



NOTICE OF REGULAR MEETING AND AGENDA

NOTICE

Notice is hereby given that a regular meeting of the Board of Trustees of CalTRUST will be held on April 25, 2012 at 8:00 a.m., at The Clement Monterey, 750 Cannery Row, Monterey, CA.

Public Comment – *In accordance with Government Code Section 54954.3, any member of the public may address the Board concerning any matter on the agenda before the Board acts on it and on any other matter during the public comment period at the conclusion of the agenda.*

TELECONFERENCE INSTRUCTIONS

Dial-In: 800.867.2581

Access Code: 7338439

AGENDA

Wednesday, April 25, 2012

Location: The Clement Monterey – Ocean Terrace 1
7:30am Breakfast

8:00 a.m. Presiding: Charles Lomeli, President

1. Roll Call

- _____ Charles Lomeli - **President**
- _____ Glenn Duncan – **Vice President**
- _____ Dave Ciapponi - **Treasurer**
- _____ John Colville
- _____ Rod Dole
- _____ Don Kent
- _____ Dan McAllister
- _____ Russell “Rusty” Watts
- _____ Mary Zeeb

- _____ Nancy Parrish, *Executive Director*
- _____ Steven Woodside, *Legal Counsel*

2. Welcome and Introductions Tab 1
Charles Lomeli

3. Consider Minutes of the Previous Board Meetings Tab 2
Charles Lomeli

- a. Fall Board Meeting of September 14, 2011
- b. Teleconference Board Meeting of October 31, 2011

4. **Elect Board of Trustees and Officers and Adopt Resolution to Conduct Business/Delegation of Duties for FY 2012-2013** Tab 3
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5. **Appoint Audit Committee** Tab 4
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6. **Nottingham Investment Administration Update**
Kip Meadows
7. **Wells Fargo Custodial Services Update**
Nancy Parrish
8. **Investment, Market & Portfolio Strategy Update & Review** Tab 5
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 - b. Short-Term Fund
 - Consider Alternative Benchmark
 - c. Medium-Term Fund
 - d. Heritage Money Market Fund
9. **CalTRUST Stakeholders' Meeting Update** Tab 6
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10. **Client Update & Marketing** Tab 7
Lyle Defenbaugh
 - a. Impact of Dissolution of Redevelopment Agencies
 - b. Growth Plan
11. **Consider JPA Amendment regarding Treasurer Bond Requirement** Tab 8
Laura Labanieh Campbell
12. **Review and Consider CalTRUST Documents** Tab 9
Laura Labanieh Campbell
 - a. Information Statement
 - b. Investment Policy
13. **Consider CalTRUST Policies and Procedures** Tab 10
Nancy Parrish
14. **Update on Proposals for CalTRUST Fund Accounting Services** Tab 11
Laura Labanieh Campbell
15. **Report on CalTRUST FPPC Reporting Procedures** Tab 12
Nancy Parrish
16. **Profit / Loss Statement** Tab 13
Nancy Parrish

17. **Future Meetings**.....**Tab 14**
- CalTRUST Fall Meeting – September 12, 2012 @ La Valencia, La Jolla
 - CalTRUST Annual Meeting – April 24, 2013 @ Fairmont Sonoma Mission Inn, Sonoma
 - CalTRUST Fall Meeting – September 11, 2013 @ La Valencia, La Jolla
18. **Other Business**
19. **Public Comment**
Any member of the public may address the Board concerning any matter not on the Agenda within the Board’s jurisdiction.
20. **Adjourn**

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- Agenda Item:** 3. Consider Minutes of the Previous Board Meetings
- Fall Board Meeting of September 14, 2011
 - Teleconference Board Meeting of October 31, 2011

Action Item

Presented By: Charles Lomeli, President

BACKGROUND:

Following are the minutes of the CalTRUST Board of Trustees Fall Meeting held in La Jolla, CA on September 14, 2011 as well as the minutes of the CalTRUST Board of Trustees teleconference held October 31, 2011.

RECOMMENDATION:

It is recommended that the Board approve the CalTRUST Board of Trustees Fall Meeting Minutes of September 14, 2011 and the teleconference meeting minutes of October 31, 2011.



CalTRUST Board of Trustees Meeting

**September 14, 2011
La Valencia, La Jolla, CA**

MINUTES

The meeting was called to order by President Lomeli at 8:00 a.m.

1. Roll Call

- Lomeli, Charles, (**President**), Treasurer-Tax Collector-Clerk, Solano County
- Duncan, Glenn (**Vice President**), Council Member, City of Chino (via conference call)
- Ciapponi, Dave, Assistant General Manger, Westlands Water District
- Colville, John, Chief Investment Officer, City of Sacramento
- Dole, Rod, Treasurer-Tax Collector/Auditor-Controller, Sonoma County
- Kent, Don, Treasurer-Tax Collector, Riverside County (via conference call)
- McAllister, Dan, Treasurer-Tax Collector, San Diego County
- Watts, Russell, Treasurer-Tax Collector, Contra Costa County
- Zeeb, Mary, Treasurer-Tax Collector, San Diego County

- Nancy Parrish, *Executive Director*
- Steven Woodside, *Legal Counsel*
- Chris Feusahrens, *Secretary*

Other Attendees:

- | | |
|--------------------|--|
| Bird, Mike | Wells Capital Management (via conference call) |
| Carthen, Erin | Wells Capital Management (via conference call) |
| Defenbaugh, Lyle | Wells Capital Management |
| Di Nicola, Daren | Union Bank of California |
| Fernandez, Larry | Wells Capital Management |
| Gray, Joni | Santa Barbara County, CSAC Finance Corporation |
| Harrison, Dan | League of California Cities |
| Harris, Lisa Marie | San Diego County |
| Labanieh, Laura | CSAC Finance Corporation |
| McCormick, Neil | California Special Districts Association |
| Meadows, Kip | Nottingham Investment Administration |
| Melville, Tony | Wells Capital Management (via conference call) |
| Oropeza, Kelli | California State Association of Counties |
| Rodgers, Mike | Wells Capital Management |
| Weaver, Jeff | Wells Capital Management |

2. Welcome and Introductions

President Lomeli welcomed everyone and self-introductions ensued.

3. Consider the Minutes from Previous Board Meetings

The Board approved the Minutes from the CalTRUST Board of Trustees Annual Meeting of April 27, 2011.

**Motion: G. Duncan
Second: R. Watts**

The Board approved the Minutes of the CalTRUST Board of Trustees the Teleconference Meeting of June 21, 2011.

Motion: G. Duncan

Second: D. McAllister

4. Union Bank Update

Daren DiNicola provided an update of Union Bank activities. Union Bank has been the custodian of CalTRUST for over three years. They average 44 transactions a week (approximately 500 transactions a year) on behalf of CalTRUST. Union Bank is the custodian for 25 California counties, and 1,900 municipal agencies throughout the west coast.

5. Nottingham Investment Administration Update

Kip Meadows addressed the latest discussion regarding Nottingham's disaster recovery plan and how they successfully implemented it in a recent power loss. Meadows also reviewed three notable changes to the program: more emphasis on on-line processing, orders now going directly to Nottingham instead of through Wells Capital, and establishment of a single DDA so all three portfolios have one set of wire instructions. Having orders going directly to Nottingham and with a single DDA provides a more automated process allowing for instant notification, greater efficiency, and less room for error.

6. Investment Update and 2011-12 Strategy

Mike Rodgers, Jeff Weaver and Tony Melville from Wells Capital Management provided an overview of the market and the CalTRUST portfolios. The Short-Term portfolio is achieving a competitive return versus the Local Agency Investment Fund (LAIF). The Short-Term portfolio has outperformed LAIF by 3 bps over 3 months, 7 bps over 6 months, and 11 bps over one year. It was clarified that we do not hold any exposure to Bank of America. The duration of the Short-Term portfolio has increased over the last 6 months. The Medium-Term portfolio has been underperforming its benchmark, the Merrill Lynch U.S. Corporate & Government 1-5 Years. However, the portfolio is more aligned with the Merrill Lynch U.S. Corporate & Government 1-3 Years index both in yield and activity so Rodgers asked the Board to consider changing the benchmark for the Medium Term portfolio to the Merrill Lynch U.S. Corporate & Government 1-3 Years. The Board of Trustees approved a motion to change the Medium-Term portfolio's duration, advertising, function, and benchmark to the Merrill Lynch U.S. Corporate & Government 1-3 Years.

Motion: G. Duncan

Second: D. Ciapponi

Dan McAllister inquired if we should obtain an S&P rating for the Medium-Term portfolio and it was determined that the rating is not as important for that portfolio as the cost would come out of the yield and would not necessarily help with the marketing. The portfolio will assume more credit risk instead of increasing the duration in order to chase yield. The net asset value (NAV) sensitivity analysis was presented.

Mike Bird, of Wells Capital Management provided an overview of the Heritage Money Market Fund. Two handouts were distributed to the board, Wells Fargo Advantage Money Market Funds and the Portfolio Manager Commentary. As of August 31, 2011, there was \$38 Billion in the Heritage Money Market Fund. The Funds only invest in U.S. Dollar-denominated obligations and have no obligations to sovereign debt, such as Greece. any exposure to debt obligations in Greece, Ireland, Italy, Spain, or Portugal. The Wells Fargo Funds have a short weighted average maturity and weighted average life, which will help to minimize the effects of any short-term price volatility.

7. Client Update & Marketing

Lyle Defenbaugh reviewed the total assets in the program of mid August 2011 at \$807 million versus April 2011 at \$940 million – a drop of \$133 million. The drop in assets is mainly from county assets in the Money Market Fund. Lomeli clarified that this time of the year is the lowpoint of county cash flows and schools are also taking loans from counties as they are out of cash. Defenbaugh feels

confident that we will still hit our goal of 120 participants by year end but not of \$1.2 Billion in assets. We currently have 115 participant accounts.

Larry Fernandez clarified that Wells currently has two employees focused on CalTRUST service and business development full time, Defenbaugh and Erin Carthen. He also updated the Board that they are working with other internal groups at Wells to identify new opportunities with CalTRUST.

Dan McAllister offered marketing suggestions including targeting high net worth groups at Wells, holding an annual CalTRUST Stakeholder's meeting, and surveying public agencies on upcoming bond issuances so we can get CalTRUST included on the acceptable investment list for bond proceeds. Jony Gray suggested that a good marketing tool would be to identify two treasurers a year from the CalTRUST target list and invite them to attend the CalTRUST Board Meetings. Dave Ciapponi requested that a list of LAIF participants be provided to the Board.

Defenbaugh concluded his update by presenting the list of target agencies and those who are currently participants but should be targeted for greater participation.

8. CalTRUST Disaster Recovery Plan

President Lomeli directed CalTRUST staff to create a CalTRUST Disaster Recovery Plan and bring it back to the Board for approval at the April 2012 Annual Meeting. The plan would be based off of our business partner's disaster plans, ie: Wells Capitol and Nottingham. Steven Woodside advised staff to incorporate emergency provisions in accordance to the Brown Act that allow for a designated person to make decision pending Board approval during a disaster.

Mike Rodgers reported to the Board that Wells Capital benefits in a disaster from having multiple trading facilities across the U.S. The Money Market team is split between Minneapolis and San Francisco and they have backup servers in San Francisco, Boston, and Milwaukee. Kip Meadows reported that Nottingham has had a plan in place for the last seven years as required by their SAS 70 with backup sites in Raleigh and Boston.

9. Consider Update of the CalTRUST Information Statement

Laura Labanieh presented recommended revisions to the CalTRUST Information Statement to bring it up-to-date. Revisions included:

- Updating the references of seven Board Members to nine;
- Updating the Investment Advisor from Wachovia Portfolio Services to Wells Capital Management;
- Updating the listing of the CalTRUST Trustees and Officers;
- Updating the profile of the CSAC Finance Corporation; and
- Updating the benchmark for the medium-term portfolio.

Don Kent suggested that the revision also includes removing the wiring instructions from the Information Statement to protect against fraud.

Dave Ciapponi inquired if CalTRUST was giving LAIF too much credence by referring to them in official documents and questioned if we should be considering an alternative benchmark for the short-term portfolio. Wells Capital staff recommended that CalTRUST could consider using the 6 month bill index, LIPOR, or Barclays Short-Term Government Index as a benchmark. Lomeli requested that this item be further addressed and brought to the Board for possible action at the CalTRUST 2012 Annual Meeting in April.

The Board accepted the recommended revisions to the CalTRUST Information Statement as presented with the addition change of removing the wiring instructions.

Motion: G. Duncan
Second: R. Watts

10. Consider JPA Requirement for Treasurer Bond

The current JPA requires that CalTRUST maintain a \$10 million bond for the Treasurer. Woodside reported that many counties have a single master bond to cover all staff and officers. There were three suggested ways to rectify the current situation where the CalTRUST Treasurer does not have a master bond; move forward with purchasing a bond, revise the Joint Powers Agreement (JPA), or appoint a Treasurer who is already bonded by their agency. Nancy Parrish suggested that we consider purchasing one bond that covers all staff and officers and then revise the JPA to either lower the required amount or remove the requirement altogether. Lomeli requested that staff work with him to further investigate the options regarding the JPA requirement for a Treasurer bond and report back to the full Board within a reasonable timeframe.

11. Consider Proposals for CalTRUST Custodial Service

Per the Board's direction during the CalTRUST Special Meeting on June 21, 2011 an ad hoc committee was formed and a Request for Proposal (RFP) for custodial services was distributed. The ad hoc committee members were John Colville, Rod Dole & Chuck Lomeli. The RFP was sent to at nine institutions and six responded. Colville presented the recommendation of the ad hoc committee to terminate the current custodial services contract with Union Bank and select Wells Fargo, N.A. as the new custodial services provider for CalTRUST. The contract should be for a term of two years and in two years CalTRUST should send out an RFP for both investment management and custodial services. The Board accepted the recommendation to terminate the custodial services agreement with Union Bank and select Wells Fargo, N.A. as the new custodial services provider for CalTRUST.

Motion: G. Duncan

Second: D. McAllister

Dan McAllister commented that he was supportive of the RFP process and the prudent business practices that CalTRUST is putting in place by limiting contract terms and issuing RFPs on a regular basis. He recommended that we adopt a CalTRUST Policies Manual with such prudent business practices.

12. Consider Audited Financial Statements for 2010-11 Fiscal Year

Dave Ciapponi presented the audited financial statements for the 2010-11 Fiscal Year. He reported that the auditor issued an unqualified clean opinion of the CalTRUST Audit and there was no knowledge of fraud. The Board accepted the audited financial statements for Fiscal Year 2010-11.

Motion: J. Colville

Second: D. Kent

13. Profit / Loss Statement Update

Kelli Oropeza reviewed the CalTRUST profit/loss statement and noted that the first page presented was incorrect. In the coming year CalTRUST will realize greater net income as we will no longer have Union Bank custodial fees.

14. Future Meetings

Laura Labanieh presented the future meetings calendar:

- 2012 Annual Meeting – April 25 at The Clement Intercontinental, Monterey, CA
- 2012 Fall Meeting – September 12 at La Valencia Hotel, La Jolla, CA
- 2013 Annual Meeting – April – To Be Determined
- 2013 Fall Meeting – September 11 – La Valencia Hotel, La Jolla, CA

15. Other Business

There was no other business.

16. Public Comment

There was no public comment.

17. Adjourn

The meeting was adjourned at 10:53 a.m.



CalTRUST Board of Trustees Meeting

October 31, 2011
Teleconference

MINUTES

October 31, 2011

The meeting was called to order by President Charles Lomeli at 10:33 am.

1. Roll Call

- Charles Lomeli, (**President**), Solano County
- Glenn Duncan (**Vice President**), City of Chino
- Dave Ciapponi (**Treasurer**), Westlands Water District
- John Colville, City of Sacramento
- Rod Dole, Public Member
- Don Kent, Riverside County
- Dan McAllister, San Diego County
- Russell Watts, Contra Costa County
- Mary Zeeb, Monterey County

- Nancy Parrish, *Executive Director*
- Steven Woodside, *Legal Counsel*
- Chris Feusahrens, *Secretary*

Other Attendees:

Laura Labanieh, CSAC Finance Corporation

2. Consider Change of Treasurer Appointment

President Lomeli informed the Board that this item is being removed from the agenda for consideration at a future meeting as the current recommendation may not be viable and further research needs to be done.

3. Discuss Status of Existing Contracts and Consider Appointment of Ad Hoc Review Committee

President Lomeli suggested to the Board that per the Board's expressed desire at the September 2011 Board Meeting to bid all contracts on a regular three year interval that the contract with Nottingham for investment administration should be reviewed. This contract has not been bid since originally placed. The Board approved the recommendation to put the contract for investment administration out to bid. Trustees Ciapponi, Colville, and McAllister will serve on an ad hoc committee to aid in the Request for Proposal and response review.

Motion: D. McAlister
Second: R. Dole

Roll-Call Vote:

C. Lomeli	<u>Abstain</u>
G. Duncan	<u>Abstain</u>
D. Ciapponi	<u>Aye</u>
J. Colville	<u>Aye</u>
R. Dole	<u>Aye</u>
D. Kent	<u>Aye</u>
D. McAllister	<u>Aye</u>
R. Watts	<u>Absent</u>
M. Zeeb	<u>Aye</u>

4. **Update on Custodial Services Transition**

Nancy Parrish updated the Board that staff is working with Union Bank and Wells Fargo on the transition of CalTRUST custodial services from Union Bank to Wells Fargo. The transition will most likely be completed at the end of November. As soon as a final transition date is in place staff will begin a campaign of notifying participants to mitigate against any transaction problems during the transition.

5. **Other Business**

There was no other business.

6. **Public Comment**

There was no public comment.

7. **Adjourn**

The meeting was adjourned at 10:42 am.

Motion: D. McAllister

Second: D. Kent



Agenda Item: 4. Elect Board of Trustees and Officers and Adopt Resolution to Conduct Business/Delegation of Duties for FY 2012-2013
Action Item

Presented By: Charles Lomeli, President

BACKGROUND:

Per Section 2.2 of the CalTRUST Joint Exercise of Powers Agreement:

The number of Trustees shall be fixed from time to time by resolution of the Board; provided, however, that the number of Trustees shall not be fewer than three (3) and not greater than fifteen (15). At least seventy-five percent (75%) of the Trustees shall be members of the governing body, officers or personnel of the Members (each, a "Member Trustee"). The Trustees shall be appointed by the Board and approved by a majority of the Members. Except in the event of resignations, Disqualifications or removals pursuant to Section 2.3, each Trustee shall hold office until his or her successor is appointed by the Board and approved by a majority of the Members.

The 2011-2012 CalTRUST Board of Trustees and Officers include:

Charles Lomeli, Solano County – **President**
Glenn Duncan, City of Chino – **Vice President**
Dave Ciapponi, Westlands Water District – **Treasurer**
John Colville, City of Sacramento
Rod Dole, Retired
Don Kent, Riverside County
Dan McAllister, San Diego County
Russell "Rusty" Watts, Contra Costa County
Mary Zeeb, Monterey County

RECOMMENDATION:

It is recommended that the Board elect the Board of Trustees and Officers and Adopt the Resolution to Conduct Business/Delegation of Duties for FY 2012-2013.



INVESTMENT TRUST OF CALIFORNIA (CaITRUST)

BOARD OF TRUSTEES

Resolution of the Board of Trustees

Resolution No: 2012-1

**IN THE MATTER OF A RESOLUTION ELECTING TRUSTEES,
APPOINTING OFFICERS, RATIFYING OFFICERS' ACTS
AND AUTHORIZING FUTURE ACTS**

The following resolution was duly passed by the Board of Trustees of the Investment Trust of California, CalTRUST (here after known as the Investment Trust), at a regular meeting held on April 25, 2012 by the following vote:

Ayes: _____

Nays: _____

Absent: _____

Signed and approved by me after its passage.

by: _____,
_____, Secretary

Attest:

by: _____,
_____, President

WHEREAS, the Investment Trust requires the election of trustees; and

WHEREAS, Investment Trust requires the Board of Trustees to appoint officers;
and

WHEREAS, Investment Trust officers continue to conduct day-to-day activities of the Investment Trust;

NOW, THEREFORE, it is hereby RESOLVED, ORDERED AND DETERMINED as follows:

SECTION 1. The following persons are hereby elected as members of the Board of Trustees to serve in the capacities indicated until their respective successors are elected and qualified to serve:

DIRECTOR

CAPACITY

Trustee 1

Trustee 2

Trustee 3

Trustee 4

Trustee 5

Trustee 6

Trustee 7

Trustee 8

Trustee 9

Trustee 10

Trustee 11

Trustee 12

Trustee 13

Trustee 14

Trustee 15

Title/Agency

Title/Agency

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Title/Agency

SECTION 2. The following persons are hereby elected and appointed as the officers of the Investment Trust to serve until respective successors are elected and qualified to serve:

OFFICER

OFFICE

President

Vice President

Treasurer

Secretary

SECTION 3. Investment Trust officers are hereby authorized and directed, as the President deems appropriate and in the best interest of the Investment Trust, to approve and execute agreements and documents in furtherance of the Investment Trust’s business, and to otherwise act on behalf of the Investment Trust to carry on the day-to-day business and affairs of the Investment Trust.

SECTION 4. This resolution should take effect from and after its date of adoption.

(resolution .1)



Agenda Item: 5. Appoint Audit Committee
Action Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

Annually the CalTRUST Board of Trustees appoints an Audit Committee to assist in the review of the CalTRUST Audit. Members of the 2011-2012 CalTRUST audit committee included Charles Lomeli, Glenn Duncan, and Russell Watts.

RECOMMENDATION:

It is recommended that the Board appoint an audit committee for FY 2012-2013 consisting of the President of the CalTRUST Board of Trustees and at least one additional CalTRUST Trustee.



Agenda Item: 8. Investment, Market & Portfolio Strategy Update & Review

- Consider Alternative Benchmark

Action Item

Presented By: Mike Rodgers, Wells Capital Management

Jeff Weaver, Wells Capital Management

Tony Melville, Wells Capital Management

BACKGROUND:

Following is a review of the CalTRUST investment portfolios and an update on economic and market conditions, as well as an update on portfolio strategy in the present market environment.

RECOMMENDATION:

CalTRUST Board Presentation

April 2012 Board Meeting

www.wellscap.com

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WELLS CAPITAL MANAGEMENT



Disciplined Approach ▶ Credit Research ▶ Risk Management ▶ Customized Portfolios ▶ Client Focus

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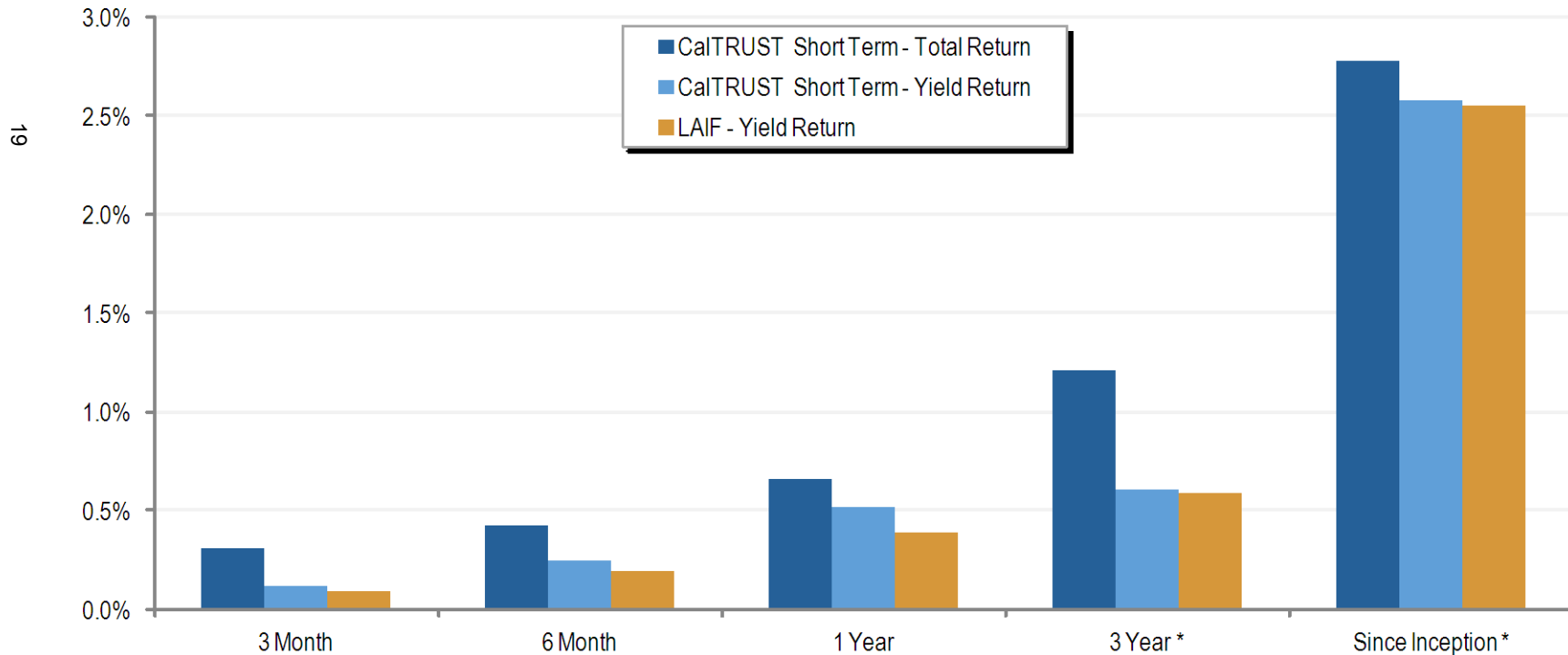
- ▶ Performance Review
- ▶ Investment Strategy and Portfolio Positioning
- ▶ Market Review and Economic Outlook

Performance Review

Performance Summary

CalTRUST Board Presentation Short Term Portfolio

	3 Month 12/31/11 - 03/31/12	6 Month 09/30/11 - 03/31/12	1 Year 03/31/11 - 03/31/12	3 Year * 03/31/09 - 03/31/12	Since Inception * 02/13/05 - 03/31/12
CalTRUST Short Term - Total Return	0.31%	0.43%	0.66%	1.21%	2.78%
CalTRUST Short Term - Yield Return	0.12%	0.25%	0.52%	0.61%	2.58%
LAIF - Yield Return	0.09%	0.19%	0.39%	0.59%	2.55%

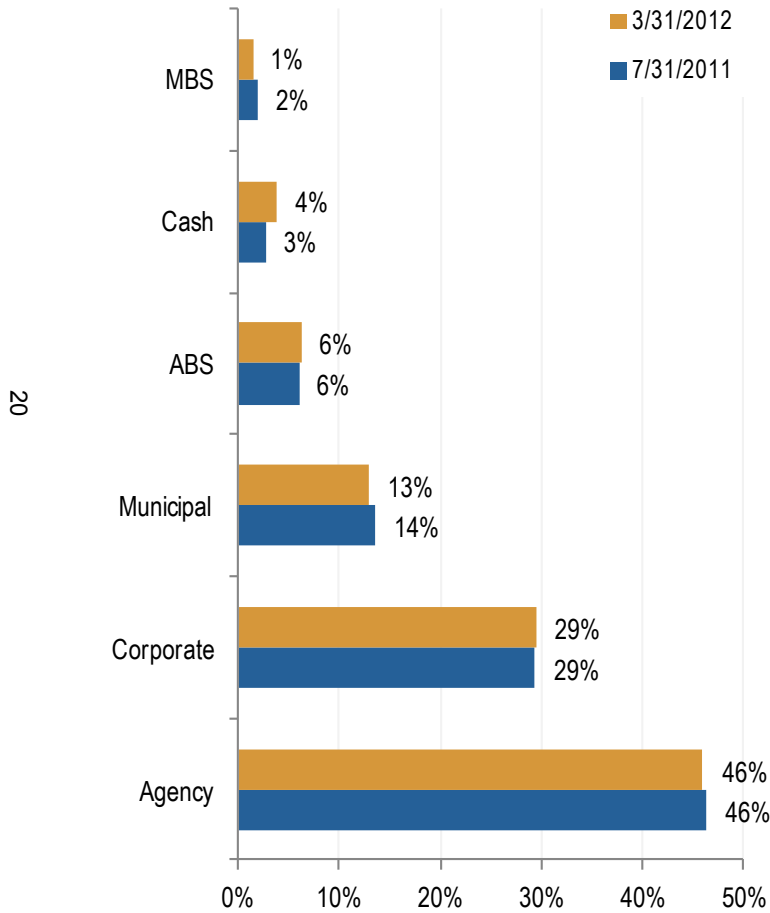


Returns are shown net of fees
* Returns over one year are annualized

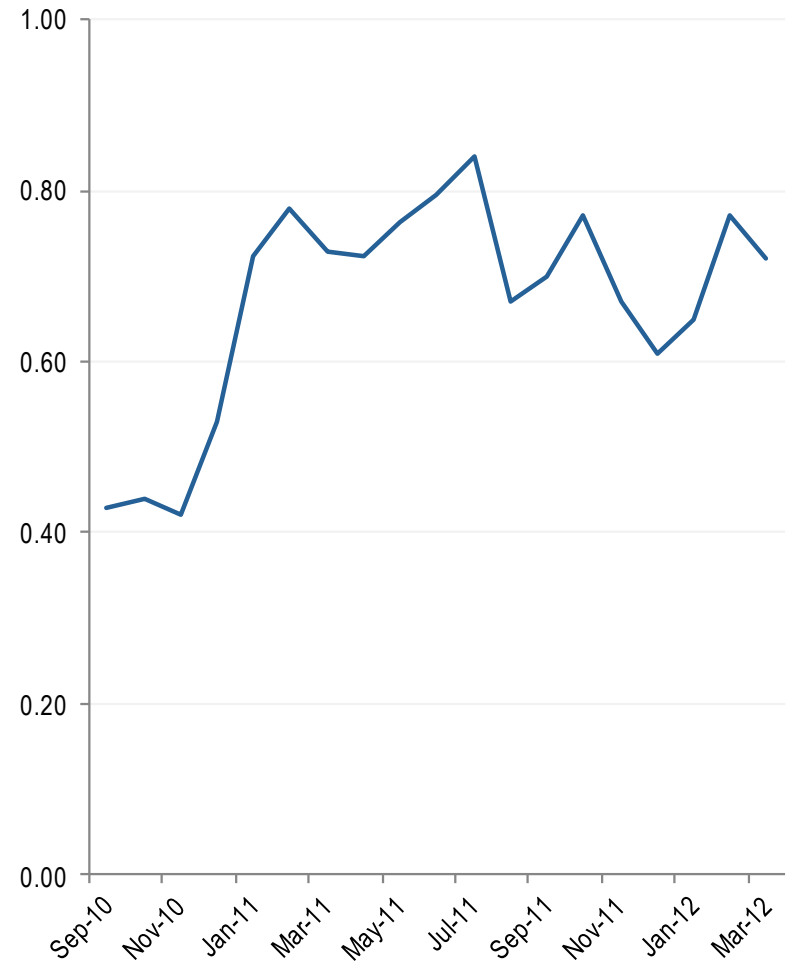
Portfolio Changes

CalTRUST Board Presentation Short Term Portfolio

Allocation Over Time



Portfolio Duration

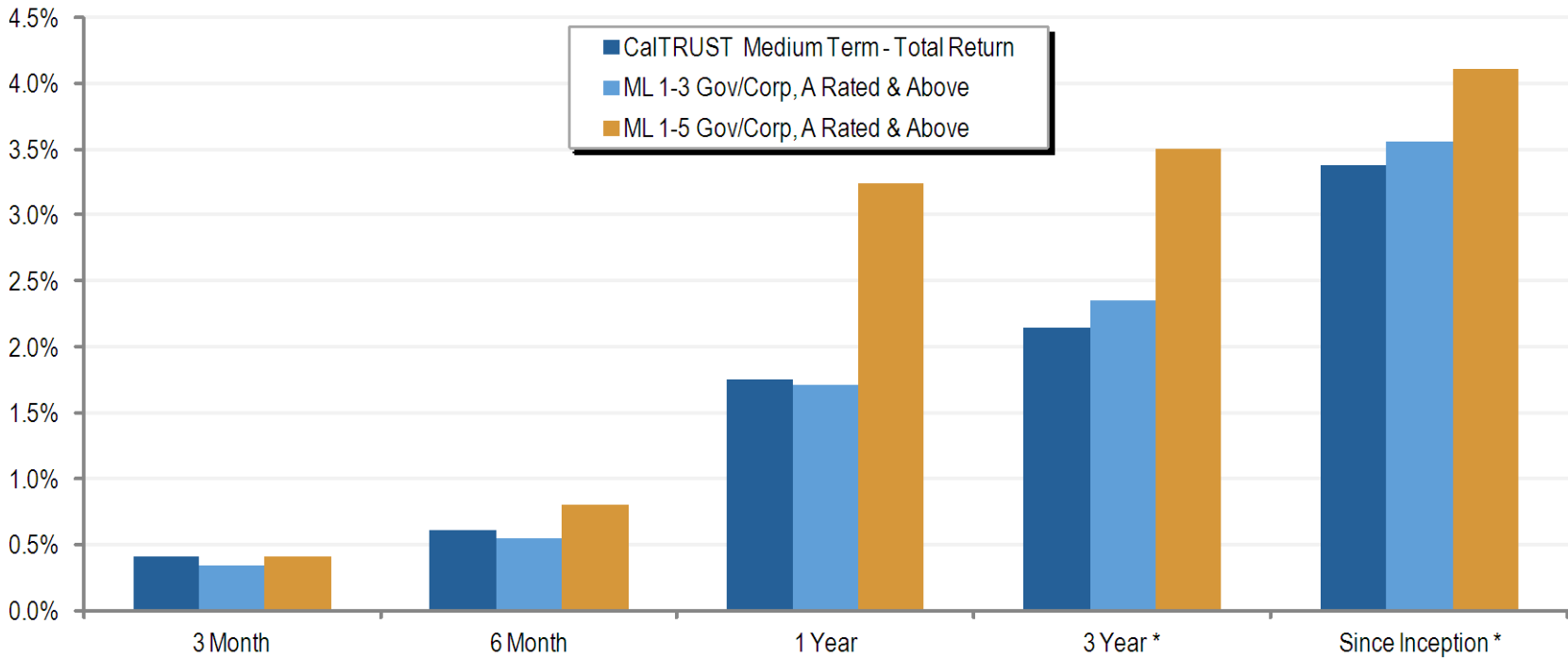


Performance Summary

CalTRUST Board Presentation Medium Term Portfolio

	3 Month 12/31/11 - 03/31/12	6 Month 09/30/11 - 03/31/12	1 Year 03/31/11 - 03/31/12	3 Year * 03/31/09 - 03/31/12	Since Inception * 02/13/05 - 03/31/12
CalTRUST Medium Term - Total Return	0.41%	0.61%	1.75%	2.15%	3.38%
ML 1-3 Gov/Corp, A Rated & Above	0.34%	0.54%	1.71%	2.35%	3.55%
ML 1-5 Gov/Corp, A Rated & Above	0.41%	0.80%	3.25%	3.50%	4.11%

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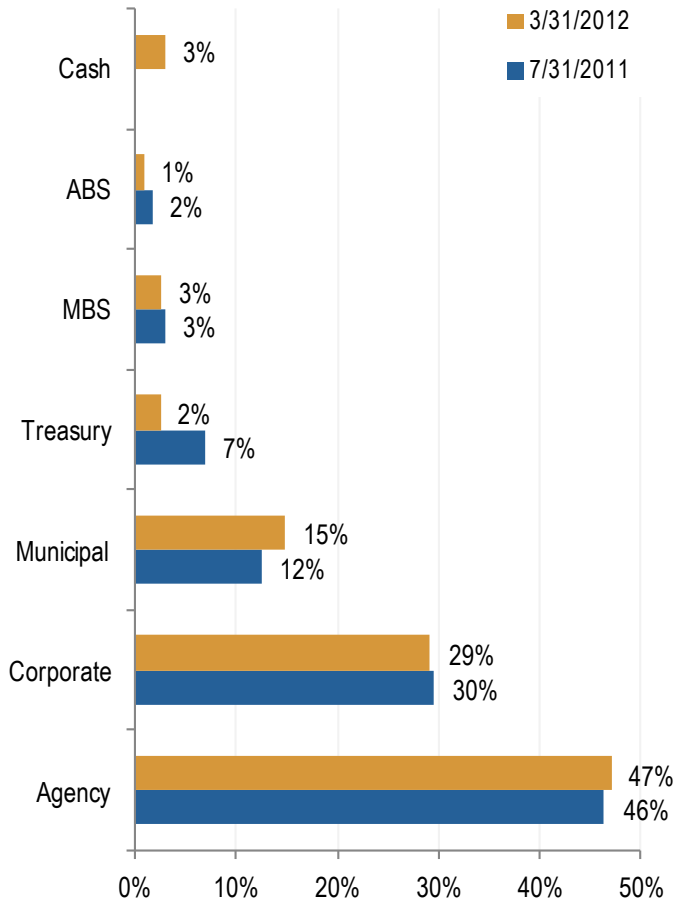


Returns are shown net of fees
* Returns over one year are annualized

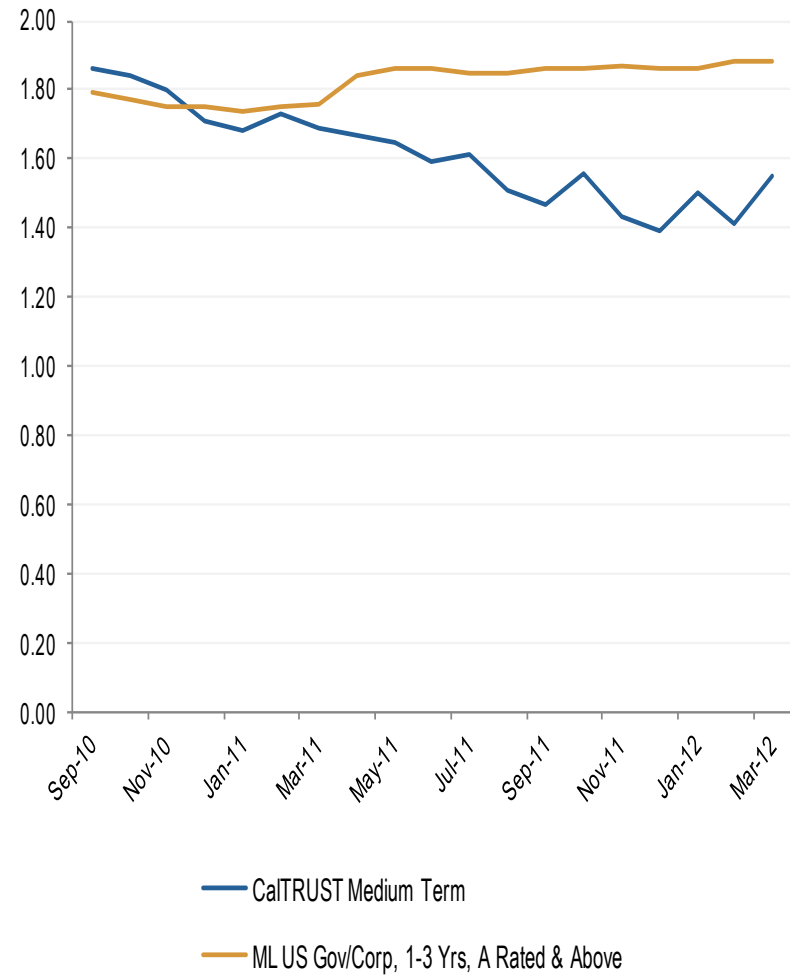
Portfolio Changes

CalTRUST Board Presentation Medium Term Portfolio

Allocation Over Time



Portfolio Duration



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Investment Strategy and Portfolio Positioning

Outlook

- Investor confidence has grown as U.S. economic indicators continue to show signs of recovery. Liquidity has improved in Europe with a successful second Greek bailout and with the necessary restructuring of their debt via the approval of Private Sector Involvement (PSI). A second round of Long Term Restructuring Operations (LTRO) by the European Central Bank at the end of February has also continued to play a major role eliminating uncertainty around European bank funding. As a result Treasury Yields are off their historic lows and the yield curve has begun to steepen while the “risk-on” trade has returned to the financial markets. In addition, the Federal Reserves latest stress testing was viewed as a positive for most US financial institutions further improving the tone.
- Despite these positive signs, the Global economy continues to face headwinds, namely rising energy costs, China’s softening economy and the continued recession risks in Europe. We expect short rates to remain anchored in the front end of the yield curve as the Federal Reserve is expected to remain high accommodative until late 2014.

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Strategy

- **Short Term Portfolio:** the duration target continues to be driven by ensuring participants sufficient liquidity while providing a competitive yield vs LAIF
- **Medium Term Portfolio:** duration target is 0.15-0.30 years short of the benchmark due as Treasury yields are expected to trade upward as economic growth and conditions in Euro-zone improve. Strong credit fundamentals reinforces our emphasis on yield advantaged sectors vs. interest rate risk. For new purchases we like the 3 to 5-year area of the due to it’s relative steepness.
- We continue to favor Corporate bonds as they’ve performed very well year to date on improved fundamentals and investor demand following the Fed’s Comprehensive Capital Analysis and Review (CCAR). We continue to remain cautious by focusing on lower beta domestic and non-European foreign issuers.
- We are underweight Agencies due to their rich valuations and continue to look to alternative sectors such as ABS, Municipals and Agency CMO’s.



Portfolio Summary

CalTRUST Board Presentation Short Term Portfolio

Portfolio Statistics

As of 3/31/2012

Market Value	\$606,316,195
Purchase Yield	0.60%
NAV Per Share	\$10.02
Average Maturity	0.93 Years
Duration	0.72
Average Credit Quality	AA/Aa2/AA

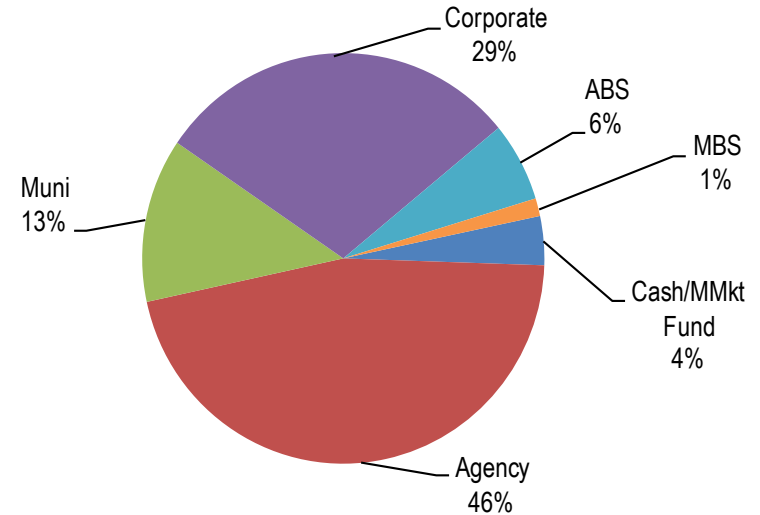
25

Credit Rating Profile *

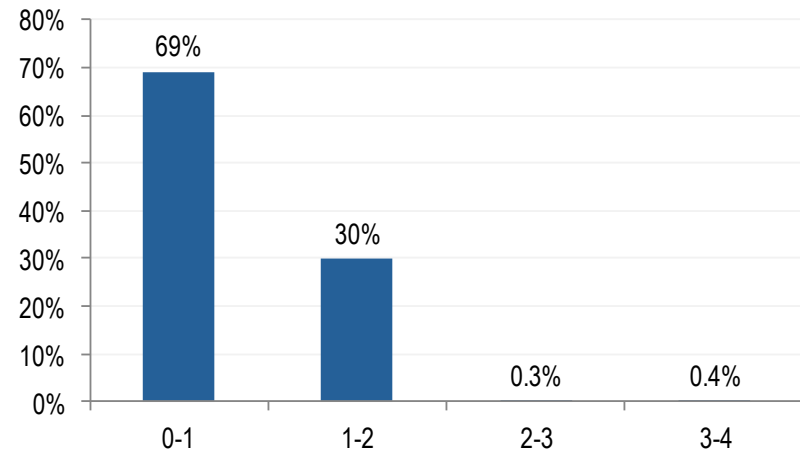
AAA	12%
AA	63%
A	25%

* Lowest of S&P, Moody's, & Fitch

Sector Breakdown



Duration Distribution



Portfolio Summary

CalTRUST Board Presentation Medium Term Portfolio

Portfolio Statistics

As of 3/31/2012

Market Value	\$372,648,230
Purchase Yield	1.35%
NAV Per Share	\$10.09
Average Maturity	1.58 Years
Duration	1.55
Average Credit Quality	AA/Aa2/AA

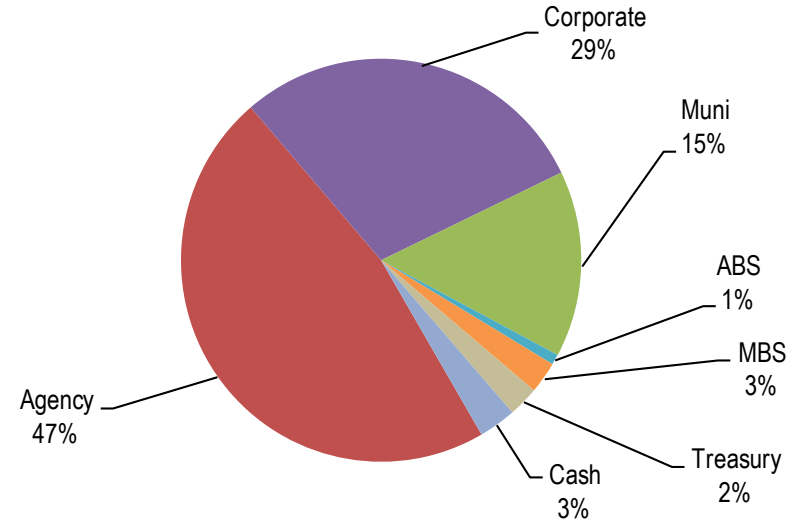
26

Credit Rating Profile *

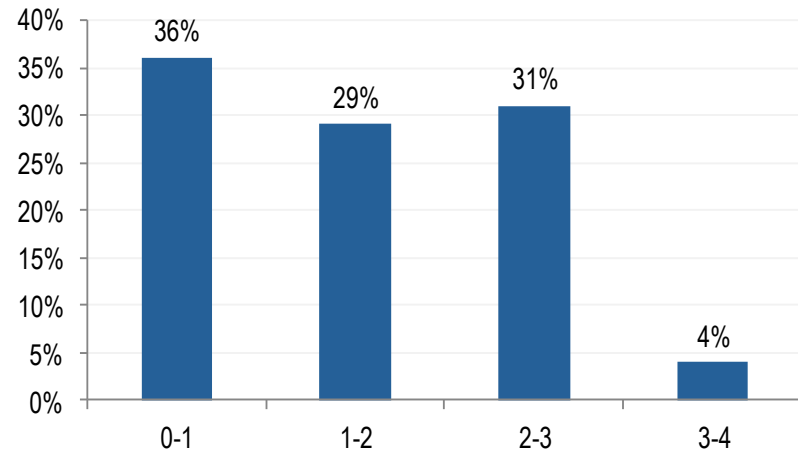
AAA	4%
AA	71%
A	25%

* Lowest of S&P, Moody's, & Fitch

Sector Breakdown



Duration Distribution



Portfolio vs. Benchmark

CalTRUST Board Presentation

Medium Term Portfolio

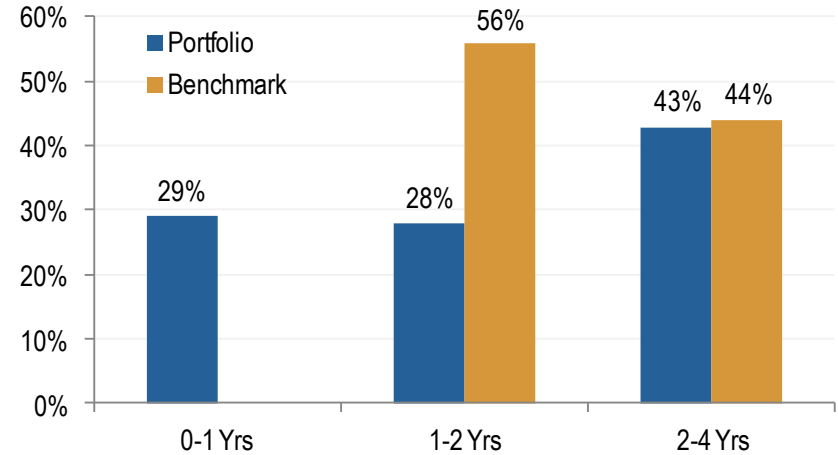
Summary

As of 3/31/2012	YTM	Duration	Avg Quality
Portfolio	1.35%	1.55	AA/Aa2/AA
ML 1-3 Yr Gov/Corp A+ Index	0.55%	1.85	AA+/Aa1/AA+
Difference	0.80%	-0.30	

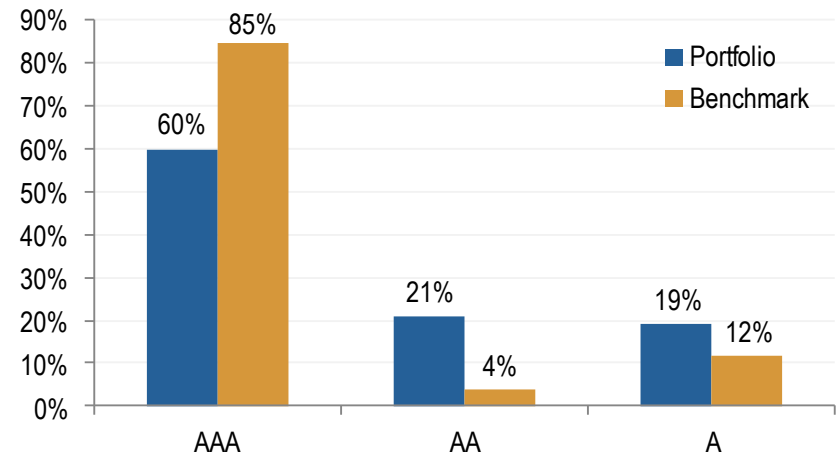
Distribution

Sector	Portfolio		Benchmark	
	% held	Duration	% held	Duration
ABS	1%	0.53	0%	0.00
Agency	47%	1.68	14%	1.67
Cash	1%	0.08	0%	0.00
CMO	3%	1.35	0%	0.00
Corp - Financial	19%	1.51	7%	1.88
Corp - Industrial	10%	2.02	7%	1.87
Corp - Utility	0%	0.00	1%	1.86
Foreign Agency	0%	0.00	0%	0.00
Municipal	4%	1.50	0%	0.00
Other Govt	0%	0.00	0%	0.00
Sovereign	0%	0.00	0%	0.00
Supranational	0%	0.00	0%	0.00
Taxable Muni	11%	1.70	0%	0.00
Treasury	4%	0.93	70%	1.88

Effective Maturity



Credit Quality



Market Review and Economic Outlook

Latest Risk Market Themes- Record 1st Quarter Performance for Credit Markets

Market Positives

- ECB's LTRO has eliminated European bank funding concerns for the foreseeable future
- Record cash inflows into high grade market /limited net new supply- powerful story
- Domestic macro data- slowly improving:
 - Housing bottomed?
 - 29 ➤ Labor force improvements
- Latest banks stress-test results were a positive
- Dealer inventories are low
- Credit has lagged equities- equity volatility low
- Trading volumes have increased, implying better liquidity
- QE3 potential?

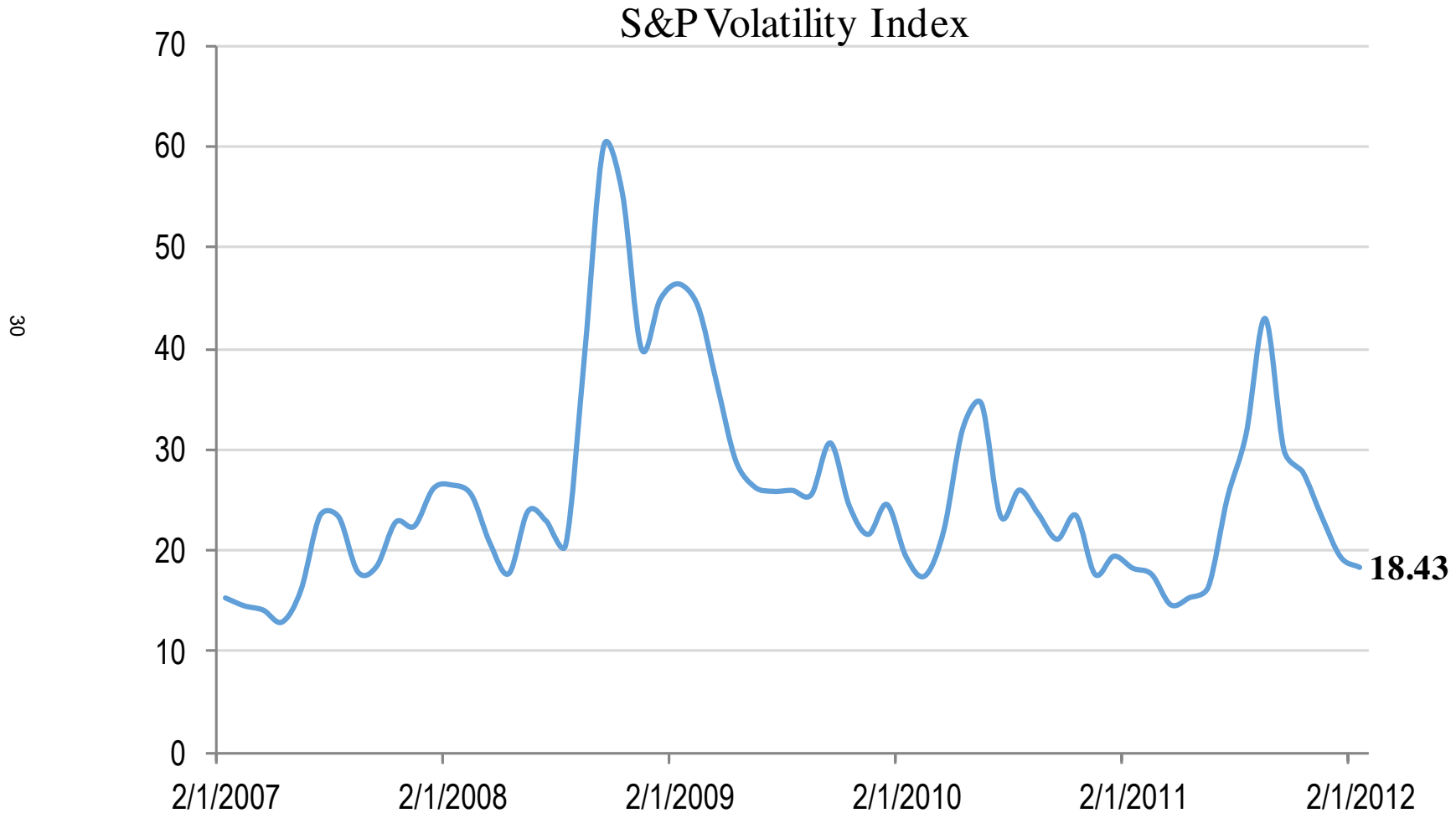
Market Negatives

- Valuations starting to look full- easy money has been made
- Market remains prone to bouts of volatility
- Bank and financial sector downgrades still pending
- Energy prices remain elevated
- Absolute yields near all time lows
- Greece story not over- political risk
- Euro growth will be challenged in 2nd half, austerity measures not yet reflected in GDP

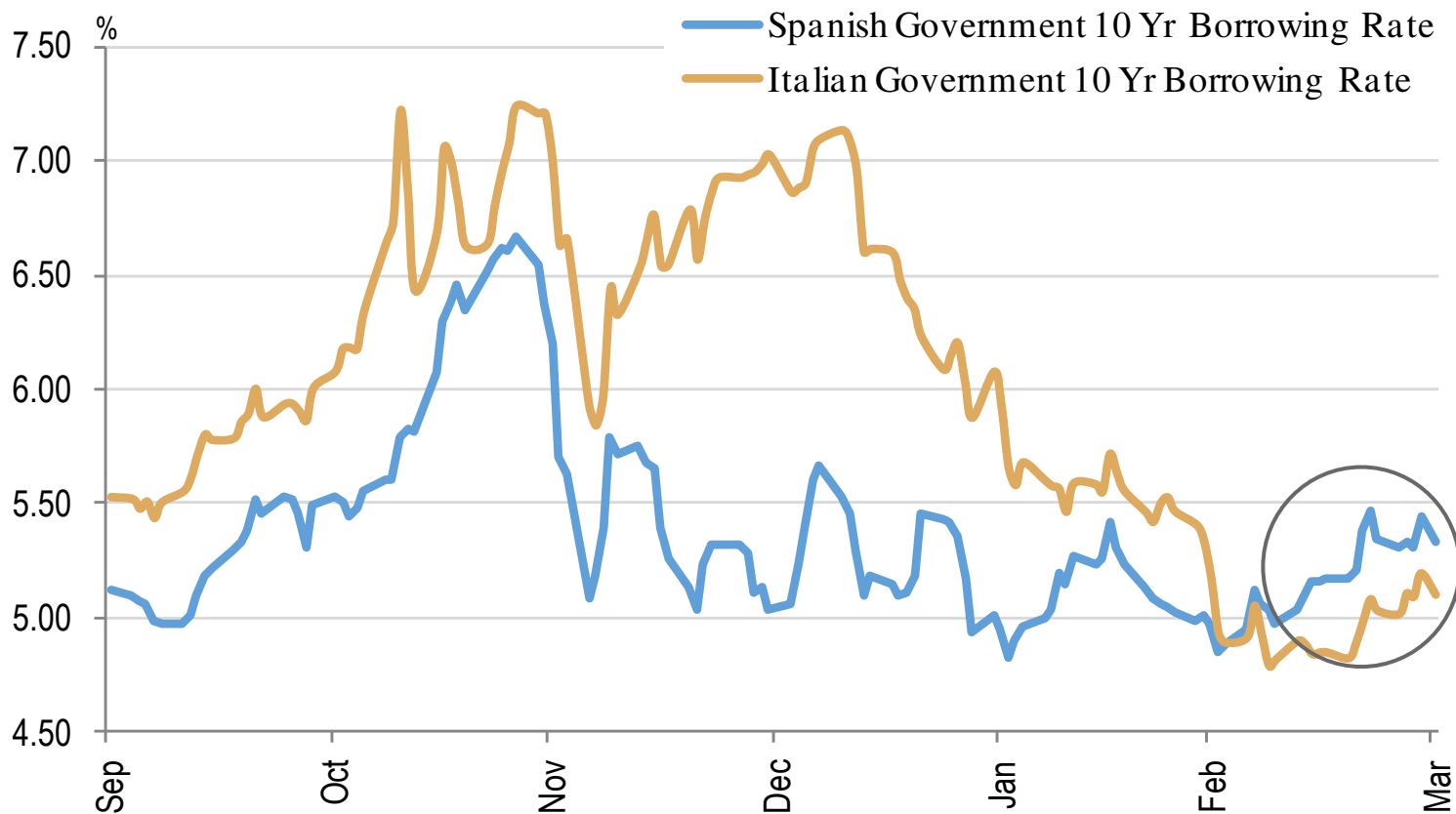


Risk On / Risk Off Trade Has Created Increased Volatility

- Volatility in the equity markets is far off the highs seen in 2008-2009, but nonetheless remains elevated from a historical basis.



European Peripheral Yields Inching Higher



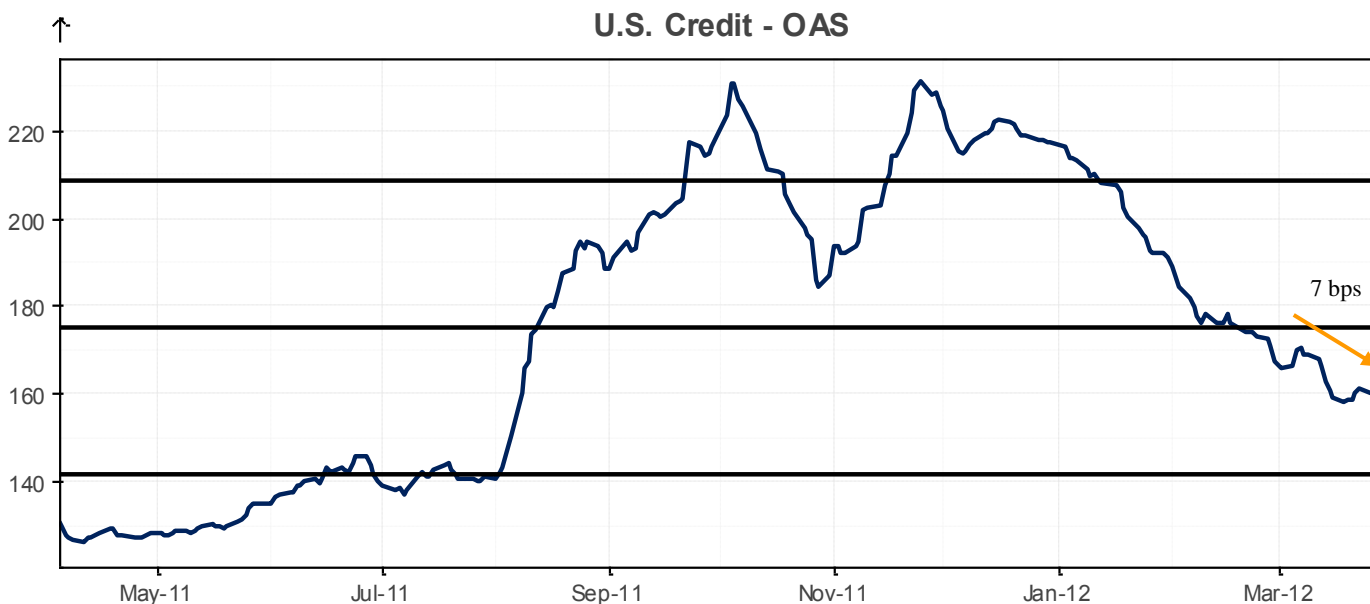
Spanish 10yr Rate, Last: 5.33 on 03/31/2012 | Italian 10yr Rate, Last: 5.10 on 03/31/2012

- Spanish yields have increased by 80 bps from the lows (now trading higher than Italy)
- Italian yields have increased by 50 bps from the lows
- Spanish deficit target of 4.5% for 2012 has been pushed back to 5.3% of GDP
- Spanish unemployment rate continues to increase – now over 23%

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Credit Spreads Tightened Again in March



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Key	Axis	Name	Last	Minimum	Maximum	Mean	SD	SD Change
—	Left	U.S. Credit - OAS	160.871	126.129 04/11/2011	231.262 11/25/2011	174.939	33.443	2.302

- Systemic risk in Europe appears to be contained due to, Greek debt package approval and LTROs.
- Earnings season was solid with credit metrics remaining strong
- Economic data continues to point toward slow/medium growth
- Rates increased modestly, helping all-in corporate yields



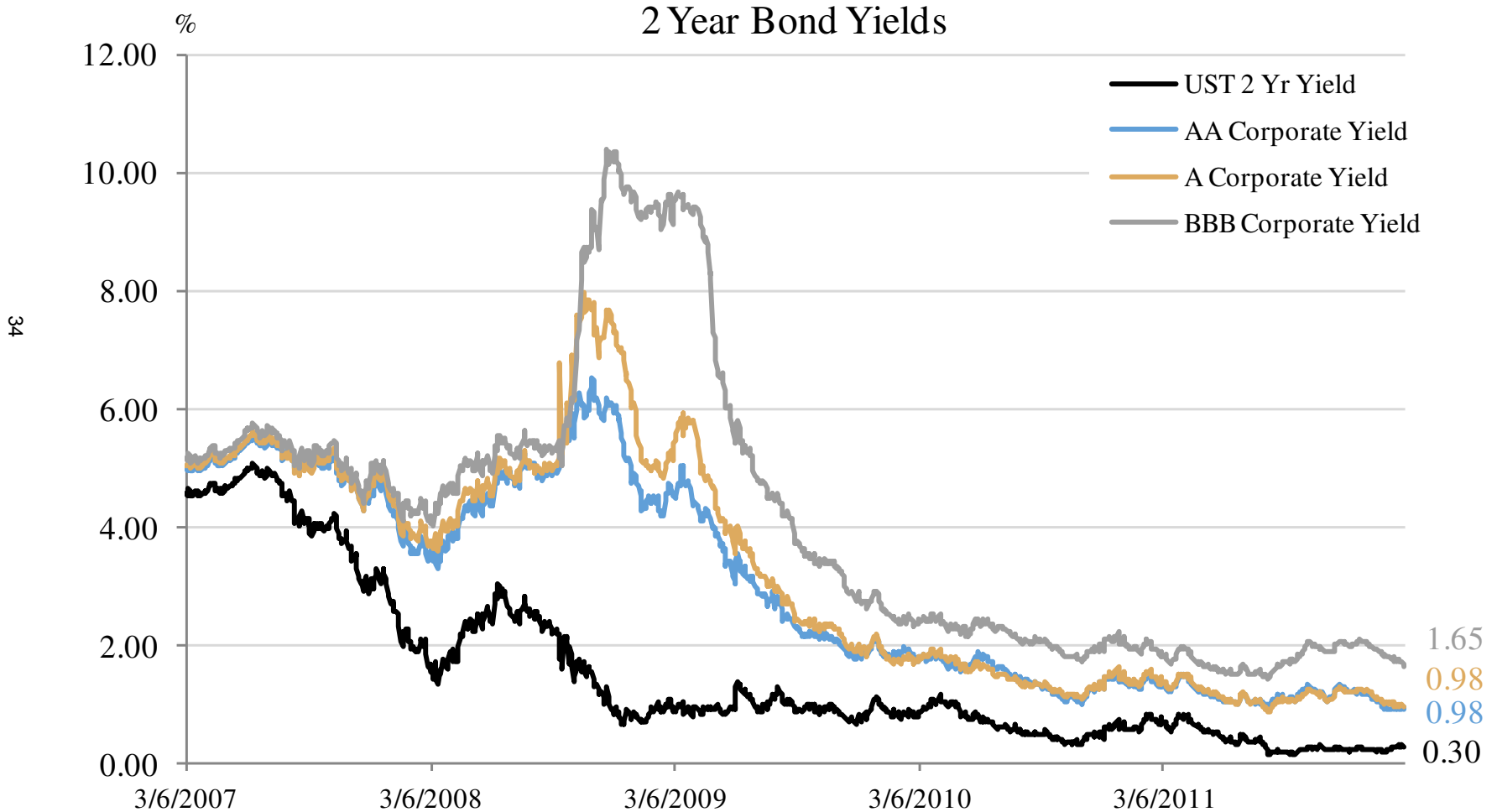
Volatility in Corporate Bond Markets

- Financial spreads remain elevated vs. industrials on a historical basis due to continued uncertainty around bank and brokerage companies.



Corporate Yields

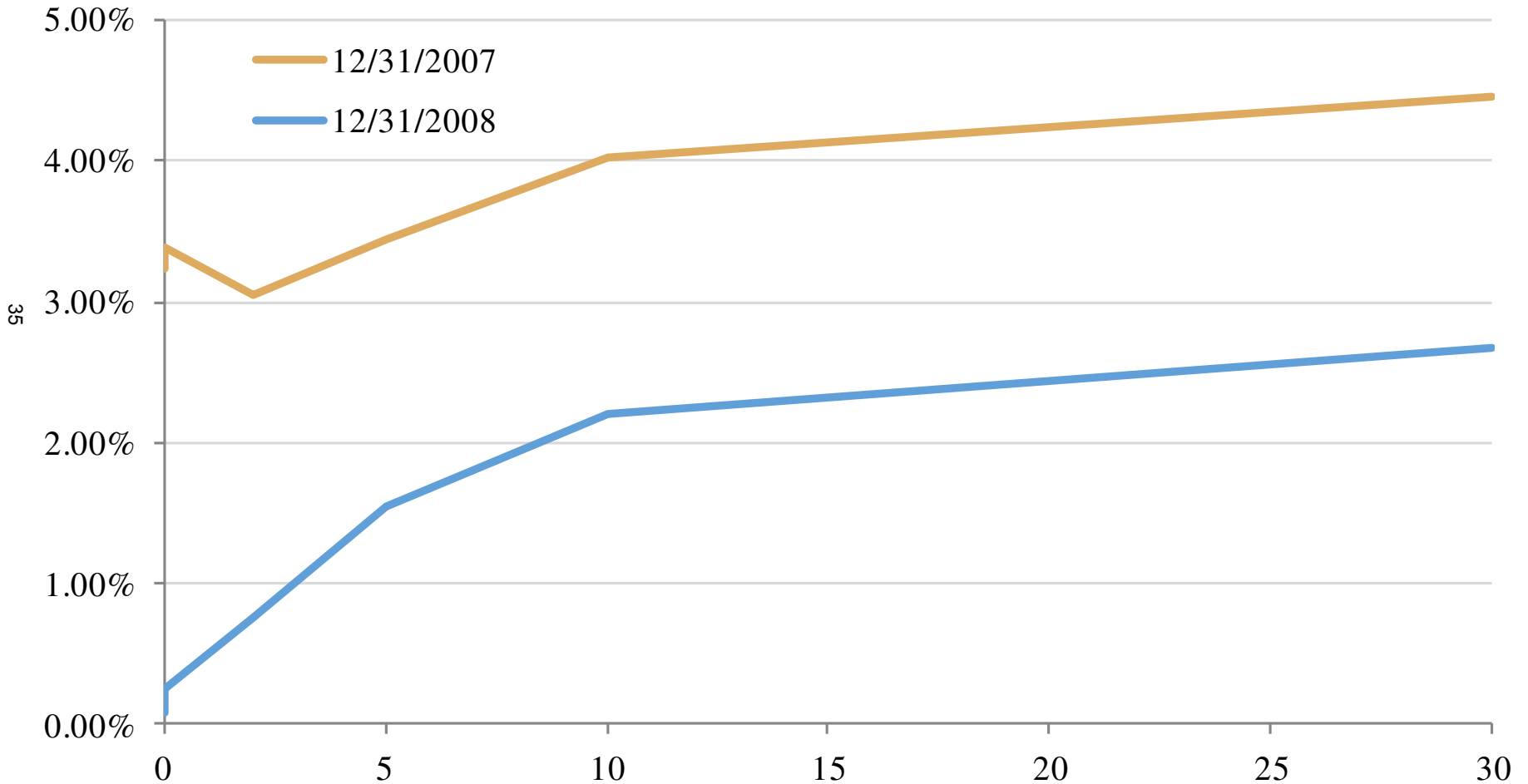
Across the board yields are well off the highs and are below pre-crisis levels.



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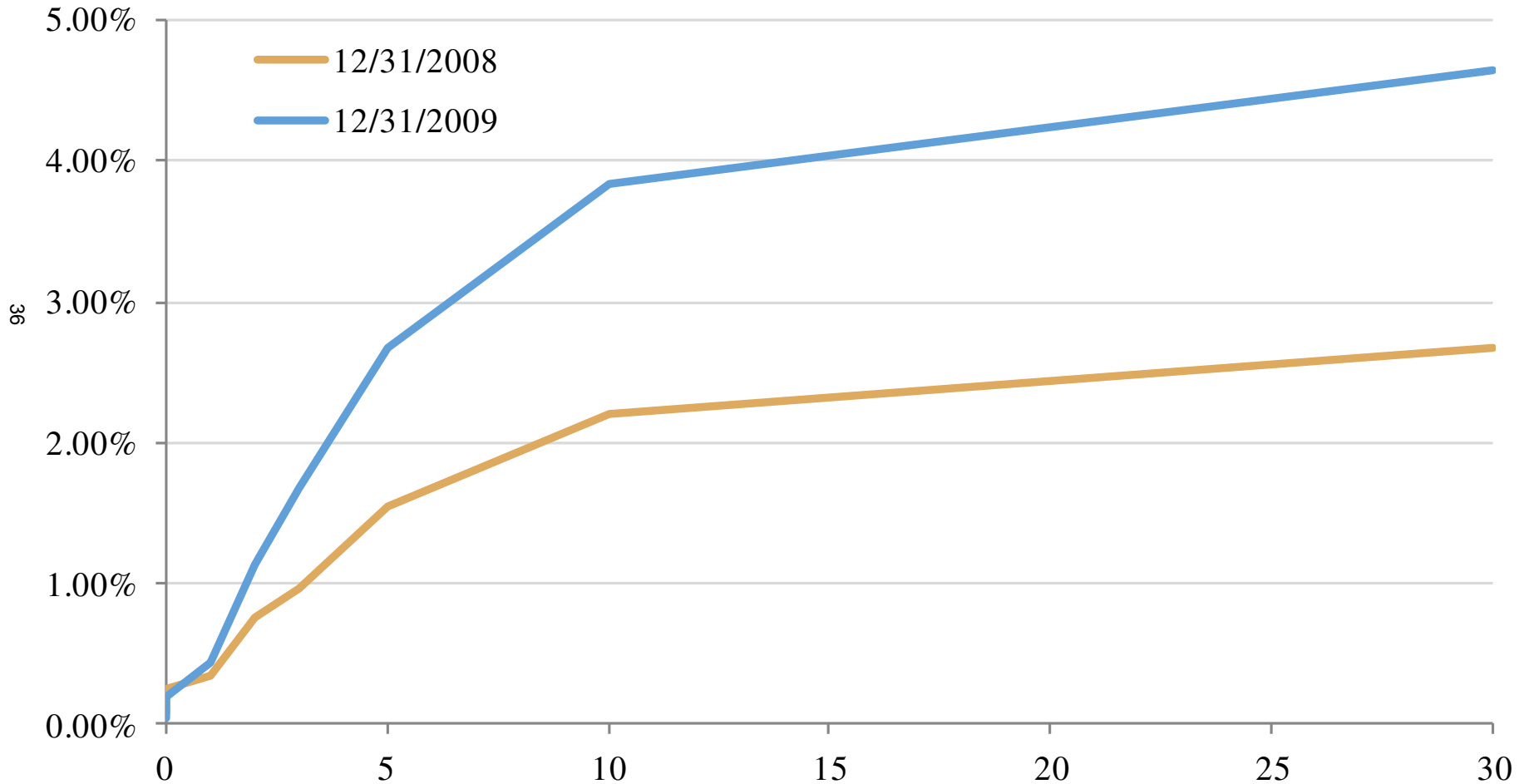
2008 Treasury Index Return

	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10+ Yr
Total Return	6.61%	12.15%	15.11%	17.91%	24.36%
Price Return	2.68%	7.83%	9.92%	12.58%	18.08%
Income Return	3.93%	4.32%	5.18%	5.34%	6.28%



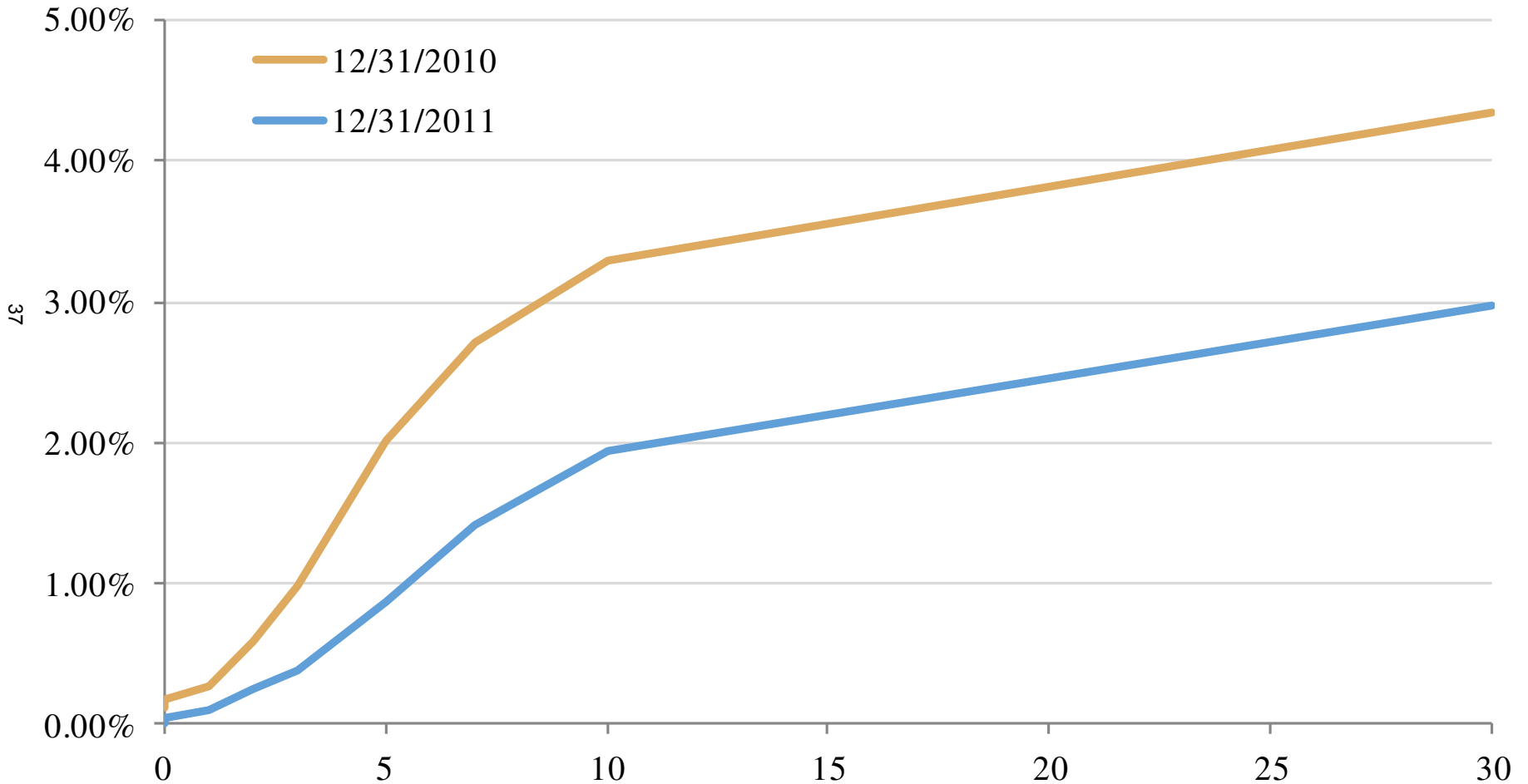
2009 Treasury Index Return

	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10+ Yr
Total Return	0.79%	-0.67%	-2.90%	-5.87%	-13.04%
Price Return	-1.83%	-3.65%	-6.76%	-9.69%	-17.21%
Income Return	2.61%	2.98%	3.86%	3.83%	4.17%



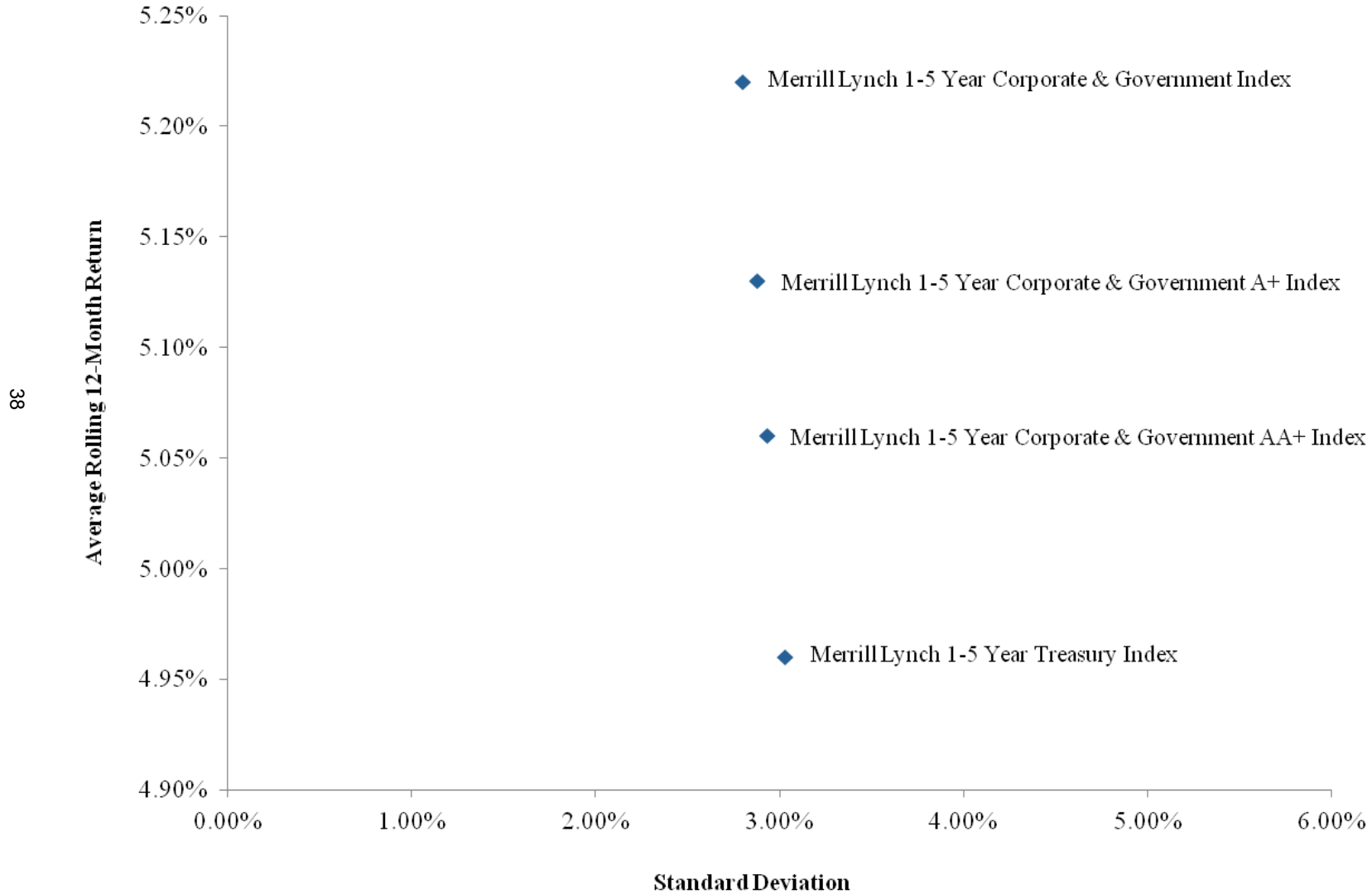
2011 Treasury Index Return

	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10+ Yr
Total Return	1.55%	6.23%	10.96%	15.15%	29.06%
Price Return	-0.15%	3.58%	7.63%	11.25%	23.65%
Income Return	1.70%	2.65%	3.33%	3.90%	5.42%



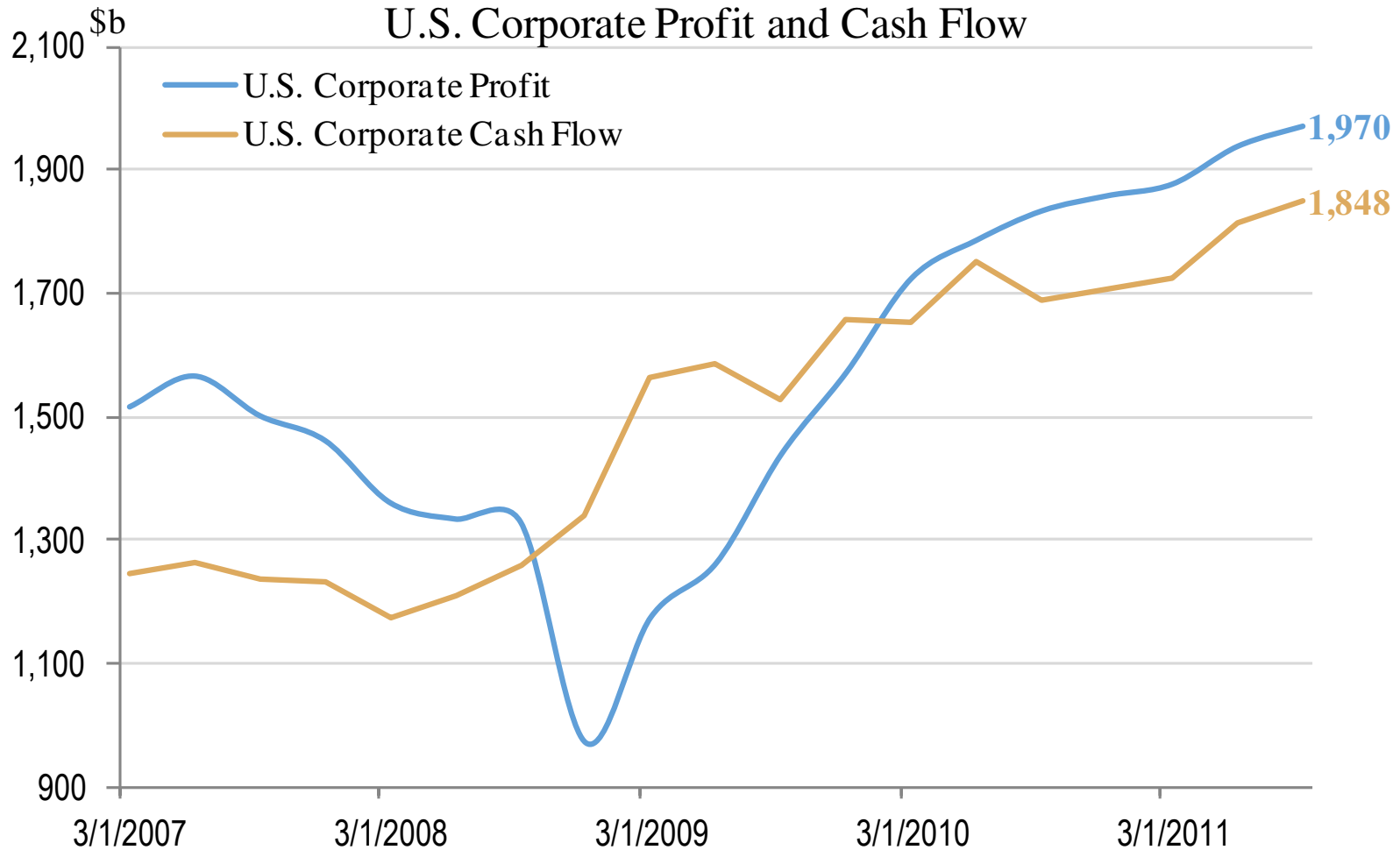
Including Corporate Bonds Has Historically Enhanced Returns and Reduced Volatility

1997-2011 Rolling 12-Month Returns At Each Quarter-End



Credit Fundamentals Remain Strong

- U.S. corporate profits and cash flow are at an all-time high due to aggressive cost cutting during the recession. Corporate balance sheets remain very healthy.



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Portfolio Analysis

Portfolio: 83313700
Representative: CalTRUST Short Term
Pricing Date: 3/30/2012
Portfolio Liquidation Value: \$599,201,063
NAV: \$10.02

Horizon Months: 12
Reinvestment Rate: 0.414

Yield Chg (bps)	Total Return	Income Return	Price Return	Ending YTW	NAV
-50	0.72	0.33	0.39	-0.09	10.09
-25	0.57	0.38	0.19	0.16	10.08
0	0.44	0.44	0.00	0.41	10.06
25	0.31	0.51	-0.20	0.66	10.05
50	0.17	0.58	-0.41	0.91	10.04
75	0.02	0.64	-0.62	1.16	10.02
100	-0.13	0.71	-0.84	1.41	10.01
125	-0.27	0.78	-1.05	1.66	9.99
150	-0.42	0.85	-1.27	1.91	9.98

Source: CMS BondEdge

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Portfolio Analysis

Portfolio: 83313800
Representative: CalTRUST Medium Term
Pricing Date: 3/30/2012
Portfolio Liquidation Value: \$373,031,646
NAV \$10.09

Horizon Months: 12
Reinvestment Rate: 0.656

Yield Chg (bps)	Total Return	Income Return	Price Return	Ending YTW	NAV
-50	1.38	0.59	0.79	0.16	10.23
-25	1.02	0.63	0.40	0.41	10.19
0	0.68	0.68	0.00	0.66	10.16
25	0.32	0.72	-0.40	0.91	10.12
50	-0.05	0.77	-0.81	1.16	10.09
75	-0.41	0.81	-1.22	1.41	10.05
100	-0.78	0.85	-1.63	1.66	10.01
125	-1.15	0.89	-2.04	1.91	9.97
150	-1.51	0.94	-2.45	2.16	9.94

Source: CMS BondEdge

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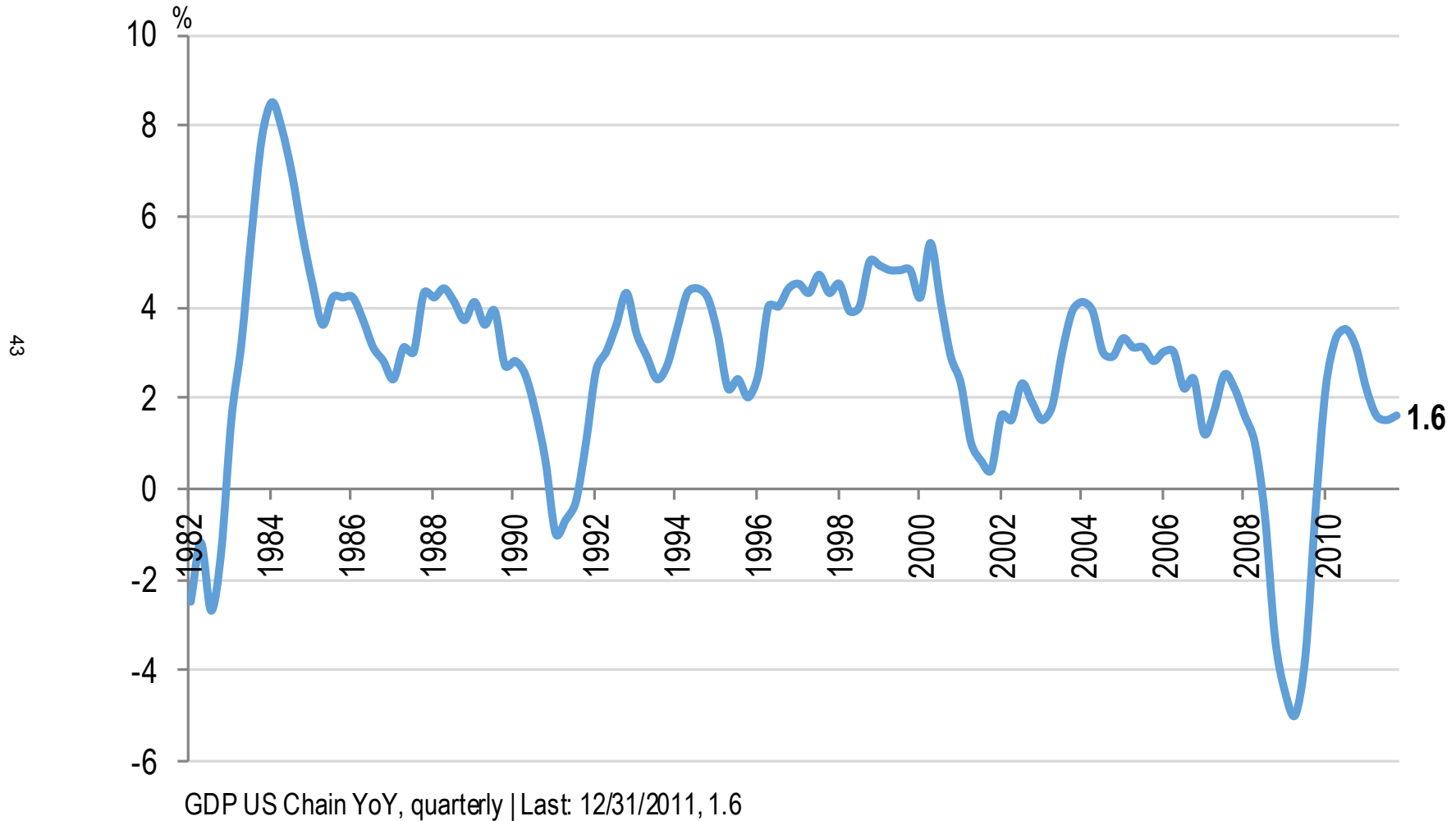
Big Six Summary

- **Growth: modest acceleration**
- **Employment: slow improvement**
- **Inflation: core stabilizing**
- **Monetary: highly accommodative**
- **Fiscal: edging toward restraint**
- **International: Europe cools down; Middle East heats up**

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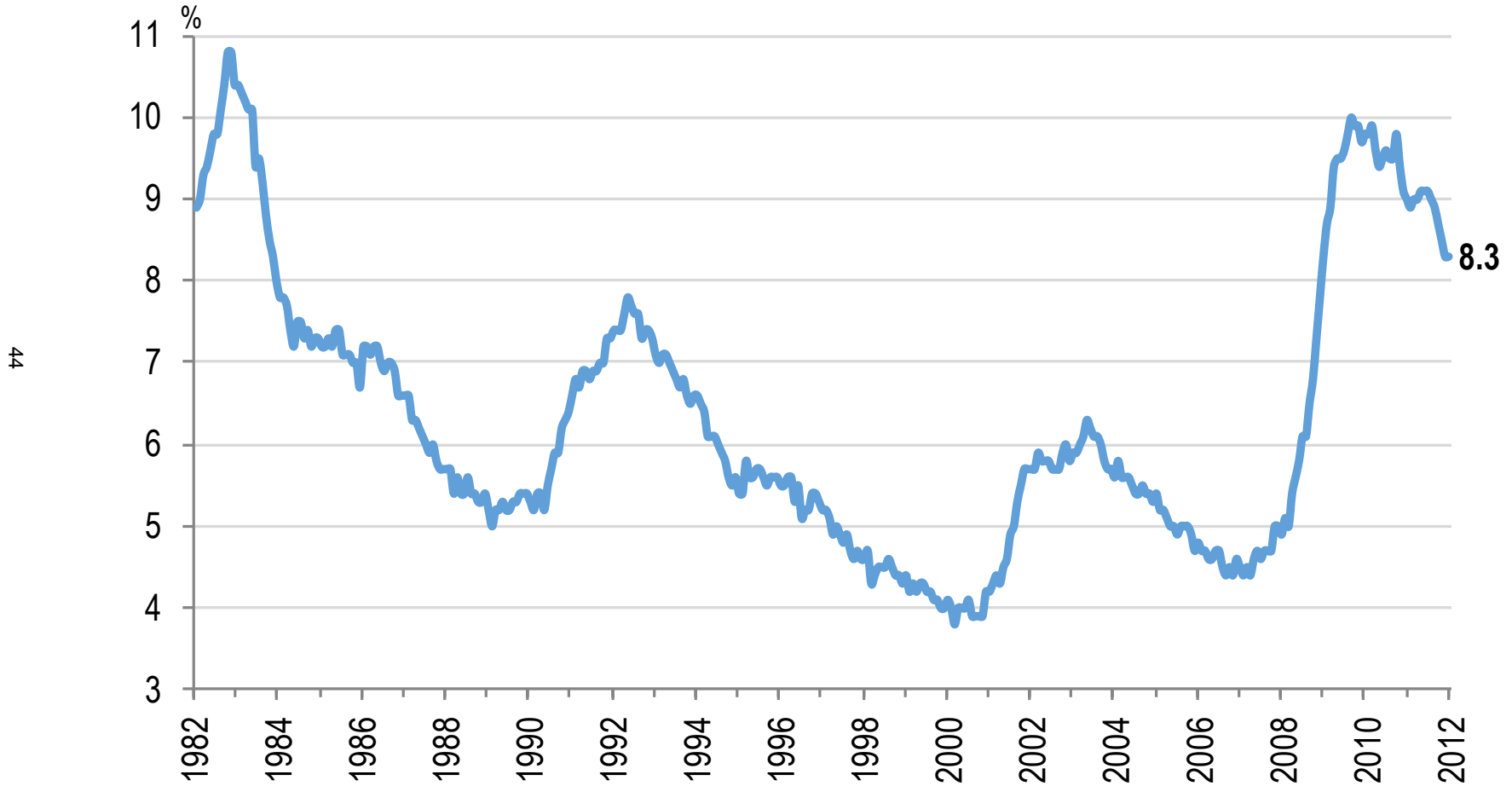
U.S. GDP Growth: growth rate, %YoY

Even with Q4 improvement growth remains sluggish



Unemployment Rate

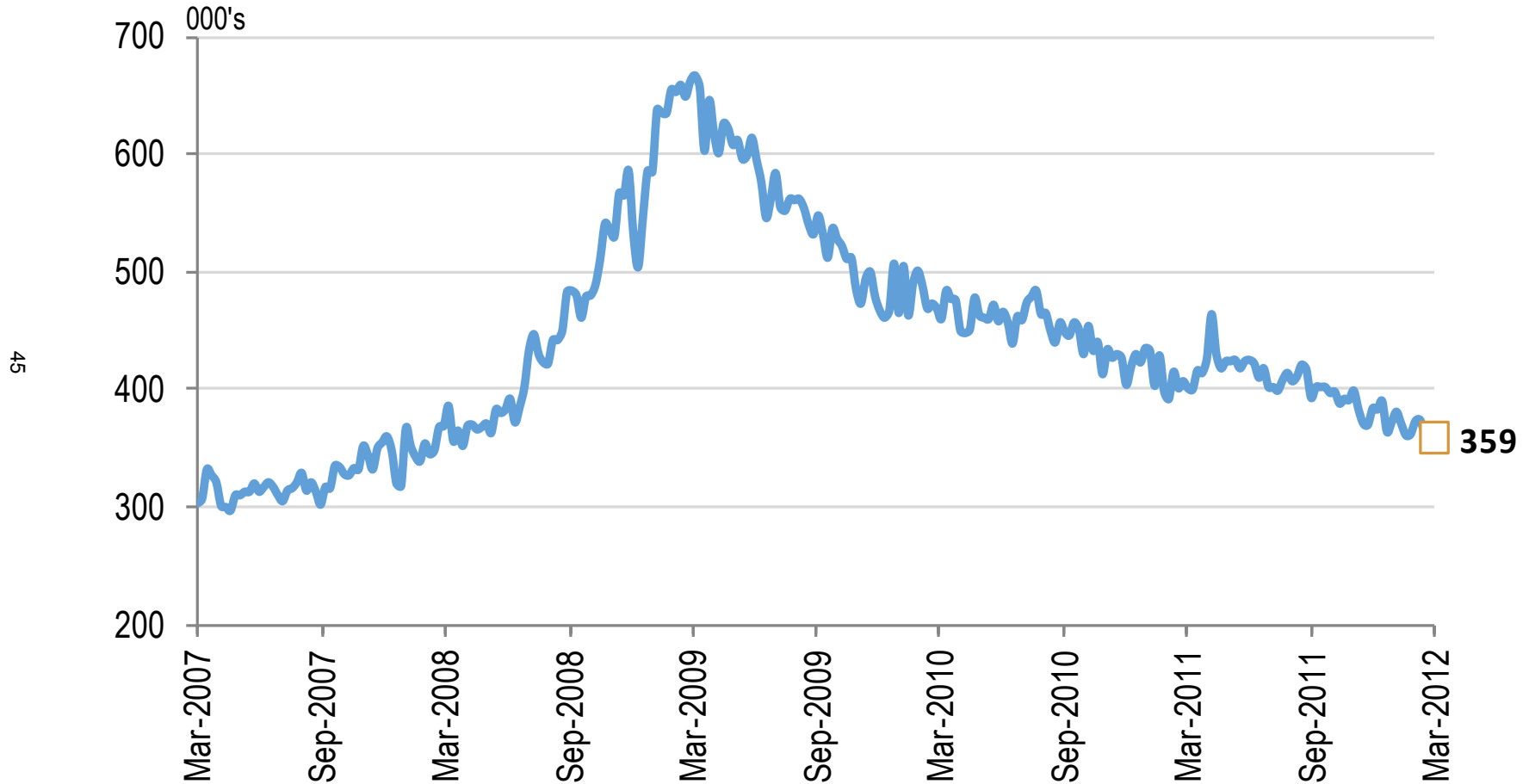
Jobless rate at a new low for the recovery – but still quite high



US Unemployment Rate Total SA, monthly | Last: 02/29/2012, 8.3

Initial Jobless Claims SA

After H1:2011 reversal the downtrend in claims has resumed



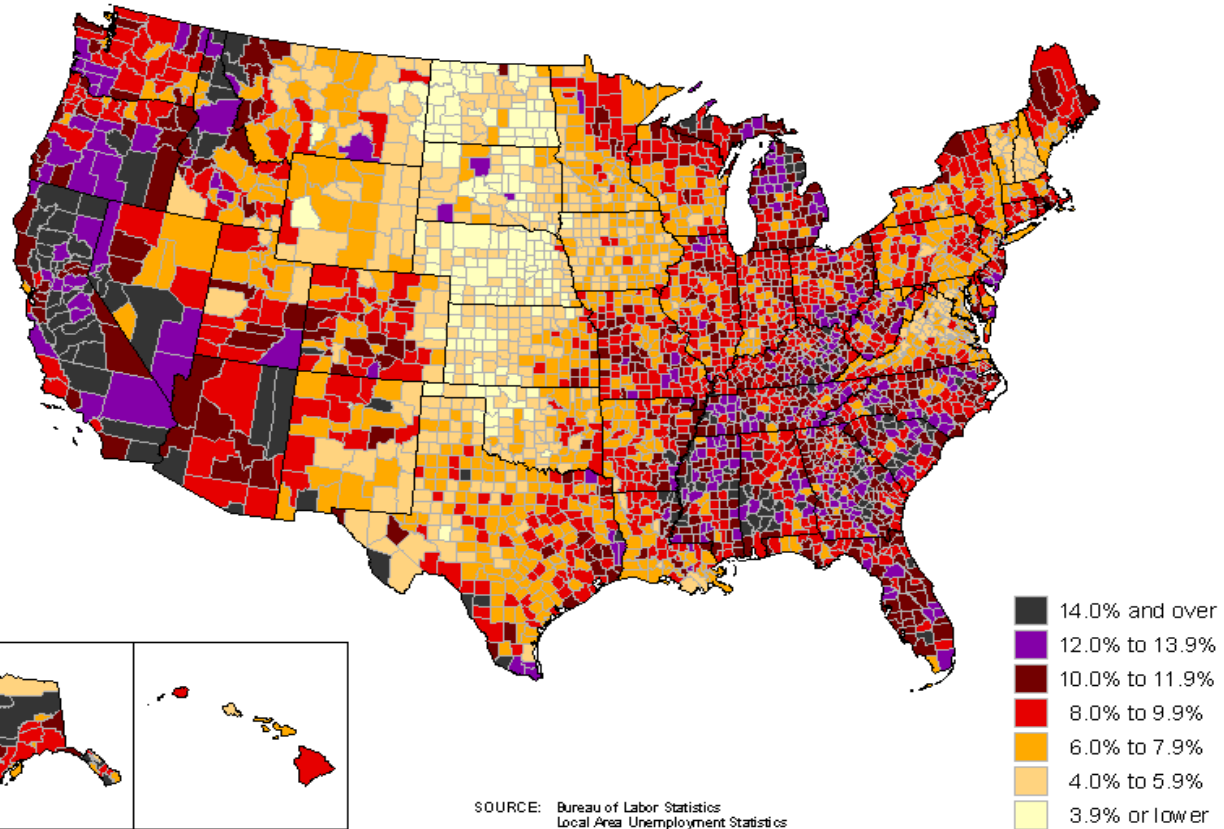
US Initial Jobless Claims, weekly | Last: 03/23/2012, 359

County Unemployment

California Central Valley has been devastated

Unemployment rates by county,
November 2010 – October 2011 averages

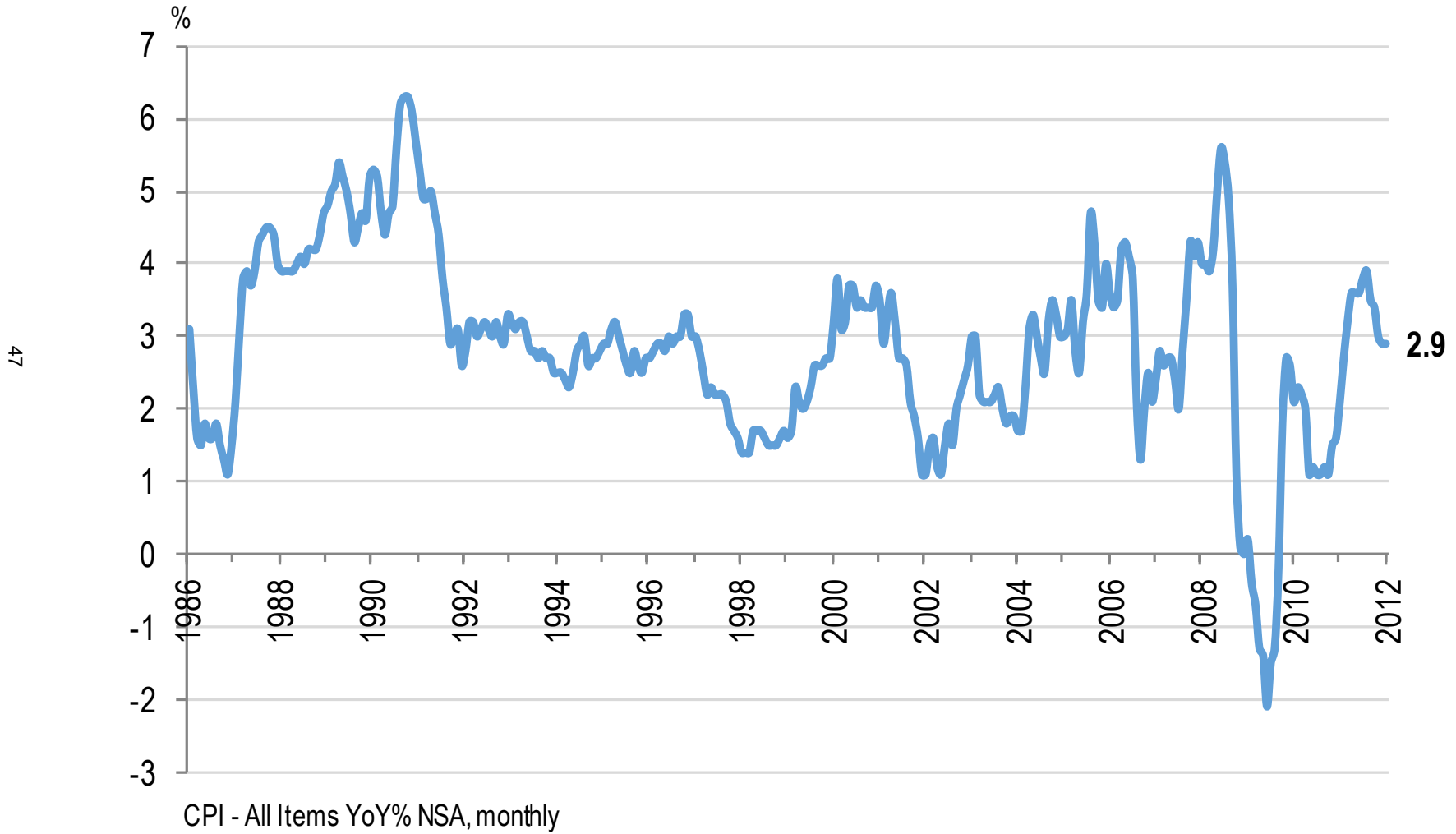
(U.S. rate = 9.1 percent)



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CPI, %YoY

Headline inflation moderating for now

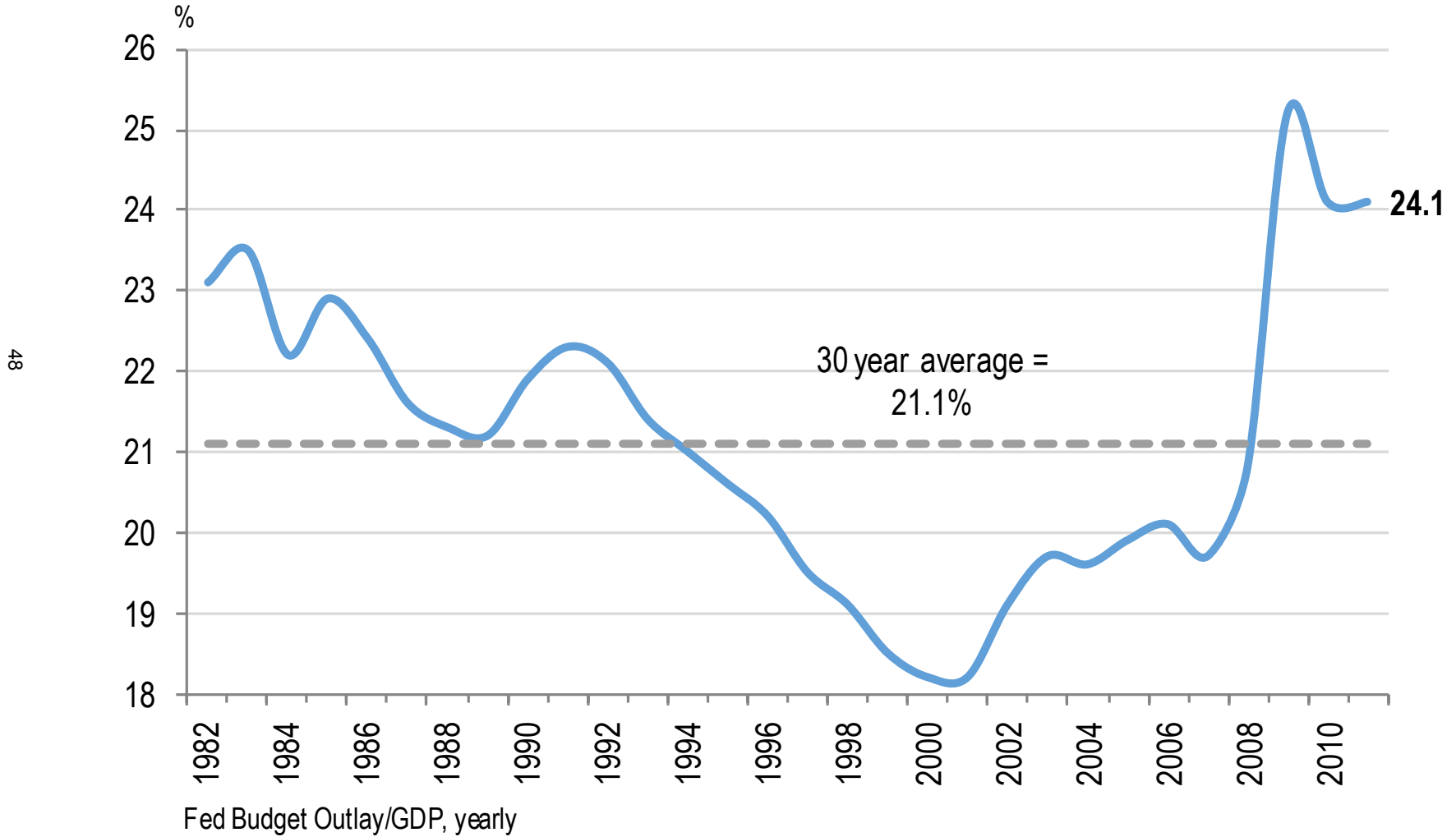


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2.9

U.S. Federal Expenditure as a % of GDP

Federal spending hit a peacetime record share of GDP



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Global Data Cross Section

Very sluggish activity across the major developed economies:

	GDP yoy	CPI yoy	IP yoy	Unemployment
Eurozone	0.7%	2.6%	-2.0%	10.7%
Japan	-0.6%	0.1%	-1.2%	4.6%
UK	0.7%	3.6%	-3.8%	8.4%
USA	1.6%	2.9%	3.4%	8.3%

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Agenda Item: 9. CalTRUST Stakeholders' Meeting Update
Information Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

At the direction of the CalTRUST Board of Trustees, a CalTRUST Stakeholders Meeting agenda was drafted and the inaugural meeting was scheduled for April 17, 2012. Attached is the agenda. The CalTRUST Stakeholders' Meeting was promoted in the *CalTRUST Monthly Market Update* starting in late 2011 and was actively promoted by the CSAC Finance Corporation, League of California Cities, and California Special Districts Association beginning in February 2012. The meeting was free to all attendees regardless of their status as a CalTRUST participant or not.

On March 26th, the CalTRUST Stakeholders' Meeting was cancelled due to low registration numbers. Despite being widely marketed to all counties, cities, and special districts, only 7 public agency representatives registered. Of those 7, two were CalTRUST Board Trustees and one other represented a CalTRUST Trustee county.

Due to the difficulty with public agency employees getting clearance for travel, we will begin exploring options for holding a stakeholders' update via webinar in the hopes of increasing participation.

RECOMMENDATION:

Discussion item; no action requested.



CalTRUST
Stakeholder's Meeting
April 17, 2012
CSAC Conference Center – Sacramento, CA

9:00 am – 10:00 am	Breakfast
10:00 am – 10:15 am	Welcome and Introductions <i>Chuck Lomeli, Solano County TTC</i>
10:15am – 11:15 am	Economic Outlook <i>Steve Zimmerman, Standard & Poor's</i> <i>Gary Schlossberg, Wells Capital Management</i> <i>Moderator: Dan McAllister, San Diego County TTC</i>
11:15 am – 11:30 am	BREAK
11:30 am – 12:15 pm	CalTRUST Program and Performance Updates <i>Mike Rodgers, Wells Cap</i> <i>Jeff Weaver, Wells Cap</i>
12:15 pm – 12:30 pm	Break
12:30 pm – 1:15 pm	Lunchtime Roundtable Discussion <i>Moderator: Rod Dole, Retired Sonoma County TTC</i>
1:15 pm – 2:15 pm	Legislative Update <i>California State Association of Counties</i> <i>Dan Carrigg, League of California Cities</i> <i>Kyle Packham, California Special Districts Association</i>
2:15 pm	Adjourn



Agenda Item: 10. Client Update & Marketing
Information Item

Presented By: Lyle Defenbaugh, Wells Capital Management

BACKGROUND:

Following is an update on marketing and client servicing since the CalTRUST Board of Trustees meeting in September, 2011.

RECOMMENDATION:

Information only; no action requested.

Marketing & Participant Services Update

CalTRUST Board Presentation

April 25, 2012

www.wellscap.com



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WELLS CAPITAL MANAGEMENT

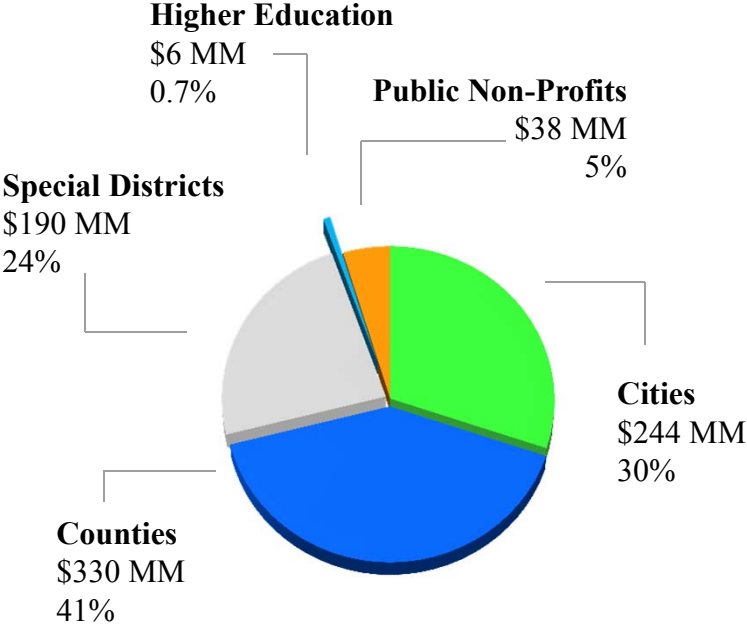


Disciplined Approach ▸ Credit Research ▸ Risk Management ▸ Customized Portfolios ▸ Client Focus

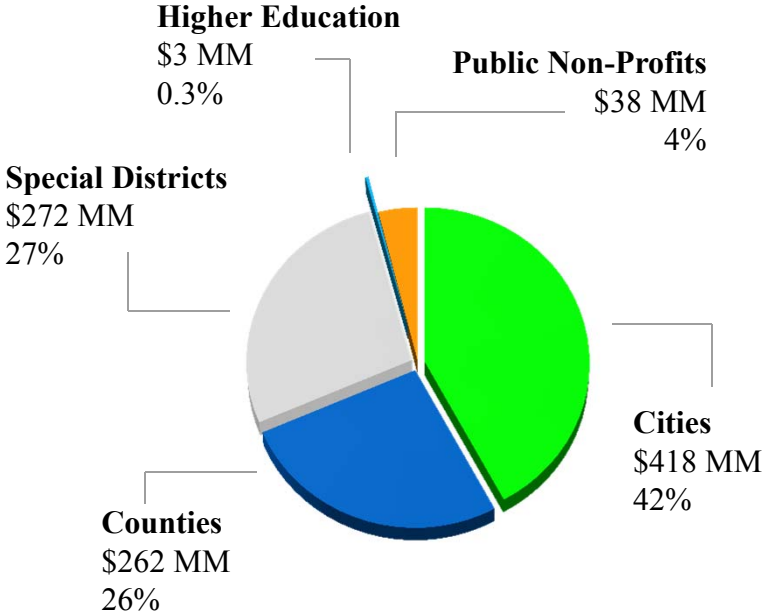
Assets By Type of Jurisdiction

April 2012

August 2011
Total Assets: \$807 MM



April 2012
Total Assets: \$994 MM

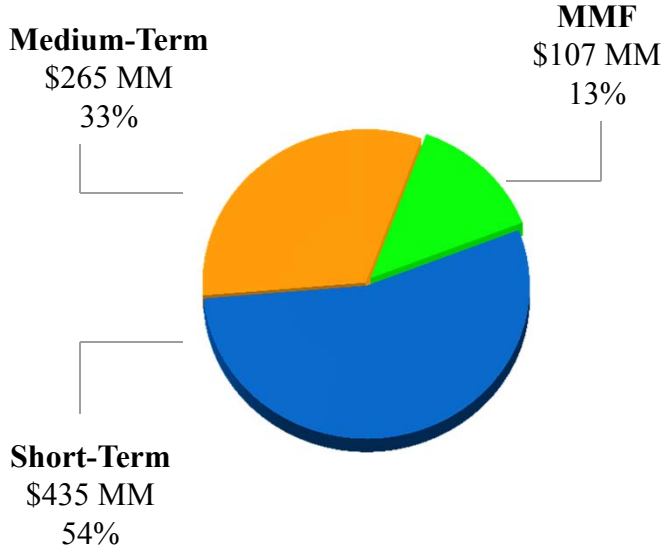


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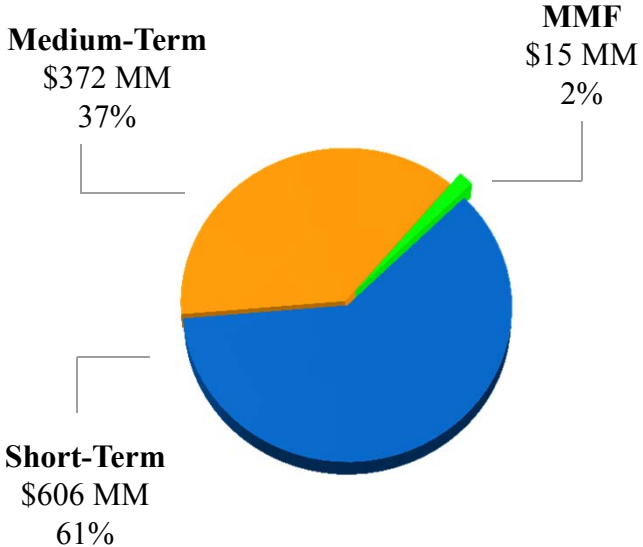
Assets By Fund

April 2012

August 2011
Total Assets: \$807 MM



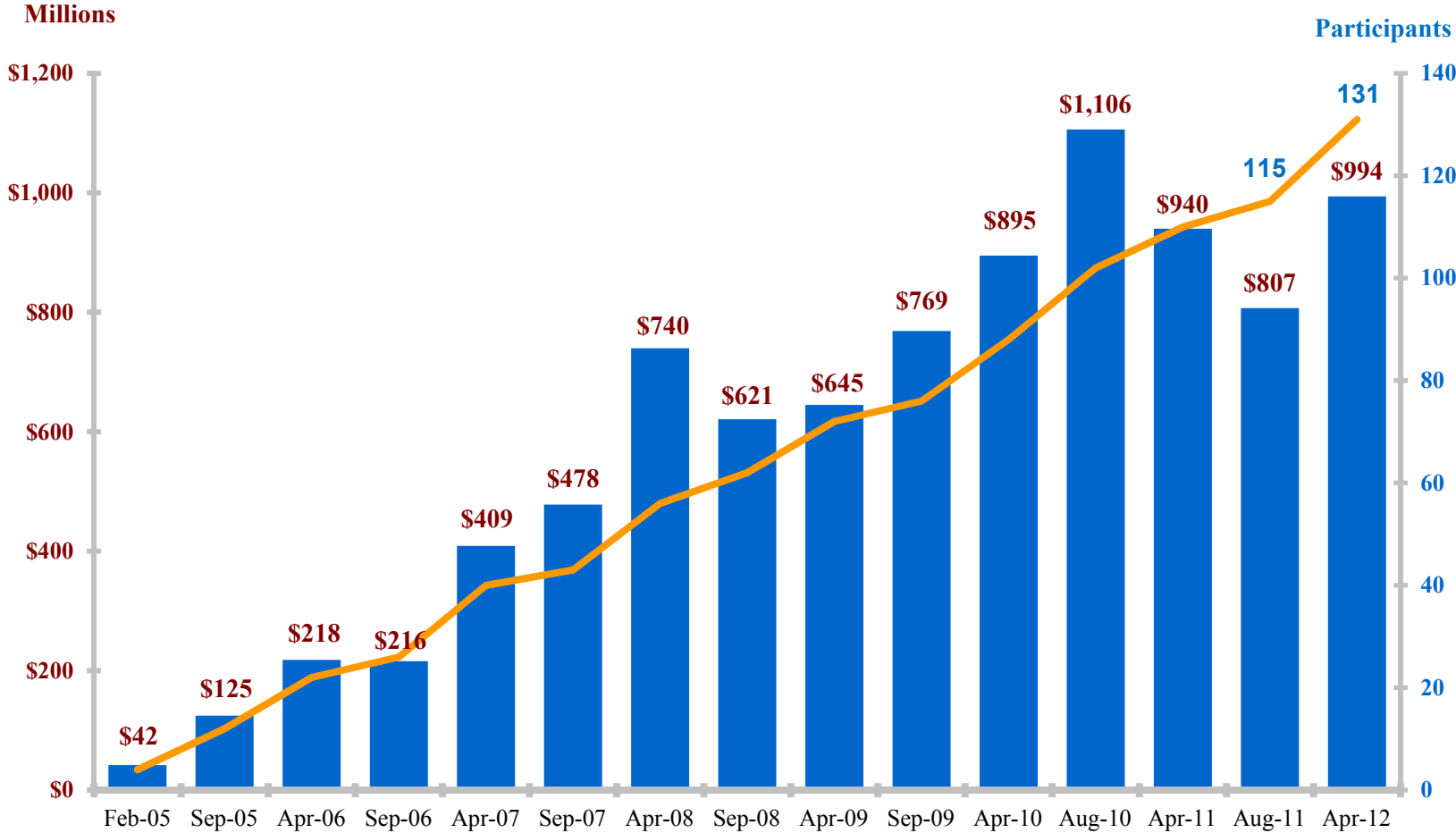
April 2012
Total Assets: \$994 MM



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Asset & Participant Growth

April 2012



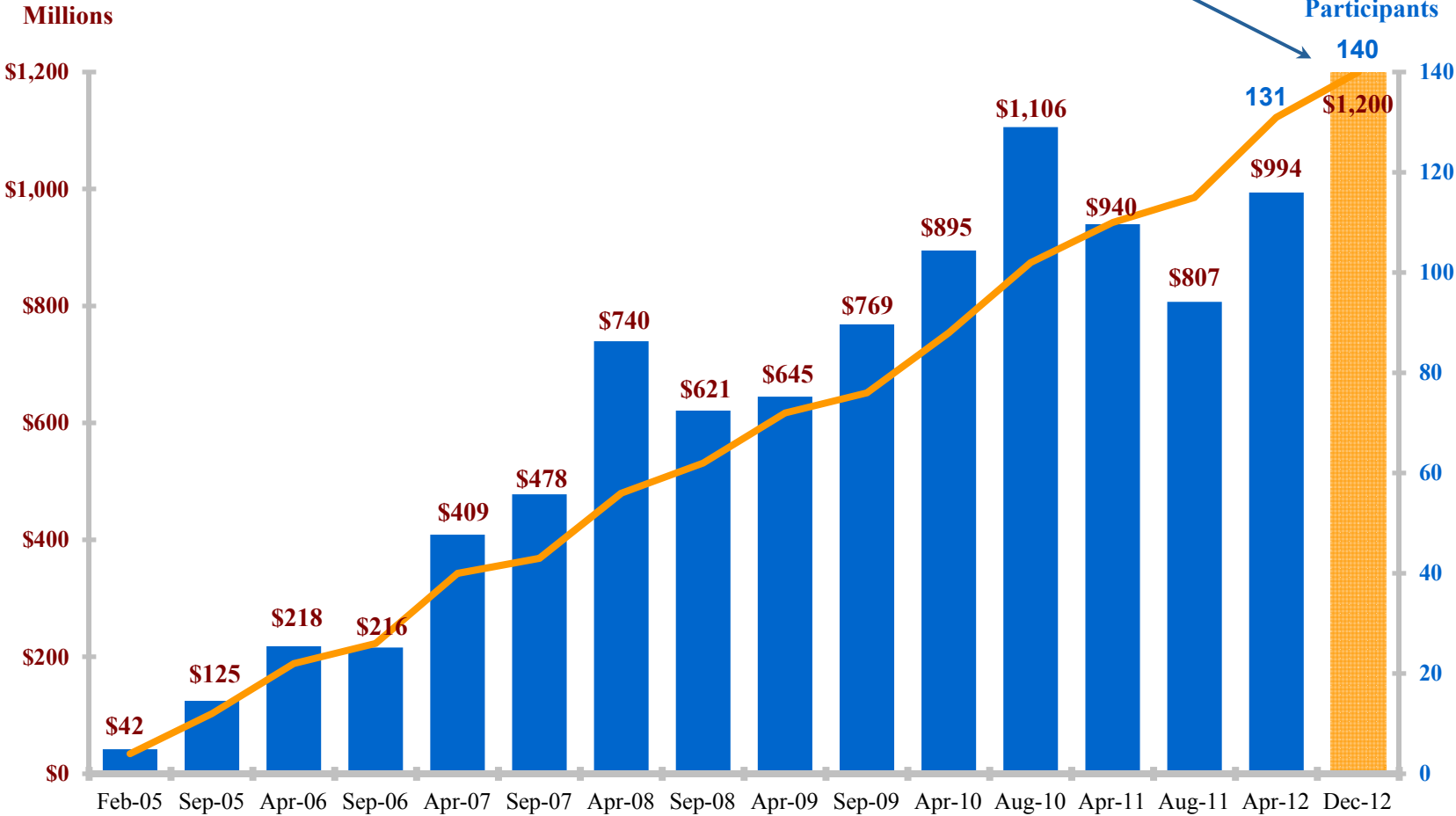
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Asset & Participant Goals for 2012

April 2012

Year-End Target



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Marketing

April 2012

Elimination of Redevelopment Agencies

- Rialto
- Palm Springs
- Laguna Niguel
- Norwalk
- Highland

Wells Fargo Resources and Channels

WellsCap: Mark Robeson (Northern/Central CA)

Kathleen Barnes (Southern California)

Wells Fargo Bank

- Governmental & Institutional Banking
- Business Banking - Specialty Markets Group
- Corporate Trust
- Public Finance

Governmental Banking Client Blitz

- Governmental & Institutional Banking
- Business Banking - Specialty Markets Group

Spring 2012 Conferences/CalTRUST Exhibits

- CMTA Annual Conference - April 18-21 - Sacramento
- ACWA Spring Conference - May 8-11 - Monterey
- Contract Cities Association - May 18-20 - Indian Wells
- CACTTC Annual Conference - June 13-15 - Los Angeles

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Marketing Update

April 2012

Current Pipeline

Siskiyou County	City of Glendale	Hi-Desert Water Agency
Humboldt County	City of Huntington Park	Chino Basin Watermaster
Ventura County	City of Highland	Calleguas Municipal Water District
San Luis Obispo County	City of Culver City	San Bernardino Valley Municipal Water District
Kings County	City of Lodi	San Diego Regional Airport Authority
Mendocino County	City of Stockton	Chino Valley Independent Fire District
	City of Elk Grove	Alameda County Transportation Commission
		Fallbrook Public Utility District

Refresh Existing Relationships

Alameda County	City of Richmond	Inland Empire Utilities Agency
Imperial County		Western Municipal Water District
Yuba County		
Santa Barbara County		

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CalTRUST Participants

April 2012

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
Santa Barbara County– Wells Fargo Bank – Escrow Agent
Wells Fargo Bank, as Trustee for County of Mendocino TRAN
Wells Fargo Bank, as Trustee for County of Monterey TRAN
Wells Fargo Bank, as Trustee for County of Tulare TRAN
Mono County

Community College Districts

College of the Sequoias

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
Larkspur
Wells Fargo Bank, as Trustee for City of Richmond TRAN
San Dimas
El Centro
Laguna Niguel
Rialto
Norwalk
Palm Springs

* = JPA member

WELLS CAPITAL MANAGEMENT



CalTRUST Participants

April 2012

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-Contractor Contributed Funds
Contra Costa County – Central Sanitary District
Kings River Conservation 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
San Diego Unified Port District
Monterey Peninsula Regional Park District
Regional Government Services Authority
SLDMWA \$50M Rev Notes
SLDMWA Series 2009A – Revenue Fund
SLDMWA Series 2009A – Interest Account
SLDMWA Series 2009A – Principal Account
Santa Ana Watershed Project Authority
Midway City Sanitary District*
Fallbrook Healthcare District
Westlands Water District – ‘02A COP (Cert of Participation)
Westlands Water District – ‘05A COP (Cert of Participation)

Special Districts

Santa Lucia Preserve Community Services District
Yorba Linda Water District – Sewer Operating
Yorba Linda Water District – Sewer Emergency
Yorba Linda Water District – Sewer Capital Projects
Yorba Linda Water District – Water Emergency
Yorba Linda Water District – Water Capital Projects
Yorba Linda Water District – Reserve for Dept Services
West Valley Water District
Yorba Linda Water District - Water Operating
Crestline Sanitation District *
Inland Empire Resource Conservation District
Antelope Valley – East Kern Water District
Tulare Local Healthcare District
South Feather Water & Power Agency
San Bernardino Valley Water Conservation District
Kinneola Irrigation District
Chino Valley Independent Fire District

Public Non-Profit

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
National Association of Counties (NACO)
California Special Districts Association (CSDA)
CSDA Finance Corporation
CSAC Public Funds
Association of California Water Agencies

* = JPA member





Agenda Item: 11. Consider JPA Amendment regarding Treasurer Bond Requirement
Action Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

The CalTRUST JPA currently requires that a \$10 million bond be maintained for the Treasurer of the CalTRUST Board of Trustees. Based upon the fact that the Treasurer does not maintain custody of the funds the necessity of the \$10 million bond has been brought to question. After consultation with CalTRUST legal counsel, it is recommended that the CalTRUST JPA be amended to remove the \$10 million bond requirement and better reflect the language it currently references from Sections 6505.6 of the California Joint Powers Authority Code.

The current language reads as follows:

***Section 3.2 Treasurer.** The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor and controller of CalTRUST (the "Treasurer") pursuant to Section 6505.6 of the Act. Except for moneys held by any custodian or depository in connection with the Shares Program and except as may otherwise be specified by resolution of the Board, the Treasurer of CalTRUST is designated as the depository of CalTRUST to have custody of all of the money of CalTRUST, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act. The Treasurer shall draw checks to pay demands against CalTRUST when the demands have been approved by the Board. The Treasurer is designated as the public officer or person who has charge of, handles, or has access to any property of CalTRUST, and such officer shall file an official bond with the Secretary of CalTRUST in the amount specified by resolution of the Board but in no event less than Ten Million Dollars (\$10,000,000). The Treasurer is hereby authorized and directed to prepare or cause to be prepared an audit as required pursuant to Section 6505 of the Act every year (unless the Board, in accordance with the Act, elects otherwise) during the term of this Agreement. The Treasurer is hereby directed to report in writing on the first day of July, October, January and April of each year to the Board, the Members and the Participants, which report shall describe the amount of money held by the Treasurer for CalTRUST, the amount of receipts since the last such report, and the amount paid out since the last such report.*

RECOMMENDATION:

It is recommended that the CalTRUST Board of Trustees adopt the following language to replace Section 3.2 of the Investment Trust of California Joint Powers Agreement:

***Section 3.2 Treasurer.** The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor and controller of CalTRUST (the "Treasurer") pursuant to Section 6505.6 of the Act. Except for moneys held by any custodian or depository in connection with the Shares Program and except as may otherwise be specified by resolution of the Board, the Treasurer of CalTRUST shall be responsible for safekeeping and disbursement of CalTRUST assets, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act.*



INVESTMENT TRUST OF CALIFORNIA (CaITRUST)

BOARD OF TRUSTEES

Resolution of the Board of Trustees

Resolution No. 2012-2

**RESOLUTION TO AUTHORIZE AND APPROVE AN AMENDMENT TO THE
CaITRUST JOINT POWERS AGREEMENT RELATING TO THE QUALIFICATIONS
AND DUTIES OF THE OFFICE OF TREASURER**

WHEREAS, the existing CalTRUST Joint Powers Agreement (the “JPA”) provides for the appointment of a CalTRUST officer or employee as Treasurer pursuant to Section 6505.6 of the Joint Exercise of Powers Act (the “Act”); and

WHEREAS, the Treasurer is required by the JPA to perform certain duties, and also required by the Act to perform similar duties pursuant to related provisions of the Act, including section 6505.5; and

WHEREAS, Section 6505.5 (b) requires the Treasurer to “be responsible, upon his or her official bond, for the safekeeping and disbursement of all agency money so held by him or her”; and

WHEREAS, section 3.2 of the JPA designates the Treasurer as the officer who has charge of CalTRUST property and requires posting of a bond not less than \$10,000,000 with the Secretary of CalTRUST; and

WHEREAS, the custodian of the vast majority of money under the purview of CalTRUST is not the Treasurer, but rather the bank or trust company appointed by the CalTRUST Board pursuant to section 5.5 of the JPA.

NOW, THEREFORE, BE IT RESOLVED that the CalTRUST Board finds that the JPA requirement for a separate bond is 1) excessive, given the limited assets under the Treasurer’s control, and 2) unnecessary, given the language in section 6505 (b) providing for reliance upon an official bond.

BE IT FURTHER RESOLVED that section 3.2 of the JPA shall be amended to eliminate unnecessary and duplicative provisions and shall read as follows:

Section 3.2 Treasurer. The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor and controller of CalTRUST (the "Treasurer") pursuant to Section 6505.6 of the Act. Except for moneys held by any custodian or depository in connection with the Shares Program and except as may otherwise be specified by resolution of the Board, the Treasurer of CalTRUST shall be responsible for safekeeping and disbursement of CalTRUST assets, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act.

BE IT FURTHER RESOLVED that the amendment set forth in this resolution may be adopted by a majority of the Board, in that the amendment will not adversely affect the Share Program or one or more Series of Shares.

The above resolution was duly passed and adopted by the Board of Trustees of the Investment Trust of California (CalTRUST) at a regular meeting held on April 25, 2012 by the following vote:

Ayes: _____

Nays: _____

Abstain: _____

Absent: _____

Signed and approved by me after its passage.

by: _____
_____, Secretary

Attest:

by: _____
_____, President



Agenda Item: 12. Review and Consider CalTRUST Documents
Action Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

The CalTRUST Information Statement was last revised on September 14, 2011. There are no revisions suggested at this time.

The CalTRUST Investment Policy was last adopted on February 24, 2005. Since that time, changes have taken place in both Board policy and updates to the reference Government Code sections that are cause for updates to the Investment Policy. Following is an updated from of the CalTRUST Investment Policy for your review.

Revisions made on this update include:

- **Section C.** Updating the medium-term fund benchmark to the Merrill Lynch and U.S. Corporate & Government 1-3 Years based on Board action at the September 14, 2011 meeting;
- **Section F.** Grammatical correction;
- **Section F.** Inserting authorized investments section consistent with current language of California Government Code Section 53601;
- **Section F.** Inserting language to allow for a federally-licensed branch of a foreign bank as opposed to only state-licensed;
- **Section F.** Updating language from reference to legislative body of any Participant to CalTRUST Board of Trustees as they are the governing body;
- **Section F.** Updating references from California Government Code Section 53601(i) to 53601(j) as appropriate

Per section 9.8 of the CalTRUST Joint Powers Agreement, changes to the CalTRUST Investment Policy must be ratified by the approval or negative consent of participants holding at least a majority of the Shares. Therefore, approval of the CalTRUST Investment Policy by the Board today will serve to direct staff to begin the process of soliciting approval from participants.

RECOMMENDATION:

It is recommended that the Board reaffirm the CalTRUST Information Statement and direct staff to seek approval as outlined in Section 9.8 of the Joint Powers Agreement for amendments to the updated CalTRUST Investment Policy as presented.

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 Long-Term 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 1½ to 3½ 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 Ciarponi, 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 \$500 Million</u>	<u>\$500 Million to \$1 Billion</u>	<u>Over \$1 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
[\(Updated April 25, 2012\)](#)

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- 5 3 Years, “A” Rated or Above Index
Long-Term Fund:	Merrill Lynch U.S. Government Treasury & Agency 5-10 Years, “AAA” Rate 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) Unites 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.
- ~~3)4)~~ Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- 4)5) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- ~~5)6)~~ Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days' maturity or 40 percent of the assets in a Series. However, no more than 30 percent of the assets in a Series may be bankers acceptances of any one commercial bank.
- ~~6)7)~~ Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization ("NRSRO"). The entity that issues the commercial paper shall meet all of the following criteria in either clause (a) or (b): (a)(i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000) and (iii) has debt other than commercial paper, if any, that is rated "A" or higher 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)8)~~ Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), ~~or~~ a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the assets in a Series. Purchases shall not exceed the shareholder's equity of any depository bank. Shareholder's equity shall be determined in accordance with Section 118 of the California Financial Code, but shall be deemed to include capital notes and debentures. Purchases shall not exceed the total of the net worth of any savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law. Purchases of negotiable certificates of deposit from any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the California Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the California Financial Code or are secured as required by law. Purchases of negotiable certificates of deposit issued by a state or federal credit union are prohibited if a member of the legislative body of any ParticipantCalTRUST Board of Trustees, or any person with investment decision making authority for any ParticipantCalTRUST, 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)9)~~ Investments in repurchase agreements of Authorized Investments as long as the agreements are subject to the requirements of California Government Code Section 53601(~~j~~), including the delivery requirements

specified in California Government Code Section 53601(~~h~~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~~10) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subsection shall be rated “A” or better 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~~11) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. Such companies shall have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subsection shall not include any commission that the companies may charge and shall not exceed 20 percent of the assets in a Series.

~~11~~12) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted

~~12~~13) Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond 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 1 ½ to 3 ½ 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



Agenda Item: 13. Consider CalTRUST Policies and Procedures
Action Item

Presented By: Nancy Parrish

BACKGROUND:

At your last meeting, your board requested that staff present proposed policies and procedures regarding document review, contract terms, and disaster recovery. After reviewing existing documents we recommend the following:

1. Service contracts (e.g., investment advisory services, custodial services, fund accounting and audit services) will be let for a period of three years with the option of two one year renewals for a total period not to exceed five years;
2. Program Administration and Sponsor Agreements will be reviewed each year at the annual meeting;
3. The Joint Powers Agreement, Information Statement and Policy Statement will be reviewed each year at the annual meeting;
4. All contractors will submit disaster recovery plans to CalTRUST annually for review by the board at your fall meeting;
5. All electronic files maintained at the CSAC office will be backed up daily on site and monthly off site;
6. All hard copy documents will be scanned and maintained electronically.

RECOMMENDATION:

It is recommended that the Board approve the suggested policies and procedures.



Agenda Item: 14. Update on Proposals for CalTRUST Fund Accounting Services
Information Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

At the October 31, 2011 teleconference meeting of the CalTRUST Board of Trustees, staff was directed to create and issue an RFP for CalTRUST Fund Accounting services and an ad hoc selection committee was appointed. The ad hoc committee appointed includes Trustees Ciapponi, Colville, and McAllister. The original timeline of the RFP indicated that a final selection would be made at this Board Meeting. Proposals were received by the following firms:

- Atlantic Fund Services
- Nottingham Investment Administration
- Piedmont Fund Services
- Ultimus Fund Solutions
- US Bancorp Fund Services

The ad hoc committee met via teleconference on April 16th and 17th to discuss the proposals. During the discussions it became clear that the committee was not prepared to make a final recommendation. In order to partake in further due diligence the committee has revised the selection timeline and will have a recommendation for the full Board to consider no later than the September 2012 meeting of the CalTRUST Board of Trustees.

RECOMMENDATION:

Information item; no action requested.



CSAC Finance Corporation

Request for Proposal for Fund Accounting Services for the Investment Trust of California

Contents of Request for Proposal (RFP)

- I. Introduction
- II. Timeline
- III. Contact Person
- IV. Scope of Services
- V. Proposal Questionnaire

I. Introduction

The California State Association of Counties Finance Corporation (CSAC FC) is seeking proposals to provide fund accounting services for the Investment Trust of California (CalTRUST). The CSAC FC is a not-for-profit organization whose mission is to provide a broad array of finance, investment, insurance and purchasing services to benefit California counties and related public agencies. CalTRUST is one program administered by the CSAC Finance Corporation.

CalTRUST is formed as a joint powers authority (JPA) and was created by the CSAC FC and League of California Cities to provide a convenient method for local agencies to pool their assets for investment. There is no requirement that a local agency become a JPA member. Local agencies can invest with CalTRUST directly, without the need for a city council or board resolution to join the JPA. Any California local agency may participate in CalTRUST. There are currently 21 JPA members out of 106 participants. As of February 29, 2012 there is \$1,030,647,747 in assets.

As a joint powers authority, CalTRUST is governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. The CSAC Finance Corporation serves as the Administrator for CalTRUST and Wells Capital Management serves as the Investment Advisor for the Program.

Local agencies have three account options – Money Market, Short-Term, or Medium-Term accounts. There is also a Long-Term account option that may be activated in the future. Local agencies can select an account option which matches their investment time horizon and cash flow needs and easily reallocate among accounts as those needs change. Each of the accounts seek to attain as high a level of current income as is consistent with the preservation of principal by investing only in high-quality, fixed-income securities.

All CalTRUST accounts comply with the limits and restrictions placed on local investments by California statutes; no leverage is permitted in any of the CalTRUST accounts.

II. Timeline

RFP Release Date:	February 29, 2012
Questions Due:	March 9, 2012
Responses to Questions Released:	March 16, 2012
Proposals Due:	April 1, 2012
Selection by Board:	April 25, 2012
Anticipated Start Date:	July 1, 2012

Interviews may be scheduled in April 2012.

III. Contact Information

Proposals and questions shall be submitted *electronically* by the aforementioned deadlines to:

Laura Labanieh Campbell
Program Manager
CSAC Finance Corporation
1100 K Street, Suite 101
Sacramento, CA 95814
Email: llabanieh@counties.org

IV. Scope of Services

The Fund Accounting Administrator (Administrator) shall compute the net assets value per share of each portfolio of CalTRUST (Portfolio) and shall value the securities held by each Portfolio (the Securities) at such times and dates and in the manner described below. The Administrator shall advise CalTRUST and CalTRUST's Investment Advisor of the net asset value of each Portfolio upon completion of the computations required to be made by the Administrator.

Accounting Services

1. For each valuation date and consistent with written instructions from CalTRUST, obtain prices from a pricing source(s) approved by CalTRUST and apply those prices to the portfolio positions. For those securities where market quotations are not readily available, CalTRUST shall approve, in good faith, the method for determining the fair market value for such securities. For purposes hereof, "valuation date" shall mean each business day the New York Stock Exchange is open for business.
2. Identify interest and dividend accrual balances as of each valuation date and calculate gross earnings on investments for the accounting period.
3. Account for periodic distributions of gain to CalTRUST and maintain undistributed gain or loss balances as of each valuation date.

Expense Accrual and Payment Services

4. For each valuation date, calculate the expense accrual amounts as directed by CalTRUST as to methodology, rate, or dollar amount.
5. Issue payments for Portfolio expenses, if applicable, upon receipt of funds from each Portfolio's Custodian.
6. Account for Portfolio expenditures and maintain expense accrual balances at the level of accounting detail specified by CalTRUST.
7. Support periodic expense accrual review, i.e., comparison of actual expense activity versus accrual amounts.
8. Provide expense accrual and payment reporting.

Valuation and Financial Reporting Services

9. Account for CalTRUST share purchases, sales, exchanges, transfers, dividend reinvestments, and other portfolio share activity as reported by CalTRUST on a daily basis.
10. Determine net investment income (earnings) for CalTRUST as of each valuation date. Account for periodic distributions of earnings to CalTRUST and maintain undistributed net investment income balances as of each valuation date.
11. Maintain a general ledger for CalTRUST in a form reasonably prescribed by CalTRUST and produce a set of financial statements as may be agreed upon from time to time as of each valuation date.
12. For each Day CalTRUST is opened for business, determine the net asset value of CalTRUST according to the accounting policies and procedures set forth by CalTRUST.
13. Calculate per share the net asset value, per share net earnings, and other per share amounts reflective of CalTRUST's operation at such time as required by the nature and characteristics of CalTRUST. Perform the calculations using the number of shares outstanding reported by CalTRUST to be applicable at the time of calculation.

14. Provide to CalTRUST or its designee closing net asset value, dividend and capital gain information, on a per unit basis as soon as reasonably practical after the close of trading each business day and use commercially reasonable efforts to make such information available.
15. Communicate, at an agreed upon time, the per share price for each valuation date to other parties as agreed upon from time to time.
16. Prepare reports that document the adequacy of accounting detail to support month-end ledger balances.
17. Deliver statements and such other reports and information as may be reasonably requested by CalTRUST. This includes reports and information the CalTRUST annual audit.

Tax Account Services

18. Maintain normal and customary tax accounting records for CalTRUST's investment portfolio so as to support tax reporting requirements.
19. Maintain tax lot detail for the investment portfolios.
20. Calculate taxable gain/loss on security sales using the tax cost basis selected in advance by CalTRUST.
21. Report the taxable components of income and capital gains distributions to CalTRUST to support tax reporting to the members.

Compliance Control Services

22. Maintain normal customary accounting records in connection with the Administrator's duties as specified to support compliance monitoring by CalTRUST.
23. Support financial statement preparation by making CalTRUST's fund accounting records available to CalTRUST and the outside auditors.

Registration Services

24. Assist CalTRUST's legal counsel, as may be requested, with the preparation of all reports and filings required to maintain the registration and qualifications of CalTRUST under federal and state securities laws.
25. Assist CalTRUST's legal counsel, as may be requested, with the preparation of periodic regulatory filings.

Member Recordkeeping and Support Services

26. Process purchases, both initial and subsequent, in accordance with conditions specified by CalTRUST.
27. Distribute dividends and/or capital gain distributions.
28. Process and direct purchase/redemption and initiate new account or process to existing account.

29. Make miscellaneous changes to records, including, but not limited to, address changes.
30. Prepare and maintain a year-to-date confirmation and statement as each transaction is recorded in CalTRUST's account.
31. Handle normal and customary telephone calls and correspondence in reply to CalTRUST requests.
32. Provide daily and monthly reconciliation of cash and investment book balances to the relevant bank and/or custodial statements of CalTRUST shares. Monthly reconciliation schedules with full documentation of reconciling items must be provided to CalTRUST for review and approval no later than five business days after each month-end.
33. Provide readily obtainable data that may be requested for audit purposes.
34. Maintain all customary records for active and closed accounts.
35. Prepare and mail regular valuation reports to CalTRUST as requested.
36. Develop an internet site for access to CalTRUST's basic accounting and recordkeeping information and for online trading functions. The type of information on the internet site will be jointly developed with CalTRUST.
37. All fund accounting work must be performed in accordance with generally accepted accounting principles.

V. Proposal Questionnaire

General Overview

1. Provide a complete overview of the government fund accounting services provided by your firm.
2. Provide your firm's organizational structure for fund accounting services. Include the number of staff, average tenure, and turnover rate.
3. Provide the organizational chart and biographies of the team that would be assigned to our account as well as their location. How much involvement will we have in selecting key members who service our account?
4. Discuss how issues and problems are escalated within your organization.
5. What fund accounting system does your firm currently utilize? Describe how your fund accounting systems integrate with other various government fund processing systems / operational areas including but not limited to custody and the advisor. Current custody and advisory services provided by Wells Fargo, NA and Wells Capital Management respectively.
6. Describe your firm's options for statements including standard and customized reports. Discuss available delivery methods. Provide sample statement and discuss customization options.

7. Describe your firm's policies, procedures, and controls for processing corporate actions and class actions. Describe the timing, method and medium in which corporate actions and class actions are communicated to custody and portfolio managers.
8. Describe your firm's procedures for trade processing, affirmation, and settlements.
9. Discuss your firm's willingness and capability to complete the items outlined in the Scope of Services section of this RFP.
10. Describe your firm's preferred method for receiving trade information. Also discuss alternative methods for receiving trade information.
11. Describe your firm's ability to provide an online trading portal for participants.
12. Discuss your data security and disaster recovery plans.
13. Describe your firm's framework of internal controls. Describe how your firm maintains adequate separation of duties.

Cost & References

14. Provide a detailed fee schedule for your services.
15. Provide agency names, portfolio size, and contact information for three public agencies for which you currently provide services.



Agenda Item: 15. Report on CalTRUST FPPC Reporting Procedures
Information Item

Presented By: Nancy Parrish

BACKGROUND:

At your last meeting, your board requested clarification regarding FPPC reporting requirements. After consulting with counsel, we have determined that any questions should be directed to the FPPC advice line at (866) 275-3772.

RECOMMENDATION:

Information only.



Agenda Item: 16. Profit / Loss Statement
Information Item

Presented By: Nancy Parrish

BACKGROUND:

Attached is the profit / loss statement for the CalTRUST program.

RECOMMENDATION:

Information only; no action required.

CalTrust Profit/Loss Program to Date

	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12 March	Program To Date
Income:											
Fees		<u>76,722</u>	<u>21,371</u>	<u>65,646</u>	<u>129,824</u>	<u>247,560</u>	<u>232,827</u>	<u>324,649</u>	<u>347,028</u>	<u>247,684</u>	<u>1,693,311</u>
Total Income	0	76,722	21,371	65,646	129,824	247,560	232,827	324,649	347,028	247,684	1,445,627
Direct Costs:											
CSAC Finance Corp								135,912	137,980	85,042	358,934
League of Ca Cities							9,362	20,726	22,623	21,824	74,535
CSDA							1,808	5,101	12,559	16,705	36,173
Community Colleges								586	352	271	1,209
SubTotal							11,170	162,325	173,514	123,842	470,851
Expenses:											
Union Bank		56,250				65,464	60,498	44,708	57,723	33,830	318,473
Travel/Meals	10,558	5,003	1,078	6,546	16,213	20,764	5,443	22,270	12,329	10,172	110,376
Rating Agency						16,000	8,000	8,500	8,500	4,500	45,500
Legal	34,045	123,311	65,838		12,680	1,580	2,140	5,700	783		246,077
Printing/Postage	6,795	210						16	8		7,029
Logo/Website		6,199							3,748	325	10,272
Audit		<u>13,174</u>	<u>13,832</u>	<u>14,524</u>	<u>17,000</u>	<u>18,000</u>	<u>19,000</u>	<u>13,960</u>	<u>19,000</u>	<u>20,824</u>	<u>149,314</u>
Total Expenses	51,398	204,147	80,748	21,070	45,893	121,808	106,251	257,479	275,605	193,493	1,357,892
Profit/(Loss)	-51,398	-127,425	-59,377	44,576	83,931	125,752	126,576	67,171	71,423	54,191	281,228



Agenda Item: 17. Future Meetings
Information Item

Presented By: Laura Labanieh Campbell

BACKGROUND:

Below please find the locations and dates for the next regularly scheduled meetings of the CalTRUST Board of Trustees.

- 2012 Fall Meeting – September 12 @ La Valencia Hotel, La Jolla, CA
- 2013 Annual Meeting – April 24 @ The Fairmont Sonoma Mission Inn, Sonoma, CA
- 2013 Fall Meeting – September 11 @ La Valencia Hotel, La Jolla, CA

RECOMMENDATION:

Information only; no action required.