



**City of Belvedere
City Council Meeting
Consent Calendar**
Monday, February 12, 2024

To: Mayor and City Council

From: Helga Cotter, Director of Administrative Services

Reviewed By: Robert Zadnik, City Manager

Subject: **Item No 8.D.: Proposed Change in Investment of Fund Balances**

Recommended Motion/Item Description

That the City Council receive and approve the recommendations for changes to the City's investment of fund balances strategy, including transferring funds from the Local Agency Investment Fund (LAIF) to the Investment Trust of California (CalTRUST) and adopt the resolution amending Administrative Policy Manual Section 2.5 Investments.

Background

Throughout the fiscal year, the City maintains fund balances of between about \$5-10 million, representing current-year operating funds and various restricted and unrestricted reserve fund balances. At any time, the City maintains a small amount with its banking partner, West America Bank, for operational needs, typically below the \$250,000 FDIC limit, with the remainder deposited with the Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA) managed by the Treasurer of the State of California. The balance is available on demand, and interest is received on a quarterly basis.

At its Finance Committee meeting held on December 14, 2023, members discussed the availability of alternative investment options with potentially higher returns. The Committee asked Council Member Wilkinson and Finance Committee Member Will Lyon to collaborate with staff members to explore secure investment alternatives that could offer greater returns for the City's fund balances, as well as revise the City's investment policies to reflect these changes. The Finance Committee also recommended that staff establish a sweep account with West America Bank to earn interest on the funds in the City's operating account, which was approved by the City Council at its January 22, 2024 meeting and has been implemented by staff.

Discussion

The City's investment policy provides guidelines for prudent investment of cash balances available for investment. The policy identifies three investment objectives: safety, liquidity, and yield. The policy further limits investments to those specifically approved by Government Code Sections 53600-53610.

Local Agency Investment Fund

The City has historically invested its available cash funds with LAIF. As of November 30, 2023, LAIF deposits totaled \$21 billion, which represented 13% of PMIA's total assets under management of \$158 billion. Consistent with applicable code, LAIF's investment portfolio may consist of:

- US Treasury securities
- Federal Agency securities
- State of California securities
- Certain restricted government loans
- Highly-rated California local agency securities
- Investment-grade dollar-denominated foreign government securities
- Certain collateralized mortgage obligations and mortgage-backed securities
- Certificates of deposit, bank notes, bank deposits
- Money market funds
- Highly-rated commercial paper and corporate bonds

The yield received on LAIF funds matches PMIA's overall performance. By statute, the administrative costs cannot exceed 5% of the quarterly earnings. Member agencies have no input in investment strategy, including where funds are invested on the curve.

CalTRUST

An alternative to LAIF identified by staff is the Investment Trust of California (CalTRUST), a joint powers authority (JPA) established in 2005. CalTRUST was established by a group of public agencies in California for the purpose of pooling and investing local agency funds/operating reserves. A Board of Trustees supervises and administers the investment program of the Trust. The Board comprises experienced investment officers and policymakers from participating public agencies. As of January 1, 2024, CalTRUST had \$4.1 billion in assets with over 140 participants.

CalTRUST offers three fund choices to participating agencies – a Liquidity Fund, a Short-Term Fund, and a Medium-Term Fund. Any California local agency may participate in the Trust and invest its funds. Participation in the Trust does *not* require joining the JPA.

CalTRUST's Short-Term, Medium-Term, and Liquidity Funds are pooled funds. Participants receive designated shares for the funds in which they invest. All expenses associated with participation in CalTRUST are deducted from the effective yield. The fees associated with the funds are currently 11.8 bps for the Liquidity Fund, 13.3 bps for the Short-Term Fund, and 15.2 bps for the Medium-Term Fund.

CalTRUST invests in fixed-income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. CalTRUST investments are managed by State Street Global Advisors. There are no minimum or maximum required investment amounts. Members can transfer funds between investment funds or out of CalTRUST with unlimited frequency and with no transaction costs, through a user-friendly interface. Returns are allocated on a monthly basis.

Table 1 below provides a summary of the three funds available with CalTRUST. Table 2 provides

one-year, three-year and five-year net total returns for each fund. Table 3 provides a comparison of the annualized yields for LAIF and CalTRUST’s three funds as of December 31, 2023.

Table 1 - CalTRUST Funds

Fund	Liquidity	Duration	S&P Rating	Benchmark
Liquidity (stable NAV)	Same-Day	60 Days	AAAm	3-Month US Treasury Bonds
Short-Term (floating NAV)	Next-Day	0-2 Yrs	Aaf / S1+	LAIF/Barclay Short-Term Gov’t/Corp Index
Medium-Term (floating NAV)	Two-Days	1-3 Yrs	AA-f / S1	BofA Merrill Lynch 1-3 Yr AAA-A US Corp/Gov’t Index

Table 2 – CalTRUST Funds Historical Net Total Returns (December 31, 2023)

Fund	1-Year	3-Year	5-Year
Liquidity	5.22%	2.27%	1.91%
Short-Term	5.31%	1.88%	2.03%
Medium-Term	4.68%	0.17%	1.54%

Table 3 – CalTRUST v. LAIF Annualized Historical Yields (December 31, 2023)

Fund	1-Year	3-Year	5-Year
LAIF	3.26%	1.53%	1.62%
Liquidity	5.22%	2.27%	1.91%
Short-Term	4.49%	2.02%	1.92%
Medium-Term	3.52%	1.74%	1.77%

CalTRUST provides an alternative option to investing public funds in a manner that provides maximum security with higher investment returns and greater investment flexibility than LAIF, while meeting the investment policy objectives of safety and liquidity. However, CalTRUST does require more active management of investment choices by staff and/or the Finance Committee in deciding how to split the City’s available fund balances between CalTRUST’s three investment funds.

Recommended Motion/Item Description

The Finance Committee met again on February 5, 2024, to review the proposed changes in investment options and made the following recommendations:


- Maintain \$100K in LAIF to keep the account in good standing.
- Transfer the remaining balance from LAIF to CalTRUST’s Liquidity Fund to maximize the current higher yield.
- Revise the Administrative Policy Manual (APM) Section 2.5.7 to reflect the change of reassessing fund allocation on a semi-annual basis, with staff bringing a recommendation to the Finance Committee at the time of its budget and audit meetings.
- Revise the Administrative Policy Manual (APM) Section 2.5.7 that states on a quarterly basis, at a minimum, in consultation with the designated Finance Committee members,

staff may request approval from the Finance Committee Chair to move funds between the CalTRUST funds and/or LAIF outside of the semi-annual reviews.

- Adopt the Resolution 2024-08 revising the APM Policy 2.5 Investments

Attachments

1. Draft - Revised Administrative Policy Manual (APM) Policy 2.5 Investments
2. PMIA-LAIF Average Monthly Effective Yields Thru 12/31/23
3. CalTRUST Month-End Portfolio Statistics – December 2023
4. Investment Trust of California (CalTRUST) Joint Exercise of Powers Agreement
5. Investment Trust of California (CalTRUST) Information Statement for the Shares Program
6. Investment Trust of California (CalTRUST) Investment Policy for the Shares Program
7. Investment Trust of California (CalTRUST) Program Registration Form and Participation Agreement
8. Resolution with Exhibit A Revised APM Policy 2.5 Investments

	CITY OF BELVEDERE – ADMINISTRATIVE POLICY MANUAL		
	POLICY 2.5 INVESTMENTS		
Adoption Date:	9/7/2004	Adopted by:	City Council Resolution No. 2004-33
Revised Date:	11/13/2018 4/12/2021 5/09/2022	Revised by:	City Council Resolution No. 2018-32 City Council Resolution No. 2021-10 City Council Resolution No. 2022-23
Authority:	City Council		

2.5.1 PURPOSE

The Investment Policy provides guidelines for the prudent investment of cash that is temporarily available for investment, and outlines policies for the City’s cash management system. Its purpose is to enhance the economic status of the City while protecting the value of its pooled cash. This policy is applicable to all funds and investment activities under the direct authority of the City excluding pension trust funds, other post-employment benefit trust funds, and the proceeds of debt issues.

2.5.2 OBJECTIVE

- A. The investment objective is to ensure fund safety, preserve a significant amount of liquidity and achieve yields on City funds that are available for investment under the guidelines of this policy.
- B. The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to identify those funds that could be invested without adversely affecting City operations.

2.5.4 POLICY

In order to generate higher rates of return on its cash balances, the City pools the cash from all funds, except those funds held in trust for the City by various financial institutions in accordance with applicable trust agreements related to debt issues. Interest revenue derived from pooled cash is allocated monthly to the participating funds based on the relative cash balance of each fund.

2.5.5 INVESTMENT CRITERIA

Criteria for selecting investments and the order of priority are:

- **Safety**: The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those

investments that are considered very safe and are allowable under Government Code Sections 53600 to 53610.

- **Liquidity:** This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs.
- **Yield:** This is the dollar earnings an investment can provide, and sometimes is described as the rate of return.

2.5.6 INVESTMENT APPROACH

It is the practice of the City to invest primarily in the Local Agency Investment Fund, Investment Trust of California (CalTRUST), the CalPERS Section 115 California Employers’ Pension Prefunding Trust Fund or hold cash on deposit at FDIC insured banks. Investments of reserve funds or bond proceeds in other instruments may be considered if recommended by the Finance Committee to the City Manager for action by the City Council and provided that any such investments should only be undertaken if the likelihood of the City needing to deploy these funds in the near term is low.

2.5.7 OVERSIGHT

The Finance Committee shall review investments and investment performance on an ~~annual~~ semi-annual basis with staff bringing a recommendation to the Finance Committee at the time of its budget and audit review meetings. On a quarterly basis, at a minimum, in consultation with the designated Finance Committee members, staff may request approval from the Finance Committee Chair to move funds between the CalTRUST funds and/or LAIF outside of the semi-annual reviews. The Committee’s findings shall be reported to the City Council through the Councilperson(s) who serve on the Committee. The Finance Committee shall ~~also~~ review this Investment Policy every five years, ~~three years~~ and report any recommendations to the City Council through the Councilperson(s) who serve on the Committee.



PMIA/LAIF Performance Report as of 1/17/24



Quarterly Performance Quarter Ended 12/31/23

LAIF Apportionment Rate ⁽²⁾ :	4.00
LAIF Earnings Ratio ⁽²⁾ :	0.00010932476863589
LAIF Administrative Cost ^{(1)*} :	0.29
LAIF Fair Value Factor ⁽¹⁾ :	0.993543131
PMIA Daily ⁽¹⁾ :	3.96
PMIA Quarter to Date ⁽¹⁾ :	3.81
PMIA Average Life ⁽¹⁾ :	230

PMIA Average Monthly Effective Yields⁽¹⁾

December	3.929
November	3.843
October	3.670
September	3.534
August	3.434
July	3.305**

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 12/31/23 \$158.0 billion

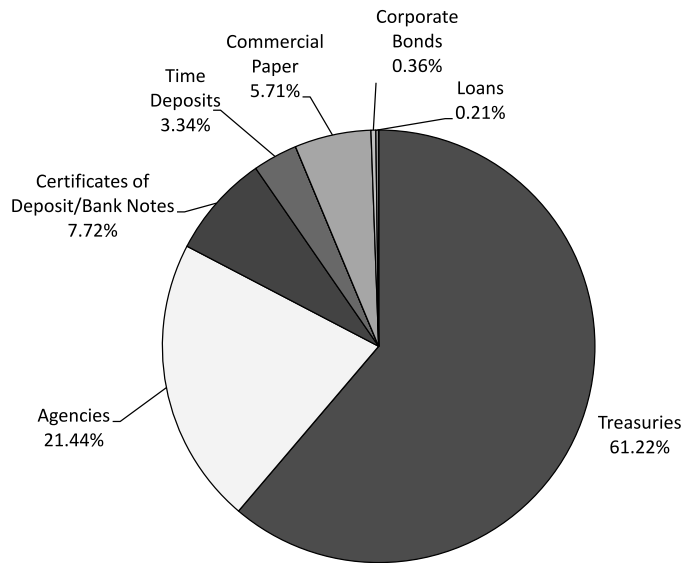


Chart does not include \$2,164,000.00 in mortgages, which equates to 0.001%. Percentages may not total 100% due to rounding.

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

*The percentage of administrative cost equals the total administrative cost divided by the quarterly interest earnings. The law provides that administrative costs are not to exceed 5% of quarterly EARNINGS of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly EARNINGS of the fund for the subsequent fiscal year.

** Revised

Source:

⁽¹⁾ State of California, Office of the Treasurer

⁽²⁾ State of California, Office of the Controller



[Home](#) ->> [PMIA](#) ->> Average Annual Yields



POOLED MONEY INVESTMENT ACCOUNT

Average Annual Yields

Fiscal Year	Rates
71/72	4.880
72/73	5.550
73/74	8.970
74/75	8.620
75/76	6.370
76/77	5.870
77/78	6.700
78/79	8.520
79/80	10.540
80/81	10.780
81/82	12.070
82/83	10.450
83/84	10.408
84/85	10.715
85/86	9.081
86/87	7.435
87/88	7.874

Fiscal Year	Rates
88/89	8.669
89/90	8.655
90/91	8.013
91/92	6.196
92/93	4.707
93/94	4.387
94/95	5.532
95/96	5.706
96/97	5.599
97/98	5.699
98/99	5.344
99/00	5.708
00/01	6.104
01/02	3.445
02/03	2.152
03/04	1.532
04/05	2.256

Fiscal Year	Rates
05/06	3.873
06/07	5.121
07/08	4.325
08/09	2.224
09/10	0.651
10/11	0.495
11/12	0.382
12/13	0.307
13/14	0.249
14/15	0.269
15/16	0.434
16/17	0.754
17/18	1.376
18/19	2.266
19/20	1.934
20/21	0.500
21/22	0.371
22/23	2.170



	CalTRUST Short Term	LAIF		CalTRUST Short Term Net Total Return	CalTRUST Short Term Yield	LAIF Yield
Net Assets	\$1,249,240,124.50	N/A	One Month	0.69%	0.42%	0.33%
NAV per Share	\$10.06	N/A	Three Month	1.82%	1.23%	0.96%
30 day SEC Yield	4.94%	N/A	Six Month	3.05%	2.46%	1.84%
Distribution Yield	4.89%	N/A	One Year*	5.31%	4.49%	3.26%
Period Net Total Return	0.69%	0.33%	Two Year*	2.88%	2.94%	2.16%
Effective Duration	0.67 yrs	N/A	Three Year*	1.88%	2.02%	1.53%
Average Maturity	0.85 Yrs	N/A yrs **	Five Year*	2.03%	1.92%	1.62%
Weighted Average Life	0.90 yrs	N/A yrs **	Ten Year*	1.45%	1.43%	1.21%
		** LAIF data not available	Since Inception*	1.79%	1.76%	1.63%

*Annualized

Portfolio Sector Breakdown

- ABS - 13.73%
- Cash - Tbills - 7.00%
- CD - 5.99%
- Government Related - 13.45%
- Investment Grade Corporates - 20.22%
- Municipal Securities - 0.06%
- STIF Funds - 16.29%
- Treasuries - 23.28%

Rated AAF by S&P Global Ratings



	CalTRUST Medium Term	BofAML 1-3 Corp & Gov't, A Rated and Above	CalTRUST Medium Term Net Total Return	CalTRUST Medium Term Yield	BofAML 1-3 Corp & Gov't, A Rated and Above
Net Assets	\$977,514,668.80	N/A	One Month	0.33%	1.18%
NAV per Share	\$9.82	N/A	Three Month	0.97%	2.65%
30 Day SEC Yield	4.41%	N/A	Six Month	1.89%	3.46%
Distribution Yield	3.85%	N/A	One Year*	4.68%	4.66%
Period Net Total Return	1.23%	1.18%	Two Year*	0.55%	0.36%
Effective Duration	2.07 yrs	N/A	Three Year*	0.17%	0.10%
Average Maturity	2.30 yrs	N/A	Five Year*	1.54%	1.53%
Weighted Average Life	2.37 yrs	N/A	Ten Year*	1.22%	1.29%
			Since Inception*	1.87%	2.15%

*Annualized

Portfolio Sector Breakdown

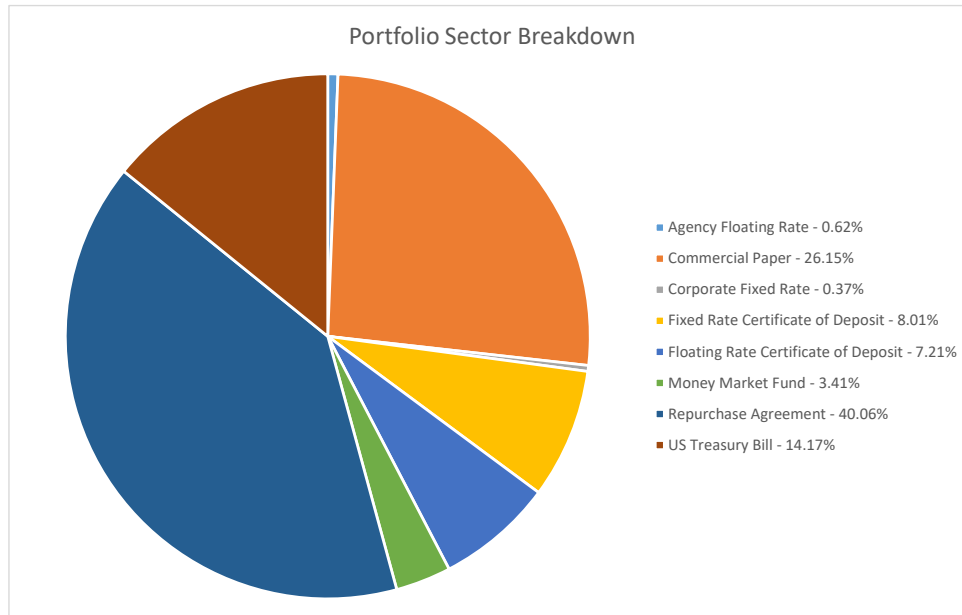
- ABS - 10.14%
- CD - 0.53%
- Government Related - 19.40%
- Investment Grade Corporates - 22.05%
- Municipal Securities - 3.03%
- STIF Funds - 0.76%
- Treasuries - 44.09%

Rated AA-f by S&P Global Ratings



	CalTRUST Liquidity	BofAML 3-Month US Treasury Bill Index		CalTRUST Liquidity Return	BofAML 3-Month US Treasury Bill Index
Net Assets	\$1,888,712,904.53	N/A	One Month	0.47%	0.47%
NAV per Share	\$1.00	N/A	Three Month	1.40%	1.37%
30 Day SEC Yield	5.54%	N/A	Six Month	2.77%	2.71%
Distribution Yield	5.55%	N/A	One Year*	5.22%	5.04%
Period Net Total Return	0.47%	0.47%	Two Year*	3.40%	3.24%
Effective Duration	N/A	N/A	Three Year*	2.27%	2.17%
Weighted Average Maturity	26.63 days	N/A	Five Year*	1.91%	1.89%
Weighted Average Life	39.26 days	N/A	Ten Year*	NA	NA
			Since Inception*	1.93%	1.91%

*Annualized



	CalTRUST Historical Liquidity 30 day SEC Yield
12/23	5.54%
11/23	5.52%
10/23	5.52%
9/23	5.46%
8/23	5.47%
7/23	5.07%
6/23	5.05%
5/23	4.99%
4/23	4.78%
3/23	4.59%
2/23	4.56%
1/23	4.26%
12/22	4.12%

Rated AAAM by S&P Global Ratings



JOINT EXERCISE OF POWERS AGREEMENT

DATED AS OF FEBRUARY 24, 2005

(Amended April 16, 2008)

(Amended August 4, 2009)

(Amended April 25, 2012)

(Amended September 12, 2012)

(Amended September 13, 2017)

(Amended April 18, 2018)

**CREATING THE
INVESTMENT TRUST OF CALIFORNIA,
doing business as CalTRUST**

A JOINT POWERS AUTHORITY

1100 K Street, Suite 101
Sacramento, CA 95814
Tel (833) CalTRUST (225-8787)

TABLE OF CONTENTS

		<u>Page</u>
ARTICLE I.	CREATION; PURPOSE, DEFINITIONS AND REPRESENTATIONS	2
Section 1.1	Creation of <i>Cal</i> TRUST	2
Section 1.2	Purpose.....	2
Section 1.3	Definitions.....	2
Section 1.4	Addition of Public Agencies as Members; Withdrawal of Members.	4
Section 1.5	Representations, Warranties, Covenants and Agreements of the Members	4
ARTICLE II.	GOVERNING BOARD; MEETINGS OF THE BOARD.....	4
Section 2.1	Board of Trustees.....	4
Section 2.2	Number, Qualification, Election and Term of Trustees.....	4
Section 2.3	Resignation and Removal.	5
Section 2.4	Vacancies	5
Section 2.5	Quorum	5
Section 2.6	Manner of Acting.....	5
Section 2.7	Meetings of the Board.....	5
Section 2.8	Committees	6
Section 2.9	Fees and Compensation	7
ARTICLE III.	OFFICERS.....	7
Section 3.1	Officers	7
Section 3.2	Treasurer	8
Section 3.3	Election of Officers.....	7
Section 3.4	Removal of Officers.....	8
Section 3.5	Resignation of Officers.....	8
Section 3.6	Vacancies in Offices	8
Section 3.7	Fees and Compensation	8
ARTICLE IV.	POWERS	8
Section 4.1	General Powers	8
Section 4.2	Specific Powers.....	8
Section 4.3	Approval Powers of Members	10
ARTICLE V.	ADMINISTRATIVE, INVESTMENT MANAGEMENT AND OTHER SERVICES FOR <i>CAL</i> TRUST	10
Section 5.1	Administrative, Investment Manager and Approval of Agreements.	10
Section 5.2	Investment Manager for the Shares Program.....	11
Section 5.3	Compensation of Investment Manager for Shares Program and Others.....	11
Section 5.4	Other Activities of Investment Manager for Shares Program	11
Section 5.5	Custodian for the Shares Program.	12
Section 5.6	Other Services to <i>Cal</i> TRUST	12

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Section 5.7	Authorization to Execute 13
ARTICLE VI.	SHARES PROGRAM 13
Section 6.1	Shares of Beneficial Interest 13
Section 6.2	Series of Shares 13
Section 6.3	Rights of Participants 15
Section 6.4	Register of Shares 15
Section 6.5	Transfer of Shares 15
ARTICLE VII.	REDEMPTIONS OF SHARES WITHIN SHARES PROGRAM 15
Section 7.1	Redemptions 15
Section 7.2	Suspension of Right of Redemption 16
Section 7.3	Redemptions to Reimburse <i>Cal</i> TRUST for Loss on Nonpayment for Shares or for Other Charges 16
Section 7.4	Redemptions in Kind 16
Section 7.5	Reporting 16
Section 7.6	Minimum Investment 17
ARTICLE VIII.	DETERMINATION OF NET ASSET VALUE, NET INCOME, DISTRIBUTIONS AND ALLOCATIONS 17
Section 8.1	Shares Program 17
ARTICLE IX.	MEETINGS OF PARTICIPANTS; APPROVAL POWER OF PARTICIPANTS 17
Section 9.1	Voting 17
Section 9.2	Action Without Meeting 17
Section 9.3	Notice of Action 18
Section 9.4	Meetings 18
Section 9.5	Proxies 18
Section 9.6	Inspectors 18
Section 9.7	Record Date for Participant Notice, Voting and Giving Consents 19
Section 9.8	Approval Powers of Participants 19
Section 9.9	Meeting Agendas 20
ARTICLE X.	LIMITATIONS OF LIABILITY OF MEMBERS, PARTICIPANTS, TRUSTEES AND OTHERS 20
Section 10.1	No Personal Liability of Members, Participants, Trustees and Others 20
Section 10.2	Indemnification of Participants in Shares Program 20
Section 10.3	Bad Faith of Trustees and Others 21
Section 10.4	Indemnification of Trustees and Others from Third-Party Actions 21
Section 10.5	Indemnification of Trustees and Others for Successful Defense 21
Section 10.6	Advance of Expenses 21

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Section 10.7	Exclusions and Limitations of Indemnification of Trustees and Others..... 22
Section 10.8	Obligations under Law..... 22
Section 10.9	Required Approval..... 22
Section 10.10	Insurance..... 22
Section 10.11	Fiduciaries of Employee Benefit Plan 22
Section 10.12	No Duty of Investigation and Notice in <i>CalTRUST</i> Instruments..... 23
Section 10.13	Reliance on Experts 23
Section 10.14	Immunity from Liability 23
Section 10.15	Further Restriction of Duties and Liabilities 23
ARTICLE XI.	DURATION, TERMINATION AND AMENDMENT 23
Section 11.1	Duration 23
Section 11.2	Termination of <i>CalTRUST</i> 23
Section 11.3	Amendment Procedure..... 24
Section 11.4	Merger, Consolidation and Sale of Assets..... 25
ARTICLE XII.	RECORDS AND REPORTS 25
Section 12.1	Maintenance and Inspection of Records 25
Section 12.2	Inspection by Trustees 25
Section 12.3	Financial Statements and Audits..... 25
ARTICLE XIII.	GENERAL MATTERS 26
Section 13.1	Checks, Drafts, Evidence of Indebtedness..... 26
Section 13.2	Execution of Instruments 26
Section 13.3	Fiscal Year 26
Section 13.4	Principal Office..... 26
Section 13.5	Accountability..... 26
ARTICLE XIV.	MISCELLANEOUS 26
Section 14.1	Governing Law 26
Section 14.2	Counterparts..... 26
Section 14.3	Certificates 26
Section 14.4	Provisions in Conflict with Law or Regulations..... 27
Section 14.5	Notices 27
Section 14.6	Index and Headings for Reference Only..... 27
Section 14.7	Successors in Interest..... 27
SCHEDULE A	INITIAL MEMBERS.....A-1
SCHEDULE B	LIST OF MEMBERS..... B-1

JOINT EXERCISE OF POWERS AGREEMENT

This **JOINT EXERCISE OF POWERS AGREEMENT**, dated as of February 24, 2005 (this “Agreement”), amending and restating that certain declaration of trust, dated as of January 9, 2003 and amended and restated as of June 3, 2003, is entered into by each Public Agency (as defined below) set forth on Schedule A hereto (the “Initial Members”). Capitalized terms used in this Agreement shall have the meanings given such terms in Section 1.3 of this Agreement, unless otherwise defined.

WITNESSETH

WHEREAS, pursuant to the Act, two or more Public Agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each Member is a “Public Agency” as that term is defined in Section 6509.7 of the Act, which, as of the date of this Agreement, is defined as “the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, or regional transportation commission of this state or another state, or any joint powers authority formed pursuant to this [Article 1] by any of these agencies,” and includes “a nonprofit corporation whose membership is confined to public agencies or public officials;” and

WHEREAS, each Member is also either a political subdivision of a state, or an agency, authority, or instrumentality of the United States, a state or any political subdivision of a state, as those terms are used in the Investment Company Act of 1940; and

WHEREAS, the Act authorizes the Members to create a joint exercise of powers entity separate from the Members to exercise the common powers of the Members, as specified in this Agreement, and to act as administrator of this Agreement; and

WHEREAS, by this Agreement, each Member desires to create and establish the Investment Trust of California, doing business as *CalTRUST*, for the purposes set forth herein to exercise the powers provided herein and to act as administrator of this Agreement; and

WHEREAS, the Act authorizes a joint powers authority, such as *CalTRUST*, to issue shares of beneficial interest to participating Public Agencies; and

WHEREAS, by this Agreement, *CalTRUST* will establish and administer an investment program for the benefit of its Participants, such program to be known as the Shares Program; and

WHEREAS, pursuant to the Law, Public Agencies may purchase shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 of the Act; and

WHEREAS, the Shares Program involves the investment by Public Agencies in shares of beneficial interest issued by *CalTRUST* in accounts containing authorized investments that are owned by *CalTRUST*.

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

**ARTICLE I.
CREATION; PURPOSE, DEFINITIONS AND REPRESENTATIONS**

Section 1.1 Creation of *CalTRUST*. There is hereby created pursuant to the Act a public agency and entity to be known as the “Investment Trust of California,” doing business as “*CalTRUST*.” As provided in the Act, *CalTRUST* shall be a public agency and entity separate and apart from the Members. The debts, liabilities and obligations of *CalTRUST* shall not constitute debts, liabilities or obligations of the Members.

Section 1.2 Purpose. This Agreement is made pursuant to the Act to provide for the exercise by *CalTRUST* of those powers referred to in the recitals hereof and for *CalTRUST* to administer the exercise of those powers. The purpose of *CalTRUST* is to consolidate investment activities of the Participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the Shares Program (as described in Articles VI and VII hereof). The Public Agencies that purchase Shares from *CalTRUST* through the Shares Program are collectively referred to herein as “Participants”, and individually, as a “Participant”.

Section 1.3 Definitions. As used in this Agreement, the following terms shall have the following respective meanings unless the context otherwise requires:

“Act” shall mean Title 1, Division 7, Chapter 5 of the California Government Code (commencing with § 6500), the Joint Exercise of Powers Act, as it may be amended from time to time.

“Affiliate” shall mean, as to any person, any other person who owns beneficially, directly or indirectly, at least 5% of the outstanding capital stock or equity interest of such person or of any other person who controls, is controlled by or is under common control with such person, or is an officer, retired officer, director, employee, partner or trustee of such person or of any other person who controls, is controlled by or is under common control with such person.

“Agreement” shall mean this Joint Exercise of Powers Agreement as it may from time to time be amended in accordance with the provisions hereof.

“Bad Faith” shall have the meaning set forth in Section 10.3 hereof.

“Board of Trustees” or “Board” shall mean the governing board of *CalTRUST*.

“*CalTRUST*” shall mean the Investment Trust of California, doing business as *CalTRUST*, created by this Agreement.

“Custodian” shall mean the entity engaged by *CalTRUST* to serve as the custodian for the Shares Program pursuant to the terms of the Custody Agreement.

“Custody Agreement” shall mean a custody agreement pursuant to which *CalTRUST* shall engage a custodian to provide certain services to *CalTRUST* for the Shares Program, including but not limited to maintaining a securities custody account for all cash, securities and other property that may be delivered to the Custodian from time to time upon the terms and conditions set forth therein.

“Disqualification” shall have the meaning set forth in Section 2.3(b) hereof.

“Information Statement” shall mean the information statement or other disclosure document relating to the Shares Program as such Information Statement may be revised from time to time.

“Initial Members” shall have the meaning set forth in the preamble hereto.

“Investment Manager” shall mean the entity engaged by *CalTRUST* to serve as the investment manager to the Shares Program pursuant to the terms of the Investment Management Agreement.

“Investment Management Agreement” shall mean an investment management agreement pursuant to which *CalTRUST* shall engage an Investment Manager to provide certain services to *CalTRUST* for the Shares Program.

“Investment Policy” shall mean the investment policies and objectives of *CalTRUST* relating to the Shares Program, as such Investment Policy may be revised from time to time in accordance herewith.

“Law” means Title 5, Division 2, Part 1, Chapter 4 of the California Government Code (commencing with § 53600), as it may be amended from time to time.

“Members” shall mean the Initial Members and each Public Agency that becomes a Member pursuant to the terms of Section 1.4 hereof.

“Member Trustee” shall have the meaning set forth in Section 2.2 hereof.

“Non-Interested Trustees” shall have the meaning set forth in Section 10.6 hereof.

“Participants” shall have the meaning set forth in Section 1.2 hereof.

“Public Agency” shall have the meaning given to such term from time to time in Section 6509.7 (or any successor or amended provision) of the Act. As of the date of this Agreement, “Public Agency” is defined in Section 6509.7 of the Act as “the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, or regional transportation commission of this state or another state, or any joint powers authority formed pursuant to this article by any of these agencies,” and includes “a nonprofit corporation whose membership is confined to public agencies or public officials.”

“Ralph M. Brown Act” shall mean Title 5, Division 2, Part 1, Chapter 9 of the California Government Code, as it may be amended from time to time.

“Series” shall have the meaning set forth in Section 6.1 hereof.

“Shares” shall have the meaning set forth in Section 6.1 hereof.

“Shares Program” shall mean the investment program provided to Participants by *CalTRUST* whereby Public Agencies invest in Shares.

“Shares Register” shall have the meaning set forth in Section 6.4 hereof.

Section 1.4 Addition of Public Agencies as Members; Withdrawal of Members.

(a) **Addition of Members.** A Public Agency may become a Member by taking appropriate action to authorize and approve the execution and delivery by such Member of this Agreement, signing a counterpart of this Agreement and furnishing CalTRUST with satisfactory evidence that such actions have been taken.

(b) **Withdrawal.** A Member may withdraw from this Agreement upon written notice to the Secretary of the Board. The Secretary of the Board shall forward a copy of such written notice of withdrawal to the Investment Manager. Any such withdrawal shall be effective only upon receipt of the written notice of withdrawal by the Secretary of the Board who shall acknowledge receipt of such notice of withdrawal in writing to such withdrawing Member and shall file such notice as an amendment to this Agreement effective upon such filing.

(c) **List of Members.** Schedule B sets forth a list of all Members and shall be amended from time to time upon additional Public Agencies becoming Members and upon Public Agencies withdrawing as Members.

Section 1.5 Representations, Warranties, Covenants and Agreements of the Members. Each Member represents, warrants, covenants and agrees to and with CalTRUST and the other Members, but only as to itself, as follows:

(a) **Organization as Public Agency.** The Member is duly organized and validly existing as a Public Agency with the common powers referred to in the recitals hereof, and each of the recitals hereof is true as it relates to such Member. The Member has full legal right, power and authority to enter into this Agreement, to observe and perform its obligations hereunder and to become a Member hereunder. By all necessary official actions the Member has duly authorized and approved the execution hereof and the observance and performance of its obligations hereunder.

(b) **Binding and Enforceable.** This Agreement constitutes a legal, valid and binding obligation of the Member enforceable against the Member in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, and by the application of equitable remedies in appropriate cases.

**ARTICLE II.
GOVERNING BOARD; MEETINGS OF THE BOARD**

Section 2.1 Board of Trustees. CalTRUST shall be governed by the Board of Trustees.

Section 2.2 Number, Qualification, Election and Term of Trustees. The number of Trustees shall be fixed from time to time by resolution of the Board; *provided, however*, that the number of Trustees shall not be fewer than three (3) and not greater than fifteen (15). At least seventy-five percent (75%) of the Trustees shall be members of the governing body, officers or personnel of the Members (each, a “Member Trustee”). The Trustees shall be nominated by the Board and approved by a majority of the Members.

Section 2.3 Resignation and Removal.

(a) **Resignation.** Any Trustee may resign by an instrument in writing signed by such Trustee and delivered to the other Trustees, and such resignation shall be effective upon such delivery, or at a later date according to the terms of the instrument.

(b) **Disqualification.** A Trustee will cease to be qualified as a Trustee in the event, and as of the date, such Trustee dies, is judged incompetent, or, in the case of a Member Trustee, is no longer a member of the governing body, officer or personnel of a Member, or becomes incapable of performing the duties of the office of Trustee, a guardian or conservator is appointed for such Trustee, or such Trustee is otherwise disqualified from acting as a Trustee by reason of applicable law (each, a “Disqualification”).

(c) **Removal by Trustees.** Any Trustee may be removed, with or without cause, by the action of two-thirds (2/3) of the remaining Trustees.

(d) **Removal by Court.** The Superior Court of the County of Sacramento, California, may at the suit of any Member or of any Participant holding at least 10% of the aggregate of the then outstanding Shares, remove from office any Trustee in case of fraudulent or dishonest acts or abuse of authority or discretion with reference to *CalTRUST* and may bar from reelection as a Trustee of *CalTRUST* any Trustee so removed for a period determined by the Court.

Section 2.4 Vacancies. The term of office of a Trustee shall terminate and a vacancy shall occur in the event of the resignation, Disqualification or removal of a Trustee. No such vacancy shall operate to annul this Agreement. In the case of a vacancy, including a vacancy existing by reason of an increase in the number of Trustees by the Board, a majority of the remaining Trustees shall fill such vacancy by the appointment of such other person as they in their discretion shall see fit and as is qualified as provided herein. If there shall be no remaining Trustee, a majority of the Members may appoint a Trustee who is qualified as provided herein. An appointment of a Trustee may be made in anticipation of a vacancy to occur at a later date by reason of resignation, provided that such appointment shall not become effective prior to such resignation. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled as provided in this Section 2.4, the Trustees in office, regardless of their number, shall constitute the Board and shall have all the powers granted to the Board and shall discharge all the duties imposed upon the Board by this Agreement. No person appointed hereunder shall commence his or her term of office until such person has accepted such appointment in writing.

Section 2.5 Quorum. A majority of the Trustees shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

Section 2.6 Manner of Acting. Subject to the Ralph M. Brown Act and except as otherwise provided herein, any action required or permitted to be taken by the Board may be taken by a majority of the Trustees present at a meeting of Board (a quorum being present), or by a teleconference during which at least a quorum of the members of the Board participate from locations within California and which meets all other requirements of Section 54953 of the California Government Code.

Section 2.7 Meetings of the Board.

(a) All meetings of the Board, including, without limitation, regular, adjourned regular, special and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act. In addition, the Secretary shall cause notice of each meeting of the Board to be sent to each Trustee, each Member and each Participant. The Board shall hold at least one regular meeting each year, and may provide for the holding of regular meetings at more frequent intervals. In addition, the Board or a committee of Trustees appointed in accordance with Section 2.8 shall hold regular meetings each month at which meetings the investment performance of the Shares Program and related items shall be presented. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by the Board. The Secretary of CalTRUST shall cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Trustee and to any Member or Participant (if such Member or Participant so requests CalTRUST in writing).

(b) If the Board receives, on behalf of one or more Members or Participants, a request to include an item of business on the agenda for a regular Board or committee meeting at least ninety six (96) hours prior to such meeting, such item of business shall be included on the agenda for that meeting. If the request to include an item of business on the agenda is received less than ninety six (96) hours prior to such meeting, such item of business shall not be included on the agenda for that meeting, but shall be included on the agenda for the following regular meeting of the Board, unless the Board otherwise determines to include such item of business on the agenda in accordance with the Ralph M. Brown Act. Any Board agenda that includes an item of business requested by any Member or Participant shall be distributed to all Members and Participants pursuant to Section 14.5 or as otherwise permitted by the Ralph M. Brown Act.

(c) If the Secretary of CalTRUST receives, on behalf of one or more Members or Participants, a request to call a special meeting of the Board or a particular committee to consider an urgent item of business raised by a Member or Participant, the Secretary shall promptly forward such request to each Trustee, and the Board may, in its sole discretion, determine whether or not to call a special meeting to consider such item of business. If the Board does determine to call a special meeting, the item of business raised by the Member or Participant shall be included on the agenda. The Board may, at its discretion, include any other items of business raised by a Member or Participant so long as such items are raised not less than twenty four (24) hours prior to the time set for the meeting and in sufficient time for the item to be included on the agenda distributed with notice of such special meeting. If the Board does not call a special meeting to consider the item of business raised by a Member or Participant, such item of business shall be included on the agenda of the next regular Board meeting if the Board received the request from the Secretary in accordance with Section 2.7(b). Any Board agenda that includes an item of business requested by any Member or Participant shall be distributed to all Members and Participants pursuant to Section 14.5 or as otherwise permitted by the Ralph M. Brown Act.

Section 2.8 Committees. The Board may create one or more committees and appoint members of the Board to serve on such committees. Each committee shall consist of two or more Trustees who serve at the pleasure of the Board. The creation of a committee and appointment of members to it shall be approved by a majority of all of the Trustees serving on the Board when the action is taken. The provisions of this Agreement which govern meetings, notice and waiver of notice, and quorum and voting requirements of the Board shall apply to committees of the Board as well.

Section 2.9 Fees and Compensation. Trustees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board. This Section 2.9 shall not be construed to preclude any Trustee from serving *CalTRUST* in any other capacity as an officer, agent, employee, or otherwise and receiving compensation for those services.

ARTICLE III. OFFICERS

Section 3.1 Officers. The officers of *CalTRUST* shall be the President, Secretary and Treasurer (as defined below) and such other officers as the Board may determine. Any number of offices may be held by the same person.

Section 3.2 Definition of Officers.

(a) **President.** The President shall preside at all meetings of the Board of Trustees and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Trustees or be prescribed by the Joint Powers Agreement.

The President shall also be the chief corporate officer of *CalTRUST* and shall subject to the control of the Board of Trustees, have general supervision, direction and control of the business and officers of *CalTRUST*. He shall be ex-officio member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Trustees or by this Joint Powers Agreement.

(b) **Secretary.** The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Trustees may order, of all meetings of the Trustees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings and the proceedings thereof. The Secretary shall give or cause to be given notice of all meetings of the Board of Trustees, shall keep *CalTRUST* records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Trustees or this Joint Powers Amendment.

(c) **Treasurer.** The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor and controller of *CalTRUST* (the "Treasurer") pursuant to Section 6505.6 of the Act. Except for moneys held by any custodian or depository in connection with the Shares Program and except as may otherwise be specified by resolution of the Board, the Treasurer of *CalTRUST* shall be responsible for safekeeping and disbursement of *CalTRUST* assets, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act.

Section 3.3 Election of Officers. The officers of *CalTRUST* shall be elected by the Board to serve at the pleasure of the Board until such officer is re-elected or a successor to such office is elected by the Board. The officers shall have such authority and perform such duties as the Board may from time to time determine, subject to the rights, if any, of an officer under any contract of employment.

Section 3.4 Removal of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board.

Section 3.5 Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect as of the date of the receipt of that notice or at any later time specified in that notice, and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of *CalTRUST* under any contract to which the officer is a party.

Section 3.6 Vacancies in Offices. A vacancy in any office because of death, resignation, removal or any other cause shall be filled in the manner prescribed herein for regular appointment to that office. The President may make temporary appointments to a vacant office pending action by the Board.

Section 3.7 Fees and Compensation. Officers may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board.

ARTICLE IV. POWERS

Section 4.1 General Powers. *CalTRUST* shall have the power, in its own name, to exercise the common powers of the Members referred to in the recitals hereof and to exercise all additional powers given to a joint powers entity under the Act and any other applicable law for any purpose authorized under this Agreement. Pursuant to Section 6508 of the Act, *CalTRUST* shall have the power, in its own name, to do any or all of the following: to make and enter into contracts, or to employ agents and employees, to acquire, construct, manage, maintain or operate any building, works or improvements, or to acquire, hold or dispose of property or to incur debts, liabilities or obligations and sue and be sued in its own name. Pursuant to Section 6509.7 of the Act, *CalTRUST* shall have the power, in its own name, to issue shares of beneficial interest in the securities and obligations authorized by the Law. *CalTRUST* is authorized, in its own name, to do all acts necessary for the exercise of said powers for said purposes. Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed upon a county in the exercise of similar powers, as provided in Section 6509 of the Act.

Section 4.2 Specific Powers. Consistent with, derived from and subject to the general powers of *CalTRUST* granted in Section 4.1, *CalTRUST* shall have the following specific powers:

(a) **Investments.** *CalTRUST* shall have the power to subscribe for, invest in, reinvest in, purchase or otherwise acquire, own, hold, pledge for settlement purposes only, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of investments of every nature and kind, provided such investment is (in the sole and absolute discretion of *CalTRUST*) consistent with the applicable law and the Investment Policy, and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more persons, firms, associations or corporations to exercise any of such rights, powers and privileges in respect of any of such investments.

Subject to Section 9.8, the Investment Policy may be revised from time to time by resolution of the Board, provided that the Investment Policy shall at no time permit investments not authorized for legal investment under the Law. Promptly upon the Board's approval of any amendment to the Investment Policy, the Board shall cause the amended Investment Policy to be delivered to each Participant.

(b) **Issuance and Redemption of Shares.** *CalTRUST* shall have the power to issue, sell, repurchase, redeem, retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and otherwise deal in Shares, or any Series of Shares by means of the Shares Program, and subject to the provisions hereof, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares, or any Series of Shares, any funds or property of *CalTRUST* with respect to such Shares, or Series of Shares, whether capital or surplus or otherwise, to the full extent now or hereafter permitted by applicable law.

(c) **Legal Title.** Legal title to all *CalTRUST* property shall be vested in *CalTRUST*, except that *CalTRUST* shall have power to cause legal title to any *CalTRUST* property to be held in the name of any other person as nominee, on such terms as *CalTRUST* may determine, *provided, however*, that the interest of *CalTRUST* therein is appropriately protected.

(d) **Delegation.** *CalTRUST* shall have power to delegate from time to time to officers, employees or agents of *CalTRUST* the doing of such things and the execution of such instruments in the name of *CalTRUST* or otherwise as *CalTRUST* may deem expedient, to the same extent as such delegation is permitted by applicable law.

(e) **Collection and Payment.** *CalTRUST* shall have power to collect all property due to *CalTRUST*; to pay all claims, including taxes, against *CalTRUST* property; to prosecute, defend, compromise or abandon any claims relating to *CalTRUST* property; to foreclose any security interest securing any obligation by virtue of which any property is owed to *CalTRUST*; and to enter into releases, agreements and other instruments.

(f) **Expenses and Limits Thereon.** *CalTRUST* shall have the power to incur and pay any reasonable expenses that in the opinion of *CalTRUST* are necessary or incidental to carry out any of the purposes of this Agreement.

(g) **Litigation.** *CalTRUST* shall have the power to engage in and to prosecute, defend, compromise, abandon, or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, and demands relating to *CalTRUST* or *CalTRUST* property, and, out of *CalTRUST* property, to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of *CalTRUST*, in the exercise of its good faith business judgment, consenting to dismiss any action, suit, proceeding, dispute, claim, or demand, derivative or otherwise, brought by any person, including a Member or Participant, whether or not *CalTRUST* or any of the Trustees may be named individually therein or the subject matter arises by reason of business for or on behalf of *CalTRUST*.

(h) **Miscellaneous Powers.** *CalTRUST* shall have the power to: (i) employ or contract with such persons as *CalTRUST* may deem desirable for the transaction of the affairs of *CalTRUST*, including such agents or employees as *CalTRUST* considers appropriate; (ii) to the extent permitted by applicable law, enter into joint ventures, partnerships and any other

combinations or associations; (iii) purchase, and pay for out of *CalTRUST* property, insurance policies insuring the Trustees, officers, employees, agents, Members, investment advisers, distributors, or independent contractors of *CalTRUST* against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such person in such capacity, whether or not constituting negligence, or whether or not *CalTRUST* would have the power to indemnify such person against such liability; (iv) to the extent permitted by applicable law, indemnify any person with whom *CalTRUST* has dealings to such extent as *CalTRUST* shall determine, including, without limitation, any administrator of *CalTRUST*; (v) determine and change the fiscal year of *CalTRUST* and the method by which its accounts shall be kept; and (vi) adopt a seal for *CalTRUST*, but the absence of such seal shall not impair the validity of any instrument executed on behalf of *CalTRUST*.

(i) **Other Powers.** In addition to the specific powers set forth above, *CalTRUST* shall also have all other powers consistent with the Act and reasonably necessary from time to time to carry out the purposes of *CalTRUST* as set forth in Section 1.2 hereof.

Section 4.3 Approval Powers of Members. The following matters alone shall require the approval of all or a certain percentage of the Members as provided herein: (a) termination of *CalTRUST* as provided in Section 11.2, (b) merger, consolidation or sale of assets of *CalTRUST* as provided in Section 11.4, and (c) such additional matters relating to *CalTRUST* as may be required by this Agreement or as *CalTRUST* may consider necessary or desirable. In addition, if a certain percentage approval is not specified herein, approval of at least a majority of the Members shall be required.

ARTICLE V. ADMINISTRATIVE, INVESTMENT MANAGEMENT AND OTHER SERVICES FOR CALTRUST

Section 5.1 Administrative, Investment Manager and Approval of Agreements.

(a) **Supervision of *CalTRUST*.** The Board is responsible for the general policies of *CalTRUST* and for such general supervision of the business of *CalTRUST* conducted by all officers, agents, employees, advisers, managers or independent contractors of *CalTRUST* as may be necessary to insure that such business conforms to the provisions of this Agreement. However, the Board shall not be required personally to conduct all the business of *CalTRUST*, and consistent with the Board's ultimate responsibility as stated above, *CalTRUST* shall have the power to appoint, employ or contract with any person (including one or more of the Trustees or any corporation, partnership or trust in which one or more of them may be directors, officers, stockholders, partners or trustees) as *CalTRUST* may deem necessary or proper for the transaction of the business of *CalTRUST*. *CalTRUST* may in its discretion, from time to time, enter into an administrative, Investment Management, or other management contract on behalf of *CalTRUST* whereby the other party to such contract shall undertake to furnish *CalTRUST* such management, Investment Management or supervisory, administrative, accounting, legal, statistical, research, and promotional facilities and services, and such other facilities and services, if any, as the *CalTRUST* may in its discretion determine.

(b) **Investment Manager Qualifications.** Any investment manager retained by *CalTRUST* shall meet all of the criteria set forth in Section 6509.7 of the Act, as such provision may be amended from time to time, which, as of the date hereof, requires that:

(i) the investment manager shall be registered or exempt from registration with the Securities and Exchange Commission;

(ii) the investment manager shall not have less than five (5) years of experience investing in the securities and obligations authorized by the Law; and

(iii) the investment manager shall have assets under management in excess of five hundred million dollars (\$500,000,000).

Section 5.2 Investment Manager for the Shares Program.

(a) **Authority.** *CalTRUST* may exercise broad discretion in allowing the Investment Manager to administer and regulate the operations of the Shares Program, to act as agent for *CalTRUST*, to execute documents on behalf of *CalTRUST*, and to make decisions which conform to general policies and general principles established by *CalTRUST*. In furtherance of the Shares Program, *CalTRUST* may authorize the Investment Manager to effect purchases, sales, loans or exchanges of securities of *CalTRUST* on behalf of *CalTRUST* or may authorize any officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of the Investment Manager, all without further action by *CalTRUST*. Any such purchases, sales, pledges and exchanges shall be deemed to have been authorized by *CalTRUST*.

(b) **Best Efforts.** With respect to *CalTRUST*'s activities under the Shares Program, the Investment Manager shall be required to use its best efforts to present a continuing and suitable investment program to *CalTRUST* which is consistent with the applicable law and the Investment Policy, but neither the Investment Manager nor any Affiliate of the Investment Manager shall be obligated to present any particular investment opportunity to *CalTRUST* even if such opportunity is of a character which, if presented to *CalTRUST*, could be taken by *CalTRUST*.

(c) **Termination of Services.** *CalTRUST* shall have the right to terminate the Investment Management Agreement (i) at any time and without penalty, upon at least ninety (90) days' prior written notice to the Investment Manager, or (ii) immediately upon written notice to the Investment Manager, for cause in the event of breach of the Investment Management Agreement, negligence or willful misconduct by the Investment Manager, which breach is not cured within ten (10) days after written notice of such breach has been provided. *CalTRUST* may, at any time, solicit bids to enter into a new agreement with a different independent contractor to carry out the duties set forth in the Investment Management Agreement.

Section 5.3 Compensation of Investment Manager for Shares Program and Others. *CalTRUST* shall have the power to determine the compensation and other terms of employment or contract of the Investment Manager or any other person employed or contracted by *CalTRUST*; *provided, however*, that any determination to employ or contract with any Trustee or any person of which a Trustee is an Affiliate, shall be valid only if made, approved or ratified by a majority of the Trustees who are not Affiliates of such person.

Section 5.4 Other Activities of Investment Manager for Shares Program. The Investment Manager shall not be required to administer the investment activities of the Shares Program as its sole and exclusive function and may have other business interests and may engage in other

activities similar or in addition to those relating to the Shares Program, including the rendering of services and advice to other persons and the management of other investments (including investments of the Investment Manager and its Affiliates); provided that such other business interests do not conflict with the best interests of *CalTRUST*.

Section 5.5 Custodian for the Shares Program.

(a) *CalTRUST* shall have the power to determine the compensation and other terms of employment or contract of the Custodian; *provided, however*, that any determination to employ or contract with any Trustee or any person of which a Trustee is an Affiliate, shall be valid only if made, approved or ratified by a majority of the Trustees who are not Affiliates of such person. The scope and terms of the Custodian's engagement by *CalTRUST* will be defined and circumscribed in the Custody Agreement. *CalTRUST* shall have the right to terminate the Custody Agreement (i) at any time and without penalty, upon at least thirty (30) days' prior written notice to the Custodian, or (ii) immediately upon written notice to the Custodian, for cause in the event of breach of the Custody Agreement, negligence or willful misconduct by the Custodian. *CalTRUST* may, at any time, solicit bids to enter into a new agreement with a different independent contractor to carry out the duties set forth in the Custody Agreement.

(b) **Custodian Qualifications.** Any custodian retained by *CalTRUST* shall meet the following criteria:

(i) the custodian shall be a bank or trust company, in good standing, duly authorized to exercise trust powers and subject to supervision or examination by a federal or state banking authority; and

(ii) the custodian shall have combined capital and surplus in excess of fifty million dollars (\$50,000,000).

Notwithstanding the foregoing, a custodian that does not meet the requirement of clause (ii) above may be retained as the custodian for *CalTRUST* if its obligations under the Custody Agreement are guaranteed by an Affiliate which meets all of the qualifications set forth above, and such guaranty is acceptable in form and substance to *CalTRUST*.

Section 5.6 Other Services to *CalTRUST*. *CalTRUST* may from time to time enter into contracts or agreements with independent contractors in the discretion of *CalTRUST* to carry out the following functions: (i) transfer agent, record keeper and dividend disbursing agent; (ii) administrator, to maintain the books and records of the Shares Program and to supervise all aspects of *CalTRUST*'s operations, including periodically updating the Information Statement for the Shares Program, to prepare *CalTRUST*'s tax returns and periodic reports to Members or Participants, including preparation of monthly, quarterly and annual reports of financial performance to be made available to Members or Participants, to compute the daily net asset value and yield for the Shares Program, to provide office space, equipment and facilities necessary for *CalTRUST*'s operations and to provide such other administrative services as *CalTRUST* may require; (iii) distributor, to act as *CalTRUST*'s sales agent for the distribution of the Shares; (iv) customer service agent, to provide information to Public Agencies which are Members or Participants or are interested in becoming Members or Participants; (v) custodian bank, to hold all money and securities constituting *CalTRUST* property; (vi) independent certified public accountants, to perform an annual audit and provide such other services as

*Cal*TRUST may require; and (vii) legal counsel. The foregoing specific list shall not prevent *Cal*TRUST from employing other persons to provide such advice, assistance or services as *Cal*TRUST may from time to time require to carry out the purposes of *Cal*TRUST as set forth in Section 1.2 hereof.

Section 5.7 Authorization to Execute. By executing this Agreement, each Member hereby authorizes *Cal*TRUST to execute a Custody Agreement with a Custodian meeting the requirements hereof and an Investment Management Agreement with an Investment Manager meeting the requirements hereof. *Cal*TRUST is duly authorized to enter into a Custody Agreement and an Investment Management Agreement.

ARTICLE VI. SHARES PROGRAM

Section 6.1 Shares of Beneficial Interest. The interests of the Participants in the Shares Program established hereunder shall be divided into transferable units to be called Shares of beneficial interest, \$0.01 par value (the “Shares”). The number of Shares authorized hereunder is unlimited. Subject to Section 6.2, the Board may establish and designate from time to time any number of series of Shares (each, a “Series”), the proceeds of which may be invested in separate, independently managed accounts. Each Share of any Series shall represent an equal proportionate share in *Cal*TRUST assets with respect to such Series with each other Share in such Series. The Board may divide or combine the Shares of any Series into a greater or lesser number of Shares of such Series without thereby changing the proportionate interests in *Cal*TRUST assets with respect to such Series.

(a) **Initial Series of Shares.** There is hereby established and designated three (3) initial Series of Shares to be known as: (i) the “*Cal*TRUST Short-Term Fund” Series, (ii) the “*Cal*TRUST Medium-Term Fund” Series, and (iii) the “*Cal*TRUST Long-Term Fund” Series. All Shares issued hereunder, including without limitation, Shares issued in connection with a dividend in Shares or a division of Shares, shall be fully paid and nonassessable.

(b) **Money Market Fund Series and Government Fund of Shares.** In addition, there is hereby established and designated the “Money Market Fund” and “Government Fund” Series’. All shares issued hereunder, including without limitation, Shares issued in connection with a dividend in Shares or a division of Shares, shall be fully paid and nonassessable.

Section 6.2 Series of Shares. The following provisions shall be applicable to each Series of Shares established and designated by the Board:

(a) **Number and Classification.** The number of shares of each Series that may be issued shall be unlimited. The Board may classify or reclassify any unissued shares of any Series or any Shares previously issued and reacquired into one or more Series that may be established and designated from time to time. Shares reacquired by *Cal*TRUST shall be canceled and restored to the status of authorized and unissued Shares undesignated as to Series.

(b) **Series Assets.** All consideration received by *Cal*TRUST for the issue or sale of Shares of a particular Series, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from

reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to that Series for all purposes, subject only to the rights of creditors, and shall be so recorded upon the books of account of *CalTRUST*. In the event that there are any assets, income, earnings, profits, or proceeds thereof, or funds or payments which are not readily identifiable as belonging to any particular Series, the Board shall allocate them among any one or more of the Series established and designated from time to time in such manner and on such basis as they, in their sole discretion, deem fair and equitable. Each such allocation by the Board shall be conclusive and binding upon the Participants of the Shares Program in all Series for all purposes.

(c) **Series Liabilities.** The assets belonging to each particular Series shall be charged with the liabilities of *CalTRUST* in respect of that Series, as with all expenses, costs, charges and reserves attributable to that Series, and any general liabilities, expenses, costs, charges or reserves of *CalTRUST* which are not readily identifiable as belonging to any particular Series shall be allocated and charged by the Board to and among any one or more of the Series established and designated from time to time in such manner and on such basis as the Board in its sole discretion deem fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Board shall be conclusive and binding upon the Participants of the Shares Program in all Series for all purposes.

(d) **Dividends and Distributions.** All dividends and distributions on Shares of a particular Series shall be distributed pro rata to the Participants in that Series in proportion to the number of Shares of that Series held by such Participants at the date and time of record established pursuant hereto for the payment of such dividends or distributions.

(e) **Liquidation.** In the event of the liquidation of a particular Series, the Participants in that Series which is being liquidated shall be entitled to receive, when and as declared by the Board, the excess of the assets belonging to that Series over the liabilities belonging to that Series. The Participants of the Shares Program in any Series shall not be entitled thereby to any distribution upon liquidation of any other Series. The assets so distributable to the Participants in any Series shall be distributed among such Participants in proportion to the number of Shares of that Series held by them and recorded on the books of *CalTRUST*. The liquidation of any particular Series in which there are Shares then outstanding may be authorized by an instrument in writing approved by the Board, without the approval of the outstanding voting Shares of that Series.

(f) **Conversion and Exchange.** The Board shall have the authority to provide that the Participants in any Series shall have the right to convert or exchange the Shares of such Series for or into Shares of one or more other Series in accordance with such requirements and procedures as may be established by the Board.

(g) **Designations.** The Board shall have the power to determine the designations, preferences, privileges, limitations and rights, including approval and dividend rights, of each Series of Shares. Subject to the provisions of this Section 6.2, all Shares of all Series shall have identical rights and privileges, except insofar as variations thereof among Series shall have been determined and fixed by the Board.

(h) **Additional Series.** The establishment and designation of any Series of Shares in addition to the three (3) initial Series established and designated in Section 6.1 shall be effective upon the execution by the Board of an instrument setting forth such establishment and

designation and the relative rights, preferences, approval powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of such Series or as otherwise provided in such instrument. At any time that there are no Shares outstanding of any particular Series previously established and designated, the Board may by written instrument approved by the Board abolish that Series and the establishment and designation thereof. Each instrument referred to in this Section 6.2(h) shall constitute an amendment to this Agreement.

Section 6.3 Rights of Participants. The ownership of *CalTRUST* property of every description and the right to conduct the affairs of *CalTRUST* herein before described are vested exclusively in *CalTRUST*, and the Participants shall have no interest therein other than the beneficial interest conferred by their Shares, and they shall have no right to call for any partition, division, dividend or distribution of any property, profits, rights or interests of *CalTRUST* nor can they be called upon to assume any losses of *CalTRUST* or suffer an assessment of any kind by virtue of their ownership of Shares. The Shares shall be personal property giving only the rights specifically set forth in this Agreement. The Shares shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights, except as the Board may determine.

Section 6.4 Register of Shares. A register for the Shares Program (the “Shares Register”) shall be kept at the principal executive office of *CalTRUST* or at such place as the Board shall designate containing the names and addresses of all Participants of the Shares Program and the number and Series of Shares held by them respectively and a record of all transfers thereof. Such register shall be conclusive as to which Participants are the holders of the Shares and which Participants shall be entitled to receive distributions or otherwise to exercise or enjoy the rights of Participants of the Shares Program. No Participant shall be entitled to receive payment of any distribution, nor to have rights given to it as herein provided, until its correct name and address has been given to the transfer agent, record keeper or such other officer or agent of *CalTRUST* as shall keep the Shares Register. The Board, in its discretion, may but need not authorize the issuance of Share certificates and promulgate appropriate rules and regulations as to their use.

Section 6.5 Transfer of Shares. Shares shall be transferable on the Shares Register only by the record holder thereof or by its agent thereunto duly authorized in writing, upon delivery to the transfer agent or record keeper of a duly executed instrument of transfer, together with such evidence of the genuineness of each such execution and authorization and of other matters as may reasonably be required. Upon such delivery, the transfer shall be recorded on the Shares Register. Until such record is made, the Participant of record shall be deemed to be the holder of such Shares for all purposes hereunder and neither *CalTRUST* nor any transfer agent or record keeper nor any trustee, officer, employee or agent of *CalTRUST* shall be affected by any notice of the proposed transfer. No Shares may be transferred to a transferee other than a Participant or *CalTRUST* itself. Any attempted transfer to any other person shall be void and of no effect.

ARTICLE VII. REDEMPTIONS OF SHARES WITHIN SHARES PROGRAM

Section 7.1 Redemptions. In case any Participant of the Shares Program at any time desires to dispose of its Shares, it may deposit a written request or other such form of request as the Board may from time to time authorize, at the office of the transfer agent or record keeper or at the office of any bank or trust company, either in or outside of California which is a member of the Federal Reserve System and which the transfer agent or record keeper has designated in

writing for that purpose, to have the Shares redeemed by *CalTRUST* at the net asset value thereof per Share next determined after such deposit as provided in Article VIII. Payment for redemption shall be made to the Participant within the number of business days specified in the Information Statement for the Shares Program, as most recently amended or supplemented, unless the date of payment is postponed pursuant to Section 7.2, in which event payment may be delayed beyond such period.

Section 7.2 Suspension of Right of Redemption. The Board may declare a suspension of the right of redemption or postpone the date of payment or redemption for the whole or any part of any period (i) during which the New York Stock Exchange is closed other than customary weekend and holiday closings, (ii) during which trading on the New York Stock Exchange is restricted, (iii) during which the Bond Market Association has declared the market closed when the New York Stock Exchange is open, or (iv) during which an emergency exists as a result of which disposal by *CalTRUST* of securities owned by it is not reasonably practicable or it is not reasonably practicable for the value of *CalTRUST*'s net assets to be determined. Such suspension shall take effect at such time as the Board shall specify but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment on redemption until the Board shall declare the suspension at an end, except that the suspension shall terminate in any event on the first day on which the New York Stock Exchange shall have reopened or the period specified in (ii) or (iv) shall have expired (as to which the determination of the Board shall be conclusive). In the case of a suspension of the right of redemption, a Participant may either withdraw its request for redemption or receive payment based on the net asset value existing after the termination of the suspension. Notwithstanding the provisions of Section 14.5, notice of the suspension of the right of redemption shall be deemed duly given upon the posting of such notice in a prominent location on the homepage of the *CalTRUST* website.

Section 7.3 Redemptions to Reimburse *CalTRUST* for Loss on Nonpayment for Shares or for Other Charges. *CalTRUST* shall have the power to redeem Shares owned by any Participant (i) to the extent necessary to reimburse *CalTRUST* for any loss it has sustained by reason of the failure of such Participant to make full payment for Shares purchased by such Participant, (ii) to the extent necessary to collect any charge relating to a transaction effected for the benefit of such Participant which is applicable to Shares as provided in the Information Statement for the Shares Program, as most recently amended or supplemented, or (iii) as otherwise deemed necessary by the Board for *CalTRUST* to comply with applicable law in connection with the affairs of *CalTRUST*. Any such redemption shall be effected at the redemption price determined in accordance with Section 7.1. *CalTRUST* shall notify the Participant whose Shares are being redeemed, in writing, prior to redeeming any Share pursuant to this Section.

Section 7.4 Redemptions in Kind. Payment for Shares redeemed pursuant to Section 7.1 may, at the option of the Board, in its complete discretion be made in cash, or in kind, or partially in cash and partially in kind. In case of payment in kind, the Board, or its delegate, shall have absolute discretion as to what security or securities shall be distributed in kind and the amount of the same, and the securities shall be valued for purposes of distribution at the figure at which they were appraised in computing the net asset value of the Shares.

Section 7.5 Reporting. In accordance with the terms of the Investment Management Agreement, the Investment Manager shall provide, or cause the Custodian and/or any agent of

the Investment Manager or the Custodian to provide, information to each Participant, at least monthly, describing such Participant's investments through the Shares Program, including but not limited to the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the Participant, and shall additionally include a description of any of the Participant's funds, investments, or programs that are under the management of any subcontractor to the Investment Manager (but only if such subcontracting is permitted by this Agreement and the Investment Policy or consented to by the Members) or are part of any securities lending program, as well as a current market value of such Participant's Shares as of the date of the report and shall include the source of this same valuation.

Section 7.6 Minimum Investment. The Board shall have the power to fix the minimum investment for Participants of the Shares Program expressed in dollars or Shares, or both. Whenever a Participant's investment is less than the minimum established by the Board, CalTRUST may redeem the Shares of such Participant, *provided, however*, that thirty (30) days prior notice is given to such Participant. If the Board changes the minimum investment to an amount greater than the investment of any Participant at the time that such change becomes effective, the investment of such Participant shall not be redeemed without such Participant's consent.

ARTICLE VIII.

DETERMINATION OF NET ASSET VALUE, NET INCOME, DISTRIBUTIONS AND ALLOCATIONS

Section 8.1 Shares Program. The Information Statement for the Shares Program, as most recently amended or supplemented, sets forth such bases and times for determining the per Share net asset value of the Shares, the net income, and the declaration and payment of distributions, as the Board, in its absolute discretion, may prescribe and deem necessary or desirable.

ARTICLE IX.

MEETINGS OF PARTICIPANTS; APPROVAL POWER OF PARTICIPANTS

Section 9.1 Voting. The Participants entitled to vote or take action at any meeting or without a meeting of Participants shall be determined in accordance with this Article IX. The Participants' vote may be by voice vote or by ballot. Shares of each Series shall be voted and shall be counted based on the relative net asset value of each Share, and all Shares of all Series shall be voted together as one class, except for matters that relate exclusively to a particular Series for which only holders of Shares of that Series shall vote. Any Participant may vote part of the Shares in favor of the proposal and refrain from voting the remaining Shares or, vote them against the proposal, but if the Participant fails to specify the number of Shares which the Participant is voting affirmatively, it will be conclusively presumed that the Participant's approving vote is with respect to the total Shares that the Participant is entitled to vote on such proposal.

Section 9.2 Action Without Meeting. Any action which may be taken at any meeting of Participants may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed as provided in this Section 9.2. Any action taken at any meeting or by signed consent, may be taken upon the vote or written consent of the holders of outstanding Shares having not less than the minimum number of votes necessary to authorize or take that action at a meeting at which all Shares entitled to vote on that action were present and

voted. All such written consents shall be filed with the Secretary or such other designated officer of CalTRUST and shall be maintained in CalTRUST's records. A Participant's written consent may be revoked by a writing received by the Secretary or such other designated officer of CalTRUST before written consents of the value of Shares necessary to authorize the proposed action have been filed with the Secretary or such other designated officer of CalTRUST.

Section 9.3 Notice of Action. The Secretary or such other designated officer of CalTRUST shall give prompt notice to all Participants of any action approved: (a) by the Participants without a meeting, (b) that amends or terminates the Custody Agreement or Investment Management Agreement, (c) that amends the Investment Policy or this Agreement or (d) pursuant to Section 9.8 hereof. This notice shall be given in the manner specified in Section 14.5.

Section 9.4 Meetings. To the extent required by law, meetings of Participants shall be governed by and held in accordance with the provisions of the Ralph M. Brown Act.

Section 9.5 Proxies. Every person entitled to vote on any matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary or such other designated officer of CalTRUST. A proxy shall be deemed signed if the Participant's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the Participant or the Participant's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it before the vote pursuant to that proxy by a writing delivered to CalTRUST stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by the person executing that proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by CalTRUST before the vote pursuant to that proxy is counted; *provided, however,* that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy.

Section 9.6 Inspectors.

(a) **Appointment.** Before any meeting of Participants, the Board may appoint any persons, other than Trustees whose appointment is to be approved at such meeting, to act as inspectors at the meeting or its adjournment. If no inspectors are so appointed, the chair of the meeting may, and on the request of any Participant or a Participant's proxy shall, appoint inspectors at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more Participants or proxies, the holders of at least a majority of the outstanding Shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chair of the meeting may, and on the request of any Participant or a Participant's proxy shall, appoint a person to fill the vacancy.

(b) **Duties.** These inspectors shall:

(i) Determine the number of Shares outstanding and the voting power of each, the Shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies;

- (ii) Receive votes, ballots or consents;
- (iii) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (iv) Count and tabulate all votes or consents;
- (v) Determine when the polls shall close;
- (vi) Determine the result; and
- (vii) Do any other acts that may be proper to conduct the election or vote with fairness to all Participants.

Section 9.7 Record Date for Participant Notice, Voting and Giving Consents.

(a) **Fixed Record Date.** For purposes of determining the Participants entitled to notice of any meeting or to vote or entitled to give consent to action without a meeting, the Board may fix in advance a record date which shall not be more than fifteen (15) days nor fewer than seven (7) days before the date of any such meeting.

(b) **Deemed Record Date.** If the Board does not so fix a record date:

(i) **For Meetings.** The record date for determining Participants entitled to notice of or to vote at a meeting of Participants shall be at the close of business on the business day next preceding the day on which notice is given or if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(ii) **For Written Consent.** The record date for determining Participants entitled to give consent to action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is requested, or, when prior action of the Board has been taken, shall be at the close of business on the day on which the Board adopts the resolution relating to that action.

Section 9.8 Approval Powers of Participants. Any amendment to the Investment Policy shall require: (a) the approval of Participants or their proxies holding at least a majority of the outstanding Shares or (b) the negative consent of the Participants. To obtain the negative consent of the Participants, the following negative consent procedure shall be followed: (x) the Secretary shall provide each Participant with a notice in accordance with Section 14.5 at least sixty (60) days prior to the date of such proposed action explaining the nature of such proposed action and this negative consent procedure; (y) the Secretary shall provide each Participant who did not respond to the initial notice with a notice at least thirty (30) days prior to the date of such proposed action explaining the nature of such proposed action and this negative consent procedure; (z) if Participants owning at least fifty percent (50%) of the Shares do not object to the proposed action in writing within sixty (60) days after the initial notice, the proposed action shall become effective with respect to all Participants; *provided, however*, any Participant that objects in writing to the action within sixty (60) days after receiving the initial notice shall be permitted to redeem its Shares as set forth herein.

Section 9.9 Meeting Agendas.

(a) **Regular Board Meetings.** If a Participant desires an item of business to be included on the agenda for the next scheduled regular Board meeting, the Participant may request that such item of business be included on the agenda in accordance with the provisions of Section 2.7(b) hereof.

(b) **Participant Meetings.** A Participant may notify the Secretary if such Participant desires an item of business to be included on the agenda for the next scheduled regular Participant meeting. For such item of business to be included on the agenda, the Secretary must receive the request at least ninety six (96) hours prior to such regular meeting. If the request to include an item of business on the agenda is not received at least ninety six (96) hours prior to such meeting, such item of business shall not be included on the agenda for that meeting, but shall be included on the agenda for the following regular meeting of the Participants, unless the Board otherwise determines to include such item of business on the agenda in accordance with the Ralph M. Brown Act.

(c) **Special Board or Participant Meetings.** Any Participant may notify the Administrator if such Participant desires the Board to call a special meeting of the Board or of Participants to consider an urgent item of business raised by a Participant, provided that the Board is not required to call a special meeting to consider such item of business. Any such request shall be made in accordance with the provisions of Section 2.7(c) hereof.

ARTICLE X.

LIMITATIONS OF LIABILITY OF MEMBERS, PARTICIPANTS, TRUSTEES AND OTHERS

Section 10.1 No Personal Liability of Members, Participants, Trustees and Others. Except in the case of fraud or willful misconduct, no Member, Participant and, subject to Section 10.3, no Trustee, officer, employee or agent of CalTRUST, acting in its capacity as a Member, Participant, Trustee, officer, employee or agent of CalTRUST, as applicable, shall be subject to any personal liability whatsoever to any person in connection with property or the acts, obligations or affairs of CalTRUST, and all such persons shall look solely to CalTRUST property for satisfaction of claims of any nature arising in connection with the affairs of CalTRUST. Except in the case of fraud or willful misconduct, no Member, Participant, Trustee, officer, employee, or agent, as such, of CalTRUST who is made a party to any suit or proceeding to enforce any such liability, shall be held to any personal liability. The debts, liabilities and obligations of CalTRUST shall not be the debts, liabilities and obligations of any Member, Participant, Trustee, officer, employee or agent of CalTRUST, unless otherwise provided in this Agreement; *provided, however*, that in such case, such debts, liabilities and obligations shall be limited to the value of CalTRUST's assets. Nothing contained in this Section 10.1 shall release the Investment Manager, the Custodian or any of their respective officers, employees or agents from personal liability in connection with their engagement by or services to CalTRUST.

Section 10.2 Indemnification of Participants in Shares Program. CalTRUST shall indemnify and hold each Participant harmless from and against all claims and liabilities to which such Participant may become subject by reason of its being or having been a Participant in the Shares Program and shall reimburse such Participant for all legal and other expenses reasonably incurred by it in connection with any such claim or liability; *provided, however*, that: (a) such

Participant was acting in accordance with all legal and policy requirements and investment objectives applicable to such Participant, including any limitations that the Participant has adopted or is subject to which are more restrictive than state law, (b) such indemnity or reimbursement shall be made from assets (or proceeds thereof or income therefrom) of the one or more Series of Shares of *CalTRUST* in respect of which such claim or liability arose and not from the assets (or proceeds or income therefrom) of any other Series of Shares of *CalTRUST*, and (c) no indemnification shall be made for any Participant's negligence or willful misconduct. The rights accruing to a Participant under this Section 10.2 shall not exclude any other right to which such Participant may be lawfully entitled, nor shall anything herein contained restrict the right of *CalTRUST* to indemnify or reimburse a Participant in any appropriate situation even though not specifically provided herein.

Section 10.3 Bad Faith of Trustees and Others. No Trustee, officer or employee of *CalTRUST* shall be liable to *CalTRUST*, or to any Member, Participant, Trustee, officer, employee or agent thereof for any action or failure to act, except for his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of duty (collectively, "Bad Faith").

Section 10.4 Indemnification of Trustees and Others from Third-Party Actions. *CalTRUST* shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of *CalTRUST*) by reason of the fact that such person is or was a Trustee, officer or employee of *CalTRUST*, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if it is determined that such person acted in good faith and reasonably believed: (i) in the case of conduct in his or her official capacity as a Trustee of *CalTRUST*, that his or her conduct was in *CalTRUST*'s best interests, (ii) in all other cases, that his or her conduct was at least not opposed to *CalTRUST*'s best interests, and (iii) in the case of a criminal proceeding, that he or she had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner that such person reasonably believed to be in the best interests of *CalTRUST* or that such person had reasonable cause to believe such person's conduct was unlawful.

Section 10.5 Indemnification of Trustees and Others for Successful Defense. To the extent that a Trustee, officer or employee of *CalTRUST* has been successful on the merits in defense of any proceeding referred to in Section 10.4 or in defense of any claim, issue or matter therein, before the court or other body before which the proceeding was brought, such person shall be indemnified against expenses actually and reasonably incurred in connection therewith.

Section 10.6 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by *CalTRUST* before the final disposition of the proceeding upon a written undertaking by or on behalf of the Trustee, officer or employee of *CalTRUST*, to repay the amount of the advance if it is ultimately determined that he or she is not entitled to indemnification, together with at least one of the following as a condition to the advance: (i) security for the undertaking; or (ii) the existence of insurance protecting *CalTRUST* against losses arising by reason of any lawful advances; or (iii) a determination by a majority of the Trustees who are not parties to the proceeding ("Non-Interested Trustees"), or by independent legal counsel in a written opinion, based on a review of readily available facts, that there is reason to believe that such person ultimately will be found entitled to indemnification.

Section 10.7 Exclusions and Limitations of Indemnification of Trustees and Others. Notwithstanding the foregoing, no indemnification or advance shall be made under Sections 10.4 to 10.6:

(a) **Bad Faith.** For any liability arising by reason of Bad Faith of a Trustee, officer or employee of *CalTRUST*.

(b) **Improper Personal Benefit.** In respect of any claim, issue, or matter as to which a Trustee, officer or employee of *CalTRUST* shall have been adjudged to be liable on the basis that personal benefit was improperly received by him or her, whether or not the benefit resulted from an action taken in such person's official capacity.

(c) **Otherwise Prohibited.** In any circumstances where it appears that it would be inconsistent with any condition expressly imposed by a court, any provision of this Agreement, or any agreement in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification or advance.

(d) **Limited to *CalTRUST*'s Assets.** In any amount, individually or in the aggregate, that exceeds the value of *CalTRUST*'s assets. If there are concurrent indemnifications of multiple Participants under this Article IX, such indemnifications shall be made on a pro rata basis up to the value of *CalTRUST*'s assets.

Section 10.8 Obligations under Law. Notwithstanding anything herein or in the Investment Management Agreement to the contrary, nothing herein or therein is intended to relieve any Member or Participant of any obligation it has under State or Federal law to monitor, review, evaluate or provide oversight with respect to the Shares Program, the Investment Manager, or its participation in *CalTRUST*.

Section 10.9 Required Approval. No indemnification or advance shall be made under Sections 10.4 to 10.6 unless and until it is determined, by a majority of the Non-Interested Trustees, or by independent legal counsel in a written opinion, based on a review of readily available facts, that indemnification of a Trustee, officer, employee or agent of *CalTRUST* is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 10.4 to 10.6, as applicable, and such indemnification is not excluded by reason of Section 10.7.

Section 10.10 Insurance. *CalTRUST* shall purchase and maintain insurance on behalf of each Trustee, officer, employee or agent of *CalTRUST* against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, but only to the extent that *CalTRUST* would have the power to indemnify such person against that liability hereunder, unless *CalTRUST* determines that such insurance is not cost effective for *CalTRUST* or is otherwise impracticable.

Section 10.11 Fiduciaries of Employee Benefit Plan. This Article X does not provide indemnification or release from liability with respect to any proceeding against any trustee, Investment Manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be a Trustee, officer, employee or agent of *CalTRUST*. Nothing contained in this Article X shall limit any right to indemnification to which such a

trustee, Investment Manager, or other fiduciary may be entitled by contract or otherwise which shall be enforceable to the extent permitted by applicable law other than this Article X.

Section 10.12 No Duty of Investigation and Notice in CalTRUST Instruments. No purchaser, lender, transfer agent, record keeper or other person dealing with any Trustee, officer, employee or agent of CalTRUST shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by such Trustee, officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of such Trustee, officer, employee or agent. Every obligation, contract, instrument, certificate, Share or other security of CalTRUST and undertaking, and every other document executed in connection with CalTRUST, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Agreement or in their capacity as officers, employees or agents of CalTRUST. Every written obligation, contract, instrument, certificate, Share or other security of CalTRUST or undertaking made or issued by any Trustee shall recite that it is executed by such Trustee not individually, but in the capacity as Trustee under this Agreement, and that the obligations of any such instruments are not binding upon any of the Trustees, Members or Participants individually, but bind only CalTRUST property, but the omission of such recital shall not operate to bind the Trustees, Members or Participants individually.

Section 10.13 Reliance on Experts. Each Trustee, officer, employee and agent of CalTRUST shall, in the performance of his or her duties, be fully protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of CalTRUST, upon an opinion of counsel, or upon reports made to CalTRUST by any of its officers or employees or by the investment adviser, administrator, transfer agent, record keeper, custodian, distributor accountants, appraisers or other experts or consultants selected with reasonable care by the Trustees, officers, employees or agents of CalTRUST.

Section 10.14 Immunity from Liability. All of the privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of the trustees, officers, employees or agents of the Members when performing their functions within the territorial limits of their respective Public Agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with CalTRUST.

Section 10.15 Further Restriction of Duties and Liabilities. Without limiting the foregoing provisions of this Article X, the Trustees, officers, employees and Members of CalTRUST shall in no event have any greater duties or liabilities than those imposed by applicable law as shall be in effect from time to time.

ARTICLE XI. DURATION, TERMINATION AND AMENDMENT

Section 11.1 Duration. CalTRUST shall continue without limitation of time but subject to the provisions of this Article XI.

Section 11.2 Termination of CalTRUST.

(a) **By Vote.** *CalTRUST* may be terminated by the vote of the majority of the Trustees, subject to approval of not less than two-thirds (2/3) of the Members.

(b) **Winding Up Activities.** Upon the termination of *CalTRUST*:

(i) *CalTRUST* shall carry on no activities except for the purpose of winding up its affairs;

(ii) The Board shall proceed to wind up the affairs of *CalTRUST* and all of the powers of *CalTRUST* and the Board under this Agreement shall continue until the affairs of *CalTRUST* shall have been wound up, including the power to fulfill or discharge the contracts of *CalTRUST*, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of *CalTRUST* property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its business; *provided, however*, that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all *CalTRUST* property shall require approval in accordance with Section 11.4; and

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Board may distribute the remaining *CalTRUST* property, in cash or in kind or partly in cash and partly in kind, among the Participants according to their respective beneficial interests.

(c) **Effect of Termination.** After termination of *CalTRUST* and distribution to the Participants as herein provided, the Board shall approve the execution of and lodge among the records of *CalTRUST* an instrument in writing setting forth the fact of such termination, and the Trustees shall thereupon be discharged from all further liabilities and duties hereunder, and the rights and interests of all Participants shall thereupon cease.

Section 11.3 Amendment Procedure.

(a) **By the Board; By Participants.** This Agreement may be amended by the Board, except to the extent an amendment would adversely affect (i) the Shares Program in which case the amendment shall be subject to approval by a majority of the Shares or (ii) one or more Series of Shares, in which case the amendment shall be subject to approval by a majority of the Shares of any Series affected by such amendment. Among other things, the Board may also amend this Agreement without such Participant approval to change the name of *CalTRUST* or any Series, to establish and designate additional Series, to supply any omission herein or to correct or supplement any ambiguous defective or inconsistent provision hereof, or if they deem it necessary, to conform this Agreement to the requirements of applicable laws or regulations or to eliminate or reduce any taxes which may be payable by *CalTRUST*, the Members or the Participants, or as otherwise provided herein, but the Trustees shall not be liable for failing to do so.

(b) **By the Board and Super Majority of Shares.** No amendment may be made under this Section 11.3 which would change any rights with respect to any Share by reducing the amount payable thereon upon liquidation of *CalTRUST* or by diminishing or eliminating any

approval rights pertaining thereto, except with the vote of a majority of the Trustees and the approval of the holders of two-thirds (2/3) of the Shares outstanding and the holders of two-thirds (2/3) of the Shares of any Series affected by such amendment. Nothing in this Agreement shall permit its amendment to impair the exemption from personal liability of the Members, Participants, Trustees, officers, employees and agents of *CalTRUST* or to permit assessments upon Participants.

(c) **Certificate of Amendment.** A certificate signed by the Secretary of *CalTRUST* setting forth an amendment and reciting that it was duly approved by the Board and/or the Participants shall be conclusive evidence of such amendment when lodged among the records of *CalTRUST*.

Section 11.4 Merger, Consolidation and Sale of Assets. To the extent permitted by law, *CalTRUST* may merge into or consolidate a Series of Shares with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of the Series' property, including its goodwill, upon such terms and conditions and for such consideration when and as authorized by the Board and approved by a majority of the Shares of any Series affected.

ARTICLE XII. RECORDS AND REPORTS

Section 12.1 Maintenance and Inspection of Records. The accounting books and records with respect to the Shares Program and the minutes of proceedings of the Board and the Participants shall be kept at such place or places designated by the Board or in the absence of such designation, at the principal executive office of *CalTRUST*. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any Member or Participant at any reasonable time during usual business hours for a purpose reasonably related to the Member or Participant's interests as a Member or Participant, as applicable. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

Section 12.2 Inspection by Trustees. Every Trustee shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of *CalTRUST*. This inspection by a Trustee may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 12.3 Financial Statements and Audits. A copy of any financial statements and any income statement of *CalTRUST* for each quarterly period of each fiscal year and accompanying balance sheet of *CalTRUST* as of the end of each such period that has been prepared by *CalTRUST* shall be kept on file in the principal executive office of *CalTRUST* for at least twelve (12) months and each such statement shall be exhibited at all reasonable times to any Member or Participant demanding an examination of any such statement or a copy shall be mailed to any such Member or Participant. The quarterly income statements and balance sheets referred to in this Section shall be accompanied by the report, if any, of any independent accountants engaged by *CalTRUST* or the certificate of an authorized officer of *CalTRUST* that the financial statements were prepared without audit from the books and records of *CalTRUST*.

An annual audit of the accounts and records of *CalTRUST* shall be made, and the report thereon filed and kept, in accordance with the provisions of Section 6505 of the Act.

ARTICLE XIII. GENERAL MATTERS

Section 13.1 Checks, Drafts, Evidence of Indebtedness. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to *CalTRUST* shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time by resolution of the Board.

Section 13.2 Execution of Instruments. The Board, except as otherwise provided herein, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of *CalTRUST* and this authority may be general or confined to specific instances; and unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind *CalTRUST* by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 13.3 Fiscal Year. The fiscal year of *CalTRUST* shall be fixed and refixed or changed from time to time by resolution of the Board. The fiscal year of *CalTRUST* shall initially end on June 30 of each year.

Section 13.4 Principal Office. The Board shall fix and, from time to time, may change the location of the principal executive office of *CalTRUST* at any place within the State of California.

Section 13.5 Accountability. Pursuant to Section 6505 of the Act, *CalTRUST* shall establish and maintain such funds and accounts as may be required by good accounting practice, and there shall be strict accountability of all funds and reports of all receipts and disbursements.

ARTICLE XIV. MISCELLANEOUS

Section 14.1 Governing Law. This Agreement is executed and delivered in the State of California and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and construed according to the laws of the State of California.

Section 14.2 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and such counterparts, together, shall be constituted one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 14.3 Certificates. Any certificate executed by an individual who, according to the records of *CalTRUST*, appears to be a Trustee hereunder, or Secretary or assistant secretary or such other designated officer of *CalTRUST*, certifying to: (i) the number or identity of Trustees, Members or Participants, (ii) the due authorization of the execution of any instrument or writing, (iii) the form of any vote passed at a meeting of the Board, (iv) the number of Trustees present or voting at any meeting, (v) the identity of any officers appointed by the Board, or (vi) the

existence of any fact or facts which in any manner relate to the affairs of *Ca/*TRUST, shall be conclusive evidence as to the matters so certified in favor of any person dealing with the Trustees and their successors.

Section 14.4 Provisions in Conflict with Law or Regulations. The provisions of this Agreement are severable, and if the Board shall determine, with the advice of counsel, that any of such provisions is in conflict with applicable laws and regulations, including, without limitation, the Act, the Law or the Ralph M. Brown Act, the conflicting provisions shall be deemed superseded by such laws or regulations to the extent necessary to eliminate such conflict; *provided, however,* that such determination shall not affect or render invalid any of the remaining provisions of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall pertain only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of this Agreement in any jurisdiction.

Section 14.5 Notices. Any and all notices and communications to which a Member or Participant may be entitled shall be deemed duly given or made if delivered by e-mail or facsimile or other electronic means providing a record of delivery, or, if so requested by such Member or Participant, in person or mailed, postage prepaid, addressed to the Member or Participant of record at its address as recorded in the account records for *Ca/*TRUST or the Shares Program. In addition to any other notice or communication to which a Member or Participant may be entitled, each Member and Participant shall be entitled to notice of any amendment to this Agreement, the Investment Policy or of any matter which is approved by the Participants (whether by negative consent or otherwise).

Section 14.6 Index and Headings for Reference Only. The index and headings preceding the text, articles and sections hereof have been inserted for convenience and reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

Section 14.7 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Members and their successors and assigns. Participants shall be third-party beneficiaries of this Agreement.

* * *

IN WITNESS WHEREOF, the undersigned, a majority of Trustees, have executed this Agreement as of the date first herein above set forth.

COUNTY OF SONOMA

By: /s/ Thomas G. Ford
Title: Treasurer/Tax Collector

COUNTY OF SOLANO

By: /s/ Charles Lomeli
Title: Treasurer/Tax Collector/County Clerk

WESTLANDS WATER DISTRICT

By: /s/ Dave Ciapponi
Title: Assistant General Manager

[SIGNATURE PAGE TO JOINT EXERCISE OF POWERS AGREEMENT]

**SCHEDULE A
INITIAL MEMBERS**

Solano County

Sonoma County

Westlands Water District

**SCHEDULE B
LIST OF MEMBERS**

ALPHA Fund
Beaumont-Cherry Valley Water District
Butte County
Castroville Community Services District
City of Chino
City of Elk Grove
City of National City
City of Palm Springs
City of Riverside
City of Sacramento
City of San Dimas
Contra Costa County
Crestline Sanitation District
El Dorado Local Agency Formation Commission
James Irrigation District
Kings River Conservation District
Maxwell Irrigation District
Midway City Sanitary District
Monterey County
Oildale Mutual Water Company
Rancho Santa Fe Fire Protection District
Riverside County
San Diego County
San Mateo County Transit District
Solano County
Sonoma County
South Coast Water District
Water Facilities Authority
Westlands Water District
West Valley Mosquito and Vector Control District
Yuba County

INVESTMENT TRUST OF CALIFORNIA,

doing business as



A JOINT POWERS AUTHORITY

INFORMATION STATEMENT

FOR THE SHARES PROGRAM

**FEBRUARY 24, 2005
(REVISED AUGUST 2, 2023)**

PO Box 2709
GRANITE BAY, CA 95746
TELEPHONE: 833-CALTRUST (225-8787)

Table of Contents

<u>SUMMARY OF THIS INFORMATION STATEMENT.....</u>	<u>3</u>
<u>SECTION I: INSTRUCTIONS ON HOW TO PARTICIPATE IN THE SHARES PROGRAM.....</u>	<u>7</u>
<u>SECTION II: INVESTMENT STRATEGIES AND OBJECTIVES</u>	<u>8</u>
<u>SECTION III: INCOME AND VALUE OF THE SERIES</u>	<u>19</u>
<u>SECTION IV: INVESTMENTS AND WITHDRAWALS.....</u>	<u>22</u>
<u>SECTION V: OTHER SERVICES</u>	<u>26</u>
<u>SECTION VI: TRUSTEES AND OFFICERS</u>	<u>26</u>
<u>SECTION VII: ADMINISTRATIVE SUPPORT SERVICES</u>	<u>27</u>
<u>SECTION VIII: INVESTMENT MANAGER</u>	<u>28</u>
<u>SECTION IX: CUSTODIAN.....</u>	<u>29</u>
<u>SECTION X: SERIES EXPENSES.....</u>	<u>31</u>
<u>SECTION XI: JOINT EXERCISE OF POWERS AGREEMENT</u>	<u>34</u>
<u>SECTION XII: PARTICIPANT AND TRUSTEE LIABILITY</u>	<u>34</u>

Summary of this Information Statement

The following is only a summary of the information that appears elsewhere in this Information Statement (the "Information Statement") for the Shares Program (as hereinafter defined) and in the Joint Exercise of Powers Agreement (the "Agreement," which is provided separately) of the Investment Trust of California, doing business as CalTRUST ("CalTRUST"). All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Agreement. Prospective Members of or Participants in CalTRUST should consult their own advisers as to the consequences of participation in CalTRUST and investment through the Shares Program. This Information Statement provides detailed information about CalTRUST. Please read it carefully and retain it for future reference.

CalTRUST Investment Trust of California, doing business as CalTRUST, is a California joint powers authority that has been established by its members ("Members") pursuant to the Agreement. CalTRUST's principal executive office is 1100 K Street, Suite 101, Sacramento, California 95814, its mailing address is PO Box 2709, Granite Bay CA 95746, and its telephone number is 833-CALTRUST (225-8787). CalTRUST is subject to the California Joint Exercise of Powers Act.

Members Each Member must be a California "Public Agency" as that term is defined in Section 6500 of Title 1, Division 7, Chapter 5, Article 1 of the California Government Code (the "Joint Exercise of Powers Act"), which, as of the date of this Information Statement, is defined as "but is not limited to, the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies" and includes "a nonprofit corporation whose membership is confined to public agencies or public officials."

Each Member is also either a political subdivision of a state, or an agency, authority, or instrumentality of the United States, a state or any political subdivision of a state, as those terms are used in the Investment Company Act of 1940, as amended (the "1940 Act").

Participants Each participant ("Participant") must be a California Public Agency, as that term is defined in Section 6500 of the Joint Exercise of Powers Act, which, as of the date of this Information Statement, is defined as "but is not limited to, the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent

of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies.” and includes "a nonprofit corporation whose membership is confined to public agencies or public officials."

Purpose

The purpose of CalTRUST is to consolidate investment activities of its Participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST (the "Shares Program"). The California Government Code provides that Public Agencies may purchase shares of beneficial interest issued by a joint powers authority, such as CalTRUST, organized pursuant to Section 6500 of the Act.

All money not required for the immediate needs of a Public Agency may be invested in certain investments described in this Information Statement. However, the California Government Code limits the amount of surplus money of a Public Agency that may be invested in such investments. Funds consisting of tax-exempt bond proceeds may be subject to investment restrictions, arbitrage management and rebate requirements under federal tax laws. Public Agencies seeking to invest tax-exempt bond proceeds should consult professional advisers familiar with those requirements to determine whether investing through the Shares Series is appropriate. CalTRUST reserves the right to prohibit the investment of bond proceeds or limit the investment of bond proceeds by a Public Agency to less than 10% of the net asset value of a Series of Shares.

Series

CalTRUST currently offers three active accounts or series of Shares to provide Public Agencies with a convenient method of pooling funds, (i) the "CalTRUST Liquidity Fund" Series, (ii) the "CalTRUST Short-Term Fund" Series, and (iii) the "CalTRUST Medium-Term Fund" Series (each, a "Series" and collectively, the "Series").

Investment Objectives

The CalTRUST Short-Term Fund and the CalTRUST Medium-Term Fund seek to attain as high a level of current income as is consistent with the preservation of principal. The CalTRUST Liquidity Fund seeks as high a level of current income as is consistent with liquidity and stability of principal.

The funds in each Series will be invested in only fixed-income oriented investments permitted in accordance with Sections 53601 and 53635 of the California Government Code. The CalTRUST Short-Term Fund will have a target portfolio duration of 0 to 2 years. The CalTRUST Medium-Term Fund will have a target portfolio duration of 1-1/2 to 3-1/2 years.

The CalTRUST Liquidity Fund will have a maximum portfolio duration weighted average maturity of 60 days and a maximum weighted average life of 120 days.

Risks

The principal risks of investing through the Shares Program, which could adversely affect the market value, yield and total return of a Series of Shares, include market risk, interest rate risk, credit risk, issuer risk, liquidity risk, mortgage risk and management risk. These risks are discussed in more detail later.

The CalTRUST Short-Term Fund Series and the CalTRUST Medium-Term Fund Series have floating net asset values. The values of the Shares of the CalTRUST Short-Term Fund Series and the CalTRUST Medium-Term Fund Series change in response to movements in interest rates. If rates rise, the values of debt securities generally fall. The longer the average duration of the CalTRUST Short-Term Fund and CalTRUST Medium-Term Fund Series' investment portfolio, the greater the potential change in value. The CalTRUST Liquidity Fund has a stable net asset value and seeks to maintain a \$1.00 net asset value per share. The values of the Shares of a Series may also decline in response to events affecting the issuer of any securities held in the applicable Series or its credit rating. The value of some mortgage-backed and asset-backed securities in which funds attributable to the CalTRUST Short-Term Fund Series and the CalTRUST Medium-Term Fund Series of Shares may be invested also may fall because of unanticipated levels of principal prepayments that can occur when interest rates decline.

The Shares in the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund and CalTRUST Medium-Term Fund are not registered under any federal or state securities law. Neither CalTRUST, the CalTRUST Liquidity Fund, the CalTRUST Short-Term Fund, nor the CalTRUST Medium-Term Fund is registered under the 1940 Act. For that reason, CalTRUST, the CalTRUST Liquidity Fund, the CalTRUST Short-Term Fund, and the CalTRUST Medium-Term Fund are not subject to the various protections of the 1940 Act, which apply to

certain pooled vehicles such as money market funds and other mutual funds.

Net Asset Value	The net asset value of the CalTRUST Short-Term Fund is calculated daily. The net asset values of the CalTRUST Medium-Term Fund is calculated daily. The net asset value of the CalTRUST Liquidity Fund is calculated daily. Income from each Series is reinvested in the applicable Series.
How to Participate	To participate in CalTRUST, authorized officials of the Participant should first read this entire Information Statement and the Agreement, as well as the Investment Policy. The Participant must then complete and submit to CalTRUST a Program Registration Form and Participation Agreement.
How to Purchase Shares	Once appropriate accounts have been established, Shares may be purchased by wiring funds, per the current transaction wire instructions, from the Participant's bank, along with written instructions as described in more detail in this Information Statement. Purchases can be initiated via the Online Trading Portal or the Cash Transaction Notice Form.
How to Sell Shares	Shares may be sold by initiating a redemption and requesting a wire transfer, as described in Section IV in this Information Statement.
Series Expenses	The costs and fees for each Series are set forth in Section X hereto.
Board of Trustees	CalTRUST is governed by a Board of Trustees, at least seventy-five percent (75%) of whom are members of the governing body, officers, or personnel of the Members. The Board is responsible for setting overall policies and procedures for CalTRUST and the Shares Program, and for retaining the Administrator, Custodian, Investment Manager and other agents of CalTRUST.
Administrator	The " <u>Administrator</u> " is CalTRUST, the CalTRUST Chief Executive Officer, or any entity engaged by CalTRUST to serve as a subadministrator to CalTRUST and of the Shares Program pursuant to the terms of any Administration Agreements..
Custodian	The " <u>Custodian</u> " is the entity engaged by CalTRUST to serve as the custodian for the Shares Program pursuant to the terms of the Custodial Agreement. U.S. Bank, N.A. a custodial bank with an office at 1420 Kettner Blvd, Suite 200, San Diego, CA 92101 is the Custodian for each Series.

Investment Manager	The “ <u>Investment Manager</u> ” is the entity engaged by CalTRUST to serve as the investment manager to the Shares Program pursuant to the terms of the Investment Management Agreement. State Street Global Advisors Trust Company, with its principal office at One Iron Street, Boston, MA 02210, is the Investment Manager to CalTRUST and the Shares Program.
Auditors	The financial statements of CalTRUST will be audited annually by an independent auditor to be selected by CalTRUST. The fiscal year for CalTRUST ends each June 30.
Fund Accountant / Recordkeeper	The “ <u>Fund Accountant & Recordkeeper</u> ” is the entity engaged by CalTRUST to serve as the Fund Accountant and Recordkeeper to the Shares Program pursuant to the Fund Accounting Agreement. Ultimus Fund Services with its principal office at 4221 N 203 rd Street, Suite 100, Elkhorn, NE 68022, is the Fund Accountant/Recordkeeper to CalTRUST and the Shares Program.

Section I: Instructions on How to Participate in the Shares Program

STEP ONE: READ THIS ENTIRE INFORMATION STATEMENT BEFORE INVESTING

A prospective Participant in CalTRUST should carefully read this entire Information Statement and the complete Agreement and the documents referred to herein and therein (copies of which will be provided separately) before investing funds through the investment program offered by CalTRUST whereby Participants purchase shares of beneficial interest in a Series (the "Shares Program"). ***However, the contents of this Information Statement should not be considered to be legal, tax or investment advice, and prospective Participants should consult with their own counsel and advisers as to all matters concerning investment through the Shares Program.*** Participants should keep a copy of this Information Statement for their records.

STEP TWO: OPENING AN ACCOUNT

Prospective Participants must complete a Program Registration Form and Participation Agreement (attached to this Information Statement as Attachment A), and submit it to:

admin@caltrust.org

A hardcopy may be submitted to:

CalTRUST
PO Box 2709
Granite Bay, CA 95746

There is no limit on the number of subaccounts that can be opened by a Participant. Forms for establishing subaccounts can be provided upon request of the Administrator. The Administrator will notify the prospective Participant of its approval of the application(s) and the account number(s) assigned. ***The Administrator reserves the right to reject any application in its discretion.***

Instructions on the Program Registration Form and Participation Agreement will remain in effect until the Administrator receives written notification to change them. Any changes to addresses, account registrations, names or signatures of authorized officials, or other critical information will require appropriate documentation. Instructions or forms may be obtained by emailing or calling the Administrator at admin@caltrust.org or 833-CALTRUST (225-8787).

Section II: Investment Strategies and objectives

A. PURPOSE: WHO MAY INVEST

CalTRUST is a separate joint powers authority and public agency established by its members ("Members") under the provisions of Section 6509.7 of Title 1, Division 7, Chapter 5, Article 1 of the California Government Code (the "Joint Exercise of Powers Act") to provide Public Agencies with consolidated investment activities and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies. Members and Participants must each be a California "Public Agency" as that term is defined in Section 6509.7 of the Joint Exercise of Powers Act, which, as of the date of this Information Statement, is defined as "the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies," and includes "a nonprofit corporation whose membership is confined to public agencies or public officials."

All money not required for the immediate needs of Public Agencies may be invested in certain investments described in this Information Statement. However, the California Government Code limits the amount of surplus money of a Public Agency that may be invested in such investments.

Funds consisting of tax-exempt bond proceeds may be subject to investment restrictions, arbitrage management and rebate requirements under federal tax laws. Public Agencies that invest tax-exempt bond proceeds should consult professional advisers familiar with those requirements to determine whether investing through the Shares Program is appropriate.

B. SERIES BENCHMARKS

CalTRUST currently offers three active accounts or series of Shares to provide Public Agencies with a convenient method of pooling funds, (i) the “CalTRUST Liquidity Fund” Series, (ii) the “CalTRUST Short-Term Fund” Series, and (iii) the “CalTRUST Medium-Term Fund” Series (each, a “Series” and collectively, the “Series”). All Shares issued hereunder, including without limitation, Shares issued in connection with a dividend in Shares or a division of Shares, shall be fully paid and non-assessable. The CalTRUST Liquidity Fund, CalTRUST Short-Term Fund and CalTRUST Medium-Term Fund will be benchmarked against a fund or index believed by the Investment Manager to be comparable in investment strategy and duration. The current benchmarks are described below. If a benchmark fund or index were to modify its strategy or duration in the future, the Investment Manager could select alternate benchmarks with which to compare a Series' performance.

CalTRUST Liquidity Fund Benchmark:

The performance benchmark for the Liquidity Fund is the index specified below:

ICE BofAML 3-Month US Treasury Bill Index (G001)

ICE BofAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

Inception date: December 31, 1977

CalTRUST Short-Term Fund Benchmark:

The performance benchmarks for the Short-Term Fund are the investment funds specified below:

Local Agency Investment Fund (“LAIF”)

LAIF is an investment alternative for California's local governments and special districts, which was enabled under Section 16429.1 et seq. of the California Government Code. LAIF invests in certain securities authorized by Sections 16430 and 16480.4 of the California Government Code. In February 2022, LAIF had \$36.7 billion under management. LAIF conducts a market valuation of its investments each month.

Barclays Short-Term Government/Corporate Index

The Barclays Short-Term Government/Corporate Index is an unmanaged index consisting of the cumulative daily total returns of US Treasuries, federal agency securities and investment-grade corporate bonds with maturities between one and twelve months.

The index is re-balanced on the last calendar day of the month. Issues that meet the qualifying criteria are included in the index for the following month. Issues that no longer meet the criteria during the course of the month remain in the index until the next month-end rebalancing at which point they are dropped from the index.

An index is not available for direct investment and does not reflect the deduction of fees and expenses.

CalTRUST Medium-Term Fund Benchmark:

The performance benchmark for the Medium-term Fund is the unmanaged index specified below:

Medium-Term Fund: Bank of America Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index

The BofA Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index is a subset of The BofA Merrill Lynch US Corporate & Government Index including all securities with a remaining term to final maturity less than 3 years and rated AAA through A3, inclusive.

The BofA Merrill Lynch US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities.

For the 'A or better' or AAA-A indices, qualifying securities must have a AAA through A3 rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities. Bills, inflation-linked debt and strips are excluded from the Index; however, original issue zero coupon bonds are

included in the Index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped. 144a securities, both with and without registration rights, and corporate pay-in-kind securities, including toggle notes, qualify for inclusion. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Eurodollar bonds (USD bonds not issued in the US domestic market), tax-exempt US municipal, warrant-bearing, dividends-received-deduction-eligible (DRD-eligible) and defaulted securities are excluded from the Index.

An index is not available for direct investment and does not reflect the deduction of fees and expenses.

There can be no assurance that any Series will perform as well as or better than its designated benchmark fund or index.

C. INVESTMENT BENEFITS

The Investment Manager seeks to provide the following benefits to purchasers of Shares in any Series:

- **Preservation of Principal.** Preserve principal to the extent reasonably possible in accordance with the applicable investment strategy by investing only in fixed-income oriented Authorized Investments, and in accordance with an investment strategy designed to preserve capital.
- **Liquidity.** Provide liquidity so that Participants have ready access to their Shares to the extent described in this Information Statement.
- **Income.** Provide as high a level of current income in each Series as is consistent with preserving principal and maintaining liquidity.
- **Professional Management.** Investments are managed by investment professionals that follow both general economic and current market conditions affecting interest rates and the value of fixed-income oriented investments.
- **Diversification.** Each Participant in a Series will own Shares in a diversified portfolio of high-quality securities.
- **Accounting, Safekeeping and Separate Series.** The Participants' investments are accounted for in compliance with governmental accounting and auditing requirements, and Participants will be provided with

all necessary information to do the bookkeeping and safekeeping associated with the ownership of the Shares. Participants will have secure online access to their accounts, as well as being provided with monthly statements. This service is provided by the CalTRUST Fund Accountant/Recordkeeper.

There can be no assurance that the investment objectives of any particular Series will be achieved.

D. AUTHORIZED INVESTMENTS

The securities purchased by CalTRUST through the Investment Manager in the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and CalTRUST Medium-Term Fund will be comprised exclusively of the investments described below (the "Authorized Investments"). These investments are authorized investments under the California Government Code, as may be amended from time to time, for money not required for the immediate needs of Public Agencies. The California Government Code limits the amount of surplus money of a Public Agency which may be invested in certain of the investments described below. Each Participant shall be responsible for monitoring the aggregate amount of its investments in any of these kinds of investments to assure its own compliance with the California Government Code. Neither CalTRUST, the Investment Manager, the Administrator or any other agents of CalTRUST shall be responsible for such monitoring. ***The Board may revise this Investment Policy from time to time subject to Section 4.2(a) of the Agreement.*** Pursuant to the Agreement, the Board shall cause the amended Investment Policy to be delivered to each Participant. Reference the CalTRUST Investment Policy for more details.

Although certain of the Authorized Investments set forth below include NRSRO (as defined below) rating requirements, if an NRSRO does not explicitly rate a security or issuer, then for purposes of meeting the requirements set forth herein (i) if the NRSRO rates a related asset or program, the NRSRO's rating of the related asset or program may be attributed to the security or issuer and (ii) if the security is a new issue, an expected rating may be attributed to the security based on the applicable prospectus or ratings of similar issuances.

1. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
2. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

3. Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
4. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
5. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
6. Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days' maturity or 40 percent of the assets in a Series. However, no more than 30 percent of the assets in a Series may be bankers acceptances of any one commercial bank.
7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization ("NRSRO"). The entity that issues the commercial paper shall meet all of the following criteria in either clause (a) or (b): (a)(i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000) and (iii) has debt other than commercial paper, if any, that is rated "A" or higher, without gradation, by an NRSRO; or (b)(i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond and (iii) has commercial paper that is rated "A-1" or higher, without gradation, or the equivalent, by an NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 40 percent of the assets in a Series may be eligible commercial paper. No more than 10 percent of the assets in a Series may be outstanding commercial paper of any single issuer. No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased for a Series.
8. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the assets in a Series.

Purchases shall not exceed the shareholder's equity of any depository bank. Shareholder's equity shall be determined in accordance with Section 118 of the California Financial Code, but shall be deemed to include capital notes and debentures. Purchases shall not exceed the total of the net worth of any savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law. Purchases of negotiable certificates of deposit from any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the California Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the California Financial Code or are secured as required by law. Purchases of negotiable certificates of deposit issued by a state or federal credit union are prohibited if a member of the CalTRUST Board of Trustees, or any person with investment decision making authority for CalTRUST, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

9. Investments in repurchase agreements of Authorized Investments as long as the agreements are subject to the requirements of California Government Code Section 53601(j), including the delivery requirements specified in California Government Code Section 53601(j). "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. Investments in repurchase agreements may be made, on any Authorized Investments, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
10. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subsection shall be rated

“A” or better, without gradation, by a nationally recognized rating service. Purchases of medium-term notes (not including other Authorized Investments) may not exceed 30 percent of the assets in a Series.

11. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Such companies shall have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subsection shall not include any commission that the companies may charge and shall not exceed 20 percent of the assets in a Series.
12. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
13. Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subsection shall have an “AA” or higher rating, or its equivalent or better, without gradation, by a nationally recognized rating service and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subsection may not exceed 20 percent of the assets in a Series.
14. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated “AA”, without gradation, or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

Funds invested through the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund and CalTRUST Medium-Term Fund will be invested by the Investment Manager in accordance with the prudent investor standard of the California Government Code. Any investments consisting of notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants shall be legal investments for savings banks in the State of California. Funds invested through the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and CalTRUST Medium-Term Fund will not be invested in any inverse floaters, range notes or mortgage-derived, interest-only strips, or in any security that could result in zero interest accrual if held to maturity.

The authorizing statute, charter, or bylaws of a Participant or the trust indenture or ordinance or resolution under which the debt obligations of a Participant are issued or its funds are invested may contain investment restrictions which prohibit or otherwise limit investment in one or more of the above-described investments. Accordingly, *Participants should consult with their legal counsel and/or financial adviser regarding the legality of investing funds through the Shares Program.*

CalTRUST is not registered as an investment company under the 1940 Act and, accordingly, is not subject to the provisions of that Act and the rules thereunder, including the protective rules relating to registered money market funds and other types of mutual funds.

E. DURATION OF SERIES AND MATURITY OF INVESTMENTS

Each Series seeks to attain as high a level of current income as is consistent with the preservation of principal. Each Series will invest in only fixed-income oriented Authorized Investments. The CalTRUST Liquidity Fund has a maximum portfolio duration of 60 days and a maximum weighted average life of 120 days. The CalTRUST Short-Term Fund seeks a target portfolio duration of 0 to 2 years. The CalTRUST Medium-Term Fund seeks a target portfolio duration of 1.5 to 3.5 years.

Each Series invests in a diversified portfolio of fixed-income oriented investments of varying maturities with a different portfolio “duration.” Duration is a measure of the expected life of a fixed-income oriented investment that was developed as a more precise alternative to the concept of “term to maturity.” Duration incorporates a bond’s yield, coupon interest payments, final maturity, call and put features and prepayment exposure into one measure. Traditionally, a fixed-income oriented investment’s “term to maturity” has been used to determine the sensitivity of the investment’s price to changes in interest rates (which is the “interest rate risk” or “volatility” of the investment). However, “term to maturity” measures only the time until a fixed-income oriented investment provides its final payment, taking no account of the pattern of the investment’s payments prior to maturity. Duration is

used in the management of a Series as a tool to measure interest rate risk. For example, a Series with a portfolio duration of two years would be expected to change in value 2% for every 1% move in interest rates.

F. RISKS

1. General. Because the values of the Shares of a Series change with market conditions (generally other than the CalTRUST Liquidity Fund), so will the value of a Participant's investment through the Shares program. ***A Participant could lose money on an investment through the Shares Program or an investment through the Shares Program could underperform other investments.*** The Medium-Term Fund has the potential for greater return and loss than the Short-Term Fund. The Series are subject primarily to interest rate and credit risk. Interest rate risk is the potential for a decline in bond prices due to rising interest rates. In general, bond prices vary inversely with interest rates. The change in bond price depends on several factors, including the bond's maturity date. In general, bonds with longer maturities are more sensitive to changes in interest rates than bonds with shorter maturities. Credit risk is the possibility that a bond issuer will fail to make timely payments of interest or principal to a Series.
2. Obligations of Agencies or Instrumentalities of the United States Government. Certain short-term obligations of agencies or instrumentalities of the United States Government purchased with funds invested through the Series may only be backed by the issuing agency or instrumentality and may not be backed by the full faith and credit of the United States Government. For example, securities issued by the Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation are supported only by the credit of the agency or instrumentality that issued them, and not by the United States Government, and securities issued by the Federal Farm Credit System and the Federal National Mortgage Association are supported by the agency's or instrumentality's right to borrow money from the U.S. Treasury under certain circumstances.

G. INVESTMENT RESTRICTIONS

The Board has adopted the following investment restrictions for the Shares Program. Funds invested through a Series in the Shares Program will not be used to:

1. Purchase any securities other than those described under "Authorized Investments," unless California law at some future date redefines the types of securities which are legal investments for all classes of Participants, in which case the permitted investments for the Series may be changed by the Board to conform to California law.

2. Invest in securities of any issuer in which a Trustee, officer, employee, agent or adviser of CalTRUST is an officer, director or 5% shareholder unless such investment is periodically authorized by resolution adopted by the Board, excluding officers, directors or 5% shareholders of such issuer.
3. Make loans, except that repurchase agreements may be entered into as specified under “Authorized Investments.”
4. Borrow money or pledge, hypothecate or mortgage the assets in a Series or otherwise engage in any transaction that has the effect of creating leverage with respect to a Series; provided, however, that short-term credits necessary for the settlement of securities trades may be used, and forward purchases and sales of securities that are expected to settle beyond a normal “T+3” basis may be entered into.
5. Purchase the securities of any issuer (other than obligations issued and guaranteed as to principal and interest by the government of the United States, its agencies or instrumentalities) if, as a result, more than 10% of the total assets in a series would be invested in the securities of any one issuer.
6. Purchase securities with a forward settlement of greater than 45 days from the time of the investment.
7. Purchase securities that at the time of settlement have a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

H. APPLICATION OF PERCENTAGES LIMITATIONS AND RATING REQUIREMENTS

Any percentage limitation or rating requirement described under “Investment Strategies and Objectives” will be applied at the time of purchase.

I. NOTICE TO PARTICIPANTS OF MATERIAL CHANGE TO INVESTMENT STRATEGIES AND OBJECTIVES OR INVESTMENT POLICY

The Board may revise the Investment Policy from time to time subject to Section 4.2(a) of the Agreement; and may revise the investment strategies and objectives of any Series from time to time. Any material change in the investment strategies and objectives for any Series adopted by the Board shall be communicated, in writing, to each Participant prior to the effective date of such change.

Section III: Income and Value of the Series

A. INCOME AND DIVIDENDS OF THE SERIES

CalTRUST Liquidity Fund

As of 1:00 p.m. Pacific time each day that the Custodian is open for business (a “Business Day”), the net income of the Liquidity Fund is determined and declared as a dividend to Participants of record as of the close of business on that day. Shares purchased as of 12:00 p.m. on any Business Day will begin earning dividends on such date of purchase. Shares will continue to earn dividends until the Business Day such Shares are redeemed and the funds are wired to the Participant. Earnings for Saturdays, Sundays and holidays are declared on the next Business Day. Dividends declared are paid monthly on the last Business Day of each month and are automatically re-invested in each Series by purchase of additional Shares of such Series, unless other direction is received from the Participant.

CalTRUST Short-Term Fund

As of 1:00 p.m. Pacific time each day that the Custodian is open for business (a “Business Day”), the net income of the Short-Term Fund is determined and declared as a dividend to Participants of record as of the close of business on that day. Shares purchased as of 10:30 a.m. on any Business Day will begin earning dividends on the next Business Day. Shares will continue to earn dividends until the Business Day such Shares are redeemed and the funds are wired to the Participant. Earnings for Saturdays, Sundays and holidays are declared on the next Business Day. Dividends declared are paid monthly on the last Business Day of each month and are automatically re-invested in each Series by purchase of additional Shares of such Series, unless other direction is received from the Participant.

CalTRUST Medium-Term Fund

As of 1:00 p.m. Pacific time on the last Business Day of each month, the net income of the Medium-Term Fund is determined and declared as a dividend to Participants of record as of the close of business on that day. Shares purchased as of 10:30 a.m. on any Business Day of a month will begin earning dividends on the purchase settlement date, which is currently the second Business Day after purchase. Shares will continue to earn dividends until the Business Day such Shares are redeemed and the funds are wired to the Participant. Earnings for Saturdays, Sundays and holidays are declared on the next Business Day. Dividends declared are paid monthly on the last Business Day of each month and are automatically re-invested in each Series by purchase of additional Shares of such Series, unless other direction is received from the Participant.

If Shares are redeemed from any Series in any month prior to the payment of dividends on the last Business Day of such month (including in the case of an emergency as approved by the Board of Trustees or otherwise), the Participant shall be entitled to receive a pro rata portion of the dividends such Participant would otherwise be entitled to receive, up to the date of redemption, which shall be paid on the last Business Day of such month.

For the purpose of calculating dividends, net income of each Series consists of interest earned plus or minus any discounts or premiums ratably amortized to the date of maturity and all realized gains and losses on the sale of securities prior to maturity, less all accrued expenses of such Series, including the fees described under “Expenses of the Trust.”

Each Series may attempt to maximize yields through trading to take advantage of short-term market variations. These policies may result in high portfolio turnover. However, because the cost of transactions of the type in which the Series engage is small, a high turnover rate is not expected to affect materially income or net asset value.

B. VALUATION OF SERIES

The net asset value of the Shares of the Liquidity Fund, Short-Term Fund, an Medium-Term Fund are normally determined by the Fund Accountant/Recordkeeper as of 1:00 p.m. Pacific time on each Business Day

The net asset value per Share of each Series is computed by dividing the total value of the securities and other assets of such Series, less any liabilities, by the total outstanding Shares of such Series. Liabilities include all accrued expenses and fees of such Series, including the fees described under “Expenses of the Trust.”

The net asset value per share of the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund and CalTRUST Medium-Term Fund normally is determined on the specified day if banks are open for business and the New York Stock Exchange is open for trading. The value of a Series’ portfolio securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost which the Board has determined to equal fair value.

The market value basis for net asset value per Share of each Series may be affected by general changes in interest rates resulting in increases or decreases in the value of securities held by such Series. The market value of such securities will tend to vary inversely to changes in prevailing interest rates. Thus, if interest rates rise after a security is purchased, such a security, if sold, might be sold at a price less than its cost. Similarly, if interest rates decline, such a security, if sold, might be

sold at a price greater than its cost. If a security is held to maturity, no loss or gain is normally realized as a result of these price fluctuations. Redemptions by Participants could require the sale of portfolio securities prior to maturity.

The Fund Accountant/Recordkeeper normally will announce the net asset value of the Shares of the Liquidity Fund, Short-Term Fund, and Medium-Term Fund by 9:00 a.m. Pacific time on the Business Day after it is determined.

C. YIELD INFORMATION

CalTRUST Liquidity Fund, Short-Term Fund, & Medium-Term Fund

The aggregate and average annual total return, current annualized yield and effective annual yield of the Liquidity Fund, Short-Term Fund, and Medium-Term Fund may, from time to time, be quoted in reports, literature and advertisements published by CalTRUST.

Current annualized yield of the Liquidity Fund is computed by averaging the daily dividend declared by such Series during the prior seven calendar day period, dividing by the average daily net asset value per Share of such Series over the same period, and multiplying the result by 365.

Current annualized yield of the Short-Term Fund is computed by averaging the daily dividend declared by such Series during the prior seven calendar day period, dividing by the average daily net asset value per Share of such Series over the same period, and multiplying the result by 365.

Current annualized yield of the Medium-Term Fund is computed by averaging the monthly dividend declared by the applicable Series during the prior months of such calendar year, dividing by the average monthly net asset value per Share of the applicable Series over the same period, and multiplying the result by 12.

The “effective annual yield” of each Series, which reflects the value of compounding and represents the annualization of the current yield with all dividends reinvested, may also be quoted. Effective annual yield of each Series is computed by dividing the monthly dividend rate of such Series by 12, adding 1 and raising the sum to the power of 12, and subtracting 1 from the result.

The yields of each Series quoted should not be considered a representation of the yield of such Series in the future, since the yield is not fixed. Actual yields of each Series will depend on the type, quality, yield and maturities of securities held by such Series, changes in interest rates, market conditions and other factors.

Section IV: Investments and Withdrawals

A. ACCOUNTS

Before funds are invested under the Shares Program, Participants will need to establish appropriate accounts pursuant to the procedure described under “Instructions on How to Participate.” Each Participant will have master account(s) representing the total funds invested through the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and CalTRUST Medium-Term Fund, as applicable, by such Participant.

The Fund Accountant/Recordkeeper will process investments, withdrawals and transfers only on Business Days.

B. INVESTMENTS

Investments in a Series shall be made by wire transfer of immediately available funds from the Participant’s bank, per the current transaction wire instructions. However, *the Administrator reserves the right to reject any investment and to limit the size of a Participant’s account.*

Investment in a Series shall be completed by following both of the following steps:

Step 1: Initiate the transaction through the the CalTRUST Online Portal, by following the steps outlined in the “CalTRUST Online Trading User Guide”, which is available to all participants at www.caltrust.org.

OR

Provide the Fund Accountant/Recordkeeper with a completed Cash Transaction Notice Form, either in writing by fax or email.

Fax: (402) 963-9094

Email: caltrustsupport@ultimusfundsolutions.com)

Step 2: Instruct the Participant’s bank to wire funds (Federal Reserve wire if possible). Wire instructions are provided in both the Online Portal and on the Cash Transaction Notice Form. Participants may also contact the CalTRUST Customer Service Center at 833-CALTRUST (225-8787) for wiring instructions.

CalTRUST does not charge a fee for receipt of these wires. However, a Participant’s bank may charge a fee for wiring funds.

CalTRUST Liquidity Fund

Investments will not begin earning income unless and until the Fund Accountant/Recordkeeper receives the requisite advance notice and the Custodian receives a Federal Reserve wire or bank wire convertible to Federal Funds on a same-day basis. When the Fund Accountant/Recordkeeper receives the requisite advance notice and the funds are received by the Custodian, investments will be made and begin earning income on the Business Day on which funds are received.

Notice will be considered given on a particular Business Day if received by the Fund Accountant/Recordkeeper before 12:00 p.m. Pacific time; otherwise it will be considered given on the next Business Day. Funds will be considered delivered on a particular Business Day if the wire is received before 12:00 p.m. Pacific time, otherwise funds will be considered delivered on the next Business Day.

CalTRUST Short-Term Fund

Investments will not begin earning income unless and until the Fund Accountant/Recordkeeper receives the requisite advance notice and the Custodian receives a Federal Reserve wire or bank wire convertible to Federal Funds on a same-day basis. When the Fund Accountant/Recordkeeper receives the requisite advance notice and the funds are received by the Custodian, investments will be made and begin earning income on the Business Day on which funds are received.

Notice will be considered given on a particular Business Day if received by the Fund Accountant/Recordkeeper before 10:30 a.m. Pacific time; otherwise it will be considered given on the next Business Day. Funds will be considered delivered on a particular Business Day if the wire is received before 10:30 a.m. Pacific time, otherwise funds will be considered delivered on the next Business Day.

CalTRUST Medium-Term Fund

Accountant/Recordkeeper receives the requisite advance notice and the Custodian receives a Federal Reserve wire or bank wire convertible to Federal Funds on a same-day basis. When the Fund Accountant/Recordkeeper receives the requisite advance notice and the funds are received by the Custodian, investments will be made and begin earning income on the Business Day on which funds are received.

Notice will be considered given on a particular Business Day if received by the Fund Accountant/Recordkeeper before 10:30 a.m. Pacific time; otherwise it will be considered given on the next Business Day. Funds will be considered delivered on a particular Business Day if the wire is received before 10:30 a.m. Pacific time, otherwise funds will be considered delivered on the next Business Day.

C. REDEMPTIONS

Withdrawals from an account shall be made by requesting a wire transfer of immediately available funds from the Funds to the Participant's bank.

Withdrawals from a Series may be made through the CalTRUST Online Portal, by following the steps outlined in the "CalTRUST Online Trading User Guide", which is available to all participants at www.caltrust.org, or by providing the Fund Accountant/Recordkeeper with a completed Cash Transaction Notice Form, either by fax ((402) 963-9094) or email (caltrustsupport@ultimusfundsolutions.com).

Funds may be transferred by wire only to the bank account specified in the Participant's Account Registration Form and Participation Agreement. Changes to the Participant's specified bank account must be received in writing properly executed before they can be effective.

CalTRUST Liquidity Fund

Funds may be withdrawn from the Liquidity Fund daily; *provided, however*, that the Fund Accountant/Recordkeeper receives notice of the request for wire transfer by 12:00 p.m. Pacific Time on a Business Day.

Shares in the Liquidity Fund will be redeemed in the amount of the withdrawal at the net asset value per Share next determined after receipt of a request for wire transfer. Funds will remain invested in the Series until the day they are wired. ***Funds will not be wired unless and until the Fund Accountant/Recordkeeper receives the requisite notice.*** Notice will be considered given on a particular Business Day if received by the Fund Accountant/Recordkeeper before 12:00 p.m. Pacific time; otherwise it will be considered given on the next Business Day.

CalTRUST Short-Term Fund

Funds may be withdrawn from the Short-Term Fund daily; *provided, however*, that the Fund Accountant/Recordkeeper receives notice of the request for wire transfer by 10:30 a.m. Pacific Time one Business Day prior.

Shares in the Short-Term Fund will be redeemed in the amount of the withdrawal at the net asset value per Share next determined after receipt of a request for wire transfer. Funds will remain invested in the Series until the day they are wired. ***Funds will not be wired unless and until the Fund Accountant/Recordkeeper receives the requisite notice.*** Notice will be considered given on a particular Business Day if received by the Fund Accountant/Recordkeeper before 10:30 a.m. Pacific time; otherwise it will be considered given on the next Business Day.

CalTRUST Medium-Term Fund

Funds may be withdrawn from the Medium-Term Fund daily; *provided, however*, that the Fund Accountant/Recordkeeper receives notice of the request for wire transfer by 10:30 a.m. Pacific Time two Business Days prior.

Shares in each Series will be redeemed in the amount of the withdrawal at the net asset value per Share determined by the Fund Accountant/Recordkeeper daily. Funds will remain invested in the Series until the day they are wired. ***Funds will not be wired unless and until the Fund Accountant/Recordkeeper receives the requisite notice.*** Notice will be considered given on a particular Business Day if received by the Administrator before 10:30 a.m. Pacific time; otherwise it will be considered given on the next Business Day.

Notwithstanding the foregoing limitations, in the event of an emergency as approved by the Board of Trustees (or a committee of the Board of Trustees or designated Trustee(s)), withdrawals may be made at such times and on such prior notice, if any, as determined by the Board of Trustees (or a committee of the Board of Trustees or designated Trustee(s)). In such instance, Shares in each Series will be redeemed in the amount of the withdrawal at the net asset value per Share next determined after receipt of a request for wire transfer.

The Agreement permits the Trustees to suspend the right of withdrawal from the Series or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on that Exchange is restricted, or if, in the opinion of the Trustees, an emergency exists such that disposal of Shares or determination of net asset value is not reasonably practicable. If the right of withdrawal is suspended, a Participant may either withdraw its request for withdrawal or receive payment based on the net asset value next determined after termination of the suspension.

CalTRUST may, and is authorized by each Participant to, redeem Shares owned by such Participant (i) to the extent necessary to reimburse CalTRUST for any loss it has sustained by reason of the failure of such Participant to make full payment for Shares purchased by such Participant, (ii) to the extent necessary to collect any charge relating to a transaction effected for the benefit of such Participant which is applicable to Shares, or (iii) as otherwise deemed necessary and desirable by the Board for CalTRUST to effectively carry out its obligations under the Agreement, this Information Statement, comply with applicable law, or any other obligations in connection with the affairs of CalTRUST. Redemption payments may be made in whole or in part in securities or other property of the Series. ***Participants receiving any such securities or other property on redemption will bear any costs of sale.***

D. Transfers

Transfers among the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and CalTRUST Medium-Term Fund will be considered a withdrawal from one Series and a deposit to another Series subject to the restrictions, limitations and notice requirements above. Transfers may be accomplished through the CalTRUST Online Portal, by following the steps outlined in the “CalTRUST Online Trading User Guide”, which is available to all participants at www.caltrust.org, or by providing the Fund Accountant/Recordkeeper with a completed Cash Transaction Notice Form by fax or email.

Fax: (402) 963-9094

Email: caltrustsupport@ultimusfundsolutions.com

SECTION V: OTHER SERVICES

A. ONLINE ACCESS

Secure online access will be available to Participants with respect to their accounts. Information with respect to each Series, including current yield, up-to-date account information, and a transaction history will be available online. Confirmations of each deposit and withdrawal of funds will be available online to a Participant within one Business Day of the transaction.

B. STATEMENTS

At the end of each month, a statement of each account will be available to each Participant through the online portal, which will show the dividend paid and the account balance as of the statement date. Statements will be made available in the online portal the first business day of the following month.

Section VI: Trustees and Officers

A. BOARD OF TRUSTEES

CalTRUST is governed by a Board of Trustees, the number of which may be increased or decreased from time to time by the then-current Board to no fewer than five and no greater than fifteen Trustees. The Board is responsible for the overall management, supervision and administration of CalTRUST, including formulation of investment and operating policy guidelines of the Series. In addition, the Board oversees the activities of the Chief Executive Officer, the Investment Manager, the Custodian, the Fund Accountant/Recordkeeper, legal counsel, independent auditors and other service providers and agents of CalTRUST and monitors the investment performance of each Series and the method of valuing the Shares.

The names and affiliations of the Trustees are as follows:

John Colville, City of Sacramento

Don Kent, Riverside County

Chuck Lomeli, Solano County

Dan Mierzwa, Yuba County

Bobbie Ormonde, Westlands Water District

Trustees are nominated by the Members of the Board and are ratified by the Members of the JPA. At least seventy-five percent (75%) of Trustees shall be members of the governing body, officers or personnel of the Members. Trustees currently serve without compensation, but all Trustees, except affiliates of the Investment Manager, if any, are reimbursed by CalTRUST for reasonable travel and other out-of-pocket expenses incurred in connection with their duties as Trustees.

B. OFFICERS

The names and affiliations of the executive officers are as follows:

President: John Colville, City of Sacramento

Secretary: Don Kent, Riverside County

Treasurer: Dan Mierzwa, Yuba County

The officers are appointed by the Board and serve at the discretion of the Board. The officers currently serve without compensation, but all officers, except affiliates of the Investment Manager, if any, are reimbursed by CalTRUST for reasonable travel and other out-of-pocket expenses incurred in connection with their duties as officers.

Section VII: Administrative Support Services

A. ADMINISTRATIVE SUPPORT SERVICES

The Board of Trustees may engage in contracts for Administrative Support Services (Administrative Support). Administrative Support assists the Chief Executive Officer by providing limited administrative aspects of CalTRUST's operations, pursuant to a program administration agreement with CalTRUST (the "Administration Agreement"). The Administration Agreement will remain in effect until terminated, and may not be assigned by the Administrator without the consent of the Board; *provided, however*, that such consent will be deemed given if a majority of the Board does not object in writing within 60 days after receiving written notice of a proposed assignment. The Administration Agreement may be terminated by either CalTRUST or the Administrator, at any time and without penalty, upon at least 6 months prior written notice to the other parties, or by any

party that is not in breach of the Administration Agreement, without penalty, upon at least 60 days' prior written notice to the other party, if the other party is in material breach of the Administration Agreement and such breach has not been cured within 60 days' notice thereof to such other party.

The Administrative Support provides the following administrative services to CalTRUST in accordance with the Administration Agreement:

- Office space. Responsible for maintaining regular office space for use as the official place of business for CalTRUST.
- Webinars. Host CalTRUST webinars and provide continuing education hours to attendees.
- Payroll/Benefits Support. Provide administration of payroll and benefits services of CalTRUST employees.

Section VIII: Investment Manager

A. INVESTMENT MANAGER

State Street Global Advisors, a registered Investment Manager with its principal office at One Iron Street, Boston, MA 02210, is the Investment Manager with respect to the Shares Program. The daily management of the investment affairs and research relating to the Shares Program is conducted by or under the supervision of the Investment Manager.

B. MANAGEMENT AND ADVISORY SERVICES

The Investment Manager manages the investment of the assets in the CalTRUST Liquidity Series, Short-Term Series, and Medium-Term Series, including the placement of orders for the purchase and sale of investments, pursuant to an Investment Management agreement with CalTRUST (the "Advisory Agreement"). The Investment Manager obtains and evaluates such information and advice relating to the economy and the securities markets as it considers necessary or useful to manage continuously the assets of CalTRUST in a manner consistent with each Series' investment objectives and policies. The Advisory Agreement may not be assigned by the Investment Manager without the consent of the CalTRUST Board of Trustees. The Advisory Agreement may be terminated by either party, at any time and without penalty, upon at least 60 days' prior written notice to the other party.

C. INVESTMENT TRANSACTIONS

The Investment Manager is responsible for decisions to buy and sell securities for CalTRUST and arranges for the execution of securities transactions on behalf of each Series. Purchases of securities are made from dealers, underwriters and issuers. Sales prior to maturity are made to dealers and other persons. Money market instruments bought from dealers are generally traded on a “net” basis, with dealers acting as principal for their own accounts without a stated commission, although the price of the instrument usually includes a profit to the dealer. Thus, the Series do not normally incur any brokerage commission expense on such transactions. Securities purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter’s commission or discount. When securities are purchased or sold directly from or to an issuer, no commissions or discounts are paid.

The policy of CalTRUST regarding purchases and sales of securities is that primary consideration will be given to obtaining the most favorable price and efficient execution of transactions. In seeking to implement this policy, the Investment Manager will effect transactions with those dealers whom the Investment Manager believes provide the most favorable price and efficient execution. If the Investment Manager believes such price and execution can be obtained from more than one dealer, it may give consideration to placing portfolio transactions with those dealers who also furnish research and other services to the Investment Manager. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale; statistical or factual information or opinions pertaining to investments; wire services; and appraisals or evaluations of portfolio securities. The services received by the Investment Manager from dealers may be of benefit to it in the management of accounts of some or all of its other clients and may not in all cases benefit CalTRUST directly. CalTRUST does not reduce the management fee paid to the Investment Manager by any amount that may be attributable to the value of such services.

Section IX: Custodian

A. CUSTODIAN

U.S. Bank, N.A. a custodial bank with an office at 1420 Kettner Blvd, Suite 200, San Diego, CA 92101 is the Custodian for the CalTRUST Liquidity Fund, CalTRUST Short-Term Fund and the CalTRUST Medium-Term Fund.

B. CUSTODIAL SERVICES

The Custodian holds all cash and securities of each Series, pursuant to an Institutional Fund Custody Agreement with CalTRUST (the “Custodial Agreement”). The Custodian does not participate in determining the investment policies of CalTRUST or in investment decisions. CalTRUST may invest in the Custodian’s obligations and may buy or sell securities through the Custodian.

Section X: Series Expenses

Total Annual Expenses of the CalTRUST Liquidity Fund

	<u>Average Daily Net Assets in the Liquidity Fund¹</u>			
	<u>Up to \$50 Million</u>	<u>Over \$50; Up to \$200 Million</u>	<u>Over \$200 Million; Up to \$500 Million</u>	<u>Over \$500 Million</u>
Investment Management ²	0.050%	0.050%	0.050%	0.030%
Operating ^{3,4}	0.060%	0.060%	0.060%	0.060%
Account Mgmt/Record-keeping ²	0.020%	0.020%	0.020%	0.015%
Custody	0.005%	0.005%	0.005%	0.0033%
Total Annual Operating Expenses	0.135%	0.135%	0.135%	0.1083%

¹ “Average daily net assets” means the average daily value of total assets minus accrued liabilities. The first \$50 Million of net assets in the Liquidity Fund will be charged the first tier rate; the next \$50 Million to \$200 Million of net assets in the Liquidity Fund will be charged the second tier rate; the next \$200 Million to \$500 Million of net assets in the Liquidity Fund will be charged the third tier rate; and all net assets in the Liquidity Fund over \$500 Million will be charged the fourth tier rate.

² Calculated on a daily basis and paid monthly from the net assets in the Liquidity Fund.

³ The Liquidity Fund will also be responsible for legal and audit fees, insurance (including trustees and officers insurance) premiums, Trustees’ and officers’ reasonable travel and other expenses, marketing fees, and the costs of making statutory and regulatory filings and other general compliance with any applicable federal or state laws, as well as all extraordinary expenses, including, without limitation, all reasonable expenses incurred by CalTRUST, the Administrator or the Investment Manager to establish, organize and otherwise commence operations of CalTRUST and the arrangements contemplated by this Information Statement and the Agreement, and litigation costs (including reasonable attorneys’ fees), if any, with respect to the Liquidity Fund.

⁴ Calculated on a daily basis and paid monthly to the Administrator from the net assets in the Liquidity Fund. The Administrator will be responsible for account administration fees and ordinary out-of-pocket disbursements, which disbursements may include, without limitation, the costs of legal procedures and policies, periodic updating and preparation of the Information Statement, and preparation of tax returns, financial statements and reports, printing and distribution costs, the costs and expenses of holding any meetings of the Board, fees of other consultants and professionals engaged on behalf of CalTRUST, all expenses of computing the market value of the Liquidity Fund, overnight delivery and courier services, postage, telephone and telecommunication charges, pricing services, terminals, transmitting lines and expenses in connection therewith, travel on CalTRUST business, and costs of preparing books, presentations and other materials for the Board, with respect to the Liquidity Fund.

Total Annual Expenses of the CalTRUST Short-Term Fund

	<u>Average Daily Net Assets in the Short-Term Fund¹</u>				
	<u>Up to \$100 Million</u>	<u>Over \$100; Up to \$250 Million</u>	<u>Over \$250 Million; Up to \$500 Million</u>	<u>Over \$500 Million; Up to \$1 Billion</u>	<u>Over \$1 Billion</u>
Investment Management ²	0.065%	0.065%	0.065%	0.050%	0.040%
Operating ^{3, 4}	0.060%	0.060%	0.060%	0.060%	0.060%
Account Mgmt/Record-keeping ²	0.020%	0.020%	0.020%	0.015%	0.010%
Custody	0.005%	0.005%	0.005%	0.0033%	0.0033%
Total Annual Operating Expenses	0.150%	0.150%	0.150%	0.1283%	0.1133%

¹“Average daily net assets” means the average daily value of total assets minus accrued liabilities. The first \$100 Million of net assets in the Short-Term Fund will be charged the first tier rate; the next \$100 Million to \$250 Million of net assets in the Short-Term Fund will be charged the second tier rate; the next \$250 Million to to \$500 Million of net assets in the Short-Term Fund will be charged the third tier rate, the next \$500 Million to \$1 Billion of net assets in the Short-Term Fund will be charged the fourth tier rate; and all net assets in the Short-Term Fund over \$1 Billion will be charged the fifth tier rate.

² Calculated on a daily basis and paid monthly from the net assets in the Short-Term Fund.

³ The Short-Term Fund will also be responsible for legal and audit fees, insurance (including trustees and officers insurance) premiums, Trustees’ and officers’ reasonable travel and other expenses, marketing fees, and the costs of making statutory and regulatory filings and other general compliance with any applicable federal or state laws, as well as all extraordinary expenses, including, without limitation, all reasonable expenses incurred by CalTRUST, the Administrator or the Investment Manager to establish, organize and otherwise commence operations of CalTRUST and the arrangements contemplated by this Information Statement and the Agreement, and litigation costs (including reasonable attorneys’ fees), if any, with respect to the Short-Term Fund.

⁴ Calculated on a daily basis and paid monthly to the Administrator from the net assets in the Short-Term Fund. The Administrator will be responsible for account administration fees, and ordinary out-of-pocket disbursements, which disbursements may include, without limitation, the costs of legal procedures and policies, periodic updating and preparation of the Information Statement, and preparation of tax returns, financial statements and reports, printing and distribution costs, the costs and expenses of holding any meetings of the Board, fees of other consultants and professionals engaged on behalf of CalTRUST, all expenses of computing the market value of the Short-Term Fund, overnight delivery and courier services, postage, telephone and telecommunication charges, pricing services, terminals, transmitting lines and expenses in connection therewith, travel on CalTRUST business, and costs of preparing books, presentations and other materials for the Board, with respect to the Short-Term Fund.

Total Annual Expenses of the CalTRUST Medium-Term Fund

	<u>Average Daily Net Assets in the Medium-Term¹</u>				
	<u>Up to \$100 Million</u>	<u>Over \$100; Up to \$250 Million</u>	<u>Over \$250 Million; Up to \$500 Million</u>	<u>Over \$500 Million; Up to \$1 Billion</u>	<u>Over \$1 Billion</u>
Investment Management ²	0.075%	0.075%	0.075%	0.060%	0.040%
Operating ^{3,4}	0.060%	0.060%	0.060%	0.060%	0.060%
Account Mgmt/Record-keeping ²	0.020%	0.020%	0.020%	0.015%	0.010%
Custody	0.005%	0.005%	0.005%	0.0033%	0.0033%
Total Annual Operating Expenses	0.160%	0.160%	0.160%	0.1383%	0.1133%

¹ “Average daily net assets” means the average daily value of total assets minus accrued liabilities. The first \$100 Million of net assets in the Medium-Term Fund, will be charged the first tier rate; the next \$100 Million to \$250 Million of net assets in the Medium-Term Fund will be charged the second tier rate; the next \$250 Million to \$500 Million of net assets in the Medium-Term Fund will be charged the third tier rate, the next \$500 Million up to \$1 Billion of net assets in the Medium-Term Fund will be charged the fourth tier rate; and all net assets in the Medium-Term Fund over \$1 Billion will be charged the fifth tier rate, as appropriate.

² Calculated on a daily basis and paid monthly from the net assets in the Medium-Term Fund

³ The Medium-Term Fund will also be responsible for legal and audit fees, insurance (including trustees and officers insurance) premiums, Trustees’ and officers’ reasonable travel and other expenses, marketing fees, and the costs of making statutory and regulatory filings and other general compliance with any applicable federal or state laws, as well as all extraordinary expenses, including, without limitation, all reasonable expenses incurred by CalTRUST, the Administrator or the Investment Manager to establish, organize and otherwise commence operations of CalTRUST and the arrangements contemplated by this Information Statement and the Agreement, and litigation costs (including reasonable attorneys’ fees), if any, with respect to the Medium-Term Fund.

⁴ Paid monthly to the Administrator from the net assets in the Medium-Term Fund. The Administrator will be responsible for account administration fees, and ordinary out-of-pocket disbursements, which disbursements may include, without limitation, the costs of legal procedures and policies, periodic updating and preparation of the Information Statement, and preparation of tax returns, financial statements and reports, printing and distribution costs, printing and distribution costs, the costs and expenses of holding any meetings of the Board, fees of other consultants and professionals engaged on behalf of CalTRUST, all expenses of computing the market value of the Medium-Term Fund overnight delivery and courier services, postage, telephone and telecommunication charges, pricing services, terminals, transmitting lines and expenses in connection therewith, travel on CalTRUST business, and costs of preparing books, presentations and other materials for the Board, with respect to the Medium-Term Fund.

Section XI: Joint Exercise of Powers Agreement

CalTRUST is a separate public agency established as a joint powers authority under the laws of the state of California by execution of a Joint Powers Authority Agreement by certain Public Agencies as the initial Members of CalTRUST. Additional Public Agencies may become Members of CalTRUST by approving a resolution to adopt the Agreement and by signing a counterpart signature page to the Agreement.

Copies of the Agreement may be obtained from the Administrator and should be read before a Public Agency participates in CalTRUST. ***All descriptions contained in this Information Statement are subject to the specific language of the Agreement.***

For all matters requiring action by Participants, such action will be taken in proportion to the relative market value of each Participant's Shares of a Series.

The Agreement may be amended by the Board, except to the extent an amendment would adversely affect (i) the Shares Program in which case the amendment shall be subject to approval by a majority of the Shares or (ii) one or more Series of Shares, in which case the amendment shall be subject to approval by a majority of the Shares of any Series affected by such amendment. Among other things, the Board may also amend this Agreement without such Participant approval to change the name of CalTRUST or any Series, to establish and designate additional Series, to supply any omission herein or to correct or supplement any ambiguous defective or inconsistent provision hereof, or if they deem it necessary, to conform the Agreement to the requirements of applicable laws or regulations or to eliminate or reduce any taxes which may be payable by CalTRUST or the Participants, or as otherwise provided herein, but the Trustees shall not be liable for failing to do so.

No amendment may be made which would change any rights with respect to any Share by reducing the amount payable thereon upon liquidation of CalTRUST or by diminishing or eliminating any approval rights pertaining thereto, except with the vote of a majority of the Trustees and the approval of the holders of two-thirds (2/3) of the Shares outstanding and the holders of two-thirds (2/3) of the Shares of any Series affected by such amendment. Nothing in the Agreement permits its amendment to impair the exemption from personal liability of the Members, Participants, Trustees, officers, employees and agents of CalTRUST or to permit assessments upon Participants.

Section XII: Participant and Trustee Liability

A. PARTICIPANT LIABILITY

CalTRUST is an entity separate from its Members and the Participants and the Agreement expressly provides that except in the case of fraud or willful misconduct, no Member or Participant shall be subject to any personal liability whatsoever to any person in connection with property or the acts, obligations or affairs of CalTRUST, and all such persons shall look solely to CalTRUST property

for satisfaction of claims of any nature arising in connection with the affairs of CalTRUST.

B. LIABILITY OF TRUSTEES AND OTHERS

The Agreement provides that no Trustee, officer or employee of CalTRUST will be liable for any action or failure to act, and that each will be indemnified by CalTRUST against all claims and liabilities as provided in the Agreement, except that no indemnification will be provided for such person's own bad faith, willful misfeasance, gross negligence or reckless disregard of duty.

The California Joint Exercise of Powers Act provides that all immunities from liability that apply to the activity of Trustees, Members, officers, employees or agents of the Members when performing their functions within the territorial limits of their respective Public Agencies will apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with CalTRUST.

CalTRUST shall purchase and maintain insurance on behalf of each Trustee, officer, employee or agent of CalTRUST against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, but only to the extent that CalTRUST would have the power to indemnify such person against that liability under the Agreement, unless CalTRUST determines that such insurance is not cost effective for CalTRUST or is otherwise impracticable.

INVESTMENT TRUST OF CALIFORNIA

doing business as

CalTRUST

A JOINT POWERS AUTHORITY



INVESTMENT POLICY

FOR THE SHARES PROGRAM

EFFECTIVE AS OF:

**FEBRUARY 24, 2005
(Updated August 22, 2023)**

PO BOX 2709, GRANITE BAY, CALIFORNIA 95746 TEL (833) 225-8787

Table of Contents

I.	INTRODUCTION AND SCOPE.....	3
II.	PURPOSE.....	3
III.	WHO MAY INVEST.....	3
IV.	PERFORMANCE STANDARDS AND SERIES BENCHMARKS	3
V.	FIDUCIARY RESPONSIBILITY.....	4
VI.	INVESTMENT OBJECTIVES.....	4
VII.	DELEGATION OF AUTHORITY	4
VIII.	ETHICS AND CONFLICTS OF INTEREST	5
IX.	AUTHORIZED INVESTMENTS.....	5
X.	DURATION AND DIVERSIFICATION	8
XI.	INVESTMENT RESTRICTIONS.....	8
XII.	COLLATERALIZATION	9
XIII.	APPLICATION OF PERCENTAGES	9
XIV.	OVERSIGHT AND DUE DILIGENCE.....	9
XV.	REPORTING	9
XVI.	SAFEKEEPING AND CUSTODY.....	9
XVII.	INTERNAL CONTROLS	10
XVIII.	INVESTMENT POLICY REVIEW.....	10
XIX.	GLOSSARY	11

INVESTMENT POLICY FOR THE CalTRUST SHARES PROGRAM

I. INTRODUCTION AND SCOPE

The following are the investment objectives, policies and restrictions (collectively, the “Investment Policy”) for each of the three separately managed programs (each, a “Series”) within the investment program offered by Investment Trust of California, doing business as CalTRUST (“CalTRUST”), whereby participants (“Participants”) invest in shares issued by CalTRUST (the “Shares Program”).

The three Programs of the Shares Program are the “CalTRUST Liquidity Fund” Series (the “Liquidity Fund”), the “CalTRUST Short-Term Fund” Series (the “Short-Term Fund”), and the “CalTRUST Medium-Term Fund” Series (the “Medium-Term Fund”).

All capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to such terms in the Information Statement for the Shares Program (the “Information Statement”) or the Joint Exercise of Powers Agreement (the “Agreement”). **The Information Statement and Agreement provide further detailed information about the Shares Program and CalTRUST Participants should read them both carefully prior to participating in the Shares Program.**

II. PURPOSE

CalTRUST is a California joint powers authority and public agency established under the provisions of Title 1, Division 7, Chapter 5 of the California Government Code (the “Joint Exercise of Powers Act”), to provide Public Agencies with consolidated investment activities thereby reducing duplication, achieving economies of scale and carrying out coherent and consolidated investment strategies.

III. WHO MAY INVEST

Each Participant must be: (1) a California “Public Agency” as that term is defined in Section 6509.7 of Title 1, Division 7, Chapter 5, Article 1 of the California Government Code (the “Joint Exercise of Powers Act”), which, as of the date hereof, is defined as “the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, or regional transportation commission of the State of California or another state, or any joint powers authority formed pursuant to article 1 of the Joint Exercise of Powers Act by any of these agencies,” and includes “a nonprofit corporation whose membership is confined to public agencies or public officials;” and (2) either the United States, a State, or any political subdivision of a State, or any agency, authority or instrumentality of any one or more of the foregoing, or any corporation which is wholly owned directly or indirectly by any one or more of the foregoing, as those terms are used in the Investment Company Act of 1940, as amended.

IV. PERFORMANCE STANDARDS AND SERIES BENCHMARKS

The investment portfolios shall be designed with the objective of obtaining a market rate of return throughout economic cycles, commensurate with the investment risk constraints and liquidity needs of participants, always aligned with the focus on preservation of capital, liquidity, and yield.

The performance benchmarks for the Liquidity Fund, Short-Term Fund, and Medium-Term Fund are specified below:

Liquidity Fund:	Three Month Treasury Bill
Short-Term Fund:	Local Agency Investment Fund Barclays Short-Term U.S. Government/Corporate Index
Medium-Term Fund:	Merrill Lynch U.S. Corporate & Government 1-3 Years, “A” Rated or Above Index

V. FIDUCIARY RESPONSIBILITY

The California Government Code, Section 53600.3 defines the prudent investor standard to which the CalTRUST Board of Trustees and staff applies in the context of managing the CalTRUST funds. This standard requires that “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

VI. INVESTMENT OBJECTIVES

By purchasing Shares in any Series, the Investment Advisor seeks to adhere to the following objectives:

- **Preservation of Principal.** Preserve principal to the extent reasonably possible in accordance with the applicable investment strategy by investing only in fixed-income oriented Authorized Investments, and in accordance with an investment strategy designed to preserve capital.
- **Liquidity.** Provide liquidity so that Participants have ready access to their Shares to the extent described in this Information Statement.
- **Income.** Provide as high a level of current income in each Series as is consistent with preserving principal and maintaining liquidity.
- **Professional Management.** Investments are managed by investment professionals that follow both general economic and current market conditions affecting interest rates and the value of fixed-income oriented investments
- **Diversification.** Each Participant in a Series will own Shares in a diversified portfolio of high-quality securities.
- **Accounting, Safekeeping and Separate Series.** The Participants’ investments are accounted for in compliance with governmental accounting and auditing requirements, and Participants will be provided with all necessary information to do the bookkeeping and safekeeping associated with the ownership of the Shares. Participants will have secure online access to their accounts, as well as being provided with monthly statements.

There can be no assurance that the investment objectives of any particular Program will be achieved.

VII. DELEGATION OF AUTHORITY

Per the CalTRUST JPA, the CalTRUST Board of Trustees delegates the authority to invest or reinvest funds of the JPA, or to sell or exchange securities so purchased, to a third-party Investment Manager. The Investment Manager

shall be selected through a Request for Proposals process. Any investment manager retained by CalTRUST shall meet all of the criteria set forth in Section 6509.7 of the Act, as such provision may be amended from time to time, which, as of the date hereof, requires that:

- the investment manager shall be registered or exempt from registration with the Securities and Exchange Commission;
- the investment manager shall not have less than five (5) years of experience investing in the securities and obligations authorized by the Law; and
- the investment manager shall have assets under management in excess of five hundred million dollars (\$500,000,000).

CalTRUST may exercise broad discretion in allowing the Investment Manager to administer and regulate the operations of the Shares Program, to act as agent for CalTRUST, to execute documents on behalf of CalTRUST, and to make decisions which conform to general policies and general principles established by CalTRUST. In furtherance of the Shares Program, CalTRUST may authorize the Investment Manager to effect purchases, sales, loans or exchanges of securities of CalTRUST on behalf of CalTRUST or may authorize any officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of the Investment Manager, all without further action by CalTRUST. Any such purchases, sales, pledges and exchanges shall be deemed to have been authorized by CalTRUST.

VIII. ETHICS AND CONFLICTS OF INTEREST

Trustees, officers, and staff members involved in the investment activity shall refrain from personal business activity that could conflict with proper execution and management of the policy and the investment program, or which could impair their ability to make impartial decisions. All Trustees and specified staff positions must annually file a Form 700 (Statement of Economic Interests) in accordance with the JPA's Conflict-of-Interest Code and governing laws.

IX. AUTHORIZED INVESTMENTS

The Shares purchased by the Investment Advisor will be comprised exclusively of the following investments (the "Authorized Investments"). These investments are authorized investments under the California Government Code, as may be amended from time to time, for money not required for the immediate needs of Local Agencies. The California Government Code limits the amount of surplus money of a Local Agency which may be invested in certain of the investments described below. Each Participant shall be responsible for monitoring the aggregate amount of its investments in any of these kinds of investments, to assure its own compliance with the California Government Code. None of the Investment Advisor, the Administrator or CalTRUST shall be responsible for such monitoring. **The Board may revise this Investment Policy from time to time subject to Section 4.2(a) of the Agreement.** Pursuant to the Agreement, the Board shall cause the amended Investment Policy to be delivered to each Participant. The Investment Policy may additionally be administratively revised to reflect updates to California Government Code.

Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

- 1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- 2) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- 3) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
- 4) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- 5) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 6) Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days' maturity or 40 percent of the assets in a Series. However, no more than 30 percent of the assets in a Series may be bankers acceptances of any one commercial bank.
- 7) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization ("NRSRO"). The entity that issues the commercial paper shall meet all of the following criteria in either clause (a) or (b): (a)(i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000) and (iii) has debt other than commercial paper, if any, that is rated "A" or higher, without gradation, by an NRSRO; or (b)(i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond and (iii) has commercial paper that is rated "A-1" or higher, without gradation, or the equivalent, by an NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 40 percent of the assets in a Series may be eligible commercial paper. No more than 10 percent of the assets in a Series may be outstanding commercial paper of any single issuer. No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased for a Series.
- 8) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the assets in a Series. Purchases shall not exceed the shareholder's equity of any depository bank. Shareholder's equity shall be determined in accordance with Section 118 of the California Financial Code, but shall be deemed to include capital notes and debentures. Purchases shall not exceed the total of the net worth of any savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law. Purchases of negotiable certificates of deposit from any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the California Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the California Financial Code or are secured as required by law. Purchases of negotiable certificates of deposit issued by a state or federal credit union are prohibited if a member of the CalTRUST Board of Trustees, or any person with investment decision making authority for CalTRUST, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- 9) Investments in repurchase agreements of Authorized Investments as long as the agreements are subject to the requirements of California Government Code Section 53601(j), including the delivery requirements specified

in California Government Code Section 53601(j). "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. Investments in repurchase agreements may be made, on any Authorized Investments, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

- 10) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subsection shall be rated "A" or better, without gradation, by a nationally recognized rating service. Purchases of medium-term notes (not including other Authorized Investments) may not exceed 30 percent of the assets in a Series.
- 11) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Such companies shall have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subsection shall not include any commission that the companies may charge and shall not exceed 20 percent of the assets in a Series.
- 12) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted
- 13) Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subsection shall have an "AA" or higher rating or its equivalent or better, without gradation, by a nationally recognized rating service and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subsection may not exceed 20 percent of the assets in a Series.
- 14) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA", without gradation, or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

Funds invested through a Series will be invested by the Investment Advisor in accordance with the prudent investor standard of the California Government Code. Any investments consisting of notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants shall be legal investments for savings banks in the State. Funds invested through a Series will not be invested in any inverse floaters, range notes or mortgage-derived, interest-only strips, or

in any security that could result in zero interest accrual if held to maturity.

X. DURATION AND DIVERSIFICATION

Each Series seeks to attain as high a level of current income as is consistent with the preservation of principal. Each Series will invest in only fixed-income oriented Authorized Investments. The Short-Term Fund seeks a target portfolio duration of 0 to 2 years. The Medium-Term Fund seeks a target portfolio duration of 1 ½ to 3 ½ years. The Liquidity Fund will have a maximum portfolio duration weighted average maturity of 60 days and a maximum weighted average life of 120 days.

Each Series will invest in a diversified portfolio of fixed-income oriented investments of varying maturities with a different portfolio “duration.” Duration is a measure of the expected life of a fixed-income oriented investment that was developed as a more precise alternative to the concept of “term to maturity.” Duration incorporates a bond’s yield, coupon interest payments, final maturity, call and put features and prepayment exposure into one measure. Traditionally, a fixed-income oriented investment’s “term to maturity” has been used to determine the sensitivity of the investment’s price to changes in interest rates (which is the “interest rate risk” or “volatility” of the investment). However, “term to maturity” measures only the time until a fixed-income oriented investment provides its final payment, taking no account of the pattern of the investment’s payments prior to maturity. Duration is used in the management of Series as a tool to measure interest rate risk. For example, a Series with a portfolio duration of two years would be expected to change in value 2% for every 1% move in interest rates.

XI. INVESTMENT RESTRICTIONS

The Board has adopted the following investment restrictions for the Shares Program, which may not be changed in a material way by the Board, except as may be required by applicable law, without the approval of the Participants holding a majority of the Shares in the affected Series. Funds invested through a Series will not be used to:

- 1) Purchase any securities other than those described under “Authorized Investments,” unless California law at some future date redefines the types of securities which are legal investments for all classes of Participants, in which case the permitted investments for the Series may be changed by the Board to conform to California law.
- 2) Invest in securities of any issuer in which a Trustee, officer, employee, agent or adviser of CalTRUST is an officer, director or 5% shareholder unless such investment is periodically authorized by resolution adopted by the Board, excluding officers, directors or 5% shareholders of such issuer.
- 3) Make loans, except that repurchase agreements may be entered into as specified under “Authorized Investments.”
- 4) Borrow money or pledge, hypothecate or mortgage the assets in a Series or otherwise engage in any transaction that has the effect of creating leverage with respect to a Series; provided, however, that short-term credits necessary for the settlement of securities trades may be used, and forward purchases and sales of securities that are expected to settle beyond a normal “T+3” basis may be entered into.
- 5) Purchase the securities of any issuer (other than obligations issued and guaranteed as to principal and interest by the government of the United States, its agencies or instrumentalities) if, as a result, more than 10% of the total assets in a series would be invested in the securities of any one issuer.
- 6) Purchase securities with a forward settlement of greater than 45 days from the time of the investment.
- 7) Purchase securities that at the time of settlement have a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a

part of an investment program approved by the legislative body no less than three months prior to the investment.

XII. COLLATERALIZATION

CalTRUST does not partake in investment activities that require collateralization by the JPA.

XIII. APPLICATION OF PERCENTAGES

Any percentage limitation or rating requirement described in this Investment Policy will be applied at the time of purchase.

XIV. OVERSIGHT AND DUE DILIGENCE

Management shall receive and review the investment holdings monthly and distribute a copy of the holdings to the Investment Committee. The Investment Committee shall receive and review all investment holdings on a quarterly basis. The following information shall be required in each quarterly investment portfolio report:

- Listing of individual securities held at the end of the reporting period;
- Rating of each individual securities;
- Percentage of portfolio by investment type;
- Investments stated rate and book value;
- Average rate of return;
- Maturity aging by type of investment; and
- Market value of securities.

Holdings shall be updated on the public website, at minimum, semi-annually. Statements shall be provided to participants by 5pm PT the first business day of the following month. Performance reports shall be provided to participants and on the website by 5pm PT on the fifth business day of the following month.

In-depth due diligence meetings with the Investment Manager shall be conducted by the Investment Committee at least once annually. The Investment Manager shall present holdings and current strategy to the Board of Trustees at least twice annually.

XV. REPORTING

In the event that a Portfolio investment is downgraded below the minimum mandated credit quality guidelines, the Investment Manager shall notify CalTRUST and provide an evaluation and a plan of action within five (5) business days.

XVI. SAFEKEEPING AND CUSTODY

Securities will be held by an independent third-party custodian selected by the JPA as evidenced by safekeeping receipts in the JPA's name and monthly reports from the custodian. Any custodian retained by the JPA shall meet the following criteria:

- i. the custodian shall be a bank or trust company, in good standing, duly authorized to exercise trust powers and subject to supervision or examination by a federal or state banking authority; and
- ii. the custodian shall have combined capital and surplus in excess of fifty million dollars (\$50,000,000).

Notwithstanding the foregoing, a custodian that does not meet the requirement of clause (ii) above may be retained as the custodian for CalTRUST if its obligations under the Custody Agreement are guaranteed by an Affiliate which meets all of the qualifications set forth above, and such guaranty is acceptable in form and substance to the JPA.

XVII. INTERNAL CONTROLS

Management is responsible for the creation and administration of internal controls. A system of internal controls to ensure compliance with investment policies and procedures of the JPA and the California Government Code are established in conjunction with the Investment Manager, Custodian and Transfer Agent/Recordkeeper. The controls are reviewed annually through an independent audit of the funds conducted by a third-party auditor.

XVIII. INVESTMENT POLICY REVIEW

The investment policy shall be reviewed annually by the Investment Committee and Board of Trustees. The Board shall take action annually to either amend or reaffirm the Investment Policy.

XIX. GLOSSARY

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

ASSET-BACKED SECURITY (ABS) – A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of

1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

- Federal National Mortgage Association (FNMA) Federal Home Loan Bank (FHLB)
- Federal Farm Credit Bank (FFCB)
- Federa Home Loan Mortgage Corporation (FHLMC)

ILLIQUID – A security that is difficult to buy or sell or has a widespread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONDON INTERBANK OFFERED RATE (LIBOR) - A globally accepted key benchmark interest rate that indicates borrowing costs between banks. The rate is calculated and published each day by the Intercontinental Exchange (ICE). LIBOR is being phased out and will be replaced by the Secured Overnight Financing Rate (SOFR).

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THRU SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

PORTFOLIO VALUE – The total book value amount of all the securities held in each fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor, the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements.

SAFEKEEPING – A custodian bank’s action to store and protect an investor’s securities by segregating and identifying the securities.

SECURED OVERNIGHT FINANCING RATE (SOFR) - A benchmark interest rate for dollar-denominated derivatives and loans that is replacing the London interbank offered rate (LIBOR).

SECURITIES LENDING – A transaction wherein the pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.



Program Registration Form and Participation Agreement

Instructions

To become a CalTRUST Participant, please complete this **Program Registration Form and Participation Agreement**. If you have any questions concerning any part of this form, please call the CalTRUST toll-free number: (833) CALTRUST (225-8787).

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the CalTRUST Joint Exercise of Powers Agreement, dated as of February 24, 2005, as amended April 18, 2018, by and among the members of CalTRUST (the "JP Agreement") or the information statement of CalTRUST (the "Information Statement"), as applicable.

When the Program Registration Form and Participation Agreement is complete, please submit as follows:

SCAN AND E-MAIL A COPY of this Form to CalTRUST Shareholder Services: admin@caltrust.org

MAIL THE ORIGINAL of this Form to:

CalTRUST
PO Box 2709
Granite Bay, CA 95746

Part 1. Agency Information

Name of Agency: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Website: _____

Type of Agency: _____

[County, City, Special District, Non-Profit, Other (please specify)]

Tax ID Number: _____

Part 2. Authorized Representatives and Signatories

(Below are the individuals authorized to conduct business on behalf of the participating entity)

Authorized Representatives of: _____
(Name of Agency)

Minimum Number of Signatories Required to Authorize a Trade: _____

Trustee/Fiduciary Signatures and Online Access

(The total number of Trustees/Fiduciaries signing below must equal or exceed the number of authorized signatories required per trade, as listed on the line above.)

Complete the form below to designate agency contacts and their roles. Please check the appropriate box(es) for each individual. The individual listed as the Primary Contact will be considered the main point-of-contact for the agency's CalTRUST account.

Authorized Signatory Trustee/Fiduciary: The undersigned certify that any of the persons signing below as an authorized signatory of the Participant have the full authority and capacity to invest funds in and withdraw funds from the Shares Program, as well as manage accounts through the CalTRUST Online Portal, pursuant to compliance with the minimum number of authorized traders listed above. The undersigned agree that the certifications, instructions, and authorizations contained in this Program Registration Form and Participation Agreement will remain in effect until CalTRUST receives written notice of change. It is only necessary for individuals certified as an Authorized Signatory to provide a signature.

Online Trading Opt-OUT: Selecting the Opt-OUT indicates that your agency does not allow for the Authorized Signatory to have access to conduct trades online.

Statement Only Access: The individual(s) for which Statement Only Access is selected will be granted access to the CalTRUST Online Participant Portal, but will only be able to access monthly statements and fund information. Authorized Signatories will have this access already and do not need to be indicated here.

Primary Contact

Name: _____

Title: _____

Email: _____ **Phone:** _____

Signature: _____ **Date:** _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Secondary Contact

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Representative

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Representative

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Representative

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Representative

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Representative

Name: _____

Title: _____

Email: _____ Phone: _____

Signature: _____ Date: _____

Select Account Access Option:

Authorized Signatory Trustee/Fiduciary	Online Trading Opt-OUT	Statement Only Online Access
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Part 3. Withdrawal Instructions

The Administrator agrees to honor all properly authorized wire transfer requests in accordance with the terms of the Information Statement that is then current.

At any time, the Participant may change (a) wiring instructions, (b) authorized representatives, (c) other information. However, the Participant agrees that the Administrator may rely on the information previously supplied by the Participant until the Administrator receives authorized written notification of any change on forms prescribed by CalTRUST. Changes will become effective within one (1) Business Day of receipt of written notice by the Administrator.

The Administrator is hereby authorized to act upon instructions received in writing by the authorized representative(s) listed in Part 2 of this agreement to have amounts withdrawn from the agency's CalTRUST account and wired only to the Federal Reserve member bank account designated below, unless changed by written instructions to the Administrator. It is understood that the Administrator will be under no obligation to honor, in whole or in part, any transfer request which (a) exceeds available funds invested in the Shares Program, (b) is provided by any person other than the authorized persons designated in Part 2 of this agreement, (c) is not in accordance with any other requirements stated herein.

Agency Name: _____

Bank Name: _____

ABA Number: _____

Account Name: _____

Account Number: _____

Bank Address: _____

The undersigned Authorized Signatory hereby confirms the banking information listed above as of

Name: _____ **Title:** _____

Signature: _____ **Date:** _____

Part 4. Acknowledgement & Certification

The undersigned certify and affirm that:

1. None of CalTRUST, its Trustees, the Administrator, the Investment Advisor or the Custodian has provided any advice to the Participant about whether to participate in CalTRUST. The Participant has requested and received from the Administrator all information that the Participant, after due inquiry, deemed relevant to participating in CalTRUST. The Participant has carefully reviewed the Information Statement and JP Agreement, has discussed with CalTRUST representatives any questions the Participant may have had as to such materials, and as to the business, operations or financial condition of CalTRUST, and agrees to be bound by the terms of the Information Statement and acknowledges the terms of the JP Agreement as they relate to the Participant. The Participant understands the risks of this investment as described in the Information Statement. The Participant has taken into account that, like an investment in most securities, there is a risk of loss of this investment, and that an investment through the Series of Shares known as the "CalTRUST Medium-Term Fund" Series will be relatively illiquid so that funds invested in those Funds will not be readily available. Taking into account these factors and all other factors relating to the Shares Program, the Participant has independently concluded that this investment is suitable for the Participant.
2. The Participant has consulted with its own legal, accounting, tax, investment and other advisers in connection with this investment, to the extent that the Participant has deemed necessary, including with respect to the investment of any tax-exempt bond proceeds, which may result in certain consequences if invested.
3. The Participant is duly authorized to enter into this Program Registration Form and Participation Agreement, and the person signing this Program Registration Form and Participation Agreement on behalf of the Participant is authorized to do so, under all applicable governing documents and investment objectives of the Participant, by the legislative or other governing body of the Participant, and pursuant to applicable laws. This Program Registration Form and Participation Agreement constitutes a legal, valid and binding agreement of the Participant enforceable against the Participant in accordance with its terms.
4. The Participant is either a political subdivision of a state, or an agency, authority, or instrumentality of the United States, a state or any political subdivision of a state, as those terms are used in the Investment Company Act of 1940, or designated non-profit.
5. The Participant understands that the Shares have not been registered under the Securities Act of 1933, as amended. The Participant understands that no federal or state agency has passed on the merits or fairness of this investment.
6. This Program Registration Form and Participation Agreement shall be binding on the Participant and its successors and assigns and shall inure to the benefit of the successors and assigns of CalTRUST and the Administrator. This Program Registration Form and Participation Agreement shall be governed by the laws of the State of California as such laws are applied to agreements that are made in California by California residents and that are to be performed wholly within California.
7. The Participant has reviewed CalTRUST's Investment Policy and has determined that it satisfies, and does not conflict with, the Participant's legal and policy requirements and investment objectives, including any limitations that the Participant has adopted that are more restrictive than State law or CalTRUST's Investment Policy, and the Participant agrees to review the Investment Policy each time its governing body reviews its own investment policy. To the extent that the Participant has any questions or concerns about the Investment Policy, it agrees to raise these matters expediently with CalTRUST and if such questions or concerns are not addressed to the satisfaction of the Participant, it agrees to sell its Shares.
8. The Participant accepts responsibility for the investment decisions of the Investment Advisor and agrees that it will independently review the performance of the Investment Advisor as often as it deems necessary to meet all legal requirements applicable to the investment of the Participant's funds with respect to investment decisions affecting the Participant.
9. If the Participant has in effect an annual delegation of discretionary investment power to its treasurer, such delegation to the treasurer will be in effect at all times when the Participant participates in the Shares Program.
10. *The Participant has carefully reviewed and understands the important disclosures and information contained in the Information Statement concerning the requirements, and consequences for failing to comply with such requirements, with respect to the following topics:*
 - When funds may be invested through or withdrawn from the Series of Shares known as the, CalTRUST FedFund Government Money Market Fund, CalTRUST LEAF Money Market Fund, CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and/or CalTRUST Medium-Term Fund;
 - When investments will begin earning income after an investment of funds through the CalTRUST FedFund Government Money Market Fund, CalTRUST LEAF Money Market Fund, CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and/or CalTRUST Medium-Term Fund;
 - When investments will stop earning income in connection with a withdrawal of funds from the CalTRUST FedFund Government Money Market Fund, CalTRUST LEAF Money Market Fund, CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and/or CalTRUST Medium-Term Fund;
 - Requisite form and timing of advance notices of and timing of receipt of funds for investments through the CalTRUST FedFund Government Money Market Fund, CalTRUST LEAF Money Market Fund, CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and/or CalTRUST Medium-Term Fund;
 - Requisite form and timing of advance notices of requests for withdrawals from the CalTRUST FedFund Government Money Market Fund, CalTRUST LEAF Money Market Fund, CalTRUST Liquidity Fund, CalTRUST Short-Term Fund, and/or CalTRUST Medium-Term Fund; and
 - When funds to be invested through the CalTRUST Medium-Term Fund will be automatically and temporarily invested through the CalTRUST Short-Term Fund, and when such funds will be automatically transferred from the CalTRUST Short-Term Fund and invested through the CalTRUST Medium-Term Fund as requested.

Part 5. Waiver and Disclaimer Related to Use of the CalTRUST Investment Program Internet Site by Participants

This Waiver and Disclaimer, acknowledged and agreed to by (name): _____,
the primary authorized representative of (agency) _____,

a participant in the CalTRUST Investment Program, hereinafter the "Program", sets forth terms and conditions for use of CalTRUST's "Internet Site for CalTRUST Investment Program (or Program) Participants," hereinafter "Internet Site." The accounts and services provided by the Trustee/Administrator, including those which the Program participant may access through the Internet Site, are governed by a separate Agreement between the parties, which Agreement remains in full force and effect. This Waiver and Disclaimer relating to the Program participant's use of the Internet Site is separate from and does not supersede the Agreement for participation in the Program.

1. **USE RESTRICTIONS** CalTRUST maintains the Internet Site as a service to Program Participants. Reproduction or modification of any information contained in the Internet Site is prohibited without the express written consent of the Trustee/Administrator. CalTRUST makes no representations that the information contained in the Internet Site is appropriate, available or permissible for use in all locations. Use of the Internet Site is prohibited where such use is in violation of the law.
2. **LIABILITY DISCLAIMER** In providing the information contained on the Internet Site, CalTRUST takes all reasonable precautions to ensure that the data is complete and accurate; however, neither the Trustee/Administrator nor any of its agents, shall have liability for any direct or indirect uses of such data, including, but not limited to, any and all investment decisions, regulatory filings or other uses made upon reliance upon any such data.

THE INFORMATION CONTAINED IN THE INTERNET SITE IS PROVIDED "AS IS" AND WITHOUT ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND, EITHER EXPRESSED OR IMPLIED. CALTRUST DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. CALTRUST MAKES NO WARRANTY OR REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THE INTERNET SITE. CALTRUST SHALL NOT BE LIABLE FOR ANY DAMAGES OR EXPENSES OF ANY KIND ARISING OUT OF YOUR USE, ACCESS OR INABILITY TO ACCESS THE INTERNET SITE OR YOUR RELIANCE ON THE INFORMATION CONTAINED IN THE INTERNET SITE.

3. **RIGHT TO CHANGE OR MODIFY** CalTRUST reserves the right to change, modify and/or withdraw the information in the Internet Site at any time without notice. The products and services referred to in the Internet Site may not be available in all locations. CalTRUST reserves the right to change, modify and/or withdraw any products and services at any time without notice.
4. **COMMUNICATIONS** Any information you send to the Internet Site must be legal, truthful and not violate the rights of others.
5. **JURISDICTION** This Waiver and Disclaimer shall be construed in accordance with, and governed by the laws of the State of California, without giving effect to conflict of law principles, and except insofar as the same are or may be preempted or superseded by applicable Federal law.
6. **INTEGRATION** These terms and conditions form the entire understanding and agreement with respect to the subject matter hereof and supersede any and all prior understandings or agreements. In the event of a conflict between these terms and conditions and those set forth in the agreement between the parties for participation in the Program, the terms and conditions of the agreement for participation in the Program shall prevail.
7. **SEVERABILITY** If any term or condition shall, to any extent, be invalid or unenforceable, the remainder of the terms and conditions shall not be affected thereby, nor shall the application of such term or provision to persons or circumstances other than those as which it is held invalid or unenforceable be affected thereby.
8. **THIRD PARTY CONTENT** CalTRUST is not responsible for content appearing on the Internet Site that is created, produced or provided by a third party. CalTRUST shall not be responsible for the accuracy or completeness of any such third party content.
9. **OTHER WEB LINKS** CalTRUST is not responsible for the content of other sites that are not controlled by CalTRUST to which the Internet Site may be linked. Inclusion of a link to another site does not imply an endorsement by CalTRUST.

Signature: _____ **Date:** _____

Part 6. Signatures of Person(s) Authorized to Establish Accounts

(Signature required from the individual(s) authorized to approve participation in the CalTRUST Program)

The undersigned hereby duly execute and deliver this Program Registration Form and Participation Agreement as of this _____ day of _____, 20____, as authorized signatories of:

Name of Agency: _____

Authorized Signatory

Name: _____

Title: _____

Signature: _____

Witness Name (optional): _____

Witness Signature (optional): _____

Additional Authorized Signatory (Optional)

Name: _____

Title: _____

Signature: _____

Witness Name (optional): _____

Witness Signature (optional): _____

CITY OF BELVEDERE
RESOLUTION NO. 2024-08
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELVEDERE
AMENDING BELVEDERE ADMINISTRATIVE POLICY MANUAL,
POLICY 2.5 INVESTMENTS

WHEREAS, Belvedere Administrative Policy Manual Section 2.5 Investments provides policies establishing investment objectives, criteria and oversight; and

WHEREAS, the Belvedere Finance Committee has recommended amendments to the Administrative Policy Manual Section 2.5 regarding this classification, as set forth in Exhibit A attached hereto; and

WHEREAS, on February 12, the City Council held a public meeting to consider the Administrative Policy Manual Amendments; and

WHEREAS, the City Council finds that the Administrative Policy Manual Amendments are categorically exempt from the California Environmental Quality Act ("CEQA") under CEQA Guideline section 15061(b)(3) (the "common sense exemption") as it can be seen with certainty that there is no possibility of a significant adverse environmental effect.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Belvedere that Part 2, Finance, of the City of Belvedere Administrative Policy Manual, Section 2.5 is hereby adopted as set forth in Exhibit A.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Belvedere on February 12, 2024, by the following vote:

AYES:

NOES:

ABSENT:


ABSTAIN:

APPROVED: _____

Peter Mark, Mayor

ATTEST: _____

Beth Haener, City Clerk

	CITY OF BELVEDERE – ADMINISTRATIVE POLICY MANUAL POLICY 2.5 INVESTMENTS		
	Adoption Date: 9/7/2004 Revised Date: 11/13/2018 4/12/2021 5/09/2022 Authority: City Council	Adopted by: Revised by:	City Council Resolution No. 2004-33 City Council Resolution No. 2018-32 City Council Resolution No. 2021-10 City Council Resolution No. 2022-23

2.5.1 PURPOSE

The Investment Policy provides guidelines for the prudent investment of cash that is temporarily available for investment, and outlines policies for the City’s cash management system. Its purpose is to enhance the economic status of the City while protecting the value of its pooled cash. This policy is applicable to all funds and investment activities under the direct authority of the City excluding pension trust funds, other post-employment benefit trust funds, and the proceeds of debt issues.

2.5.2 OBJECTIVE

- A. The investment objective is to ensure fund safety, preserve a significant amount of liquidity and achieve yields on City funds that are available for investment under the guidelines of this policy.
- B. The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to identify those funds that could be invested without adversely affecting City operations.

2.5.4 POLICY

In order to generate higher rates of return on its cash balances, the City pools the cash from all funds, except those funds held in trust for the City by various financial institutions in accordance with applicable trust agreements related to debt issues. Interest revenue derived from pooled cash is allocated monthly to the participating funds based on the relative cash balance of each fund.

2.5.5 INVESTMENT CRITERIA

Criteria for selecting investments and the order of priority are:

- **Safety:** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those

investments that are considered very safe and are allowable under Government Code Sections 53600 to 53610.

- Liquidity: This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs.
- Yield: This is the dollar earnings an investment can provide, and sometimes is described as the rate of return.

2.5.6 INVESTMENT APPROACH

It is the practice of the City to invest primarily in the Local Agency Investment Fund, Investment Trust of California (CalTRUST), the CalPERS Section 115 California Employers’ Pension Prefunding Trust Fund or hold cash on deposit at FDIC-insured banks. Investments of reserve funds or bond proceeds in other instruments may be considered if recommended by the Finance Committee to the City Manager for action by the City Council and provided that any such investments should only be undertaken if the likelihood of the City needing to deploy these funds in the near term is low.

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2.5.7 OVERSIGHT

The Finance Committee shall review investments and investment performance on an semi-annual basis with staff bringing a recommendation to the Finance Committee at the time of its budget and audit review meetings. On a quarterly basis, at a minimum, in consultation with the designated Finance Committee members, staff may request approval from the Finance Committee Chair to move funds between the CalTRUST funds and/or LAIF outside of the semi-annual reviews. The Committee’s findings shall be reported to the City Council through the Councilperson(s) who serve on the Committee. The Finance Committee shall review this Investment Policy every five years, and report any recommendations to the City Council through the Councilperson(s) who serve on the Committee.

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