

CITY OF CULVER CITY

INVESTMENT POLICY

1.0 POLICY

It is the policy of the City of Culver City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE

This investment policy of the City of Culver City applies to the investment of surplus funds that are under the direct authority of the City Treasurer. Investment policy governing the investment of bond proceeds are detailed in the indentures of each bond issue and are considered by the City Council when it approves the bond issuance. Deferred Compensation (457) funds are administered separately, and are not assets of the City.

These funds are accounted for in the City of Culver City's Comprehensive Annual Financial Report and include:

2.1 Funds:

2.1.1 General Fund

2.1.2 Special Revenue Fund

2.1.3 Capital Project Funds

2.1.4 Enterprise Funds

2.1.5 Internal Service Funds

2.1.6 Trust and Agency Funds

2.1.7 Any new fund created by the legislative body, unless specifically exempted.

3.0 **PRUDENCE**

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in 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.

3.1 Prudent Person Standard:

The standard of prudence to be used by the City Treasurer and other individuals assigned to manage the investment portfolio shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. These individuals 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.

4.0 **OBJECTIVES**

The primary objectives, in priority order, of the City of Culver City's investment activities shall be:

4.1 Safety:

Safety of principal is the foremost objective of the investment program. Investments of the City of Culver City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, "diversification" is required.

4.2 Liquidity:

The City of Culver City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating and capital requirements, which might be reasonably anticipated.

4.3 Yield:

Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

4.4 Return on Investment:

The City of Culver City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgeting and economic cycles, commensurate with the City's investment risk constraints and cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the City of Culver City's investments is derived from the Culver City City Charter Article VI, Section 602 which entrusts the responsibility for the investment program with the City Treasurer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. By resolution, the City Council has also authorized the Deputy City Treasurer and Treasury Division Manager to be involved with the City's investment and cash management programs.

5.1 Investment Procedures:

The City Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures shall include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such 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 the policy and the procedures established by the City Treasurer.

6.0 ETHICS AND CONFLICT OF INTERESTS

The City Treasurer and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The City Treasurer and employees involved with the investment program must disclose to the City Council any material interests in the financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Culver City.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. Those may include "primary" dealers or regional dealers that qualify under "Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule)". No public deposit shall be made except in a qualified public depository as established by State laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following:

- audited financial statements.
- proof of National Association of Security Dealers Certification.
- trading resolution.
- proof of State registration.

- completed broker/dealer questionnaire.
- certification of having read the City's investment policy and depository contracts.

An annual review of financial condition and registrations of qualified bidders will be conducted by the City Treasurer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The City Treasurer or their designee is empowered by statute to invest in the following types of securities. The City may invoke more strict standards for maximums allowed than authorized by statute.

<u>Permitted Investment Deposits</u>	<u>Maximum Specified % of Portfolio</u>	<u>Maximum Maturity</u>
Securities of the U.S. Government including U.S. Government agencies and instrumentalities	Unlimited	5 years
Certificates of Deposit	50%	5 years
Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	40%	270 days
Commercial Paper	25%	180 days
Investment Agreements	Specified by bond indenture	Specified by bond indenture
LAIF	Per State limit (Currently \$30 million per account)	N/A
Passbook Deposits	50%	1 year
Repurchase Agreements	50%	1 year
Mutual Funds	20%	N/A
Medium Term Notes	30%	5 years
Certain Asset-Backed Securities	20%	5 years

See glossary for the description of the permitted investment media.

8.1 Master Repurchase Agreement:

In order to enter into repurchase agreements, there must first be a master repurchase agreement signed with the bank or dealer.

9.0 INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investment, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement process), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listing.
- Are reserves, retained earnings, etc., utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 COLLATERALIZATION

Collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse repurchase) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

All securities owned by the City will be held by an independent third party with whom the City has a current custodial agreement, except the collateral for time deposits in banks and savings and loans. Collateral for time deposits in banks and savings and loans is held by the Federal Home Loan Bank or an approved Agent of Depository. The collateral for time deposits in banks shall be held in the City's name in the bank's Trust Department, or alternately in the Federal Reserve Bank.

11.0 SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City of Culver City shall be conducted on a "delivery-versus-payment" (DVP) basis. Securities will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts.

12.0 DIVERSIFICATION

The City of Culver City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. The investment portfolio shall include securities from at least three issuers. Maturities shall be staggered to reduce interest rate risk. In a diversified portfolio, occasional measured losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

13.0 MAXIMUM MATURITIES

To the extent possible, the City of Culver City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. The City may collateralize its repurchase agreements using longer-dated investments not to exceed ten years to maturity unless the City Council has authorized longer maturities, three months prior to the investment as allowed by Government Code Section 53601.

Bond Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds, and is allowable under the indentures of the bond issue.

14.0 INTERNAL CONTROL

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies, procedures and applicable laws.

15.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The portfolio will be benchmarked to the two year Treasury note.

16.0 REPORTING

The City Treasurer shall provide the City Council and Chief Administrative Officer no less than quarterly and within 30 days of the quarter end, an investment report which provides a clear picture of the status of the current investment portfolio. The report shall include information about the investment of surplus funds and the investment of money under the management of contracted parties.

These reports will include, but not limited to, the following information about the investment of surplus funds:

- Type of investment.
- Institution.
- Date of Maturity.
- Amount of deposit or cost of the security.
- Current market value of securities.
- Rate of interest.
- Statement relating to the report to the Statement of Investment Policy, especially as to market related conditions that may have resulted in a short-term variance to the policy (e.g., investment credit ratings, portfolio diversification among investment types).
- Statement that there are sufficient funds to meet the next six month's obligations.
- Accrued interest.
- Average term to maturity of the portfolio.

17.0 INVESTMENT COMMITTEE

An Investment Committee shall be established consisting of but not limited to the City Treasurer, members of the City Treasurer's staff, a Council member, the Chief Administrative Officer, Community Development Director, and a member of the public. The member of the public shall be appointed by the City Council from the qualified electors of the City, who shall not hold any paid officer or employment in city government. The public member shall serve for a term of four years and until his/her respective successor is appointed. (These same people shall also serve as the Investment Committee for the Culver City Redevelopment Agency.)

The Investment Committee will meet at least twice annually to review and evaluate previous investment activity and yield, to review the current status of all funds held by the City and to discuss anticipated cash requirements and investment activity for the next quarter and investment strategy issues. The Committee is not authorized to direct investment decisions, or select individual investment advisers, brokers or dealers.

The Investment Committee will meet with the City's outside auditors at least annually to review accounting controls and to design adequate audit procedures to identify any non-compliance with the City Investment Policy.

18.0 INVESTMENT POLICY ADOPTION

The City's Investment Policy will be reviewed at least annually by the Investment Committee. It will be reviewed to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, audits relevance to current law and financial/economic trends. It will be adopted by resolution of the City Council on, at minimum, an annual basis.

19.0 GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

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

CERTAIN ASSET BACKED SECURITIES: Eligible asset-backed securities include mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bond or equipment lease-backed certificate of a maximum of five years maturity. Securities eligible for investment under this classification shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a category of "AA" or its equivalent or better by a nationally recognized rating service. (Government Code Section 53601n).

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COMMERCIAL PAPER: Commercial Paper is issued by leading industrial and financial firms to raise working capital. The maturities are from 3 to 180 days, usually sold on a discount basis. The City only buys Commercial Paper issued by corporations with the highest possible credit rating. Investments in Commercial Paper may not exceed 25% of the City's surplus funds.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the fiscal year end June 30, 2001. 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: (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: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt 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). No securities that have the possibility of a negative coupon may be purchased. (Government Code Section 53601.6)

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: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals; e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 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): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

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 FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INVESTMENT AGREEMENT OR CONTRACT: Connected primarily to the issuance of bonds, an Investment Agreement is a contract with an outside provider, who will provide a specified listing of investments (as allowed by the bond indenture) for a varying term of maturity, typically no longer than the maximum maturity of the bonds for debt service funds, or the construction period for the construction/acquisition fund. These are also known as Guaranteed Investment Contracts (GICs) and their variants, such as Forward Delivery Agreements (FDAs). Allowable contracts also come by other names, according to California Government Code Section 5922.

LOCAL AGENCY INVESTMENT FUND DEMAND DEPOSITS: The Local Agency Investment Fund (LAIF) is a special fund in the State Treasury created by Assembly Bill 3107, passed in 1977. This law permits a local government official, with the consent of the governing body of that agency, to remit money in its treasury not required for its immediate need, to the State Treasurer for deposit in this special fund for the purpose of investment. LAIF currently accepts a maximum of \$30 million from one agency (per account). Principal may be withdrawn on one days notice. In some circumstances withdrawals can be received the same banking day, making this a very liquid investment vehicle for the portfolio.

Government Code Section 16429.3 states that "money placed with the State Treasurer for deposit in LAIF shall not be subject to impoundment or seizure by any State official or State agency."

LAIF offers an opportunity to place City funds in a professionally administered portfolio with one day withdrawal privileges and a yield equal to at least a six month Treasury Bill. Interest earned by cities participating in LAIF is paid to the cities at the end of each quarter. The fees charged by LAIF are limited to one-quarter of one percent of the earnings of the fund. (Government Code Section 16429.1).

LIQUIDITY: A liquid asset is one 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): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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 to repurchase-reverse repurchase agreements 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.

MEDIUM TERM NOTES: A Medium Term Note is an obligation of a domestic corporation or depository institution having a rating of 'A' or better by a nationally recognized rating service. Notes may not have a maturity in excess of five years. Investments in medium term notes may not exceed 30% of the City's idle funds. (Government Code Section 53601j).

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issues and traded.

MUTUAL FUNDS: Mutual Funds qualifying for City investment must restrict their portfolios to issues approved by the same state investment statute that defines investment alternatives for cities. In addition these Mutual Funds must adhere to Federal statutes regarding the size of the Mutual Fund and its safety, must attain the highest ranking of two of the three largest rating services or must retain an investment advisor registered with the Securities and Exchange Commission with not less than 5 years experience investing

assets of at least five hundred million dollars. Investments in Mutual Funds may not exceed 20% of the City's idle funds. (Government Code Section 53601k).

NEGOTIABLE CERTIFICATES OF DEPOSIT: These Certificates of Deposit are issued by banks. They are not collateralized, that is, they are backed by the credit worthiness of the issuing institution rather than by specific pledged assets. They are issued payable to the bearer in denominations from \$1 to \$5 million with maturities of from 2 weeks to 5 years. They may be traded many times before maturity, with the price fluctuating with market conditions. The amount of the Certificate of Deposit may not exceed the issuing bank's shareholder's equity. (Government Code Section 53601h).

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See 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.

PASSBOOK SAVINGS ACCOUNT: These accounts pay a low rate of interest, compounded daily on their balances. (Government code Section 53637).

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 statement 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 PERSON RULE: An investment standard. 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 of 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 or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A repurchase agreement is the purchase of a security with the contractual obligation to sell such a security back at a future time at a fixed price. The predetermined price differential between the selling and buy back price constitutes the interest earnings. The repurchase agreement may have a life of only one day. A minimum investment of \$1 million is customarily required. The collateralization level for Repurchase Agreements shall be 102% of the market value of the principal and accrued interest. Repurchase agreements may only be made with primary dealers. (Government Code Section 53601i).

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.

SECURITIES OF THE UNITED STATES GOVERNMENT, ITS AGENCIES AND INSTRUMENTALITIES: These obligations can either be classified as 'Treasuries' or 'Agencies'. U.S. Government securities have excellent liquidity.

Treasuries are securities, which represent direct obligations of the U.S. Treasury and can be of three types - bills, notes and bonds. They differ based on the term to maturity and the method of interest payment. Treasury securities are actual obligations of the U.S. government and, as such, are backed by the "full faith and credit" of the Federal government.

An agency security is an obligation of any one of several agencies or instrumentalities which administer selected lending programs of the U.S. government. These agencies include the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Government National Mortgage Association (GNMA or Ginnie Mae), Federal Land Bank and Federal Farm Credit Bank. Such securities are obligations of the agencies themselves, but there is also an implied guarantee by the U.S. government. Obligations of these agencies are backed by large pools of residential mortgage loans or agricultural real estate loans. (Government Code Sections 53601b,e).

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure.

Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

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.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission 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 rate of annual income return on an investment, expressed as a percentage. (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.