

NYCLASS[®]



Information Statement

July 2024

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General Information

New York Cooperative Liquid Assets Securities System (NYCLASS) is a short-term, highly liquid investment fund designed specifically for the public sector. It provides the opportunity to invest funds on a cooperative basis in short-term investments that are carefully selected to maximize safety and liquidity while generating a competitive yield.

Participation is available to any municipal corporation or special purpose district empowered under New York State Statute including counties not within the City of New York, cities, towns, villages, school districts, fire districts, and boards of cooperative educational services.

NYCLASS is subject to the terms of the October 20, 1999, NYCLASS Municipal Cooperation Agreement (the Agreement), as amended August 1, 2023, and is structured in accordance with New York State General Municipal Law (GML), Article 3-A and Article 5-G, Sections 119-n and o, and Chapter 623 of the Laws of 1998. All NYCLASS investment and custodial policies are in accordance with GML and Sections 10 and 11 (as amended by Chapter 708 of the Laws of 1992). The Agreement is between the Village of Rhinebeck (Lead Participant) and each district and/or municipal corporation that formed the original NYCLASS fund or that subsequently elects to participate. All parties to the Agreement are collectively referred to as “the Participants.”

NYCLASS is rated 'AAAm' by S&P Global Ratings. According to S&P, a fund rated 'AAAm' demonstrates an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P. A 'AAAm' rating by S&P Global Ratings is obtained after S&P evaluates a number of

factors including credit quality, market price exposure, and management. Ratings are subject to change and do not remove market risk. These ratings are neither a market rating nor a recommendation to buy, hold, or sell the securities by the rating agencies.

NYCLASS Governing Board

The Agreement is administered by an elected Governing Board (the Board) of up to 15 members. A Board Member must be either a Participant’s Chief Fiscal Officer or another designated officer or employee of the Participant who has knowledge and expertise in financial matters.

The powers and responsibilities of the Board include:

- Administering all aspects of the Agreement
- Entering into appropriate contracts to assist in the management of the Agreement
- Monitoring compliance with the investment policy, maturity limitations, and reporting and disclosure requirements established under the Agreement
- Testing the investments made pursuant to the Agreement at least once a month for sensitivity to changes in interest rates
- Disclosing to Participants any rating or change in rating from a nationally recognized statistical rating organization

The Board invests cooperative funds only in securities that are legal for public funds investment in New York. The Board limits these investments to repurchase agreements collateralized 102% with U.S. Treasury securities and agency securities backed by the full faith and credit of the U.S. government, U.S. Treasury bills and notes, obligations of the state of New York, collateralized bank deposits, and other U.S. government guaranteed obligations.

Authorized Investments

NYCLASS invests only in securities that are legal pursuant to GML; for further information, please read the NYCLASS Investment Policy.

- U.S. Treasuries
- Obligations of the State of New York
- Collateralized Bank Deposits
- Repurchase Agreements

Investment Risks

Participants should specifically consider the following risks before deciding to invest in NYCLASS. The following summary does not purport to be comprehensive or definitive of all risk factors. Investing involves risks including the possible loss of principal.

There are several risks associated with pooled investments.

The prices of the fixed-income securities in the fund will rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed-income securities fall. However, market factors, such as demand for particular fixed-income securities, may cause the price of certain fixed-income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The Investment Advisor will seek to manage this risk by purchasing short-term securities.

Stable Net Asset Value Risks

Although NYCLASS will be managed to maintain a stable NAV of \$1.00 per share, there is no guarantee that it will be able to do so.

Investment Not Insured or Guaranteed

An investment in NYCLASS is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Liquidity Risk

The fund is subject to certain liquidity risks in which the size of a bond's market, the frequency of trades, the ease of valuation, and/or issue size may impact the Investment Advisor's ability to sell investments in a timely fashion or at or near fair value in order to fulfill a Participant's redemption request.

Market Risk

Market risk is the risk that the value of securities owned goes up or down, sometimes rapidly and/or unpredictably, due to factors affecting securities markets generally or within particular industries.

Issuer Risk

The risk that the value of a security declines for a reason directly related to the issuer such as management performance, financial leverage, and reduced demand for the issuer's goods or services.

Default Risk

The risk that a bond issuer (or counterparty) will default by failing to repay principal and interest in a timely manner.

Professional Services Engaged by the Board

The Board enlists the services of several professionals to fulfill its administrative responsibilities: A Fund Administrator, an Investment Advisor, an Independent Auditor, Legal Counsel, and a Custodial Bank.

Fund Administrator/Investment Advisor:

Public Trust Advisors, LLC (Public Trust), an SEC-registered investment advisor, provides daily market reports and proposed investment strategies to the Lead

Participant's Fiscal Officer who, in turn, directs investment transactions on behalf of all NYCLASS Participants. Public Trust also performs a monthly "stress test" on the NYCLASS portfolio to determine its sensitivity to interest rate volatility and makes the necessary surveillance filings with S&P Global Ratings related in accordance with their 'AAAm' rating guidelines.

Custodian:

U.S. Bank. provides third-party custody services for the NYCLASS portfolio. The Custodian is responsible for the receipt and safekeeping of all cooperatively invested NYCLASS assets that are held in a segregated trust company institutional custody account.

Auditors:

Cohen & Company conducts an annual independent audit of the NYCLASS fund. Copies of the audit are distributed to all Participants and the New York State Comptroller.

Fund Objectives

In all its investments, NYCLASS seeks to maximize safety, liquidity, convenience, and competitive rates of return. The portfolio strategy is to be fully invested each night to maximize yields.

Safety

Besides investing public-sector funds only in securities legally permitted under New York law, NYCLASS offers the additional strength of its 'AAAm' rating by S&P Global Ratings as well as the security of an annual audit by an independent outside audit firm, Cohen and Company.

To further enhance safety, portfolio investments are carefully balanced to correspond with Participants' anticipated

cash flow needs as well as to minimize the effects of market volatility.

Several security features are also in place to protect against fraud or error. Only designated officials may conduct transactions, and funds may be transferred only to previously authorized bank accounts.

Liquidity

Participants may conduct transactions (deposits, withdrawals, or transfers) on any normal business day. All portfolio investments are carefully selected to ensure that cash is available whenever needed. There is never a penalty for withdrawals of invested funds including all accrued interest. There are no limits on the dollar amount or number of daily transactions except that total daily withdrawals may not exceed the total balance on deposit. There is no minimum balance requirement or transaction size.

Convenience

To make cash management simple and efficient, NYCLASS includes many features that make it easy to access account information and simplify record keeping. Participants may make account transactions on any business day using the NYCLASS online transaction system. In the unlikely event that the online transaction portal is unavailable, NYCLASS Participants may contact the Client Service team at (855) 804-9980 for further assistance.

Any transaction made with the proper notification to NYCLASS Client Services before 12:00 p.m. ET on a business day will be posted and, if appropriate, begin earning interest on that day; transactions made after 12:00 p.m. ET will be posted the next business day. All transactions are confirmed same day. Participants may also schedule transaction in advance to anticipate important draw dates. This "pre-

dating” function avoids timing problems and ensures that cash is available to meet specific payroll or other cash needs.

Participants may establish any number of NYCLASS subaccounts to track and parallel their own internal fund accounting structures. Although all investment and payment forms have been designed to be simple and user-friendly, we can also customize account information to meet special needs. Participants may contact the Public Trust Client Service Team on any business day to get specific account information or for other assistance.

Comprehensive monthly statements provide a detailed account history including daily account activity and transaction numbers. These statements have been designed specifically to facilitate public-sector fund accounting and to establish a clear accounting and audit trail for Participants’ investment records.

Rates of Return

NYCLASS Participants can benefit from the professional investment expertise provided by Public Trust. Participants in NYCLASS can take advantage of economies of scale relative to purchasing power and transaction and clearance costs as well as custody arrangements. Overall portfolio performance is enhanced by the different cash-flow cycles of the various Participants.

For the purpose of calculating the portfolio’s net asset value per share, the securities held by the portfolio are valued as follows: (1) securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities; (2) all other securities and assets are valued at fair market value determined in good faith. The result of this calculation is a share value that is rounded to the nearest penny. Accordingly, the price at which portfolio shares are sold and redeemed will not

reflect net realized or unrealized gains or losses on portfolio securities which amount to less than \$.005 per share. The fund will endeavor to minimize the amount of such gains or losses. However, if net realized and unrealized gains or losses should exceed \$.005 per share, a portfolio’s net asset value per share will change from \$1.00 or be maintained at \$1.00 per share by retention of earnings or the reduction on a pro rata basis of each Participant’s shares in the event of losses or by a pro rata distribution to each Participant in the event of gains.

It is a fundamental policy of NYCLASS to maintain a net asset value of \$1.00 per share, but for the reasons herein stated, there can be no assurance that the net asset value will not vary from \$1.00 per share. The net asset value per share of NYCLASS may be affected by general changes in interest rates resulting in increases or decreases in the value of the securities held by the fund. The market value of such securities will vary inversely to changes in prevailing interest rates. Thus, if interest rates have increased from the time a security was purchased, such security, if sold, might be sold at a price less than its cost. Similarly, if interest rates have declined from the time a security was purchased, such 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 fluctuations. Net investment income is declared and distributed daily via a daily dividend factor that is determined by dividing net investment income by joint value. The daily dividend factor is multiplied by the total dollars in each Participant’s account to arrive at a dividend that is then added to the Participant’s balance. The daily dividend factor is also used to calculate the daily interest rate which is the daily dividend factor multiplied by the number of days in the year. For convenience, the daily interest rate is

summarized in Participants' monthly statements.*

All expenses related to operating NYCLASS are encompassed in a single management fee that is deducted from portfolio earnings prior to the recording of daily investment results. The Governing Board has entered into an agreement with Public Trust Advisors, LLC, and effective July 1, 2024. Public Trust is paid a fee on a sliding scale. The maximum fee is 15 basis points on assets up to \$10 billion, 14 basis points on the next \$5 billion, 13 basis points on assets over \$15 billion up to \$20 billion, and 12 basis points on assets over \$20 billion. Fees accrue daily and are paid monthly in arrears. Fees may be waived or abated at any time in the sole discretion of the Fund Administrator/Investment Advisor.

The Fund Administrator/Investment Advisor fees cover the following costs and expenses of NYCLASS operation:

- Custodian fees
- Third parties retained by the Administrator/Investment Advisor
- Investment Property and record keeping expenses
- Securities clearance transaction charges
- Outgoing wire charges of the Custodian
- Auditor and legal counsel charges
- Expenses related to all NYCLASS sales and marketing
- NYCLASS website and maintenance
- Valuation of the Investment Property
- Board of Trustee meeting charges
- The cost of obtaining a rating from a nationally recognized statistical rating organization

Joining NYCLASS

In order to join NYCLASS, Participants must approve the NYCLASS Agreement by a majority vote of their governing body.

Once the Lead Participant has received and, through the Fund Administrator, processed the fully executed Municipal Cooperation Agreement and Authorizing Resolution, the Custodian will be notified, and participation can begin. A representative of the Fund Administrator will then inform the new Participant of the fund's contribution, withdrawal, and transfer procedures; establish the requisite accounts and bank wiring instructions; obtain authorized signatures; set up security arrangements; and answer any questions.

For additional information about the fund, please visit the NYCLASS website or contact us via phone at (855) 804-9980 or via email at clientservices@newyorkclass.org.

Any Participant may withdraw from the Agreement at any time upon written notice to the Lead Participant and the Governing Board. This document is intended to provide general information about NYCLASS, a cooperative investment fund designed for New York public entities. The specific terms of the fund are fully defined by the terms of both the NYCLASS Municipal Cooperation Agreement and New York State General Municipal Law.

*Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. A 'AAAm' rating by S&P Global Ratings is obtained after S&P evaluates a number of factors, including credit quality, market price exposure, and management. Ratings are subject to change and do not remove market risk. [Click here](#) for more information. NYCLASS is not a bank.

An investment with NYCLASS is not guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although NYCLASS seeks to preserve your investment at \$1.00, it cannot guarantee it will do so. External audits may not catch all instances of accounting errors and do not provide an absolute guarantee of accuracy.

06/24 Managed by Public Trust Advisors, LLC

Contact Information

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