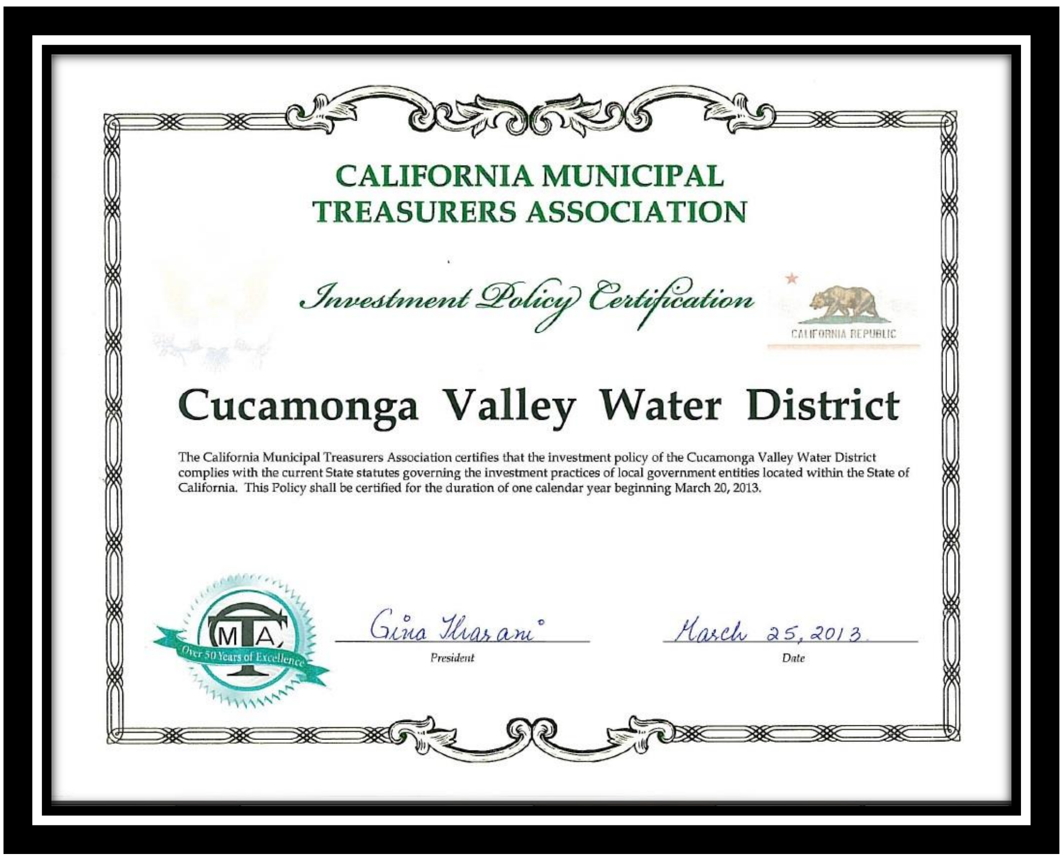
CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION
CERTIFIED INVESTMENT POLICY



CALIFORNIA MUNICIPAL
TREASURERS ASSOCIATION

Investment Policy Certification

CALIFORNIA REPUBLIC

Cucamonga Valley Water District

The California Municipal Treasurers Association certifies that the investment policy of the Cucamonga Valley Water District complies with the current State statutes governing the investment practices of local government entities located within the State of California. This Policy shall be certified for the duration of one calendar year beginning March 20, 2013.

Over 50 Years of Excellence

Gina Murani — President

March 25, 2013 — Date

Certification Date: March, 2013

Finance and Admin Services Director: Carrie Corder

Cucamonga Valley Water District

POLICY AND PROCEDURE

APPROVAL DATE 02/12/2013	MANUAL EMPLOYEE PERSONNEL MANUAL	POLICY NO. **8.4**
APPROVED BY Board of Directors	POLICY TITLE **INVESTMENT POLICY**	EFFECTIVE DATE 02/13/2013 Page 1 of 14

I. Introduction

The purpose of this investment policy ("Policy") is to provide guidelines for the prudent investment of the Cucamonga Valley Water District's ("District") funds in conformance with California Government Code requirements governing the investment of public funds. Funds will be managed to provide for daily cash flow requirements and to meet the objectives of this Policy.

II. Scope

This Policy applies to all operating funds of the District, which are under the control of the General Manager/CEO and/or the Chief Financial Officer. These funds are accounted for in the Cucamonga Valley Water District's Comprehensive Annual Finance Report (CAFR). The investment of retirement-related funds is addressed in District Policy 8.6.

Bond proceeds shall be invested in securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage or dollar portfolio limitations listed elsewhere in this Policy do not apply to bond proceeds.

III. Investment Objectives

As specified in Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the District's investment activities and of this Policy shall be:

1. **Safety:** Safety of principal is the District's foremost investment objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among independent financial institutions offering a variety of securities with independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default or market value erosion.

2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which are reasonably anticipated.

3. **Yield:** The District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, as long as it does not diminish the objectives of Safety and Liquidity.

IV. Delegation of Authority

The authority of the District's Board of Directors ("Board") to invest or reinvest funds of the District is delegated by Board Resolution in conjunction with the annual investment policy review. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Chief Financial Officer. The Chief Financial Officer shall establish procedures for the management of investment activities, including the activities of staff consistent with this Policy.

The Chief Financial Officer may retain the services of an outside investment advisor or manager as approved by the Board to assist with the District's investment program. Qualified outside managers will be either SEC Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instructions as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

V. Prudence

All participants in the investment process shall recognize that the investment program is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The standard of prudence to be used by the District shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. The Chief Financial Officer and the delegated investment officers, acting in accordance with written procedures and this 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.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The Chief Financial Officer shall review the investment policy on an annual basis and submit the policy to the District's Finance Committee and Board for review and approval.

VI. Internal Controls

The Chief Financial Officer shall establish a system of internal controls designed to prevent losses due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, and/or imprudent actions by employees of the District. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Compliance with this Policy and internal controls shall be reviewed annually by the District's independent, external auditors.

VII. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the District's General Manager/CEO any material financial interest in the financial institutions that conduct business with the District and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

VIII. Authorized Broker-Dealers

A competitive process, whenever practical, will be used for investment transactions. For any investment transaction not conducted directly with the issuer, it shall be the District's policy to purchase securities only from authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws.

The Chief Financial Officer shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate and deemed by the District:

1. Must be in business for at least three (3) years
2. Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
3. Proof of state registration
4. Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
5. Certification of having read and understood and agreeing to comply with the District's Policy and are free of conflicts of interest
6. Evidence of adequate insurance coverage

If the District has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers and financial institutions to conduct transactions on the District's behalf.

IX. Safekeeping of Securities

To protect against potential losses by the collapse of individual securities dealers, all trades will be executed on a delivered versus payment (DVP) basis with the securities to be held in safekeeping by a third party custodian, acting as agent for the District under the terms of a custody agreement or a Master Repurchase Agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and local government investment pools (LGIPs); (ii) placement certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by the Chief Financial Officer.

No outside broker-dealer or advisor may have access to the District's funds, accounts or investments. Any transfer of funds handled through a broker-dealer must be approved by persons identified in the "Delegation of Authority" section of this Policy.

X. Authorized Investments

The District's investments are governed by the Government Code. Within the investments permitted by the Government Code, the District seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased. Ratings, where shown, specify the minimum credit rating category required at purchased without regard to +/- or 1,2,3 modifiers, if any. In the event a security held by the District is subject to a credit rating change that brings it below the minimum credit ratings specified in this Policy, the Chief Financial Officer should notify the Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security.

1. **United States Treasury Issues**. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that may be invested in this category.

2. **Federal Agency Obligations**. Federal agency or United States government-sponsored enterprise senior debt obligations, participations, mortgage-backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that may be invested in this category; however, purchases of callable Federal Agency obligations are limited to a maximum of 30 percent of the portfolio.

3. **Municipal Debt**. Registered treasury notes or bonds of this state or any of the other 49 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state or any of the other 49 United States.

   Bonds, notes, warrants, or other evidences of indebtedness of any local agency, including the District's own bonds, within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

   Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a Nationally Recognized Statistical Rating Organization ("NRSRO"); and/or have short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

4. **Medium-Term Notes**. Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

5. **Negotiable Certificates of Deposit**. Negotiable certificates of deposit (NCDs) issued by a by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO; and/or have short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. NCDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. In combination with placement service CDs, a maximum of 30 percent of the portfolio may be invested in this category.

6. **Placement Service Certificates of Deposit**. Certificates of deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. In combination with negotiable certificates of deposit, a maximum of 30 percent of the portfolio may be invested in this category.

7. **Bank Deposits**. FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive District deposits, the financial institution must be located in California and have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. The amount

on deposit in any financial institution shall not exceed the shareholder's equity. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The Chief Financial Officer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The District shall have a signed agreement with any depository accepting District funds per Government Code Section 53649. The maturity of time deposits (TCDs) may not exceed 1 year. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20 percent of the portfolio may be invested in TCDs.

8. **Commercial Paper**. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars ($500,000,000), and (iii) has debt other than commercial paper, if any, that is rated at least "A", or its equivalent, by a NRSRO.

   Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category.

9. **Bankers' Acceptances.** Bankers' acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchases are limited to bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptances may not exceed 180 days maturity. Eligible bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 25 percent of the portfolio may be invested in this category.

10. **State of California Local Agency Investment Fund (LAIF).** There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the current maximum allowed by LAIF.

11. **Local Government Investment Pools (LGIP).** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7. To be eligible for purchase, the pool shall meet all of the following conditions: (i) must meet the requirements of California Government Code Section 53601(p), (ii) the pool must seek to maintain a stable Net Asset Value ("NAV"), and (iii) the pool must be rated at least "AAm", or its equivalent, by a NRSRO. A maximum of 50 percent of the portfolio may be invested in this category.

    Whenever the District has any funds invested in a Local Government Investment Pools, the Chief Financial Officer shall maintain on file a copy of the pool's current information statement. In addition, the Chief Financial Officer should review the pool's summary portfolio holdings on a quarterly basis.

12. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission.

    The company shall have met either of the following criteria: (A) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs and (B) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000). A maximum of 20 percent of the portfolio may be invested in this category.

    If the District has funds invested in a money market fund, a copy of the fund's information statement shall be maintained on file. In addition, the Chief Financial Officer should review the fund's summary holdings on a quarterly basis.

13. **Repurchase Agreements.** Repurchase agreements are to be used as short-term investments not to exceed 90 days. Repurchase agreements shall only be made only with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered bank that has or has had a significant banking relationship with the District. Furthermore, the counterparty shall have the following qualifications: (i) a long-term debt rating at least "A", or its equivalent, by a NRSRO; (ii) a short-term credit rating of at least "A-1", or its equivalent, by a NRSRO; (iii) minimum assets and capital size of $25 billion in assets and $350

million in capital; (iv) five years of acceptable audited financial results; and (v) a strong reputation among market participants.

The District shall have a properly executed master repurchase agreement with each counterparty for which it enters into an agreement for repurchase agreements. Collateral of at least 102 percent of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the District' custodian bank or handled under a properly executed master repurchase agreement. The District, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10 percent of the portfolio may be invested in this category.

XI. Diversification and Maximum Maturities

It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically. Adequate diversification shall be applied to the individual issuers of debt, both within each class of investments and collectively. With the exception, of U.S. Treasuries, Federal Agency securities, LGIPs, and LAIF, the District's investment in any one issuer is limited to 20 percent of the District's surplus funds.

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. The maximum maturity of individual investments shall not exceed the limits set forth in Section X. Where no maturity limit is stated, no investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment. With respect to maximum maturities, this Policy authorizes investing bond reserve funds beyond five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

XII. <u>Prohibited Investments</u>

Section 53601.6 of the Government Code lists the investments that are prohibited. Prohibited investments shall include, but are not limited to, equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity.

The purchase of any investment permitted by the Government Code, but not listed as an authorized investment in this Policy is prohibited without the prior approval of the Board.

XIII. <u>Performance</u>

The investment performance of the District's operating portfolio shall be evaluated and compared to an appropriate benchmark in order to assess the success of the investment program relative to the District's Safety, Liquidity and Yield objectives. This review will be conducted annually with the Board's Finance Committee.

XIV. <u>Investment Reporting</u>

The Chief Financial Officer will prepare a monthly report of investment that shall include a complete description of the portfolio, type of investments, issuers, maturity dates, par values and current market values of each component of the portfolio, list of transactions, including funds managed for the District by third party contract managers. The report will include a certification that: (1) all investment actions executed since the last report have been made in full compliance with this Policy and (2) the report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

XV. <u>Policy Adoption and Review</u>

This Policy shall be adopted by resolution of the Board. Moreover, the Policy shall be reviewed on an annual basis and modifications, if any, must be approved by the Board.

XVI. <u>Glossary of Terms</u>

AGENCY SECURITIES: Securities issued by a U.S. government-sponsored entity (GSE) and federally related institutions. Examples of a GSE include: Federal Farm Credit Bank System (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Company (FHLMC-Freddie Mac), Federal National Mortgage Association (FNMA-Fannie Mae), and Student Loan Marketing Association (SLMA-Sallie Mae).

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft, bill, or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

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.

BROKER: A broker brings buyers and sellers together for a commission.

CALLABLE SECURITY: A security that is redeemable by the issuer before the scheduled maturity. Bonds are usually called when the interest rates fall so significantly that the issuer can save money by floating new bonds at lower rates.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination 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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the Cucamonga Valley Water District. It includes financial statements for each individual fund 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: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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 (DVP): The delivery of securities with an exchange of money for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

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.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns with the goal of spreading risk throughout the portfolio holdings.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary program created by state statute as an investment alternative for California's local governments and Special Districts under the administration of the California State Treasurer's Office. All securities are purchased under the authority of the Government Code Section 16430 and 16480.4.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): A state or local government pool offered to public entities for the investment of public funds.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

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.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO): A credit rating agency that provides credit ratings that are used by the U.S. government and investors as benchmarks. Examples include Moody's, Standard & Poor's, and Fitch Ratings.

OFFER: The price asked by a seller of securities.

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.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR STANDARD : An investment standard to be followed by those authorized to make investment decisions on behalf of a local agency. Those authorized shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of that agency.

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 return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed 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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage.