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**Prime Fund Information Statement**

**March 13, 2023**

## Introduction

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The purpose of this Information Statement for the is to provide information to Local Government Units (as defined below) interested in investing certain idle funds in the Prime Fund (the "Prime Fund") of the North Carolina CLASS (as defined herein). This Information Statement for the Prime Fund describes certain provisions of the Indenture (as defined herein) for North Carolina CLASS and the Investment Policy for the Prime Fund. Local Government Units interested in investing in the Prime Fund should review the full terms of the Indenture (located in the Document Center at [www.ncclass.com](http://www.ncclass.com)) and the Investment Policy for the Prime Fund described herein (located in the Document Center at [www.ncclass.com](http://www.ncclass.com)), each of which are incorporated herein by reference. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The contents of this Information Statement should not be considered to be legal, tax, or investment advice, and those Local Government Units interested in investing in the Prime Fund should consult with their own counsel and advisers as to all matters concerning investment in the Prime Fund.

## North Carolina CLASS Prime Fund Summary

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The North Carolina Cooperative Liquid Assets Securities System, doing business as North Carolina CLASS, is an investment pool ("North Carolina CLASS") created by interlocal agreement (the "Interlocal Agreement") and the Indenture of Trust (the "Indenture").

The purpose of North Carolina CLASS is to provide a commingled investment pool established by interlocal agreement in accordance with North Carolina law permitting Local Government Units to pool idle funds in order to invest such funds and earn interest in accordance with, and as permitted by, the provisions of Section 159-30 of Article 3 of Chapter 159 of the General Statutes of North Carolina, as amended and as may be further amended from time to time ("N.C.G.S.") entitled "The Local Government Budget and Fiscal Control Act".

The provisions of N.C.G.S. Section 159-30(c)(10) authorize any local government or public authority of the State of North Carolina (as each such term is defined in N.C.G.S. Section 159-30) (a "Local Government Unit") to invest moneys in a commingled investment pool established by interlocal agreement pursuant to N.C.G.S. Chapter 160A, Article 20 (an "Investment Pool") if the investments of the Investment Pool are limited to those qualifying for investment under N.C.G.S. Section 159-30 ("Permitted Investments").

By entering into the Interlocal Agreement, each of the Signatory Local Government Units (as defined in the Indenture) will have determined that establishment of and participation in North Carolina CLASS serves a governmental purpose for such Signatory Local Government Unit, including, but not limited to, providing for the investment and deposit of their idle funds subject to the limitations of N.C.G.S. Section 159-30, and by entering into the Interlocal Agreement, the Signatory Local Government Units are able to take advantage of pooling their investments with other Local Government Units to increase the investments available for investment in the Prime Fund and to lower costs associated with the investment of their funds.

North Carolina CLASS provides a professionally managed pooled investment program for Participants. See "Investment Advisor & Administrator." Pursuant to the Indenture, North Carolina CLASS is governed by a Board of Trustees (See "Board of Trustees").

The investment in the Prime Fund is not subject to any registration requirements under any federal or state securities law. North Carolina CLASS has not been, and is not required to be, registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, North Carolina CLASS and its Prime Fund are not subject to the provisions of the Investment Company Act, including the protective rules relating to registered money market funds and other types of mutual funds.

## Prime Fund Investment Objectives

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North Carolina CLASS will provide a professionally managed pooled investment program for Participants. The general objective of the Prime Fund is to generate additional investment income for the Participants while maintaining safety and liquidity. The Prime Fund will be managed to comply with the requirements of North Carolina law, specifically N.C.G.S. Section 159-30.

The Prime Fund will be managed to offer a safe, convenient, and daily liquid investment option for Participants. As described below, the investment objectives of the Prime Fund will be to preserve principal, provide daily liquidity, earn a competitive rate of return, and maintain a stable Net Asset Value (NAV) of \$1.00.

The Prime Fund will have a maximum dollar-weighted average maturity (WAM) of 60 days and a maximum weighted average life (WAL) of 120 days. The Investment Policy for the Prime Fund establishes the policies, procedures, and strategies that are designed to facilitate the achievement of these objectives.

North Carolina CLASS maintains a 'AAAm' rating from S&P Global Ratings on the Prime Fund. According to S&P Global Ratings, a fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings.

The investment objectives of the Prime Fund in order of priority are:

**Safety:** The Prime Fund is managed to emphasize the preservation of principal while maintaining a stable NAV of \$1.00.

**Liquidity:** The Prime Fund is managed to provide daily liquidity to its Participants. See above for description of the maximum WAM and WAL for investments in the Prime Fund.

**Competitive Returns:** The Prime Fund is managed to generate competitive returns while providing daily liquidity and stability of principal.

***No assurances can be given that the investment objectives of the Prime Fund will be achieved.***

## Transparency

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North Carolina CLASS seeks to provide transparency to Participants in the Prime Fund by allowing Participants to readily obtain portfolio and account information. North Carolina CLASS will offer dedicated Participant support with an easy-to-use technology platform. Historical and current performance data, NAV, WAM, and WAL are published and available to Participants on the North Carolina CLASS website. Portfolio holdings are published monthly and are available to Participants through the North Carolina CLASS online transaction portal.

## Eligible Participants

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Eligible participants include any unit of local government pursuant to G.S. 160A-460 through G.S. 160A-464.

## Prime Fund Eligible Investments

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Funds in North Carolina CLASS will be invested exclusively in the investments authorized under N.C.G.S. 159-30(c).

The following types of investments are eligible for inclusion in the Prime Fund:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.
- Obligations of the State of North Carolina.
- Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the secretary may impose.
- Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.
- Participating shares in a mutual fund for local government investment; provided that the investments of the fund are limited to those qualifying for investment under this subsection (c) and that said fund is certified by the Local Government Commission. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.
- Evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.
- Repurchase agreements with respect to either direct obligations of the United States or obligations the principal of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof if:
  - a) Such obligations that are subject to such repurchase agreement are delivered (in physical or in book entry form) to the local government or public authority, or any financial institution serving either as trustee for the local government or public authority or as fiscal agent for

the local government or public authority or are supported by a safekeeping receipt issued by a depository satisfactory to the local government or public authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the local government or public authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

- b) A valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the local government or public authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the local government or public authority have been established for the benefit of the local government or public authority or its assignee;
- c) Such securities are free and clear of any adverse third-party claims; and
- d) Such repurchase agreement is in a form satisfactory to the local government or public authority

The Investment Policy for the Prime Fund will also contain certain investment restrictions on investments in the Prime Fund.

Each Participant, by its investment in the Prime Fund, is certifying that it is legally authorized to make such investment. Participants should consult with their legal counsel and/or advisors regarding the legality of investment funds in the Prime Fund.

## Allocations of Investments; Interests of Participants

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The Indenture provides that the beneficial interests of the Participants in the investments in the Prime Fund (the "Trust Property") and the earnings thereon shall, for convenience of reference, be divided into "Shares". Shares shall be used as units to measure the proportionate allocation to the respective Participants of the beneficial interests in the investments in the Prime Fund. The number of Shares that may be used to measure and represent the proportionate allocation of beneficial interests among the Participants is unlimited. All Shares shall be of one class representing equal distribution, liquidation, and other rights. The beneficial interests measured by the Shares shall not entitle a Participant to preference, preemptive, appraisal, conversion, or exchange rights of any kind with respect to the Prime Fund or the Trust Property. Legal title to the Trust Property of every description is vested in the Board on behalf of and for the beneficial interests of the Participants. The Participants shall have no interest in the Trust Property other than the beneficial interests conferred in the Indenture and measured by their Shares, and the Participants shall have no right to call for any partition or division of any property, profits, rights, or interests of the Prime Fund nor can the Participants be called upon to share or assume any losses of the Prime Fund or suffer an assessment of any kind by virtue of the allocation of Shares to them.

In their discretion, the Board may from time to time allocate Shares in addition to the then allocated Shares to such Participant for such amount and such type of consideration (including without limitation income from the investment of Trust Property) at such time(s) (including without limitation each Business Day in accordance with the maintenance of a constant net asset value per Share as set forth in the Indenture with respect to the Prime Fund), and on such terms as the Board may deem best. In connection with any allocation of Shares, the Board may allocate fractional Shares. From time to time, the Board may adjust the total number of Shares allocated without thereby changing the proportionate beneficial interests in the Prime Fund. Reductions or increases in the number of allocated Shares may be made in order to maintain a constant net asset value per Share with respect to the Prime Fund as set forth in Section 12.2 of the Indenture. Shares shall be allocated and redeemed as one hundredths (1/100ths) of a Share or any multiple thereof.

Shares may be allocated only to a Participant of the Prime Fund in accordance with the Indenture. Any Participant may establish more than one subaccount within the Prime Fund for such Participant's convenience.

There is no minimum amount of funds that may be maintained in an account in the Prime Fund by a Participant at any one time, and there shall be no limit on the maximum that may be maintained by a Participant in any account; provided that the Board may, by resolution, change the minimum or set a maximum.

If the Board changes the minimum total investment to an amount greater than the investment of any Participant at the time that such change becomes effective, the investment of such Participant shall not be redeemed without such Participant's consent.

## Investment Risks

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

### Interest Rate Risks

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

### Credit Risks

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

Funds in the Prime Fund will be invested exclusively in the investments authorized under N.C.G.S. 159-30(c). In addition, the Investment Policy for the Prime Fund contains a description of the minimum credit quality for each category of eligible investment in the Prime Fund.

### Stable Net Asset Value Risks

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

### Investment Not Insured or Guaranteed

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

### Liquidity Risk

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

## Market Risk

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

## Issuer Risk

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

## Default Risk

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

## Board of Trustees

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Pursuant to the Indenture, the management of North Carolina CLASS will be governed by a Board of Trustees (the "Board"). The Board will supervise North Carolina CLASS and its affairs and acts as the liaison between the Participants, the Custodian, the Administrator, the Investment Advisor and all service providers.

Trustees shall be appointed as set forth in the Bylaws. It is expected that the initial Board will consist of five (5) Trustees.

The Board may, at any time and from time to time, increase the number of Trustees and set the initial terms for each additional Trustee; provided however, the number of Trustees shall not be less than three (3) nor more than thirteen (13). In the event the Board approves such an increase, the Board shall appoint qualified Authorized Representatives to a term not to exceed three years. By resolution, the Board may decrease the number of Trustees (but to never less than three) by not filling expiring terms.

The initial Board will adopt an Investment Policy for the Prime Fund and may approve amendments to such Investment Policy from time to time. Upon the Board's approval of any amendment to the Investment Policy for the Prime Fund, the amended Investment Policy will be posted to the website of North Carolina CLASS.

See [www.ncclass.com](http://www.ncclass.com) for a description of the current Trustees and officers of North Carolina CLASS.

## Investment Advisor & Administrator

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Pursuant to an agreement with the Board, [Public Trust Advisors, LLC \("Public Trust"\)](#) will serve as the Investment Advisor and Administrator for the North Carolina CLASS Investment Program.

As Investment Advisor, Public Trust will provide investment services for the Board on behalf of North Carolina CLASS, including the Prime Fund. Public Trust is an investment advisory firm headquartered in Denver, Colorado with offices in Raleigh, North Carolina. Public Trust is registered with the Securities and Exchange Commission as an investment advisor under the Investment Advisers Act of 1940.

As Administrator, Public Trust will service all Participant accounts in North Carolina CLASS, including all Participant accounts in the Prime Fund, determines and allocates income of the North Carolina CLASS, provide certain written confirmation of the investment and withdrawal of funds by Participants, provide administrative personnel and facilities to North Carolina CLASS, determines the NAV of the Prime Fund on a daily basis, and perform all related administrative services for North Carolina CLASS. At least

quarterly, the Administrator will provide the Board with a detailed evaluation of the performance of the North Carolina CLASS Investment Program, including the Prime Fund, based upon a number of factors. This evaluation includes a comparative analysis of the investment results of the North Carolina CLASS Investment Program, including the Prime Fund, in relation to industry standards such as the performance of comparable money market mutual funds and various indexes of money market securities.

## Custodian

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Pursuant to an agreement with the North Carolina CLASS, the Board has engaged [Fifth Third Bank, N.A.](#) as the initial Custodian. Fifth Third shall act as safekeeping agent for North Carolina CLASS, including for the Prime Fund.

The Custodian serves, in accordance with North Carolina law, as the depository in connection with the direct investment and withdrawal mechanisms of the North Carolina CLASS Investment Program. The Custodian does not participate in the investment decision making process of the North Carolina CLASS Investment Program.

The Custodian shall hold the investments in the Prime Fund in its capacity as Custodian for North Carolina CLASS. The investments in the Prime Fund shall be custodial property of the Custodian and shall not be, or be deemed to be, an asset of the Custodian.

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

## Independent Auditors

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The Board has engaged with [Cohen & Company](#) to represent North Carolina CLASS as the independent certified public accounting firm to audit the annual financial statements of North Carolina CLASS. The audit will contain statements of assets and liabilities, of operations, and of changes in net assets. The opinion of the independent certified public accountant on such financial statements is based on an examination of the books and records of North Carolina CLASS made in accordance with generally accepted accounting principles (GAAP). The fiscal year of the North Carolina CLASS ends each December 31. Public Trust will recommend that the initial Board engage CliftonLarsonAllen, LLP as the independent auditor for North Carolina CLASS.

## How to Become a Participant

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The eligibility requirements for being a Participant in the North Carolina CLASS are described under "Eligible Participants" herein. Any prospective Local Government Unit seeking to participate in the Interlocal Agreement and thereby invest funds in the Prime Fund of the North Carolina CLASS should review the Interlocal Agreement, the Indenture, this Information Statement for the Prime Fund, and the Investment Policy for the Prime Fund and then simply complete the North Carolina CLASS Participation Packet found in the document center of the North Carolina CLASS website (located in the Document Center at [www.ncclass.com](http://www.ncclass.com)). Please email all completed forms to [clientservices@ncclass.com](mailto:clientservices@ncclass.com).

There is no limit on the number of subaccounts that can be opened by a Participant. The Administrator will notify the prospective Participant of its approval of the Participation Forms and the account number(s) assigned. The Administrator reserves the right to reject any Participation in its discretion. Investment in the Prime Fund may be effectuated through the North Carolina CLASS online transaction portal. Secure online access will be available to Participants with respect to their accounts. Information with respect to the Prime Fund, including daily yield, up-to-date account information, and a transaction

history will be available online. Confirmations of each deposit (investment of funds) and withdrawal of funds will be available online to a Participant within one business day of the transaction.

## Investment of Funds; Investments

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Participants may invest funds in the Prime Fund by Automated Clearing House (ACH) transfer or wire transfer from the Participant to the Custodian. North Carolina CLASS does not charge a fee for receipt of wire contributions. However, a Participant's bank may charge a fee for wiring funds.

There is no maximum or minimum amount that must be invested in the Prime Fund nor is there any maximum or minimum limitations on the aggregate amount of the investment funds that any Participant may have invested at any one time with North Carolina CLASS.

### Investment Procedures

1. The Participant shall provide a recorded call or send a written notice to the Administrator indicating the amount to be invested in the Prime Fund and indicating which Account of the Prime Fund the investment is to be made. The Participant shall instruct its bank depository to wire or electronically transfer Investment Funds to the applicable Account at the Custodian for the purchase of investments to be held by the Custodian in such Account.
2. The Administrator shall receive the notice described in (1) from the Participant.
3. Funds received by the Custodian by 12:00 p.m. ET will be deposited in the Prime Fund for investment. Funds received after 12:00 p.m. ET will be invested overnight.
4. If Investment Funds for which notification of investment has been given are not received by the end of the business day (5:00p.m. ET) on which such notification is given, the Administrator shall deduct the value of such Investment Funds from the Participant's balance if previously credited.
5. The Participant is prohibited from requesting payments from amounts credited to its balance in the Prime Fund until such Investment Funds are received by the Custodian from the Participant.

These Investment Procedures may be amended from time-to-time pursuant to the Indenture, provided, however, the Administrator will only change the times set forth above after consulting with the Custodian.

## Withdrawal of Funds

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The withdrawal of a Participants funds from North Carolina CLASS is referred to in the Indenture as "Redemptions" for convenience. Redemptions from the Prime Fund may be made via ACH or wire transfer from the Custodian to the Participant. Requests for Redemptions from accounts with pre-established wire instructions will be honored on a same-day basis if received by the Administrator prior to 12:00 p.m. ET. Special wire transfer requests are available only with written documentation.

There is no maximum or minimum amount that must be invested in the Prime Fund nor is there any maximum or minimum limitations on the aggregate amount of the investment funds that any Participant may have invested at any one time with North Carolina CLASS.

Each Participant, by its investment in any Fund, including the Prime Fund, agrees that North Carolina CLASS may temporarily suspend the right of redemption or postpone the date of payment for the withdrawal of funds from North Carolina CLASS for the whole or any part of any period:

- (i) During which there shall have occurred any state of war, national emergency, banking moratorium, or suspension of payments by banks in the State of North Carolina or any general suspension of trading or limitation of prices on the New York Stock Exchange or American Stock Exchange (other than customary weekend and holiday closing); or

(ii) During which any financial emergency when or if disposal by the Trust of Trust Property is not reasonably practicable because of the substantial losses that might be incurred or it is not reasonably practicable for the Trust fairly to determine the value of its assets.

The Board with advice of the Administrator shall determine, on behalf of North Carolina CLASS, when an event occurs that would temporarily suspend or postpone a Participant's right of Redemption. Participants should refer to the Indenture for additional detail.

## Payment Procedures

1. The Participant shall provide withdrawal instructions via the North Carolina CLASS secure online transaction portal, indicating the amount requested to be paid (redeemed) and shall specify from which Account of the Prime Fund the payment is to be made.
2. In the transaction portal, the Participant will notify the Administrator of the payee of the amount requested, which may be the Participant, and include any wire, electronic transfer, or other payment instructions. Such payee must be listed on the list of approved payees that has been provided by the Participant to the Administrator in advance of the payment.
3. The Administrator shall receive the notice described in (1) and the information required in (2) from the Participant.
4. The Participant may only request payments of that portion of its balance that represents Investment Funds and its proportional share of the income from the Investment Property that, in all cases, is actually held by the Custodian in the applicable Account in the Prime Fund.

These Payment Procedures may be amended from time-to-time pursuant to the Indenture, provided, however, that the Administrator will only change the times set forth above after consulting with the Custodian.

## Portfolio Transactions

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Subject to the general supervision of the North Carolina CLASS, the Investment Advisor is responsible for placing the orders for the purchase and sale of securities within the Prime Fund, referred to herein as "portfolio transactions" for convenience. The portfolio transactions within the North Carolina CLASS Investment Program, including the Prime Fund, occur only with broker dealers acting as principals except for commercial paper transactions that may be placed directly with the issuers. Although North Carolina CLASS does not ordinarily seek but nonetheless may make profits through short-term trading, the Investment Advisor may, on behalf of North Carolina CLASS, dispose of any portfolio investment prior to its maturity if such disposition is advisable. The weighted average maturity and weighted average life limits applicable to the Prime Fund are expected to result in high portfolio turnover. However, since brokerage commissions are not typically paid on the types of investments in which the Prime Fund is likely to invest, any turnover resulting from such investments should not adversely affect the NAV of the Prime Fund.

The Investment Advisor seeks to obtain the best net price and the most favorable execution of portfolio transactions. Portfolio transactions will not occur between the Investment Advisor and Administrator, the Custodian, any Trustee, or any affiliate, officer, director, employee, or agent of any of them.

## Valuation of Prime Fund

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The Administrator determines the NAV of the Shares of the Prime Fund at least once on each business day on a mark-to-market basis. The NAV per Share of the Prime Fund is computed by dividing the total value of the securities and other assets of the Prime Fund, less any liabilities, by the total outstanding Shares of the Prime Fund. Expenses and fees of North Carolina CLASS accrue daily and are included within liabilities for the NAV calculation.

For the purpose of calculating the Prime Fund's NAV per Share, the securities held within the Prime Fund are valued as follows: (1) securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities; (2) all other securities and assets are valued at fair market value in good faith.

The result of this calculation is a share value rounded to the nearest penny. Accordingly, the price at which Shares of the Prime Fund are sold and redeemed will not reflect unrealized gains or losses on securities within the Prime Fund that amount to less than \$.005 per Share. The Administrator will endeavor to minimize the amount of such gains or losses. However, if unrealized gains or losses on securities within the Prime Fund should exceed \$.005 per Share, the Prime Fund's NAV per Share will change from \$1.00 or be maintained at \$1.00 per Share by retention of earnings or the reduction on a pro rata basis of each Participant's Shares in the Prime Fund in the event of losses or by a pro rata distribution to each Participant in the event of gains.

While it is a fundamental objective of the Prime Fund to maintain a NAV of \$1.00 per Share, there can be no guarantee that the NAV will not deviate from \$1.00 per Share. The NAV per Share of the Prime Fund may be affected by general changes in interest rates resulting in increases or decreases in the value of the securities in the Prime Fund. The fair market value of the Prime Fund's securities will vary inversely to changes in prevailing interest rates. If a security is held to maturity, no loss or gain is normally realized as a result of these fluctuations.

### **1. Portfolio Valuation**

At least once each business day, the Investment Property Value shall be determined on a mark-to-market basis as follows:

The Administrator shall determine the market value of the specific investment holdings for the North Carolina CLASS portfolio as described in the second paragraph under this heading "Valuation of Prime Fund."

### **2. Amendment**

These Valuation Procedures may be amended from time-to-time pursuant to the Indenture.

## **Use of Fair Value Measurement**

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North Carolina CLASS follows Financial Accounting Standards Board (FASB) Accounting Standards Topic (ASC) 820 *Fair Value Measurement and Disclosure* for financial reporting purposes. ASC 820 defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement.

Local government investment pools (LGIP) may select different methods of determining the value of assets held within the portfolio for reporting purposes. The two most common methods used to report on the assets of the portfolio are mark-to-market—frequently referred to as "fair value" or "fair market value"—and amortized cost. North Carolina CLASS utilizes the mark-to-market methodology. This involves obtaining prices for securities in the portfolio every business day. The mark-to-market methodology provides Participants with a high degree of transparency with respect to the underlying market values of the Prime Fund's securities.

The mark-to-market methodology (FASB) can and should be contrasted with the amortized cost method that some LGIPs utilize. LGIPs that follow GASB 79 are following the amortized cost method, which entails adjusting the value of the portfolio's securities on a daily basis by a predetermined amount from the purchase date to the maturity date. While the amortized cost method produces very reliable and predictable asset valuations, that predetermined value may or may not accurately reflect the market value of the security.

## Computation of Yields

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A daily and seven-day average yield for the Prime Fund will be provided by the Administrator in published reports and information on [www.ncclass.com](http://www.ncclass.com). To obtain the daily yield, a daily income distribution per share factor is first calculated. That factor is the net income for that day divided by the number of settled shares outstanding. The factor is then multiplied by 365 (366 in a leap year) to produce the daily yield. The seven-day average yield is obtained by averaging the daily yield for seven identified, consecutive days. From time-to-time, the Administrator may also quote the yield for the Prime Fund on other basis for the information of the Participants.

Yields quoted by the Administrator should not be considered a representation of the future yield of the Prime Fund since the yield is not fixed. Actual yields for the Prime Fund will depend not only on the type, quality, and maturities of the investments held by the Prime Fund and the changes in interest rates for such investments but also on changes in the Prime Fund's expenses during the period.

Yield information may be useful in reviewing the performance of the Prime Fund and for providing a basis for comparison with other investment alternatives.

## Income Allocations

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All net income of the Prime Fund is determined as of the close of business each day (and at such other times as the Board may determine) and is credited at month end to each Participant's Account within the Prime Fund.

Net income that has thus accrued to the Participants is converted as of the close of business of each month into additional Shares that are thereafter held in each Participant's account. Reinvested net income is converted into full and fractional shares at the rate of one share for each one dollar credited. Net income for the Prime Fund each day consists of (1) all accrued interest income on assets of the Prime Fund plus (2) accretion of discount less (3) amortization of premium and less (4) accrued expenses.

## Retained Reserves

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Pursuant to the Indenture, the Investment Advisor may retain from earnings and profits in the North Carolina CLASS, including the Prime Fund, amounts deemed necessary to pay the debts and expenses of North Carolina CLASS, as well as to meet other obligations of North Carolina CLASS. The Investment Advisor will possess the power to establish from earnings and profits such reasonable reserves as they believe may be necessary or desirable. Realized capital gains or losses shall be distributed in a timely and equitable manner as determined by the Investment Advisor.

## North Carolina CLASS Expenses

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Pursuant to the Indenture, the Administrator shall receive a fee as described below in "North Carolina CLASS Fees." The Administrator's fee shall be an Investment Property Liability. From its fee, the Administrator shall pay the following costs and expenses: the Investment Advisor's fee set forth in the Investment Advisor Agreement, the Custodian's fee set forth in the Custody Agreement, the costs of third parties retained by the Administrator to render investment advice pursuant to the Administrator Agreement, marketing expenses, all custodial and securities clearance transaction charges, the cost of valuing the Investment Property, the cost of obtaining a rating or ratings, if any, the cost of other expenses agreed to by the Administrator and North Carolina CLASS, all Investment Property record-keeping expenses, the cost of preparing monthly and annual reports, the expense of outside auditors required pursuant to the Administrator Agreement (but only if the Administrator selects such auditors), the fees of the counsel to the Administrator and/or the counsel to North Carolina CLASS, the cost of

Meetings of the Board, insurance costs and the costs of Participant surveys and mailings. Periodically, the Administrator shall provide a detailed accounting of such expenses to the Trustees.

## North Carolina CLASS Fees

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For the performance of its obligations as Administrator in the Administrator Agreement, Public Trust will charge a fee from the Investment Property Value (the "Daily Fee"). This Daily Fee will accrue on a daily basis, be paid monthly in arrears and prorated for any portion of the month in which the Administrator Agreement is in effect. The applicable fee rate is calculated by taking the fee rate(s) divided by 365 days (366 days in the event of a leap year) and rounded to ten decimal places. The prior day's net assets will be multiplied by the applicable fee rate(s) to equal the daily fee accrual. For weekend days and holidays, the net assets for the previous business day will be utilized for the calculation of the fees. (i.e., Saturdays and Sundays accruals will utilize Thursdays Net Assets.) Monthly invoice calculations will include holidays and weekends that fall within the month. The applicable fee rate shall be at an annual rate equal to up to fifteen (15) basis points. The Administrator is authorized to debit the applicable monthly fee amount within five (5) business days after the end of such month. All payment records and invoices will be presented at each subsequent meeting of the Board. Fees may be waived or abated at any time, or from time-to-time, at the sole discretion of the Administrator. Any such waived fees may be restored by the written agreement of North Carolina CLASS.

## Reports to Participants

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### **Annually**

Audited financial statements of North Carolina CLASS will be provided annually. See "Independent Auditors" above.

### **Monthly**

Within 15 days after the end of each month, the Administrator shall prepare and submit, or make available, to each Participant a statement disclosing any activity and a closing balance, including the number of Shares, in each of its accounts for such month.

### **Upon Request**

The Administrator, upon the request of a Participant, shall furnish to the Participant a statement of such Participant's balance as of the date of such request subject only to account activity on such date.

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

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