

NYCLASS[®]



Prime Information Statement

July 2024

Table of Contents

General Information	3
Participation in NYCLASS Prime	3
NYCLASS Governing Board	3
Authorized Investments	4
Investment Risks	4
Professional Services Engaged by the Board	4
Fund Objectives	5
Safety	5
Liquidity	5
Convenience	5
Rates of Return	6
Joining NYCLASS Prime	7

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.

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. 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 Prime is one of two portfolio offerings available to eligible New York municipal corporations that are or become Participants. As further described herein, NYCLASS Prime is a professionally managed portfolio consisting of money market instruments and short-term securities designed specifically to meet the investment objectives of municipal corporations. The NYCLASS Prime investment and custodial policies were made in accordance with GML and Sections 10 and 11 (as amended by Chapter 708 of the Laws of 1992).

NYCLASS Prime 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.

Participation in NYCLASS Prime

Participation in NYCLASS Prime is currently available to any city in New York having a population of one million or more and any county in New York.

Effective July 19, 2021, bill A07209 was signed into law by the Governor of New York. The bill amended GML Section 11 to expand the authorized investment options for counties to be similar to those available to New York City.

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.

Authorized Investments

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

- U.S. Treasuries
- Obligations of, or instruments issued by, any agency or instrument of the U.S. including Federal home loan banks, the Tennessee Valley Authority, the Federal National Mortgage Association, Federal Home Loan Mortgage Association, and the United States Postal Service provided that no more than \$250 million is invested in any one agency
- Obligations of the State of New York
- General obligation bonds and notes of any state other than New York, provided that such obligations receive the highest rating of a least one rating agency
- Obligations of any corporation organized under the laws of any state, provided that such obligations received the highest rating of two independent rating services and that no more than \$250 million is invested in any one corporation
- Bankers' acceptances maturing within 270 days.
- No-load money market mutual funds, provided that such funds are limited to investments in obligations of agencies or instrumentalities of the U.S., where payment is guaranteed by the U.S.
- Collateralized bank deposits
- Repurchase agreements and tri-party repurchase agreements

Investment Risks

There are several risks associated with pooled investments.

Credit Risk – credit risk results from the possibility that an issuer of a security defaults by failing to pay the principal or interest in a timely manner. Any negative change to the credit quality of the portfolio holdings could lead to a decline in share price.

Interest Rate Risk – the potential that changes in overall interest rates could negatively impact the values of the fixed-income securities held within the portfolio. Changes to interest rates tend to have a greater impact on longer-maturity, fixed-income securities.

Liquidity Risk – liquidity risk results from the inability to efficiently convert assets into cash without suffering losses.

Other Forms of Risk – the investment decisions made by NYCLASS for Participants are subject to certain risks and such decisions may not always be profitable. NYCLASS does not guarantee returns or performance against stated benchmarks. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments.

Professional Services Engaged by the Board

The Board enlists the services of several professionals to fulfill its administrative responsibilities including 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 monthly "stress tests" on the NYCLASS portfolios to determine their 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 portfolios. The Custodian is responsible for the receipt and safekeeping of all cooperatively invested NYCLASS assets that are held in segregated trust company institutional custody accounts.

Auditors:

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

Fund Objectives

NYCLASS Prime 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 & Co..

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 has 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.

Any transaction made with 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 transactions 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 and/or NYCLASS Prime 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 customize account information to meet special requirements. Participants can contact the NYCLASS Client Service Team on any business day to get specific account information or for other assistance. NYCLASS Client Services is available by phone at (855) 804-9980 or they can be reached via email at clientservices@newyorkclass.org

Comprehensive monthly statements provide a detailed account history including daily account activity and transaction numbers. These statements have been specifically designed 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 either NYCLASS portfolio 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; and (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 that 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
- Governing Board meeting charges
- The cost of obtaining a rating from a nationally recognized statistical ratings organization

Joining NYCLASS Prime

Participation in NYCLASS Prime is currently available to any city in New York having a population of one million or more and any county in New York.

NYCLASS Prime is available to current NYCLASS Participants and new Participants.

Current Participants simply need to contact NYCLASS Client Services at clientservices@newyorkclass.org to establish a Prime account.

New 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 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 NYCLASS, 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 program designed for New York public entities. The specific terms of the program 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 the value of your investment at \$1.00 per share, 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

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