



CITY COUNCIL STAFF REPORT

DATE: February 15, 2012 CONSENT CALENDAR
SUBJECT: AUTHORIZE THE INVESTMENT OF CITY FUNDS IN CALTRUST
FROM: David H. Ready, City Manager
BY: Department of Finance and Treasury

SUMMARY

An evaluation of the CalTRUST investment pool has been completed, and the City Treasurer is recommending that the City begin utilizing CalTRUST as a second investment pool in which to invest operating reserves and funds not required for immediate needs.

RECOMMENDATION:

1. Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE CITY OF PALM SPRINGS, CALIFORNIA, A "PUBLIC AGENCY" WITHIN THE MEANING OF THAT TERM AS DEFINED BY THE CALIFORNIA GOVERNMENT CODE, TO JOIN WITH OTHER PUBLIC AGENCIES AS A PARTICIPANT OF THE INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS "CalTRUST".
2. Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE INVESTMENT, DEPOSIT, AND WITHDRAWAL OF CITY OF PALM SPRINGS MONIES IN THE INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS CALTRUST".
3. Authorize the City Manager to execute all appropriate documents related to the application to, and administration of funds in, the CalTRUST and LAIF investment pools.

STAFF ANALYSIS:

A number of California public agencies have created a Joint Powers Authority (JPA) -- the Investment Trust of California, commonly known as CalTRUST -- for the purpose of pooling local agency assets for investing. Membership in the CalTRUST program is open to any Public Agency in California. At the present time, 16 counties, 17 cities, 31 water districts, and 18 other governmental agencies are CalTRUST participants.

CalTRUST invests in fixed income securities eligible for local agency investment pursuant to California Government Code Sections 53601 and 53635. A Board of Trustees supervises and administers the investment programs of the JPA. CalTRUST maintains and administers four pooled accounts within the program:

- a **Money Market** option, which invests in an existing SEC-registered money market fund, which is rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investor Services, and which maintains a dollar-weighted average maturity of less than 90 days;
- a **Short-Term** Account with a target duration of 0 – 2 years;
- a **Medium-Term** Account with a target duration of 1.5 – 3.5 years; and
- a **Long-Term** Account with a target duration of 5 – 7 years (although the City will not likely be utilizing this account).

The JPA is governed by a Board of Trustees, consisting of up to 15 members, all of whom are experienced investment officers or employees of the public agency members. The Trustees are responsible for setting the overall policies and procedures for the JPA, and for hiring and supervising the activities of the program administrator, the investment advisor, the custodian, the auditor, legal counsel, etc. Riverside County Treasurer-Tax Collector Don Kent is currently one of the Trustees.

One of the principal advantages of CalTRUST is its flexibility. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. At present, the JPA requires a minimum investment of \$250,000; however, this requirement can be waived at the discretion of the CalTRUST Administrator. CalTRUST provides printed statements on a monthly basis, as well as 24-hour, password protected information on member accounts via online access.

CalTRUST has entered into a Program Administration agreement with the CSAC Finance Corporation to provide administrative services. The CSAC Finance Corporation, formed in 1986, provides a broad range of financial services programs

through the California Statewide Communities Development Authority, a joint powers authority, which currently has over 50 counties, more than 225 cities, and more than 50 special districts throughout the State as members.

CalTRUST also has entered into an Investment Advisory agreement with Wells Capital Management (WellsCap) to serve as investment advisor for the JPA. Subject to overall policy direction of the Board of Trustees, the investment advisor is responsible for the daily management of the investment affairs and research relating to the JPA's accounts. Wells Capital Management is an asset management and broker / dealer firm and is a wholly-owned subsidiary of Wells Fargo Bank, N.A. WellsCap has a national and international client base consisting of major governmental and institutional funds and corporate portfolios. As of December 31, 2011, WellsCap had \$333 billion in assets under management, including \$120 billion in fixed-income assets and money market funds. CalTRUST's total assets as of February 1, 2012 are \$914 million.

The City Treasurer currently uses the Local Agency Investment Fund (LAIF) run by the State Treasurer, as a vehicle for managing liquidity in the portfolio. LAIF, however, has restrictions on the amount of funds that can be on deposit at any one time. CalTRUST will give the City Treasurer an additional vehicle to use in managing liquidity and bond proceeds, where appropriate; and if used in conjunction with LAIF, will provide increased diversification in the portfolio. In addition, the CalTRUST program will offer medium- and long-term options which LAIF does not offer.

Based on the liquidity features of the CalTRUST program and the overall flexibility of the program, approval of the resolution to participate in the Investment Trust of California is recommended, as well as a grant of authority to the City Manager to execute the Joint Powers Agreement and all other documents required for participation in the CalTRUST Joint Powers Authority.

All CalTRUST accounts comply with the limits and restrictions placed on agency investments by the California Government Code. Their investment policy is generally consistent with our City policy.

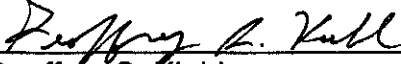
An evaluation of the CalTRUST investment pool has been completed per the City's Investment Policy, and CalTRUST meets the Policy criteria in all substantive matters. Therefore, the City Treasurer recommends that the City begin utilizing CalTRUST as a second investment pool in which to invest City funds not required for immediate needs.

FISCAL IMPACT:

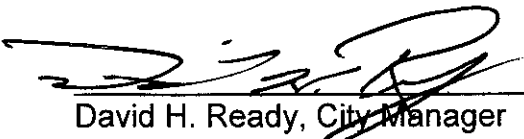
There are no costs associated with joining the Investment Trust of California Joint Powers Authority. As with LAIF, all expenses associated with participation in CalTRUST are deducted from the yield.

At present, the total annual operating expense of the CalTRUST Money Market Account is 0.13% (13 basis points) per year on the average daily net assets in the Money Market Account. Total annual operating expense of the CalTRUST Short-Term Account is 0.14% (14 basis points) per year on the first \$500 million of average daily net assets in the Short-Term Account (all participants combined), and 0.13% (13 basis points) per year on average daily net assets above \$500 million. Total annual operating expenses for the Medium-Term and Long-Term accounts are 0.24% (24 basis points) of the average daily net assets in the Medium- and Long-Term accounts, respectively.

There are no out-of-pocket expenses for money invested in CalTRUST. In addition, there are no transaction costs associated with contributions to, or withdrawals from, the CalTRUST accounts, or for transfers between CalTRUST accounts.



Geoffrey S. Kiehl
Director of Finance and Treasurer



David H. Ready, City Manager



Douglas Holland
City Attorney

Attachments:

- Resolution Authorizing the City to Join CalTRUST
- Resolution Authorizing the Administration of Funds with CalTRUST
- CalTRUST Information Statement
- CalTRUST Investment Policy
- CalTRUST Participating Agencies

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE CITY OF PALM SPRINGS, CALIFORNIA, A "PUBLIC AGENCY", WITH THE MEANING OF THAT TERM AS DEFINED BY THE CALIFORNIA GOVERNMENT CODE, TO JOIN WITH OTHER PUBLIC AGENCIES AS A PARTICIPANT OF THE INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS CaITRUST.

WHEREAS, Section 6502 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act") provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties; and

WHEREAS, Section 6509.7 of the Joint Exercise of Powers Act provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise their common authority to invest funds in their treasuries as authorized by subdivision (p) of Section 53601 of Title 5, Division 2, Part 1, Chapter 4, Article 2 of the Government Code of the State of California (the "California Government Code"); and

WHEREAS, under Section 6500 of the Joint Exercise of Powers Act, a "public agency" includes but is not limited to the federal government or any federal department or agency, the State of California, 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 the California Joint Exercise of Powers Act; and

WHEREAS, public agencies which constitute local agencies, as that term is defined in Section 53630 of the California Government Code, are authorized pursuant to Section 53601 and/or 53635 thereof to invest all money belonging to, or in the custody of, the local agency in certain specified investments; and

WHEREAS, the Investment Trust of California, carrying on business as CaITRUST (the "Joint Powers Authority") was established, pursuant to and in accordance with the Joint Exercise of Powers Act, by a Joint Exercise of Power Agreement, made as of February 24, 2005, as amended and restated as of August 4, 2009 (the "Joint Powers Agreement"), as a vehicle for public agencies to jointly exercise their common power to invest funds in accordance with applicable California law governing the investment of funds by public agencies; and

WHEREAS, pursuant to and in accordance with the Joint Exercise of Powers Act, the Public Agency desires to join the other public agencies which are or will be Participants of the Joint Powers Authority by adopting and executing the Joint Powers Agreement, a form of which has been presented to this meeting; and

WHEREAS, the Public Agency is a public agency as that term is defined in the Joint Exercise of Powers Act and a local agency as that term is defined in Section 53630 of the California Government Code; and

WHEREAS, the Public Agency is otherwise permitted to be a Participant of the Joint Powers Authority and to invest funds in the Joint Powers Authority to be managed by the Investment Adviser to the Joint Powers Authority, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law; and

WHEREAS, there has been presented to this meeting an Information Statement describing the Joint Powers Authority (the "Information Statement");

NOW THEREFORE THE CITY COUNCIL DETERMINES, RESOLVES AND APPROVES AS FOLLOWS:

Section 1. The Public Agency shall join with other public agencies pursuant to and in accordance with the Joint Exercise of Powers Act by executing the Joint Powers Agreement and thereby becoming a Participant in the Joint Powers Authority, which Joint Powers Agreement is hereby approved and adopted, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law. A copy of the Joint Powers Agreement shall be filed with the minutes of the meeting at which this Resolution was adopted. The Governing Body is hereby authorized to execute, and the Attesting Officer of the Governing Body is hereby authorized to attest and deliver, the Joint Powers Agreement, in substantially the form presented at this meeting.

Section 2. The Public Agency is hereby authorized to purchase shares of beneficial interest issued by the Joint Powers Authority from time to time with available funds of the Public Agency, and to redeem some or all of those shares from time to time as such funds are needed, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law.

Section 3. The appropriate officers, agents and employees of the Public Agency are hereby authorized and directed in the name of and on behalf of the Public Agency to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to accomplish the purposes of this Resolution.

Section 4. The Treasurer or principal financial officer of the Public Agency is hereby delegated authority of the Governing Body of the Public Agency to take all actions and to make and execute any and all instruments, which he or she might deem

necessary or appropriate in order to carry out the purposes of the Governing Body in adopting this Resolution, including, without limitation, the authority to extend the maturity of any investments made pursuant to this Resolution in accordance with applicable California law.

Section 5. Nothing contained in this Resolution shall be deemed to infringe upon the right of the Public Agency or the Governing Body or Treasurer or principal financial officer of the Public Agency to make other investments outside of the mandate of this Resolution in accordance with applicable California law to the fullest extent permitted thereunder.

Section 6. This Resolution shall take effect at the earliest date permitted by law.

ADOPTED THIS 15TH DAY OF FEBRUARY, 2012.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING THE INVESTMENT, DEPOSIT, AND WITHDRAWAL OF CITY OF PALM SPRINGS MONIES IN THE INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS CALTRUST.

WHEREAS, public agencies which constitute local agencies, as that term is defined in Section 53630 of the California Government Code, are authorized pursuant to Section 53601 and/or 53635 thereof to invest all money belonging to, or in the custody of, the local agency in certain specified investments; and

WHEREAS, the Investment Trust of California, carrying on business as CalTRUST (the "Joint Powers Authority") was established, pursuant to and in accordance with the Joint Exercise of Powers Act, by a Joint Exercise of Power Agreement, made as of February 24, 2005, as amended and restated as of August 4, 2009 (the "Joint Powers Agreement"), as a vehicle for public agencies to jointly exercise their common power to invest funds in accordance with applicable California law governing the investment of funds by public agencies; and

WHEREAS, the City of Palm Springs does hereby find that the deposit and withdrawal of monies in CalTRUST, in accordance with the provisions of Section 53601 and/or 53635 of the Government Code, for the purposes of investment as stated therein, to be in the best interests of the City of Palm Springs.

NOW THEREFORE THE CITY COUNCIL DETERMINES, RESOLVES AND APPROVES AS FOLLOWS:

SECTION 1. That the deposit and withdrawal of City of Palm Springs monies in CalTRUST in accordance with the provisions of Section 53601 and/or 53635 of the Government Code for the purpose of investment, as stated therein, is hereby authorized.

SECTION 2. That the following City of Palm Springs officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in CalTRUST:

Geoffrey S. Kiehl - Director of Finance and Treasurer
James Thompson - City Clerk
Nancy Klukan - Assistant Director of Finance
Robert Burkholder - Accountant

ADOPTED THIS 15TH DAY OF FEBRUARY, 2012.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

INVESTMENT TRUST OF CALIFORNIA,

doing business as



A JOINT POWERS AUTHORITY

INFORMATION STATEMENT

FOR THE SHARES PROGRAM

FEBRUARY 24, 2005
(REVISED SEPTEMBER 14, 2011)

1100 K STREET, SUITE 101
SACRAMENTO, CALIFORNIA 95814
TELEPHONE: 888-422-8778

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 and its telephone number is (888) 422-8778. 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 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 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, 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."

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 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, 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."

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 6509.7 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 accounts or series of Shares to provide Public Agencies with a convenient method of pooling funds, (i) the "CalTRUST Short-Term Fund" Series, (ii) the "CalTRUST Medium-Term Fund" Series, and (iii) the "CalTRUST Long-Term Fund" Series, (each, a "Series" and collectively, the "Series").

Investment Objectives

Each Series seeks to attain as high a level of current income as is consistent with the preservation 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 Long-Term Fund will have a target portfolio duration of 5 to 7 years.

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 values of the Shares of a 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 a Series' investment portfolio, the greater the potential change in value. 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 a 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 are not registered under any federal or state securities law. Neither CalTRUST nor any Series is registered under the Investment Company Act of 1940 (the 1940 Act). For that reason, CalTRUST and the Series 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 and the CalTRUST Long-Term Fund are calculated monthly. 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 Advisory Agreement. The Participant must then complete and submit to the Administrator, a Program Registration Form and Participation Agreement.

How to Purchase Shares

Once appropriate accounts have been established, Shares may be purchased by wiring funds to the Custodian (defined below) from the Participant's bank, along with written instructions as described in more detail in this Information Statement.

How to Sell Shares

Shares may be sold by requesting a wire transfer, as described in more detail in this Information Statement.

Minimum Purchase	A Participant must purchase a total of at least \$250,000 of Shares through one or more Series in order to participate. The Administrator (defined below) may waive that minimum purchase in its discretion.
Series Expenses	The costs and fees for each Series are set forth in Section X hereto.
Board of Trustees	CalTRUST is currently governed by a Board of Trustees of nine 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 Advisor, and other agents of CalTRUST.
Administrator	The " <u>Administrator</u> " is the entity engaged by CalTRUST to serve as the subadministrator to CalTRUST and administrator of the Shares Program pursuant to the terms of the Administration Agreement. CSAC Finance Corporation, with an office at 1100 K Street, Suite 101, Sacramento, California 95814, is the Administrator for the Shares Program.
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. Union Bank of California, N.A. a custodial bank with an office at Monterey Park, California 91755 is the Custodian for each Series.
Investment Advisor	The " <u>Investment Advisor</u> " is the entity engaged by CalTRUST to serve as the investment advisor to the Shares Program pursuant to the terms of the Advisory Agreement. Wells Capital Management, a wholly-owned subsidiary of Wells Fargo Bank, NA, with its principal office at 525 Market Street, 10 th Floor, San Francisco, CA 94105, is the Investment Advisor 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.

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 forward it to:

*CSAC Finance Corporation
1100 K Street, Suite 101
Sacramento, California 95814
Attention: CalTRUST*

There is no limit on the number of accounts that can be opened by a Participant. Additional forms of Program Registration Form and Participation Agreement are provided for this purpose. 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 calling the Administrator at (888) 422-8778, and asking for CalTRUST Service Center.

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, 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."

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. Although CalTRUST does not initially intend to permit Participants to invest tax-exempt bond proceeds to the extent that the bond proceeds of a Participant would constitute greater than 10% of the assets in any Series, if the 10% threshold is later or inadvertently reached with respect to a Series, such Series will no longer qualify as an "external" commingled fund with the consequence that Participants will be deemed to have received, for purposes of arbitrage rebate and yield calculations, phantom income equal to the reasonable administrative costs related to overhead and other indirect costs that would otherwise have been deductible for such calculations. *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 accounts or series of Shares to provide Public Agencies with a convenient method of pooling funds, (i) the "CalTRUST Short-Term Fund" Series, (ii) the "CalTRUST Medium-Term Fund" Series, and (iii) the "CalTRUST Long-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 nonassessable. Each Series of Shares will be benchmarked against a fund or index believed by the Investment Advisor 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 Advisor could select alternate benchmarks with which to compare a Series' performance.

Short-Term Fund Benchmark:

The performance benchmark for the Short-Term Fund is the investment fund specified below:

Short-Term Fund: 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 2006, LAIF had \$16.7 billion under management. LAIF conducts a market valuation of its investments each month.

Medium-Term Fund Benchmark:

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

Medium-Term Fund: Merrill Lynch U.S. Treasury & Agency 1-3 Years Index

The Merrill Lynch US Treasury and Agency 1-3 Year Index is an unmanaged index consisting of the cumulative daily returns of US Treasuries and federal agency securities with maturities between one and five years.

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.

Long-Term Fund Benchmark:

The performance benchmark for the Long-Term Fund is the unmanaged index specified below:

Long-Term Fund: As of the date of this Information Statement, a benchmark had not yet been selected for the LongTerm Fund, which has yet to be activated by the CalTRUST Board of Trustees.

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

C. MINIMUM PURCHASE

A Participant must purchase a total of at least \$250,000 of Shares through one or more Series in order to participate.

D. INVESTMENT BENEFITS

The Investment Advisor 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.

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

E. AUTHORIZED INVESTMENTS

The securities purchased by CalTRUST through the Investment Advisor 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. 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.

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. 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.

5. 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.
6. 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 by a 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, or the equivalent, by a NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 25 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.
7. 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), or a state or federal credit union, or by a 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 legislative body of any Participant, or any person with investment decisionmaking authority for any Participant, 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.

8. Investments in repurchase agreements of Authorized Investments as long as the agreements are subject to the requirements of California Government Code Section 53601(i), including the delivery requirements specified in California Government Code Section 53601(i). “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.
9. 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 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.
10. 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.

11. 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.
12. 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 of a maximum of five years maturity. Securities eligible for investment under this subsection shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subsection may not exceed 20 percent of the assets in a Series.

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 of California. 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.

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 Investment Company Act of 1940 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.

F. 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 Short-Term Fund seeks a target portfolio duration of 0 to 2 years. The Medium-Term Fund seeks a target portfolio duration of 1¹/₂ to 3¹/₂ years. The Long-Term Fund seeks a target portfolio duration of 5 to 7 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

G. RISKS

1. General. Because the values of the Shares of a Series will change with market conditions, 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 and Long-Term Fund have 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

H. INVESTMENT RESTRICTIONS

The Board has adopted the following investment restrictions for the Shares Program. 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.

I. APPLICATION OF PERCENTAGES

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

J. 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

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 1:00 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.

Medium-Term Fund and Long-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 and the Long-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 the last Business Day of a month will begin earning dividends for the following month. Shares will continue to earn dividends until the Business Day such Shares are redeemed and the funds are wired to the Participant. 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.

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 Short-Term Fund is normally determined by the Administrator as of 1:00 p.m. Pacific time on each Business Day. The net asset values of the Shares of the Medium-Term Fund and the Long-Term Fund are normally determined by the Administrator as of 1:00 p.m. Pacific time on the last Business Day of each month. 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 each Series 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 Administrator normally will announce the net asset value of the Shares of the Short-Term Fund by 9:00 a.m. on the Business Day after it is determined and will announce the net asset values of the Shares of the Medium-Term Fund and Long-Term Fund within three Business Days after they are determined.

C. YIELD INFORMATION

The aggregate and average annual total return, current annualized yield and effective annual yield of each Series may, from time to time, be quoted in reports, literature and advertisements published by CalTRUST.

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 and the Long-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 Short-Term Fund, Medium-Term Fund and/or Long-Term Fund, as applicable, by such Participant.

The Administrator will process investments, withdrawals and transfers only on Business Days.

B. INVESTMENTS

Investments in a Series can be made by wire transfer of immediately available funds from the Participant's bank to the Custodian. However, *the Administrator reserves the right to reject any investment and to limit the size of a Participant's account.*

To make an investment, a Participant must follow both of the following steps:

Step 1: Provide the Administrator with the following information, either in writing by mail, courier service, or facsimile (1100 K Street, Suite 101, Sacramento, California 95814; Fax 252-972-1908, or by telephone 888-422-8778. Attention: CalTRUST Service Center.

- Participant's account name
- Participant's CalTRUST account number
- Amount being wired
- Type of wire – Federal Reserve or bank
- Name of Participant's bank sending wire

Step 2: Instruct the Participant's bank to wire funds as follows (Federal Reserve wire if possible). Please contact the CalTRUST Customer Service Center at (888) 422-8778 for wiring instructions.

To receive wiring instructions with respect to the Long-Term Fund, a Participant should contact the Administrator.

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

Short-Term Fund

Investments will not begin earning income unless and until the Administrator 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 Administrator 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 Administrator before 1:00 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 by the Custodian before 1:00 p.m. Pacific time, otherwise funds will be considered delivered on the next Business Day.

Medium-Term Fund and Long-Term Fund

Funds may be invested in the Medium-Term Fund or the Long-Term Fund only once per month on the last Business Day of the month; *provided, however*, that the Administrator receives at least five Business Days' prior notice of the investment (*i.e.*, on or before the fifth to the last Business Day of the month), and the Custodian receives a Federal Reserve wire or bank wire convertible to Federal Funds on a same-day basis within five Business Days after such notice is received by the Administrator (*i.e.*, on or before the last Business Day of the month).

Investments will not begin earning income unless and until the Administrator receives the requisite advance notice and the funds are received by the Custodian within the requisite time. When the Administrator receives the requisite advance notice and the funds are received by the Custodian within the requisite time, investments will be made and begin earning income for the following month.

In any particular month, if a Participant gives late notice or transmits late funds (i.e., the Administrator receives notice of the investment after the fifth to the last Business Day of such month or the Custodian receives the funds after the last Business Day of such month), then from the Business Day on which funds

are received until the last Business Day of the following month, such funds shall be automatically invested in the Short-Term Fund. In any particular month, if the Administrator receives requisite notice (*i.e.*, on or before the fifth to the last Business Day of such month) and the Custodian receives the funds before the last Business Day of such month, then from the Business Day on which funds are received until the last Business Day of such month, such funds shall be automatically and temporarily invested in the Short-Term Fund. On the last Business Day of the applicable month, such funds shall be automatically transferred from the Short-Term Fund and invested in the Medium-Term Fund or the Long-Term Fund as specified in the notice, unless such notice is properly withdrawn by providing the Administrator with at least five Business Days' prior notice.

Notice will be considered given on a particular Business Day if received by the Administrator before 1:00 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 by the Custodian before 1:00 p.m. Pacific time, otherwise funds will be considered delivered on the next Business Day.

C. SALES

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

To make a withdrawal, a Participant must provide the Administrator with the following information, either in writing by mail, courier service or facsimile (1100 K Street, Suite 101, Sacramento, California 95814, Fax (310) 826-3188) or by telephone ((888) 422-8778) Attention: *CalTRUST* Service Center:

- Participant's account name
- Participant's account number
- Amount to be wired

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.

Short-Term Fund

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 Administrator receives the requisite notice.* Notice will be considered given on a particular Business Day if received by the Administrator before 1:00 p.m. Pacific time; otherwise it will be considered given on the next Business Day.

Medium-Term Fund and Long-Term Fund

Funds may be withdrawn from the Medium-Term Fund or the Long-Term Fund only once per month on the last Business Day of the month; *provided, however*, that the Administrator receives at least five Business Days' prior notice of the request for wire transfer.

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. Funds will remain invested in the Series until the day they are wired. *Funds will be wired on the last Business Day of the month for which the Administrator receives the requisite notice, and will not be wired in any month unless and until the Administrator receives the requisite notice.* Notice will be considered given on a particular Business Day if received by the Administrator before 1:00 p.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)).

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 Short-Term Fund, Medium-Term Fund and Long-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. To make a transfer, a Participant must provide the Administrator with the following information, in writing properly executed by mail, courier service or facsimile (1100 K Street, Suite 101, Sacramento, California 95814, Fax (310) 826-3188) or by telephone ((888) 422-8778) Attention: CalTRUST Service Center:

- Participant's account name from which funds will be transferred
- Participant's account name to which funds will be transferred
- Participant's CalTRUST account number from which funds will be transferred
- Participant's CalTRUST account number to which funds will be transferred.
- Amount being transferred

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 mailed to each Participant which will show the dividend paid and the account balance as of the statement date.

SECTION VI

TRUSTEES AND OFFICERS

A. BOARD OF TRUSTEES

*Cal*TRUST currently has a Board of Trustees that consists of nine Trustees, which may be increased or decreased from time to time by the then-current Board to no fewer than three and not greater than fifteen Trustees. The Board is responsible for the overall management, supervision and administration of *Cal*TRUST, including formulation of investment and operating policy guidelines of the Series. In addition, the Board oversees the activities of the Administrator, the Investment Advisor, the Custodian, legal counsel, independent auditors and other service providers and agents of *Cal*TRUST 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:

Dave Ciapponi, Westlands Water District

John Colville, City of Sacramento

Rod Dole, Retired

Glenn Duncan, City of Chino

Don Kent, Riverside County

Chuck Lomeli, Solano County

Dan McAllister, San Diego County

Russell Watts, Contra Costa County

Mary Zeeb, Monterey County

Trustees are appointed by the initial Members and the Board. 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 Advisor, 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: Charles Lomeli, Solano County

Vice President: Glenn Duncan, City of Chino

Treasurer: Dave Ciapponi, Westlands Water District

Secretary: Christine Feusahrens, California State Association of Counties

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 Advisor, 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

ADMINISTRATOR

A. ADMINISTRATOR

CSAC Finance Corporation (the “Administrator”), with an office at 1100 K Street, Suite 101, Sacramento, California 95814, is the administrator of the Shares Program and subadministrator to CalTRUST. The Administrator was formed in 1986.

B. ADMINISTRATIVE SERVICES

The Administrator supervises the administrative and ministerial aspects of CalTRUST’s operations and assists with the administration of the Shares Program, pursuant to a program administration agreement with CalTRUST and the Investment Advisor (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 180 days’ 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 30 days’ notice thereof to such other party.

The Administrator provides the following customer service, administrative and marketing services to CalTRUST and for the Shares Program in accordance with the Administration Agreement:

- Operation of a toll-free telephone facility to be used exclusively by Participants or by Public Agencies interested in becoming Participants in CalTRUST.
- Making available to Participants confirmation of each Participant’s investment and redemption transactions, and preparation and provision of monthly statements summarizing transactions, earnings, and assets for the Shares Program;
- Maintenance of the books and records of CalTRUST and the Shares Program, including Participant account records;

- Supervision, under the general direction of the Board, of all administrative aspects of operations, including, but not limited to, facilitation and providing notice of meetings of Participants and the Board, making statutory and regulatory filings and otherwise assisting in the compliance with applicable California law, and preparing staff analyses for the Board;
- At the request of *CalTRUST*, developing procedures to assist *CalTRUST* and its Participants with, among other matters, filing of Fair Political Practices Commission forms, adherence of *CalTRUST* to its investment objectives, policies, restrictions, tax matters and applicable laws and regulations;
- Management of legal procedures and policies, legal services and independent accountant services;
- Periodic updating and preparation of the Information Statement;
- Preparation of tax returns, financial statements and reports for *CalTRUST*;
- Coordination of the activities of the Custodian;
- Provision of office space, equipment and personnel to administer the Shares Program;
- Printing and distribution to Public Agencies of the Information Statement and other documents;
- Coordination of marketing activities and preparation and distribution of explanatory and promotional materials;
- Provision of technical assistance and guidance to potential Participants considering participation in *CalTRUST*;
- Determination of dividends and net asset value of the Shares in accordance with the policies of *CalTRUST* and the JPA Agreement;
- Facilitating the procedures necessary for Participants to withdraw investments;
- Performing agreed upon services necessary in connection with the administration of *CalTRUST*, including registrar, transfer agent and record keeper functions, accounting and clerical services; and
- Supervising third parties retained by the Administrator, if any, to perform any or all of the administrative and ministerial services listed above.

SECTION VIII

INVESTMENT ADVISOR

A. INVESTMENT ADVISOR

Wells Capital Management, a wholly-owned subsidiary of Wells Fargo Bank, N.A., with its principal office at 525 Market Street, 10th Floor, San Francisco, CA 94105, is the Investment Advisor 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 Advisor.

The Investment Advisor is an investment advisory, asset management and broker/dealer firm specializing in securities lending and short-term fixed-income asset management. The Investment Advisor was established in 1992. The Investment Advisor has a national client base consisting of major institutional funds and corporate portfolios. As of January 31, 2007, the Investment Advisor had over \$62 billion in assets under management.

B. ADVISORY SERVICES

The Investment Advisor manages the investment of the assets in each Series, including the placement of orders for the purchase and sale of investments, pursuant to an investment advisory agreement with CalTRUST (the “Advisory Agreement”). The Investment Advisor 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 will remain in effect for a period of one (1) year, and may be extended for subsequent one (1) year periods upon mutual written agreement of CalTRUST and the Investment Advisor. The Advisory Agreement may not be assigned by the Investment Advisor without the consent of the Board of Trustees; *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 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. The Advisory Agreement may be terminated by either party, at any time and without penalty, immediately upon written notice to the other party, if the other party is in material breach of the Advisory Agreement. and such breach has not been cured within ten (10) days after written notice of such breach has been provided to the other party.

C. INVESTMENT TRANSACTIONS

The Investment Advisor is responsible for decisions to buy and sell securities for CalTRUST and arranges for the execution of security 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 Advisor will effect transactions with those dealers whom the Investment Advisor believes provide the most favorable price and efficient execution. If the Investment Advisor 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 *CalTRUST*. 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 Advisor 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. While such services are useful and important in supplementing its own research and facilities, the Investment Advisor believes the value of such services is not determinable and does not significantly reduce its expenses. *CalTRUST* does not reduce the management fee paid to the Investment Advisor by any amount that may be attributable to the value of such services.

SECTION IX

CUSTODIAN

A. CUSTODIAN

Union Bank of California, N.A. a custodial bank with an office at Monterey Park, California 91755 is the Custodian for each Series.

B. CUSTODIAL SERVICES

The Custodian holds all cash and securities of each Series, pursuant to an Institutional 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 Operating Expenses of the CalTRUST Short-Term Fund

	<u>Average Daily Net Assets in the Short-Term Fund¹</u>		
	<u>Up to</u> <u>\$500 Million</u>	<u>\$500 Million</u> <u>to \$1 Billion</u>	<u>Over \$1</u> <u>Billion</u>
Investment Advisory Fee ²	0.10%	0.09%	0.08%
Administrative Fee ³	0.04%	0.04%	0.04%
Contingent Fee for Other			
Operating Expenses (estimated) ⁴	0.01%	0.01%	0.01%
Total Annual Operating Expenses	0.15%	0.14%	0.13%

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

² Calculated on a daily basis and deducted monthly by the Investment Advisor from the net assets in the Short-Term Fund.

³ 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, custodial, transfer agency, record keeping, and accounting 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.

⁴ 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, 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 Advisor 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.

Total Annual Operating Expenses of the *CalTRUST* Medium-Term Fund and the *CalTRUST* Long-Term Fund

	<u>Average Daily Net Assets in the Medium-Term or Long-Term Fund¹</u>		
	<u>Up to \$500 Million</u>	<u>\$500 Million to \$1 Billion</u>	<u>Over \$1 Billion</u>
Investment Advisory Fee ²	0.20%	0.18%	0.16%
Administrative Fee ³	0.04%	0.04%	0.04%
Contingent Fee for Other			
Operating Expenses (estimated) ⁴	0.01%	0.01%	0.01%
<u>Total Annual Operating Expenses</u>	0.25%	0.23%	0.21%

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

² Deducted monthly by the Investment Advisor from the net assets in the Medium-Term Fund or the Long-Term Fund, as appropriate.

³ Paid monthly to the Administrator from the net assets in the Medium-Term Fund or the Long-Term Fund, as appropriate. The Administrator will be responsible for account administration, custodial, transfer agency, record keeping, and accounting 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 or Long-Term Fund, as appropriate, 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 or the Long-Term Fund, as appropriate.

⁴ The Medium-Term Fund or the Long-Term Fund, as appropriate, will also be responsible for legal and audit fees, insurance (including trustees and officers insurance) premiums, Trustees' and officers' reasonable travel and other expenses, 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 Advisor 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 or the Long-Term Fund, as appropriate.

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.

* * *

ATTACHMENT A

See attached Program Registration Form and Participation Agreement.

**INVESTMENT TRUST OF CALIFORNIA,
doing business as**



**A JOINT POWERS AUTHORITY
INVESTMENT POLICY
FOR THE SHARES PROGRAM**

EFFECTIVE AS OF:

**FEBRUARY 24, 2005
(UPDATED SEPTEMBER 14, 2011)**

**1100 K STREET, SUITE 101
SACRAMENTO, CALIFORNIA 95814
TEL (888) 422-8778**

INVESTMENT POLICY FOR THE SHARES PROGRAM

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 Short-Term Fund” Series (the “Short-Term Fund”), the “CalTRUST Medium-Term Fund” Series (the “Medium-Term Fund”) and the “CalTRUST Long-Term Fund” Series (the “Long-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.

A. 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.

B. 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.

C. SERIES BENCHMARKS

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

Short-Term Fund:	Local Agency Investment Fund
Medium-Term Fund:	Merrill Lynch U.S. Corporate & Government 1-3 Years, A Rated or Above Index
Long-Term Fund:	Merrill Lynch U.S. Government Treasury & Agency 5- 10 Years, AAA Rated Index

D. MINIMUM PURCHASE

A Participant must purchase a total of at least \$250,000 of Shares through one or more Series in order to participate in the Shares Program. Whenever a Participant's investment is less than the minimum established from time to time by CalTRUST's Board of Trustees, such Participant will be required to sell its Shares, 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, such Participant shall not be required to sell its Shares.

E. INVESTMENT BENEFITS

By purchasing Shares in any Series, the Investment Advisor seeks to provide the following benefits:

- **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.

F. 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.

- (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) 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.
- (5) 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.
- (6) 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 by a 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, or the equivalent, by a NRSRO. Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 25 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.

- (7) 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), or a state or federal credit union, or by a 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 legislative body of any Participant, or any person with investment decisionmaking authority for any Participant, 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.
- (8) Investments in repurchase agreements of Authorized Investments as long as the agreements are subject to the requirements of California Government Code Section 53601(i), including the delivery requirements specified in California Government Code Section 53601(i). "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.

- (9) 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 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.
- (10) 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.
- (11) 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.
- (12) 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 of a maximum of five years maturity. Securities eligible for investment under this subsection shall be issued by an issuer having an “A” or higher rating for the issuer’s debt as provided by a nationally recognized rating service and rated in a rating category of “AA” or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subsection may not exceed 20 percent of the assets in a Series.

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.

G. 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 Short-Term Fund seeks a target portfolio duration of 0 to 2 years. The Medium-Term Fund seeks a target portfolio duration of 1½ to 3½ years. The Long-Term Fund seeks a target portfolio duration of 5 to 7 years.

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.

H. 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.

I. APPLICATION OF PERCENTAGES

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

Home > About > Participating Agencies

Participating Agencies

Counties:

- Butte County*
- Contra Costa County*
- Riverside County*
- Solano County*
- Sonoma County*
- Yuba County*
- Alameda County
- Santa Barbara County*
- San Diego County*
- Imperial County
- Monterey County*
- Madera County
- Del Norte County
- Mono County
- Wells Fargo Bank, as Trustee for County of Mendocino TRAN
- Wells Fargo Bank, as Trustee for County of Tulare TRAN

Cities:

- Chino*
- Chino Redevelopment Agency*
- National City*
- Riverside
- Pinole*
- Pinole Redevelopment Agency*
- Oakley
- Richmond
- Poway
- Albany
- Hercules
- Rancho Cucamonga
- Rancho Cucamonga Redevelopment Agency
- Chula Vista
- San Bernardino
- Sacramento*
- Sacramento Housing and Redevelopment Agency
- Wells Fargo Bank, as Trustee for City of Stockton TRAN
- City of Larkspur
- City of El Paso de Robles
- City of El Centro

Water Districts/Special Districts:

- Rio Alto Water District*
- Central California Irrigation District
- West County Wastewater District (Contra Costa County)
- Dudley Ridge Water District
- San Luis & Delta-Mendota Water Authority
- Westlands Water District*
- Eastern Municipal Water District
- Chino Basin Water Conservation District
- West Valley Mosquito and Vector Control District*
- Water Facilities Authority*
- Westlands Water District - 2007A Reserve
- San Luis & Delta-Mendota Water Authority
- Contra Costa County – Central Sanitary District
- Kings River Conservation District
- Kinneloa Irrigation District
- San Mateo Transit Authority*
- Los Angeles County Metropolitan Transportation Agency
- Inland Empire Utilities Agency
- Helendale Community Services District
- Consolidated Central Valley Table Grape Pest & Disease Control District

- Board of Trustees
- Board Agendas & Minutes
- Investment Philosophy
- Portfolio & Performance
- Frequently Asked Questions
- Participant Listing

Calendar & Holiday Schedule

February 20, 2012
Presidents' Day
Closed for Trading

April 06, 2012
Easter Observed
Closed for Trading

April 25, 2012
CalTRUST Board Meeting
Monterey County

May 25, 2012
Memorial Day Observed
Early Closure - 10:00 am PST

May 28, 2012
Memorial Day
Closed for Trading

July 03, 2012
Independence Day Observed

- San Diego Unified Port District
- Monterey Peninsula Regional Park District
- Regional Government Services Authority
- Santa Ana Watershed Project Authority
- Midway City Sanitary District*
- Fallbrook Healthcare District
- Westlands Water District
- Santa Lucia Community Services District
- Yorba Linda Water District
- West Valley Water District
- South Feather Water and Power Agency

Other:

- ABAG Finance Authority
- National Homebuyers Fund, Inc.
- California State Association of Counties
- CPS Human Resource Services
- CRHMFA Homebuyers Fund
- CSAC Finance Corporation
- League of California Cities
- Regional Council of Rural Counties
- ALPHA Fund*
- CRHMFA Homebuyers Fund – Building Account
- CSU – Risk Management Authority
- National Association of Counties (NACO)
- California Special Districts Association (CSDA)
- CSDA Finance Corporation
- CSAC Public Funds
- Association of California Water Agencies (ACWA)
- ACWA Health Benefits Authority

- Community Colleges
- College of the Sequoias

*JPA Member

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