INVESTMENT POLICY
(Certified by APT US&C August 2003; Recertified June 2008)

LISLE-WOODRIDGE FIRE PROTECTION DISTRICT

1. **Policy:** It is the policy of the Lisle-Woodridge Fire Protection District (the “District”) to invest public funds in a manner to conform to all state and local statutes governing the investment of public funds; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives, in priority order, of safety, liquidity, return on investment and public trust.

2. **Scope:** This investment policy applies to all financial assets of the Lisle-Woodridge Fire Protection District which are available for investment. Funds in the Firefighters Pension and Post Employment Health plans are excluded from this investment policy and are administered separately under the supervision of the associated Boards of Trustees.

2.1. The District’s funds are accounted for in the Comprehensive Annual Financial Report (CAFR) and include the funds listed below and any new fund created by the Board of Trustees unless specifically exempted.

| Fund 101 | Corporate Fund | Fund 208 | IMRF Fund |
| Fund 102 | Tort Liability Fund | Fund 209 | SS/Medicare Fund |
| Fund 203 | Audit Fund | Fund 406 | Fleet Replacement Fund |
| Fund 207 | Ambulance Fund | Fund 407 | Facilities Improvement Fund |
2.2. Except for cash in any restricted or special funds, the District will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on the amount of their participation and in accordance with generally accepted accounting principles.

3. **Prudence:**

Investments shall be made with judgment and care, under prevailing circumstances, which persons of prudence, discretion and intelligence exercise in the management of a portfolio, considering the safety of capital as well as the income to be derived from the investments.

The standard of prudence to be used by the District shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing the overall portfolio, not to a single item within a diversified portfolio. The “prudent person” and/or “prudent investor” standard is an investment standard that requires investment professionals to act responsibly with explicit concern for the safety of public capital. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. **Objectives:** The primary objectives of investment activities, in order of priority, shall be:

4.1. **Safety:** Safety of principal is the foremost objective of the District’s investment program. The investment program shall be designed and implemented to ensure preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. Diversification is required to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer or specific class of securities.

4.2. **Liquidity:** The investment portfolio shall remain sufficiently liquid to enable the District to meet all operating requirements which may be reasonably anticipated and be structured in a manner which strives to time the maturity of securities with cash requirements.

4.3. **Return on investments:** The District’s investment portfolio shall be designed to attain a benchmark rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio. The District shall attempt to obtain a reasonable return provided that the requirements of safety and liquidity are first met.

4.4. **Public Trust:** In managing an investment portfolio, the District should avoid any transaction that might impair public confidence. Investments should be made with precision and care, considering the safety of the capital as well as the estimated income to be derived.
5. **Delegation of Authority:** Authority to manage the District’s investment program is derived from the terms and provisions of the Illinois Compiled Statutes Public Funds Investment Act (30 ILCS 235). Management of the investment program is the responsibility of the District’s Board of Trustees and the Finance Director. The Finance Director shall be responsible for all investment transactions and shall establish a system of controls to regulate the activities of officials involved in any aspect of the investment program.

5.1. **Investment Procedures:** The Finance Director shall establish written procedures for the operation of the investment program consistent with this investment policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Finance Director.

5.2. **Delegation in Finance Director’s Absence:** In the Finance Director’s absence, the Board of Trustees delegates investment authority to the Fire Chief/Administrator, and in his absence, to the Treasurer of the Board of Trustees.

6. **Ethics and Conflicts of Interest:** Officials and employees involved in the District’s investment process shall act responsibly as custodians of the public trust and avoid any transaction that might impair the public confidence in the District’s ability to serve the citizens of our area of responsibility.

Employees and investment officials shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Any material financial interest in financial institutions that conduct business within the District’s jurisdiction or any large personal financial/investment positions that could be related to the performance of the District’s portfolio shall be disclosed by employees and investment officials to the President of the Board of Trustees. Personal investment transactions should be subordinated to those of the District, particularly with regard to the timing of purchases and sales.

7. **Authorized Financial Dealers and Institutions:** The Finance Director shall maintain a list of credit worthy financial institutions and broker/dealers authorized to provide investment services in the State of Illinois. No public deposit shall be made except in a qualified public depository as established by state laws.

The list shall be approved by the Board of Trustees when financial institutions or broker/dealers are added or deleted. All financial institutions and broker/dealers who wish to be considered for the list must supply the Finance Director with the following:

7.1. Current audited financial statements for the two (2) most current years,

7.2. Proof of State of Illinois registration,

7.3. Depository contracts as required by the financial institution or broker/dealer,
7.4. Proof of membership or certification in the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), Securities Investor Protection Corporation (SIPC), Municipal Securities Rulemaking Board (MSRB) or National Association of Security Dealers (NASD).

7.5. Certification by the financial institution or broker/dealer of having reviewed the District’s investment policy, along with agreement to comply with the policy and disclose any potential conflicts or risks to the District’s funds that might arise out of any business transactions. All financial institutions shall agree to undertake reasonable efforts to avoid imprudent transactions involving the District’s funds.

8. **Authorized Investment Advisors:** Although the District does not currently use an investment advisor, this section of the policy shall be applicable if an investment advisor is utilized in the future. The Board of Trustees must approve, in advance, all contracts with an investment manager, after review by the District’s Counsel. The investment manager may only provide advice and make trades upon specific written authorization for each transaction; he/she may not make investment decisions. All investment decisions must be made and approved by the Finance Director in advance, before the investment manager is authorized to execute a transaction. The Finance Director shall provide the investment manager with a copy of the District’s Investment Policy. Upon execution of any trade, the District must receive confirmation directly from the broker/dealer and the custodian, not from the investment advisor or manager. Investments recommended by the investment manager will be held in safekeeping by a custodian, other than the investment manager.

9. **Authorized and Suitable Investments:** The District may invest public funds in any security allowed by state statute (Illinois Compiled Statutes Public Funds Investment Act 30 ILCS 235). A summary of the allowable investments are as follows:

9.1. Bonds, notes, certificates of indebtedness, treasury bills or other securities issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

9.2. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;

9.3. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

9.4. Money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio consists solely of U.S. Treasury or Federal Agency securities as listed above in Sections 9.1 and 9.2. Mutual funds must be AA or AAA rated by at least 2 of the 3 largest rating agencies;

9.5. Public Treasurer’s Investment Pool created under Section 17 of the Illinois State Treasurer Act;
9.6. Commercial paper:

9.6.1 Must be rated at one of the three highest classifications by at least two of the standard rating agencies (e.g. A-1, P-1, F-1, D-1 or higher).

9.6.2 Investments will not be made with commercial paper issuers placed on negative credit watch by any one of the above rating agencies.

9.6.3 Commercial paper issuers must be domestic corporations having assets in excess of $500,000,000.

9.6.4 Purchases of eligible commercial paper may not: (a) exceed 180 days to maturity; (b) represent more than 10% of the outstanding paper of the issuing corporation; or (c) exceed one-third of the cost value of the portfolio.

9.7. Investments may be made only in banks, which are insured by the “FDIC”. The District may invest public funds in short-term discount obligations of the Federal National Mortgage Associations or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of Illinois or any other state or under the laws of the United States;

9.8. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of Illinois or the laws of the United States; provided, however the principle office of such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law;

9.9. Savings and loan associations, banks or credit unions must be insured by federal law or collateralized pursuant to Section 13 of this policy;

9.10. Any other security authorized by law and pre-approved by the Board of Trustees.

10. **Unallowable Investments / Restrictions**: The District shall not invest in the following instruments:

10.1. Derivatives, except for indirect investment through the State Treasurer’s Investment Pool.

10.2. Repurchase agreements, except for indirect investment through an investment pool.

10.3. Financial futures or financial options.

10.4. Common stocks or corporate bonds.

10.5. Any investment not expressly authorized by statute.
11. **Investment Pools/Mutual Funds:** Government sponsored pools and/or mutual funds should be carefully reviewed prior to investing and should be monitored on an ongoing basis. Requisite information on the pool includes the following:

11.1. A written statement of investment policy and objectives along with a list of allowable investments.

11.2. Disclosure regarding settlement and safeguarding of investments.

11.3. Description of securities pricing (fair value) and whether GASB 31 compliant.

11.4. An explanation of interest calculations and distributions, how gains and losses are treated, plus fee disclosures.

11.5. Deposit and withdrawal restrictions.

11.6. Disclosure of audit findings and reports.

11.7. A schedule of receiving statements and portfolio listings.

11.8. A written statement on whether reserves, retained earnings, etc. are utilized by the pool/fund.

11.9. A written statement on whether the pool/fund is eligible for bond proceeds and/or will it accept such proceeds.

12. **Collateralization:** Collateralization will be required on all certificates of deposit. Collateral shall not be released or substituted without an authorized signature from the District. Pledged collateral will be held in safekeeping and a safekeeping receipt will be provided to the District.

12.1. The District will accept any of the following assets as collateral: a) U.S. Government Securities, b) Obligations of Federal Agencies or Instrumentalities, c) Obligations of the State of Illinois, d) General Obligation Municipal Bonds rated “A” or better, e) Any other collateral identified in Illinois Compiled Statutes as acceptable for use by the Treasurer of the State of Illinois.

12.2. In order to anticipate market changes and provide a level of security for all funds, the amount of collateral provided will be at a minimum of 102% of the fair market value of principal and accrued interest. Direct investments guaranteed by the United States or an agency of the United Sates government do not require collateral. The ratio of fair market value of collateral to the amount of funds secured will be reviewed periodically and addition collateral will be requested when the ratio declines below the required level.
12.3. The Finance Director, at his/her discretion, may waive the collateral requirements for deposits up to $250,000 which are fully insured by the Federal Deposit Insurance Corporation. The right of collateral substitution is granted.

13. **Safekeeping and Custody:** All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts.

14. **Diversification:** In order to reduce overall portfolio risks while attaining market rates of return, the District shall diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer or class of securities.

14.1. **Restrictions on Securities:** With the exception of U.S. Treasury securities and authorized pools, no more than 65% of the District’s portfolio will be invested in a single security type and no more than 50% will be invested in a single financial institution.

14.2. **Maturity Diversification:** Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for the stability of income and reasonable liquidity. Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing the market risk. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than two (2) years from the date of purchase. Reserve funds may be invested in securities exceeding two (2) years if the maturity of such investments is made to coincide as nearly as possible with the expected use of the funds.

14.3. **Cash Management Funds:** Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered by maturing investments or marketable U.S. Treasury bills. Positions in securities having potential default risk (e.g. commercial paper) shall be limited in size so that in case of default, the portfolio’s annual investment income will exceed a loss on a single issuer’s securities.

15. **Internal Controls:**

15.1. The Finance Director shall develop policies and procedures in order to assure that appropriate controls are in place to document and confirm all transactions. The internal controls shall be reviewed by the Board of Trustees and the District’s external auditor, in conjunction with the annual examination of the District’s financial statements.

15.2. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officials of the District.
15.3. To provide further protection of the District funds, written instructions require the verification of all wire transfers from two of the three following officers:

15.3.1 Fire Chief/Administrator.

15.3.2 Finance Director.

15.3.3 Finance Assistant.

16. **Performance Standards:** The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

16.1. **Investment Strategy:** The District follows a passive investment strategy. A passive investment strategy involves limited ongoing buying and selling actions, with the intention of buying and holding investments for long-term appreciation. Given this strategy, the District uses the 6 month US Treasury Bill Rate to determine whether market yields are being achieved. However, the Finance Director may sell a security due to adverse changes in credit risk or unexpected cash flow needs.

17. **Reporting:**

17.1. **Monthly Reports:** The Finance Director shall file a monthly investment report with the Board of Trustees. The investment report will be a part of the monthly financial report and accepted by the Board of Trustees at their regularly scheduled meeting. The report will include the following:

18.1.1 Type of investments and percent that each type represents in the portfolio.

18.1.2 Issuer.

18.1.3 Account Number.

18.1.4 Interest Rate.

18.1.5 Purchase and Maturity Dates.

18.1.6 Number of Days for the investment.

18.1.7 Beginning and ending balance of each investment.

18.1.8 Estimated yield and actual interest earnings.

18.1.9 Current market value of securities.

18.1.10 Any other information required by the Board of Trustees.
19. **Investment Policy Adoption/Amendment:** The District’s investment policy shall be adopted by resolution of the Board of Trustees. The Board of Trustees shall review the investment policy on an annual basis and approve any modifications made.

20. **Glossary:** The District’s investment policy shall include a glossary of key investing terms, many of which are included in this policy.
GLOSSARY

Accrued Interest - The accumulated interest due on an investment as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Asked – The price at which securities are offered.

Basis Point – A unit of measurement used in the valuation of fixed-income securities equal to 1/100th of 1 percent of yield; e.g. “1/4” of 1 percent is equal to 25 basis points.

Benchmark – A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.

Bid – The price offered by a buyer of securities.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security’s current value in the market.

Broker – A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD) – A time deposit with a specific maturity evidenced by a certificate. Large denominations CD’s are typically negotiable.

Collateral – Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Comprehensive Annual Financial Report (CAFR) – This is the official annual report for the Lisle-Woodridge Fire Protection District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes
supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**Coupon Rate** – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate”.

**Credit Quality** - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by national recognized rating agencies.

**Current Yield (Current Return)** - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Dealer** – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**Debenture** – A bond secured only by the general credit of the issuer.

**Delivery versus payment** – A transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Delivery versus receipt** – A transaction in which delivery of the securities are in exchange of a signed receipt for the securities.

**Discount** – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**Discount Securities** – Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**Diversification** – A process of investing assets among a range of security types by sector, maturity and quality rating.

**Federal Deposit Insurance Corporation (FDIC)** – A federal agency that insures bank deposits, currently up to $250,000 per deposit.

**Federal Funds Rate** – The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**Federal Home Loan Banks (FHLB)** – The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.
Federal National Mortgage Association (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC) – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System – The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Government National Mortgage Association (GNMA or Ginnie Mae) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term “pass-through” is often used to describe Ginnie Maes.

Government Securities - An obligation of the U.S. Government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See “Treasury Bills, Bonds and Notes”.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity – An asset that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool (LGIP) – An investment of funds from local governments in which the money is pooled and placed in the custody of the State Treasurer for investment and reinvestment.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.
Market risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – The price at which a security is trading and could presumably be purchased or sold.

Maturity – The date upon which the principal or stated value of an investment becomes due and payable.

Money Market – The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, etc.) are issued and traded.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments such as Treasury Bills, commercial paper, repos and federal funds.

Municipal Securities Rulemaking Board (MSRB) – Makes rules regulating dealers who deal in municipal bonds, notes and other municipal securities.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Offer – The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See definitions for Asked and Bid.

Open Market Operations – Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

Par - Face value or principal value of a bond, typically $1,000 per bond.

Portfolio – Collection of securities held by an investor.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.
Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories – A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income returns.

Repurchase Agreement (RP or Repo) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP’s extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

Safekeeping – A service to customers for a fee whereby securities and valuables of all types and descriptions are held by a financial institution.

Secondary Market – A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities & Exchange Commission (SEC) – An agency created by Congress to protect investors in securities transactions by administering securities legislation.

Securities Investor Protection Corporation (SIPC) – Acts as trustee in a missing asset case to recover funds. The SIPC provides that customers of a failed brokerage firm receive all non-negotiable securities that are already registered in their names or are in the process of being registered. Up to $500,000 from the SIPC reserves are available to satisfy the remaining claims of each customer.

Treasury Bills – A non-interest bearing discount security issued by the U.S. Treasury. Most bills are issued to mature in three months, six months, or one year with minimum denominations of $10,000.

Treasury Bonds – A long-term U.S. Treasury security having an initial maturity of more than 10 years. Treasury bonds are issued in minimum denominations of $1,000.
Treasury Notes – An intermediate discount security issued by the U.S. Treasury. Most notes are issued with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Uniform Net Capital Rule – SEC requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield – The current rate of return on an investment, generally expressed as a percentage of the security’s current price. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Zero-coupon Securities – Securities that are issued at a discount and make no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.