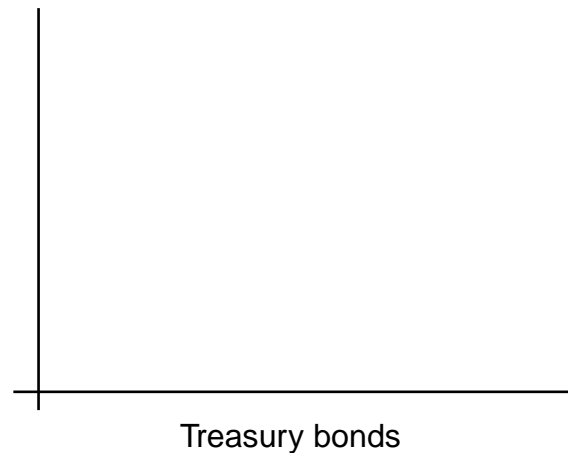
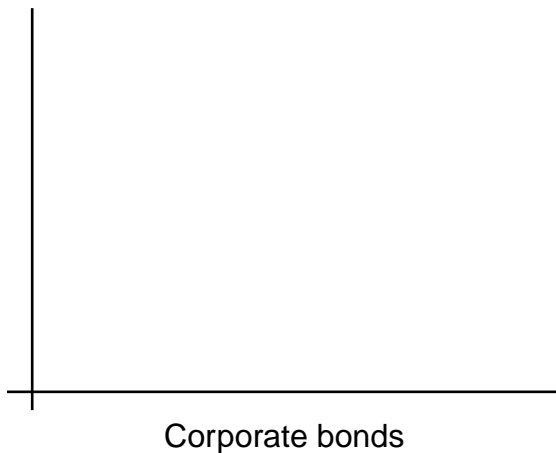


INSTRUCTIONS: Answer the following questions. Write legibly, take a high quality scan of your responses, compile all pages into one pdf, and upload only one pdf document to Canvas by **11:59pm (PDT), Sunday, June 7.**

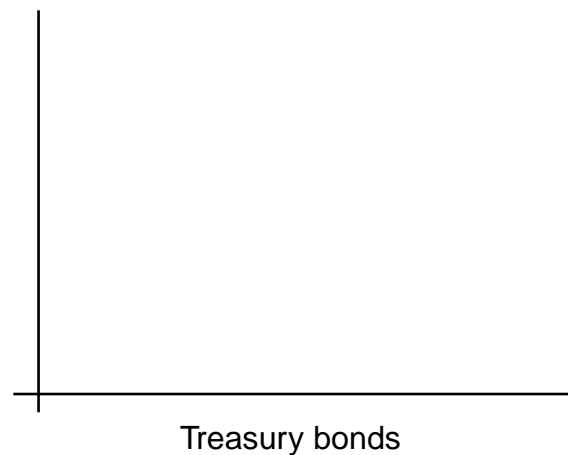
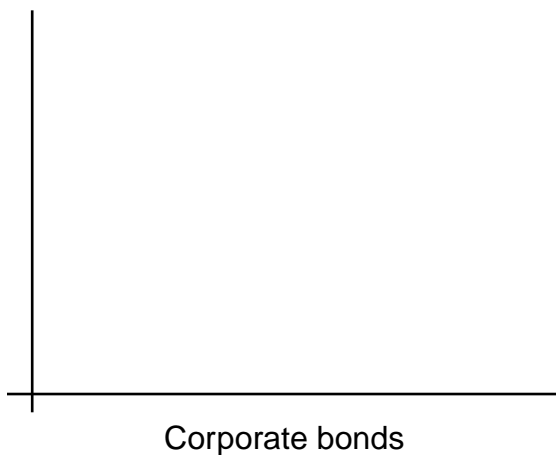
QUESTION 1

Higher default risk of corporate bonds relative to U.S. Treasury bonds increases the spread between the interest rates on these two bonds



QUESTION 2

Lower liquidity of corporate bonds relative to Treasury bonds increases the spread between the interest rates on these two bonds



QUESTION 3

Favorable tax treatment of municipal bonds relative to Treasury bonds increases the spread between the interest rates on these two bonds



Municipal bonds



Treasury bonds