standard & Poor's that are on CreditWatch with negative implications should be limited to maturities of 30 days or less.

Credit quality criteria are based on results of Standard & Poor's internal study on the stability of short-term ratings. By combining an analysis of the yield spread movements, resulting from changes in the underlying credit quality of money market instruments, together with the study of Standard & Poor's historical ratings performance data, we have developed the credit quality investment guidelines for rated money market funds to maintain a consistent level of credit risk within each rating category. Investments rated 'A-1' maturing in 7 days or less can be counted toward the 'A-1+' percentage minimums.

Diversification guidelines are in most instances similar to those mandated by regulation (for U.S. money market funds, Rule 2a-7). The first- and second-tier diversification limits apply to both taxable and tax-exempt money market funds. Standard & Poor's has established credit quality standards and diversification criteria for repurchase agreement (repo) providers and government agency issues.

MARKET PRICE EXPOSURE

By far, the most complex part of money market fund analysis is judging a fund's sensitivity to changing market conditions. Absolute stability of net asset value (NAV) is a myth perpetuated by the amortized cost method of pricing securities. All fixed-income securities are subject to price fluctuations based on

- interest rate movements,
- maturity,
- liquidity,
- credit risk or perceived credit risk, and
- the supply and demand for each type of security.

These factors are just as true for money market funds as for longer-term fixed-income mutual funds. The amortized cost method of pricing permits money market fund investments to be priced by amortizing any discount or premium in purchase price straight to its maturity. For example, the amortized cost price of a 90-day security with a par value of 100 that was purchased for 99.10 will increase in value by 0.01 each day until it matures, notwithstanding any changing market conditions. The amortized cost method masks market risk by permitting funds to value securities as if no outside factors exist.

The theory behind allowing amortized cost pricing is that the most instruments eligible for purchase by money market funds have minimal market volatility due to their short maturities and high credit quality. It is also cheaper for funds to use this method than to get actual market prices on a daily basis. Money market funds are required to periodically calculate the market value of their assets to determine if the fund's actual NAV per share deviates materially from $1.00 and to take action if significant deviation exists. Deviations of greater than plus or minus 0.5% can create a situation in which a fund sells and redeems shares at a price other than $1.00, or "breaks the dollar". Clearly, there is a very small margin for error. Recognizing this small margin for error, Standard & Poor's has focused heavily on the potential deviation in market value (referred to as market price exposure) in establishing money market fund rating criteria. Variables analyzed for each fund rating include

- weighted average maturity (WAM),
- liquidity,
- index and spread risk,
- diversification,
- potential dilution of a fund's asset base, and
- security and portfolio valuation methods.

Combined, these factors determine each fund's market price exposure.

Weighted Average Maturity (WAM)

Determination of market price exposure starts with an examination of a fund's susceptibility to rising interest rates. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. A fund comprised entirely of Treasury securities with a WAM of 45 days could withstand approximately twice the interest rate increase than could a fund with a 90-day WAM, leaving all other factors aside *(see sidebar Protecting Money Market Funds from Interest Rate Swings).*

Standard & Poor's assesses the sensitivity of the market value of the portfolio's assets to interest rate changes, with lower sensitivity having a more favorable influence on the fund's rating. For the 'AAAm' rating category, Standard & Poor's criteria calls for a maximum WAM of 60 days. However, some funds have distinct liquidity needs based on asset size, asset volatility, and shareholder profile and cannot safely manage with a 60 day WAM. Funds with less than $100 million in assets and/or funds with a highly concentrated or highly volatile shareholder base may be limited to a shorter WAM, unless fund management can make a compelling case otherwise.

Standard & Poor's is often asked to rate small funds with limited operating history (start-up funds) that have a concentrated shareholder base, or a new shareholder base with uncertain liquidity needs. Standard & Poor's considers the potential impact of a large redemption by one or more of the major shareholders to be a significant risk to a fund's ability to maintain a stable net asset value (NAV). Consequently, until a fund has grown to at least $100 million with a diverse and seasoned shareholder base, Standard & Poor's will seek assurances that the fund manages to a shorter WAM with higher levels of liquidity. Higher WAMs are usually considered appropriate for funds in lower rating categories with the maxi-

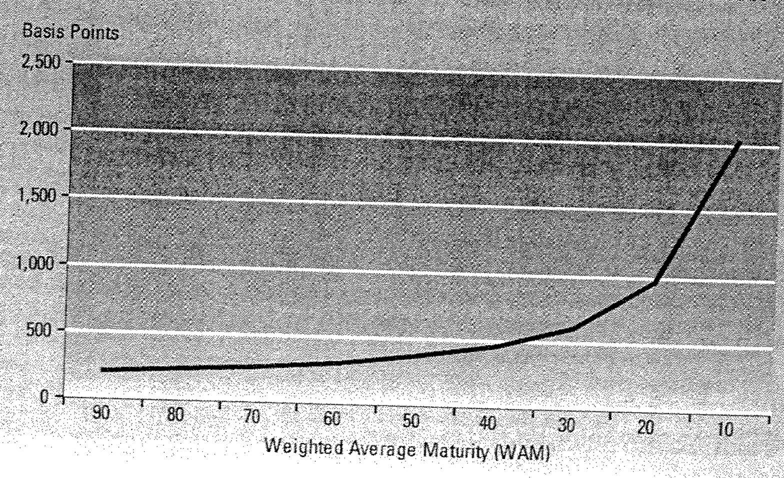
Protecting Money Market Funds from Interest Rate Swings

In accordance with established Standard & Poor's criteria for rated money market funds, maximum weighted average portfolio maturity (WAM) guidelines are engineered to assure minimal net asset value (NAV) fluctuation under most market conditions.

WAM (days)	0.9990	0.9980	0.9970	0.9960	0.9950	0.9949
90	41	82	122	164	205	209
80	46	92	138	184	230	235
70	52	105	159	210	267	269
60	61	122	183	245	306	307
50	73	147	221	295	369	376
40	92	184	276	398	460	469
30	123	245	367	490	613	625
20	192	384	576	768	962	981
10	405	810	1,215	1,635	2,028	2,066

The relationship between interest rate shifts and NAV volatility has led Standard & Poor's to restrict 'AAAm' rated money market funds to a maximum WAM of 60 days. The chart below illustrates the inverse relationship between fund WAM and the minimum positive interest rate shift necessary to cause NAV to fall to a given level. Consider, for example, an elementary model fund that holds one Treasury bill and has a WAM of 90 days in today's interest rate environment. In this case, an instantaneous upward shift of 205bp would need to occur before the NAV of the model fund would fall to 0.9950. If the same model fund had a WAM of 60 days, it could sustain a 306bp interest rate shift before its NAV falls to 0.9950.

Minimum Interest Rate Shift Necessary To Drop NAV from $1.00 to $0.9950



mum WAM limits for 'AAm' and 'Am' rated funds set at 75 days and 90 days, respectively *(see Money Market Fund Ratings Definitions and Criteria Summary, page 3)*.

Liquidity

Interest rate sensitivity is not the only factor that can affect the principal value of a money market fund's portfolio. Liquidity of a money market fund's portfolio is critical to maintaining a stable net asset value (NAV). The liquidity of a security refers to the speed at which that security can be sold for approximately the price at which the fund has it valued or priced. Securities that are less liquid are subject to greater price variability. Certain securities may be liquid one day, and illiquid the next. In determining a fund's rating, Standard & Poor's considers each fund's liquidity needs and its ability to quickly sell portfolio holdings if the need arises to meet cash outflows or large redemptions.

The liquidity of portfolio investments is also of critical importance in determining a fund's market price exposure, because the degree of liquidity can greatly impact the market value of investments and result in an erosion of a fund's NAV. In reviewing a fund's liquidity, Standard & Poor's takes into consideration the

- types of investments and their secondary market liquidity,
- presence of securities with limited liquidity (e.g., those whose liquidity is dependent on the Issuing entity or broker/dealer),
- the fund's level of cash or overnight securities including overnight repurchase agreements (repos), and
- the portfolio's concentrations by Issuers and affiliates.

A fund with a higher proportion of relatively illiquid investments is more susceptible to experience a sizable decline in its portfolio market value than one holding highly liquid investments.

The size and breadth of the primary and secondary market, and hence demand for different types of securities factors into the liquidity equation. Clearly, the greater the demand for an instrument, the more liquid it is. However, some securities can be quite liquid when the Issuer or that particular market is performing well. When markets turn (e.g., due to event risk), or when the market experiences a flight to quality due to actual or perceived higher market or credit risk, certain instruments can experience significant price movements and liquidity can dry up rapidly. This was the case with the structured notes market in 1993 and 1994, and for Funding Agreements in 1999. Structured notes were designed to perform well and predictably during periods of stable or falling interest rates. The interest rate environment of 1993 made them popular and fairly liquid. The fact that these securities were issued by government agencies also enhanced marketability and liquidity. When short rates began rising in 1994, the demand, and consequently, the liquidity of these instruments dried up. The illiquid nature of these securities was exacerbated when regulators declared that such securities were clearly inappropriate investments for money market funds.

The liquidity of Funding Agreements has been directly tied to the Issuing entity because these securities are not actively traded on the secondary market. Funding Agreements are usually issued with a "put feature" that provides the investor with the ability to convert the investment back to cash upon notice to the Issuing entity. Therefore, the investor is very dependent upon the Issuing entity to provide liquidity for Funding Agreements. In 1999, an Insurance company that had issued a sizeable amount of Funding Agreements experienced a sudden and unexpected series of credit downgrades, resulting in a rush of holders to exercise their puts. When this Issuer failed to meet it's put obligations, holders of Funding Agreements were left with "lower credit and illiquid securities" presenting these funds with significant market value risk.

Liquidity is not always easy to measure. As noted, some securities may be very liquid in certain markets and very illiquid in others. Securities tend to be less liquid if they are

- not often traded,
- in short supply,
- relatively new and innovative, or
- highly structured.

Other factors influencing liquidity are the number of dealers making a market in the security, the complexity of the security, and the seasonal nature of supply and demand, particularly in the tax-exempt market.

Government Agency Concentration

Liquidity analysis is performed on all issues and Issuers, no matter what their level of credit quality. Securities with minimal credit risk, such as U.S. government agency obligations, may deviate in price for reasons other than interest rate movements. While the credit quality of these agencies is not typically a major concern, adverse publicity, or market rumors about an agency can impact the price and liquidity for even U.S. agency securities. For this reason, Standard & Poor's considers diversification to be an important feature for all securities, including U.S. agency securities.

Short-term liquidity can dry up for all types of securities and this could pose liquidity problems for funds holding large amounts of a U.S. agency's paper. The spreads in yields between short-term agency securities, whether fixed- or variable-rate, and traditional benchmarks such as the Treasury bill are subject to widening due to a number of factors. For fixed-rate securities with maturities of less than one year, the impact of spread widening on the price of the security is minimal. However, given the small margin for error that money market funds are permitted, high concentrations in the securities of any one agency might potentially expose the fund to material spread-widening risks.

For these reasons, Standard & Poor's has government agency diversification criteria for rated money market funds. Generally, Standard & Poor's expects no more than a 33 1/3% (one-third) exposure to any single government agency. Funds that have agency concentrations exceeding one-third of assets are expected to maintain lower weighted average maturities (WAMs) and or higher levels of highly liquid securities to reduce this exposure. The impact of spread widening can be viewed as synonymous with market interest rates rising only for those securities. Therefore, if a fund had a 50% concentration in any one agency and spreads for that agency's securities widened by 20bp, the impact on the market value of the fund's overall portfolio could be comparable to the effect of market rates rising 10bp without that spread-widening.

Funds with a WAM of 60 days should be able to withstand up to a one-day 300bp rise in interest rates without breaking the dollar (holding all other factors constant). Standard & Poor's has calculated various break the dollar levels for different U.S. agency given various spread-widening assumptions. The spread-widening and instantaneous interest rate increase assumptions differ for each rating category *[see Weighted Average Maturity (WAM) Adjustments for Agency Concentrations, below]*. These criteria are meant as a general guideline. Circumstances can differ from fund to fund based on the overall profile of the agency securities including maturities of the agency securities, type of securities (fixed- versus variable-rate), other sources of liquidity in the fund, and the issuing agency.

Variable and Floating Rate Securities

Standard & Poor's expects investment policies to include clear and explicit guidelines regarding variable-rate notes (VRNs), floating-rate notes (FRNs) and other synthetic instruments. Fund investment policies should incorporate procedures regarding approval, risk measurement, control, and limits related to investment in structured notes and other floating/variable-rate instruments. Fund managers holding such securities should

Weighted Average Maturity (WAM) Adjustments for Agency Concentrations

To compensate for the potential negative impact from spread widening of highly concentrated government agency positions, Standard & Poor's has established weighted average maturity (WAM) adjustment factors for money market funds rated 'AAAm' to 'BBBm'.

METHODOLOGY

Step 1—Standard & Poor's assumes the following worst-case spread widening and instantaneous interest rate rises:

Rating category	Spread widening (bp)	Interest rate increase (bp)
AAAm	100	300
AAm	75	260
Am	50	225
BBBm	25	200

Step 2—The spread widening number is then multiplied by the fund concentration in the securities of any one agency.

Step 3—The product is then added to the applicable interest rate increase to determine the equivalent interest rate sensitivity that the fund may exhibit.

Step 4—The interest rate sensitivity equivalent calculated in Step 3 is applied to Standard & Poor's interest rate sensitivity matrix to determine the maximum WAM that allows the fund to maintain a net asset value above 0.9950.

APPLICATION

Because there is a range of maximum WAMs for each rating category, with the actual maximum determined on a case-by-case basis, Standard & Poor's uses adjustment factors to determine the proper maximum WAM for each fund. The adjustment factors are simply the maximum WAM for the rating category minus the WAM determined in Step 4 above.

Example:

1. Assume an 'AAAm' rated fund has a 50% agency concentration in FHLB.
2. (0.5)(100bp spread widening) + (300bp interest rate rise) = 350bp.
3. At an instantaneous interest rate rise of 350bp, a fund with an WAM of 52 days or less will remain above 0.995.

Because the maximum WAM for the 'AAAm' rating category is 60 days, the adjustment factor is equal to 60 days minus 52 days, or 8.

'AAAm' level (100bp spread 300bp movement).

Agency concentration (%)	Adjustment factor (from 60 days)
40-44	7
45-54	8
55-64	10
65-70	11

'AAm' level (75bp spread, 260bp movement).

Agency concentration (%)	Adjustment factor (from 75 days)
40-44	13
45-54	14
55-64	16
65-70	17

'Am' level (50bp spread, 225bp movement).

Agency concentration (%)	Adjustment factor (from 90 days)
40-44	16
45-54	17
55-64	19
65-70	20

'BBBm' level (25bp spread, 200bp movement).

Agency concentration (%)	Adjustment factor (from 90 days)
40-44	4
45-54	5
55-64	6
65-70	7

be able to present an analytical basis for determining that such notes have a reasonable likelihood of maintaining, or repricing to, amortized cost value at each reset until maturity. This analytical basis should include a review of historical index behavior and sensitivity analysis.

Standard & Poor's criteria for FRNs and VRNs in rated money market funds calls for written guidelines and procedures that ensure:

- No purchase of range notes, dual index notes, "deleveraged" notes (notes linked to a multiple of the index where the multiple is less than one), or notes linked to lagging indices [e.g., Cost of Funds Index (COFI)] or to long-term indices (e.g., five-year or 10-year Treasuries).
- No purchase of VRNs with coupons tied to indices, index formulas, or index spreads with less than 95% correlation with the U.S. Federal Funds Rate. Indices with historically high correlations are: Three-Month Treasury Bill, Three-Month LIBOR, Six-Month LIBOR, Prime Rate, and Commercial Paper Composite.
- At the 'AAAm' level, the final maturity for all FRNs/VRNs will not exceed two years.
- At the 'AAm' level, the final maturity for all FRNs/VRNs will not exceed three years.
- At the 'Am' level, the final maturity for all FRNs/VRNs will not exceed four years.
- At the 'BBBm' level the final maturity for all FRNs/VRNs will not exceed five years.
- Where valuation is not based on actual dealer bids, there must be clear notification and disclosure of any other valuation methodology (e.g., matrix pricing). Pricing policies should include techniques to verify and validate FRN/VRN pricing on a recurring basis.
- Weekly reporting of FRN/VRN holdings to Standard & Poor's should include current market price, CUSIP, coupon or interest rate terms, frequency of reset, market value, put features, and any other significant terms and conditions.

Index and Spread Risk

Variable rate notes (VRN) and floating rate notes (FRNs) present unique market price risks. VRNs and FRNs used in money market funds are typically linked to conventional money market indices, providing funds with yields that track short-term interest rate movements. These investments are designed to exhibit less interest rate risk when compared with fixed-rate investments. However, this is not always the case for all VRNs and FRNs. Factors affecting the value of these instruments include index risk and spread risk.

Index risk is the possibility that the coupon of a VRN or FRN will not adjust in tandem with money market rates. Index risk can be introduced by calculating the variable-rate coupon based on a non-money market index, a money market index in which the coupon adjusts based on a multiple (or fraction) of the index, or an index based on the difference (or spread) between two or more indices.

When analyzing VRNs and FRNs in money market funds, Standard & Poor's compares the index used in the variable-rate adjustment formula to a standard money market index, such as the Federal Funds Rate. Standard & Poor's believes that for all money funds rated 'BBBm' and above, the index should have a correlation of at least 95% of the effective Federal Funds Rate. By this measure, non-traditional money market fund indices such as the 11th District Cost of Funds Index (COFI) and the 2-Year Constant Maturity Treasury Index are clearly unsuitable, with historical correlations of well below 90% *(see sidebar Correlations of Various Indices)*.

Some VRNs and FRNs may use indices that are highly correlated to traditional money market indices. Yet, because of their rate adjustment formulas, they can still introduce significant price risk. One example is an adjustment formula tied to a multiple or fraction of a money market index. For this reason, stress testing is important. Although there are a variety of valid techniques to model potential performance of these securities under adverse market environments, one straightforward approach is to look at VRN/FRN performance under significant interest rate movements. If a VRN/FRN can withstand a 3% (300bp) move in rates without causing its value to deviate significantly, the VRN/FRN should behave adequately under most interest rate environments. In order to "pass" the 3% stress test, the yield on the VRN/FRN would need to increase by a comparable amount.

The ultimate maturities of VRNs/FRNs are also risk factors. The concern here is not index risk, but the spread risk associated with longer-dated securities. For example, a government agency may issue five-year adjustable-rate notes that reset weekly at the Three-Month Treasury Bill

Correlation of Various Indices
(Monthly data from 10/1/92 to 9/30/02)

Index	Correlation to Fed Funds
Fed Funds	100.00%
1 month LIBOR	99.21%
3 month LIBOR	98.63%
PRIME	97.95%
30 day Commercial Paper	97.42%
6 month LIBOR	97.22%
60 day Commercial Paper	97.12%
90 day Commercial Paper	96.55%
3 month T-Bill	96.28%
6 month T-Bill	92.01%
COFI	90.97%
1 year CMT	90.46%
1 year T-Bill	88.18%
2 year CMT	82.47%

Source: Federal Reserve Bank
LIBOR—London Interbank Offered Rate
CMT—Constant Maturity Treasury
COFI—Cost of Funds Index

Rate plus 25bps. Over a period of time, these securities may be perceived by the market as warranting a higher spread to the Three-Month Treasury because of liquidity, credit, supply and demand, political events, or volatility in market interest rates. Investors may demand that subsequent comparably dated securities of that agency be sold at 50bp above the Three-Month Treasury Bill Rate. This creates a negative drag of 25bp, potentially for the remaining life of the original security, and could materially affect its market value. This may occur even though the maturities of these VRNs can be calculated at seven days (time to next reset) for regulatory purposes, and their coupons are tied to a highly correlated index.

Because of the potential impacts of spread risk on the market prices of VRNs and FRNs, Standard & Poor's expects rated funds to limit the remaining maturity of U.S. government VRNs/FRNs to two years for 'AAAm', three years for 'AAm', four years for 'Am', and five years for 'BBBm'. Corporate and structured (e.g., asset backed securities or ABS) VRNs/FRNs have the added risk of credit deterioration and should be limited to final maturities of 13 months or less for money market funds registered under rule 2a-7 of the Investment Company Act of 1940. The percentage of VRNs/FRNs in a fund also enters into the rating analysis to determine a fund's overall risk profile. For example, a fund that was 50% invested in VRNs/FRNs with four-year remaining maturities would not receive an 'Am' rating due to spread risk concerns. Percentages of VRNs/FRNs in each fund are analyzed on a case-by-case basis in conjunction with the fund's other holdings.

Standard & Poor's final maturity guidelines for non U.S. registered funds and non-U.S. domiciled funds limits the remaining maturity of VRNs/FRNs of sovereign Issuers rated 'AAA' by Standard & Poor's to two years for 'AAAm', three years for 'AAm', four years for 'Am', and five years for 'BBBm'. On a case-by-case basis, consideration will be given to requests from rated funds to approve holdings of FRNs/VRNs for Issuers other than 'AAA'-rated sovereigns (i.e., corporates and ABS) with time to final maturity greater than 397 days but no more than two years. Before granting approval to extend the maturity range of VRN/FRN holdings, Standard & Poor's will seek assurance that ample liquidity can be maintained by virtue of the fund's size, diversified shareholder base and range of other assets and that adequate resources are available to analyze and manage credit risk. If such practice is approved, all such FRNs/VRNs must be rated 'A-1+' or equivalent and the total holdings of all such FRNs/VRNs will be limited to no more than 10% of net assets of the fund *(see page 28 for more information on this topic)*.

Shareholder Characteristics

A money market fund's market price exposure is also affected by the flow of money into and out of the fund. Unexpected redemptions can have a direct influence on a fund's net asset value (NAV). Therefore, Standard & Poor's carefully reviews the characteristics of each fund's shareholder base to determine the potential impact that significant redemptions might pose on a fund's market price exposure. Money market funds are permitted to issue and redeem shares at $1.00, provided that their market value is between $0.995 and $1.005. As funds can pay out $1.00 on shares that may actually be worth as little as $0.995, the remaining shareholders in the fund absorb the difference. This is referred to as dilution, as redeeming shares at a price above their actual market value is diluting the value of the fund's holdings.

Dilution can accelerate fund losses in a rising interest rate environment, causing a fund to break the dollar. In the below example Impact of Dilution, a 150bp rise in interest rates causes a 90-day weighted average maturity (WAM) portfolio's market value to drop to $0.9963 per share. A subsequent 25% redemption (paid out at $1.00 per share) dilutes the portfolio's value to $0.9947, thus breaking the dollar. This occurs because although the

Impact of Dilution

ASSUMPTIONS	
Portfolio asset value:	$100 million
Weighted average maturity (WAM):	90 days
Number of shares:	100 million
Share value:	$1.00
Share price:	$1.00
EVENT 1	
Interest rates rise 150bp (1.50%)	
Result:	
Number of shares:	100,000,000
Portfolio value drops to:	$99,630,000
Unrealized loss:	$370,000 ($100,000,000 -$99,630,000)
Share value:	$0.9963 ($99,630,000/100,000,000 shares)
Share price:	$1.00 per share
EVENT 2	
In conjunction with Event 1, fund experiences 25% redemption	
Result:	
Number of shares:	75,000,000
Portfolio value drops to:	$74,630,000 ($99,630,000 - $25,000,000)
Unrealized loss:	$370,000
Share value:	$0.9947 ($74,630,000/75,000,000 shares)
Share price:	$0.99 per share

unrealized loss in the fund remains the same, the loss is spread over a smaller number of shares. While sudden 150bp rises in interest rates are rare, several large redemptions during a period of steadily rising interest rates can produce similar results.

Dilution concerns are heightened for funds with sophisticated institutional shareholders. These investors realize that a fixed $1.00 NAV is an illusion based on convenient valuation methods and can easily take advantage of this phenomenon. For example, if an investor held $1 million in 90-day U.S. Treasury bills yielding 5%, and if interest rates increased 150 basis points, the value of the investment would drop by approximately $3,700 and the investor's yield would remain at 5%. Instead, assume that the investor held one million shares of a money market fund holding exclusively Treasury bills with a WAM of 90 days and yielding 5% (setting aside fund expenses for this example). If interest rates rose 150bp, the investor could sell the fund investment for $1.00 per share and not experience any loss. The investor could then purchase 90-day Treasury bills yielding 6.5%, instantaneously increasing its return by 1.5%. If this type of market-sophisticated shareholder represents a material percentage of a fund's assets, substantial dilution in share price is likely due to large and sudden redemptions.

In analyzing money market funds, Standard & Poor's review of shareholder constituency encompasses the number, average holding size, type, the size of the largest accounts, historical asset volatility, and the relationship fund management has with it largest investors. The proportion of retail versus institutional investors and the past history of redemptions are also examined. Funds with histories of volatile subscription and redemption patterns are expected to maintain shorter weighted average portfolio maturities.

Standard & Poor's expects that a fund's investments should be tailored to its potential cash flow needs. For funds with a volatile or potentially volatile shareholder base, a more conservative approach must be taken with regard to WAM and liquidity. Funds with more stable or predictable cash flows, such as retail funds or institutional funds with large, diverse shareholder compositions, can be somewhat more aggressive. Standard & Poor's uses a matrix that stress tests portfolios based on the effect of interest rate movements and redemptions at a variety of WAM levels *[see Multifactor Net Asset Value (NAV) Sensitivity Analysis, below and Standard & Poor's Sensitivity Matrix, page 13]*.

Portfolio structure is also a factor in determining the risk dilution presents to a fund. Funds with a barbelled maturity structure (heavily weighted in short-term maturities with the remainder in longer-term securities) are more susceptible to the negative effects of shareholder redemptions than laddered portfolios (relatively evenly spaced maturities). If a barbelled fund experiences redemptions in a rising interest rate environment, the short end of the fund will likely be liquidated in order to avoid taking significant realized losses.

Multifactor Net Asset Value (NAV) Sensitivity Analysis

Standard & Poor's criteria for rating money market funds incorporate analysis of both interest rate sensitivity and redemption/subscription volatility. Standard & Poor's has established maximum weighted average maturity (WAM) guidelines, which, under most market conditions, protect against significant market price fluctuation. When WAM values are analyzed in lock-step with redemption/subscription assumptions, net asset value (NAV) volatility is exacerbated. NAV is sensitive to interest rate shifts, net redemptions, and the combined effects of sudden interest rate shifts and instantaneous net redemptions (see Standard & Poor's Sensitivity Matrix). The end column of Standard & Poor's Sensitivity Matrix shows NAV change due to interest rate increases with no redemptions. The critical assumption needed to compute the values for this column is that WAM represents, to some extent, duration of the portfolio. This assumption having been made, an example using a hypothetical money market fund will be used to illustrate the methodology behind the sensitivity analysis.

Assume the hypothetical money market fund has an NAV of $1.00 and a WAM of 60 days when the market experiences a 250bp interest rate increase:

Formula 1

New NAV = NAV - (WAM/365) * (bp shift)/10,000)
0.99589 = 1.00000 - (60/365) * (250/10,000)

The next consideration in the model is dilution. Dilution occurs when shareholders are paid out $1.00 per share while the fund's NAV is less than $1.00. To complete the example, assume the hypothetical money market fund now suffers the effects of dilution due to a 20% redemption when the NAV is 0.99589. The following formula would be used:

Formula 2

New NAV = ([NAV + % Change]/[1 + % Change])
0.99486 = ((0.99589+[-0.20])/(1+[-0.20])

Thus, the NAV of a model fund that experiences a 250bp interest rate shift and a subsequent redemption of 20% would fall to 0.99486. The results of several different scenarios assuming different interest rate increases and redemptions are detailed in Standard & Poor's Sensitivity Matrix.

This will cause the WAM of the fund to extend, creating greater interest rate sensitivity and exacerbating the negative effects of future redemptions. Laddered portfolios are less exposed in these circumstances, although they are by no means insulated from rising interest rates and redemptions. As part of the rating process, Standard & Poor's considers whether each fund's portfolio structure is best suited to its shareholder base and potential asset outflows.

Standard & Poor's Sensitivity Matrix

Assumptions: WAM = 30 days					
Starting Market Value = $1.00 per share					
BP increase					
300	0.9965	0.9969	0.9973	0.9974	0.9975
250	0.9971	0.9974	0.9977	0.9978	0.9979
200	0.9977	0.9979	0.9982	0.9983	0.9984
150	0.9983	0.9985	0.9986	0.9987	0.9988
100	0.9988	0.9990	0.9991	0.9991	0.9992
50	0.9994	0.9995	0.9995	0.9996	0.9996
Redemption	30%	20%	10%	5%	0%
Assumptions: WAM = 60 days					
Starting Market Value = $1.00 per share					
BP increase					
300	0.9930	0.9938	0.9945	0.9948	0.9951
250	0.9941	0.9949	0.9954	0.9957	0.9959
200	0.9953	0.9959	0.9963	0.9965	0.9967
150	0.9965	0.9969	0.9973	0.9974	0.9975
100	0.9977	0.9979	0.9982	0.9983	0.9984
50	0.9988	0.9990	0.9991	0.9991	0.9992
Redemption	30%	20%	10%	5%	0%
Assumptions: WAM = 90 days					
Starting Market Value = $1.00 per share					
BP increase					
300	0.9894	0.9908	0.9918	0.9922	0.9926
250	0.9911	0.9923	0.9932	0.9935	0.9938
200	0.9929	0.9938	0.9945	0.9948	0.9951
150	0.9944	0.9954	0.9959	0.9961	0.9963
100	0.9964	0.9969	0.9973	0.9974	0.9975
50	0.9982	0.9985	0.9986	0.9987	0.9988
Redemption	30%	20%	10%	5%	0%

Pricing

Standard & Poor's expects that all money market fund investment advisers have the ability to price (mark to market) portfolio securities and calculate net asset value (NAV) in-house. Additionally, Standard & Poor's asks rated funds to price securities at least weekly. In many cases, investment advisers rely exclusively on fund administrators to perform such functions. While fund administrators have proven capable providers of such services and provide independent prices, Standard & Poor's believes that all investment advisers should have some built-in redundancies to check the administrators' work, questioning any discrepancies that may occur. For securities that are difficult to price, such as structured notes or other less liquid instruments, two or more dealer bids are suggested.

A Standard & Poor's money market fund rating directly addresses the ability of a fund to maintain a NAV that does not deviate by more than one-half of 1%. For a fund to effectively stay within this narrow range, accurate pricing of its securities is essential. Most money market fund instruments are highly liquid and easy to price. However, some complex, structured, and derivative securities present pricing difficulties.

Complex and derivative securities often lack efficient, liquid markets. Trading in these securities can be infrequent, creating varying price quotes among dealers and wide bid/ask spreads. The prices of these types of securities may be determined in a variety of ways, including dealer quotes, matrix pricing formulas, spreads to benchmark securities, pricing services, or even by the fund advisers themselves. All of these methods have drawbacks. Dealer quotes on thinly (infrequently) traded securities often represent indicative pricing levels and rarely constitutes an actual bid to purchase the security. Matrix prices, pricing service quotes, and spread calculations are not based on actual trades, and do not represent a price at which anyone actually offered to purchase the security. These methods calculate a hypothetical price that is not verifiable. Pricing by fund managers often occurs when the manager either disagrees with the other pricing methods or holds securities so unique that other pricing methods are inadequate. Clearly, even if the fund manager can determine fair value prices based on in-depth analytics, it is far from certain that any buyers are willing to purchase the securities at or near those prices.

Before purchasing complex, derivative, or less-liquid securities, portfolio managers should carefully examine the pricing issue. It is necessary to evaluate the number of available pricing sources, with an eye toward identifying material discrepancies. Portfolio managers should also be aware of pricing methodology, and compare the results to recent trading activity. It is inadvisable for a fund's manager to solely accept the calculations of a security's Issuer or dealer in determining the value of an investment. This information may be either highly biased or based on inaccurate assumptions, or both. Portfolio managers should not only be able to determine their own fair value for securities that are difficult to price, but also need to consider the marketplace for each security and the potential volatility that can be caused by inefficient market pricing. If a fund adviser lacks the ability to assess the potential market behavior of a security with a high degree of comfort, the security should not be purchased for that money market fund.

Should a fund experience a situation where stability of its $1.00 NAV is in jeopardy, there are several actions the fund may take. These include

- withholding dividends,
- selling securities to realize gains or losses,
- valuing the shares at the market rather than at amortized cost, or
- waiting out the situation to determine if the problem is only temporary.

In the rating process, Standard & Poor's reviews the formal and informal policies and procedures the fund has in place to monitor and correct such situations.

MANAGEMENT

Essential to any analysis of managed portfolios is an understanding of the strengths and weaknesses of management. The process by which money market funds are rated includes meetings with fund officials to discuss fund investment objectives, portfolio management techniques, and risk aversion strategies. Standard & Poor's evaluates the effectiveness of fund management in implementing a dynamic investment process consistent with the fund's stated goals and objectives.

Standard & Poor's believes that these meetings are central to a meaningful fund rating service. Management assessment considers the following:

- Experience and track record in portfolio management
- Operating policies and risk preferences
- Credibility and commitment to policies
- Extent and thoroughness of internal controls and commitment to oversight

Standard & Poor's judges each fund management team on its own merits. Focus is placed on the way the fund is managed in relation to its shareholder base and stated investment objectives. Standard & Poor's closely examines how daily operations of the fund are conducted. This examination includes organizational structures, depth of staff, and adequacy and level of investment controls.

Experience

All too often, investment advisers will assign their least-experienced portfolio managers to run their money market funds. The theory is that securities with short maturities are less risky and require minimal investment expertise. This is a mistake. The subtleties of managing a fund that has a 0.5% margin for error require skilled professionals.

An experienced fund manager with a proven track record in money market funds greatly enhances a fund's safety. This manager does not necessarily have to make every investment decision, but should be closely involved with the fund. It is acceptable for less senior personnel to execute trades and make certain investment decisions within strict parameters. However, an experienced money market fund manager should be monitoring these activities daily.

It is also necessary to distinguish between an experienced money market fund manager and someone who has experience managing long-term investments. Managing a stable net asset value (NAV) fund is very different from managing a bond fund with a variable share price. Investment policies and strategies that may be very prudent for bond funds can be disastrous for money market funds. The precision necessary in running a money market fund successfully takes a different mindset than is required in managing other fixed-income vehicles. An experienced fixed-income manager does not necessarily equate to an effective money market fund manager. Therefore, Standard & Poor's emphasizes the level of experience in managing money market funds in its review of fund management. Lack of experience can result in a lower rating, more stringent rating criteria [such as shorter weighted average maturity (WAM)], or both.

Operating Procedures and Risk Preferences

The processes involved in managing a money market fund directly affect its safety. Standard & Poor's evaluates the fund manager's operating procedures in conjunction with each rating. A key component of this review is the investment decision-making process. Numerous investment decisions are made daily for all money market funds. Standard & Poor's examines how these decisions are made and who is charged with executing them.

Fund advisers that conduct frequent investment committee meetings to arrive at both short-term and intermediate-term investment strategies are viewed more favorably than those who leave investment strategy decisions strictly up to the fund manager. This helps prevent any one individual from having an inordinate amount of influence on the strategy of a fund. The role of an investment committee should be to set investment guidelines and strategies. The portfolio managers then have the job of executing these strategies using their expertise in managing money market funds.

Standard & Poor's also focuses on the amount, type, and quality of information used in making policy and investment decisions. This includes the size and capabilities of the credit and risk research staff, the access to current economic data and analysis, and the types of on-line business information services used.

All fund prospectuses contain investment policies that fund advisers must follow. These policies tend to be quite general, typically mimicking regulation and thereby giving fund managers considerable investment leeway. It is prudent for fund advisers to establish written internal procedures to better define both the fund's investment guidelines and the manager's operating policies.

Credit quality is one area that should be documented with formal written procedures. A fund adviser should establish an approved investment list as well as policies for adding or removing names from that list. Additionally, a process and methodology for periodically evaluating the credit quality of all approved investments should be established. The use of an internal credit rating scale is beneficial. Such a scale sets a standard of comparison that can be widely recognized, especially when evaluating securities for which Nationally Recognized Statistical Rating Organizations (NRSROs) have differing views. They also provide evidence that independent analysis has been done, particularly if a credit committee must approve the internal ratings.

The investment management arm of a bank or broker/dealer often obtains its credit research from somewhere else in the organization, such as a central credit research department. In these situations, it is essential that the investment adviser have immediate access to all changes in credit standing. Standard & Poor's has seen organizations in which credit information was distributed firm wide on a quarterly or semiannual basis. This is inadequate. Ideally, a representative from the investment adviser should attend credit committee meetings to ensure a good flow of market information.

Funds also benefit from having clear and explicit investment policies regarding the use of variable-rate notes, structured notes, and derivative instruments. Fund investment policies should incorporate procedures on the approval, risk measurement, control, and limits related to these investments. Fund managers should be able to present an analytical basis for determining that such securities are eligible fund investments and have a reasonable likelihood of remaining at or repricing to their amortized cost value at each reset until maturity. This analytical basis should include a review of historical index behavior and sensitivity analysis.

The ultimate policy responsibility for any mutual fund lies with its board of directors or trustees. The board is elected by fund shareholders to oversee their investments and management. Boards entrust investment advisers to handle the funds' day-to-day affairs, but should not rely on the advisers to always act in the best interest of the shareholders. Investment advisory contracts are based on a percentage of fund assets. Therefore, it is beneficial for advisers to attract money into their funds. Historically, high returns have been a way to attract these assets. Higher returns are also associated with greater risks. Boards must establish investment policies that are strict enough to prevent fund advisers from taking risks that are not in the best interest of the shareholders. They must also establish stringent procedures for reviewing and enforcing these policies.

Board members are not necessarily investment professionals and may lack expertise in money market fund management. Still, a board should act as an independent body and demand that advisers be able to clearly explain all investments and investment strategies. Standard & Poor's feels that boards should receive detailed reports regarding fund investments and activities at least monthly. Boards should be active, questioning fund advisers at any time during the year, not just at quarterly meetings. Too often, boards are passive or lack the necessary independence, which could lead to rubber-stamp approval of investment adviser activities. Such boards are not fulfilling their responsibility to fund shareholders.

Investing, by definition, is risk taking. Investment advisers are paid to take risks commensurate with the desires of fund shareholders. There is no way to eliminate risk in money market funds and still provide adequate returns on investment. Even the most conservatively managed fund can be in jeopardy of breaking the dollar if there are sufficiently adverse market conditions. Fund managers differ in their risk preferences, as they should. Managers who say they are "market-neutral", or who have no opinion on future interest rate movements, are either not telling the whole truth or deceiving themselves and their investors. Conservative and aggressive investment strategies can be effective, provided that the proper operating procedures are in place to ensure that these strategies are consistent with prudently established guidelines.

Internal Controls

Money market funds universally have the investment objective of maintaining a constant net asset value (NAV) per share. Because of the small margin for error allowable to achieve this goal, Standard & Poor's closely considers the internal controls of fund advisers. Included here are pricing policies, NAV deviation procedures, depth of staff, stress testing capabilities, asset flow monitoring, trade ticket verification, systems backups, level of oversight, and disaster recovery.

Accurate pricing is a key factor in maintaining a stable NAV. Standard & Poor's expects all investment advisers to be capable to accurately price portfolio securities and calculate a fund's actual NAV in-house, and to do so periodically. Advisers are expected to compare the market value of the fund to its amortized cost value on a weekly basis. In many cases, investment advisers rely exclusively on fund administrators or outside pricing services to perform this function. While these outside providers are typically reliable sources, mistakes do occur, especially for securities that are difficult to price. Outside providers did a poor job in pricing structured notes in early 1994. All investment advisers should have some built-in redundancies to check the work of the outside providers and question any discrepancies that may occur.

Not only do investment advisers need to be able to calculate NAV, but they also need to have explicit written plans for dealing with any material deviation. NAV deviation procedures are the responsibility of the investment adviser and the fund's board. Regulation dictates that action must be contemplated if a fund's NAV deviates by more than 0.5% from $1.00. Standard & Poor's money market fund ratings specifically address the likelihood of this deviation occurring. Therefore, Standard & Poor's expects rated funds to have written policies that initiate action long before that point. At minimum, these policies should dictate action at a 0.25% deviation. Required actions should include a meeting among senior fund officials, notification of board members, and establishment of a formal action plan. All portfolio managers should be completely familiar with these NAV deviation procedures, and not rely on a third-party administrator for implementation. Since it is in the best interest of the advisor to be proactive in dealing with NAV deviations, Standard & Poor's requests daily portfolio pricing (marked-to-market) and NAV calculations when deviations reach the following for each specific rating category:

- 'AAAm' 0.15%(.9985/1.0015)
- 'AAm' 0.20%(.9980/1.0020)
- 'Am' 0.25%(.9975/1.0025)
- 'BBBm' 0.30%(.9970/1.0030)

It is also important that the controls of a fund do not suffer when the primary portfolio manager is not managing the fund, as substitute managers may not have the investment experience of the primary manager. However, it is inexcusable to lack the necessary controls to prevent mistakes from occurring when the primary manager is not available. Each member of the investment adviser's staff with the authority to manage the fund on a temporary basis should be adequately trained in the investment policies and guidelines for those funds. Additionally, a set of procedures should be in place to automatically review the work of a substitute portfolio manager each day that the substitute manager is overseeing the fund(s).

Fund managers should also be reasonably prepared for the unexpected. This entails the ability to perform "what if" and stress test analyses. A fund manager should be able to calculate the impact of any security purchase on the fund's weighted average maturity (WAM). This calculation should factor in the influence of sudden or unexpected redemptions in conjunction with the security purchase.

Additionally, fund managers should have the ability to stress test both individual securities and entire portfolios. Individual security tests should estimate price sensitivity under severe interest rate movements. Portfolio testing should stress the fund's assets in aggregate under the same interest rate scenarios, but should also measure the impact of dilution on NAV assuming sizable redemption activity. The magnitude of the potential redemption activity should take into account historical redemptions and the nature of the shareholder base. Funds with interest rate-sensitive institutional investors need to stress test redemptions at much higher levels than funds with typically more stable retail investors.

Redemption volatility adds to the difficulty of managing a money market fund. The feature of immediate liquidity is a key element in the growth and popularity of money market funds. Investors like the idea of having quick access to their money. Yet, the uncertainty created by instant liquidity can make it difficult to employ a consistent investment strategy. Funds with very volatile shareholder accounts are subject to the greatest risk. It is nearly impossible to accurately predict cash inflows and outflows, but fund managers can take steps to prepare for them.

Frequent communication with a fund's largest shareholders is an important way to get indications of redemptions. It is also a way to stay informed of how long large deposits are expected to stay in the fund so managers can invest appropriately. Some funds have policies that encourage prior notification of large withdrawals. Other funds will refuse "hot money", which is money from investors who are very interest rate sensitive. Hot money tends to leave a fund quickly in rising interest rate environments, causing dilution to NAV and potentially harming the remaining shareholders. Fund managers should be very familiar with the redemption patterns of their largest investors. This facilitates the management of cash flow volatility, thus enhancing fund safety.

Proper controls also entail trade ticket verification. All trade tickets should require two signatures, one belonging to the individual executing the trade and the other to a portfolio manager or senior level member of the investment advisory staff. Additionally, it is beneficial to have a computer system that is tailored to the investment parameters of each fund. In such a portfolio management system, unauthorized investments would be kicked out, immediately alerting portfolio managers to the mistake. These systems can also do the same for purchases that cause a fund's WAM to exceed established limits.

Computer systems are vital to managing mutual funds. Standard & Poor's review of a fund's controls examines backup computer capabilities. System failure cannot shut down a mutual fund, even for a short amount of time, as shareholders expect access to their money. All computer processes for a fund should be replicated on another system, usually with a custodian or administrator. Fund advisers should back up data nightly to an offsite location. It is also important to have detailed contingency management and disaster recovery plans that are tested periodically. Earthquakes in Los Angeles and San Francisco, floods in Houston and tropical storms hitting New Jersey are just a few past examples of situations in which emergency action plans had to be executed.

SEC POST-EXAMINATION LETTERS

All rated funds that are registered under Rule 2a-7 of the Investment Company Act of 1940 must submit a copy of the latest SEC post-examination letter and the investment adviser's response to Standard & Poor's. If no letter has been received, fund counsel must represent that no letter was in fact received from the SEC. As part of its monitoring of money fund ratings, Standard & Poor's requests such information annually. SEC letters are requested even if the letter addresses other money funds managed by the same adviser and not the rated fund specifically. Standard & Poor's rates money market fund based on representations from fund advisers and does not perform an audit. Where an audit is performed, as in the case of the SEC examination, Standard & Poor's believes that the outcome of the audit can provide important insights into the daily operations of the adviser, which may ultimately affect fund safety.

TAX-EXEMPT MONEY MARKET FUNDS

Standard & Poor's also analyzes tax-exempt money market funds that invest primarily in short-term municipal securities. In assigning ratings to tax-exempt money market funds, Standard & Poor's analytical scope factors in all Nationally Recognized Statistical Rating Organization (NRSRO) ratings assigned to individual securities. This policy allows Standard & Poor's to take a broad-based portfolio approach in analyzing all tax-exempt funds.

In order to rate tax-exempt money market funds that hold securities that Standard & Poor's has not rated, Standard & Poor's must be able to assess the funds' credit evaluation methods. Therefore, in conjunction with all ratings assigned to tax-exempt funds, Standard & Poor's conducts a detailed review of each fund's credit analysis approach. This entails a meeting with each fund's credit research staff to examine their analytical practices, procedures, and methodologies.

The examination covers

- security evaluation,
- market analysis,
- security selection,
- asset dispersion,
- diversification,
- pricing,
- ongoing monitoring of credits,
- sources of secondary market information,
- response to distressed credit situations,
- resource dedication, and
- staff qualifications.

Discussions focus on the use of NRSRO ratings, any internal rating systems, and the process in which each fund's approved list of securities is presented to and reviewed by the fund's board of directors.

Standard & Poor's has specific criteria for assessing securities rated by other NRSROs. Standard & Poor's may discount ratings by other NRSROs based on where each security would likely be classified under Standard & Poor's rating scale. In most cases, such a discount would involve a drop by no more than one rating category. However, in some sectors where Standard & Poor's believes other NRSROs diverge significantly from Standard & Poor's rating approach, discounts may be more than one category. Additionally, unrated securities are assessed on a case-by-case basis.

Generally, Standard & Poor's will classify securities as lesser quality if:

- The security is within a sector or category of municipal securities where there tends to be material differences in the ratings assigned to like securities by the various NRSROs.

Or

- The security is within a sector or category of municipal securities in which the NRSRO(s) rating the security has limited market presence.

Standard & Poor's ratings guidelines state that for a tax-exempt fund to be rated by in the highest categories by Standard & Poor's, all securities held by the fund should be rated either 'SP-1+' or 'A-1+' or 'SP-1' or 'A-1'. The proportions for each rating depend on the fund's rating category (see Money Market Fund Rating Definitions and Criteria Summary, page 3). In considering other rating scales, Standard & Poor's makes the following distinctions:

- Securities not rated by Standard & Poor's that have been assigned the highest short-term rating by another NRSRO and have a long-term rating comparable to Standard & Poor's 'AAA' are considered Standard & Poor's 'A-1+' equivalent for money market fund rating purposes only.
- Securities not rated by Standard & Poor's that have been assigned the highest short-term rating by another NRSRO and have a long-term rating comparable to Standard & Poor's 'AA' are considered Standard & Poor's 'A-1' equivalent for money market fund rating purposes only.
- Securities not rated by Standard & Poor's that have been assigned the highest short-term rating by another NRSRO and possess credit support from an entity rated 'A-1+' by Standard & Poor's are considered Standard & Poor's 'A-1+' equivalent for money market fund rating purposes only.
- Securities not rated by Standard & Poor's that have been assigned the highest short-term rating by another NRSRO and possess credit support from an entity rated 'A-1' by Standard & Poor's are considered Standard & Poor's 'A-1' equivalent for money market fund rating purposes only.
- General obligation debt not rated by Standard & Poor's issued by a municipality that has an 'SP-1+' or 'A-1+' short-term unsecured debt rating from Standard & Poor's is considered Standard & Poor's 'A-1+' equivalent for money market fund rating purposes only.
- General obligation debt not rated by Standard & Poor's issued by a municipality that has an 'SP-1' or 'A-1' short-term unsecured debt rating from Standard & Poor's is considered Standard & Poor's 'A-1' equivalent for money market fund rating purposes only.

These criteria serve as recommended guidelines for rating tax-exempt funds. In assigning actual ratings, Standard & Poor's bases its final analytical determination on its review of each fund's portfolio management and credit research areas.

INVESTING IN OTHER MONEY MARKET FUNDS

Standard & Poor's criteria calls for rated money market funds that invest in other money market funds (also called Registered Investment Companies or RICs) to carry an identical rating. For example, a Standard & Poor's 'AAAm' money market fund may only invest in Standard & Poor's 'AAAm' money market funds. Funds registered under Rule 2a-7 are limited to a 10% investment in other money market funds. Standard & Poor's money market fund criteria for funds that are not registered under Rule 2a-7 (e.g., offshore funds, government investment pools) generally calls for a maximum 25% exposure to any one fund with no stated maximum exposure. However, while no maximum is stated, Standard & Poor's will inquire as to the feasibility of one rated fund investing a majority of its assets other rated funds. This includes an analysis of the rated funds position on fee rebates since investing in another money market fund will ultimately cause the shareholder to be paying fees on two funds. In addition, there are also percentage limits that the investing fund may comprise of the fund it is investing in, as it would not be prudent for the fund to invest in another rated fund if it were going to comprise a significant portion of its assets.

REPURCHASE AGREEMENTS (REPOS)

While Standard & Poor's recognizes the importance of the collateral securing these repurchase agreements (repos), our main focus with regards to the risk in these securities has always been on the creditworthiness of the counterparty.

Generally speaking, the underlying securities in traditional repos are typically ineligible investments for money market funds, either because of their maturity (longer than 397 days) or type (certain mortgage-backed securities). A fund that takes possession of such collateral will have to sell it as soon as possible. Any delay in a fund's ability to sell the securities could create both liquidity and market risks inappropriate for money funds.

This is especially true for non-traditional collateral, as these security types (e.g., non-investment grade corporates, equities) possess higher potential price volatility than traditional collateral *[see "Non-Traditional" Repurchase Agreement (Repo) Collateral section on page 19]*.

The following bullets and table outline specific repo criteria for 'AAAm' rated money market funds:

- The aggregate amount of all repos (regardless of the rating) with maturities of more than seven calendar days may not exceed 10% of a fund's total assets.
- Overnight repos with any single 'A-1' Issuer are limited to no more than 25% of a fund's total assets.
- Repos with maturities beyond overnight and less than or equal to seven days with any single Issuer ('A-1+') are limited to no more than 25% of a fund's total assets.
- Repos with maturities beyond overnight and less than or equal to seven days with any single Issuer ('A-1') are limited to no more than 10% of a fund's total assets.

For these criteria, the maturity of a repo is defined as the absolute maturity of the agreement. If, however, the agreement contains a put that would result in a lower effective maturity for the agreement, Standard & Poor's will review the repo documentation to be certain of the unconditional nature of the put feature. Standard & Poor's has the same criteria for both tri-party and deliverable repos. However, where a tri-party repo is used, Standard & Poor's will examine the fund adviser's procedures ensuring that the proper type and amount of collateral is received.

Credit Quality	Overnight (1 day)	2 to 7 Days	> 7 Days
A-1+	*	25%	10%**
A-1	25%	10%	10%**
A-2	0%	0%	0%

*While Standard & Poor's does not formally propose any diversification guidelines for overnight repo with any single 'A-1+' counterparty, we believe it is prudent for a rated money market fund to maintain a minimal amount of diversification and thus we would be concerned with a fund that was comfortable holding > 40% in an overnight repo with any single 'A-1+' Issuer/counterparty.

**Aggregate exposure to term repo greater than 7 days is limited to 10%.

Standard & Poor's repo diversification criteria for funds rated 'AAm', 'Am' and 'BBBm' is identical to the above table except for the permitted exposure to 'A-2' Issuers on an overnight or one day basis of 5% for 'AAm', 10% for 'Am' and 25% for 'BBBm'.

To ensure that repos are properly secured, Standard & Poor's looks for certain written representations from all funds investing in repos. Regarding perfection of the fund's security interest in repo collateral, Standard & Poor's seeks written representations that the fund takes delivery of the collateral in either of the following manners:

- The fund, or a third party acting solely as agent for the fund, has possession of the securities.

Or

- The securities have been legally transferred to the fund under other applicable laws, except that the fund may not enter into any hold-in-custody arrangements.

In addition, Standard & Poor's also looks for written representations that confirm the following:

- A written master repo (e.g., the Bond Market Association standard repo form) governs all repo transactions.
- The fund takes all necessary steps to acquire and maintain a first perfected security interest in any repo securities, any substituted securities, and all pro-

ceeds derived from the repo securities.
- For purposes of perfecting the fund's security interest, the counterparty owns all repo securities free of any other claims.
- The fund intends to pay the purchase price for the securities, as stated in the applicable governing agreement.
- The counterparty will not incur, or allow others to incur, any equal or prior liens on the securities.
- The fund has no knowledge of any fraud involved in any of the repo transactions it undertakes.

If the fund enters into repos with Securities Investor Protection Corp. (SIPC) and non-SIPC counterparties eligible to be debtors under the U.S. Bankruptcy Code, the fund should also provide assurance that the repos meet the Bankruptcy Code definition of a repo.

If the fund enters into repos with financial institutions subject to FIRREA, the fund must provide the following items:

- Assurance stating that the repos satisfy the definition of a repurchase agreement and "qualified financial contract" under FIRREA.
- Written representations to the effect that:
  1. All other requirements under FIRREA have been met as outlined in policy statements by the FDIC and RTC dated Dec. 12, 1989; and
  2. The fund, in accepting securities from a counterparty that is subject to FIRREA, is not in any way acting to defraud the counterparty, nor does the fund have any prior knowledge to the effect that the counterparty is insolvent, or may become insolvent, as a result of the completion of any such repo transaction.

Non-Traditional Repurchase Agreement (Repo) Collateral

U.S. government or U.S. government agency securities including Treasuries, Agency Discount Notes and Agency Mortgage Backed Securities have customarily been used to collateralize repurchase agreements (repos). Most recently, broker/dealers have pledged "non-traditional" collateral, including investment and non-investment grade corporate debt, money market securities and even shares of U.S. equities to back their repo obligations. A key reason behind this recent interest is that repos backed by "non-traditional collateral" provide a boost to money fund yields. While the growth in non-traditional collateral has been in part spurred by brokers seeking to leverage other asset types; the demand is more likely fueled by the added basis points that comes with the non-traditional collateral.

Standard & Poor's Money Market Fund Rating Criteria for repos collateralized by "non-traditional" assets addresses the credit quality and diversification guidelines that are consistent with its money market fund ratings. The guidelines for non-traditional collateral are more restrictive than traditional collateral because the non-traditional collateral may not qualify for preferential treatment under the Federal Deposit Insurance Act or the Federal Bankruptcy Code and therefore, must be treated as unsecured obligations of the Issuer (counterparty).

Standard & Poor's credit quality criteria for repo collateralized by "non-traditional" assets calls for the counterparties (e.g. broker/dealers) to either have an explicit Issuer or counterparty rating from Standard & Poor's of A-1 or A-1+, or have a letter of guaranty from an 'A-1' or 'A-1+' (Standard & Poor's rated) parent company. This differs from repo collateralized by traditional collateral, as traditional repo may be transacted with unrated broker/dealers that are 50% or more owned by a parent company that is rated 'A-1' or better by Standard & Poor's qualify for the highest three rating categories ('AAAm', 'AAm','Am').

Standard & Poor's 'diversification criteria for repos collateralized by "non-traditional" assets calls for the maximum exposure to any single counterparty (or broker/dealer) is limited to 5% of total fund assets. This differs from repo collateralized by traditional collateral, as they may comprise up to 25% per dealer depending on the credit quality of the broker/dealer.

Additionally, Standard & Poor's considers term repo agreements beyond seven days (for both traditional and non-traditional collateral) to be illiquid, and as such, should be limited to no more than 10% of total fund assets. Standard & Poor's also expects that the underlying collateral in term repo agreements to be priced daily and maintained at the required collateralization levels.

Evaluating Repurchase Agreement (Repo) Counterparties

The following criteria relates only to counterparty assessments for repurchase agreements (repos) collateralized by traditional collateral in rated money market funds and is not a comment on the unrated entity's ability to repay its unsecured debt or satisfy other contractual obligations.

Standard & Poor's recognizes that many money market funds transact repos with unrated subsidiaries of highly rated financial institutions. Standard & Poor's looks directly to the parent's short-term rating to determine the level of creditworthiness of unrated repo counterparties that are subsidiaries of rated entities. In establishing this criterion, Standard & Poor's recognizes that repos, as secured transactions, differ from unsecured obligations. Standard & Poor's reviews the legal structure of each fund's repos before assigning a rating to the fund.

Unrated entities that are at least 50% owned by rated parents are considered at the same investment level as the parent's rating. Therefore, a repo transaction with an unrated broker/dealer whose parent has an 'A-1+" rating is assessed at 'A-1+' equivalent for money market fund rating purposes only. Likewise, a repo with an entity whose parent is rated "A-'1' is viewed as an 'A-1' equivalent for money market fund rating purposes only.

For the case of rated repo counterparties that have parents with higher short-term ratings, Standard & Poor's looks to the parent's rating in assessing the proper level, provided that the subsidiary is at least 50% owned. For all other rated repo participants, the actual Standard & Poor's short-term rating applies.

FUNDING AGREEMENTS

Funding Agreements are floating-rate investment contracts issued by insurance companies for the institutional marketplace. These investment contracts are popular with some money funds due to their attractive yields and put provisions. The put provision allows the owner of a floating-rate Funding Agreement contract to receive back its investment in a specified number of days. Most money funds prefer seven-day puts although 30-, 90-, 180-day, and one-year puts are also available. Most floating-rate Funding Agreement indexes are pegged to one- or three-month LIBOR. Prime, commercial paper composite index, and one-year constant maturity treasury have also been used.

When evaluating Funding Agreements as eligible investments for rated money market funds, Standard & Poor's considers the credit quality of the Issuer (insurance company), the terms of the agreement including contract maturity, reset index rate, and frequency of rate adjustments (e.g., weekly, quarterly), and any put or demand features. In order for the Funding Agreement to be an eligible investment for Standard & Poor's rated money market funds, the insurance company issuing the investment contract must possess an 'A-1' or 'A-1+' short-term rating from Standard & Poor's. In addition, contracts issued by a non-rated subsidiary of a rated insurance company are not eligible for rated money market funds. As for the variable-rate features of the Funding Agreements, the reset rates should be tied to indices considered to be money market rates, such as LIBOR, Fed Funds, T-bill, and CP composite rates.

Standard & Poor's also considers the potential for credit and liquidity risks presented by these contracts. Given the illiquid nature of short-term Funding Agreements (i.e., no secondary market trading), contracts that include short puts and demand features (generally seven to 30 days) offer a greater level of protection against credit deterioration of the issuing company. To provide for liquidity in the event of credit action, some Funding Agreements include credit event put provisions, which provide the buyer (the fund) the ability to put back the contract to the issuing entity upon a downgrade of its rating. Standard & Poor's views this feature favorably since it enhances the fund's liquidity options.

Since Funding Agreements pay a variable rate of interest on periodic reset dates, money market funds can take advantage of the maturity shortening provision under Rule 2a-7 of the Investment Company Act of 1940 regulating money market funds. Hence, a Funding Agreement with a one-year maturity and 30-day reset dates, are treated as 30-day instruments by money market funds for purposes of calculating their average portfolio maturity. However, these securities are considered to be part of the 10% illiquid basket as per Rule 2a-7. Funding agreements that provide for seven-day or daily puts are not subject to the illiquid basket treatment.

EXTENDIBLE NOTES

Extendible notes come in many forms but can generally be classified under two broad categories based on who possesses the option to extend – the holder of the security or the Issuer of the security. When comparing the two types, Standard & Poor's looks more favorably towards those instruments where the holder of the security possesses the option because this option allows the holder to more actively manage the maturity risk associated with the Issuer. However, for extendible securities where the holder possesses the option, Standard & Poor's does not believes it is prudent for a fund to extend the maturity if the Issuer experiences any credit deterioration, including being put on CreditWatch Negative or upon a downgrade. For those securities where it is the Issuer's option to extend the maturity, the following guidelines apply.

Extendible commercial notes (ECNs) have received increasing interest from money market funds. On the surface, ECNs look very much like traditional commercial paper, but provide a twist. Highly rated corporations issue ECNs for a finite period of time, say 90 days. They differ from commercial paper in that the Issuer, at its discretion, can extend the maturity of the note to a maximum of 390 days. The Issuer has the option to call the notes at any time during the extension period. Like commercial paper, ECNs are offered at a discount rate based on the initial maturity date. If extended, the rate becomes variable based on a spread above LIBOR. The size of this spread is dictated by the short-term credit rating of the Issuer and the spread's magnitude is designed to discourage the Issuer from extending the maturity date. The benefit to the Issuer is they can issue ECNs without a back-up liquidity facility. At the initial redemption date, if the Issuer lacks the necessary funding to pay off the notes, it can simply extend the maturity until alternative funding is obtained. These differ from previously issued short-term notes in which the option to extend was controlled by the note holders.

Extension would occur when the Issuer has no other viable refinancing options, making the ECN holder the lender of last resort. This would be a precarious position for a money market fund to be in, even though it receives a premium for accepting this risk. While the premium rate may seem attractive (e.g., 110% of LIBOR for 'A-1+' credits, 115% for 'A-1' credits), money market funds could face liquidity and pricing problems. The fact that the Issuer cannot place new commercial paper into the market implies that the fund will have equal trouble finding buyers for its ECN position, rendering its holding illiquid. At this point, accurate pricing of the securities becomes complex, particularly given the Issuer's option to call the ECNs at any time. Standard & Poor's believes that prior to purchasing these securities, money market fund advisers should adopt a detailed investment policy for ECNs and be prepared to hold the securities to the extended maturity date.

Standard & Poor's money market fund criteria calls for rated money market funds to book the maturity of ECNs to the initial redemption date and count them toward their 10% less liquid basket of securities. Short-term credit ratings on ECNs are treated the same as the Issuer's commercial paper ratings (for Standard & Poor's rated money market funds, commercial paper Issuers must be rated 'A-1' or better by Standard & Poor's). While it is considered unlikely that the Issuer will extend the notes, upon extension, the rates change from fixed to variable, and money market funds should calculate maturity based on final maturity date. Although interest rates for ECNs reset periodically (typically monthly) after extension occurs, calculating days to maturity by referencing the reset date is imprudent. Money fund regulation permits funds to calculate maturity for variable-rate securities based on the reset date. This applies only when the market value of securities can be reasonably expected to approximate amortized cost at each reset until final maturity. Extension of an ECN would only occur when an Issuer experiences an adverse credit event, or if the market encountered a liquidity crunch. In either case, the ability to project the market value of the ECN is likely to be materially impaired.

INTERFUND LENDING

Standard & Poor's has formulated guidelines for interfund lending in rated money market funds. For those management companies who have received exemptive orders from the SEC to lend cash between funds (managed by the same investment adviser), Standard & Poor's believes that adherence to the following guidelines is consistent with investment practices of highly rated money market funds. Standard & Poor's looks for:

Opinion written by either in-house or external counsel for the fund evidencing that the Fund lending cash has a lien on the borrowing funds' assets that is senior to that of fund shareholders and service providers (i.e. custodians, distributors, investment advisers).

Established guidelines that specify percentages that each rated fund may lend (to each fund and in aggregate) as well as the percentages that each borrowing fund may borrow.

Additionally, rated funds should:

- Refrain from lending to funds with more than 35% emerging markets exposure
- Refrain from lending to funds that have lost greater than 25% of their assets within the past five business days (through any combination of redemptions and market depreciation)
- Rated money market funds should refrain from borrowing from other funds except to meet emergency liquidity needs (i.e., not to lever the fund or otherwise enhance yield)

As part of the weekly monitoring report, rated funds should provide details on the amount of money loaned at any time during the prior week, the name of the borrowing fund(s), the net asset size of the borrowing fund(s), and the maturity and interest rate terms of the loan(s). Additionally, Standard & Poor's requests that rated funds provide written notification of these policies prior to commencement of any such transactions.

CALLABLE AND CONVERTIBLE NOTES

Callable and convertible notes are designed to perform well in stable interest rate environments. Both callable and convertible notes can present money market funds with unique market risks including call risk, reinvestment risk, interest rate risk, and liquidity risk. Given these multiple risks factors, managers should closely evaluate the pricing and market risks presented by these securities.

Corporations and government agencies issue short-term callable debt generally with one-year final maturities and with monthly or quarterly call dates. Due to the call feature, the interest rates (yield) for these securities are generally higher than those for equivalent non-callable instruments. The added risk is 'uncertain' principal maturity. There are several ways that this risk can manifest, for example, during periods of rising interest rates, the value of these callable notes will decrease, as would a similar non-callable fixed-income security. During a period of falling rates, however, the price of callable notes will not appreciate in proportion with non-callable notes given the increased likelihood that the callable notes will be called at the next call date. Investors will be unwilling to pay any material premium in the purchase price given the call risk.

Callable note investors also face the risk of having their notes called away when rates fall. Reinvestment occurs when Issuers call the securities. Issuers are more likely to call (or retire their outstanding debt) when interest rates have dropped as this provides an opportunity to obtain cheaper financing. Investors of callable notes that are called will have to reinvest at lower rates.

Convertible notes are a variation on short-term callable notes as convertible notes while not callable can be converted from a fixed rate to a floating rate at the option of the Issuer. The holder is short the convertible feature, and thus is paid a yield premium to offset this uncertainty or risk. Like callables, convertible notes are typically issued with one-year final maturities at attractive fixed rates or with predetermined floating-rate formulas. The value of convertible notes will also fall during rising rate periods, behaving much like standard fixed rate instruments. However, when rates fall, the price appreciation of convertible notes will be limited due to the increased likelihood of conversion. The conversion risk is similar to call risk and thus has similar inherent price or market risks. The key difference is that upon conversion, the interest earned on the convertible notes is based on a predetermined formula, while the note holders control the reinvestment options for the callable notes.

Standard & Poor's believes it is prudent for fund managers to perform stress tests on these securities under various interest rate scenarios to determine the relative value of holding these securities during periods of both rising and falling rates.

Assumptions should include the magnitude of the interest rate decline required for the securities to be called or converted and the frequency of the options that may be exercised (e.g., monthly, quarterly). Managers should closely evaluate the risk and reward trade-offs presented by these securities before investing in these notes.

In holding convertible notes, a fund is taking all the risks of a fixed-rate instrument, while potentially receiving the lower returns that floating-rate instruments provide in a declining interest rate environment. To make these notes more attractive, Issuers typically set the floating rate reset formulas at spreads above an index (such as Fed Funds or LIBOR) that are higher than the market rate for variable rate securities. While such formulas may look enticing in the near term, spreads may widen over time, potentially creating a below market yield as such times as the notes are converted. In fact, the Issuers of convertible notes have an incentive to exercise the conversion option should spreads widen sufficiently, even if short-term interest rates remain stable. In essence, this gives them the opportunity to finance at below market rates. This risk does not apply to callable notes because once the security has been called, the holder is free to reinvest at current market rates, either fixed or variable.

Since callable and convertible notes are more complex than standard fixed rated securities, determining reliable prices for these is a more difficult task. Managers should price these securities to market on a regular basis with multiple broker-dealers or reliable sources to ensure accurate market values as dealer quotations are subject to a wide degree of subjectivity. Since these securities often lack an efficient and liquid secondary market, portfolio managers should be able to value these securities internally based on their own in depth analysis. Given the less liquid nature of these instruments, the securities can experience higher price volatility.

If properly analyzed and accounted for, callable and convertible notes can be appropriate investments for money market funds. For instance, when calculating the weighted average maturity (WAM), callables and convertibles must be booked to their final maturity dates. If the Issuer exercises the option on the convertible note, then the maturity can be calculated to the next reset date, assuming the price on the note can still reasonably be expected to remain at or near par on subsequent reset dates. If spreads for comparable floating rate notes have changed materially, the convertible notes should continue to be booked to their final maturity dates.

Further, Standard & Poor's believes that because of the inherent risks present in these securities, money market funds should impose limitations to their exposure to callable and convertible notes, thereby mitigating the risk of unanticipated price volatility. These limits should be based on the fund's cash flow volatility, liquidity needs, and overall market price exposure.

MASTER NOTES AND PROMISSORY NOTES

Effective March 1, 2003 Standard & Poor's money market fund rating credit quality criteria for promissory notes and master notes will call for these notes to be issued by an Issuer that has an explicit Issuer rating or a counterparty rating of 'A-1+' or 'A-1' from Standard & Poor's. Eligible master notes or promissory notes that are not issued by a rated entity may be secured by a letter of guaranty from a parent company rated 'A-1' or 'A-1+' by Standard & Poor's. Promissory notes and master notes currently held by Standard & Poor's rated money market funds that do not meet the revised criteria will be allowed to mature.

While a majority of promissory and master notes are issued by rated Issuers, some master and promissory notes are issued by unrated subsidiaries of Standard & Poor's rated entities. Prior to the revised criteria, Standard & Poor's based the creditworthiness of promissory and master notes issued by un-rated subsidiaries on the Standard & Poor's ratings of the Issuer's parent company. However, a comprehensive review of the ratings correlation between parent companies and their subsidiaries indicates that there is often a disparity in the credit ratings, or the creditworthiness, between a parent company and its subsidiaries. The disparity in the ratings between a parent company and its subsidiaries can be attributed to the subsidiaries domicile, regulatory environment, or the importance of the subsidiary to the parent company. Given that creditworthiness of a money market fund's investments is a key element in its ability to maintain principal exposure and limit exposure to loss, Standard & Poor's has revised its criteria for highly rated money market funds.

Master and promissory notes are attractive alternative investment vehicles for money market funds as they are highly customizable. The investor can select the floating rate reset, underlying index of the reset rate, and the maturity date(s). The investor can also vary the principal amount, alter the pricing index, and establish a put option for early maturity of the notes. Master notes can be secured or unsecured demand notes and an Investor can invest varying amounts of money at different (fixed or floating) rates of interest pursuant to arrangements with Issuers. The interest rate on a master note can be fixed, based on or tied to changes in specified interest rates, or reset periodically according to a prescribed formula. Although there is no secondary market for master notes, those with demand features can provide the investor, or the fund, with liquidity (usually in a relatively short time).

Promissory notes can be secured, or unsecured notes, issued by corporate entities to finance short-term credit needs, operating expenditures, or to retire debt. In return for the loan, companies agree to pay investors a fixed return over a set period of time. While most promissory notes are registered with the SEC and with the states in which they are sold, notes with maturities of nine months or less may be exempt from registration requirements.

SECURITIES LENDING AND REVERSE REPURCHASE (REPO) AGREEMENTS

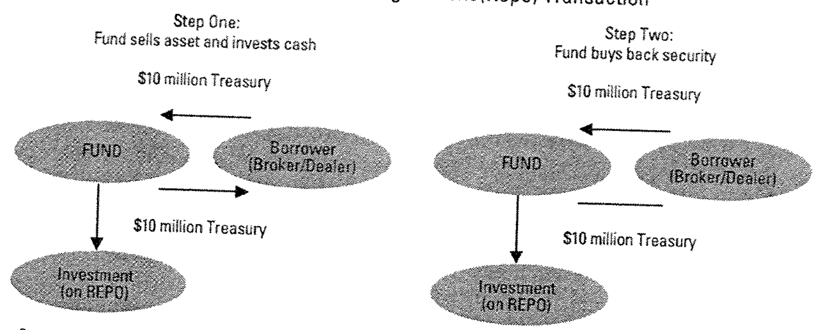
Reverse repurchase agreements (repos) and securities lending are investment strategies used by some taxable money market funds, primarily to enhance investment income. Standard & Poor's has specific criteria concerning the lending of portfolio securities by a fund to banks and broker/dealers. The criteria apply not only to direct loans of securities, but also to reverse repos. These transactions can create risks for money funds in the areas of credit and market price exposure in the form of leverage.

Reverse repos entered the spotlight in 1994 when several bond funds and Orange County California's investment pool recognized significant losses due to this leveraging technique. While reverse repo transactions are typically associated with longer-term fixed-income portfolios, money market fund advisers are increasingly making them part of their strategies.

A reverse repo is a leveraging technique in which a fund simultaneously agrees to sell and repurchase a security it owns. A reverse repo is often viewed as collateralized borrowing since a fund incurs a liability and uses the security as collateral. As an example, assume a money fund owns a $10 million Treasury note and wants to borrow funds overnight. The fund will sell the $10 million Treasury note to the counterparty for settlement today. At the same time, the fund agrees to buy back the $10 million Treasury note for settlement tomorrow, plus interest. The result is that the fund has borrowed overnight funds for one day (rate times $10 million times one day/360). During the term of the reverse repo, the fund's total assets and liabilities are increased by the amount of the reverse repo, while net assets remain the same *[see sidebar Reverse Repurchase Repo Agreement Transaction]*.

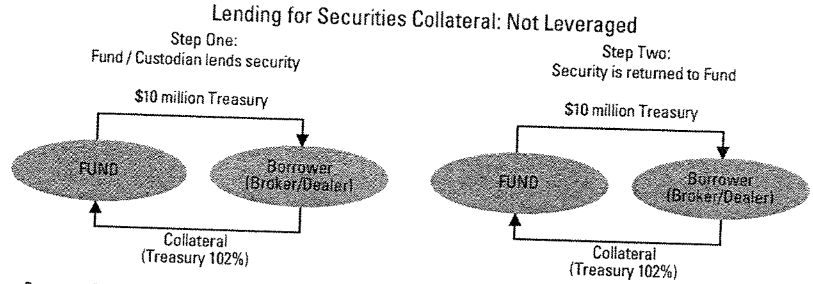
The main reason for using reverse repos is to enhance income by investing borrowed cash at a higher rate than the cost to borrow (reverse repo rate). Portfolio managers also use reverse repos to provide liquidity to funds. For example, a

Reverse Repurchase Agreement (Repo) Transaction



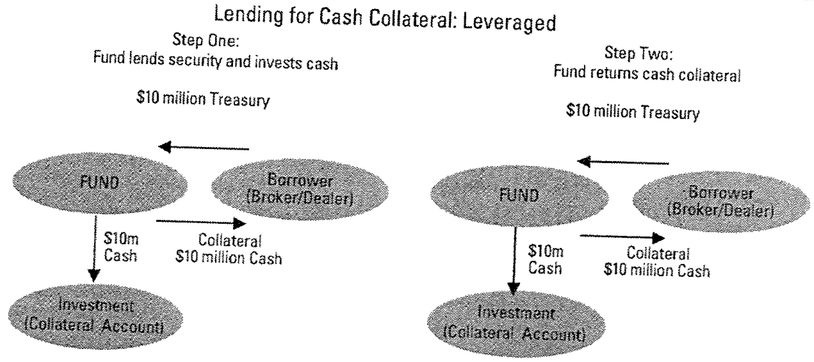
Return: Difference between income on investment and borrowing costs
Risks: COUNTERPARTY: borrower declares bankruptcy and collateral less than value of securities sold
LIQUIDITY: reversed asset tied up for term of reverse repo
OPERATIONAL: report transaction, monitor collateral, adjust WAM
SHAREHOLDER DISCLOSURE: increase in assets and liabilities

Lending for Securities Collateral: Not Leveraged



Return: Fee paid to find to borrow securities; split with custodian if custodian involved
Risks: COUNTERPARTY: borrower declares bankruptcy and collateral less than value of securities sold
LEGAL: fund not allowed to touch collateral or delays
LIQUIDITY: assets tied up for term of loan
OPERATIONAL: cost to monitor collateral
DISCLOSURE: footnote on shareholder reports

Lending for Cash Collateral: Leveraged



Return: Difference between investment income and loan expense; split with custodian if custodian involved
Risks: COUNTERPARTY: borrower declares bankruptcy and collateral less than value of securities
LEVERAGE: need to adjust WAM for leverage
LEGAL: fund not allowed to touch collateral or delays
LIQUIDITY: assets tied up for term of loan
OPERATIONAL: cost to monitor collateral, is WAM reflected correctly
DISCLOSURE: should increase assets & liabilities

portfolio manager may choose to raise cash via reverse repos to provide liquidity, rather than having to sell securities at an inopportune time.

Securities lending, an investment strategy used by money fund managers to enhance income (or to lower custody expenses), can also increase the risk level of a money fund portfolio via leverage. Some fund advisers are now using securities lending, which was once a strategy of large institutional investors. Fund custodians typically orchestrate the securities lending process, but some larger fund companies have in-house lending operations.

Traditionally, securities lending was viewed as a low-risk strategy with which a fund manager (via the custodian) could simply focus on the credit quality of the counterparty and the loan collateral. If a fund accepts securities as collateral, it encounters a different set of risks than if the fund accepts cash collateral *(see Lending for Securities Collateral: Not Leveraged, page 23)*. In the former case, the fund (usually via the custodian) lends securities for a fee to a broker/dealer (borrower) and requires securities as collateral. The dealer provides collateral, typically in the form of Treasuries, at 102% of the loaned securities' value, which is marked-to-market on a daily basis. When the loan terminates (often the next day), the broker returns the securities and the fund returns the collateral. If a custodian handles the operation, the fees are split between the fund and the custodian. The major risks are that the borrower defaults or files for bankruptcy and, at the same time, the price of the collateral drops to less than the value of the loaned securities.

Securities lending is viewed as a more aggressive strategy from an investment standpoint if cash collateral is accepted. The fund (via the custodian) lends out securities but accepts cash collateral instead of securities *(see Lending for Cash Collateral: Leveraged, page 23)*. The custodian invests the cash in securities with the aim of beating the cost of the loan and splitting the income with the fund. While the income is split between the fund and custodian, the fund bears all risks of the assets. Regardless of whether the fund or custodian invests the cash collateral, the result is that the assets of the fund are increased (a leverage impact). This type of securities lending has a similar risk profile to reverse repos.

Many banks have entered the securities lending business since the late 1980s. This has led to lower fees and, in turn, more aggressive investment policies. In November 1994, investors and custodians learned about the true risks in securities lending when The Boston Co., a unit of Mellon Bank Corp., announced a $130 million net write-off ($223 million pretax) related to securities lending losses. In The Boston Co. case, instead of accepting securities as collateral, the custodian accepted cash as collateral and was willing to take on significant investment risks. Although The Boston Co. was acting as an agent, not as a principal, it absorbed its clients' losses for business reasons.

Standard & Poor's reverse repo and securities lending criteria take into account incremental risks associated with these strategies. The criteria focus primarily on the counterparty credit quality, the term of the transaction, and the effect that leverage has on a portfolio's weighted average maturity (WAM).

As with repos, Standard & Poor's views reverse repos and securities lending transactions as posing counterparty risk, and therefore limits counterparty ratings to 'A-1+' and 'A-1' at the 'AAAm' and 'AAm' rating levels. As a general guideline, Standard & Poor's views all investments made by the fund (related to reverse repos and securities lending) as assets of the fund. In each of these cases, a modified WAM is calculated. Standard & Poor's then applies its sensitivity matrix, as is done with all rated money market funds.

Standard & Poor's also takes a conservative view when analyzing the structure and term of the overall transaction. All transactions should be "matched" on both sides. For example, cash from a reverse repo with a seven-day term should be invested in a security with a seven-day maturity. Additionally, at the 'AAAm' rating level, the transactions should not exceed 25% of net assets on maturities less than or equal to 7 days or 10% on maturities greater than 7 days, with the term of the transaction limited to 30 days or less. Since the securities that are reversed or loaned out are tied up for the term of the transaction, Standard & Poor's views these securities as illiquid for transactions beyond seven days.

Standard & Poor's is also concerned with incremental risks associated with purchasing agency variable-rate notes (VRNs) with borrowed monies (via reverse repos or securities lending). To limit the potential for mismatching maturities, Standard & Poor's feels it is inappropriate for highly rated funds to invest greater than 10% of borrowings in VRNs. For example, a $100 million portfolio that levers 25%, or $25 million of net assets, should limit VRNs to 10%, or $2.5 million, of the borrowed funds in VRNs. All VRN purchases should meet Standard & Poor's VRN guidelines for rated money market funds.

The reverse repo and securities lending criteria recognize the incremental risks associated with these strategies. The following example will assist in understanding the effects that leverage can have on a fund's WAM. Assume an unlevered fund is comprised of a 60-day Treasury security, or a bullet portfolio with a WAM of 60 days. This $100 million portfolio enters into a reverse repo, or lends 25% of its assets and invests the proceeds in an overnight deposit. While this transaction is matched, Standard & Poor's also analyzes the reported effective WAM. If the overnight repo investment is included in the portfolio, the WAM (gross) could be reported as 48 days ([80% * 60 days] + [20% * one day] = 48 days). However, because the increase in assets to $125 million has a leverage effect, the WAM has to be calculated on a net basis, which is 60 days. To properly adjust the WAM, take the unlevered portfolio WAM of 60 days and add the WAM of the borrowed assets (60 + [25% * one day]). If the fund invested in a 30-day security, the fund's effective WAM would be 68 days (60 +

Impact of Redemptions on Weighted Average Maturity (WAM) of a Levered Portfolio

Redemption (%) Gross	Effective LEV Factor	Effects on WAM Invest in Overnight REPO
0	1.25	60
5	1.27	64
10	1.29	69
15	1.31	74
20	1.33	80
25	1.36	82
30	1.40	84
35	1.44	87
40	1.50	90
45	1.57	94
50	1.67	100

Redemption (%) Gross	Effective LEV Factor	Effects on WAM Invest in 30 day
0	1.25	68
5	1.27	70
10	1.29	73
15	1.31	76
20	1.33	80
25	1.36	82
30	1.40	84
35	1.44	87
40	1.50	90
45	1.57	94
50	1.67	100

Assumptions: (1) Unlevered weighted average maturity (WAM) portfolio is 60 days. (2) Initial portfolio was levered 25% of net assets. (3) Initial unlevered barbell portfolio is 50% 120-day Treasuries and 50% overnight repurchase agreement (repo). (4) Overnight repo is used to meet redemptions. (5) Effective leverage calculated immediately after redemption.

[25% * 30]). Further, Standard & Poor's analyzed the impact of redemptions on the levered portfolios and found the WAM differences to become even more significant. For example, the 60-day portfolio with 25% net leverage experiences a sharp rise in its effective WAM to 80 days following an immediate 20% redemption in assets *[see Impact of Redemptions on Weighted Average Maturity (WAM) of a Levered Portfolio page 25]*.

Standard & Poor's expects rated funds to provide the following information with regards to securities lending and reverse repo transactions on a weekly basis:

- Gross assets (market value basis) and net assets (market)
- Percentage of fund in reverse repo and/or securities lending transactions
- All terms of transaction (i.e., counterparty, collateral type)
- Investments from transactions included in portfolio holdings reports as fund assets
- Weighted average portfolio maturity calculation adjusted for effects of leverage

REGULATION VS. RATINGS

Rule 2a-7 of the Investment Company Act of 1940 is the primary section of regulation that governs U.S. domestic money market funds. The rule has been formally amended several times since its adoption in 1983 and there have been numerous interpretive releases and exemptive orders with regard to 2a-7 rules issued by the SEC over the past few decades. Rule 2a-7 was established to limit risks in money market funds could take to provide investors safety of principal and liquidity from money market fund investing. The rule, and prudent management, has been very effective to attaining these goals.

Standard & Poor's money market fund ratings address a money market fund's ability to provide principal safety and liquidity, but there are significant differences between the minimum standards required by Rule 2a-7 and Standard & Poor's rating criteria for the highest rating categories. In fact, a fund that met the bare minimum regulatory requirements would at best qualify for a 'BBBm' rating from Standard & Poor's. This rating could be lower depending on the fund's cash flow patterns, management experience and controls, investment parameters, and current marked-to-market net asset value (NAV).

The main areas in which Standard & Poor's approach differs from Rule 2a-7 guidelines are in the treatment of a portfolio's:

- Weighted average maturity (WAM)
- Credit quality
- Floating rate securities
- Less-liquid securities
- Repurchase agreements (repos)

In dealing with weighted average portfolio maturity, Rule 2a-7 allows for a maximum of 90 days. There is a common misconception that this is a blanket endorsement for a 90-day WAM but this is not the case. The rule states that a fund's WAM should be at an appropriate level to maintain a stable NAV, but in no case exceed 90 days. It implies that funds with volatile or less liquid assets or interest rate-sensitive shareholders should seek lower WAM levels.

The highest rating that a money market fund that allows for a 90-day WAM can get from Standard & Poor's is 'Am'. Analysis shows that a fund with a 90-day WAM will likely break the dollar as a result of an interest rate rise of 205 basis points, without taking into account subscription or redemption activity. Higher rating categories require lower WAMs, with 'AAAm' fund guidelines set at a maximum of 60 days; however, this can be set lower depending on the types of assets held and shareholder characteristics.

Rule 2a-7 delineates minimum credit

quality standards for money market funds. A taxable money market fund must have at least 95% of its assets invested in first-tier securities. A first-tier security is defined as being in the highest rating category of at least two nationally recognized statistical rating organizations (NRSROs) or deemed equivalent by the fund's adviser. The remaining 5% may be in second-tier securities (rated in the second-highest rating category by two NRSROs or deemed equivalent by the fund's adviser). First-tier securities have a 5% Issuer diversification limit (excluding government securities). Issuer concentrations are limited to 1% for second-tier securities. Certain exceptions are made for tax-exempt money market funds.

Standard & Poor's criteria for 'BBBm' ratings closely mirror Rule 2a-7 minimum standards. Higher rating categories require higher credit quality standards but there are no second-tier securities allowed in funds in Standard & Poor's investment grade fund ratings ('BBBm' or better). The SEC recognizes Standard & Poor's 'A-1' short-term rating category as first-tier. Standard & Poor's, however, uses a plus (+) symbol with some ratings to indicate relative strength within the category. Criteria for all ratings of outline a minimum acceptable percentage of Standard & Poor's rated securities. Rule 2a-7 does not distinguish between 'A-1' and 'A-1+' ratings.

Rule 2a-7 views the credit quality of a repo as that of the securities underlying the agreement provided that the collateral qualifies for preferential treatment under the Federal Deposit Insurance Act or the Federal Bankruptcy Code. Since repos typically involve government securities, no diversification requirements apply. Standard & Poor's rating criteria look to the creditworthiness of the repo counterparty. The criteria are somewhat less stringent in terms of diversification and credit quality for 'A-1+' and 'A-1' quality counterparties than the criteria for unsecured obligations because of the short-term nature of the transactions and the fact that they are secured. However, Standard & Poor's is not comfortable with solely looking at the underlying instruments, as discussed in the repo section of the criteria.

NEGATIVE YIELDS VS. "BREAKING THE DOLLAR"

Money market funds have remained popular even though the yield on the average U.S. money-market fund recently hovered near an all-time low of 1% (at the end of 2002). The low yields are vexing enough for fixed-income investors although they still look relatively good compared to the losses posted by the average equity fund over the past few years. But they may also be the cause of another unpleasant surprise. Since fund expense ratios – (the percentage amount a fund charges to cover operating costs) may in some cases exceed the actual yield, investors who redeem their fund shares may find that their balance is actually lower than the amount they originally put in. In essence, the fund has posted a negative return, even though it has maintained its principal value and had a positive yield. Many money market funds are partially waiving or cutting fees to avoid this situation and to remain competitive.

Some fund professionals have warned that if rates go even lower, it might cause money-market funds to "break the dollar", a situation where the fund's principal value dips below $1.00 per share. It is important to realize the difference between high management fees eating up a fund's principal and the erosion in a fund's assets because of portfolio investment losses.

Standard & Poor's money market fund rating addresses the "safety" of the money fund's investments, and therefore, focuses on a fund's ability to limit loss. In the U.S., money market funds seek to maintain a "stable" net asset value (NAV) (or $1.00 NAV per share). The more conservative money market funds seek to avoid "breaking the one dollar per share or buck" by investing in highly creditworthy, short-term and very liquid investments while avoiding securities with higher degrees of credit, market or liquidity risk.

While investors should be cognizant of the fee structure of a money market fund, particularly its total expense ratio, fees are not part of the ratings assessment. Since the rating is focused on a money market fund's ability to avoid losing ½ of 1% or more (because if it loses more than ½ penny it would be "'forced" to pay out 99 cents a share), Standard & Poor's analysis is mainly focused on the fund's portfolio level risk (e.g., credit ,market risk, liquidity, and management). Therefore, as long as the market value of the fund does not deviate by ½% and has sufficient liquidity to meet redemptions, the fund should maintain a "stable" share price. Yields have and will continue to rise and fall over time, and as of the end of 2002, yields were at their lowest level since the 1960's.

If you were to invest $10,000 in a rated money fund and receives back $9,950 at the end of one year because your fees were higher than your return, doesn't this mean that the fund "broke the dollar"? While the investor may not be happy with the return of the investment, the fund has maintained principal value and did have a positive yield. Let's say, for instance, that the fund had a 1.00% yield over the past year, but its total expense ratio was 1.50%. In this situation, the investor would receive back their original $10,000 investment plus the 1.00% yield MINUS the 1.50% - thereby netting the investor "less" than the original $10,000 (approximately $9,950). If the fund had a total expense ratio of 0.50%, it would have generated a positive return of nearly $50.00, and the investor would have received back $10,050 at year-end.

An example of a fund "breaking the dollar" is as follows. Let's say that money market funds are yielding 4%, with a total expense ratio of 1.50%. If you invested $10,000 in a money market fund and during the time you held this investment, the fund experienced a problem with a security in its portfolio and had to sell it for a 2% market value loss to the overall portfolio. That loss is reflected in the amount of assets available to pay investors when they decide to redeem their shares in the fund. If you decide to redeem you shares at this point, your shares would be worth $0.98. While you may receive a check for

$10,050 your principal (now $9,800), plus the $400 dividend payout, minus the $150 in fund expenses (1.50%) netting $10,050, this fund actually experienced a principal loss since its market value deviated by more than ½ of 1% or 2%, in this case. This is when a fund "breaks the dollar". So even though the fund had a higher return for the one-year holding period, it did lose principal value. It should be emphasized, though, that this is an exceptionally rare occurrence.

LIMITED LIQUIDITY BASKET

Money market fund's that abide by Rule 2a-7, both U.S. based and certain offshore funds, can elect to classify and hold up to 10% of their assets in an illiquid basket. This illiquid basket was intended to provide money market funds with a safe holding place to prevent these "illiquid" securities from causing a deterioration of a money market fund's net asset value (NAV) during periods of illiquidity for these securities. Standard & Poor's recognizes that a number of rated money funds are taking on increased price risk by holding certain securities, that while they may not consider these securities to be part of the fund's illiquid basket, Standard & Poor's deems these securities to be less liquid than other money market securities. For this reason, Standard & Poor's is implementing up to a 10% "limited liquidity basket" for rated money market funds.

These "limited liquidity" securities tend to be less liquid for a variety of reasons. Liquidity may be limited due to their relative newness to money markets, limited trading activity or inactive secondary markets, dependency on a single Issuer or broker, the small number of dealers making a market in the security, customization of the security or the complex nature of the security. Since liquidity is defined as the speed at which the security can be sold for the price at which the fund has it valued, accurate pricing and a deep secondary market are considered key in determination and stability of the fund's overall marked-to-market calculation. There have been instances where a certain security or security type has performed as expected and was liquid one day, but when markets turn (e.g., due to a market event such as default or put) these less liquid instruments could perform quite poorly as measured by price depreciation and liquidity, causing further stress on the market value of the money market fund.

Standard & Poor's assigns ratings to money market funds based on the fund's credit quality and liquidity, and its ability to manage both the market risks and liquidity risks associated with these holdings given its shareholder base. Each money market fund's liquidity needs and its ability to hold and manage less liquid securities is considered on a case-by-case basis. A fund with a limited operating history, or with a volatile shareholder base may not be able to effectively manage and maintain a high degree of share price stability with any exposure to securities with limited liquidity. In addition, a fund manager must be able to:

- Clearly and effectively demonstrate a thorough understanding of the risks presented by the security
- Internally price or value the security
- Offset the liquidity risks presented to the fund by these limited liquidity securities

Securities considered to possess "limited liquidity" by Standard & Poor's are limited up to an aggregate of 10% of fund assets. Currently, the following securities should be considered to be part of the "limited liquidity" basket:

Note: Securities not listed below may be considered by Standard & Poor's to possess limited liquidity.

- Funding Agreements having unconditional puts beyond 7 days
- Extendible notes where the Issuer of the security has the option to extend
- Term repurchase agreements (repos) beyond 7 days
- Securities denominated in currencies other than a fund's base currency and swapped back into the base currency of the fund
- Time deposits exceeding 7-days to maturity, unless the deposit agreement has a specific option enabling the holder to break the deposit without a penalty or additional cost
- Master notes, promissory notes and loan participation notes
- Credit linked notes (CLNs)

CLNs and other credit default swaps present funds with "limited liquidity" due to their inherent credit leverage and dependency on a specific broker for liquidity. Given these two risks, credit linked notes held by rated money market funds should mature in 13 months or less and be limited to a maximum of 5% of a fund's total assets diversified by 1% per issue and 2% per sponsor/broker. Securities sponsored by a broker/dealer that are not CLNs will not count toward this 2% limit. It is also recommended that funds take the most conservative route when applying its diversification guidelines by also counting the exposure to the underlying credit of a CLN (i.e., reference entity) toward their Issuer diversification guidelines.

Standard & Poor's must rate all securities held in the limited liquidity basket 'A-1' or 'A-1+'. In addition, Standard & Poor's rated funds should contact Standard & Poor's prior to purchasing any newly created securities or questionable security types not on this list to determine their liquidity and eligibility status. Standard & Poor's will re-evaluate the status of these securities and will update the limited liquidity list on an ongoing basis.

EUROPEAN/OFFSHORE MONEY MARKET FUND RATINGS

The following criteria apply to European and Offshore registered or (non U.S. 2a-7 registered) Money Market Fund Safety Ratings.

Credit Quality

If a fund invests in a security that possesses a guarantee from a rated third party, the rated guarantors should comply with Standard & Poor's credit criteria for the respective fund-rating category. Standard & Poor's will also conduct a review of any guarantees to ensure they meet Standard & Poor's minimum requirements for rated funds.

Maturity

The remaining term to maturity or, in the case of floating rate variable rate securities, the interest reset date of any security at the date of purchase, should not exceed 397 days. Maturity limits for floating rate or variable rate securities are detailed in the section below: Floating/Variable Rate Securities (FRN/VRN).

Liquidity

Generally no more than 10% of any fund should be invested in securities considered illiquid or less liquid than typical money market eligible securities. Such securities include: securities denominated in currencies other than a fund's base currency and swapped back into the base currency of the fund; time deposits exceeding 7-days to maturity, unless the deposit agreement has a specific option enabling the holder to break the deposit without a penalty or additional cost; and repurchase transactions (repos) with terms greater than 7 days, *(see Limited Liquidity Basket, page 27)*.

Diversification

No single Issuer should represent more than 5% of fund assets, however an exception can be made for exposure up to 10% per issue if 5% of such exposure matures within 90 days. 'AAA' rated OECD government issues are excluded from this condition, although in the case of single OECD Issuers, diversification of issues should be included).

Floating/Variable Rate Securities (FRN/VRN)

Standard & Poor's has reviewed its guidelines for floating rate note (FRN) and variable rate note (VRN) holdings in non-U.S. domiciled money market funds and made the following additions to its criteria. Current guidelines limit the maximum final maturity of all floating and variable rates securities held by a 'AAAm' rated money market fund. This limit is set at 397 days unless the security is issued by sovereign Issuer rated 'AA' or better by Standard & Poor's in which case the maximum final maturity is two years.

Under new guidelines on a case-by-case basis, consideration will be given to requests from 'AAAm'-rated funds to approve holdings of FRNs/VRNs for Issuers other than 'AAA'-rated sovereigns with time to final maturity greater than 397 days but no more than two years. All such FRNs/VRNs must have a Standard & Poor's short-term rating of 'A-1+'. If the Issuer does not possess a short-term rating, a Standard & Poor's long-term rating of 'AA' or better is required.

The total holdings of all such FRN/VRNs will be limited to no more than 5% per Issuer and in aggregrate to no more than 10% of net assets of the fund. Additionally, these investments should be public (not privately placed) liquid issues (i.e., established secondary market) and each fund should not be comfortable owning a large portion of issue outstanding.

Before granting approval to extend the maturity range of FRN/VRN holdings, Standard & Poor's will seek assurance that ample liquidity can be maintained by virtue of the fund's size, diversified shareholder base and range of other assets and that adequate resources are available to analyze and manage credit risk.

With respect to asset backed (ABS) floating rate securities, internal research by Standard & Poor's has indicated that the most prudent practice for Standard & Poor's rated money market funds is to limit investments in ABS floating rate instruments to a legal final maturity of two years or less. Standard & Poor's does not believe it is appropriate for highly rated money market funds to use the expected maturity date of such instruments as this date is calculated at the time of issuance and periodically thereafter based on the expected cash flows. The legal final, also known as the rated final, is the date by which the principal will ultimately be made under a worst-case scenario.

Accumulating Net Asset Value (NAV) Funds

Like $1.00 per share Net Asset Value (NAV) or stable money market fund ratings, Standard & Poor's accumulating NAV money market fund ratings address the safety of invested principal and the funds ability to maintain principal value and limit exposure to loss.

In monitoring an accumulating fund's NAV, Standard & Poor's reviews the daily published share price of each rated fund to make sure that there is a constantly increasing NAV and that if there is a decrease, it does not deviate more then the following percentages from its highest point: 'AAAm' 0.15%, 'AAm' 0.20%, 'Am' 0.25% and 'BBBm' 0.30%. If a fund's share price deviates beyond the amounts listed above, Standard & Poor's will ask the fund for a daily pricing/marked-to-market NAV calculation. It is important to note the Standard & Poor's money market fund rating on an accumulating NAV fund, does not address decreases in NAV due to periodic distribution of accrued income.

In addition to receiving the daily-published share price, Standard & Poor's requests a weekly calculation of the value of assets in the fund, calculated on a marked-to-market value basis rather than an amortized cost basis. This is an important element of the surveillance as this allows us to monitor the ability of the fund to repay investor's original capital, while continuing to offer yield independently. Many money-market funds in Europe accumulate rather than distribute interest and we have previously monitored the funds ability to maintain a continually increasing unit price. As such, we ask all rated accumulating NAV funds to calculate an equivalent stable share value (i.e., 1.00) by dividing net assets calculated on a marked-to-market value basis by net assets calculated on an amortized cost basis and express this figure to 5 decimal places.

Custodian

Generally a rated fund's custodian should be rated at least 'A-2' by Standard & Poor's or be deemed equivalent to 'A-2' in consultation with Standard & Poor's mutual fund analysts. ■

STANDARD & POOR'S INVESTMENT SERVICES
KEY CONTACTS

Global Ratings Network

Boston
Philip N. Shapiro
84 State Street, 6th Floor
Boston, MA 02109
(1) 617-371-0300

Buenos Aires
Diana Mondino
Torre Alem Plaza, Av
Leandro N. Alem 855, Piso 3
1300 Buenos Aires
(54) 114-891-2100

Chicago
Sarah Eubanks
10 South Wacker Drive, 29th Floor
Chicago, IL 60606
(1) 312-831-0400

Dallas
Bruce Salzer
Lincoln Plaza
500 North Akard Street, Suite 3200
Dallas, TX 75201
(1) 214-871-1400

Frankfurt
Torsten Hinrichs
Neue Mainzer Strasse 52-58
60311 Frankfurt-am-Main
(49) 69-138-7090

Hong Kong
Lincoln Chan
36/F Edinburgh Tower, The Landmark
15 Queen's Road,
Central Hong Kong
(852) 2533-3500

London
Andrew Campbell-Hart
18 Finsbury Circus
London EC2M 7NJ
(44) 171-826-3800

Madrid
Juan de la Mora
Palacio de Miraflores
Carrera de San Jeronimo
15 Planta 1-Local Derecho
28014 Madrid
(34) 91-389-6940

Melbourne
Graeme Lee
Level 37, 120 Collins Street
Melbourne 3000
(61) 3-9631-2000

Mexico City
Victor Herrera, Jr.
Torre Chapultepec
Ruben Dario 281 Piso 16
Col. Bosque del Chapultepec
11580 Mexico, D.F.
(52) 5-279-2000

Milan
Raffaele Zippel
Via dei Bossi 4
20121 Milan
(39) 02-721-11201

Moscow
Cynthia Stone
Business Center, Suite 402
Radisson-Slavyanskaya Hotel
2 Berezhkovskaya Nab.
Moscow 121 059, Russia
(7) 095-941-8683

New York
55 Water Street
New York, NY 10041
(1) 212-438-2000

Paris
Jeanne-Françoise de Polignac
21-25 rue Balzac
75008 Paris
(33) 1-4420-6650

San Francisco
Steven G. Zimmermann
One Market, Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
(1) 415-371-5000

São Paulo
Kathryn Barrios
Rua Luigi Galvani, 200, Conj. 41
Sao Paulo SP 04575-020
(55) 11-5505-3376

Singapore
Cecile Saavedra
Prudential Tower, #17-01/08
30 Cecil Street
Singapore 049712
(65) 4-38-2881

Stockholm
Marianne Flink
Master Samuelsgatan 6, Box 1753
111 87 Stockholm
(46)8-440-5900

Tokyo
Yu-Tsung Chang
Yamato Seimei Building, 19th Floor
1-1-7 Uchisaiwaicho, Chiyoda-ku
Tokyo, 100
(81) 3-3593-8700

Toronto
Thomas Connell
The Exchange Tower
130 King Street West, Suite #2750
P.O. Box 486
Toronto, ON M5X1E5
(1) 416-202-6001

Washington
Amelie Wogan
1200 G. Street, NW, Suite 200
Washington, DC 20005
(1) 202-383-2350

Rating Information
Call for ratings on all issues and issuers.

Frankfurt
Doris Keicher
(49) 69-138-70919

Hong Kong
(852) 2533-3500

London
(44) 171-826-3540

Madrid
(34) 91-389-6969

Melbourne
(61) 3-9631-2000

Mexico City
Ericka Alcantara
(52) 5-279-2000

New York
(1) 212-438-2400

Paris
Lawrence Etienne
(33) 1-4420-6650

Singapore
Carolyn Sequeira
(65) 438-2881

Stockholm
(46) 8-440-5900

Tokyo
Yukie Abe
(81) 3-3593-8711

Toronto
Mary Ann Yung
(1) 416-202-6000

Ratings Services Media Contacts

Fixed-Income Research
Diane Vazza, New York
(1) 212-438-2760

Hong Kong
Agnes Lee
(852) 2533-3500

London
Sue Baxter
(44) 171-826-3504

Melbourne
Susan Shaw
(61) 3-9631-2000

New York
Shannon Bell
(1) 212-438-2756

Trevor Curwin
(1) 212-438-6679

Christina Pretto
(1) 212-438-2757

Paris
Laurence Aussedat
(33) 1-4420-6657

Tokyo
David Collins
(81) 3-3593-8579

Toronto
Rachel Shain
(1) 416-202-6013

Seminar Programs
Call for information on seminars and teleconferences.

Hong Kong
(852) 2533-3500

London
Sue Baxter
(44) 171-826-3504

Melbourne
Athina Kyrkou
(61) 3-9631-2000

New York
Diann Paradzinski
(1) 212-438-6680

Tokyo
Mana Hirose
(81) 3-3593-8702

Subscriptions and Customer Service
Call with questions on new or existing subscriptions to ratings publications and online products.

Hong Kong
Renee Wong
(852) 2533-3516

London
Steve Flaws
(44) 171-826-3510

Melbourne
Andrea Manson
(61) 3-9631-2112

New York
(1) 212-438-7280

Singapore
Carolyn Sequeira
(65) 239-6396

Tokyo
Sayoko Kozakai
(81) 3-3593-8585

www.standardandpoors.com

BOSTON

BUENOS AIRES

CHICAGO

DALLAS

FRANKFURT

HONG KONG

LONDON

MADRID

MELBOURNE

MEXICO CITY

MOSCOW

NEW YORK

PARIS

SAN FRANCISCO

SANTIAGO

SÃO PAULO

SINGAPORE

STOCKHOLM

TOKYO

TORONTO

WASHINGTON, D.C.

WWW.STANDARDANDPOORS.COM

U.S. Money Market Fund Ratings

Analysts

New York
Louis W. Lazzara, CPA
+1 212 908-0284
louis.lazzara@fitchratings.com

Jennifer D. Minelli, CFA
+1 212 908-0331
jennifer.minelli@fitchratings.com

Fritz Gallagher
+1 212 908-0836
fritz.gallagher@fitchratings.com

Paris
Aymeric Poizot, CFA
+33 1 44 29 92 76
aymeric.poizot@fitchratings.com

Charlotte Quiniou, CFA
+33 1 44 29 92 81
charlotte.quiniou@fitchratings.com

London
A. Said Rafat
+44 20 7417 4302
said.rafat@fitchratings.com

■ Summary

Fitch Ratings' money market fund ratings offer retail and institutional investors an objective means of assessing and comparing funds to determine underlying credit quality and safety of principal. Fitch assigns two types of ratings for funds:

- A credit rating, ranging from 'AAA' for the most creditworthy to 'CCC' for speculative, assessing a portfolio's overall credit quality.
- A volatility rating, reflecting the impact of interest rates, credit spreads, exchange rates, liquidity, and leverage on the fund's market price and total return. Volatility ratings are on a scale of 'V-1+' (least volatile) through 'V-10' (most volatile). The 'V-1+' rating is reserved only for money market funds and local government investment pools that are structured to exhibit stable net asset values (NAVs). Money market funds generally receive 'V-1+' and 'V-1' volatility ratings.

Fitch analyzes key factors contributing to a money market fund's safety of principal. Foremost among these are the fund's policies and procedures governing its investment style. Factors considered include credit quality, diversification, maturity, liquidity, shareholder composition and redemption activity, and policies concerning such investments as variable-rate notes and repurchase agreements (repos). Fitch analyzes each of these factors to ensure conformity with its rating guidelines. Equally important is an assessment of the money manager's experience, organization, credit selection process, and distribution process, as well as the adequacy of internal controls and systems.

Fitch assigns ratings at the request of a fund's management and after reviewing all pertinent material and performing an on-site asset manager review. Upon request, Fitch publishes a report summarizing its analysis, the fund's investment objectives and strategies, portfolio holdings, historical performance, fees, and other relevant information. Portfolios are reviewed weekly to ensure that ratings are current.

■ History and Background

Currently, there are nearly 900 money market funds — taxable and tax-exempt — which are marketed as low-risk, highly liquid investment alternatives for retail and institutional clients. The money market industry was born in 1971 when Bruce Bent and Harry Brown created the Reserve Fund, whose purpose was to provide a vehicle that focused on short-term liquid investments. While the Reserve Fund invested solely in Treasuries and other government debt to allow for the safest possible investment, as the industry developed, other asset types were added to the portfolios. These included certificates of deposit, bankers' acceptances, and commercial paper (CP).

Money Market Fund Trends
(As of Dec. 31)

	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total Assets ($ Bil.)									
Taxable Money Market Funds	1709.2	1062.8	1764.3	1997.2	2013.7	1607.2	1407.9	1164.9	792.0
Tax-Free Money Market Funds	336.5	310.3	288.4	274.8	272.5	238.0	204.5	188.5	160.8
Total	2045.7	1373.1	2052.7	2272	2286.2	1845.2	1612.4	1353.4	952.8
Total Number									
Taxable Money Market Funds	595	639	662	679	697	705	702	666	682
Tax-Free Money Market Funds	276	304	312	310	340	337	343	341	331
Total	871	943	974	989	1,037	1,042	1,045	1,007	1,013

The initial draw of money market funds was that they allowed easy access to the high yields available in the money market. This trend continued throughout the 1970s due to the high interest rate environment. By 1980, 56.7% of total fund assets were managed by 106 money market funds. While the mutual fund industry has matured with the availability of a much wider range of funds and strategies, assets invested in money market funds still make up almost one-quarter of the more than $8 trillion invested in mutual funds in the U.S., according to the Investment Company Institute.

The past several years have been tough for money market funds. Due to the low interest rate environment, including the Federal funds rate reaching a 40-year low of 1.00%, there has been a significant drawdown of moneys invested in these funds. In this environment, investors need transparency as to the policies and performance of the funds they invest in to ensure the risk profile of each fund matches their expectations. While Rule 2a-7 of the Investment Company Act of 1940 provides the regulatory framework for money funds, it does not specifically address all areas of risk that can be borne by money market funds. Additionally, money market funds that are in compliance with Rule 2a-7 can still offer varying degrees of principal safety, liquidity, and share price stability, thus giving rise to the need for careful analysis and ongoing surveillance of money market funds.

■ Types of Money Market Funds

Although the money market industry is thought to be homogeneous, there are several degrees of conservatism. Some funds will invest only in U.S. government-backed Treasuries, while others will invest in a wide range of liquid assets. The following are several of the types of funds available to investors.

Prime Funds

Prime money funds are money market mutual funds that invest in a variety of high-quality, short-duration assets. Unlike taxable funds that only purchase obligations of the U.S. government and its agencies, prime funds may invest in the public debt of private sector issuers. For example, prime funds may purchase assets such as CP, medium-term notes, bankers' acceptances, corporate debt, asset-backed CP (ABCP), certificates of deposit, and funding agreements, as well as obligations of the U.S. government and its agencies.

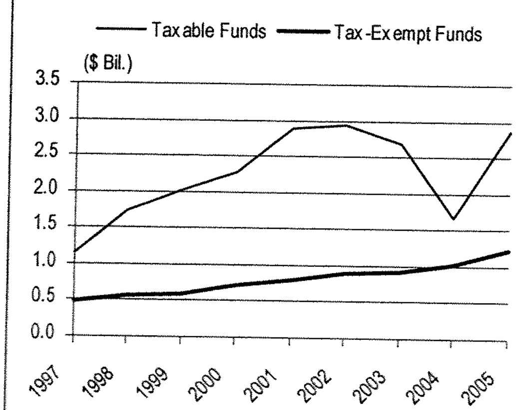
Government Funds

Government funds invest in U.S. Treasuries and obligations of government-sponsored entities, including Fannie Mae, Freddie Mac, Ginnie Mae, and Sallie Mae. These assets are rated 'AAA' and are highly liquid.

Reserve Funds

Following Bruce Bent's philosophy, reserve funds invest only in U.S. Treasuries. The U.S. Treasury market is the most liquid in the world while maintaining the 'AAA' credit quality of the U.S. government.

Avg. Net Assets per Money Market Fund
(As of Dec. 31)



Tax-Exempt Funds

A tax-exempt money market fund invests in a portfolio of municipal securities maturing in 13 months or less or longer-maturity securities structured with periodic put provisions. Generally, the investment objective of such funds is to provide dividend income exempt from federal income tax and consistent with the stability of principal. For Fitch to assign a credit rating to a tax-free fund, the securities in the portfolio must be rated in the Tier I or Tier II short-term category by a nationally recognized statistical rating organization (NRSRO) or be of comparable quality with securities having such ratings.

The municipal bond market consists of many securities with short maturities and/or put provisions: tax anticipation notes, revenue anticipation notes, tax and revenue anticipation notes, bond anticipation notes, municipal CP, variable-rate demand notes, and municipal bonds and leases. Typically, many of the fund's investments are credit enhanced by a guaranty, a letter of credit (LOC), or insurance. Fitch focuses on management's credit analysis process and its selection of securities for purchase into the fund, as well as the financial condition and rating of the party providing the credit enhancement.

Offshore Funds

The regulation of offshore funds is not as mature as that of U.S. funds, which are governed by Rule 2a-7 of the Investment Company Act of 1940. In Europe, many money funds turn to the central bank of Ireland or Luxemburg, whose criteria differ from Rule 2a-7. In Asia, the regulatory environment is less mature and still developing. For detailed information, see Fitch Research on "European Money Market Fund Ratings," soon to be released on Fitch's web site at www.fitchratings.com.

■ Rating Process

Fitch rates taxable and tax-exempt money market funds at the request of fund management and with their agreement to provide the necessary portfolio information on a timely basis. The rating process begins when Fitch receives a written request for a rating from a money market fund's management. Fitch will then forward an asset manager review agenda, which outlines what is typically discussed during the on-site manager review visit. This agenda also specifies key information that should be provided before the on-site visit. For a copy of this agenda, see Appendix A, pages 10–12.

Upon receipt and analysis of this information, Fitch will request a meeting with fund management to develop an in-depth understanding of investment strategies and objectives and evaluate the fund's investment procedures, infrastructure, and risk management systems.

■ Fund-Level Criteria

There are several categories of risk that Fitch examines at the fund level to determine credit quality and safety. These include the credit quality of the portfolio, the maturity of the assets in that portfolio, and the liquidity of those assets. Fitch's fund-level criteria allow the fund to be managed in a manner consistent with a high degree of liquidity and a stable NAV while giving the fund managers the flexibility they need to meet investors' demands.

Credit Quality and Diversification

Fitch's criteria state that 'AAA' rated money market funds must invest in 100% Tier I capital. Tier I securities must have either a short-term rating equal to or greater than 'F1' or a long-term rating of at least 'A'. In addition, Fitch considers single issue concentration, with this generally limited to no more than 5% of the fund's moneys. However, for holdings with maturities of less than 90 days that have issuers rated 'F1+' with no Negative Rating Watch or Rating Outlook by any rating agencies, the concentration limit can be extended to 10%. When considering the 5% issuer limit, the fund should take note of the Rule 2a-7 10% obligor test for ABCP. The table below illustrates the mapping between short- and long-term ratings.

Additionally, to ensure stability of principal, money market funds must have minimal exposure to risks of credit downgrades and defaults. A money market fund's overall credit quality depends on the quality of the individual securities in the portfolio and diversification across investment types and issuers.

Approximate Relationship Between Long- and Short-Term Ratings

Long-Term	Short-Term
'AAA'	'F1+'
'AA+'	'F1+'
'AA'	'F1+'
'AA–'	'F1+'
'A+'	'F1'*
'A'	'F1'
'A–'	'F2'*
'BBB+'	'F2'*
'BBB'	'F3'*
'BBB–'	'F3'

*In exceptional circumstances, the ratings may be higher.

Assessment of credit quality includes a review of policies and procedures regarding credit exposure, as well as management oversight and experience. Well-managed funds have clearly articulated and documented policies and procedures to control portfolio diversification, minimizing exposure to any single issuer or market sector.

In some instances, money market investments are supported by an LOC agreement from a highly rated financial institution for credit enhancement purposes. Issuers use the LOC to achieve a higher rating than would be possible on the basis of their stand-alone credit quality. Fitch reviews the fund's policies regarding securities backed by LOC providers to ensure that there are no undue concentrations and that any LOC exposures are consistent with the fund's overall credit policy and counterparty risk management guidelines.

Maturity

Limits on weighted average maturity (WAM) ensure that a fund's overall sensitivity to changing interest rates does not jeopardize its ability to maintain a stable market value. Under Rule 2a-7, all money market funds must maintain a WAM of 90 days or less. In assessing the duration exposure within a fund, Fitch takes into consideration an assessment of historical rate movements consistent with each rating category, as well as the liquidity and marketability of portfolio holdings. Furthermore, Fitch considers the fund's asset size and volatility, as well as shareholder composition. The lower the exposure to interest rate volatility (i.e. through a lower WAM), the higher the credit rating. All else being constant, more liquid holdings present a lower absolute degree of price risk and, accordingly, can support a somewhat higher average maturity.

At the highest rating category, maturity limits are designed to ensure that the fund can maintain stability of principal with a high degree of confidence, even during periods of extreme market volatility. Funds rated 'AAA' have a WAM limit of 60 days, while funds with WAM limits ranging from 61–90 days are reviewed closely to assess the combined added exposure to interest rate, liquidity, and market risk.

These extended WAM parameters may not be appropriate for smaller, start-up funds with unproven operational capabilities, particularly with respect to managing investment concentrations and redemptions. When rating newer and/or smaller funds, Fitch may adjust its WAM expectations at the various rating levels. Typically, these expectations are revised upward as the fund achieves higher asset levels and establishes a track record. However, for all fixed-rate securities, the maturity is limited to 397 days.

Liquidity

The liquidity of investments and the management of redemptions play a determinant role in assessing a fund. While Rule 2a-7 guidelines state that the board of directors of the fund is responsible for the determination of liquidity, the Securities and Exchange Commission (SEC) has ruled that any repo greater than seven days is considered illiquid. As mentioned, more liquid investments present lower risk to fund principal. Highly liquid, readily traded investments are less likely to experience pricing inefficiencies during periods of market disruption and, therefore, facilitate a fund's ability to meet ongoing redemptions without the risk of principal loss. Moreover, liquid investments are more amenable to accurate pricing on a daily basis and support the fund's ability to correctly measure NAV over time.

Money market funds are allowed to invest 10% of their assets in investments deemed illiquid per Rule 2a-7. However, liquidity is not easily measured, and deciding which securities belong in the "illiquid" bucket is an important aspect of managing a fund. Some securities (like certain types of structured notes) may be liquid in certain markets while illiquid in others. Illiquid securities are generally viewed as those not readily marketable and that cannot be sold pursuant to a demand feature within seven days. A security can be thought of as readily marketable if it can be sold for approximately the price at which the fund has it valued.

Fitch continuously monitors the market in terms of size, volume, and liquidity from a variety of sources, including asset managers, bankers, traders, and product specialists. Specific areas addressed while determining liquidity include the number of dealers and the speed of a bid (Fitch expects that at least one bid be obtained within a day, otherwise the asset is viewed as illiquid). Other metrics of liquidity include: issuer characteristics, trading volume, program size, and the transparency of the issuer. However, as mentioned before, ultimately the onus for determining whether an asset is liquid or not falls on the board of directors of the fund.

The counterpart to managing the liquidity of investments is the necessity to accurately monitor and anticipate subscription/redemption activity. Fitch tracks both the top account as a percentage of net assets and the top five accounts as a percentage of net assets. Conservatively managed funds should closely monitor redemption activity and structure and diversify the portfolio to ensure adequate liquidity, even during periods of high redemption activity. In addition, conservatively managed funds should seek to diversify their shareholder base to avoid the potential for large and sudden redemption requests.

Management

The ability of a fund to meet its investment objectives ultimately depends on management's experience and commitment. Therefore, an assessment of management's qualifications and specific track record in managing the fund under review (or a comparable fund) is an integral part of the fund rating process. Fitch reviews the policies and procedures developed by management to meet its investment objectives, as well as the supporting organizational structure, internal controls, risk management, and reporting systems.

Fitch will meet with senior management at the fund's principal headquarters and will evaluate management's effectiveness in organizing and implementing specific steps to achieve its stated investment goals. Multiple funds can be rated once the management review process is completed. The assessment of management considers the following (a more detailed synopsis of Fitch's manager review process can be found in Appendix A, pages 10-12):

- Experience and track record in portfolio management.
- Operating policies and risk management guidelines.
- Implementation success and commitment to policies.
- Extent and comprehensiveness of internal controls and reporting systems.

■ Asset-Level Criteria

In addition to looking at broad aspects of the fund such as credit quality and liquidity, it is important to examine the portfolio holdings. There are several asset classes that deserve special attention. These include notes with put/demand features, variable-rate notes, repos, ABCP, money market tranches of collateralized debt obligations (CDOs), extendible notes, exchangeable notes, funding agreements, and securities lending. Brief descriptions of these asset types and Fitch's criteria for each follow.

Notes with Put/Demand Features

Money market funds frequently invest in securities that can be put on demand or in a predetermined time period at a specified price. The put provider can be either the issuer or a third-party guarantor. In many cases, portfolio managers purchase securities supported by third-party put providers to shorten average portfolio maturity and to stay well within Rule 2a-7 parameters. Thus, the ability and willingness of the put providers to honor the agreements are critical factors in assessing any security's risk. Terms of the put agreements should be reviewed to ensure enforceability during periods of stress and that there are no "outs" available to the put provider. Additionally, the credit quality of the providers, as well as the level of concentration with any single provider, is reviewed to ensure conformity with the fund's overall policy regarding credit risk and consistency with the assigned rating.

Variable-Rate Notes

Policies and controls with respect to variable-rate notes are examined to ensure compliance with established regulatory guidelines. Under Rule 2a-7, money market funds are mandated to pursue investment policies that are consistent with and support a stable NAV. Fitch requests that the fund explicitly disclose the formulas, current market value, and frequency of reset of any floating- or variable-rate notes in its weekly surveillance report to Fitch. If floating-rate notes constitute a large percentage of the portfolio, their reset dates and frequencies should be staggered for WAM purposes. With regard to the maturity of these notes, there is a two-year limit on nongovernment notes for 'AAA' rated funds and a five-year limit on government notes.

A fund's policies should ensure that any variable-rate note, upon adjustment of its interest rate, could reasonably be expected to have a market value approximating par. To reasonably assure that the security will return to par, the underlying interest rate index should move in tandem with changes in short-term market rates. The acceptable indexes are the three- and six-month U.S. Treasury bill, three- and six-month and one-year London Interbank Offered Rate (LIBOR), one-year Constant Maturity Treasury (CMT), prime rate, and Commercial Paper Composite indexes. Accordingly, variable-rate notes that reset on the basis of a longer-term index (such as the 10-year CMT) or are tied to a lagging index (such as the 11th District Cost of Funds Index) would be inappropriate for money market funds. Additionally, structured notes with complex coupon formulas generally do not conform to Fitch's guidelines for variable-rate notes. Examples of these types of securities are inverse floaters, capped floaters, range floaters, and dual-index notes. Because of their coupon formulas, these securities incur an unacceptable risk that their market values will not return to par at reset as a result of changing market interest rates.

Repurchase Agreements

Money market funds use repos as one of many available short-term, liquid investments. The repo market is a highly institutionalized, liquid source of shorter-term investments. If the repo transaction is properly structured and documented, the risk of loss is minimal, since the fund can look to the collateral in the event of default. Nonetheless, when assessing repos, the overriding concern is the credit quality of the repo counterparty. With a lower-rated counterparty (below 'F1' or equivalent), disruption in liquidity might occur as a result of default, since some amount of time may be required for orderly disposition of the collateral. Highly rated counterparties minimize the likelihood of default and, therefore, provide assurance of continual liquidity, which is consistent with the conservative nature of money market investments.

Repo counterparties currently rated in Fitch's highest short-term categories ('F1' and 'F1+') or an equivalent rating category of another NRSRO are very low risk, provided the agreement is properly structured. For funds rated 'AAA' by Fitch, 100% of assets may be invested in repos with counterparties rated 'F1' or better for short-term debt and/or 'A' or better for long-term unsecured debt. Fitch closely examines the level of repo counterparty diversification to ensure minimal concentration risk. For any single counterparty rated 'F1' (or equivalent), no more than 35% of fund assets may be invested in repos maturing in seven days or less. Moreover, in accordance with Rule 2a-7, in total no more than 10% of fund assets may be invested in repos with maturities of more than seven days.

As part of the fund review process, Fitch assesses the credit quality of the repo counterparties, the soundness of the agreements, and operational procedures and controls. Fitch ascertains that the fund is adhering to industry standards for documentation, perfection of security interest, and margin policy. Additionally, Fitch reviews the collateral supporting the agreements.

Asset-Backed Commercial Paper

ABCP is an attractive asset class for money market funds because it offers yields that are comparable to LIBOR. Along with offering attractive yields, ABCP allows funds to diversify into different asset classes, including various types of receivables. Moreover, ABCP programs are structured very soundly, which allows for full and timely payment of principal and interest at maturity. In addition, the ABCP market is an established and liquid market. Even during the most severe market disruptions, money market funds should be able to sell their ABCP holdings at fair prices.

Fitch believes that ABCP is a viable investment alternative for money market fund managers that have a solid understanding of the structure, risks, and regulations associated with this asset class. In addition, portfolio managers should only buy ABCP if it is consistent with the fund's investment strategy and policy. This must include a thorough analysis of the investment's compliance with Rule 2a-7, as well as the implementation of procedures to monitor 10% obligor concentrations and various SEC diversification guidelines. By performing a thorough investment analysis, using NRSROs' ratings, and following the diversification standards established by the SEC, a knowledgeable portfolio manager can effectively invest in ABCP.

Beyond traditional liquidity facilities provided by third parties, ABCP conduits can use extendible CP (commonly referred to as extendible commercial notes [ECNs] or secured liquidity notes [SLNs]) that offers liquidity support derived from an extension period. ECNs have an expected maturity date that is prior to the final maturity date. If, on the expected maturity date, the conduit cannot repay ECN investors due to lack of liquidity, it has the ability to delay repayment by extending the maturity to the final maturity date. In many cases, the final maturity date is 364 days after the initial CP issuance. However, recent SLN issuances have had relatively shorter extension periods of between 10 and 30 days. For 'AAA/V-1+' rated funds, Fitch takes the same conservative stance it does for corporate ECNs and requires extendible ABCP to be booked to the final legal maturity (assuming extension) unless counted toward the 10% illiquid bucket.

Credit ratings of ABCP conduits are largely driven by the credit quality of liquidity providers *(see Fitch Research on "The Importance of Liquidity Support in ABCP Conduits," dated Aug. 22, 2005, available on Fitch's web site at www.fitchratings.com)*. Generally, such liquidity providers are of good quality — their ratings representing a ceiling for the transactions' ratings — and remedial actions allowing transfer of credit risk to a suitably rated third party are available to them in case of downgrades. Nevertheless, diversification being of paramount importance, the indirect exposure to a liquidity provider should be diversified. As a guideline, Fitch expects a fund's counterparty exposure to be limited to 25% of NAV.

Money Market Tranches of CDOs

Fitch has seen rated CDOs issue primarily two types of money market notes: short-term notes (ABCP) and extendible notes. Both types qualify as Rule 2a-7 eligible securities, as determined by money market funds, because their final maturities are 397 days or less. The majority of these notes have coupons that reset off of LIBOR. However, each type has slightly different features. Fitch speaks with third parties (bankers and buy-side investors, among others) to determine market liquidity of these instruments and ensure the proper treatment for them in money market funds.

CDO money market extendible notes are similar to short-term CP, but they have an option to extend for up to six months. Fitch's current finding is that extendible note structures should be placed in the illiquid bucket. The issuer's ability to extend an additional six months can have major implications for the liquidity and price sensitivity of this asset class. However, notes with a hard put feature, as well as similar CP structures, could be viewed as liquid securities if a variety of other factors are met. These would include, among others, the number of dealers on the issue, the relative size of the investment position to the overall CP issuance, the fund's board of directors's comfort with liquidity, and the portfolio manager's expertise regarding this asset class.

Potential factors that Fitch looks at to determine liquidity in the CDO market include the size of the transaction, the number and experience of dealers in the transaction, the transaction's ratings, and access to transaction information. The ability and willingness of the dealers on a transaction to create a secondary market is paramount when determining liquidity. Based on Fitch's discussions with certain dealers, new deals have been oversubscribed, which gives Fitch some comfort as to liquidity. However, as with all new asset classes, the lack of historical performance makes it difficult to predict how an asset class will behave during stressful periods. In cases requiring additional analysis to determine the liquidity of an asset, the determination will be based on consultation with Fitch CDO analysts, external parties, and the fund manager.

Fund managers deciding to invest in money market tranches of CDOs are expected to have reviewed the structure thoroughly, have a solid understanding of the risks, have an understanding of the CDO manager capabilities, and have established resources to monitor these securities. Furthermore, portfolio managers should buy CDO money market notes only if they are conducive to the fund's investment strategy and policy.

Fund managers should pay particular attention to the transaction's structural features, such as the remarketing agreement, the strength of the sponsor, and the put agreement provisions. One of the most important components of money market tranche investments is the associated put contract. A fund manager should carefully review the put confirmation to ensure there are no loss triggers or outs for the put provider that would adversely affect the fund. Fitch has noted that across various transactions it has rated, put confirmations are not uniform and vary depending on the put provider. This lack of standardization is typical for a new asset class without a significantly developed market and requires an additional layer of analysis.

Extendible Notes

Extendible notes introduce special challenges for duration analysis because they are able to change maturity and, as a result, must be monitored closely. Extendible notes are issued with initial redemption dates (i.e. expected maturity dates) of between one and 90 days from the issuance date, as well as extension features that allow for final stated maturities of up to 390 days. These notes are structured to allow the issuer to repurchase its outstanding extendible notes (at par) from investors at the initial redemption date. If the issuer is unable to roll or redeem an extendible note at the initial redemption date, it may choose to extend the maturity of the security. Depending on the initial redemption date of the extendible note, the maturity can extend 300–389 days. For example, if an extendible note has an initial redemption date 90 days after issuance, the extendible note's final maturity at the redemption date would be 300 days later if extended.

When determining the suitability of extendible notes for investment in money market funds, Fitch considers several mitigants. Namely, the risk of extension for highly rated issuers is mitigated due to increased funding costs to the issuer, alternative sources of liquidity likely to be drawn on first, and the reputational risk to the issuer. If an issuer chooses to extend its extendible notes, it would be forced to pay coupon rates significantly higher than other prevailing CP rates. Also, an extension could lead to investor uncertainty about the company's financial stability and/or practices for managing short-term debt, which could make it difficult for the issuer to issue any subsequent extendible notes and may even cause the issuer to face increased funding costs for its CP. An extendible note issuer would likely tap internal or external sources of liquidity, such as bank lines of credit, additional CP or term issuance, or cash, before allowing its extendible notes to extend, as using these sources of liquidity would be preferable to the increased costs and reputational damage associated with an extendible note extension.

Despite the aforementioned mitigants to extension risk, the ability of the issuer to extend, thereby increasing the WAM of a fund's portfolio, presents a significant level of risk to investors. Fitch has determined that, for WAM calculation purposes, extendible securities should be booked to the final legal maturity (assuming extension) unless counted toward the 10% illiquid bucket. For example, a security that resets in 30 days with a 270-day potential extension should be treated as having a maturity of 300 days. This will ensure that, upon extension of a security, there are no adverse implications for a fund's WAM or credit rating. If counted toward the 10% less-liquid bucket, the initial redemption date is considered for maturity purposes.

Exchangeable Notes

Exchangeable notes are designed specifically for money market fund investors. They typically have a final maturity of five to 10 years and feature an initial maturity of 12–13 months with monthly, quarterly, or annual extensions thereafter, enabling the investor to extend the maturity for an additional period at each extension date. If the investor chooses to extend, the coupon, which floats off of three-month LIBOR and features a quarterly interest rate reset date, is stepped up approximately five basis points each year. The investor is paid for extending through a coupon with a spread over LIBOR that is higher than what would be offered by a comparable 13-month note with a quarterly interest rate reset and similar credit quality. However, when the investor chooses not to extend, the coupon is adjusted at the following quarterly reset to a spread over LIBOR that is consistent with what the investor would earn on a comparable 13-month note of the same maturity, interest rate reset, and credit quality. The typical notification period for the investor to exercise the option to extend is two days before the official extension date.

Fitch views this asset class in a more favorable light because the right of extension falls with the investor rather than the issuer. In terms of appropriateness for money market funds, liquidity and maturity risk are less significant than for extendibles. Fitch views exchangeable notes as liquid assets. However, to be prudent, funds should purchase exchangeable notes from top-rated issuers, consistent with their investment objectives, while limiting their aggregate exposure to this product. Additionally, fund managers should be certain that their right to receive principal within 397 days is unconditional.

Funding Agreements

As with any money market investment, funding agreements must meet a strict set of criteria before being eligible for purchase into a Fitch-rated money market fund. Fitch has specific parameters for defining eligibility of variable-rate securities such as funding agreements.

First, all eligible variable-rate securities should support a stable portfolio NAV by providing a market value that approximates par at the security's interest rate reset date. Moreover, the interest rate index that is chosen must be one that moves in tandem with short-term market rates, such as one-month LIBOR and the Federal funds rate. Long-term interest rate indexes, such as the 10-year CMT, and indexes that lag market rates, such as the 11th District Cost of Funds Index, are not appropriate for money market funds. Also, Fitch expects that fund managers will not invest in variable-rate securities with complex coupon formulas similar to those found in some structured notes.

In addition, since most funding agreements have demand features, it is important to evaluate the quality and liquidity of the feature. Fitch looks to the rating of the issuer when determining the issuer's ability and willingness to honor the demand feature, especially during periods of stress. When assigning an insurer financial strength rating to an insurance company, Fitch factors in the ability and willingness of the insurance company to honor all obligations, including funding agreements with their associated demand features. Furthermore, the credit quality of the issuer, as well as the level of concentration with any single issuer, is also measured. Finally, Fitch defines any funding agreement that does not have a seven-day demand feature as an illiquid security, subject to the 10% limitation.

Fitch believes funding agreements are viable investment alternatives for money market funds if they are structured properly and entered into with creditworthy issuers. Through demand features, money market funds are able to obtain the liquidity they need to maintain a stable NAV. Furthermore, by performing a thorough company/investment analysis and using NRSRO ratings, a manager can make an accurate assessment of the financial strength and claims-paying ability of an issuer.

Securities Lending

All Fitch-rated money market funds and some local government investment pools have the ability to enter into securities lending agreements or can be used as investment vehicles for securities lending proceeds. However, few funds actually use the ability to engage in securities lending programs.

Although all money market funds offer daily liquidity, money market funds that attract securities lending proceeds are generally not marketed as or intended to be a daily liquidity investment for these programs. The custodian will often use the money market fund as a core investment in the reinvested cash collateral portfolio and purchase supplementary investments for liquidity needs. To the extent that a Fitch-rated money market fund is used as a daily liquidity vehicle, Fitch analyzes the fund's shareholder composition to ensure that cash flows from securities lending activities can be managed safely and in accordance with money market fund rating guidelines.

Under Rule 2a-7 of the Investment Company Act of 1940, money market funds have the ability to engage in securities lending agreements, up to a maximum limit of one-third of the fund's total assets (including the market value of the collateral received), as interpreted by Section 18(f) of the referenced 1940 act. However, in practice, few money market funds use securities lending, and those that do typically do so on a temporary basis.

■ Surveillance

Fitch reviews money market portfolios on a weekly basis to ensure accurate and current ratings. The information requested for this review includes detailed data such as the following:

- Total assets (original purchase price, amortized cost, and mark-to-market).
- Mark-to-market NAV per share.
- Total number of shares outstanding, separated by share class if applicable.
- Percentage of securities in portfolio, broken down by sector, rating, and maturity distribution.
- Subscriptions and redemptions for the week and day of greatest activity.
- Weighted average portfolio maturity for each day of the reported week.
- Net yield (current and seven- and 30-day).
- Revisions of eligible investments by issuer or sector.

In addition to this weekly data, Fitch requests the following information be provided as it becomes available:

- Changes to investment policies and procedures.
- Revised prospectuses, annual reports, and statements of additional information.
- SEC post-examination letters.
- Reports to shareholders.
- Notification of changes in board of directors, senior management, investment adviser, or custodian.
- Notification of mergers, acquisitions, additional funds, or fund name changes.
- Press releases.

Surveillance Process

Surveillance reports received from the fund or its agents are input into Fitch's surveillance database. Once this is completed, a series of logical tests is run on the data, and Fitch's surveillance team is notified if there are any deviations from the established criteria. Upon receipt of notification of any deviations, an analyst will determine the appropriate course of action, which may include a phone call to the portfolio manager or, if needed, initiation of a full review of the fund. A sample surveillance report is presented in Appendix B, page 13.

June 2004

Contact	Phone
London	
Michel Madelain Kathryn Kerle Marina Cremonese Helen Best-Shaw	44.20.7772.5454
Frankfurt	
Nicole Lux Nils Keggenhoff	49.69.707.30.700
Milan	
Enrico Bucalossi	00.39.02.5821.5350
New York	
Henry Shilling Marty Duffy Douglas Rivkin Viktoria Baklanova CFA Barbara Percia Rory Callagy Keith Murray	1.212.553.1653
Paris	
Vanessa Robert	33.1.53.30.10.20
São Paolo	
Norton Torres de Bastos	55.11.3443.7428
Tokyo	
Nobuyuki Murase	81.3.5408.4100

Moody's Money Market and Bond Fund Market Risk Ratings

Overview

Moody's mutual fund Market Risk (MR) ratings are designed to provide investors world-wide with a simple to use, forward looking tool for evaluating net asset value (NAV) volatility and the potential for loss on money market and bond mutual funds, as well as for similar investment vehicles. That potential for loss may stem from a host of risks, besides credit risk. More specifically, Moody's mutual fund Market Risk ratings are opinions of the relative degree of volatility of a rated fund's net asset value. (Refer to Appendix I for rating definitions.) MR ratings are prospective in nature, and they are not expected to change because of short-term market conditions.

In forming an opinion on a fund's potential price volatility, Moody's analysts consider risk elements that may have an effect on a fund's NAV, such as interest rate risk, prepayment and extension risk, liquidity and concentration risk, currency risk and derivatives risk. These factors, among others, are assessed within the broad context of a fund's investment objective and policies to determine how they may affect the fund's risk profile and relative price volatility under different market conditions.

Mutual Fund Credit and Market Risk Ratings

Since 1989, Moody's has been engaged in the assignment of mutual fund credit rating opinions to money market and bond funds in the U.S. and overseas. Such ratings represent an opinion of the investment quality of shares in mutual funds and similar pooled investment vehicles that principally invest in fixed-income obligations. These ratings incorporate Moody's assessment of a fund's published investment objectives and policies, the creditworthiness of the fund's assets and the management characteristics of the fund. Credit ratings, however, were not intended to incorporate the prospective performance of a fund with respect to NAV volatility.

An MR rating is a complement to Moody's mutual fund credit ratings in that it specifically addresses price risk. Together with Moody's mutual fund credit ratings, MR ratings offer investors a more complete description of the risk factors associated with investing in a fund, and similar pooled investment vehicles.

The Need for Market Risk Ratings

It is not hard to understand why investor interest in market risk opinions has increased significantly over the last year. In 1994 the United States and selected European bond markets recorded one of the worst years on record as interest rates increased sharply. Moreover, the expanded use of complex and volatile securities, and instability in currency and emerging markets, produced unexpected losses for some bond fund investors. In addition, historically low interest rates in 1993 and the first quarter of 1994 propelled many U.S. consumers to search beyond traditional bank savings products for better investment returns. These savers-turned-investors did not, in our view, fully comprehend how their funds might fare under various market conditions.

The number and type of bond mutual funds offered to investors have increased dramatically in recent years. These include new products that have been promoted on the basis of attractive yields with little credit, interest rate and currency risks, yet relying on complex strategies that are difficult for investors to understand and evaluate. Also, fund managers have been under increasing competitive pressure to achieve maximum fund performance, which has led to heightened risk taking in some cases.

Fund managers have also been making use of an ever-expanding line of complex securities and derivatives products. This, in turn, has made it more challenging for investors to assess the market risks of the funds they buy. For example, even safe-sounding U.S. government funds may be subject to risk of market value losses. Such funds may hold securities that are issued or guaranteed by the U.S. government, its agencies and instrumentalities, which are assumed to be "riskless." Nevertheless, these funds may hold highly volatile instruments, the market values of which are extremely sensitive to fluctuations in interest rates, and fund managers may also engage in investment practices that expose investors to potential price risk.

Moody's Rating Approach

The first step in assigning an MR rating is a mutual fund credit analysis. Our analytical considerations focus on portfolio quality, management characteristics, market price risk relative to the fund's published objectives, operating procedures and controls, as well as regulatory compliance. As with credit ratings, there is a need to incorporate into MR ratings an assessment of the fund management company, along with the investment advisor organization. Moody's analysts evaluate the factors that are likely to play a key role in the fund's ability to meet its investment objectives. This is necessarily a qualitative assessment that takes into consideration the financial strength of the fund's advisor, its shareholder orientation, and its general business practices. In addition, the fund's investment strategies and policies, and the risks inherent in the manager's approach are examined.[1]

Following a critical assessment of the fund's credit quality, the analysis turns to the historical price and total return performance of the fund because this can be an important factor in understanding a fund manager's investment style. We recognize that past management behavior may not always reflect current or future management styles. When critically examined, however, history can often provide valuable input into an MR rating.

Quantitative modeling plays a role in providing Moody's analysts with a consistent set of objective tools with which they can analyze a fund's price behavior under various market conditions. Although we believe that quantitative modeling is a good starting point in assessing a fund's price risk, such modeling techniques are only as good as the assumptions used in constructing and executing the models. Consequently, Moody's emphasizes the qualitative judgments of experienced analysts when drawing conclusions about a fund's future market risk.

1. *For further reference, please see our Special Comment entitled "Moody's Managed Funds Group: Assessing Credit Risk in Managed Funds," dated September 1997.*

Components of Moody's Market Risk Ratings

In making a judgment about a fund's prospective price risk, Moody's analysts consider risk elements such as interest rate risk, prepayment and extension risk, concentration and liquidity risk, currency risk and derivatives risk. These are described below.

Interest Rate Risk

Interest rates are the principal determinant of bond prices and they represent one of the most important factors contributing to a bond fund's risk profile. Two commonly used measures of a fund's sensitivity to interest rate changes are duration and convexity. These two measures provide an important framework for the evaluation of a portfolio's sensitivity to interest rate movements.

Duration measures the sensitivity of the market value of a fixed income security to changes in interest rates. It has shown to be an effective measure of interest rate sensitivity in narrow bands of parallel interest rate movements. As interest rates deviate from a bond's initial yield, however, the accuracy of the duration measurement lessens. This is due to the convexity of the price/yield curve.

Convexity, simply stated, is a measure of the rate and direction by which duration will change as interest rates change. For example, callable corporate bonds typically exhibit "negative" convexity; as interest rates fall their values increase more slowly than non-callable corporate bonds of equivalent duration. We recognize, however, that adding a call provision also reduces the duration of a fixed-coupon bond. Furthermore, as interest rates rise — a situation that generally causes fixed interest securities to lose value — callable bonds may depreciate more quickly than other bonds of equivalent duration.

Prepayment and Extension Risk

Certain instruments, such as mortgage-backed securities (MBS), can be very price sensitive to interest rate movements. Residential MBS are created from mortgages which are pooled together, packaged, and sold through the issuance of pass-through certificates or are used to collateralize a special-purpose entity that issues a series of debt-like instruments. The underlying mortgages are highly sensitive to interest rates because they may be prepaid earlier or later than expected, depending on interest rates. The repayment activity of the underlying mortgages, in turn, affects the repayment timing and duration of the MBS and therefore its market value. For example, as interest rates rise, home owners with fixed rate mortgages are less likely to prepay their mortgage obligations potentially extending anticipated prepayments that in turn increases the duration of these securities. This increase in duration may result in more price risk going forward. Additionally, the delayed principal payments cause a typical MBS security to decline in value more than a traditional fixed-income security. Both mortgage pass-though securities and collateralized mortgage obligations (CMOs) generally exhibit this negative convexity.

Mortgage prepayments are also influenced by a number of non-interest rate related factors, such as seasonality, the aging of the securities and certain macroeconomic factors including housing prices, bank-financing charges, and expectations of economic prosperity. As a result, these types of securities cannot be analyzed in the same way as a treasury security or corporate debt.

Concentration and Liquidity Risk

Moody's also reviews the concentration risk of a fund. Portfolios are subject to additional risk when they are highly concentrated in a specific currency, industry, or security type. For example, concentrations in securities of a specific industry may expose a fund to undiluted industry risks that could deviate significantly from general market trends. In a similar manner, significant concentrations in specific security types may expose a fund to greater market price risk because of interest rate movements or other market conditions. For instance, security prices may drop as the demand for a specific security falls due to a regulatory rule change or because of a change in risk perception in the market.

Moody's uses qualitative judgment as well as various other approaches when attempting to measure the liquidity risk of a particular security. For example, highly complex securities that have very narrow markets may trade at prices that reflect their lack of liquidity. A security's bid/ask spread may offer insight into its liquidity with larger spreads often indicating greater liquidity risk. Additionally, credit risk as well as liquidity risk can be measured by the yield differential between a benchmark security at a specific maturity and a security with different attributes, but with a similar maturity.

Currency Risk

In analyzing a fund, Moody's considers the exposure of its holdings to foreign exchange rate movements. When a portfolio holds securities or deposits in a currency other than the fund's base currency, changes in the exchange rate between the fund's base currency and the currency of its holdings may enhance or reduce the fund's NAV. The greater a fund's exposure is to exchange rate movements, the greater its risk of price fluctuations. In evaluating this risk, Moody's examines the historical volatility of the base rate currency to other currencies to which the fund may be exposed. In addition, Moody's considers a country's credit outlook since it may also have an impact on a fund's currency risk exposure. Other management techniques such as hedging currency risk using swaps, forward foreign exchange contracts, or currency netting may also be considered.

Derivatives Risk

Derivatives risk is a very broad term that includes the use of derivative products (e.g., futures, options, swaps, floating rate notes, structured notes, etc.). The utilization of derivative products for speculative purposes can increase a fund's risk profile. Conversely, the use of derivatives for hedging purposes can play a role in lowering a fund's risk. In 1994, the risks associated with investing in derivative securities were observed with the use of floating and variable rate U.S. government agency notes by constant NAV U.S. money market funds which have low tolerance for security price volatility. In these money market funds, the characteristics of such instruments, such as the index used for resetting the interest rate of the note, the frequency of the reset and its final maturity, had varying negative effects on the price and liquidity of individual securities in response to short-term interest rate increases during the spring of 1994, and contributed to substantial losses in some funds.

Ongoing Review and Monitoring

Once a fund is rated, Moody's monitors fund activities on an ongoing basis to support its published rating opinion. To this end, Moody's relies on a flow of information that may be provided by the fund company and/or through publicly available sources.

Related Research

Rating Methodologies:

Moody's Approach to Assessing the Quality of Asset Management Companies — Rating Methodology, December 2002 (76901)

Moody's Management Quality Ratings Custodian Banks, February 2003 (77371)

Moody's Management Quality Ratings — Administrative Service Providers, February 2003 (77372)

Moody's Managed Funds Credit Quality Ratings Methodology, June 2004 (81138)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.
Report Number: 81135

Author

(see front page)

Production Specialist

Yung Chu

APPENDIX C

The following tables list all Triple-A rated funds, including prime, government and tax-free ("T-F") rated by Moody's ("M"), Standard & Poor's ("S&P") and Fitch ("F"), and show by number and total assets the percentage the represent of all MMFs.

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	ABN AMRO Instit Prime MMF/Cl Y	ABN AMRO	Aaa/AAAm/AAA/V-1+	First Tier Instit	$2,389.8
1/16/07	ABN AMRO Instit Prime MMF/Cl YS	ABN AMRO	Aaa/AAAm/AAA/V-1+	First Tier Instit	$13.3
1/16/07	ABN AMRO Treas MMF/Cl I	ABN AMRO	Aaa/AAAm/-	Treasury & Repo Instit	$135.5
1/16/07	ABN AMRO Treas MMF/Cl S	ABN AMRO	Aaa/AAAm/-	Treas & Repo Retail	$4.2
1/16/07	AIG Money Market Fund/Cl A	Advisors Inner Circle	-/AAAm/-	First Tier Instit	$975.0
1/16/07	AIG Money Market Fund/Cl B	Advisors Inner Circle	-/AAAm/-	First Tier Retail	$66.0
1/16/07	AIM ATST Premier Port/Inst	AIM	Aaa/-/-	First Tier Instit	$2,761.4
1/16/07	AIM ATST Premier Port/Inv	AIM	Aaa/-/-	First Tier Instit	$173.1
1/16/07	AIM ATST Premier US Govt MMP/Instit	AIM	Aaa/-/-	Govt & Agencies Instit	$5.7
1/16/07	AIM ATST Premier US Govt MMP/Inv	AIM	Aaa/-/-	Govt & Agencies Instit	$27.7
1/16/07	AIM STIT Govt & Agency/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$739.3
1/16/07	AIM STIT Govt & Agency/Corporate	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$14.3
1/16/07	AIM STIT Govt & Agency/Instit	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$1,571.1
1/16/07	AIM STIT Govt & Agency/Personal	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$18.2
1/16/07	AIM STIT Govt & Agency/Private	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$553.4
1/16/07	AIM STIT Govt & Agency/Reserve	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$23.7
1/16/07	AIM STIT Govt & Agency/Resource	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$372.8
1/16/07	AIM STIT Govt Tax Adv/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$38.4
1/16/07	AIM STIT Govt Tax Adv/Instit	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$194.1
1/16/07	AIM STIT Govt Tax Adv/Personal	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$5.9
1/16/07	AIM STIT Govt Tax Adv/Private	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$57.2
1/16/07	AIM STIT Govt Tax Adv/Reserve	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$16.5
1/16/07	AIM STIT Govt Tax Adv/Resource	AIM	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$78.4
1/16/07	AIM STIT Liquid Assets/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$2,760.5
1/16/07	AIM STIT Liquid Assets/Corporate	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$390.9
1/16/07	AIM STIT Liquid Assets/Instit	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$15,545.6
1/16/07	AIM STIT Liquid Assets/Personal	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$58.5
1/16/07	AIM STIT Liquid Assets/Private	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,127.6
1/16/07	AIM STIT Liquid Assets/Reserve	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$46.4
1/16/07	AIM STIT Liquid Assets/Resource	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,410.7
1/16/07	AIM STIT STIC Prime/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,588.3
1/16/07	AIM STIT STIC Prime/Corporate	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$330.7
1/16/07	AIM STIT STIC Prime/Instit	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$4,774.8
1/16/07	AIM STIT STIC Prime/Personal	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$308.7
1/16/07	AIM STIT STIC Prime/Private	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$556.0
1/16/07	AIM STIT STIC Prime/Reserve	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$53.0
1/16/07	AIM STIT STIC Prime/Resource	AIM	Aaa/AAAm/AAA/V-1+	First Tier Instit	$454.1
1/16/07	AIM STIT Treasury/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$1,424.2
1/16/07	AIM STIT Treasury/Corporate	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.5
1/16/07	AIM STIT Treasury/Instit	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$2,141.9
1/16/07	AIM STIT Treasury/Personal	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$320.1
1/16/07	AIM STIT Treasury/Private	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$920.1
1/16/07	AIM STIT Treasury/Reserve	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$100.2
1/16/07	AIM STIT Treasury/Resource	AIM	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$342.1
1/16/07	AIM TFIT T-F Cash Reserve/Cash Mgmt	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$625.4
1/16/07	AIM TFIT T-F Cash Reserve/Corporate	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$179.8
1/16/07	AIM TFIT T-F Cash Reserve/Instit	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$2,797.6
1/16/07	AIM TFIT T-F Cash Reserve/Personal	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$28.0
1/16/07	AIM TFIT T-F Cash Reserve/Private	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$302.3
1/16/07	AIM TFIT T-F Cash Reserve/Reserve	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$16.4
1/16/07	AIM TFIT T-F Cash Reserve/Resource	AIM	Aaa/AAAm/AAA/V-1+	T-F National Inst	$382.3
1/16/07	Allegiant Adv Instit MMF/Instit	Allegiant	Aaa/AAAm/-	First Tier Instit	$2,157.8
1/16/07	Allegiant Government Fund/Cl A	Allegiant	-/AAAm/-	Govt & Agency Retail	$355.8
1/16/07	Allegiant Government Fund/Cl I	Allegiant	-/AAAm/-	Govt & Agencies Instit	$562.9
1/16/07	Allegiant Treasury Fund/Cl A	Allegiant	-/AAAmG/-	Treasury Retail	$7.5
1/16/07	Allegiant Treasury Fund/Cl I	Allegiant	-/AAAmG/-	Treasury Instit	$166.6
1/16/07	Alpine Municipal MMF/Adviser	Alpine	-/-/AAA/V-1+	T-F National Retail	$1.2
1/16/07	Alpine Municipal MMF/Investor	Alpine	-/-/AAA/V-1+	T-F National Retail	$504.1
1/16/07	Amer Beacon MMF/Cash Mgmt	American Beacon	Aaa/AAAm/-	First Tier Instit	$756.5
1/16/07	Amer Beacon MMF/Inst	American Beacon	Aaa/AAAm/-	First Tier Instit	$420.5
1/16/07	Amer Beacon MM Select Fund	American Beacon	Aaa/AAAm/-	First Tier Instit	$10,687.7

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Amer Beacon US Govt MMF/Cash Mgt	American Beacon	Aaa/AAAm/-	Govt & Agencies Instit	$4.8
1/16/07	Amer Beacon US Govt MM Select	American Beacon	Aaa/AAAm/-	Govt & Agencies Instit	$613.6
1/16/07	Amer Freedom US Govt MMF/Cl I	Financial Investors Trust	-/AAAm/-	Govt & Agencies Instit	$372.2
1/16/07	Amer Performance Cash Mgmt/Adm	American Performance	-/AAAm/-	First Tier Retail	$703.6
1/16/07	Amer Performance Cash Mgmt/Inst	American Performance	-/AAAm/-	First Tier Instit	$748.0
1/16/07	Amer Performance T-F MMF/Select	American Performance	Aaa/-/-	T-F National Inst	$267.7
1/16/07	Amer Performance US Treas Fund/Adm	American Performance	Aaa/AAAm/-	Treas & Repo Retail	$814.9
1/16/07	Amer Performance US Treas Fund/Inst	American Performance	Aaa/AAAm/-	Treasury & Repo Instit	$350.9
1/16/07	AMF MMF/Class D	AMF	-/AAAm/-	Govt & Agency Retail	$39.5
1/16/07	AMF MMF/Class I	AMF	-/AAAm/-	Govt & Agencies Instit	$110.0
1/16/07	Aston/ABN AMRO Investor MMF/Cl N	ABN AMRO	-/AAAm/-	First Tier Retail	$78.0
1/16/07	BBH Money Market Fund	BBH	-/AAAm/-	First Tier Retail	$1,450.2
1/16/07	BBH Prime Institutional MMF	BBH	-/AAAm/-	First Tier Instit	$393.3
1/16/07	BB&T US Treas MMF/Cl A	BB&T	-/AAAm/-	Treas & Repo Retail	$169.4
1/16/07	BB&T US Treas MMF/Cl B	BB&T	-/AAAm/-	Treas & Repo Retail	$0.4
1/16/07	BB&T US Treas MMF/Instit	BB&T	-/AAAm/-	Treasury & Repo Instit	$536.9
1/16/07	Bear Stearns FedFund	Bear Stearns	Aaa/-/-	Govt & Agency Retail	$44.5
1/16/07	Bear Stearns FedFund PC	Bear Stearns	Aaa/-/-	Govt & Agency Retail	$330.5
1/16/07	Bear Stearns FedFund Premier	Bear Stearns	Aaa/-/-	Govt & Agency Retail	$57.3
1/16/07	Bear Stearns Prime MMP/Y Shares	Bear Stearns	Aaa/AAAm/-	First Tier Instit	$1,718.8
1/16/07	Bear Stearns TempFund	Bear Stearns	Aaa/-/-	First Tier Retail	$826.1
1/16/07	Bear Stearns TempFund PC	Bear Stearns	Aaa/-/-	First Tier Retail	$1,608.5
1/16/07	Bear Stearns TempFund/Premier	Bear Stearns	Aaa/-/-	First Tier Retail	$475.6
1/16/07	Bear Stearns TempFund/PremierChoice	Bear Stearns	Aaa/-/-	First Tier Retail	$9.9
1/16/07	BGI Govt MMF/Instit	Barclays	Aaa/AAAm/-	Govt & Agencies Instit	$0.4
1/16/07	BGI Govt MMF/Premium	Barclays	Aaa/AAAm/-	Govt & Agencies Instit	$120.9
1/16/07	BGI Govt MMF/Select	Barclays	Aaa/AAAm/-	Govt & Agencies Instit	$42.9
1/16/07	BGI Govt MMF/Trust	Barclays	Aaa/AAAm/-	Govt & Agencies Instit	$0.1
1/16/07	BGI Prime MMF/Instit	Barclays	Aaa/AAAm/-	First Tier Instit	$5,751.7
1/16/07	BGI Prime MMF/Premium	Barclays	Aaa/AAAm/-	First Tier Instit	$1,458.9
1/16/07	BGI Prime MMF/Select	Barclays	Aaa/AAAm/-	First Tier Instit	$21.6
1/16/07	BGI Prime MMF/Trust	Barclays	Aaa/AAAm/-	First Tier Instit	$0.1
1/16/07	BGI Treasury MMF/Instit	Barclays	Aaa/AAAm/-	Treasury & Repo Instit	$100.1
1/16/07	BGI Treasury MMF/Premium	Barclays	Aaa/AAAm/-	Treasury & Repo Instit	$9.7
1/16/07	BGI Treasury MMF/Select	Barclays	Aaa/AAAm/-	Treasury & Repo Instit	$56.6
1/16/07	BGI Treasury MMF/Trust	Barclays	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Bishop Street MMF/Instit	Bishop St	-/AAAm/-	First Tier Instit	$160.0
1/16/07	Bishop Street MMF/Retail A	Bishop St	-/AAAm/-	First Tier Retail	$57.2
1/16/07	Bishop Street Treas MMF/Instit	Bishop St	-/AAAm/-	Treasury & Repo Instit	$158.2
1/16/07	BlackRock Liquidity:FedFund Admin	BlackRock	Aaa/AAAm/-	Govt & Agencies Instit	$47.5
1/16/07	BlackRock Liquidity:FedFund CashRes	BlackRock	Aaa/AAAm/-	Govt & Agencies Instit	$1.4
1/16/07	BlackRock Liquidity:FedFund Dollar	BlackRock	Aaa/AAAm/-	Govt & Agencies Instit	$423.3
1/16/07	BlackRock Liquidity:FedFund Inst	BlackRock	Aaa/AAAm/-	Govt & Agencies Instit	$2,111.2
1/16/07	BlackRock Liquidity:Fed Tr Dollar	BlackRock	-/AAAm/-	Govt & Agencies Instit	$33.7
1/16/07	BlackRock Liquidity:Fed Tr Inst	BlackRock	-/AAAm/-	Govt & Agencies Instit	$135.9
1/16/07	BlackRock Liquidity:MuniFund Admin	BlackRock	-/AAAm/-	T-F National Inst	$416.1
1/16/07	BlackRock Liquidity:MuniFund CashMg	BlackRock	-/AAAm/-	T-F National Inst	$78.6
1/16/07	BlackRock Liquidity:MuniFund Dollar	BlackRock	-/AAAm/-	T-F National Inst	$95.4
1/16/07	BlackRock Liquidity:MuniFund Inst	BlackRock	-/AAAm/-	T-F National Inst	$1,837.4
1/16/07	BlackRock Liquidity:TempFund Admin	BlackRock	Aaa/AAAm/-	First Tier Instit	$1,885.2
1/16/07	BlackRock Liquidity:TempFund CashMg	BlackRock	Aaa/AAAm/-	First Tier Instit	$480.4
1/16/07	BlackRock Liquidity:TempFund CashRs	BlackRock	Aaa/AAAm/-	First Tier Instit	$17.0
1/16/07	BlackRock Liquidity:TempFund Dollar	BlackRock	Aaa/AAAm/-	First Tier Instit	$5,036.3
1/16/07	BlackRock Liquidity:TempFund Inst	BlackRock	Aaa/AAAm/-	First Tier Instit	$25,263.2
1/16/07	BlackRock Liquidity:T-Fund Admin	BlackRock	Aaa/AAAm/-	Treasury & Repo Instit	$17.5
1/16/07	BlackRock Liquidity:T-Fund/CashMgt	BlackRock	Aaa/AAAm/-	Treasury & Repo Instit	$531.3
1/16/07	BlackRock Liquidity:T-Fund Dollar	BlackRock	Aaa/AAAm/-	Treasury & Repo Instit	$767.7
1/16/07	BlackRock Liquidity:T-Fund Inst	BlackRock	Aaa/AAAm/-	Treasury & Repo Instit	$3,352.4
1/16/07	BlackRock Liquidity:Treas Tr Admin	BlackRock	-/AAAmG/-	Treasury Instit	$112.3
1/16/07	BlackRock Liquidity:Treas Tr CashMg	BlackRock	-/AAAmG/-	Treasury Instit	$59.9
1/16/07	BlackRock Liquidity:Treas Tr Dollar	BlackRock	-/AAAmG/-	Treasury Instit	$202.3

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	BlackRock Liquidity:Treas Tr Inst	BlackRock	-/AAAmG/-	Treasury Instit	$919.5
1/16/07	BlackRock US Treas MMP/Instit	BlackRock	-/AAAm/-	Treasury & Repo Instit	$177.5
1/16/07	BlackRock US Treas MMP/Inv A	BlackRock	-/AAAm/-	Treas & Repo Retail	$31.2
1/16/07	BlackRock US Treas MMP/Svc Cl	BlackRock	-/AAAm/-	Treasury & Repo Instit	$238.7
1/16/07	BNY Hamilton 100% US Treas/Classic	BNY	-/AAAm/AAA/V-1+	Treasury Retail	$27.7
1/16/07	BNY Hamilton 100% US Treas/Instit	BNY	-/AAAm/AAA/V-1+	Treasury Instit	$50.4
1/16/07	BNY Hamilton 100% US Treas/Premier	BNY	-/AAAm/AAA/V-1+	Treasury Instit	$0.2
1/16/07	BNY Hamilton MF/Agency	BNY	Aaa/AAAm/AAA/V-1+	First Tier Instit	$48.3
1/16/07	BNY Hamilton MF/Classic	BNY	Aaa/AAAm/AAA/V-1+	First Tier Retail	$1,491.0
1/16/07	BNY Hamilton MF/Hamilton	BNY	Aaa/AAAm/AAA/V-1+	First Tier Instit	$5,342.8
1/16/07	BNY Hamilton MF/Instit	BNY	Aaa/AAAm/AAA/V-1+	First Tier Instit	$659.0
1/16/07	BNY Hamilton MF/Premier	BNY	Aaa/AAAm/AAA/V-1+	First Tier Instit	$3,698.6
1/16/07	BNY Hamilton Treas MF/Agency	BNY	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.7
1/16/07	BNY Hamilton Treas MF/Classic	BNY	Aaa/AAAm/AAA/V-1+	Treas & Repo Retail	$439.6
1/16/07	BNY Hamilton Treas MF/Hamilton	BNY	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$939.4
1/16/07	BNY Hamilton Treas MF/Instit	BNY	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$22.0
1/16/07	BNY Hamilton Treas MF/Premier	BNY	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$2,024.4
1/16/07	BNY Hamilton US Govt MF/Inst	BNY	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$50.4
1/16/07	BNY Hamilton US Govt MF/Premier	BNY	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$9.6
1/16/07	Cadre Liq Asset Fund/MM Series	Cadre	-/AAAm/-	First Tier Instit	$35.7
1/16/07	Cadre Reserve Fund/MM Series	Cadre	-/AAAm/-	First Tier Instit	$194.5
1/16/07	Cadre Reserve Fund/US Govt	Cadre	Aaa/AAAm/-	Govt & Agencies Instit	$389.1
1/16/07	Calvert Cash Reserves Inst Prime	Calvert	Aaa/AAAm/-	First Tier Instit	$103.8
1/16/07	Capital Assets Fund/T-E Portfolio	Deutsche	Aaa/AAAm/-	T-F National Retail	$30.5
1/16/07	Capital One US Treasury MMF	Capital One	Aaa/-/AAA/V-1+	Treas & Repo Retail	$112.0
1/16/07	Cash Acct Tr T-E Port/Svc Shrs II	Deutsche	Aaa/AAAm/-	T-F National Retail	$20.1
1/16/07	Cash Accumulation Tr/Liq Asset	JennisonDryden	-/-/AAA/V-1+	First Tier Retail	$2,141.9
1/16/07	Citi Instit Cash Reserves/Cl L	Legg Mason	Aaa/AAAm/-	First Tier Instit	$499.5
1/16/07	Citi Instit Cash Reserves/Cl O	Legg Mason	Aaa/AAAm/-	First Tier Instit	$3,559.0
1/16/07	Citi Instit Cash Reserves/Cl S	Legg Mason	Aaa/AAAm/-	First Tier Instit	$417.9
1/16/07	Citi Instit US Treas Reserves	Legg Mason	Aaa/AAAm/-	Treasury Instit	$840.2
1/16/07	Citi Premium US Treas Reserves	Legg Mason	Aaa/AAAm/-	Treasury Retail	$197.0
1/16/07	Citi US Treasury Reserves	Legg Mason	Aaa/AAAm/-	Treasury Retail	$246.9
1/16/07	CitizensSelect Prime MMF/Cl A	CitizensSelect	-/AAAm/-	First Tier Instit	$339.2
1/16/07	CitizensSelect Prime MMF/Cl B	CitizensSelect	-/AAAm/-	First Tier Instit	$470.3
1/16/07	CitizensSelect Prime MMF/Cl C	CitizensSelect	-/AAAm/-	First Tier Instit	$71.4
1/16/07	CitizensSelect Prime MMF/Cl D	CitizensSelect	-/AAAm/-	First Tier Instit	$54.1
1/16/07	CitizensSelect Treasury MMF/Cl A	CitizensSelect	Aaa/AAAm/-	Treasury Instit	$198.0
1/16/07	CitizensSelect Treasury MMF/Cl B	CitizensSelect	Aaa/AAAm/-	Treasury Instit	$160.2
1/16/07	CitizensSelect Treasury MMF/Cl C	CitizensSelect	Aaa/AAAm/-	Treasury Instit	$14.7
1/16/07	CitizensSelect Treasury MMF/Cl D	CitizensSelect	Aaa/AAAm/-	Treasury Instit	$6.9
1/16/07	CNI Charter Govt MMF/Cl A	CNI	Aaa/-/-	Govt & Agency Retail	$2,007.4
1/16/07	CNI Charter Govt MMF/Cl S	CNI	Aaa/-/-	Govt & Agency Retail	$281.3
1/16/07	CNI Charter Govt MMF/Instit	CNI	Aaa/-/-	Govt & Agencies Instit	$42.0
1/16/07	Columbia Govt Plus Reserves/Adviser	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$5.5
1/16/07	Columbia Govt Plus Reserves/Capital	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$319.1
1/16/07	Columbia Govt Plus Reserves/G-Trust	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$209.5
1/16/07	Columbia Govt Plus Reserves/Instit	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$69.8
1/16/07	Columbia Govt Plus Reserves/RetailA	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$9.8
1/16/07	Columbia Govt Reserves/Adviser	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$1,201.9
1/16/07	Columbia Govt Reserves/Capital	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$1,468.9
1/16/07	Columbia Govt Reserves/Class A	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$25.3
1/16/07	Columbia Govt Reserves/Class B	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$0.2
1/16/07	Columbia Govt Reserves/Daily	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$587.7
1/16/07	Columbia Govt Reserves/G-Trust	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$266.6
1/16/07	Columbia Govt Reserves/Instit	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$303.3
1/16/07	Columbia Govt Reserves/Investor	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$473.5
1/16/07	Columbia Govt Reserves/Liquidity	Columbia Management	Aaa/AAAm/-	Govt & Agencies Instit	$1,132.3
1/16/07	Columbia Govt Reserves/Retail A	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$58.7
1/16/07	Columbia Govt Reserves/Trust	Columbia Management	Aaa/AAAm/-	Govt & Agency Retail	$169.1
1/16/07	Columbia MM Reserves/Adviser	Columbia Management	Aaa/AAAm/-	First Tier Instit	$6,836.6

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Columbia MM Reserves/Capital	Columbia Management	Aaa/AAAm/-	First Tier Instit	$8,287.2
1/16/07	Columbia MM Reserves/Class B	Columbia Management	Aaa/AAAm/-	First Tier Retail	$4.8
1/16/07	Columbia MM Reserves/Class C	Columbia Management	Aaa/AAAm/-	First Tier Retail	$1.0
1/16/07	Columbia MM Reserves/Daily	Columbia Management	Aaa/AAAm/-	First Tier Retail	$3.7
1/16/07	Columbia MM Reserves/G-Trust	Columbia Management	Aaa/AAAm/-	First Tier Retail	$764.3
1/16/07	Columbia MM Reserves/Instit	Columbia Management	Aaa/AAAm/-	First Tier Instit	$2,875.2
1/16/07	Columbia MM Reserves/Investor	Columbia Management	Aaa/AAAm/-	First Tier Instit	$77.2
1/16/07	Columbia MM Reserves/Liquidity	Columbia Management	Aaa/AAAm/-	First Tier Instit	$1,665.5
1/16/07	Columbia MM Reserves/Market	Columbia Management	Aaa/AAAm/-	First Tier Retail	$0.5
1/16/07	Columbia MM Reserves/Retail A	Columbia Management	Aaa/AAAm/-	First Tier Retail	$96.5
1/16/07	Columbia MM Reserves/Trust	Columbia Management	Aaa/AAAm/-	First Tier Retail	$35.5
1/16/07	Columbia Muni Reserves/Adviser	Columbia Management	Aaa/-/-	T-F National Inst	$725.0
1/16/07	Columbia Muni Reserves/Capital	Columbia Management	Aaa/-/-	T-F National Inst	$4,180.3
1/16/07	Columbia Muni Reserves/Class Z	Columbia Management	Aaa/-/-	T-F National Retail	$49.6
1/16/07	Columbia Muni Reserves/Daily	Columbia Management	Aaa/-/-	T-F National Retail	$1,545.5
1/16/07	Columbia Muni Reserves/Instit	Columbia Management	Aaa/-/-	T-F National Inst	$875.0
1/16/07	Columbia Muni Reserves/Investor	Columbia Management	Aaa/-/-	T-F National Inst	$67.2
1/16/07	Columbia Muni Reserves/Liquidity	Columbia Management	Aaa/-/-	T-F National Inst	$326.9
1/16/07	Columbia Muni Reserves/Trust	Columbia Management	Aaa/-/-	T-F National Retail	$585.0
1/16/07	Columbia T-E Reserves/Adviser	Columbia Management	Aaa/-/-	T-F National Inst	$54.4
1/16/07	Columbia T-E Reserves/Capital	Columbia Management	Aaa/-/-	T-F National Inst	$670.4
1/16/07	Columbia T-E Reserves/Class A	Columbia Management	Aaa/-/-	T-F National Retail	$16.0
1/16/07	Columbia T-E Reserves/Daily	Columbia Management	Aaa/-/-	T-F National Retail	$30.8
1/16/07	Columbia T-E Reserves/G-Trust	Columbia Management	Aaa/-/-	T-F National Retail	$730.6
1/16/07	Columbia T-E Reserves/Instit	Columbia Management	Aaa/-/-	T-F National Inst	$190.4
1/16/07	Columbia T-E Reserves/Investor	Columbia Management	Aaa/-/-	T-F National Inst	$32.4
1/16/07	Columbia T-E Reserves/Liquidity	Columbia Management	Aaa/-/-	T-F National Inst	$94.1
1/16/07	Columbia T-E Reserves/Retail A	Columbia Management	Aaa/-/-	T-F National Retail	$18.0
1/16/07	Columbia T-E Reserves/Trust	Columbia Management	Aaa/-/-	T-F National Retail	$2,650.7
1/16/07	Columbia Treas Reserves/Adviser	Columbia Management	Aaa/AAAm/-	Treasury & Repo Instit	$9,203.7
1/16/07	Columbia Treas Reserves/Capital	Columbia Management	Aaa/AAAm/-	Treasury & Repo Instit	$2,784.1
1/16/07	Columbia Treas Reserves/Class A	Columbia Management	Aaa/AAAm/-	Treas & Repo Retail	$567.7
1/16/07	Columbia Treas Reserves/Class B	Columbia Management	Aaa/AAAm/-	Treas & Repo Retail	$0.3
1/16/07	Columbia Treas Reserves/Daily	Columbia Management	Aaa/AAAm/-	Treas & Repo Retail	$720.6
1/16/07	Columbia Treas Reserves/Instit	Columbia Management	Aaa/AAAm/-	Treasury & Repo Instit	$1,281.6
1/16/07	Columbia Treas Reserves/Investor	Columbia Management	Aaa/AAAm/-	Treasury & Repo Instit	$220.8
1/16/07	Columbia Treas Reserves/Liquidity	Columbia Management	Aaa/AAAm/-	Treasury & Repo Instit	$447.9
1/16/07	Columbia Treas Reserves/Trust	Columbia Management	Aaa/AAAm/-	Treas & Repo Retail	$542.6
1/16/07	Commerce Capital Govt MMF/Admin	Advisors Inner Circle	-/AAAm/-	Govt & Agency Retail	$134.1
1/16/07	Commerce Capital Govt MMF/Instit	Advisors Inner Circle	-/AAAm/-	Govt & Agencies Instit	$93.2
1/16/07	Commerce Capital Treas Obligs/Inst	Advisors Inner Circle	-/AAAm/-	Treasury & Repo Instit	$186.9
1/16/07	Commerce Capital Treas Obligs/Svc	Advisors Inner Circle	-/AAAm/-	Treas & Repo Retail	$514.1
1/16/07	Credit Suisse Instit MMF/Prime/Cl A	Credit Suisse	Aaa/AAAm/-	First Tier Instit	$15,408.6
1/16/07	Credit Suisse Instit MMF/Prime/Cl B	Credit Suisse	Aaa/AAAm/-	First Tier Instit	$190.0
1/16/07	Credit Suisse Instit MMF/Prime/Cl C	Credit Suisse	Aaa/AAAm/-	First Tier Instit	$106.9
1/16/07	Daily Income Fund-US Treas/Instit	Reich & Tang	-/AAAm/-	Treasury & Repo Instit	$644.2
1/16/07	Daily Income Fund-US Treas/Inst Svc	Reich & Tang	-/AAAm/-	Treasury & Repo Instit	$215.5
1/16/07	Daily Income Fund-US Treas/Retail	Reich & Tang	-/AAAm/-	Treas & Repo Retail	$0.5
1/16/07	Daily Income Fund-US Treas/ST Inc	Reich & Tang	-/AAAm/-	Treas & Repo Retail	$25.8
1/16/07	Davidson Cash Equiv Shr T-E Port	Deutsche	Aaa/AAAm/-	T-F National Retail	$63.9
1/16/07	DBAB Cash Reserve Prime/Instit	Deutsche	-/AAAm/-	First Tier Instit	$693.6
1/16/07	DBAB Cash Reserve Prime/Inv	Deutsche	-/AAAm/-	First Tier Retail	$2,151.7
1/16/07	DBAB Cash Reserve Tax-Free/Instit	Deutsche	-/AAAm/-	T-F National Inst	$254.1
1/16/07	DBAB Cash Reserve Tax-Free/Inv	Deutsche	-/AAAm/-	T-F National Retail	$562.1
1/16/07	DBAB Cash Reserve Treas/Instit	Deutsche	-/AAAmG/-	Treasury Instit	$110.1
1/16/07	DBAB Cash Reserve Treas/Inv	Deutsche	-/AAAmG/-	Treasury Retail	$240.5
1/16/07	Deutsche Cash Mgmt Fund Instit	Deutsche	Aaa/AAAm/-	First Tier Instit	$2,238.2
1/16/07	Deutsche Cash Mgmt Fund Inv	Deutsche	Aaa/AAAm/-	First Tier Retail	$93.9
1/16/07	Deutsche Cash Reserves Fund Instit	Deutsche	Aaa/AAAm/-	First Tier Instit	$5,121.2
1/16/07	Deutsche Money Market Fund/Inv	Deutsche	Aaa/AAAm/-	First Tier Retail	$368.2
1/16/07	Deutsche Treas Money Fund/Instit	Deutsche	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$666.3

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Deutsche Treas Money Fund/Inv	Deutsche	Aaa/AAAm/AAA/V-1+	Treas & Repo Retail	$116.1
1/16/07	Dreyfus Cash Mgmt/Admin	Dreyfus	Aaa/AAAm/AAA/V-1+	First Tier Instit	$374.8
1/16/07	Dreyfus Cash Mgmt/Instit	Dreyfus	Aaa/AAAm/AAA/V-1+	First Tier Instit	$10,741.1
1/16/07	Dreyfus Cash Mgmt/Inv	Dreyfus	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,492.4
1/16/07	Dreyfus Cash Mgmt/Part	Dreyfus	Aaa/AAAm/AAA/V-1+	First Tier Instit	$227.6
1/16/07	Dreyfus Govt Prime Cash Mgmt/Admin	Dreyfus	-/AAAm/-	Govt & Agencies Instit	$256.5
1/16/07	Dreyfus Govt Prime Cash Mgmt/Inst	Dreyfus	-/AAAm/-	Govt & Agencies Instit	$1,050.8
1/16/07	Dreyfus Govt Prime Cash Mgmt/Inv	Dreyfus	-/AAAm/-	Govt & Agencies Instit	$258.0
1/16/07	Dreyfus Govt Prime Cash Mgmt/Part	Dreyfus	-/AAAm/-	Govt & Agencies Instit	$375.0
1/16/07	Dreyfus Instit Cash Adv/Adm	Dreyfus	Aaa/AAAm/-	First Tier Instit	$1,443.0
1/16/07	Dreyfus Instit Cash Adv/Instit	Dreyfus	Aaa/AAAm/-	First Tier Instit	$24,529.8
1/16/07	Dreyfus Instit Cash Adv/Inv	Dreyfus	Aaa/AAAm/-	First Tier Instit	$162.7
1/16/07	Dreyfus Instit US Treas MMF/Cl I	Dreyfus	-/AAAm/-	Treasury & Repo Instit	$289.1
1/16/07	Dreyfus T-E Cash Mgmt/Admin	Dreyfus	-/AAAm/-	T-F National Inst	$137.0
1/16/07	Dreyfus T-E Cash Mgmt/Instit	Dreyfus	-/AAAm/-	T-F National Inst	$2,591.2
1/16/07	Dreyfus T-E Cash Mgmt/Inv	Dreyfus	-/AAAm/-	T-F National Inst	$287.2
1/16/07	Dreyfus T-E Cash Mgmt/Part	Dreyfus	-/AAAm/-	T-F National Inst	$26.5
1/16/07	Dreyfus Treas Cash Mgmt/Admin	Dreyfus	Aaa/AAAm/-	Treasury & Repo Instit	$107.6
1/16/07	Dreyfus Treas Cash Mgmt/Inst	Dreyfus	Aaa/AAAm/-	Treasury & Repo Instit	$3,374.4
1/16/07	Dreyfus Treas Cash Mgmt/Inv	Dreyfus	Aaa/AAAm/-	Treasury & Repo Instit	$1,516.1
1/16/07	Dreyfus Treas Cash Mgmt/Part	Dreyfus	Aaa/AAAm/-	Treasury & Repo Instit	$281.7
1/16/07	Dryden Core Inv Fund/Taxable MM	JennisonDryden	-/-/AAA/V-1+	First Tier Instit	$16,165.7
1/16/07	DWS Cash Acct Tr/T-E Portfolio/Inst	Deutsche	Aaa/AAAm/-	T-F National Inst	$760.7
1/16/07	DWS Inv Cash Tr/Govt & Agency/Inst	Deutsche	-/AAAm/-	Govt & Agencies Instit	$70.5
1/16/07	DWS MM Series/Institutional	Deutsche	Aaa/AAAm/-	First Tier Instit	$16,421.5
1/16/07	DWS MM Series/Managed	Deutsche	Aaa/AAAm/-	First Tier Instit	$420.8
1/16/07	DWS MM Series Premium/Cl S	Deutsche	Aaa/AAAm/-	First Tier Retail	$713.2
1/16/07	DWS MM Series Prime Reserve/Cl S	Deutsche	Aaa/AAAm/-	First Tier Retail	$111.1
1/16/07	Edward Jones MMF/Inv Class	Federated	-/AAAm/-	Govt & Agency Retail	$13,849.8
1/16/07	Edward Jones MMF/RS Class	Federated	-/AAAm/-	Govt & Agency Retail	$1,880.7
1/16/07	Evergreen Instit Muni MMF/Admin	Evergreen	-/-/AAA/V-1+	T-F National Inst	$94.3
1/16/07	Evergreen Instit Muni MMF/Instit	Evergreen	-/-/AAA/V-1+	T-F National Inst	$7,673.4
1/16/07	Evergreen Instit Muni MMF/InstSvc	Evergreen	-/-/AAA/V-1+	T-F National Inst	$684.9
1/16/07	Evergreen Instit Muni MMF/Inv	Evergreen	-/-/AAA/V-1+	T-F National Inst	$267.6
1/16/07	Evergreen Instit Muni MMF/Part	Evergreen	-/-/AAA/V-1+	T-F National Inst	$3.8
1/16/07	Evergreen Instit Treas MMF/Admin	Evergreen	Aaa/AAAm/-	Treasury & Repo Instit	$0.4
1/16/07	Evergreen Instit Treas MMF/Instit	Evergreen	Aaa/AAAm/-	Treasury & Repo Instit	$1,353.8
1/16/07	Evergreen Instit Treas MMF/InstSvc	Evergreen	Aaa/AAAm/-	Treasury & Repo Instit	$1,670.9
1/16/07	Evergreen Instit Treas MMF/Inv	Evergreen	Aaa/AAAm/-	Treasury & Repo Instit	$240.4
1/16/07	Evergreen Instit Treas MMF/Part	Evergreen	Aaa/AAAm/-	Treasury & Repo Instit	$55.3
1/16/07	Evergreen Instit US Govt MMF/Instit	Evergreen	Aaa/AAAm/-	Govt & Agencies Instit	$463.2
1/16/07	Evergreen Instit US Govt MMF/InstSv	Evergreen	Aaa/AAAm/-	Govt & Agencies Instit	$25.3
1/16/07	Evergreen Instit US Govt MMF/Inv	Evergreen	Aaa/AAAm/-	Govt & Agencies Instit	$11.2
1/16/07	Evergreen Instit US Govt MMF/Part	Evergreen	Aaa/AAAm/-	Govt & Agencies Instit	$52.6
1/16/07	Evergreen Prime Cash Mgmt/Admin	Evergreen	Aaa/AAAm/-	First Tier Instit	$0.1
1/16/07	Evergreen Prime Cash Mgmt/Instit	Evergreen	Aaa/AAAm/-	First Tier Instit	$4,814.5
1/16/07	Evergreen Prime Cash Mgmt/Inst Svc	Evergreen	Aaa/AAAm/-	First Tier Instit	$322.6
1/16/07	Evergreen Prime Cash Mgmt/Investor	Evergreen	Aaa/AAAm/-	First Tier Instit	$15.5
1/16/07	Evergreen Prime Cash Mgmt/Part	Evergreen	Aaa/AAAm/-	First Tier Instit	$20.8
1/16/07	Evergreen Treasury MMF/Cl A	Evergreen	-/AAAm/-	Treas & Repo Retail	$300.8
1/16/07	Evergreen Treasury MMF/Cl I	Evergreen	-/AAAm/-	Treas & Repo Retail	$944.1
1/16/07	Evergreen Treasury MMF/Cl S	Evergreen	-/AAAm/-	Treas & Repo Retail	$583.5
1/16/07	Federated/Auto Cash Mgmt Tr/Cash II	Federated	-/AAAm/-	First Tier Instit	$646.9
1/16/07	Federated/Auto Cash Mgmt Tr/Cl K	Federated	-/AAAm/-	First Tier Retail	$0.1
1/16/07	Federated/Auto Cash Mgmt Tr/InstSvc	Federated	-/AAAm/-	First Tier Instit	$2,598.2
1/16/07	Federated/Auto Govt Cash/InstSvc	Federated	Aaa/AAAm/-	Govt & Agencies Instit	$498.7
1/16/07	Federated/Auto Govt Money Trust	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$538.6
1/16/07	Federated/Govt Oblg Tax Mgd/Instit	Federated	Aaa/AAAm/-	Govt & Agencies Instit	$1,500.0
1/16/07	Federated/Govt Oblg Tax Mgd/InstSvc	Federated	Aaa/AAAm/-	Govt & Agencies Instit	$2,136.4
1/16/07	Federated/Govt Oblig Fund/Inst Cap	Federated	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$536.2
1/16/07	Federated/Govt Oblig Fund/Instit	Federated	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$7,506.4

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Federated/Govt Oblig Fund/Inst Svc	Federated	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$3,831.7
1/16/07	Federated/Govt Oblig Fund/Trust	Federated	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$317.3
1/16/07	Federated/Prime Cash Oblig/InstCap	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$878.3
1/16/07	Federated/Prime Cash Oblig/Instit	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$5,633.9
1/16/07	Federated/Prime Cash Oblig/InstSvc	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,492.8
1/16/07	Federated/Prime Oblig Fund/Instit	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$16,441.3
1/16/07	Federated/Prime Oblig Fund/Inst Svc	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$6,418.5
1/16/07	Federated/Prime Oblig Fund/Trust	Federated	Aaa/AAAm/AAA/V-1+	First Tier Instit	$145.2
1/16/07	Federated/T-F Oblig Fund/Instit	Federated	Aaa/-/AAA	T-F National Inst	$5,774.0
1/16/07	Federated/T-F Oblig Fund/Inst Svc	Federated	Aaa/-/AAA	T-F National Inst	$3,215.2
1/16/07	Federated/Treas Oblig Fund/Inst Cap	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$1,139.6
1/16/07	Federated/Treas Oblig Fund/Instit	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$7,812.0
1/16/07	Federated/Treas Oblig Fund/Inst Svc	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$5,490.1
1/16/07	Federated/Treas Oblig Fund/Trust	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$904.9
1/16/07	Federated/Trust for US Treas Obligs	Federated	Aaa/AAAm/-	Treasury & Repo Instit	$501.2
1/16/07	Federated/US Treas Cash Res/Inst	Federated	Aaa/AAAmG/-	Treasury Instit	$1,421.8
1/16/07	Federated/US Treas Cash Res/InstSvc	Federated	Aaa/AAAmG/-	Treasury Instit	$1,322.8
1/16/07	Fidelity Instit Govt I	Fidelity	Aaa/AAAm/-	Govt & Agencies Instit	$5,852.0
1/16/07	Fidelity Instit Govt II	Fidelity	Aaa/AAAm/-	Govt & Agencies Instit	$574.6
1/16/07	Fidelity Instit Govt III	Fidelity	Aaa/AAAm/-	Govt & Agencies Instit	$714.8
1/16/07	Fidelity Instit Govt/Select	Fidelity	Aaa/AAAm/-	Govt & Agencies Instit	$48.6
1/16/07	Fidelity Instit Prime MMF I	Fidelity	Aaa/AAAm/-	First Tier Instit	$8,569.0
1/16/07	Fidelity Instit Prime MMF II	Fidelity	Aaa/AAAm/-	First Tier Instit	$1,208.3
1/16/07	Fidelity Instit Prime MMF III	Fidelity	Aaa/AAAm/-	First Tier Instit	$3,012.2
1/16/07	Fidelity Instit Prime MMF/Select	Fidelity	Aaa/AAAm/-	First Tier Instit	$285.4
1/16/07	Fidelity Instit Tax-Exempt I	Fidelity	Aaa/AAAm/-	T-F National Inst	$8,441.8
1/16/07	Fidelity Instit Tax-Exempt II	Fidelity	Aaa/AAAm/-	T-F National Inst	$104.9
1/16/07	Fidelity Instit Tax-Exempt III	Fidelity	Aaa/AAAm/-	T-F National Inst	$322.2
1/16/07	Fidelity Instit Tax-Exempt/Select	Fidelity	Aaa/AAAm/-	T-F National Inst	$107.9
1/16/07	Fidelity Instit Treasury I	Fidelity	Aaa/AAAm/-	Treasury & Repo Instit	$5,437.0
1/16/07	Fidelity Instit Treasury II	Fidelity	Aaa/AAAm/-	Treasury & Repo Instit	$323.9
1/16/07	Fidelity Instit Treasury III	Fidelity	Aaa/AAAm/-	Treasury & Repo Instit	$3,585.5
1/16/07	Fidelity Instit Treasury/Select	Fidelity	Aaa/AAAm/-	Treasury & Repo Instit	$218.2
1/16/07	Fidelity Prime Fund/Cap Reserves	Fidelity	Aaa/AAAm/-	First Tier Instit	$9,651.1
1/16/07	Fidelity Prime Fund/Daily Money	Fidelity	Aaa/AAAm/-	First Tier Instit	$7,339.2
1/16/07	Fidelity Treas Fund/Cap Reserves	Fidelity	Aaa/-/-	Treasury & Repo Instit	$1,896.9
1/16/07	Fidelity Treas Fund/Daily Money	Fidelity	Aaa/AAAm/-	Treasury & Repo Instit	$1,339.1
1/16/07	Fifth Third Instit Govt MMF/Instit	Fifth Third	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$303.0
1/16/07	Fifth Third Instit Govt MMF/Prefer	Fifth Third	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$254.0
1/16/07	Fifth Third Instit Govt MMF/Select	Fifth Third	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$22.1
1/16/07	Fifth Third Instit Govt MMF/Trust	Fifth Third	Aaa/AAAm/AAA/V-1+	Govt & Agencies Instit	$115.0
1/16/07	Fifth Third Instit MMF/Instit	Fifth Third	Aaa/AAAm/-	First Tier Instit	$1,322.0
1/16/07	Fifth Third Instit MMF/Preferred	Fifth Third	Aaa/AAAm/-	First Tier Instit	$135.9
1/16/07	Fifth Third Instit MMF/Select	Fifth Third	Aaa/AAAm/-	First Tier Instit	$46.4
1/16/07	Fifth Third Instit MMF/Trust	Fifth Third	Aaa/AAAm/-	First Tier Instit	$212.9
1/16/07	Fifth Third US Treas MMF/Instit	Fifth Third	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$456.0
1/16/07	Fifth Third US Treas MMF/Prefer	Fifth Third	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$630.0
1/16/07	Fifth Third US Treas MMF/Select	Fifth Third	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$68.1
1/16/07	Fifth Third US Treas MMF/Trust	Fifth Third	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$64.4
1/16/07	Financial Inv Tr/Prime MMF/Cl I	Financial Investors Trust	-/AAAm/-	First Tier Instit	$79.8
1/16/07	Financial Inv Tr/US Treas MMF	Financial Investors Trust	-/AAAm/-	Treasury & Repo Instit	$35.6
1/16/07	First Amer Govt Oblig/Cl A	First American	Aaa/AAAm/-	Govt & Agency Retail	$377.3
1/16/07	First Amer Govt Oblig/Cl D	First American	Aaa/AAAm/-	Govt & Agency Retail	$1,244.6
1/16/07	First Amer Govt Oblig/Cl Y-Instit	First American	Aaa/AAAm/-	Govt & Agencies Instit	$3,474.3
1/16/07	First Amer Govt Oblig/Cl Z	First American	Aaa/AAAm/-	Govt & Agencies Instit	$407.9
1/16/07	First Amer Govt Oblig/Inst Inv	First American	Aaa/AAAm/-	Govt & Agencies Instit	$926.9
1/16/07	First Amer Prime Oblig/Cl A	First American	Aaa/AAAm/AAA/V-1+	First Tier Retail	$1,933.9
1/16/07	First Amer Prime Oblig/Cl B	First American	Aaa/AAAm/AAA/V-1+	First Tier Retail	$10.0
1/16/07	First Amer Prime Oblig/Cl C	First American	Aaa/AAAm/AAA/V-1+	First Tier Retail	$10.4
1/16/07	First Amer Prime Oblig/Cl D	First American	Aaa/AAAm/AAA/V-1+	First Tier Retail	$1,044.7
1/16/07	First Amer Prime Oblig/Cl I	First American	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,617.7

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	First Amer Prime Oblig/Cl Y	First American	Aaa/AAAm/AAA/V-1+	First Tier Instit	$6,266.9
1/16/07	First Amer Prime Oblig/Cl Z	First American	Aaa/AAAm/AAA/V-1+	First Tier Instit	$5,993.0
1/16/07	First Amer Prime Oblig/Inst Inv	First American	Aaa/AAAm/AAA/V-1+	First Tier Instit	$455.9
1/16/07	First Amer T-F Oblig/Cl A	First American	Aaa/AAAm/-	T-F National Retail	$207.0
1/16/07	First Amer T-F Oblig/Cl D	First American	Aaa/AAAm/-	T-F National Retail	$79.6
1/16/07	First Amer T-F Oblig/Cl Y	First American	Aaa/AAAm/-	T-F National Inst	$1,016.0
1/16/07	First Amer T-F Oblig/Cl Z	First American	Aaa/AAAm/-	T-F National Inst	$529.5
1/16/07	First Amer T-F Oblig/Instit Inv	First American	Aaa/AAAm/-	T-F National Inst	$34.2
1/16/07	First Amer Treas Oblig/Cl A	First American	Aaa/AAAm/AAA/V-1+	Treas & Repo Retail	$1,817.1
1/16/07	First Amer Treas Oblig/Cl D	First American	Aaa/AAAm/AAA/V-1+	Treas & Repo Retail	$6,444.7
1/16/07	First Amer Treas Oblig/Cl Y	First American	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$5,337.6
1/16/07	First Amer Treas Oblig/Cl Z	First American	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$1,580.9
1/16/07	First Amer Treas Oblig/Inst Inv	First American	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$551.9
1/16/07	First Amer Treas Oblig/Reserve	First American	Aaa/AAAm/AAA/V-1+	Treas & Repo Retail	$1,112.4
1/16/07	First Amer US Treas MMF/Cl A	First American	Aaa/AAAm/AAA/V-1+	Treasury Retail	$27.0
1/16/07	First Amer US Treas MMF/Cl D	First American	Aaa/AAAm/AAA/V-1+	Treasury Retail	$155.2
1/16/07	First Amer US Treas MMF/Cl Y	First American	Aaa/AAAm/AAA/V-1+	Treasury Instit	$501.3
1/16/07	First Amer US Treas MMF/Cl Z	First American	Aaa/AAAm/AAA/V-1+	Treasury Instit	$123.2
1/16/07	First Amer US Treas MMF/Inst Inv	First American	Aaa/AAAm/AAA/V-1+	Treasury Instit	$0.8
1/16/07	Goldman Sachs FS Federal Fund/Adm	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$750.3
1/16/07	Goldman Sachs FS Federal Fund/Cap	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$3.6
1/16/07	Goldman Sachs FS Federal Fund/Inst	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$8,286.4
1/16/07	Goldman Sachs FS Federal Fund/Pre	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$129.1
1/16/07	Goldman Sachs FS Federal Fund/Sel	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$0.1
1/16/07	Goldman Sachs FS Federal Fund/Ser	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$760.1
1/16/07	Goldman Sachs FS Govt Fund/Adm	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$961.6
1/16/07	Goldman Sachs FS Govt Fund/Cap	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$123.6
1/16/07	Goldman Sachs FS Govt Fund/Inst	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$3,015.0
1/16/07	Goldman Sachs FS Govt Fund/Pre	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$346.8
1/16/07	Goldman Sachs FS Govt Fund/Sel	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$80.9
1/16/07	Goldman Sachs FS Govt Fund/Ser	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$394.4
1/16/07	Goldman Sachs FS MMF/Adm	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$631.8
1/16/07	Goldman Sachs FS MMF/Cap	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$13.2
1/16/07	Goldman Sachs FS MMF/Inst	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$14,074.0
1/16/07	Goldman Sachs FS MMF/Pre	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$88.3
1/16/07	Goldman Sachs FS MMF/Sel	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$116.4
1/16/07	Goldman Sachs FS MMF/Ser	Goldman Sachs	Aaa/AAAm/-	First Tier Instit	$483.0
1/16/07	Goldman Sachs FS Prime Oblig/Adm	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$4,261.8
1/16/07	Goldman Sachs FS Prime Oblig/Cap	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$620.9
1/16/07	Goldman Sachs FS Prime Oblig/Inst	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$18,843.4
1/16/07	Goldman Sachs FS Prime Oblig/Pre	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,572.6
1/16/07	Goldman Sachs FS Prime Oblig/Sel	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$319.3
1/16/07	Goldman Sachs FS Prime Oblig/Ser	Goldman Sachs	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,592.3
1/16/07	Goldman Sachs FS T-F MMF/Adm	Goldman Sachs	Aaa/-/-	T-F National Inst	$324.4
1/16/07	Goldman Sachs FS T-F MMF/Cap	Goldman Sachs	Aaa/-/-	T-F National Inst	$111.8
1/16/07	Goldman Sachs FS T-F MMF/Inst	Goldman Sachs	Aaa/-/-	T-F National Inst	$6,663.3
1/16/07	Goldman Sachs FS T-F MMF/Pre	Goldman Sachs	Aaa/-/-	T-F National Inst	$334.3
1/16/07	Goldman Sachs FS T-F MMF/Sel	Goldman Sachs	Aaa/-/-	T-F National Inst	$91.8
1/16/07	Goldman Sachs FS T-F MMF/Ser	Goldman Sachs	Aaa/-/-	T-F National Inst	$198.0
1/16/07	Goldman Sachs FS Treas Instr/Adm	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$914.9
1/16/07	Goldman Sachs FS Treas Instr/Cap	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$15.3
1/16/07	Goldman Sachs FS Treas Instr/Inst	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$1,915.4
1/16/07	Goldman Sachs FS Treas Instr/Pre	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$145.4
1/16/07	Goldman Sachs FS Treas Instr/Sel	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$32.0
1/16/07	Goldman Sachs FS Treas Instr/Ser	Goldman Sachs	Aaa/AAAm/-	Treasury Instit	$168.5
1/16/07	Goldman Sachs FS Treas Oblig/Adm	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$2,118.4
1/16/07	Goldman Sachs FS Treas Oblig/Cap	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$124.5
1/16/07	Goldman Sachs FS Treas Oblig/Inst	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$1,808.6
1/16/07	Goldman Sachs FS Treas Oblig/Pre	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$693.2
1/16/07	Goldman Sachs FS Treas Oblig/Sel	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Goldman Sachs FS Treas Oblig/Ser	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$1,838.7

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Goldman Sachs ILA Federal Port/Adm	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$1,795.8
1/16/07	Goldman Sachs ILA Federal Port/CMS	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$0.3
1/16/07	Goldman Sachs ILA Federal Port/Inst	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$29.3
1/16/07	Goldman Sachs ILA Federal Port/Ser	Goldman Sachs	Aaa/AAAm/-	Govt & Agencies Instit	$241.2
1/16/07	Goldman Sachs ILA Treas Instr/Adm	Goldman Sachs	Aaa/AAAmG/-	Treasury Instit	$26.5
1/16/07	Goldman Sachs ILA Treas Instr/CMS	Goldman Sachs	Aaa/AAAmG/-	Treasury Instit	$5.7
1/16/07	Goldman Sachs ILA Treas Instr/Inst	Goldman Sachs	Aaa/AAAmG/-	Treasury Instit	$4.2
1/16/07	Goldman Sachs ILA Treas Instr/Ser	Goldman Sachs	Aaa/AAAmG/-	Treasury Instit	$156.8
1/16/07	Goldman Sachs ILA Treas Oblig/Adm	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Goldman Sachs ILA Treas Oblig/CMS	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$56.3
1/16/07	Goldman Sachs ILA Treas Oblig/Inst	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$31.4
1/16/07	Goldman Sachs ILA Treas Oblig/Ser	Goldman Sachs	Aaa/AAAm/-	Treasury & Repo Instit	$681.7
1/16/07	Govt & Agency Cash Managed Shares	Deutsche	-/AAAm/-	Govt & Agencies Instit	$156.3
1/16/07	Hancock Horizon Treas Sec MMF/Cl A	Hancock	Aaa/AAAm/-	Treas & Repo Retail	$227.1
1/16/07	Hancock Horizon Treas Sec MMF/InsSw	Hancock	Aaa/AAAm/-	Treasury & Repo Instit	$78.4
1/16/07	Hancock Horizon Treas Sec MMF/Trust	Hancock	Aaa/AAAm/-	Treasury & Repo Instit	$179.5
1/16/07	Heritage Cash Trust MMF	Heritage	-/AAAm/-	First Tier Retail	$5,433.1
1/16/07	Heritage Cash Trust Muni MMF	Heritage	-/AAAm/-	T-F National Retail	$1,306.2
1/16/07	HighMark US Govt MMF/Cl A	HighMark	Aaa/AAAm/-	Govt & Agency Retail	$30.3
1/16/07	HighMark US Govt MMF/Cl B	HighMark	Aaa/AAAm/-	Govt & Agency Retail	$0.6
1/16/07	HighMark US Govt MMF/Cl S	HighMark	Aaa/AAAm/-	Govt & Agency Retail	$116.9
1/16/07	HighMark US Govt MMF/Fid	HighMark	Aaa/AAAm/-	Govt & Agency Retail	$407.9
1/16/07	HSBC Investor MMF/Cl A	HSBC	Aaa/AAAm/-	First Tier Retail	$388.9
1/16/07	HSBC Investor MMF/Cl C	HSBC	Aaa/AAAm/-	First Tier Retail	$245.8
1/16/07	HSBC Investor MMF/Cl D	HSBC	Aaa/AAAm/-	First Tier Retail	$3,078.3
1/16/07	HSBC Investor MMF/Cl I	HSBC	Aaa/AAAm/-	First Tier Instit	$2,028.7
1/16/07	HSBC Investor MMF/Cl Y	HSBC	Aaa/AAAm/-	First Tier Instit	$657.7
1/16/07	HSBC Investor US Treas MM/Cl A	HSBC	Aaa/AAAm/-	Treasury Retail	$78.3
1/16/07	HSBC Investor US Treas MM/Cl D	HSBC	Aaa/AAAm/-	Treasury Retail	$338.4
1/16/07	HSBC Investor US Treas MM/Cl I	HSBC	Aaa/AAAm/-	Treasury Instit	$6.6
1/16/07	HSBC Investor US Treas MM/Cl Y	HSBC	Aaa/AAAm/-	Treasury Instit	$49.9
1/16/07	Huntington US Treas MMF/Invmt	Huntington	-/AAAm/-	Treas & Repo Retail	$68.9
1/16/07	Huntington US Treas MMF/Trust	Huntington	-/AAAm/-	Treas & Repo Retail	$596.8
1/16/07	ICT Treasury Portfolio/Instit	Deutsche	-/AAAm/-	Treasury & Repo Instit	$2.9
1/16/07	ING Institutional Prime MMF	ING	-/AAAm/-	First Tier Instit	$473.8
1/16/07	Institutional MMF/Comerica Cl K	Munder	Aaa/-/-	First Tier Instit	$407.5
1/16/07	Institutional MMF/Comerica Cl Y	Munder	Aaa/-/-	First Tier Instit	$1,207.0
1/16/07	Investors Cash Tr/Govt & Agency/Svc	Deutsche	-/AAAm/-	Govt & Agencies Instit	$224.7
1/16/07	Janus Govt MMF/Instit Shrs	Janus	Aaa/AAAm/-	Govt & Agencies Instit	$574.3
1/16/07	Janus Govt MMF/Investor Shrs	Janus	Aaa/AAAm/-	Govt & Agency Retail	$172.5
1/16/07	Janus Govt MMF/Service Shrs	Janus	Aaa/AAAm/-	Govt & Agency Retail	$165.1
1/16/07	Janus MMF/Instit	Janus	Aaa/AAAm/-	First Tier Instit	$6,899.3
1/16/07	Janus MMF/Investor	Janus	Aaa/AAAm/-	First Tier Retail	$1,392.3
1/16/07	Janus MMF/Service	Janus	Aaa/AAAm/-	First Tier Retail	$30.4
1/16/07	Janus T-E MMF/Instit Shrs	Janus	Aaa/-/-	T-F National Inst	$35.5
1/16/07	Janus T-E MMF/Investor Shrs	Janus	Aaa/-/-	T-F National Retail	$76.0
1/16/07	Janus T-E MMF/Service Shrs	Janus	Aaa/-/-	T-F National Retail	$0.1
1/16/07	JPMorgan 100% US Treas MMF/Agency	JPMorgan	Aaa/AAAmG/-	Treasury Instit	$1,022.2
1/16/07	JPMorgan 100% US Treas MMF/Capital	JPMorgan	Aaa/AAAmG/-	Treasury Instit	$1,293.8
1/16/07	JPMorgan 100% US Treas MMF/Instit	JPMorgan	Aaa/AAAmG/-	Treasury Instit	$2,382.4
1/16/07	JPMorgan 100% US Treas MMF/Morgan	JPMorgan	Aaa/AAAmG/-	Treasury Retail	$1,950.0
1/16/07	JPMorgan 100% US Treas MMF/Premier	JPMorgan	Aaa/AAAmG/-	Treasury Instit	$2,003.9
1/16/07	JPMorgan 100% US Treas MMF/Reserve	JPMorgan	Aaa/AAAmG/-	Treasury Retail	$9.8
1/16/07	JPMorgan Federal MMF/Agency	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$143.4
1/16/07	JPMorgan Federal MMF/Instit	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$4,674.4
1/16/07	JPMorgan Federal MMF/Morgan	JPMorgan	Aaa/AAAm/-	Govt & Agency Retail	$226.4
1/16/07	JPMorgan Federal MMF/Premier	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$578.9
1/16/07	JPMorgan Federal MMF/Reserve	JPMorgan	Aaa/AAAm/-	Govt & Agency Retail	$0.4
1/16/07	JPMorgan Prime MMF/Agency	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Instit	$9,658.1
1/16/07	JPMorgan Prime MMF/Capital	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Instit	$43,276.3
1/16/07	JPMorgan Prime MMF/Cash Mgmt	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Instit	$34.5

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	JPMorgan Prime MMF/Class B	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Retail	$6.1
1/16/07	JPMorgan Prime MMF/Class C	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Retail	$4.2
1/16/07	JPMorgan Prime MMF/Instit	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Instit	$25,497.6
1/16/07	JPMorgan Prime MMF/Morgan	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Retail	$5,806.1
1/16/07	JPMorgan Prime MMF/Premier	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Instit	$7,713.3
1/16/07	JPMorgan Prime MMF/Reserve	JPMorgan	Aaa/AAAm/AAA/V-1+	First Tier Retail	$380.9
1/16/07	JPMorgan Tax-Free MMF/Agency	JPMorgan	Aaa/AAAm/-	T-F National Inst	$390.5
1/16/07	JPMorgan Tax-Free MMF/Instit	JPMorgan	Aaa/AAAm/-	T-F National Inst	$8,857.8
1/16/07	JPMorgan Tax-Free MMF/Morgan	JPMorgan	Aaa/AAAm/-	T-F National Retail	$449.4
1/16/07	JPMorgan Tax-Free MMF/Premier	JPMorgan	Aaa/AAAm/-	T-F National Inst	$7,000.1
1/16/07	JPMorgan Tax-Free MMF/Reserve	JPMorgan	Aaa/AAAm/-	T-F National Retail	$1.4
1/16/07	JPMorgan US Govt MMF/Agency	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$3,738.7
1/16/07	JPMorgan US Govt MMF/Capital	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$4,730.3
1/16/07	JPMorgan US Govt MMF/Instit	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$2,190.8
1/16/07	JPMorgan US Govt MMF/Morgan	JPMorgan	Aaa/AAAm/-	Govt & Agency Retail	$3,113.3
1/16/07	JPMorgan US Govt MMF/Premier	JPMorgan	Aaa/AAAm/-	Govt & Agencies Instit	$1,639.8
1/16/07	JPMorgan US Govt MMF/Reserve	JPMorgan	Aaa/AAAm/-	Govt & Agency Retail	$335.3
1/16/07	JPMorgan US Treas Plus MMF/Agency	JPMorgan	Aaa/AAAm/-	Treasury & Repo Instit	$889.7
1/16/07	JPMorgan US Treas Plus MMF/Cl B	JPMorgan	Aaa/AAAm/-	Treas & Repo Retail	$1.7
1/16/07	JPMorgan US Treas Plus MMF/Cl C	JPMorgan	Aaa/AAAm/-	Treas & Repo Retail	$26.3
1/16/07	JPMorgan US Treas Plus MMF/Instit	JPMorgan	Aaa/AAAm/-	Treasury & Repo Instit	$1,362.6
1/16/07	JPMorgan US Treas Plus MMF/Inv	JPMorgan	Aaa/AAAm/-	Treas & Repo Retail	$1,861.8
1/16/07	JPMorgan US Treas Plus MMF/Morgan	JPMorgan	Aaa/AAAm/-	Treas & Repo Retail	$1,915.8
1/16/07	JPMorgan US Treas Plus MMF/Premier	JPMorgan	Aaa/AAAm/-	Treasury & Repo Instit	$1,247.8
1/16/07	JPMorgan US Treas Plus MMF/Reserve	JPMorgan	Aaa/AAAm/-	Treas & Repo Retail	$924.4
1/16/07	Lehman Bros Cash Mgmt Prime Port	Lehman Brothers	Aaa/AAAm/AAA/V-1+	First Tier Instit	$1,894.5
1/16/07	Lehman Bros Inst Liq/Govt/Admin	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Govt/Capital	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Govt/Cash Mgt	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Govt/Instit	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$494.1
1/16/07	Lehman Bros Inst Liq/Govt/Premier	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Govt/Select	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Govt/Service	Lehman Brothers	-/AAAm/AAA/V-1+	Govt & Agencies Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Admin	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Capital	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Cash Mgt	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Instit	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$293.2
1/16/07	Lehman Bros Inst Liq/Prime/Premier	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Select	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Prime/Service	Lehman Brothers	-/AAAm/AAA/V-1+	First Tier Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Admin	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Capital	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Cash Mgt	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Instit	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$494.0
1/16/07	Lehman Bros Inst Liq/Treas/Premier	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Select	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Inst Liq/Treas/Service	Lehman Brothers	-/AAAm/AAA/V-1+	Treasury & Repo Instit	$1.0
1/16/07	Lehman Bros Natl Muni MF/Reserve	Lehman Brothers	Aaa/-/AAA/V-1+	T-F National Inst	$263.2
1/16/07	Lehman Bros Prime Reserve Port	Lehman Brothers	Aaa/AAAm/AAA/V-1+	First Tier Instit	$3,488.3
1/16/07	Lehman Bros Tax-Free MF/Reserve	Lehman Brothers	Aaa/-/AAA/V-1+	T-F National Inst	$1,379.5
1/16/07	Liquid Cash Trust	Federated	Aaa/-/-	Govt & Agencies Instit	$92.6
1/16/07	Marshall Govt MMF/Class I	Marshall	-/-/AAA/V-1+	Govt & Agencies Instit	$80.6
1/16/07	Marshall Govt MMF/Class Y	Marshall	-/-/AAA/V-1+	Govt & Agency Retail	$193.3
1/16/07	Marshall Prime MMF/Advisor Class	Marshall	-/-/AAA	First Tier Retail	$98.0
1/16/07	Marshall Prime MMF/Instit Class	Marshall	-/-/AAA	First Tier Instit	$2,197.5
1/16/07	Marshall Prime MMF/Investor Class	Marshall	-/-/AAA	First Tier Retail	$2,621.4
1/16/07	Mercantile Govt MMF/Class A	Mercantile	-/AAAm/-	Govt & Agency Retail	$1.6
1/16/07	Mercantile Govt MMF/Class I	Mercantile	-/AAAm/-	Govt & Agencies Instit	$432.3
1/16/07	Mercantile Prime MMF/Class A	Mercantile	-/AAAm/-	First Tier Retail	$162.2
1/16/07	Mercantile Prime MMF/Class C	Mercantile	-/AAAm/-	First Tier Retail	$0.3
1/16/07	Mercantile Prime MMF/Class I	Mercantile	-/AAAm/-	First Tier Instit	$794.7

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Mercantile Tax-Exempt MMF/Class A	Mercantile	-/AAAm/-	T-F National Retail	$5.7
1/16/07	Mercantile Tax-Exempt MMF/Class I	Mercantile	-/AAAm/-	T-F National Inst	$242.2
1/16/07	Merrill Lynch Government Fund	BlackRock	-/AAAm/-	Govt & Agencies Instit	$3,048.7
1/16/07	Merrill Lynch Institutional Fund	BlackRock	-/AAAm/-	First Tier Instit	$17,782.6
1/16/07	Merrill Lynch Treasury Fund	BlackRock	-/AAAmG/-	Treasury Instit	$1,526.3
1/16/07	Merrimac Treas Plus Series/Instit	Merrimac	Aaa/-/-	Treasury & Repo Instit	$0.1
1/16/07	Merrimac Treas Plus Series/Inv	Merrimac	Aaa/-/-	Treasury & Repo Instit	$456.4
1/16/07	Merrimac Treas Plus Series/Premium	Merrimac	Aaa/-/-	Treasury & Repo Instit	$104.5
1/16/07	Merrimac Treas Series/Instit	Merrimac	Aaa/-/-	Treasury Instit	$1.1
1/16/07	Merrimac Treas Series/Inv	Merrimac	Aaa/-/-	Treasury Instit	$246.1
1/16/07	Merrimac Treas Series/Premium	Merrimac	Aaa/-/-	Treasury Instit	$44.5
1/16/07	Milestone Treas Obligs Port/Admin	Milestone	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$49.2
1/16/07	Milestone Treas Obligs Port/Fincl	Milestone	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$714.4
1/16/07	Milestone Treas Obligs Port/Instit	Milestone	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$967.8
1/16/07	Milestone Treas Obligs Port/Inv	Milestone	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$261.1
1/16/07	Milestone Treas Obligs Port/Premium	Milestone	Aaa/AAAm/AAA/V-1+	Treasury & Repo Instit	$100.1
1/16/07	Monarch Daily Assets Cash/Instit	Monarch	-/AAAm/-	First Tier Instit	$80.3
1/16/07	Monarch Daily Assets Cash/Inst Svc	Monarch	-/AAAm/-	First Tier Instit	$54.5
1/16/07	Monarch Daily Assets Cash/Investor	Monarch	-/AAAm/-	First Tier Retail	$214.8
1/16/07	Monarch Daily Assets Cash/Preferred	Monarch	-/AAAm/-	First Tier Instit	$159.1
1/16/07	Monarch Daily Assets Cash/Universal	Monarch	-/AAAm/-	First Tier Instit	$50.6
1/16/07	Monarch Daily Assets Treas/InstSvc	Monarch	-/AAAm/-	Treasury & Repo Instit	$14.2
1/16/07	Monarch Daily Assets Treas/Investor	Monarch	-/AAAm/-	Treas & Repo Retail	$66.6
1/16/07	Morgan Stanley ActiveAssets InstMT	Morgan Stanley	-/AAAm/-	First Tier Instit	$1,392.2
1/16/07	Morgan Stanley Inst Liq/Govt/Adm	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$39.7
1/16/07	Morgan Stanley Inst Liq/Govt/Adv	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$137.4
1/16/07	Morgan Stanley Inst Liq/Govt/Inst	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$2,755.7
1/16/07	Morgan Stanley Inst Liq/Govt/Inv	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$451.5
1/16/07	Morgan Stanley Inst Liq/Govt/Part	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Govt/Svc	Morgan Stanley	Aaa/AAAm/-	Govt & Agencies Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Prime/Adm	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Prime/Adv	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$83.7
1/16/07	Morgan Stanley Inst Liq/Prime/Inst	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$24,674.7
1/16/07	Morgan Stanley Inst Liq/Prime/Inv	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$10.8
1/16/07	Morgan Stanley Inst Liq/Prime/Part	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Prime/Svc	Morgan Stanley	Aaa/AAAm/AAA/V-1+	First Tier Instit	$245.8
1/16/07	Morgan Stanley Inst Liq/T-E/Adm	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$0.1
1/16/07	Morgan Stanley Inst Liq/T-E/Adv	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$3.7
1/16/07	Morgan Stanley Inst Liq/T-E/CashMgt	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$212.7
1/16/07	Morgan Stanley Inst Liq/T-E/Inst	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$912.8
1/16/07	Morgan Stanley Inst Liq/T-E/Inv	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$3.1
1/16/07	Morgan Stanley Inst Liq/T-E/Part	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$0.1
1/16/07	Morgan Stanley Inst Liq/T-E/Svc	Morgan Stanley	Aaa/-/AAA/V-1+	T-F National Inst	$0.1
1/16/07	Morgan Stanley Inst Liq/Treas/Adm	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Treas/Adv	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$65.9
1/16/07	Morgan Stanley Inst Liq/Treas/Cash	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Treas/Inst	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$3.2
1/16/07	Morgan Stanley Inst Liq/Treas/Inv	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	Morgan Stanley Inst Liq/Treas/Part	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$0.5
1/16/07	Morgan Stanley Inst Liq/Treas/Svc	Morgan Stanley	Aaa/AAAm/-	Treasury & Repo Instit	$0.1
1/16/07	MTB Prime MMF/Corporate	MTB	Aaa/AAAm/-	First Tier Instit	$305.1
1/16/07	MTB US Govt MMP/Cl A	MTB	Aaa/AAAm/-	Govt & Agency Retail	$8.5
1/16/07	MTB US Govt MMP/Instit I	MTB	Aaa/AAAm/-	Govt & Agencies Instit	$1,484.0
1/16/07	MTB US Govt MMP/Instit II	MTB	Aaa/AAAm/-	Govt & Agencies Instit	$1,053.5
1/16/07	MTB US Treasury MMF/Cl A	MTB	Aaa/AAAm/-	Treas & Repo Retail	$106.9
1/16/07	MTB US Treasury MMF/Cl S	MTB	Aaa/AAAm/-	Treasury & Repo Instit	$24.2
1/16/07	MTB US Treasury MMF/Instit I	MTB	Aaa/AAAm/-	Treasury & Repo Instit	$401.0
1/16/07	MTB US Treasury MMF/Instit II	MTB	Aaa/AAAm/-	Treasury & Repo Instit	$333.6
1/16/07	Neuberger Berman Prime MF/Trust	Lehman Brothers	Aaa/AAAm/AAA/V-1+	First Tier Instit	$957.3
1/16/07	Northern Instit Govt Port/Cl A	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$2,814.2
1/16/07	Northern Instit Govt Port/Cl C	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$108.7

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Northern Instit Govt Port/Cl D	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$4.1
1/16/07	Northern Instit Govt Select Port/A	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$5,050.1
1/16/07	Northern Instit Govt Select Port/C	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$75.8
1/16/07	Northern Instit Govt Select Port/D	Northern	Aaa/AAAm/-	Govt & Agencies Instit	$150.3
1/16/07	Northern Instit Prime Obligs/Cl A	Northern	Aaa/AAAm/-	First Tier Instit	$2,897.1
1/16/07	Northern Instit Prime Obligs/Cl C	Northern	Aaa/AAAm/-	First Tier Instit	$152.2
1/16/07	Northern Instit Prime Obligs/Cl D	Northern	Aaa/AAAm/-	First Tier Instit	$10.6
1/16/07	Pacific Cap US Govt Sec Cash/O	Pacific Capital	Aaa/AAAm/-	Govt & Agency Retail	$514.6
1/16/07	Pacific Cap US Govt Sec Cash/Svc	Pacific Capital	Aaa/AAAm/-	Govt & Agency Retail	$945.5
1/16/07	Phoenix Insight MF/Cl A	Phoenix	Aaa/AAAm/AAA/V-1+	First Tier Retail	$897.6
1/16/07	Phoenix Insight MF/Cl I	Phoenix	Aaa/AAAm/AAA/V-1+	First Tier Instit	$2,486.2
1/16/07	Phoenix Insight MF/Exchange	Phoenix	Aaa/AAAm/AAA/V-1+	First Tier Retail	$487.6
1/16/07	PIMCO MMF/Admin	PIMCO	Aaa/-/-	First Tier Retail	$3.7
1/16/07	PIMCO MMF/Cl A	PIMCO	Aaa/-/-	First Tier Retail	$80.1
1/16/07	PIMCO MMF/Cl B	PIMCO	Aaa/-/-	First Tier Retail	$49.7
1/16/07	PIMCO MMF/Cl C	PIMCO	Aaa/-/-	First Tier Retail	$61.3
1/16/07	PIMCO MMF/Instit Cl	PIMCO	Aaa/-/-	First Tier Instit	$173.7
1/16/07	Premier Money Market Shares/Treas	Deutsche	-/AAAm/-	Treas & Repo Retail	$56.2
1/16/07	Premier Money Market Shrs/T-E Port	Deutsche	Aaa/AAAm/-	T-F National Retail	$120.8
1/16/07	Prudential Instit Liq/MM Ser/Cl A	JennisonDryden	-/-/AAA/V-1+	First Tier Instit	$894.8
1/16/07	Prudential Instit Liq/MM Ser/Cl I	JennisonDryden	-/-/AAA/V-1+	First Tier Instit	$894.3
1/16/07	Putnam Prime MMF/Cl A	Putnam	Aaa/AAAm/AAA/V-1+	First Tier Instit	$16.8
1/16/07	Putnam Prime MMF/Cl I	Putnam	Aaa/AAAm/AAA/V-1+	First Tier Instit	$3,250.4
1/16/07	Putnam Prime MMF/Cl P	Putnam	Aaa/AAAm/AAA/V-1+	First Tier Instit	$2,533.4
1/16/07	Reserve Interstate T-E Cl 15	Reserve	-/AAAm/-	T-F National Inst	$0.1
1/16/07	Reserve Interstate T-E Cl 25	Reserve	-/AAAm/-	T-F National Inst	$43.9
1/16/07	Reserve Interstate T-E Cl 45	Reserve	-/AAAm/-	T-F National Inst	$0.1
1/16/07	Reserve Interstate T-E Cl 70	Reserve	-/AAAm/-	T-F National Inst	$5.6
1/16/07	Reserve Interstate T-E Cl 75	Reserve	-/AAAm/-	T-F National Inst	$4.6
1/16/07	Reserve Interstate T-E Cl R	Reserve	-/AAAm/-	T-F National Retail	$333.8
1/16/07	Reserve Interstate T-E Cl TT	Reserve	-/AAAm/-	T-F National Inst	$79.7
1/16/07	Reserve Interstate T-E Instit	Reserve	-/AAAm/-	T-F National Inst	$777.1
1/16/07	Reserve Primary Fund Cl 15	Reserve	Aaa/AAAm/-	First Tier Instit	$334.0
1/16/07	Reserve Primary Fund Cl 20	Reserve	Aaa/AAAm/-	First Tier Instit	$223.5
1/16/07	Reserve Primary Fund Cl 25	Reserve	Aaa/AAAm/-	First Tier Instit	$558.5
1/16/07	Reserve Primary Fund Cl 35	Reserve	Aaa/AAAm/-	First Tier Instit	$8.2
1/16/07	Reserve Primary Fund Cl 45	Reserve	Aaa/AAAm/-	First Tier Instit	$85.2
1/16/07	Reserve Primary Fund Cl 70	Reserve	Aaa/AAAm/-	First Tier Instit	$22.6
1/16/07	Reserve Primary Fund Cl 75	Reserve	Aaa/AAAm/-	First Tier Instit	$90.8
1/16/07	Reserve Primary Fund Cl 95	Reserve	Aaa/AAAm/-	First Tier Instit	$12.8
1/16/07	Reserve Primary Fund Cl R	Reserve	Aaa/AAAm/-	First Tier Retail	$8,656.4
1/16/07	Reserve Primary Fund Cl TT	Reserve	Aaa/AAAm/-	First Tier Instit	$1,049.4
1/16/07	Reserve Primary Fund Instit	Reserve	Aaa/AAAm/-	First Tier Instit	$14,497.8
1/16/07	Reserve US Govt Fund Cl 15	Reserve	Aaa/AAAm/-	Govt & Agencies Instit	$87.4
1/16/07	Reserve US Govt Fund Cl 25	Reserve	Aaa/AAAm/-	Govt & Agencies Instit	$21.2
1/16/07	Reserve US Govt Fund Cl 45	Reserve	Aaa/AAAm/-	Govt & Agencies Instit	$21.2
1/16/07	Reserve US Govt Fund Cl R	Reserve	Aaa/AAAm/-	Govt & Agency Retail	$3,577.4
1/16/07	Reserve US Govt Fund Cl TT	Reserve	Aaa/AAAm/-	Govt & Agencies Instit	$127.5
1/16/07	Reserve US Govt Fund Instit	Reserve	Aaa/AAAm/-	Govt & Agencies Instit	$1,259.3
1/16/07	RMK Select Treas MMF/Cl A	RMK	-/AAAm/-	Treasury Retail	$1,191.5
1/16/07	SEI Daily Income Tr/Govt/Cl A	SEI	Aaa/-/-	Govt & Agencies Instit	$530.0
1/16/07	SEI Daily Income Tr/Govt/Cl B	SEI	Aaa/-/-	Govt & Agencies Instit	$140.1
1/16/07	SEI Daily Income Tr/Govt/Cl C	SEI	Aaa/-/-	Govt & Agencies Instit	$143.4
1/16/07	SEI Daily Income Tr/Govt/Cl S	SEI	Aaa/-/-	Govt & Agencies Instit	$18.5
1/16/07	SEI Daily Income Tr/MMP/Class A	SEI	Aaa/-/-	First Tier Instit	$677.1
1/16/07	SEI Daily Income Tr/MMP/Class B	SEI	Aaa/-/-	First Tier Instit	$156.0
1/16/07	SEI Daily Income Tr/MMP/Class C	SEI	Aaa/-/-	First Tier Instit	$251.4
1/16/07	SEI Daily Income Tr/MMP/Class S	SEI	Aaa/-/-	First Tier Instit	$93.4
1/16/07	SEI Daily Income Tr/Prime Oblig/A	SEI	Aaa/AAAm/-	First Tier Instit	$3,808.4
1/16/07	SEI Daily Income Tr/Prime Oblig/B	SEI	Aaa/AAAm/-	First Tier Instit	$811.3
1/16/07	SEI Daily Income Tr/Prime Oblig/C	SEI	Aaa/AAAm/-	First Tier Instit	$825.5

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	SEI Daily Income Tr/Prime Oblig/H	SEI	Aaa/AAAm/-	First Tier Instit	$63.5
1/16/07	SEI Daily Income Tr/Prime Oblig/S	SEI	Aaa/AAAm/-	First Tier Instit	$43.2
1/16/07	SEI Daily Income Tr/Treas/Cl A	SEI	Aaa/AAAm/-	Treasury & Repo Instit	$267.1
1/16/07	SEI Daily Income Tr/Treas/Cl B	SEI	Aaa/AAAm/-	Treasury & Repo Instit	$356.6
1/16/07	SEI Daily Income Tr/Treas/Cl C	SEI	Aaa/AAAm/-	Treasury & Repo Instit	$80.9
1/16/07	SEI Daily Income Tr/Treas/Cl S	SEI	Aaa/AAAm/-	Treasury & Repo Instit	$102.4
1/16/07	SEI Daily Income Tr/Treas II/Cl A	SEI	-/AAAmG/-	Treasury Instit	$135.0
1/16/07	SEI Daily Income Tr/Treas II/Cl B	SEI	-/AAAmG/-	Treasury Instit	$52.8
1/16/07	SEI Daily Income Tr/Treas II/Cl C	SEI	-/AAAmG/-	Treasury Instit	$26.0
1/16/07	Smith Barney Inst Cash Mgmt/Govt	Legg Mason	Aaa/AAAm/-	Govt & Agencies Instit	$1,393.9
1/16/07	SNAP Fund	Commonwealth Cash	-/AAAm/-	First Tier Instit	$3,421.2
1/16/07	SSgA Prime MMF	SSgA	-/AAAm/-	First Tier Instit	$10,018.0
1/16/07	SSgA Tax-Free MMF/Cl A	SSgA	-/AAAm/-	T-F National Retail	$628.3
1/16/07	SSgA US Govt MMF/Cl A	SSgA	-/AAAm/-	Govt & Agency Retail	$1,114.4
1/16/07	SSgA US Treasury MMF	SSgA	Aaa/AAAm/-	Treasury & Repo Instit	$1,352.1
1/16/07	State Street Instit Liquid Reserves	SSgA	-/AAAm/-	First Tier Instit	$5,881.9
1/16/07	STI Classic Inst Cash Mgmt MMF/I	STI	Aaa/AAAm/-	First Tier Instit	$3,391.5
1/16/07	STI Classic Inst Muni Cash Res/I	STI	Aaa/AAAm/-	T-F National Inst	$59.1
1/16/07	STI Classic Inst US Govt Sec MMF/I	STI	Aaa/AAAm/-	Govt & Agencies Instit	$846.4
1/16/07	STI Classic Inst USTreas Sec MMF/CT	STI	Aaa/AAAm/-	Treasury & Repo Instit	$2,322.9
1/16/07	STI Classic Inst USTreas Sec MMF/I	STI	Aaa/AAAm/-	Treasury & Repo Instit	$814.6
1/16/07	STI Classic US Govt Secs MMF/A	STI	Aaa/AAAm/-	Govt & Agency Retail	$241.4
1/16/07	STI Classic US Govt Secs MMF/I	STI	Aaa/AAAm/-	Govt & Agency Retail	$620.4
1/16/07	STI Classic US Treas MMF/A	STI	Aaa/AAAm/-	Treas & Repo Retail	$30.0
1/16/07	STI Classic US Treas MMF/I	STI	Aaa/AAAm/-	Treas & Repo Retail	$1,085.9
1/16/07	Tamarack Govt MMF/Investor	Tamarack	Aaa/-/-	Govt & Agency Retail	$842.8
1/16/07	TCW Money Market Fund	TCW	-/AAAm/-	First Tier Retail	$635.2
1/16/07	T-E Portfolio/Managed Shares	Deutsche	Aaa/AAAm/-	T-F National Retail	$234.2
1/16/07	Treasury Cash Series	Federated	Aaa/AAAm/-	Treas & Repo Retail	$349.5
1/16/07	Treasury Cash Series II	Federated	Aaa/AAAm/-	Treas & Repo Retail	$255.7
1/16/07	UBS Cashfund	UBS	-/AAAm/-	First Tier Retail	$2,542.4
1/16/07	UBS Select MMF/Instit	UBS	Aaa/AAAm/AAA/V-1+	First Tier Instit	$8,792.7
1/16/07	UBS Select Treasury/Instit	UBS	-/AAAm/-	Treasury & Repo Instit	$749.7
1/16/07	UCM Institutional MMF	Utendahl	Aaa/AAAm/-	First Tier Instit	$613.3
1/16/07	Valiant US Treasury MMP/Cl A	Valiant	Aaa/AAAm/-	Treasury & Repo Instit	$2.8
1/16/07	Valiant US Treasury MMP/Cl B	Valiant	Aaa/AAAm/-	Treasury & Repo Instit	$26.3
1/16/07	Valiant US Treasury MMP/Cl D	Valiant	Aaa/AAAm/-	Treasury & Repo Instit	$62.6
1/16/07	Valiant US Treasury MMP/Cl E	Valiant	Aaa/AAAm/-	Treasury & Repo Instit	$48.9
1/16/07	Victory Federal MMF/Inv	Victory	-/AAAm/-	Govt & Agencies Instit	$1,089.3
1/16/07	Victory Federal MMF/Select	Victory	-/AAAm/-	Govt & Agencies Instit	$449.7
1/16/07	Victory Gradison Govt Reserve/Sel	Victory	-/AAAm/-	Govt & Agency Retail	$1,112.6
1/16/07	Victory Gradison Govt Reserve/Trust	Victory	-/AAAm/-	Govt & Agency Retail	$165.1
1/16/07	Victory Instit Liquid Reserves	Victory	-/AAAm/-	First Tier Instit	$127.2
1/16/07	Wells Fargo Adv 100% Treas MMF/Cl A	Wells Fargo	Aaa/AAAmG/-	Treasury Retail	$269.8
1/16/07	Wells Fargo Adv 100% Treas MMF/Svc	Wells Fargo	Aaa/AAAmG/-	Treasury Retail	$3,834.5
1/16/07	Wells Fargo Adv Govt MMF/Admin	Wells Fargo	Aaa/AAAm/-	Govt & Agencies Instit	$1,322.8
1/16/07	Wells Fargo Adv Govt MMF/Cl A	Wells Fargo	Aaa/AAAm/-	Govt & Agency Retail	$2,625.9
1/16/07	Wells Fargo Adv Govt MMF/Instit	Wells Fargo	Aaa/AAAm/-	Govt & Agencies Instit	$8,127.3
1/16/07	Wells Fargo Adv Govt MMF/Svc	Wells Fargo	Aaa/AAAm/-	Govt & Agency Retail	$5,470.8
1/16/07	Wells Fargo Adv Heritage MF/Admin	Wells Fargo	Aaa/AAAm/-	First Tier Retail	$288.4
1/16/07	Wells Fargo Adv Heritage MF/Instit	Wells Fargo	Aaa/AAAm/-	First Tier Instit	$332.1
1/16/07	Wells Fargo Adv Natl T-F MMF/Admin	Wells Fargo	Aaa/-/-	T-F National Inst	$531.7
1/16/07	Wells Fargo Adv Natl T-F MMF/Cl A	Wells Fargo	Aaa/-/-	T-F National Retail	$1,162.2
1/16/07	Wells Fargo Adv Natl T-F MMF/Inst	Wells Fargo	Aaa/-/-	T-F National Inst	$1,160.2
1/16/07	Wells Fargo Adv Natl T-F MMF/Svc	Wells Fargo	Aaa/-/-	T-F National Retail	$1,332.8
1/16/07	Wells Fargo Adv Prime Inv MMF/Inst	Wells Fargo	Aaa/AAAm/-	First Tier Instit	$5,860.0
1/16/07	Wells Fargo Adv Prime Inv MMF/Svc	Wells Fargo	Aaa/AAAm/-	First Tier Retail	$1,222.2
1/16/07	Wells Fargo Adv Treas Plus MMF/Cl A	Wells Fargo	Aaa/AAAm/-	Treas & Repo Retail	$2,968.1
1/16/07	Wells Fargo Adv Treas Plus MMF/Inst	Wells Fargo	Aaa/AAAm/-	Treasury & Repo Instit	$1,522.4
1/16/07	Wells Fargo Adv Treas Plus MMF/Svc	Wells Fargo	Aaa/AAAm/-	Treas & Repo Retail	$1,420.4
1/16/07	William Blair Ready Reserves Fund	William Blair	-/AAAm/-	First Tier Retail	$1,230.0

AAA Rated Money Market Funds
As of January 16, 2007

Date	Fund Name	Fund Complex	Rating (M/S&P/F)	SubCategory Current	Assets (wk/$mils)
1/16/07	Williams Capital Liquid Assets Fund	Williams Capital	Aaa/AAAm/-	First Tier Instit	$865.8
1/16/07	Wilmington Prime MMF/Instit	Wilmington Trust	Aaa/AAAm/-	First Tier Instit	$41.0
1/16/07	Wilmington Prime MMF/Service	Wilmington Trust	Aaa/AAAm/-	First Tier Retail	$1,459.9
1/16/07	Wilmington Prime MMF/W Shares	Wilmington Trust	Aaa/AAAm/-	First Tier Retail	$1,580.0
1/16/07	Wilmington US Govt MMF/Instit	Wilmington Trust	Aaa/AAAm/-	Govt & Agencies Instit	$0.4
1/16/07	Wilmington US Govt MMF/Service	Wilmington Trust	Aaa/AAAm/-	Govt & Agency Retail	$726.1
1/16/07	Wilmington US Govt MMF/W Shares	Wilmington Trust	Aaa/AAAm/-	Govt & Agency Retail	$262.6
	Totals				***$1,038,709.0***

***Source:** iMoneyNet, Inc. (FundAnalyzer)*

AAA Rated Money Market Funds: Number of Rated Funds
As of January 16, 2007

Count of Rating (M/S&P/F)		
Rating (M/S&P/F)	Total	
-/-/AAA	3	
-/-/AAA/V-1+	13	
-/AAAm/-	114	
-/AAAm/AAA/V-1+	26	
-/AAAmG/-	12	
Aaa/-/-	70	
Aaa/-/AAA	2	
Aaa/-/AAA/V-1+	10	
Aaa/AAAm/-	343	19.02%
Aaa/AAAm/AAA/V-1+	132	7.32%
Aaa/AAAmG/-	14	
Grand Total	739	40.99%
Total Universe of Funds	1803	

Source: iMoneyNet, Inc. (FundAnalyzer)

AAA Rated Money Market Funds: Asset Summary Report

As of January 16, 2007

Sum of Assets (wk/$mils)		
Rating (M/S&P/F)	Total	
-/-/AAA	$4,916.9	
-/-/AAA/V-1+	$29,599.9	
-/AAAm/-	$107,306.3	
-/AAAm/AAA/V-1+	$1,437.6	
-/AAAmG/-	$3,558.8	
Aaa/-/-	$41,461.0	
Aaa/-/AAA	$8,989.2	
Aaa/-/AAA/V-1+	$2,887.3	
Aaa/AAAm/-	$497,889.8	21.36%
Aaa/AAAm/AAA/V-1+	$324,958.0	13.94%
Aaa/AAAmG/-	$15,704.2	
Grand Total	$1,038,709.0	44.56%
Total Universe of Funds	$2,330,815.90	

Source: iMoneyNet, Inc. (FundAnalyzer)

APPENDIX D

Proposed Amendments to the NPR

Federated proposes that the following amendments to the NPR be adopted in order to provide reasonable treatment for highly-rated prime, government and municipal MMFs:

1. Add the following definitions to Section 2 of the rule as proposed by the NPR:

"*Qualifying government money market mutual fund* means an investment fund that (i) invests solely in sovereign exposures of the United States and its agencies and U.S. government-sponsored enterprises; (ii) meets the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Securities and Exchange Commission's Rules and Regulations Under the Investment Company Act of 1940, 17 C.F.R. §270.2a-7(c)(2), (c)(3) and (c)(4); and (iii) is rated in the highest investment grade by an NRSRO."

"*Qualifying municipal money market mutual fund* means an investment fund, other than a qualifying government money market mutual fund, that (i) invests solely [or predominantly] in securities of states and municipalities; (ii) meets the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Securities and Exchange Commission's Rules and Regulations Under the Investment Company Act of 1940, 17 C.F.R. §270.2a-7(c)(2), (c)(3) and (c)(4), and (iii) is rated in the highest investment grade by an NRSRO."

"*Qualifying prime money market mutual fund* means an investment fund, other than a qualifying government money market mutual fund, that (i) meets the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Securities and Exchange Commission's Rules and Regulations Under the Investment Company Act of 1940, 17 C.F.R. §270.2a-7(c)(2), (c)(3) and (c)(4), and (ii) is rated in the highest investment grade by an NRSRO."

2. Amend Section 54 of the rule as proposed by the NPR by adding the following:

"(e) *Qualifying government or municipal money market mutual funds*. An exposure to a qualifying government or municipal money market mutual fund may be assigned a risk weight calculated under paragraphs (a), (b) or (c) of this section, but not greater than 7 percent."

"(f) *Qualifying prime money market mutual funds.* An exposure to a qualifying prime money market mutual fund may be assigned a risk weight of 7 percent."

APPENDIX E

Federated Prime Obligations Fund Monthly Report

Federated

WORLD-CLASS INVESTMENT MANAGER®

PORTFOLIO AS OF JANUARY 31, 2007
CURRENT NET ASSETS -- $ 21,827,510,088

Principal Amount or Shares		Value
	ASSET-BACKED SECURITIES--1.6%	
	Finance - Automotive--1.0%	
$ 108,649,440	(2) CAL Securitization Trust 2006-1, Class A1, 5.400%, 12/17/2007	$ 108,649,440
34,819,702	Capital Auto Receivables Asset Trust 2006-2, Class A1, 5.340%, 12/17/2007	34,819,702
11,219,079	(2)(3) Capital Auto Receivables Asset Trust 2006-SN1, Class A1A, 5.439%, 9/20/2007	11,219,079
23,508,033	(2)(3) Ford Credit Auto Owner Trust 2006-B, Class A1, 5.404%, 9/15/2007	23,508,033
17,696,730	(2)(3) Wachovia Auto Loan Owner Trust 2006-1, Class A1, 5.390%, 10/19/2007	17,696,730
16,841,316	(2)(3) Wachovia Auto Loan Owner Trust 2006-2, Class A-1, 5.358%, 11/8/2007	16,841,316
	TOTAL	212,734,300
	Finance - Equipment--0.6%	
948,423	CIT Equipment Collateral 2006-VT1, Class A1, 4.989%, 3/20/2007	948,423
69,159,807	CIT Equipment Collateral 2006-VT2, Class A1, 5.344%, 11/20/2007	69,159,807
595,277	CNH Equipment Trust 2006-A, Class A1, 4.989%, 4/5/2007	595,277
40,270,447	CNH Equipment Trust 2006-B, Class A1, 5.392%, 10/5/2007	40,270,447
16,607,529	GE Equipment Midticket LLC Series 2006-1, Class A1, 5.301%, 12/15/2007	16,607,529
13,387,481	John Deere Owner Trust 2006-A, Class A1, 5.364%, 7/13/2007	13,387,481
	TOTAL	140,968,964
	TOTAL ASSET-BACKED SECURITIES	**353,703,264**
	CERTIFICATES OF DEPOSIT—7.9%	
	Banking—7.9%	
212,500,000	Barclays Bank PLC, 5.310%-5.420%, 4/9/2007-1/25/2008	212,500,000
95,000,000	Calyon, Paris, 5.260%-5.355%, 4/11/2007 - 4/30/2007	95,000,580
178,000,000	Citizens Bank of Pennsylvania, 5.330%, 2/1/2007 - 2/27/2007	178,000,000
469,000,000	Credit Suisse, Zurich, 4.920%-5.410%, 2/5/2007 - 1/18/2008	469,000,000
49,200,000	DePfa Bank PLC, 5.260%, 4/9/2007	49,200,000
19,250,000	HBOS Treasury Services PLC, 5.260%, 4/11/2007	19,250,000
80,000,000	Mercantile Safe Deposit & Trust Co., Baltimore, 5.320%-5.329%, 11/16/2007 - 11/27/2007	79,983,338
136,000,000	Mizuho Corporate Bank Ltd., 5.340%, 2/8/2007 - 2/12/2007	136,000,000
70,000,000	Societe Generale, Paris, 5.225%, 10/8/2007	69,940,189
420,250,000	Toronto Dominion Bank, 5.295%-5.600%, 2/12/2007 - 8/3/2007	420,266,085
	TOTAL CERTIFICATES OF DEPOSIT	**1,729,140,192**
	COLLATERALIZED LOAN AGREEMENTS--9.1%	
	Banking--2.3%	
65,000,000	Deutsche Bank Securities, Inc., 5.429%, 2/9/2007	65,000,000
330,000,000	Fortis Bank SA/NV, 5.437%, 2/1/2007	330,000,000
100,000,000	IXIS Financial Products Inc., 5.384%, 2/1/2007	100,000,000

Principal Amount or Shares		Value
	TOTAL	495,000,000
	Brokerage--6.8%	
353,000,000	Citigroup Global Markets, Inc., 5.488%, 2/1/2007	353,000,000
729,000,000	Goldman Sachs & Co., 5.457% - 5.488%, 2/1/2007	729,000,000
400,000,000	Merrill Lynch & Co., Inc., 5.443%, 2/1/2007	400,000,000
	TOTAL	1,482,000,000
	TOTAL COLLATERALIZED LOAN AGREEMENTS	**1,977,000,000**
	COMMERCIAL PAPER (1)--26.1%	
	Banking--5.0%	
137,000,000	Bank of America Corp., 5.210% - 5.240%, 3/5/2007 - 4/24/2007	135,519,322
29,460,000	Benedictine Health System-St. Mary's Duluth Clinic Health System Obligated Group, 5.270%, 4/11/2007	29,162,429
1,190,000	Benedictine Living Communities, Inc., 5.270%, 4/11/2007	1,177,980
45,000,000	Citigroup Funding, Inc., 5.270%, 5/1/2007	44,413,712
146,520,000	(2)(3) Fountain Square Commercial Funding Corp., 5.250% - 5.304%, 3/8/2007 - 4/4/2007	145,651,226
103,000,000	(2)(3) KBC Financial Products International Ltd., (Guaranteed by KBC Bank N.V.), 5.200%, 5/14/2007	101,482,467
15,235,000	Los Angeles County, CA Metropolitan Transportation Authority, (Bank of America N.A. LOC), 5.320%, 2/5/2007	15,235,000
323,500,000	(2)(3) Picaros Funding LLC, (Guaranteed by KBC Bank N.V.), 5.125% - 5.250%, 3/13/2007 - 10/5/2007	317,845,239
315,000,000	Societe Generale North America, Inc., (Guaranteed by Societe Generale, Paris), 5.215% - 5.255%, 2/12/2007 - 5/8/2007	312,649,060
	TOTAL	1,103,136,435
	Finance - Automotive--4.9%	
158,212,000	DRAC LLC, A1+/P1 Series, 5.240% - 5.250%, 4/5/2007 - 4/18/2007	156,571,039
23,326,000	DRAC LLC, A1/P1 Series, 5.270%, 2/6/2007	23,308,927
621,059,000	FCAR Auto Loan Trust, A1+/P1 Series, 5.210% - 5.310%, 2/5/2007 - 7/23/2007	613,090,070
267,690,000	FCAR Auto Loan Trust, A1/P1 Series, 5.260% - 5.310%, 2/12/2007 - 3/23/2007	266,539,840
	TOTAL	1,059,509,876
	Finance - Commercial--1.1%	
151,000,000	CIT Group, Inc., 5.200% - 5.250%, 4/24/2007 - 7/16/2007	147,636,210
40,002,000	(2)(3) Edison Asset Securitization LLC, 5.170%, 4/5/2007	39,640,082
50,000,000	(2)(3)(4) Versailles CDS LLC, 5.312%, 10/23/2007	49,787,132
	TOTAL	237,063,424
	Finance - Retail--5.3%	
125,000,000	(2)(3) Amsterdam Funding Corp., 5.285%, 2/9/2007	124,853,194
100,000,000	(2)(3) Chariot Funding LLC, 5.260%, 2/12/2007	99,839,278
20,000,000	(2)(3) Compass Securitization LLC, 5.260%, 3/15/2007	19,877,267
630,500,000	(2)(3) Paradigm Funding LLC, 5.180% - 5.275%, 2/6/2007 - 7/19/2007	626,358,611
228,980,000	(2)(3) Sheffield Receivables Corp., 5.250% - 5.280%, 2/14/2007 - 4/26/2007	227,269,416
60,000,000	(2)(3) Tulip Funding Corp., 5.260%, 2/8/2007	59,938,633
	TOTAL	1,158,136,399
	Finance – Securities--9.1%	
560,000,000	(2)(3)(4) Georgetown Funding Co. LLC, 5.313% - 5.317%, 3/7/2007 - 3/21/2007	558,188,175
529,000,000	(2)(3) Grampian Funding LLC, 5.210% - 5.285%, 2/5/2007 - 7/20/2007	525,180,968
117,941,000	(2)(3) KLIO Funding Ltd., 5.250% - 5.280%, 2/28/2007 - 4/12/2007	117,193,315
297,001,000	(2)(3) KLIO II Funding Ltd., 5.250% - 5.280%, 2/28/2007 - 4/18/2007	294,817,050
65,000,000	(2)(3) Perry Global Funding LLC Series A, 5.245%, 4/12/2007	64,337,090
109,260,000	(2)(3) Scaldis Capital LLC, 5.250% - 5.265%, 2/9/2007 - 4/25/2007	107,997,637
264,000,000	(2)(3) Sigma Finance, Inc., (Guaranteed by Sigma Finance Corp.), 5.180% - 5.265%, 2/13/2007 - 7/11/2007	260,045,306
50,000,000	(2)(3) Three Rivers Funding Corp., 5.275%, 2/8/2007	49,948,715
	TOTAL	1,977,708,256

Principal Amount or Shares		Value
	Insurance--0.7%	
158,000,000	(2)(3) Aspen Funding Corp., 5.250% - 5.275%, 2/13/2007 - 5/2/2007	156,585,517
	TOTAL COMMERCIAL PAPER	**5,692,139,907**
	CORPORATE NOTES--4.6%	
	Banking--1.6%	
80,000,000	Deutsche Bank AG, 5.400%, 12/12/2007	80,000,000
70,000,000	Royal Bank of Canada, Montreal, 5.490%, 10/2/2007	70,000,000
31,000,000	Societe Generale, Paris, 5.420%, 1/16/2008	31,000,000
47,000,000	Toronto Dominion Bank, 5.420%, 12/12/2007	47,000,000
115,000,000	UBS AG, 5.400%, 11/28/2007	115,000,000
	TOTAL	343,000,000
	Brokerage--0.2%	
40,000,000	Goldman Sachs Group, Inc., 5.403%, 12/18/2007	40,000,000
	Finance - Securities--2.5%	
284,000,000	(2)(3) K2 (USA) LLC, (Guaranteed by K2 Corp.), 5.000% - 5.420%, 3/9/2007 - 9/17/2007	284,000,000
262,500,000	(2)3) Sigma Finance, Inc., (Guaranteed by Sigma Finance Corp.), 5.000% - 5.320%, 3/8/2007 - 10/12/2007	262,495,408
	TOTAL	546,495,408
	Insurance--0.3%	
60,000,000	(2)(3) MBIA Global Funding LLC, 5.400%, 12/20/2007	60,000,000
	TOTAL CORPORATE NOTES	**989,495,408**
	GOVERNMENT AGENCIES--0.5%	
	Government Agency--0.5%	
100,000,000	Federal National Mortgage Association, 5.410%, 12/28/2007	**100,000,000**
	LOAN PARTICIPATION--0.2%	
	Electrical Equipment--0.2%	
55,500,000	Mt. Vernon Phenol Plant Partnership, (Guaranteed by General Electric Co.), 5.340%, 5/21/2007	**55,500,000**
	MUTUAL FUNDS--0.6%	
	Asset Management--0.6%	
65,000,000	AIM Short-Term Investments Co. Liquid Assets Portfolio	65,000,000
50,000,000	Columbia Money Market Reserves	50,000,000
20,059,291	DWS Money Market Trust	20,059,291
	TOTAL MUTUAL FUNDS	**135,059,291**
	NOTES - VARIABLE (5)--36.9%	
	Banking--15.9%	
4,835,000	4 C's LLC, (Series 1998), (Key Bank, N.A. LOC), 5.370%, 2/1/2007	4,835,000
1,350,000	Advanced Labelworx, Inc., (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	1,350,000
4,620,000	AlaTrade Foods LLC, Series 2003, (Regions Bank, Alabama LOC), 5.420%, 2/1/2007	4,620,000
685,000	Alabama State IDA, (SERIES 1994) Miltope Project, (Regions Bank, Alabama LOC), 5.360%, 2/1/2007	685,000
3,495,000	Alabama State IDA, (Wellborn Cabinet, Inc.), Tax Revenue Bonds, (Bank of America N.A. LOC), 5.350%, 2/1/2007	3,495,000
1,075,000	Alabama State IDA, Standard Furniture Project (Series 1995), (Regions Bank, Alabama LOC), 5.390%, 2/1/2007	1,075,000
800,000	Aliceville, AL IDB, Buchanan Hardwood Flooring Co. (Series 1999), (Regions Bank, Alabama LOC), 5.360%, 2/1/2007	800,000
7,000,000	American Xtal Technology, Inc., Xtal Project (Series 1998), (Wells Fargo Bank, N.A. LOC), 5.400%, 2/1/2007	7,000,000
12,000,000	Association of American Medical Colleges, (Guaranteed by JPMorgan Chase Bank, N.A., Insured by AMBAC Financial Group, Inc.), 5.360%, 2/7/2007	12,000,000
3,940,000	Atlantic Tool and Die Co., (Key Bank, N.A. LOC), 5.370%, 2/1/2007	3,940,000
7,175,000	B.R. Williams Trucking, Inc., (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	7,175,000

Principal Amount or Shares		Value
230,000,000	(2)(3) BNP Paribas SA, 5.310% - 5.345%, 2/20/2007 - 2/26/2007	230,000,000
5,545,000	Baldwin County Sewer Service LLC, Series 2002, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	5,545,000
160,000,000	Bank of America N.A., 5.363%, 2/1/2007	160,000,000
63,000,000	(2)(3) Bank of Ireland, 5.300%, 2/20/2007	63,000,000
73,000,000	(2)(3) Bank of New York Co., Inc., 5.380%, 2/27/2007	73,000,000
125,000,000	Barclays Bank PLC, 5.275%, 2/5/2007	124,992,226
16,275,000	Biddle Road Corp., Series 2004, (Wachovia Bank N.A. LOC), 5.370%, 2/1/2007	16,275,000
6,995,000	Bing Steel Management, Inc., Series 2000, (Comerica Bank LOC), 5.420%, 2/7/2007	6,995,000
3,260,000	Bing Steel Management, Inc., Series 2002, (Comerica Bank LOC), 5.420%, 2/7/2007	3,260,000
4,910,000	Bond Holdings LP, (Wachovia Bank N.A. LOC), 5.370%, 2/2/2007	4,910,000
1,095,000	Brookshire Grocery Co., (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	1,095,000
5,770,000	Brumfield Properties, Inc., (Regions Bank, Alabama LOC), 5.320%, 2/1/2007	5,770,000
15,000,000	Buchanan County, MO Solid Waste Disposal, Lifeline Foods, LLC, Series 2006-A, (Wells Fargo Bank, N.A. LOC), 5.320%, 2/1/2007	15,000,000
5,600,000	Capital Markets Access Co. LC, Pelican I&II Project, Series 2006, (SunTrust Bank LOC), 5.360%, 2/7/2007	5,600,000
10,188,000	Capital One Funding Corp., (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	10,188,000
2,402,000	Capital One Funding Corp., (Series 1998-C), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	2,402,000
17,311,000	Capital One Funding Corp., (Series 1999-A), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	17,311,000
1,277,000	Capital One Funding Corp., (Series 1999-B), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	1,277,000
1,073,000	Capital One Funding Corp., (Series 1994-D), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	1,073,000
2,210,000	Capital One Funding Corp., (Series 1995-B), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	2,210,000
1,277,000	Capital One Funding Corp., (Series 1995-F), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	1,277,000
2,905,000	Capital One Funding Corp., (Series 1996-H), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	2,905,000
7,112,000	Capital One Funding Corp., (Series 2001-B), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	7,112,000
10,575,000	Church at Brook Hills, (Wachovia Bank N.A. LOC), 5.470%, 2/2/2007	10,575,000
6,350,000	Cincinnati Bible College and Seminary, (U.S. Bank, N.A. LOC), 5.350%, 2/1/2007	6,350,000
3,230,000	Clinton County, NY IDA, Bombardier Project (Series 1998-B), (HSBC Bank USA LOC), 5.500%, 2/1/2007	3,230,000
795,000	Colorado Health Facilities Authority, Development Disabilities Resource Center (Series 1998-C1), (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	795,000
1,420,000	Columbia County, GA Development Authority, Series 1993, (SunTrust Banks, Inc. LOC), 5.360%, 2/7/2007	1,420,000
10,800,000	Community Centre Group of Cos., (Fifth Third Bank, Cincinnati LOC), 5.370%, 2/1/2007	10,800,000
8,300,000	Consolidated Publishing Co., Inc., (Wachovia Bank N.A. LOC), 5.520%, 2/2/2007	8,300,000
32,900,000	Cook County, IL, Series 2002 A, 5.370%, 2/7/2007	32,900,000
5,095,000	Crane Plastics Siding LLC, Series 2000, (JPMorgan Chase Bank, N.A. LOC), 5.370%, 2/1/2007	5,095,000
63,500,000	Credit Suisse, Zurich, 5.336%, 3/12/2007	63,500,000
8,000,000	Credit Suisse, Zurich, 5.360%, 4/24/2007	8,000,191
12,600,000	Decatur, AL IDB, Bailey-PVS Oxides Project (Series 1998), (SunTrust Bank LOC), 5.410%, 2/1/2007	12,600,000
15,000,000	Development Authority of Gordon County, GA, Series 2005, Faus Group Inc., (RBC Centura Bank LOC), 5.320%, 2/1/2007	15,000,000
2,570,000	Double H Plastics, Inc., (Series 1998), (Wachovia Bank N.A. LOC), 5.370%, 2/7/2007	2,570,000
7,410,000	Eastridge Christian Assembly, Series 2004, (U.S. Bank, N.A. LOC), 5.340%, 2/1/2007	7,410,000

Principal Amount or Shares		Value
6,110,000	Elsinore Properties LP, (Series 1998), (Fifth Third Bank, Cincinnati LOC), 5.370%, 2/1/2007	6,110,000
3,200,000	Fairpoint Regional Utility System, Inc., (Regions Bank, Alabama LOC), 5.350%, 2/1/2007	3,200,000
1,000,000	G.M.H. Enterprises, Inc., (Series 1995), (National City Bank LOC), 5.410%, 2/1/2007	1,000,000
13,080,000	Galasso Materials LLC and Galasso Holdings LLC, (Series 1998), (Key Bank, N.A. LOC), 5.370%, 2/1/2007	13,080,000
1,350,000	Gesmundo & Associates, Inc., Series A, (National City Bank LOC), 5.320%, 2/1/2007	1,350,000
36,800,000	Greene County Development Authority, Reynolds Lodge, LLC Series 2000 A, (U.S. Bank, N.A. LOC), 5.410%, 2/7/2007	36,800,000
13,850,000	Greene County Development Authority, Reynolds Lodge, LLC Series 2000B, (U.S. Bank, N.A. LOC), 5.360%, 2/7/2007	13,850,000
5,615,000	H & P Holdings LLC, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	5,615,000
8,860,000	H.C. Equities LP, (Wachovia Bank N.A. LOC), 5.320%, 2/1/2007	8,860,000
399,000,000	(2)(3) HBOS Treasury Services PLC, 5.290% - 5.445%, 2/9/2007 - 2/20/2007	399,000,975
369,700,000	HBOS Treasury Services PLC, 5.396% - 5.436%, 2/1/2007 - 3/26/2007	369,701,553
5,250,000	HFS Holdings LLC, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	5,250,000
7,210,000	Healthcare Network Properties LLC, (Series A), (National City Bank LOC), 5.320%, 2/1/2007	7,210,000
10,150,000	Hillcrest Investments LLC, (Wachovia Bank N.A. LOC), 5.320%, 2/7/2007	10,150,000
8,000,000	Iowa Finance Authority, (Guaranteed by Marshall & Ilsley Bank, Milwaukee), 5.350%, 2/1/2007	8,000,000
85,000,000	J.P. Morgan Chase & Co., 5.296%, 2/2/2007	85,000,000
3,575,000	J.P. Plymouth Properties LLC, (Series 1999), (LaSalle Bank Midwest, N.A. LOC), 5.420%, 2/7/2007	3,575,000
15,000,000	Kansas City, MO Tax Increment Financing Commission, President Hotel, (Insured by MBIA Insurance Corp.), 5.350%, 2/1/2007	15,000,000
2,945,000	Kings Creek Country Club, Inc., (Series 1997), (Wachovia Bank N.A. LOC), 5.420%, 2/7/2007	2,945,000
1,800,000	L.H. Kroh, Inc., (Series 1998), (Wachovia Bank N.A. LOC), 5.420%, 2/7/2007	1,800,000
4,655,000	Lee County, FL IDA, Bonita Community Health Center, Series 1999B, (Fifth Third Bank, Cincinnati LOC), 5.370%, 2/2/2007	4,655,000
5,165,000	(2)(3) Los Angeles, CA, MERLOT Series 2000 A (H&H Theatre), (Wachovia Bank N.A. LOC), 5.370%, 2/7/2007	5,165,000
11,250,000	Louisiana Agricultural Finance Authority, Lacassive Syrup Mill, Series 2004, (Regions Bank, Alabama LOC), 5.370%, 2/1/2007	11,250,000
4,595,000	M & C Holdings LLC, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	4,595,000
450,000	Madison, WI Community Development Authority, Series 1997-B Hamilton Point Apts., (JPMorgan Chase Bank, N.A. LOC), 5.390%, 2/1/2007	450,000
222,000,000	Marshall & Ilsley Bank, Milwaukee, 5.290%, 2/26/2007	222,000,000
11,775,000	Maryland State Economic Development Corp., Human Genome Sciences Series 1999B, (Wachovia Bank N.A. LOC), 5.420%, 2/6/2007	11,775,000
17,440,000	Massachusetts State Development Finance Agency, (JPMorgan Chase Bank, N.A. LOC), 5.350%, 2/7/2007	17,440,000
4,610,000	McCullough Snappy Service Oil Co., Inc., (Wachovia Bank N.A. LOC), 5.420%, 2/2/2007	4,610,000
75,000,000	Mercantile Safe Deposit & Trust Co., Baltimore, 5.280%, 2/12/2007 - 2/15/2007	74,999,145
1,783,000	Midwest Funding Corp., Series 1992-B, (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	1,783,000
8,710,000	Mississippi Business Finance Corp., (Regions Bank, Alabama LOC), 5.390%, 2/1/2007	8,710,000
3,600,000	Mississippi Business Finance Corp., Howard Industries, Inc. Series 1997, (Regions Bank, Alabama LOC), 5.510%, 2/1/2007	3,600,000
10,000,000	Mississippi Business Finance Corp., Kohler Project, (Wachovia Bank N.A. LOC), 5.320%, 2/1/2007	10,000,000
17,000,000	Mississippi Business Finance Corp., Series 1994 Georgia Gulf, (Wachovia Bank N.A. LOC), 5.320%, 2/7/2007	17,000,000
10,790,000	Mississippi Business Finance Corp., VC Regional Assembly & Manufacturing LLC., (JPMorgan Chase Bank, N.A. LOC), 5.400%, 2/7/2007	10,790,000
25,000,000	Mitchell County, GA Development Authority, First United Ethanol, LLC Series 2006, (Wachovia Bank N.A. LOC), 5.320%, 2/1/2007	25,000,000

Principal Amount or Shares		Value
110,000,000	(2)(3) National Australia Bank Ltd., Melbourne, 5.290%, 2/7/2007	110,000,000
15,000,000	National City Bank, 5.400%, 2/1/2007	15,009,304
5,775,000	North American Gulf Terminals, Inc., Series 2002, (Regions Bank, Alabama LOC), 5.310%, 2/1/2007	5,775,000
11,920,000	North Oaks Partnership, (Series 1998), (LaSalle Bank, N.A. LOC), 5.350%, 2/1/2007	11,920,000
81,800,000	Novant Health, Inc., Series 1997, (Wachovia Bank N.A. LOC), 5.420%, 2/7/2007	81,800,000
9,790,000	Ohio Waste Development Authority Solid Waste, Bailey-PVS Oxides, LLC (Series 1998), (Key Bank, N.A. LOC), 5.370%, 2/1/2007	9,790,000
4,800,000	Olive Baptist Church, Inc., (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	4,800,000
4,940,000	Park Street Properties I LLC, University of Wisconsin - Madison Projects, (U.S. Bank, N.A. LOC), 5.320%, 2/1/2007	4,940,000
4,310,000	Parkview Professional Center, Series 2005, (Comerica Bank LOC), 5.400%, 2/1/2007	4,310,000
31,050,000	Pearl Mississippi Urban Renewal, Childre Road Project, (First Tennessee Bank, N.A. LOC), 5.370%, 2/1/2007	31,050,000
6,650,000	Physicians Real Estate LLP, (Wells Fargo Bank, N.A., Minnesota LOC), 5.450%, 2/7/2007	6,650,000
5,500,000	Pinellas County, FL IDA, Eurobake Project, Series 2005, (SunTrust Bank LOC), 5.360%, 2/1/2007	5,500,000
14,500,000	Pitney Roads Partners LLC, Series 2003 - A, (Bank of America N.A. LOC), 5.350%, 2/1/2007	14,500,000
792,000	Quality Synthetic Rubber Co., Series 2000, (U.S. Bank, N.A. LOC), 5.350%, 2/1/2007	792,000
5,400,000	Reiser Group Sonic Management Co., Inc., Series 2002, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	5,400,000
9,255,000	Rollins College, Series 1998, (SunTrust Bank LOC), 5.360%, 2/7/2007	9,255,000
108,000,000	(2)(3) Royal Bank of Canada, Montreal, 5.296%, 2/1/2007	108,000,000
32,180,000	Rush Medical Foundation, Series 2006, (Regions Bank, Alabama LOC), 5.320%, 2/1/2007	32,180,000
19,000,000	Salvation Army, Series 2004-A, (Bank of New York LOC), 5.320%, 2/1/2007	19,000,000
3,590,000	Savannah, GA Housing Authority, (SunTrust Bank LOC), 5.410%, 2/7/2007	3,590,000
14,390,000	Seeber USA LLP, Series 2000, (Wachovia Bank N.A. LOC), 5.320%, 2/7/2007	14,390,000
50,000,000	(2)(3) Societe Generale, Paris, 5.316%, 2/2/2007	50,000,000
11,205,000	Spira Millenium LLC, Series 2001, (Bank of America N.A. LOC), 5.370%, 2/1/2007	11,205,000
52,685,000	Spitzer Group, (JPMorgan Chase Bank, N.A. LOC), 5.330%, 2/1/2007	52,685,000
2,880,000	Springfield Ltd. Partnership, (UBS AG LOC), 5.330%, 2/1/2007	2,880,000
1,100,000	St. Paul, MN Port Authority, Bix Fruit Co. (Series 1998-B), (Marshall & Ilsley Bank, Milwaukee LOC), 5.620%, 2/1/2007	1,100,000
1,755,000	St. Paul, MN Port Authority, National Checking Co. Project (Series 1998-B), (U.S. Bank, N.A. LOC), 5.520%, 2/1/2007	1,755,000
6,050,000	Trinity Baptist Church, Series 2002-A, (Regions Bank, Alabama LOC), 5.320%, 2/1/2007	6,050,000
40,000,000	(2)(3) Union Hamilton Special Purpose Funding LLC, Series 2005-1 Tranche #1, (Guaranteed by Wachovia Corp.), 5.363%, 3/28/2007	40,000,000
50,000,000	(2)(3) Union Hamilton Special Purpose Funding LLC, Series 2005-2 Tranche #1, (Guaranteed by Wachovia Corp.), 5.365%, 3/21/2007	50,000,000
25,000,000	(2)(3) Union Hamilton Special Purpose Funding LLC, Series 2006 - 1, (Guaranteed by Wachovia Corp.), 5.360%, 3/15/2007	25,000,000
9,300,000	Victor H. Hanson/ Elizabeth F. Hanson, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	9,300,000
1,100,000	Village Green Finance Co. LLC, (Series 1997), (Wachovia Bank N.A. LOC), 5.320%, 2/7/2007	1,100,000
2,376,000	Vista Funding Corp., Series 1995-D, (Fifth Third Bank, Cincinnati LOC), 5.370%, 2/1/2007	2,376,000
1,245,000	Vista Funding Corp., Series 1998-B, (Fifth Third Bank, Cincinnati LOC), 5.350%, 2/1/2007	1,245,000
13,385,000	Wachovia Corp., 5.410%, 2/22/2007	13,392,323
195,250,000	Wells Fargo & Co., 5.400%, 2/2/2007	195,250,040
10,045,000	Western Reserve Masonic Community, Inc., (Guaranteed by JPMorgan Chase Bank, N.A.), 5.420%, 2/1/2007	10,045,000
25,000,000	Westpac Banking Corp. Ltd., Sydney, 5.393%, 4/11/2007	25,000,000
9,610,000	Whetstone Care Center LLC, Series 1998, (Fifth Third Bank, Cincinnati LOC), 5.420%, 2/1/2007	9,610,000
4,540,000	William Morris Realty Montgomery LLC, (Regions Bank, Alabama LOC), 5.400%, 2/1/2007	4,540,000

Principal Amount or Shares		Value
34,345,000	World Wildlife Fund, Inc., Series 2000 B, (Insured by AMBAC Financial Group, Inc.), 5.360%, 2/1/2007	34,345,000
	TOTAL	3,473,566,757
	Brokerage--8.2%	
50,000,000	(2)(3) Goldman Sachs Group, Inc., 5.370%, 2/15/2007	50,001,161
374,000,000	Merrill Lynch & Co., Inc., 5.300% - 5.401%, 2/5/2007 - 2/26/2007	374,000,000
240,000,000	(2)(3) Merrill Lynch & Co., Inc., 5.570%, 2/12/2007	240,000,155
1,121,800,000	Morgan Stanley, 5.363% - 5.410%, 2/1/2007 - 2/27/2007	1,121,801,444
	TOTAL	1,785,802,760
	Electrical Equipment--0.3%	
2,345,000	Alabama State IDA, General Electric Project, (General Electric Co. LOC), 5.290%, 2/1/2007	2,345,000
58,656,672	Northwest Airlines, Inc., (Guaranteed by General Electric Co.), 5.310%, 2/5/2007	58,656,672
	TOTAL	61,001,672
	Finance - Commercial--2.0%	
436,100,000	(2)(3) General Electric Capital Corp., 5.445%, 2/9/2007 - 2/20/2007	436,100,000
	Finance - Retail--3.8%	
332,000,000	(2)(3) Compass Securitization LLC, 5.275%, 2/6/2007 - 2/20/2007	331,975,156
167,500,000	(2)(3) Paradigm Funding LLC, 5.286%, 2/1/2007	167,498,704
325,000,000	(2)(3) SLM Corp., 5.320%, 2/12/2007 - 2/14/2007	325,000,000
	TOTAL	824,473,860
	Finance - Securities--1.8%	
123,000,000	(2)(3) K2 (USA) LLC, (Guaranteed by K2 Corp.), 5.300% - 5.345%, 2/1/2007 - 3/20/2007	122,996,747
40,000,000	(2)(3) Sigma Finance, Inc., (Guaranteed by K2 Corp.), 5.410%, 2/1/2007	40,013,108
80,000,000	(2)(3) Sigma Finance, Inc., (Guaranteed by Sigma Finance Corp.), 5.320%, 2/1/2007	79,992,352
155,000,000	(2)(3) Sigma Finance, Inc., 5.325%, 2/1/2007	154,993,272
	TOTAL	397,995,479
	Government Agency--0.3%	
7,945,000	Direct One Funding Corp., (FNMA LOC), 5.310%, 2/1/2007	7,945,000
46,185,000	Direct One Funding Corp., Series 2000 (Sexton Properties), (FNMA LOC), 5.310%, 2/1/2007	46,185,000
5,350,000	Grand Pointe II Ltd. Partnership, Series 1999 Globe Apartments, (FHLB of Indianapolis LOC), 5.330%, 2/1/2007	5,350,000
	TOTAL	59,480,000
	Insurance—3.3%	
20,000,000	Albuquerque, NM, Series 2000 A, (Insured by MBIA Insurance Corp.), 5.300%, 2/7/2007	20,000,000
54,000,000	Genworth Life Insurance Co., 5.459%, 3/1/2007	54,000,000
50,000,000	Hartford Life Insurance Co., 5.539% - 5.541%, 2/1/2007 - 3/1/2007	50,000,000
44,000,000	(2)(3) MBIA Global Funding LLC, 5.280%, 2/21/2007	43,997,198
66,000,000	MetLife Insurance Co. of Connecticut, 5.449% - 5.453%, 2/16/2007 - 3/28/2007	66,000,000
105,000,000	Metropolitan Life Insurance Co., 5.480% - 5.491%, 2/1/2007 - 4/2/2007	105,000,000
120,000,000	Monumental Life Insurance Co., 5.440% - 5.510%, 2/1/2007 - 2/28/2007	120,000,000
110,000,000	New York Life Insurance Co., 5.450% - 5.480%, 2/1/2007	110,000,000
30,000,000	Protective Life Secured Trust 2004-B, 5.440%, 4/13/2007	30,005,212
125,000,000	Transamerica Occidental Life Insurance Co., 5.512%, 2/1/2007	125,000,000
	TOTAL	724,002,410
	Municipal—0.9%	
205,500,000	Florida Hurricane Catastrophe Fund Finance Corp., Series 2006-B, 5.330%, 2/15/2007	205,500,000
	Pharmaceuticals and Health Care—0.4%	
89,485,000	(2)(3) Eli Lilly Services, Inc., (Guaranteed by Eli Lilly & Co.), 5.316%, 2/1/2007	89,485,424
	TOTAL NOTES — VARIABLE	**8,057,408,362**
	REPURCHASE AGREEMENTS—8.5%	
	Banking—8.5%	
150,000,000	Bank of America N.A., 5.290%, dated 1/31/2007, due 2/1/2007	150,000,000
902,605,000	Barclays Capital, Inc., 5.290%, dated 1/31/2007, due 2/1/2007	902,605,000
150,000,000	Deutsche Bank Securities, Inc., 5.230%, dated 1/31/2007, due 2/1/2007	150,000,000

Principal Amount or Shares		Value
40,000,000	J.P. Morgan Securities, Inc., 5.080%, dated 1/31/2007, due 2/1/2007	40,000,000
610,000,000	UBS Securities LLC, 5.180% - 5.250%, dated 1/31/2007, due 2/1/2007	610,000,000
	TOTAL REPURCHASE AGREEMENTS	**1,852,605,000**
	TIME DEPOSITS—4.0%	
	Banking—4.0%	
190,000,000	Chase Bank USA, N.A., 5.313%, 2/1/2007	190,000,000
140,000,000	Deutsche Bank AG, 5.313%, 2/1/2007	140,000,000
350,000,000	Marshall & Ilsley Bank, Milwaukee, 5.213%, 2/1/2007	350,000,000
200,000,000	Societe Generale, Paris, 5.293%, 2/1/2007	200,000,000
	TOTAL TIME DEPOSITS	**880,000,000**
	TOTAL INVESTMENTS	**$ 21,822,051,424**

(1) Each issue shows the rate of discount at the time of purchase.
(2) Denotes a restricted security that either (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933, or (b) is subject to a contractual restriction on public sales. At January 31, 2007, these restricted securities amounted to $7,966,465,576, which represented 36.9% of total net assets.
(3) Denotes a restricted security that may be resold without restriction to "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933 and that the Fund has determined to be liquid under criteria established by the Fund's Board of Trustees. At January 31, 2007, these liquid restricted securities amounted to $7,857,816,136, which represented 36.4% of total net assets.
(4) Reflects potential extension period.
(5) Current rate and next reset date shown.

Note: The categories of investments are shown as a percentage of net assets ($21,827,510,088) at the close of business on January 31, 2007, and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

The following acronyms are used throughout this portfolio:

AMBAC --American Municipal Bond Assurance Corporation
FHLB --Federal Home Loan Bank
FNMA --Federal National Mortgage Association
IDA --Industrial Development Authority
IDB --Industrial Development Bond
LLC --Limited Liability Corporation
LOC --Letter of Credit
LP --Limited Partnership
PLC --Public Limited Company
SA --Support Agreement

Note: An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in these funds.

Portfolio holdings are shown as of the date indicated and are unaudited. Since market conditions fluctuate suddenly and frequently, the portfolio holdings may change and this list is not indicative of future portfolio composition. These portfolio holdings are not intended to be and do not constitute recommendations that others buy, sell, or hold any of the securities listed.

For more complete information on the fund, visit www.FederatedInvestors.com for a prospectus. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's prospectus, which you should read carefully before investing.