INVESTMENT GLOSSARY

ACCRETION: the increase in value of an asset toward its redemption price over time as it approaches maturity. The discount amount is accreted to par over the life of the security on a daily basis.

ACCRUED INTEREST: the accumulated interest due on a bond as of the last interest payment made by the issuer of the bond. The security is always sold with the accrued interest included.

AGENCY SECURITY: a U.S. government-issued security that was not issued by the Treasury Department but that may be backed by the full faith and credit of the United States depending upon the issuing agency. A debt security issued by a federal or federally sponsored agency, for example the Federal National Mortgage Association (FNMA).

AMORTIZATION: the decrease in value of an asset to its redemption price over time as it approaches maturity. On a mortgage backed security, the reduction through periodic repayments of both interest and principal. The premium amount is amortized to par over the life of the security on a daily basis.

ARBITRAGE: profiting from the differences in price when the same security, currency, or commodity is traded on two or more markets.

ARBITRAGE BONDS: bonds issued by a municipality in the tax exempt markets and reinvested in the taxable markets in order to gain interest rate advantage or the advantage earned by refunding higher-rate bonds in advance of their call date. Proceeds from the lower-rate refunding issue are invested in treasuries until the first call date of the higher-rate issue being refunded.

ASK PRICE: the price at which securities are offered by the broker/dealer. The price at which a governmental entity buys a security.

ASSET ALLOCATION: the way that investments are distributed and weighted among different types of investment vehicles. The objective of asset allocation is to diversify market and credit risk while obtaining the greatest possible return consistent with the investor's risk tolerance.

BASIS POINT: a unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield; e.g., 1/4 of 1 percent is equal to 25 basis points.

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. Used primarily in international trade.

BEAR MARKET: a prolonged period of falling security prices, usually caused by declining economic conditions and/or rising interest rates.

BENCHMARK: the performance of a predetermined group of securities or an individual security for comparative risk and performance purposes. Benchmarks may be based on available indexes such as the Standard and Poors Index or selected for specific investment strategies.

BID PRICE: the price offered by the seller of a security. The price at which a governmental entity will sell a security.

BOOK VALUE: the value at which a security is carried on an inventory list or other financial records of an investor. Book value reflects the price at which the security was originally bought plus net amortization/accretion to that point in time. The book value will differ significantly from the security's current market value.

BOND: a long-term debt obligation issued by a government, corporation, or municipality that generally pays a stated rate of interest at regular intervals and returns the face value upon maturity.

BROKER: a broker brings buyers and sellers together in return for a commission (fee). The broker takes no position in a trade and does not act as a principal or own securities.

BULL MARKET: a period of prolonged rises in the price of stocks, bonds, and/or commodities due to favorable market conditions producing lower interest rates.

CALL FEATURE: part of the agreement a bond issuer makes with a buyer, called the indenture, describing the schedule and price of redemption before maturity. A call is an embedded option in the security allowing the seller to "call" (buy) it back at specific times.

CALL PRICE: price at which a bond or preferred stock with a call provision or call feature can be redeemed (repurchased) by the issuer.

CALL PROVISION: a bond provision that allows the bond issuer to redeem the bond prior to the bond's maturity date. If the bond states that this provision can be exercised after a given number of years, or at a price greater than the par value, or the bond is not callable, the bond is said to have call protection.

CALLABLE BOND: a bond that has an option which can be exercised by the issuer of the bond to redeem the bond prior to its maturity date. The provision will state the times and price that the bond may be called at.

CAPITAL GAIN: the profitable result of the sale of a security or asset whereby the net sales price exceeds the book value of the security at the date of purchase.

CAPITAL LOSS: the resulting loss on the sale of a security or asset whereby the net sale proceeds is less than the book value of the security at the date of sale.

CASH FLOW ANALYSIS: an analysis of changes in revenues and expenditures that affect the cash balance.

CERTIFICATE OF DEPOSIT (CD): a time deposit issued by a bank that pays interest periodically or at maturity, a time deposit with a specific maturity evidenced by a certificate. Large denominations CDs are typically negotiable. There is a penalty for early withdrawal of the CD (time deposit).

COLLATERAL: securities, evidences of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERAL POOLING: Approved for Texas banks in 2009, this allows any bank to eliminate individual collateral pledges to public units and substitute by creating a pool (or portfolio) of securities that are pledged to all their clients. It is designed to reflect 102% of *all* entities funds. The program is monitored by the State Comptroller.

COLLATERALIZED MORTAGE OBLIGATION (CMO): a mortgage-backed bond created from a pools of mortgages which creates different classes of securities (tranches) from one pool with different risk profiles.

COMMERCIAL PAPER (CP): short-term obligations with maturities ranging from 1 to 270 days issued by banks, corporations and other borrowers to investors with large temporary cash positions. Such instruments are unsecured and usually discounted, but are generally interest bearing.

COMPOUND INTEREST: the method of computing interest on a principle sum where the interest rate is applied to the original principle and any accumulated interest.

CONSTANT DOLLAR FUND: a short term money market fund whose objective is to offer safety, liquidity and always strives to maintains a $1 dollar share value for all participants. SEC registered funds maintain a limited 90-day WAM. AAA-rated funds usually require a 60-day WAM (weighted average maturity).

CONTINUOUS CALL OPTION: a call option on a security under which the issuer maintains the right to repurchase the bond from the investor, on any date, from the time that the bond is first callable until its maturity date.

COUPON RATE: the fixed annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. A certificate attached to a bond evidencing interest due on a payment date.

CREDIT RISK: the risk that the issuer of the bond will default or fail or its credit rating being reduced. This could involve the loss of all or part of the invested principal.

DEALER: a dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account. A dealer maintains a portfolio and can trade from that portfolio.

DEBENTURE: a bond secured only by the general credit of the issuer. US government agency notes are debentures.

DEFLATION: an economic condition that is characterized by the decline in the prices of goods and services (the reverse of inflation). Also see inflation.

DELIVERY VERSUS PAYMENT (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment requires the delivery of securities before payment is made securing the assets for the entity. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities and is less secure.

DEPOSITORY TRUST COMPANY (DTC): a firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of the certificates. The DTC uses computerized debit and credit entries. A member of the Federal Reserve System the system mirrors the FedWire system and was designed to reduce the load on the FedWire system.

DEPRECIATION: the decline in the value of an asset or investment.

DERIVATIVE SECURITY: a financial instrument whose value is based on, and determined by, another security or benchmark. Examples include mortgage backed securities as well as Treasury strips, callable securities and floaters.

DISCOUNT: the difference between the cost price of a security and its PAR or face value at maturity when quoted at lower than face value. A security selling below the 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 at discount and redeemed at maturity for full face value; e.g., U.S. Treasury Bills and US agency discount notes.

DISCOUNT ON SECURITIES: the difference between a security’s par value and its price when trading less than par price (100).

DISCOUNT RATE: the interest rate member banks pay the Federal Reserve when the banks use securities as collateral. Banks usually set their loan rates one point above the discount rate.

DISCRETE CALL OPTION: an option whereby the bondholder has sold the issuer the right to repurchase the bonds back from the investor, only on interest payment dates or dates of the schedule, from the time that the bond is first callable until its maturity date.

DIVERSIFICATION: the spreading of an investment over a large number of securities in order to reduce financial risk or the process of using different securities and maturities in a portfolio to reduce market and credit risk. (i.e. not putting all your eggs in one basket.)

EQUITY: ownership possessed by shareholders in a corporation.

FAIR MARKET VALUE: the price at which a buyer and seller agree. In investment accounting and GASB, the market value at one point in time usually the end of the fiscal year.

FEDERAL CREDIT AGENCIES: agencies of the federal government that supply credit to various classes of institutions and individuals, e.g., savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): the federal agency that insures bank deposits, currently up to $100,000 per deposit as identified by taxpayer identification code.

FEDERAL FUNDS: funds deposited by commercial banks at Federal Reserve Banks, including funds in excess of bank reserve requirements. The target rate is set by the Fed but trades at slightly different rates as the *effective* rate on a daily basis.

FEDERAL FUNDS RATE: the rate of interest at which banks with excess reserves charge banks lacking reserves for overnight loans to meet reserve requirements. This rate is set by the market to be consistent with the daily reserve requirements and monitored by the Fed.

FEDERAL HOME LOAN BANKS (FHLB): the institutions that regulate and lend money to savings and loan associations, cooperative banks, and other mortgage lenders in a manner similar the Federal Reserve's role with commercial banks. The Federal Home Loan Bank System is made up of 12 regional FHLB's. It raises money by issuing notes and bonds and lends money to savings and loans and other mortgage lenders based on the amount of collateral the institution can provide.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC) "FREDDIE MAC": publicly chartered agency that buys qualifying residential mortgages from lenders, packages them into new securities backed by those pooled mortgages, provides certain guarantees, and then resells the securities on the open market. Placed in conservatorship in 2009 which effectively makes the securities full faith and credit of the US.

FEDERAL HOUSING ADMINISTRATION (FHA): federally sponsored agency that insures lenders against loss on residential mortgages.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) "FANNIE MAE": FNMA is a federal corporation working under the auspices of the U.S. Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation, which includes purchases of 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**.** Placed in conservatorship in 2009 which effectively makes the securities full faith and credit of the US.

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 meets eight times per year to set U.S. monetary policy.

FINAL MATURITY: the date on which a security is due and payable. The maturity date stated on the face of a security.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA): formerly the National Associations of Securities Dealers (NASD): a self-regulating industry organization of brokers and dealers who trade securities in the United States. Designated by the Maloney Act of 1933 to establish rules of fair market practice.

FIXED INCOME MARKET: the market defined by securities with set (fixed) coupon rates.

FLEXIBLE REPURCHASE AGREEMENT (FLEX REPO): A type of repurchase agreement used primarily for investment of bond proceeds that has a maturity corresponding with the last expected construction draw for the bond project. Flex repos pay a fixed rate of interest and allow for cash withdrawals at the buyer's discretion during the life of the agreement.

FLOATER: a security whose value or coupon is determined from (floats on) an index or other security such as Libor or T-Bills.

GINNIE MAE (GNMA): Government National Mortgage Association. GNMA buys Veterans Administration, Farmers Home Administration and Federal Housing Administration Mortgages, then issues bonds on pools of the mortgages. Investor in this bond receives monthly dividends through the mortgagee's payments of principal and interest. GNMAs are full faith and credit of the US Government unlike other mortgage based agencies.

INFLATION: the effect of generally rising prices of goods and services.

INFLATIONARY RISK: a form of investment risk that measures the effect of inflation on an investment. If the after-tax return on an investment is lower than the rate of inflation, the investor will have less purchasing power at the maturity of the investment. The greatest risk to fixed income securities where the fixed rate will be devalued y the rise in inflation.

INSTRUMENTALITY: a federal agency whose obligations, while not direct obligations of the U.S. Government, are sponsored or guaranteed by the government and backed by the government.

INTEREST RATE: the fixed annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

INTEREST-RATE RISK: a form of investment risk whereby changes in interest rates adversely affect the value of a security portfolio. For example the value of bond holdings will decline should interest rates increase.

INVERTED YIELD CURVE: the economic condition where the yield on short-term issues is greater then the yield on long-term securities. In theory, this scenario could lead to further declines in interest rates and possible recession.

ISSUE DATE: the date from which the bond begins to accrue interest. . Also known as effective date.

LIQUID ASSET: assets that can be converted easily into cash, some examples are money market fund shares, treasury bills, and bank deposits.

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 a buyer can be found easily. The spread between the bid and asked price is narrow because the securities are liquid and usually reflect high credit quality such as T-Bills.

LIQUIDITY RISK: a type of investment risk whereby an investment may not be able to be sold quickly at a fair market price when cash is needed. Long-term Treasury Bonds for example are publicly traded and have excellent liquidity. Limited partnerships on the other hand are often not publicly traded and typically have poor liquidity.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): professionally managed pool of funds composed of cash deposits from a large group of cities, counties, school districts and local governments. In Texas created under the Local Government Cooperation Act. A portfolio of securities is purchased and each pool participant owns a pro rata share in the pool of investments. It can be a mutual fund or a money market fund equivalent.

MARGIN: the amount of additional collateral pledged to an entity in order to accommodate changes in market prices. Normally set at 102% for treasuries and agencies.

MARKET RISK: risk that the price of a typical security can decrease leading to possible principal loss if a sale of the security is required before maturity.

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

MASTER REPURCHASE (REPO) AGREEMENT: a written contract covering all repo transactions between two parties to the repurchase or 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. The industry standard is from the Security Industry and Financial Markets Association (SIFMA).

MATURITY: the date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET ACCOUNT: an interest bearing bank savings account which normally earns interest at a higher interest rate than a regular savings account, but with a minimum required balance and other restrictions. Normally restricted to six withdrawals per month.

MONEY MARKET MUTUAL FUNDS (MMMF): a specific type of mutual fund that invest solely in money market instruments (short-term debt instruments, such as treasury bills, commercial paper, bankers' acceptances, repos and federal funds) as defined and registered with the SEC and regulated by the Investment Company Act of 1940 as 2a-7 funds. They strive to maintain a $1 net share value for participants. Three types of MMMFs are Treasury, Governmental and Prime. MMMFs are designed for safety and liquidity.

MUTUAL FUND: The fund pools the resources of investors who buy shares and invests the proceeds in a portfolio of securities designed to achieve the fund's investment objective. All of the owners in the fund shares participate in the gains or losses of the fund. The value of the share is calculated off the market value of the portfolio. These products can only be sold by registered representatives. Mutual funds are also known as an open-end diversified management investment company. Long term investment funds that pool money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are designed for yield and involve more risk than money market mutual funds. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1.Report standardized performance calculations.
2.Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3.Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4.Maintain the daily liquidity of the fund's shares.
5.Value their portfolios on a daily basis.
6.Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the FINRA.
7.Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

MORTGAGE-BACKED SECURITY: a security backed by pools of home loan mortgages. Investors in mortgage-backed certificates receive monthly payments derived from the income stream of interest and principal of the underlying mortgages.

MUNICIPAL BONDS: a bond or debt obligation issued by state or local governments to fund general municipal needs or special projects (See also revenue bonds)

NEGATIVE YIELD CURVE: see inverse yield curve.

NET ASSET VALUE (NAV): the value of a mutual fund share as determined at the close of each business day. NAV is determined by summing the market value of all securities in the portfolio, deducts expenses and divides this total by the number of shares outstanding. All shares redeemed on that day are done so at the NAV for that specific day.

NET ASSET VALUE FUNDS: a mutual fund seeking to offer a higher yield than the constant dollar funds (money market funds). These funds purchase longer maturing securities, which translate into a higher market and volatility risk as well as longer WAM. These funds experience market fluctuation due to the risk of the longer securities and will subject the investor to a higher level of market price and volatility risk than a constant dollar fund.

NORMAL YIELD CURVE: a yield curve where short-term yields are lower than long-term yields. The slope of the curve rises gradually in the early years and becomes almost flat in latter years. Generally reflects a market in expectation of higher rates.

OBLIGATION: Any legal debt.

OFFER PRICE: the price asked by a seller of securities. The price at which a security will be sold to a governmental entity.

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 Federal Open Market Committee (FOMC) in order to influence the volume of money and credit in the economy.

OPPORTUNITY COST: the maximum profit an alternative plan of action would provide.

PAR VALUE: for bonds, the par value is the face amount and equals the amount of principal due at maturity. The principal amount on which interest is calculated.

PLEDGED ASSETS: bank-owned securities used as collateral for government deposits. Authorized collateral is defined by the Public Funds Collateral Act in Texas.

POSITIVE YIELD CURVE (NORMAL YIELD CURVE): a yield curve where short-term yields are lower than long-term yields. The slope of the curve rises gradually in the early years and becomes almost flat in latter years. The relationship of time and rates. Generally reflects a market in expectation of higher rates.

PREMIUM: 1) the difference in price between the security's price and par (face amount) if a security is selling above its par value. 2)An amount that must be paid above par in order to call or refund an issue. 3) The price of an option.

PREPAYMENT: the risk that changes in interest rates will cause the anticipated maturity of a mortgaged backed security to be shortened. Homeowners prepay all or part of a mortgage when interest rates decline to refinance at lower costs causing money to be returned to the owner of the mortgaged backed security who must reinvest at a lower rate.

PRICE/BOOK RATIO: a financial ratio, which relates a company's stock (share price) to its total assets less any intangible assets (goodwill, patents) minus current and long-term liabilities.

PRICE/EARNING RATIO: a financial ratio, which is commonly referred to as the P/E ratio or multiple. This is the relationship of a company's stock price divided by earnings per share. It provides stock investors with an indication of how much is being paid (share price) for a company's earnings potential.

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 formal oversight. Primary dealers can include Securities and Exchange Commission (SEC)-registered securities broker-dealers and banks. Theses dealers must make the market (buy Treasuries if offered therefore providing the liquidity) in US Treasuries.

PRIME RATE: rate of interest at which a commercial bank offers t lend money to its most creditworthy customers.

PRIVATE ACTIVITY BOND: a taxable municipal bond.

PROCEEDS: money received from the sale of a security or from the issuance of a security.

PRODUCER PRICE INDEX (PPI): a measure of wholesale prices.

PROMISSORY NOTE: an unconditional signed promise in writing to pay a specified sum in demand at a fixed time. A promise to pay.

PRUDENT PERSON RULE: an investment safety standard used by most governmetnal investors. The Rule states that investments will be made under circumstances then prevailing which persons of discretion and intelligence will purchase not for speculation but for investment recognizing the probable return of principal as well as the return on that investment.

PUT: an option that gives the holder of a security the right to sell a portion of the security back to the issuer (or put holder) at a specified time at a specified price.

RATE OF RETURN: the yield obtainable on a security based on its purchase price or its current market price. Coupon rate divided by the purchase price.

REALIZED GAIN/LOSS: the true gain (profit) or loss of principal resulting from a sale of a security based on the difference between the security's book value and its market value. See Unrealized gain/loss

REDEEMPTION PRICE: see Call Price.

REGULAR SETTLEMENT: paying for a security one day after the trade date.

REINVESTMENT RISK: the risk that funds will have to be reinvested in a lower interest rate security if the original security is called away.

REPURCHASE AGREEMENTS (RP or REPO): an investment agreement involving the purchase of a security and a simultaneous agreement to repurchase that security at a specified price and date. Repurchase agreements are used as a way to earn income on idle cash at or near the fed funds market rate. 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. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

RESET DATE: the date on which a floating security's rate or value is reset based on an established index and schedule

REVENUE BONDS: securities issued by governmental entities and secured by the revenue stream from the project being built or supported such as water treatment facilities or sewage plants.

RISK: a measure of the probability of financial loss

SAFE HARBOR: the shifting of financial assets to less volatile areas to reduce risk

SAFEKEEPING LOCATION: 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.

SALLIE MAE (SLMA): securities issued by the Student Loan Marketing Association an agency of the US Government. Not authorized for public investments since it gave up its GSE designation in 2006.

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

SECURITIES AND EXCHANGE COMMISSION (SEC): a governmental organization established to regulate the U.S. financial markets.

SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION (SIFMA): formerly the Bond Market Association, a self regulatory group of brokers/dealers.

SELF-REFULATORY ORGANIZATION (SRO): a stock exchange, securities, or commodities organization that is registered with Securities and Exchange Commission and that is responsible for making sure that its members obey rules and regulations.

SETTLEMENT DATE: the purchase or sale date of a security on which the money changes hand (see also Trade Date)

SHORT: to have sold a security without owning the security in anticipation of subsequently purchasing it at a lower price and making a profit. Not permitted by governmental entities.

SIMPLE INTEREST: the method of computing interest on a principle sum where the interest rate is applied only to the original principal amount.

SKIP DAY SETTLEMENT: settlement one day after normal settlement i.e. two day settlement.

SPREAD: Difference between any two prices or measures. The difference between the current bid and the current ask of a given security or between yields on similar securities. Refers to the additional yield that may be earned on a security over and above a U.S. Treasury obligation with a comparable maturity

STRIP: a security issued by the US Treasury in which the coupons have been removed and only the principal remains leaving a deeply discounted security which pays no interest but returns the principal at maturity. Other agencies and dealers "strip" securities but only the Treasury or an agency can create a "strip". The others carry unique names such as TIGRS (Receipts) and are structured on a trust receipt.

TERM REPURCHASE AGREEMENT: a repurchase agreement that lasts a longer than normal period of time, i.e. more than overnight.

TRADE DATE: the date on which the agreement to buy or sell a security is made (see also Settlement Date)

TREASURY BILL (TB or T-BILL): a marketable, short-term US Government debt security issued at a discount from par value auctioned by the US Treasury with maturities of 91 days, 180 days or 365 days.

TREASURY BOND: the bellwether Treasury security. A thirty year US Government debt security issued at a fixed interest rate with a maturity. The Bond is often used to set mortgage rates.

TREASURY NOTE (TN OR T-NOTE): a marketable, medium-term US Government debt security issued at a fixed interest rate with a maturity of one to ten years.

TRUST INDENTURE: a trust deed between a borrower and trust holder on the terms of the trust.

UNDERWRITER: the firm that agrees to buy an issue of securities on a given date and at a given price who will then usually resell them through a distribution network.

UNREALIZED GAIN/LOSS: the amount of gain(profit) or loss that would be reflected on the sale of a security if that security had to be sold in the market at that time calculated on the difference between book value and market value of the security.

VARIABLE RATE CD: short term CD with an interest rate that is reset at set intervals on an agreed upon index.

VOLATILITY: characteristic of a security, commodity, or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY (WAM): the dollar weighted average remaining term to maturity of all assets in a pool or securities portfolio. The maximum WAM is usually based on an entity's cash flow analysis.

WINDOW: a term for the electronic bulletin board on which US agencies sell their issues. The Agencies "open their window" for the initial offering of a security.

YIELD: a financial ratio that measures the earnings on a capital investment. The ratio is generally expressed as a percentage of the current price.

YIELD BURNING: a situation in which securities firms artificially raise the prices on the Treasury bonds used when municipalities refinance outstanding debt especially advance escrows. Municipalities are prohibited from making money on their tax-exempt transactions, so underwriters raise the price and "burn down" the yield on the securities to the level that municipalities are allowed to earn. Illegal under IRS regulations.

YIELD CURVE: a chart equating time and rates and consisting of the yields of bonds of the same quality but different maturities. This can be used as a gauge to evaluate the future of the interest rates.

YIELD TO CALL (YTC): a financial ratio that measures the rate of return on a callable bond. The yield on a bond that assumes redemption of that bond by the issuer at the first possible call date as stated in the indenture agreement.

YIELD TO MATURITY (YTM): a financial ratio that measures the rate of return on a bond's acquisition cost and the value at maturity. The ratio accounts for any interest income from the bond and assumes that the bond is held and redeemed at maturity.

ZERO COUPON BONDS: a bond that does not make interest payments but is sold at a deep discount. At the maturity of the bond, the full face amount of the bond is payable. The bond does result in a taxable income each year.

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ACRONYMS

CP	commercial paper
CPI	consumer price index
DTC	depository trust corporation
DVP	delivery versus payment
FNMA	Federal National Mortgage Association
HLMC	Federal Home Loan Mortgage Corporation
FDIC	Federal Deposit Insurance Corporation
FFCB	Federal Farm Credit Bank
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FINRA	Financial Industry Regulatory Authority
FOMC	Federal Open Markets Committee
FRB	Federal Reserve Bank
MBS	mortgage backed securities
MMMF	money market mutual fund
PPI	producer price index
PTC	Participatory Trust Corporation
REPO	repurchase agreement
SLMA	Student Loan Marketing Association
TVA	Tennessee Valley Authority
T-BILL	US Treasury Bill
TSY	US Treasury