

Michigan
CLASS[®]



Information Statement

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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 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. Authority for the investment of public funds is included in Public Act 20 of 1943, Public Act 451 of 1976, Public Act 331 of 1966 and Public Act 94 of 1933, each as amended.

PART 1: PROGRAM OVERVIEW

A. General Information

Michigan Cooperative Liquid Assets Securities System (CLASS) is a product trade name used to designate a Michigan public sector joint investment program. It was established pursuant to a Participation Agreement (the Agreement) dated October 1, 1991, as most recently amended November 1, 2018, and as may be amended from time-to-time, by and among certain public sector entities having joined as "Participants."

The program's Investment Advisor and Administrator is Public Trust Advisors, LLC (Public Trust), 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. Participants 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.

B. Board of Trustees

Investments made on behalf of the Participants are subject to the overall direction of the program's Board of Trustees that consists of up to 13 Trustees serving staggered terms on behalf of the Participants. The Board of Trustees approves the program's investment parameters that must also fall within the investment stipulations mandated under Michigan statutes for the investment of surplus funds of the Participants. The Board of Trustees (the Board) has entered into an investment advisory administrative services agreement with Public Trust, who is responsible to the Board for all of the program's investments, administrative activities, and marketing services provided on behalf of the Participants.

C. Board Member Guiding Values

- Represent and serve the interests of all Participants
- Maintain the standard of safety
- Operate in a professional and ethical manner
- Work in unison with the Administrator to grow and improve the pool
- Ensure that CLASS is safe, liquid, and

- offers a competitive return
- Demand openness and accountability

D. Mission Statement

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

E. Vision Statement

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

F. Participation Eligibility

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 agencies need only to become party to the Participation Agreement by adopting the necessary authorizing resolution and by providing a certified copy of such resolution to the Administrator. The Administrator 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, Public Trust will review each entity's investment policy and return the appropriate acknowledgment.

PART 2: PROGRAM OBJECTIVES

The objectives of the CLASS program are to provide Participants with an investment alternative that 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.

A. Safety

The objective of safety in the deployment of CLASS funds is sought 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 maintain a stable portfolio net 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 credentials for online transactions; verification of pre-authorized Participant account signatories; and the use of only pre-designated bank 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 has achieved a 'AAAm' rating by S&P Global Ratings and offers the benefit of an annual audit by an independent auditing firm.

B. Liquidity

Liquidity is a key element of the program. Portfolio maturity and duration parameters are established to provide for the liquidity needs of the Participants since they 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).

All funds are fully invested each night, and securities that constitute the program's investments and/or securities that 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 investment. Such collateral is marked-to-market daily, with a deficiency make-up provision enforced if necessary.

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 Participant cash is available in the amount necessary when needed.

C. Convenience

Many program features assure convenient account access and ease of recordkeeping. For

example, Participants may make account transactions on any business day using the Michigan CLASS phone number, fax number, or secure Internet transactions through MYACCESS. All contribution and withdrawal forms are designed for ease of use and are available upon request by calling Client Services or via MYACCESS.

Any number of Participant accounts may be established to track and parallel internal fund accounting practices. Monthly statements are comprehensive and provide daily account activity and transaction numbers. CLASS statements establish a clear accounting and audit trail for Participant investment records and are also available via email. Monthly investment holdings are available on MYACCESS.

Account information or assistance is available every business day from Michigan CLASS Client Services. Transactions can be prepared in advance in anticipation of important dates, avoiding unfortunate timing problems or cash access emergencies.

Optional features include direct deposit of school state aid payments, state revenue sharing warrant lock box, and ACH service. All program features have been designed in cooperation with professionals who have public sector financial experience to facilitate the maximum level of cash management efficiency and simplicity.

D. Market Returns

Competitive portfolio yield is sought by utilizing the services of the investment advisor's seasoned professional investment managers and credit researchers for the CLASS program.

This seeks to promote 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. This allows for slightly longer average investment maturities than would be the case if Participants invested alone, thereby increasing aggregate portfolio yields.

PART 3: INVESTING THROUGH MICHIGAN CLASS

A. Permitted Investments

Pursuant to direction by the Board, and in conformance with applicable Michigan laws governing investment options for Participants, funds of the Participants are invested in high-quality, 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 executed with highly rated counterparties (collateralized at 102% of the face amount of the agreement), and
- Approved money market mutual funds for eligible Participants rated 'AAAm.'

B. Program Vendors

Public Trust Advisors, LLC, an SEC registered investment advisor, serves as the CLASS program Investment Advisor and Administrator. In addition to rendering investment and advisory services on a discretionary basis to the Participants, Public Trust also provides a full range of administrative services in conjunction with the program. All CLASS recordkeeping, portfolio accounting, Participant account reporting, securities valuation services, and general organizational and marketing activities are coordinated and managed on behalf of the Participants by Public Trust.

Public Trust Advisors LLC is headquartered at 717 17th Street, Suite 1850, Denver, CO 80202. Its phone number is (855) 395-3954. Public Trust provides investment advisory and/or administrative services for similar public sector cooperative investment programs in a number of states across the country including COLOTRUST, FLCLASS, NYCLASS, and Texas CLASS.

The CLASS Custodian is Wells Fargo Bank, N.A. All investment securities and securities 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 names are eligible to transfer funds between such accounts and their CLASS accounts without incurring wire charges, subject to advance notification to Public Trust. Wells Fargo Bank is located at 34100 Woodward Avenue, Birmingham, MI 48009 and its phone number is (248) 723-3100.

Barnes & Thornburg, LLP serves as legal counsel to Michigan CLASS. The firm is located at 11 South Meridian Street, Indianapolis, IN 46204 and its phone number is (317) 231-6425.

C. Program Fees

Pursuant to its agreement with the Board of Trustees, Public Trust charges a management fee for its services that covers all costs related to Michigan CLASS. This management fee is a charge from the Investment Property Value (the Daily Fee). This Daily Fee accrues on a daily basis and is paid monthly in arrears and prorated for any portion of the month in which the agreement is in effect. The Daily Fee shall be calculated as follows: the Investment Property Value is multiplied by the Applicable Fee Rate and is divided by 365, or 366 days in the event of a leap year, to equal the Daily Fee accrual. The Investment Property Value shall be based on the current day's shares outstanding. For weekend days and holidays, the shares outstanding for the previous business day will be utilized for the calculation of fees. The Applicable Fee Rate shall be determined monthly on the first business day of each month and shall be at an annual rate equal to thirteen (13) basis points.

D. Additional Information

This Information Statement is designed to provide a general overview of the CLASS program. Reference should be made to the Participation Agreement for a complete description of the rights and obligations of the Participants. To obtain further information and a copy of the Participation Agreement, please visit www.michiganclass.org/document-center.

*Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses. Many factors affect performance including changes in

market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. A 'AAAm' rating by S&P Global Ratings is obtained after S&P evaluates a number of factors including credit quality, market price exposure, and management. Ratings are subject to change and do not remove market risk. Registration with the SEC does not imply a certain level of skill or training. External audits may not catch all instances of accounting errors and do not provide an absolute guarantee of accuracy.

06/18 Managed by Public Trust Advisors, LLC

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