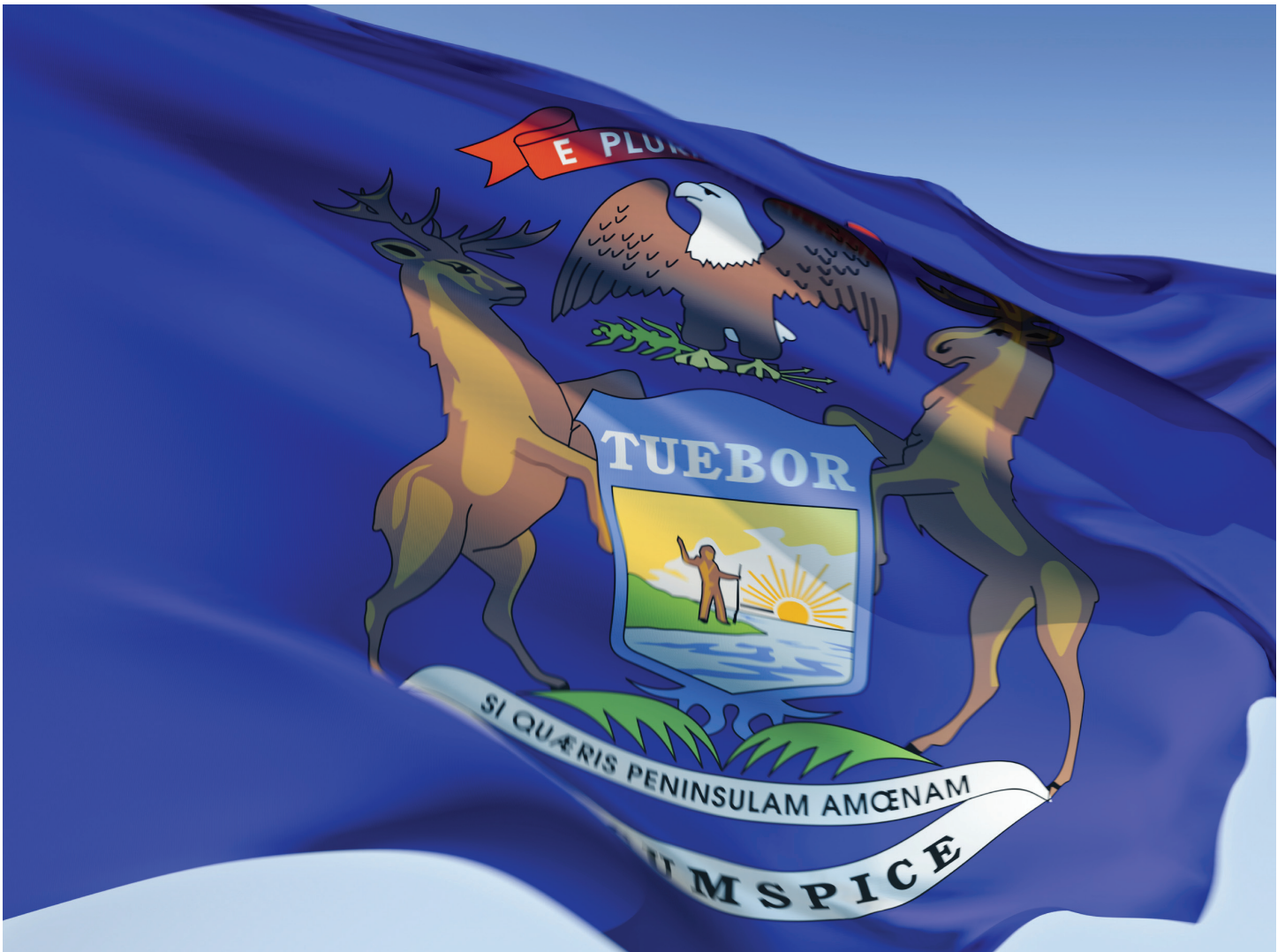


Michigan  
**CLASS**<sup>®</sup>



# Information Statement

June, 2010



## General Information

Cooperative Liquid Assets Securities System ("CLASS") is a product trade name used to designate a Michigan public sector joint investment program which was established pursuant to a Participation Agreement (the "Agreement") dated as of October 1, 1991, as most recently amended in June 2010, as may be amended from time to time, by and among certain public sector entities then joining as Participants, or which may join from time to time (the "Participants"). Section 28 of Article 7 of the Michigan Constitution of 1963 provides, among other things, that the Legislature may authorize two or more local governmental entities to enter into contractual agreements to provide for the joint administration of functions which each entity would have the power to perform independently, and to share in the related costs and responsibilities with each other. In accordance with this constitutional provision and certain statutory provisions incorporated in the Urban Cooperation Act of 1967 of the State of Michigan, the Agreement constitutes an interlocal trust agreement creating a legal entity established for the purpose of facilitating the joint investment of public sector surplus funds. This type of program is included in PA 20 as amended in 1997, under Section 1 (1) h. The program's Investment Advisor is Cutwater Investor Services Corp. (CISC), and the program's Custodian is Wells Fargo Bank, N.A..

Upon execution of the appropriate governmental resolution authorizing a public entity to enter into the Agreement, Participants shall have the right to open, at no initial cost, as many CLASS accounts as they wish. They shall also have the right to deposit eligible surplus funds into any of their accounts on any business day, without limitation as to the dollar amount or number of such transactions. They may also withdraw funds from their respective accounts on any business day up to an amount equal to the account balance and any accrued interest and/or realized capital gains thereon.

## Board of Trustees

Investments made on behalf of the Participants are subject to the overall direction of the program's Board of Trustees, which consists of eleven Trustees serving

on behalf of the Participants for staggered terms. The Board of Trustees approves the program's investment parameters, which must additionally fall within the investment stipulations mandated under Michigan statutes for the investment of surplus funds of the Participants. The Board of Trustees has entered into an investment advisory agreement with Cutwater Investor Services Corp. (CISC) which is responsible to the Board for all program investment and administrative activities and services provided on behalf of the Participants.

## Mission Statement:

Michigan CLASS will offer all public agencies in Michigan a safe, liquid and competitive investment option. CLASS will welcome all legal, public entities without favor to one type. The Board membership will represent the diversity of such agencies and work to maintain a product that services the needs of all Michigan public agencies.

## Vision Statement:

Michigan CLASS will be the premier local government investment pool in the state offering investments services that serve the needs of all public entities.

## Board Member Guiding Values:

- Represent and serve the interests of the Participants.
- Maintain the standard of safety.
- Operate in a professional and ethical manner.
- Work in unison with CISC to grow and improve the pool.
- Ensure that CLASS is safe, liquid and offers a competitive return.
- Demand openness and accountability.

## Program Objectives

The objectives of the CLASS program are to provide Participants with an investment alternative, which emphasizes safety, liquidity, convenience

and competitive rates of return. The program is designed specifically to accommodate the needs of Michigan public sector investors. In addition, periodic meetings with and surveys of the Participants assure user input in the design and administration of program features.

### **Safety**

The safe deployment of CLASS funds is initially assured through the direct purchase (or through repurchase agreements), of short-term, high quality investments permissible as investments for surplus public funds in the State of Michigan. An overall program objective is to manage investment quality and maturity to assure a stable portfolio asset value. Investments are also managed conservatively to accommodate cash flow expectations, and to mitigate market timing risk.

Administrative elements of the CLASS program are designed to prevent incidence of fraud or error. Many safeguards further protect CLASS funds under management, including: daily verification of transactions; assignment of Personal Identification Numbers for secure telephone transactions; verification of pre-authorized Participant account signatories; and the use of only pre-designated accounts, listed in the name of respective Participants, to which CLASS funds withdrawals may be wired.

Besides investing CLASS funds only in securities legally permitted by Michigan law, CLASS offers the additional strength of its AAAM rating by Standard and Poor's, as well as the security of an annual audit by an independent audit firm (see Program Vendors).

Portfolio maturity and duration parameters are established to provide for the liquidity needs of the Participants. All funds are fully invested each night, and securities which constitute the program's investments, and/or securities which are subject to repurchase agreement, are fully delivered to the Custodian to be held for the exclusive benefit of the Participants until maturity or sale. (In the case of repurchase agreement transactions, securities subject to repurchase must equal in current market value at least 102% of the amount of the agreement. Such collateral is marked to market daily, with a deficiency make-up provision enforced, if necessary.)

### **Liquidity**

Liquidity is a key element of the program, since the Participants may deposit or withdraw funds on any business day up to the amount of their balances on deposit, including accrued interest and/or capital gains realized thereon. In addition, the use of only the highest quality investments, with a maximum maturity of two years, or less, assures the added benefit of underlying asset marketability. The net result of these liquidity features is that the guesswork of traditional fixed-term investment is eliminated, and Participant cash is available in the amount necessary when needed.

### **Convenience**

Many program features assure convenient account access and ease of recordkeeping. For example, Participants may make account transactions on any business day, using Cutwater Investor Services Corp.'s toll-free phone number, toll-free fax number or online with secure internet access through "Client Connection". All contribution or withdrawal forms are designed to be easy to use. Any number of Participant accounts may be established to track and parallel internal fund accounting structures. Monthly statements are comprehensive and provide daily account activity, transaction numbers, portfolio security positions and pledged collateral (with corresponding CUSIP identifier numbers). CLASS statements establish a clear accounting and audit trail for Participant investment records and are also available via email.

Account information or assistance is available every business day from well-trained Cutwater administrative staff. Transaction notifications can be prepared in advance in anticipation of important dates, and are handled reliably; avoiding unfortunate timing problems or cash access emergencies. Optional features include: direct deposit of school state aid payments, state revenue sharing warrant lock box, ACH service and bonded debt payment programs.

All program features have been designed in cooperation with people who have public sector financial experience to facilitate the maximum level of cash management efficiency and simplicity.

## Market Returns

Competitive portfolio yield is sought by utilizing the services of professional money managers in the CLASS program. This promotes maximization of account performance in a dynamic market environment, while avoiding unnecessary risk or portfolio timing problems. By investing together, Participants can take advantage of possible economies of scale relative to transaction and clearance costs, custody arrangements, and valuation costs. In addition, overall portfolio performance should be enhanced as a result of the effect of differences in cash flow cycles from one Participant to another, allowing slightly longer average investment maturities than would be the case if Participants invested alone, thereby increasing aggregate portfolio yields.

## Permitted Investments

Pursuant to direction by the Board of Trustees, and in conformance with applicable Michigan laws governing investment options for participants, funds of the Participants are invested in high-grade, short-term fixed income instruments selected to provide for program safety, liquidity and competitive rates of return. Eligible instruments include: U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (at least A1/P1 rated), high-grade bankers acceptances, repurchase agreement transactions (collateralized at 102% of the face amount of the agreement) and approved money market mutual funds for eligible participants. Repurchase agreements are only executed with primary dealers rated A1/P1.

## Program Vendors

Cutwater Investor Services Corp., an SEC-registered investment advisor, serves as the CLASS program Investment Advisor. In addition to rendering investment and timing advisory services on a non-discretionary basis to the Participants, the company also provides a full range of administrative services in conjunction with the program. All CLASS record-keeping, portfolio accounting, Participant account reporting, securities valuation services and general organizational and marketing activities are coordinated and managed on

behalf of the Participants by Cutwater Investor Services Corp. The company is a wholly owned subsidiary of Cutwater Asset Management located at 113 King Street, Armonk, NY 10504. Cutwater Investor Services Corp. provides investment advisory and/or administrative services for similar public sector cooperative investment programs in a number of states across the country. Cutwater Investor Services Corp. utilizes the services of Cutwater Asset Management Corp. as investment sub-advisor. Cutwater Asset Management Corp. is also an SEC-registered investment advisor and NASD member firm that specializes in short to intermediate term fixed income asset management. Cutwater Asset Management Corp. is located at 113 King Street, Armonk, NY 10504.

The Michigan CLASS Regional Marketing Director is Richard J. Garay, who maintains an office in Ann Arbor. A former city treasurer in Michigan, he has been active in the state's public finance organizations for over 25 years. Mr. Garay has served on the Board of the Municipal Treasurers Association of the U.S. and Canada and on the Board of the Michigan Municipal Finance Officers Association and serves on committees of state financial organizations.

Mr. Garay is a graduate of Loyola University of Chicago, holds a Masters in Public Administration degree from Eastern Michigan University and is a registered investment advisor, holding NASD Series 7, 63 and 65 licenses.

The CLASS Custodian is Wells Fargo Bank, N.A., 34100 Woodward Avenue, Birmingham, MI 48009. All investment securities and securities supporting repurchase agreements transacted on behalf of the Participants are maintained in a segregated account with the Custodian and held for the exclusive benefit of the Participants. No other CLASS vendor has access to the assets managed under the program. Participants maintaining separate Wells Fargo depository accounts in their own name are eligible to transfer funds between such accounts and their CLASS accounts without incurring wire charges, subject to notification in advance of Cutwater Asset Management.

PricewaterhouseCoopers, which is located at 153 East 53rd Street, New York, NY 10022, conducts an annual independent audit of CLASS.

## Program Fees

Pursuant to the Agreement, Cutwater Investor Services Corp. may charge up to 0.40%, or forty basis points of aggregate average balances under management, calculated on a daily basis utilizing a formula, which multiplies the program assets by .0040 and divides the result by 365 to determine the daily fee. Cutwater Investor Services Corp. reserves the right to abate fees listed in the Agreement. The fee is deducted from the total daily investment earnings of the portfolio before dividends and/or capital gains, if any, are distributed to the Participant accounts. The fee is inclusive of all normal operating expenses and vendor fees associated with the program including custodial fees, audit fees, costs of administrative recordkeeping, investment advisory fees, outgoing wire charges, account maintenance fees, the reasonable costs associated with periodic Participant meetings, surveys and legal fees relative to the normal operations of the program.

## Participation Eligibility and Additional Information

Participation in CLASS is available to any county, city, village, township, school district, authority, or any other political subdivision organized under the laws of the State of Michigan. To join, such public entities need only to become party to the Agreement by adopting the necessary authorizing resolution, and by providing a certified copy of such resolution to Cutwater Investor Services Corp. Cutwater Investor Services Corp. will then notify the Custodian and the other Participants in writing, and commence the procedures necessary for the new Participant to begin using the program. Pursuant to applicable state law Cutwater Investor Services Corp. will review your investment policy and return the appropriate acknowledgment.

This Information Statement is designed to provide a general overview of the CLASS program. Reference should be made to the Agreement for a complete description of the rights and obligations of the Participants. To obtain further information and a copy of the Agreement, or to arrange a visit from a Michigan-based Cutwater Investor Services Corp. representative, simply dial toll-free 1-800-395-5505 or 1-800-388-8797.

For more information about the Michigan CLASS program, please visit [www.michiganclass.org](http://www.michiganclass.org).

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MI-INFO  
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Managed by: **CUTWATER** ASSET MANAGEMENT