



## **Michigan CLASS EDGE Information Statement**

**March 2023**

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## Table of Contents

Michigan CLASS EDGE Introduction .....	3
Participants .....	3
Investment Objectives .....	4
Eligible Investments .....	4
Investment Restrictions .....	5
Investment Risks .....	5
Suitability.....	6
Income Allocations .....	6
Determination of Net Asset Value .....	7
Description of Shares.....	7
Fees and Expenses .....	8
Redemptions .....	8
Investing in Michigan CLASS EDGE.....	8
Reporting .....	9
Statements .....	9
Board of Trustees.....	9
The Investment Advisor and Administrator .....	9
Custodian.....	10
Legal Counsel .....	10
Independent Accountants.....	10

## Michigan CLASS EDGE Introduction

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The Michigan Cooperative Liquid Assets Securities System (Michigan CLASS) is pleased to offer Michigan CLASS EDGE (EDGE), a fund for Michigan Public Agencies that are or become Michigan CLASS Participants. As further described herein, the EDGE portfolio is a professionally managed portfolio consisting of money market instruments and medium-term notes designed for the short to intermediate reserve and surplus funds of Michigan Public Agencies.

Michigan CLASS was established in 1991 in accordance with Section 28 of Article 7 of the Michigan Constitution of 1963, providing, amongst other things, that the legislature may authorize two or more local governmental entities to enter into joint contractual agreements. In accordance with this constitutional provision and certain statutory provisions incorporated in the Urban Cooperation Act of 1967 of the state of Michigan, the Michigan CLASS Participation Agreement constitutes an interlocal trust agreement creating a legal entity established for the purpose of facilitating the joint investment of public sector surplus funds. Authority for the investment of public funds is included in Public Act 20 of 1943, Public Act 451 of 1976, Public Act 331 of 1966 and Public Act 94 of 1933, each as amended. The most recently Amended and Restated Michigan CLASS Participation Agreement (the Participation Agreement) was adopted by the Michigan CLASS Board of Trustees (the Board) and became effective on November 1, 2021.

EDGE was organized in 2021 and was created pursuant to the Participation Agreement. Public Agencies that participate in EDGE are referred to as "Participants" in the Participation Agreement and this Information Statement. The Participation Agreement allows for Michigan CLASS Participants to register and participate in EDGE. Each potential EDGE Participant receives a copy of the Participation Agreement, Information Statement, Investment Policy, and current financial statements before becoming a Participant.

## Participants

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Michigan CLASS is available to any county, city, village, township, school district, authority, or any other political subdivision organized under the laws of the state of Michigan. To join, such public agencies need to become a party to the Participation Agreement by adopting the necessary authorizing resolution and by providing a certified copy of such resolution to the Administrator, Public Trust Advisors, LLC (Public Trust). Pursuant to applicable state law, Public Trust will review each entity's investment policy and return the appropriate acknowledgement.

Michigan CLASS EDGE is available to current Michigan CLASS Participants as well as to new Participants. Prior to investing in EDGE, Participants are required to submit a Michigan CLASS EDGE Registration Form, which is available on the [Michigan CLASS Website](#).

## Investment Objectives

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EDGE is designed to complement the Michigan CLASS daily liquidity fund for Michigan Public Agencies. The general objective of the EDGE is to seek to generate a high level of income for Participants while preserving capital by investing only in investments legally authorized by Michigan Compiled Laws. EDGE offers longer dated, fixed-income investments seeking to enhance returns while providing weekly liquidity to its participants.

EDGE may only be invested in a manner that is permitted pursuant Public Act 20 of 1943, Public Act 451 of 1976, Public Act 331 of 1966 and Public Act 94 of 1933, each as amended. Furthermore, investments will be made in accordance with the Michigan CLASS EDGE Investment Policy, which is available on the [Michigan CLASS Website](#).

EDGE offers Participants a professionally managed portfolio to meet their intermediate liquidity needs. **EDGE does not seek to maintain a stable Net Asset Value (NAV).** EDGE will establish a \$10.00 transactional share price and will calculate and publish a fair value NAV. The EDGE portfolio is characterized by a higher weighted average maturity (WAM) and a longer target duration than the Michigan CLASS daily liquidity portfolio, which by contrast does seek to maintain a stable NAV. The principal value of an EDGE investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption.

Michigan CLASS adheres to the Financial Accounting Standards Board (FASB) guidelines for its accounting and financial reporting principles. In accordance with FASB guidance, Michigan CLASS utilizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements.

Michigan CLASS EDGE will seek to obtain a rating of 'AAAf/S1' by FitchRatings which generally speaks to the overall credit quality of the portfolio's holdings. The 'AAAf' rating is Fitch's opinion on the overall credit profile within a fixed-income fund/portfolio and indicates the highest underlying credit quality of the portfolio investments. The 'S1' volatility rating is Fitch's opinion on the relative sensitivity of a portfolio's total return and/or net asset value to assumed changes in credit spreads and interest rates. The 'S1' volatility rating indicates that the fund possesses a low sensitivity to market risks. This rating is neither a market rating or a specific recommendation to buy or sell a security. Ratings are subject to change and do not remove credit risk.

*No assurance can be given that Michigan CLASS will achieve its investment objective or that any benefits described in this information statement will result from the investment of monies in Michigan CLASS.*

## Eligible Investments

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EDGE may only be invested in a manner that is permitted pursuant Public Act 20 of 1943, Public Act 451 of 1976, Public Act 331 of 1966 and Public Act 94 of 1933, each as amended. Furthermore, investments will be made in accordance with the Michigan CLASS EDGE Investment Policy, which is available on the [Michigan CLASS Website](#).

## Investment Restrictions

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Michigan CLASS investments are subject to the following restrictions:

1. Michigan CLASS may not make any investment other than investments authorized by the Investment Policy, as may be amended from time-to-time.
2. May not borrow money or incur indebtedness whether or not the proceeds thereof are intended to be used to purchase Eligible Investments except as a temporary measure to facilitate withdrawal requests that might otherwise require unscheduled dispositions of portfolio investments and only as and to the extent permitted by law.
3. May not make loans, provided that Michigan CLASS may make Permitted Investments (that may include securities lending), as and to the extent permitted by law.
4. May not hold or provide for the custody of any investment property in a manner not authorized by law or by any institution or person not authorized by law.
5. The portfolio may invest in permitted securities as outlined in the Michigan CLASS EDGE Investment Policy.
6. Michigan CLASS may not buy securities from or sell securities to the Administrator, the Investment Advisor, the Custodian, or any member of the Board of Trustees (as each term is defined in the Participation Agreement), or with any affiliate, officer, director, employee, or agent of any of them.

Michigan CLASS may not enter into any repurchase agreements for any securities that are not listed as “permitted investments”. In addition, all such agreements must be collateralized at 102% with a Public Securities Association (PSA) Master Repurchase agreement on file and or a tri-party custody agreement on file.

## Investment Risks

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Michigan CLASS Participants should specifically consider, among other things, the following risks before deciding to purchase shares of EDGE. The following summary does not purport to be comprehensive or definitive of all risk factors.

Investing involves risks including the possible loss of principal.

### **Interest Rate Risks**

The prices of the fixed-income securities in Michigan CLASS EDGE 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.

## **Credit Risks**

Credit risk is the possibility that an issuer of a fixed-income security held in Michigan CLASS EDGE will default on the security by failing to pay interest or principal when due. If an issuer defaults, Participants in Michigan CLASS EDGE may incur losses. The Investment Advisor will seek to manage this risk by purchasing high quality securities as determined by one or more Nationally Recognized Statistical Ratings Organizations and/or the Investment Advisor's credit research team.

## **Investment Not Insured or Guaranteed**

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

## **Liquidity Risk**

Michigan CLASS EDGE 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.

## **Suitability**

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It is the Michigan CLASS EDGE investors' responsibility to review this EDGE Information Statement and the Investment Policy in order to determine whether EDGE is a suitable and eligible investment under the investors' relevant Investment Policy.

## **Income Allocations**

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All net investment income of each portfolio is determined as of the close of business each day (and at such other times as the Board may determine) and accrues pro rata to each EDGE Participant's account. Net income that has thus accrued to the Participants is converted as of the close of business at month-end into additional shares that are thereafter held in each

Participant's account. EDGE income dividends are declared and accrue on a daily basis; interest income is applied to accounts on a monthly basis.

Net income that has accrued to Participants executing a full redemption is converted upon the business day after the trade date into additional shares that reflect the accrued net income amount. Reinvested net income is converted into full and fractional shares at the rate of the reinvestment date's NAV. Michigan CLASS policy is to distribute net realized capital gains, if any, in a reasonable time frame after the gain is realized.

Net income for each portfolio each day consists of (1) all accrued interest income on assets of the portfolio; plus or minus (2) any amortized purchase discount or premium; less (3) accrued expenses.

## Determination of Net Asset Value

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Michigan CLASS determines the net asset value of the shares of the EDGE portfolio as of the close of business of each day. The net asset value per share of the portfolio is computed by dividing the total value of the securities and other assets of the portfolio, less any liabilities, by the total outstanding shares of the portfolio. Liabilities, which include all expenses and fees of Michigan CLASS, are accrued daily.

For the purpose of calculating the EDGE 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.

There can be no assurance that the net asset value will not vary from \$10.00 per share. The net asset value per share of EDGE may be affected by general changes in interest rates resulting in increases or decreases in the value of the securities held by Michigan CLASS. The market value of such securities may 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.

## Description of Shares

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The beneficial interests of the Participants in the assets of the EDGE portfolio and the earnings thereon are, for convenience of reference, divided into shares that are used as units to measure the allocation of beneficial interest among Participants. All shares participate equally in distributions and have equal liquidation and other rights. The shares have no preference, conversion, exchange, or preemptive rights. For all matters requiring a vote of Participants, each Participant, through its Key Contact, is entitled to one vote with respect to each matter, without regard to the number of shares held by the Participant.

## Fees and Expenses

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

\$0 - \$3 billion	0.13% (13 bps)
> \$3 billion	0.12% (12 bps)

## Redemptions

Redemptions are unlimited and met on a transaction date plus one (1) business day basis (T+1). "Business day" means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in Michigan, are required or authorized by law to remain closed, or (c) any day on which the New York Stock Exchange is closed. Participants can only redeem EDGE shares in the Michigan CLASS online order portal (the portal); phone and email/fax orders are not acceptable methods of redeeming Michigan CLASS EDGE shares. Redeemed funds are distributed from the EDGE portfolio to the account designated by the Participant one business day after the transaction date indicated in the portal. The Participant receives the daily income allocation until the funds are dispersed to the designated account.

Redemptions must be entered in the portal by 3:00pm ET.

## Investing in Michigan CLASS EDGE

Michigan CLASS EDGE is available to current Michigan CLASS Participants as well as to new Participants. Prior to investing in EDGE, Participants are required to submit a Michigan CLASS EDGE Registration Form, which is available on the [Michigan CLASS Website](#).

Upon the Participants' receiving acknowledgement of their EDGE registration from Michigan CLASS, shares of Michigan CLASS EDGE are acquired by the Participant in the portal or by check contribution form. There is no minimum initial investment amount, nor a minimum required balance after the purchase is made. EDGE contributions and transfers must be submitted via the portal by 3:00 ET.



## Reporting

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Each Participant receives annual financial statements of Michigan CLASS as well as a monthly statement of the Participant's EDGE account(s). The annual financial statements are issued as of the fiscal year end on June 30 each calendar year. Participants are advised to review the financial statements that are furnished to them. The reports also include sufficient information to establish compliance with the Michigan CLASS EDGE Investment Policy established in the Participation Agreement.

Michigan CLASS answers inquiries from Participants at any time during business hours. Inquiries may be made by mail, email at [info@michiganclass.org](mailto:info@michiganclass.org), via the Internet at [www.michiganclass.org](http://www.michiganclass.org), or by phone at (855) 382-0496. The telefax number is (855) 381-0496. The mailing address is Michigan CLASS, 13623 Acacia Lane, DeWitt, MI 48820.

## Statements

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In addition to the annual financial statements, a monthly statement is provided for the accounts of Michigan CLASS EDGE Participants. In addition to the fair value NAV, the Statement will provide the month's beginning balance, purchases, redemptions, income earned, income earned year-to-date, month-end balance, and transaction activity summary.

## Board of Trustees

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The Michigan CLASS Board of Trustees (the Board) is responsible for assuring compliance with the Participation Agreement and the investment restrictions therein. The Board has the power to administer Michigan CLASS and the affairs of the program. Further information about the Michigan CLASS Board of Trustees, its structure, roles and responsibilities is available on the [Michigan CLASS Website](#) and within the Michigan CLASS Information Statement.

## The Investment Advisor and Administrator

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Pursuant to an agreement with the Board, Public Trust Advisors, LLC (Public Trust) serves as the Investment Advisor and Administrator of Michigan CLASS.

As Investment Advisor, Public Trust provides investment services to the Board. Public Trust is an investment advisory firm headquartered in Denver, Colorado.

Public Trust is registered with the Securities and Exchange Commission as an investment advisor under the Investment Advisers Act of 1940.

As Administrator, Public Trust services all Participant accounts in Michigan CLASS, determines and allocates income of the program, provides certain written confirmation of the investment and withdrawal of funds by Participants, provides administrative personnel and facilities to Michigan CLASS, determines the NAV on a daily basis, and performs all related administrative

services. At least quarterly, the Administrator provides the Board with a detailed evaluation of the performance of Michigan CLASS based upon a number of factors. This evaluation includes a comparative analysis of the Trust's investment results in relation to industry standards such as the performance of comparable money market mutual funds and various indexes of money market securities.

## Custodian

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Fifth Third Bank serves as Custodian for Michigan CLASS pursuant to a Custodian Agreement with the Investment Advisor. Fifth Third Bank acts as safekeeping agent for the Michigan CLASS investment portfolio(s) and serves, in accordance with the statutes of the state, as the depository in connection with the direct investment and withdrawal mechanisms of Michigan CLASS. Fifth Third Bank does not participate in the Michigan CLASS investment decision making process.

The Custodian shall hold the investment property in its capacity as Custodian for the collective benefit of each of the Participants. The Investment Property shall be custodial property of the Custodian and shall not be, or be deemed to be, an asset of the Custodian. Each Participant has an individual beneficial interest in the Investment Property to the extent of such Participant's balance.

The Custodian shall acknowledge in the Custody Agreement that records concerning the Investment Property shall be maintained by the Administrator and that such records shall conclusively determine the interests of each Participant in the Investment Property.

## Legal Counsel

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Barnes & Thornburg, LLP serves as legal counsel to Michigan CLASS. The firm is located at 11 South Meridian Street, Indianapolis, IN 46204, and its phone number is (317) 236-1313.

## Independent Accountants

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An independent certified public accounting firm, Cohen & Co., has been engaged to audit the annual financial statements of Michigan CLASS. The audit contains statements of assets and liabilities, of operations, and of changes in net assets. The opinion of the independent certified public accountant on such financial statements is based on an examination of the books and records of Michigan CLASS made in accordance with generally accepted accounting principles (GAAP).

*Public Trust is required to maintain a written disclosure brochure of our background and business experience. If you would like to receive a copy of our current disclosure brochure, please contact us. Additionally, this registration provides no guarantee of return or protection against loss. 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. Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses. No assurance can be given that Michigan CLASS EDGE will achieve its*

*investment objective. Michigan CLASS is not a bank. An investment in Michigan CLASS EDGE is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

*This is not a Stable NAV fund. While it seeks to establish a transactional share price of \$10.00 per share, the possibility of a higher amount of unrealized/realized losses than unrealized/realized gains implies that the NAV could decline below the \$10.00 transactional share price and that shareholders will execute purchases and redemptions at that NAV.*

## Contact Information

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13623 Acacia Lane

DeWitt, MI 48820

Phone: (855) 382-0096

Fax: (855) 381-0496

[clientservices@michiganclass.org](mailto:clientservices@michiganclass.org)

[www.michiganclass.org](http://www.michiganclass.org)