



**Ventura County Medi-Cal Managed
Care Commission (VCMCC) dba
Gold Coast Health Plan (GCHP)
Commission Meeting**

**County of Ventura Government Center
Hall of Administration - Lower Plaza Assembly Room
800 S. Victoria Avenue, Ventura, CA 93009**

**Monday, March 23, 2015
3:00 p.m.**

AGENDA

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT A Speaker Card must be completed and submitted to the Clerk of the Board by anyone wishing to comment:

- **Public Comment** – Comments regarding items not on the agenda but within the subject matter jurisdiction of the Commission.
- **Agenda Item Comment** – Comments within the subject matter jurisdiction of the Commission pertaining to a specific item on the agenda. The speaker is recognized and introduced by the Commission Chair during Commission's consideration of the item.

1. APPROVE MINUTES

- a. Regular Meeting of February 23, 2015

2. CONSENT ITEMS

- a. [Accept and File CFO Update - January Financials](#)

Meeting Agenda available at <http://www.goldcoasthealthplan.org>

ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BOARD, 711 E. DAILY DRIVE, SUITE #106, CAMARILLO, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT (805) 437-5509. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba
Gold Coast Health Plan March 23, 2015 Commission Meeting Agenda (continued)**
LOCATION: County of Ventura Government Center - Hall of Administration, Lower Plaza Assembly Room
800 S. Victoria Avenue, Ventura, CA 93009
TIME: 3:00 p.m.
PAGE: 2 of 4

3. APPROVAL ITEMS

- a. [Adoption of Resolutions Authorizing the Opening of Accounts with Commercial Institutions; and Adoption of Resolutions Authorizing the Investment of Monies with a number of Government Entities and Approval to Join Ca/TRUST, a Joint Powers Authority:](#)

RESOLUTION NO. 2015-____

A RESOLUTION OF THE VENTURA COUNTY MEDICAL MANAGED CARE COMMISSION, DBA GOLD COAST HEALTH PLAN, AUTHORIZING THE OPENING OF A COMMERCIAL PAPER ACCOUNT WITH BANK OF THE WEST

RESOLUTION NO. 2015-____

A RESOLUTION OF THE VENTURA COUNTY MEDICAL MANAGED CARE COMMISSION, DBA GOLD COAST HEALTH PLAN, AUTHORIZING THE OPENING OF A MONEY MARKET ACCOUNT AND/OR CERTIFICATES OF DEPOSIT ACCOUNT WITH MANUFACTURER'S BANK

RESOLUTION NO. 2015-____

A RESOLUTION OF THE VENTURA COUNTY MEDICAL MANAGED CARE COMMISSION, DBA GOLD COAST HEALTH PLAN, AUTHORIZING THE OPENING OF A MONEY MARKET ACCOUNT WITH HERITAGE OAKS BANK

Meeting Agenda available at <http://www.goldcoasthealthplan.org>

ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BOARD, 711 E. DAILY DRIVE, SUITE #106, CAMARILLO, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT (805) 437-5509. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba
Gold Coast Health Plan March 23, 2015 Commission Meeting Agenda (continued)**

LOCATION: County of Ventura Government Center - Hall of Administration, Lower Plaza Assembly Room
800 S. Victoria Avenue, Ventura, CA 93009

TIME: 3:00 p.m.

PAGE: 3 of 4

RESOLUTION NO. 2015-____

A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST HEALTH
PLAN, AUTHORIZING THE INVESTMENT OF MONIES IN THE
VENTURA COUNTY TREASURY

RESOLUTION NO. 2015-____

A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST HEALTH
PLAN, AUTHORIZING THE INVESTMENT OF MONIES IN THE
LOCAL AGENCY INVESTMENT FUND (LAIF)

RESOLUTION NO. 2015-____

A RESOLUTION AUTHORIZING THE VENTURA COUNTY MEDI-
CAL MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN, "PUBLIC AGENCY" WITHIN THE MEANING OF
THAT TERM IS DEFINED BY THE CALIFORNIA GOVERNMENT
CODE, TO JOIN WITH OTHER PUBLIC AGENCIES AS A
PARTICIPANT OF THE INVESTMENT TRUST OF CALIFORNIA,
CARRYING ON BUSINESS AS *Ca/*TRUST

Meeting Agenda available at <http://www.goldcoasthealthplan.org>

**ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA
ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE
AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK
OF THE BOARD, 711 E. DAILY DRIVE, SUITE #106, CAMARILLO, CA.**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE
TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT (805) 437-5509. REASONABLE
ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS
ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO
ENSURE ACCESSIBILITY TO THIS MEETING.**

**Ventura County Medi-Cal Managed Care Commission (VCMCC) dba
Gold Coast Health Plan March 23, 2015 Commission Meeting Agenda (continued)**

LOCATION: County of Ventura Government Center - Hall of Administration, Lower Plaza Assembly Room
800 S. Victoria Avenue, Ventura, CA 93009

TIME: 3:00 p.m.

PAGE: 4 of 4

4. ACCEPT AND FILE ITEMS

- a. Special Investigation Ad Hoc Committee Report
- b. [CEO Update](#)
- c. [COO Update](#)
- d. [CIO Update](#)
- e. [Health Services Update](#)

CLOSED SESSION

- a. **Conference With Legal Counsel – Anticipated Litigation**
Significant Exposure to Litigation Pursuant to paragraph (2) of subdivision (d) of Section 54956.9: Number of Cases: Unknown
- b. **Conference With Labor Negotiators Pursuant to Government Code Section 54957.8**
Agency Designated Representatives: Scott Campbell, legal counsel; Stacy Diaz, Human Resources Director and Gold Coast Health Plan Commissioners
Unrepresented Employee: Chief Executive Officer
- c. **Public Employee Appointment Pursuant to Government Code Section 54957**
Title: Chief Executive Officer

COMMENTS FROM COMMISSIONERS

ADJOURNMENT

Unless otherwise determined by the Commission, the next regular meeting of the Commission will be held on April 27, 2015 at 3:00 p.m. in the Hall of Justice - Pacific Conference Room at the County of Ventura Government Center, 800 S. Victoria Avenue, Ventura, CA

Meeting Agenda available at <http://www.goldcoasthealthplan.org>

ADMINISTRATIVE REPORTS RELATING TO THIS AGENDA AND MATERIALS RELATED TO AN AGENDA ITEM SUBMITTED TO THE COMMISSION AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC REVIEW DURING NORMAL BUSINESS HOURS AT THE OFFICE OF THE CLERK OF THE BOARD, 711 E. DAILY DRIVE, SUITE #106, CAMARILLO, CA.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT TRACI AT (805) 437-5509. REASONABLE ADVANCE NOTIFICATION OF THE NEED FOR ACCOMMODATION PRIOR TO THE MEETING (48 HOURS ADVANCE NOTICE IS PREFERABLE) WILL ENABLE US TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

AGENDA ITEM 2a

To: Gold Coast Health Plan Commission
From: John Meazzo, Interim Chief Financial Officer
Date: March 23, 2015
Re: January 2015 Financials

SUMMARY:

Staff is presenting the attached January 2015 financial statements (unaudited) of Gold Coast Health Plan for approval by the Commission. These financials were reviewed by the Executive / Finance Committee on March 5, 2015 where the Committee recommended approval of these financials to the Commission.

BACKGROUND / DISCUSSION:

The Plan staff has prepared the January 2015 financial package including balance sheet, income statements and statements of cash flows.

FISCAL IMPACT:

Highlights of Year-To-Date Financial Results:

On a year-to-date basis through January, the Plan's unrestricted net asset is approximately \$41.5 million compared to the \$10.5 million budget. These operating results have contributed to a Tangible Net Equity (TNE) level of approximately \$81.3 million, which exceeds both the budget of \$42.9 million by \$38.4 million and the State minimum required TNE amount of \$23 million by \$58.3 million. As in prior reports, the Plan's TNE amount includes \$7.2 million County of Ventura lines of credit. The January TNE was 354% of the State required TNE, but 146% below the average 6 County Organized Health Systems of 500%.

Highlights of January Financial Results:

Membership - January membership of 180,568 exceeded budget by 17,102 members. The majority of the growth was in the Adult Expansion (AE) category, where membership was higher than budget, accounting for approximately 75% of the total growth in membership.

Revenue - January gross revenue was \$58 million or \$5.1 million better than the budgeted amount of \$52.9 million. The positive variance was primarily due to growth in membership with higher capitation rates (Adult Expansion). Net revenue includes an \$18.5 million revenue reduction, of which \$11.9 million was booked to ensure that any future release of claims reserves, when determined, can be made without influencing GCHP's net operating gain. This adjustment will ensure that reported results and the associated TNE are not overstated. The balance of \$6.6 million is additional AE revenue reduction to the 85% Medical Loss Ratio (MLR) noted below (costs). On a per-member per-month (PMPM) basis, revenue was \$209.96, or \$101.08 under the budget of \$311.04.

Health Care Costs - Health care costs for January were \$29.4 million or approximately \$17.9 million below budget. On a PMPM basis reported health care costs for January were \$162.98 compared to a budgeted amount of \$289.42. The variance is largely due to the release of certain reserves related to the AE population totaling \$11.1 million [reduced Incurred But Not Reported (IBNRs) in the amount of \$4.5 for January and February 2014 replacement with actual paid claims; and \$6.6 million AE reserve below]. The release affected most categories of service. Other highlights include:

- Capitation – Higher than budget by \$2.1 million. Through ongoing discussions with Kaiser regarding a rate review, it was determined that some AE members have been covered by Kaiser, but no payment of capitation has been made. This adjustment in the amount of \$1.5 million has been accrued in January 2015 as a reclassification from claims expense to capitation, with no effect to our net assets. The balance of the increase in capitation was due to higher than budgeted capitated membership.
- Inpatient – All prior reserves related to billing software implementation by the County have been released. The new County hospital contract has been fully operationalized and charges are being processed at the new negotiated rates.
- LTC / SNF – An additional accrual for AB 1629 rate increases was again included for Long Term Care (LTC) facilities. The final rates were published by the Department of Health Care Services (DHCS) in late January, and should be operationalized by March.
- Pharmacy – Lower than expected utilization in the AE category, again contributed to savings of approximately \$4.6 million. However, it was noted that AE Pharmacy costs are beginning to accelerate. On a PMPM basis, January AE Pharmacy was \$51.77 as compared to \$45.50 in December, and \$41.54 in November.
- Adult Expansion Reserve – An \$8.1 million reserve was reversed. Of this amount \$1.5 million was reclassified to capitation for the Kaiser adjustment mentioned above. As disclosed in prior months, the current financials continue to reflect a targeted 85% MLR for overall medical expenses specific to the AE population, as required by the Affordable Care Act's risk corridor.
- Further fine-tuning of the AE claims reserves was implemented in January 2015. The Plan initiated the first step in a measured and prudent convergence strategy which will gradually move AE claims reserves from the State rate methodology (85% of capitation) to the traditional IBNR model.

- A proxy of similar Aid categories was used for the AE population to develop completion factors. These completion factor percentages were applied to AE claims payments for another method of claims development. Based on this analysis the January 2014 and February 2014 claims were deemed complete and reserves in excess of paid claims were released. This procedure will be carried forward in future months.
- Using the proxy benchmark alone, a possible range was developed for reviewing excess reserves. The range is between \$36 million and \$67 million, however the lower range should be realized for various reasons:
 - AE member utilization of services continues to show great variances among enrollment strata. It appears that newer enrollees are utilizing services at a much higher rate. Trend lines for each enrollment group are markedly different and appear to be accelerating with each additional enrollment month. This variance has led to a low confidence factor for the upper range of the possible excess reserves.
 - Recent claims inventory levels have increased, causing a small backlog of unrecorded claims. The increase is associated with the growth in AE membership.
 - The Plan's history has shown that new programs have typically taken a year to mature and reach a standard level of activity as members slowly become familiar with networks, policies and procedures.
 - Provider incentives and other programs being instituted by the Plan which will increase AE utilization. It is possible that certain programs may qualify for retroactive treatment and will naturally reduce reserves.
 - The Plan is also continuously replacing 11 months of IBNRs with actual paid claims data as noted above.
- Staff will continue to review paid claims data in connection with the year-end reconciliation of the estimated claims expense to actual paid claims and IBNR reserves. Our reserve methodology may be amended, if necessary, under guidance from our audit and actuary firms and through the advantage of ongoing analysis and further run-out.

Administrative Expenses - For the month of January, overall operational costs were \$2.8 million or \$74,000 under budget. Higher than budgeted legal fees and outside services were offset by positive variance due to lower personnel and related personnel expenses. The following were the primary contributors to the large variances:

- Outside Services (ACS / Xerox and Beacon Health Strategies) – over budget by \$116,000 due to growth in membership.
- Legal Fees – over budget by \$136,000 due to continued legal services and ongoing services associated with the investigation being overseen by the Special Investigation Ad Hoc Committee. Year to date legal expenses of \$1.57 million exceeded the budget by \$1.34 million.

- Consulting – under budget by \$54,000 due to increase use of in-house services and delays in budgeted projects.

Cash + Medi-Cal Receivable – The total of Cash and Medi-Cal Premium Receivable balances of \$309 million reported as of January 31, 2015. This total includes pass-through payments for Managed Care Organizations (MCO) tax of \$1.6 million and AB 85 of \$4.8 million. Excluding the impact of the pass through amount, the total of Cash and Medi-Cal Receivable balance as of January 31, 2015 was \$308 million or \$153.2 million better than the budgeted level of \$154.4 million.

Investment Accounts. GCHP developed an Investment Policy in December 2014. The policy was reviewed and approved by the GCHP Executive / Finance Committee as well as the Commission. The Commission also approved the establishment of an Investment Committee that will meet on a timely basis to set guidance and support the CFO in the “investment” responsibilities. Funds at Rabobank have increased to a level that is in excess of Rabobank’s bank policy. Funds at Rabobank range from \$230 to \$300 million. As a result GCHP decided to spread the risk by opening bank accounts and accounts with the California Government and its political subdivisions. Staff will present a resolution to the Commission authorizing the CEO to open accounts with sufficient banks and Government entities to allow for diversification and maximization of investment income. This will allow movement of funds from one entity to another (banks and Government) expediently to maximize the investment income. Considering the amount of available funds and the limitation of deposits or investments in some of the entities (\$50 million), we recommend opening bank accounts with three banks; Rabobank; Bank of the West; Manufacturers Bank; also accounts with: Local Agency Investment Fund (LAIF); Joint Powers Authority Pool (Ca/TRUST); Ventura County (pooled investment portfolio). These accounts will be opened and may be replaced as necessary by the Investment Committee. Multiple banking relationships are also necessary for eventual lines of credits in the event the State of California postpones capitation payments to the Plan.

RECOMMENDATION:

Staff requests that the Commission approve the January 2015 financial package.

CONCURRENCE:

Executive / Finance Committee, March 5, 2015

Attachments:

January 2015 Financial Package



FINANCIAL PACKAGE
For the month ended January 31, 2015

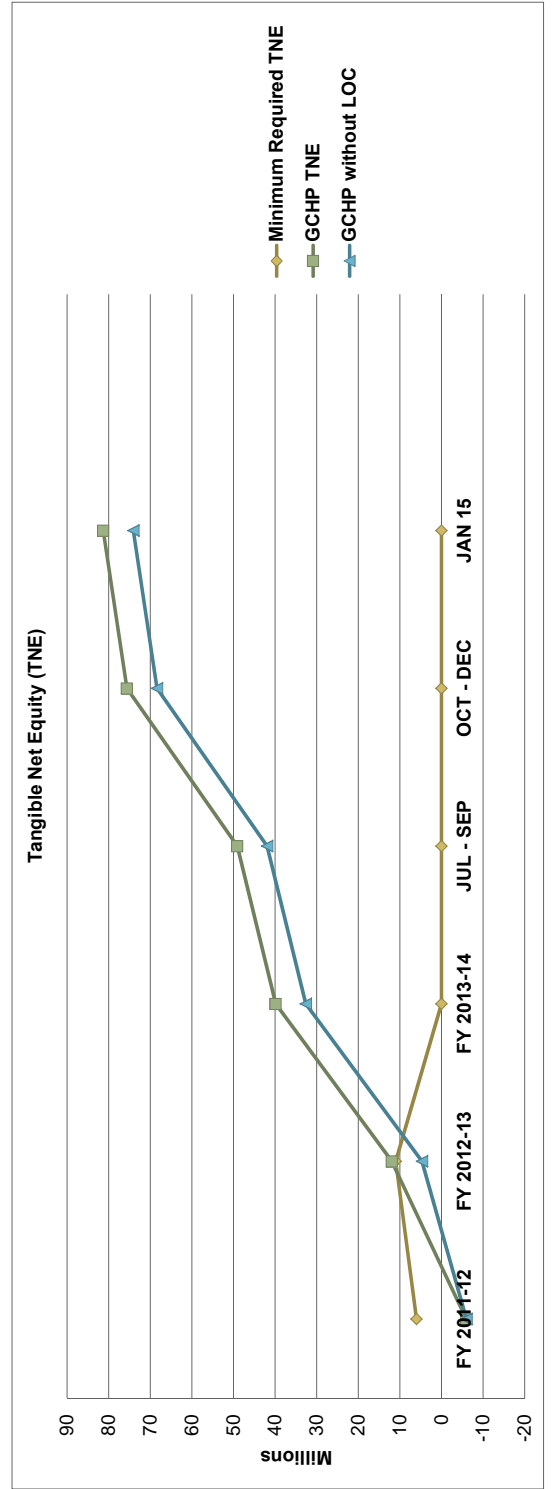
TABLE OF CONTENTS

- Financial Overview
 - Membership
 - Balance Sheet
 - Income Statement
 - YTD Income Statement
 - Monthly Cash Flow
 - YTD Cash Flow
- APPENDIX**
- Cash Trend Combined
 - Paid Claims & IBNP Composition
 - Total Expense Composition
 - Pharmacy Cost & Utilization Trends

GOLD COAST HEALTH PLAN
Financial Results Summary

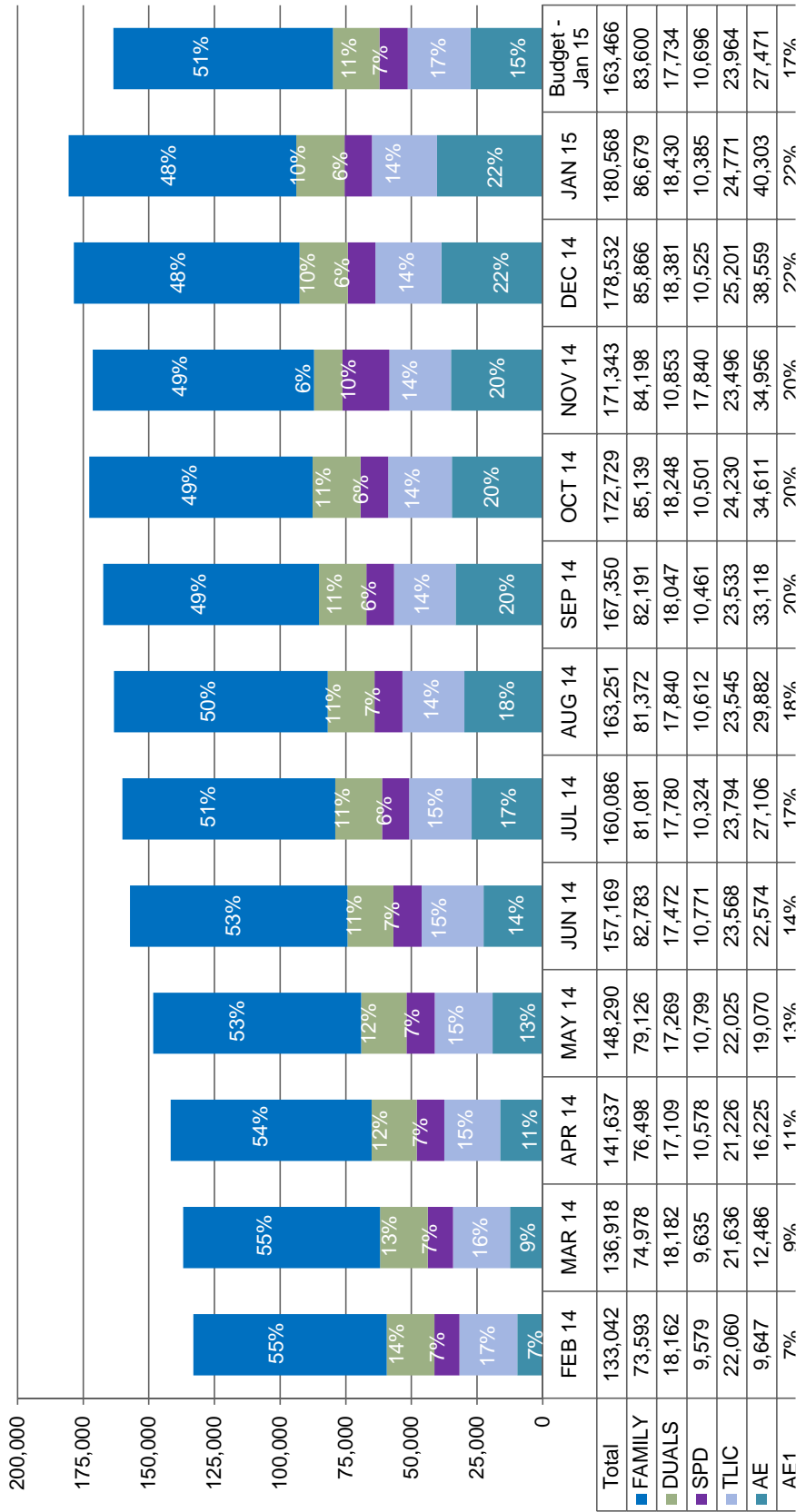
Description	AUDITED*		AUDITED*	UNAUDITED	FY 2014-15			Budget Comparison		
	FY 2011-12	FY 2012-13	FY 2012-13	FY 2013-14	JUL - SEP	OCT - DEC	JAN 15	Budget Jan 15	Variance Fav / (Unfav)	Variance Fav / (Unfav) %
Member Months	1,258,189	1,223,895	1,223,895	1,553,660	490,686	522,604	180,568	163,466	15,066	9.2 %
Revenue <i>pmpm</i>	304,635,932 242.12	315,119,811 257.47	315,119,811 257.47	423,995,809 272.90	158,761,380 323.55	142,036,566 271.79	37,959,896 210.22	50,861,208 311.14	8,702,731 22.49	17.1 % 7.2 %
Health Care Costs <i>pmpm</i>	287,353,672 228.39	280,382,704 229.09	280,382,704 229.09	369,321,385 237.71	141,486,486 288.34	106,577,061 203.93	29,428,716 162.98	47,309,485 289.42	(3,638,132) 4.05	(7.7)% 1.4 %
% of Revenue	94.3%	89.0%	89.0%	87.1%	89.1%	75.0%	77.5%	93.0%	-7.5%	-8.0%
Admin Exp <i>pmpm</i>	18,891,320 15.01	24,013,927 19.62	24,013,927 19.62	26,751,533 17.22	7,994,304 16.29	8,969,982 17.16	2,802,558 15.52	2,872,890 17.57	(259,425) 0.03	(9.0)% 0.2 %
% of Revenue	6.2%	7.6%	7.6%	6.3%	5.0%	6.3%	7.4%	5.6%	0.4%	6.9%
Total Increase / (Decrease) in Unrestricted Net Assets <i>pmpm</i>	(1,609,063) (1.28)	10,722,980 8.76	10,722,980 8.76	27,922,891 17.97	9,280,590 18.91	26,489,523 50.69	5,728,622 31.73	678,832 4.15	4,805,174 26.56	707.9 % 639.7 %
% of Revenue	-0.5%	3.4%	3.4%	6.6%	5.8%	18.6%	15.1%	1.3%	7.9%	589.8%
YTD										
100% TNE	16,769,368	16,138,440	16,138,440	#VALUE!	#VALUE!	#VALUE!	#VALUE!	25,557,694	#VALUE!	#VALUE!
% TNE Required	36%	68%	68%	100%	100%	100%	100%	100%	100%	100%
Minimum Required TNE	6,036,972	10,974,139	10,974,139	#VALUE!	#VALUE!	#VALUE!	#VALUE!	25,557,694	#VALUE!	#VALUE!
GCHP TNE	(6,031,881)	11,891,099	11,891,099	39,813,991	49,094,581	75,584,104	81,312,726	42,901,622	32,682,481	76.2 %
TNE Excess / (Deficiency)	(12,068,853)	916,960	916,960	#VALUE!	#VALUE!	#VALUE!	#VALUE!	17,343,928	#VALUE!	#VALUE!
% of Required TNE level				#VALUE!	#VALUE!	#VALUE!	#VALUE!	168%		
% of Required TNE level (excluding \$7.2 million LOC)				#VALUE!	#VALUE!	#VALUE!	#VALUE!	140%		

Note: TNE amount includes \$7.2 million related to the Lines of Credit (LOC) from Ventura County.
* Audited amounts reflect financial adjustments made by auditors, but exclude presentation reclassifications without P&L impact (i.e. reporting package kept the same).



GOLD COAST HEALTH PLAN

Membership - Rolling 12 Month



SPD = Seniors and Perison with Disabilities **TLIC = Targeted Low Income Children** **AE = Adult Expansion**
 Note: Beginning in April 2014 actual membership reflects new Dual definition as implement by DHCS. Prior months have not been

Statements fo Financial Position

	01/31/15	12/31/14	11/30/14
ASSETS			
Current Assets:			
Total Cash and Cash Equivalents	\$ 239,657,138	\$ 215,731,716	\$ 183,224,078
Medi-Cal Receivable*	74,409,090	79,164,402	86,747,896
Provider Receivable	820,896	739,377	1,067,444
Other Receivables	171,748	169,825	172,938
Total Accounts Receivable	75,401,733	80,073,603	87,988,278
Total Prepaid Accounts	966,574	1,037,280	1,135,545
Total Other Current Assets	81,702	81,702	79,079
Total Current Assets	316,107,147	296,924,300	272,426,981
Total Fixed Assets	1,031,857	1,049,670	1,080,359
Total Assets	\$ 317,139,004	\$ 297,973,971	\$ 273,507,340

LIABILITIES & NET ASSETS

Current Liabilities:			
Incurred But Not Reported	\$ 132,779,110	\$ 140,562,535	\$ 128,769,325
Claims Payable	10,793,549	8,196,446	7,010,225
Capitation Payable	4,482,814	2,567,438	2,499,232
Physician ACA 1202 Payable	14,159,185	14,235,884	12,765,516
AB 85 Payable	4,816,682	-	1,234,422
DHCS - Reserve for Capitation Recoup	-	43,976,489	36,753,996
Accounts Payable	307,017	3,253,329	1,805,393
Accrued ACS	1,340,286	1,430,991	1,331,496
Accrued Expenses	1,341,791	2,749,516	1,337,668
Accrued Premium Tax	1,620,132	3,839,632	8,145,887
Accrued Interest Payable	57,655	56,448	54,703
Current Portion of Deferred Revenue	460,000	460,000	460,000
Accrued Payroll Expense	627,193	555,013	728,952
Total Current Liabilities	172,785,415	221,883,723	202,896,815
Long-Term Liabilities			
DHCS - Reserve for Capitation Recoup	62,538,709	-	-
Other Long-term Liability-Deferred Rent	310,488	276,144	242,094
Deferred Revenue - Long Term Portion	191,667	230,000	268,333
Notes Payable	7,200,000	7,200,000	7,200,000
Total Long-Term Liabilities	70,240,864	7,706,144	7,710,427
Total Liabilities	243,026,278	229,589,867	210,607,242
Net Assets:			
Beginning Net Assets	32,613,991	32,613,991	32,613,991
Total Increase / (Decrease in Unrestricted Net Assets)	41,498,735	35,770,113	30,286,106
Total Net Assets	74,112,726	68,384,104	62,900,097
Total Liabilities & Net Assets	\$ 317,139,004	\$ 297,973,971	\$ 273,507,340

FINANCIAL INDICATORS

Current Ratio	1.83 : 1	1.34 : 1	1.34 : 1
Days Cash on Hand	223	120	349
Days Cash + State Capitation Receivables	292	164	515
Days Cash + State Capitation Receivables (less Tax Liability)	291	161	499

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

	FY 2014-15 Monthly Trend				Current Month		Variance Fav / (Unfav)
	OCT 14	NOV 14	DEC 14	JAN 15			
	Actual	Budget	Actual	Budget			
Membership (includes retro members)	172,729	171,343	178,532	180,568	163,466	17,102	
Revenue:							
Premium	\$ 59,184,067	\$ 64,766,272	\$ 67,600,543	\$ 57,987,902	\$ 52,887,882	\$ 5,100,020	
Reserve for Rate Reduction	-	(36,753,996)	(7,222,493)	(18,562,220)	-	(18,562,220)	
MCO Premium Tax	(2,330,373)	(2,550,172)	(930,197)	(1,552,396)	(2,082,460)	530,065	
Total Net Premium	56,853,694	25,462,104	59,447,852	37,873,286	50,805,422	(12,932,135)	
Other Revenue:							
Miscellaneous Income	38,333	38,333	68,651	38,333	38,333	0	
Total Other Revenue	38,333	38,333	68,651	38,333	38,333	0	
Total Revenue	56,892,027	25,500,437	59,516,503	37,911,620	50,843,755	(12,932,135)	
Medical Expenses:							
Capitation (PCP, Specialty, Kasier, NEMT & Vision)	2,864,387	2,932,938	3,004,545	4,913,161	2,802,063	(2,111,099)	
FFS Claims Expenses:							
Inpatient	8,820,600	(3,366,301)	10,389,370	6,798,007	10,474,068	3,676,061	
LTC / SNF	10,759,562	8,603,699	9,068,853	5,668,717	7,574,297	1,905,579	
Outpatient	2,405,528	154,989	4,421,489	2,102,800	2,749,968	647,168	
Laboratory & Radiology	533,829	(658,499)	1,239,938	407,913	833,920	426,007	
Physician ACA 1202							
Emergency Room	-	4,942,782	-	-	-	-	
Physician Specialty	1,181,015	(526,608)	1,773,425	1,748,011	1,623,368	(124,643)	
Primary Care Physician	2,156,736	1,150,877	4,232,969	2,992,152	3,377,818	385,665	
Home & Community Based Services	2,026,593	263,568	3,187,156	2,395,610	2,690,744	295,134	
Applied Behavior Analysis Services	1,106,600	1,315,061	1,429,964	1,689,076	835,454	(853,622)	
Mental Health Services	-	392	-	532	-	(532)	
Pharmacy	710,363	464,368	642,434	890,605	769,355	(121,251)	
Adult Expansion Reserve							
Provider Reserve	5,358,792	4,772,776	5,436,966	6,101,836	10,697,347	4,595,512	
Other Medical Professional	2,500,000	-	(3,500,000)	-	-	-	
Other Fee For Service	196,706	(64,226)	409,206	170,093	283,027	8,100,000	
Transportation	-	38	-	387	-	(387)	
Total Claims	1,333,514	(3,254,779)	1,744,277	437,370	956,724	519,354	
Medical & Care Management Expense	82,729	58,244	792,920	206,816	331,979	125,163	
Reinsurance	39,172,566	8,913,169	46,201,577	23,509,925	43,198,069	19,688,143	
Claims Recoveries	1,029,183	911,817	1,075,547	1,058,868	1,109,926	51,058	
Sub-total	460,248	471,741	(206,923)	441,960	199,428	(242,532)	
	(751,942)	(374,663)	872,871	(495,199)	-	495,199	
	737,488	1,008,895	1,741,495	1,005,629	1,309,354	303,725	
Total Cost of Health Care	42,774,442	12,855,002	50,947,617	29,428,716	47,309,485	17,880,769	
Contribution Margin	14,117,586	12,645,435	8,568,886	8,482,904	3,534,269	4,948,634	
General & Administrative Expenses:							
Salaries & Wages	712,605	587,651	724,287	673,399	832,292	158,894	
Payroll Taxes & Benefits	185,805	151,578	265,074	212,026	233,641	21,615	
Travel & Training	19,428	8,957	9,763	4,732	10,967	6,235	
Outside Services - ACS	1,332,236	1,331,496	1,370,254	1,342,906	1,227,203	(115,703)	
Outside Services - Other	136,260	136,226	143,598	140,431	126,688	(13,743)	
Accounting & Actuarial Services	10,990	37,386	10,000	10,000	25,000	15,000	
Legal	249,708	355,504	378,862	169,276	33,333	(135,943)	
Insurance	17,151	16,863	18,265	16,863	14,583	(2,280)	
Lease Expense - Office	63,318	63,048	63,318	67,130	64,354	(2,776)	
Consulting Services	43,960	5,420	9,194	12,434	66,816	54,382	
Translation Services	4,208	10,895	401	4,125	7,083	2,958	
Advertising & Promotion	100	5,684	147	5,237	13,129	7,892	
General Office	77,828	125,251	87,687	85,544	88,195	2,650	
Depreciation & Amortization	16,441	16,530	16,530	16,530	26,388	9,858	
Printing	3,123	739	-	21,486	11,875	(9,611)	
Shipping & Postage	1,249	1,362	17,239	2,088	76,342	74,254	
Total G & A Expenses	2,874,410	2,854,589	3,114,621	2,784,208	2,857,890	73,683	
Total Operating Gain / (Loss)	\$ 11,243,175	\$ 9,790,846	\$ 5,454,266	\$ 5,698,696	\$ 676,379	\$ 5,022,317	
Non Operating							
Revenues - Interest	42,429	37,734	47,435	48,276	17,453	30,823	
Expenses - Interest	79,607	29,060	17,695	18,350	15,000	(3,350)	
Total Non-Operating	(37,178)	8,674	29,741	29,926	2,453	34,174	
Total Increase / (Decrease) in Unrestricted Net Assets	11,205,997	9,799,520	5,484,006	5,728,622	678,832	5,056,491	
Full time employees				149	169	20	

PMPM Income Statement Comparison

	OCT 14	NOV 14	DEC 14	JAN 15		Variance
				Actual	Budget	Fav / (Unfav)
Membership (includes retro members)	172,729	171,343	178,532	180,568	163,466	17,102
Revenue:						
Premium	342.64	377.99	378.65	321.14	323.54	(2.40)
Reserve for Rate Reduction	-	(214.51)	(40.45)	(102.80)	-	(102.80)
MCO Premium Tax	(13.49)	(14.88)	(5.21)	(8.60)	(12.74)	4.14
Total Net Premium	329.15	148.60	332.98	209.75	310.80	(101.06)
Other Revenue:						
Miscellaneous Income	0.22	0.22	0.38	0.21	0.23	(0.02)
Total Other Revenue	0.22	0.22	0.38	0.21	0.23	(0.02)
Total Revenue	329.37	148.83	333.37	209.96	311.04	(101.08)
Medical Expenses:						
Capitation, PCP, Specialty, Kasier, NEMT & Vision)	16.58	17.12	16.83	27.21	17.14	(10.07)
<u>FFS Claims Expenses:</u>						
Inpatient	51.07	(19.65)	58.19	37.65	64.08	26.43
LTC / SNF	62.29	50.21	50.74	31.39	46.34	14.94
Outpatient	13.93	0.90	24.77	11.65	16.82	5.18
Laboratory & Radiology	3.09	(3.84)	6.95	2.26	5.10	2.84
Physician ACA 1202	-	-	27.68	-	-	-
Emergency Room	6.84	(3.07)	9.93	9.68	9.93	0.25
Physician Specialty	12.49	6.72	23.71	16.57	20.66	4.09
Primary Care Physician	11.73	1.54	17.85	13.27	16.46	3.19
Home & Community Based Services	6.41	7.68	8.01	9.35	5.11	(4.24)
Applied Behavior Analysis Services	-	-	0.00	0.00	-	(0.00)
Mental Health Services	4.11	2.71	3.60	4.93	4.71	(0.23)
Pharmacy	31.02	27.86	30.45	33.79	65.44	31.65
Adult Expansion Reserve	14.47	-	(19.60)	-	-	-
Provider Reserve	-	-	-	(44.86)	-	44.86
Other Medical Professional	1.14	(0.37)	2.29	0.94	1.73	0.79
Other Medical Care	-	-	0.00	0.00	-	(0.00)
Other Fee For Service	7.72	(19.00)	9.77	2.42	5.85	3.43
Transportation	0.48	0.34	4.44	1.15	2.03	0.89
Total Claims	226.79	52.02	258.79	130.20	264.26	134.06
Medical & Care Management Expense	5.96	5.32	6.02	5.86	6.79	0.93
Reinsurance	2.66	2.75	(1.16)	2.45	1.22	(1.23)
Claims Recoveries	(4.35)	(2.19)	4.89	(2.74)	-	2.74
Sub-total	4.27	5.89	9.75	5.57	8.01	2.44
Total Cost of Health Care	247.64	75.02	285.37	162.98	289.42	126.44
Contribution Margin	81.73	73.80	48.00	46.98	21.62	(25.36)
General & Administrative Expenses:						
Salaries & Wages	4.13	3.43	4.06	3.73	5.09	1.36
Payroll Taxes & Benefits	1.08	0.88	1.48	1.17	1.43	0.26
Travel & Training	0.11	0.05	0.05	0.03	0.04	0.04
Outside Service - ACS	7.71	7.77	7.68	7.44	7.51	0.07
Outside Services - Other	0.79	0.80	0.80	0.78	0.78	(0.00)
Accounting & Actuarial Services	0.06	0.22	0.06	0.06	0.15	0.10
Legal	1.45	2.07	2.12	0.94	0.20	(0.73)
Insurance	0.10	0.10	0.10	0.09	0.09	(0.00)
Lease Expense - Office	0.37	0.37	0.35	0.37	0.39	0.02
Consulting Services	0.25	0.03	0.05	0.07	0.41	0.34
Translation Services	0.02	0.06	0.00	0.02	0.04	0.02
Advertising & Promotion	0.00	0.03	0.00	0.03	0.08	0.05
General Office	0.45	0.73	0.49	0.47	0.54	0.07
Depreciation & Amortization	0.10	0.10	0.09	0.09	0.16	0.07
Printing	0.02	0.00	-	0.12	0.07	(0.05)
Shipping & Postage	0.01	0.01	0.10	0.01	0.47	0.46
Total G & A Expenses	16.64	16.66	17.45	15.42	17.48	2.06
Total Operating Gain / (Loss)	65.09	57.14	30.55	31.56	4.14	(27.42)
Non Operating						
Revenues - Interest	0.25	0.22	0.27	0.27	0.11	(0.16)
Expenses - Interest	0.46	0.17	0.10	0.10	0.09	(0.01)
Total Non-Operating	(0.22)	0.05	0.17	0.17	0.02	(0.15)
Total Increase/(Decrease) in Unrestricted	64.88	57.19	30.72	31.73	4.15	(27.57)

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
For Seven Months Ended January 31, 2015

	JAN 15 Year-To-Date		Variance Fav / (Unfav)
	Actual	Budget	
Membership (includes retro members)	1,193,858	1,117,382	76,476
Revenue			
Premium	\$ 414,614,781	\$ 350,755,374	\$ 63,859,407
Reserve for Rate Reduction	(62,538,709)	-	(62,538,709)
MCO Premium Tax	(13,863,005)	(13,810,993)	(52,012)
Total Net Premium	338,944,382	336,944,382	1,268,686
Other Revenue:			
Miscellaneous Income	298,651	268,331	30,320
Total Other Revenue	298,651	268,331	30,320
Total Revenue	338,511,719	337,212,713	1,299,006
Medical Expenses:			
Capitation (PCP, Specialty, Kaiser, NEMT & Vision)	21,724,510	18,790,417	(2,934,093)
FFS Claims Expenses:			
Inpatient	58,737,479	68,700,440	9,962,961
LTC / SNF	59,798,899	52,550,001	(7,248,897)
Outpatient	19,265,303	18,196,462	(1,068,841)
Laboratory and Radiology	4,660,078	5,223,889	563,811
Physician ACA 1202	4,942,182	-	(4,942,182)
Emergency Room	9,257,578	10,622,933	1,365,356
Physician Specialty	20,976,257	22,496,445	1,520,188
Primary Care Physician	15,878,621	17,350,931	1,472,310
Home & Community Based Services	9,859,736	5,842,674	(4,017,062)
Applied Behavior Analysis Services	924	-	(924)
Mental Health Services	4,163,367	5,195,152	1,031,785
Pharmacy	38,417,120	62,114,186	23,697,066
Provider Reserve	(8,100,000)	-	8,100,000
Other Medical Professional	1,660,834	1,844,426	183,592
Other Medical Care	756	-	(756)
Other Fee For Service	5,613,394	6,463,868	850,474
Transportation	2,010,814	2,117,575	106,761
Total Claims	247,143,341	278,718,982	31,575,641
Medical & Care Management Expense	7,100,516	7,414,118	313,602
Reinsurance	2,132,046	1,363,206	(768,840)
Claims Recoveries	(608,150)	-	608,150
Sub-total	8,624,412	8,777,324	152,911
Total Cost of Health Care	277,492,263	306,286,722	28,794,459
Contribution Margin	61,019,456	30,925,990	30,093,465
General & Administrative Expenses:			
Salaries & Wages	4,691,310	5,703,856	1,012,546
Payroll Taxes & Benefits	1,381,835	1,501,390	119,555
Travel & Training	74,792	174,081	99,290
Outside Service - ACS	9,166,115	8,398,791	(767,324)
Outside Services - Other	876,618	950,621	74,003
Accounting & Actuarial Services	114,641	250,000	135,359
Legal	1,570,014	233,333	(1,336,681)
Insurance	122,921	102,083	(20,837)
Lease Expense - Office	447,036	450,478	3,442
Consulting Services	225,668	866,748	641,080
Translation Services	31,074	49,581	18,507
Advertising & Promotion	15,193	95,033	79,840
General Office	664,640	1,187,354	522,714
Depreciation & Amortization	111,640	162,461	50,821
Printing	61,736	136,297	74,561
Shipping & Postage	47,419	152,020	104,601
Total G & A Expenses	19,602,650	20,414,128	811,477
Total Operating Gain / (Loss)	\$ 41,416,805	\$ 10,511,863	\$ 30,904,943
Non Operating			
Revenues - Interest	246,124	115,749	130,374
Expenses - Interest	164,194	105,000	(59,194)
Total Non-Operating	81,930	10,749	71,180
Total Increase / (Decrease) in Unrestricted Net Assets	41,498,735	10,522,612	30,976,123
Net Assets, Beginning of Year	32,613,991		
Net Assets, End of Year	74,112,726		

Statement of Cash Flows - Monthly

	JAN 15	DEC 14	NOV 14
Cash Flow From Operating Activities			
Collected Premium	\$ 65,158,436	\$ 76,497,908	\$ 53,468,516
Miscellaneous Income	48,276	47,435	37,734
State Pass Through Funds	2,598,890	1,619,462	1,272,300
Paid Claims			
Medical & Hospital Expenses	(22,846,193)	(26,863,207)	(22,348,925)
Pharmacy	(6,128,544)	(5,297,236)	(5,828,747)
Capitation	(2,997,785)	(2,939,560)	(2,907,935)
Reinsurance of Claims	(487,795)	(476,754)	(471,741)
State Pass Through Funds Distributed	(2,811,581)	(1,234,422)	(1,147,874)
Paid Administration	(4,626,082)	(3,518,102)	(1,487,467)
MCO Tax Received / (Paid)	(3,969,326)	(5,327,887)	(2,338,145)
Net Cash Provided / (Used) by Operating Activities	23,938,297	32,507,638	18,247,716
Cash Flow From Investing / Financing Activities			
Proceeds from Line of Credit	-	-	-
Repayments on Line of Credit	(12,875)	-	(248)
Net Acquisition of Property / Equipment	-	-	-
Net Cash Provided / (Used) by Investing / Financing	(12,875)	-	(248)
Net Cash Flow	\$ 23,925,422	\$ 32,507,638	\$ 18,247,468
Cash & Cash Equivalents (Beginning of Period)	215,731,716	183,224,078	164,976,610
Cash & Cash Equivalents (End of Period)	239,657,138	215,731,716	183,224,078
\$ 23,925,422	\$ 32,507,638	\$ 18,247,468	
Adjustment to Reconcile Net Income to Net Cash Flow			
Net (Loss) Income	5,728,622	5,484,006	9,799,520
Depreciation & Amortization	30,689	30,689	30,689
Decrease / (Increase) in Receivables	4,671,870	7,914,675	(11,630,360)
Decrease/(Increase) in Prepaids & Other Current Assets	70,705	95,643	122,900
(Decrease)/Increase in Payables	(43,607,863)	10,245,526	38,315,038
(Decrease)/Increase in Other Liabilities	62,534,720	(4,284)	(4,284)
Change in MCO Tax Liability	(2,219,500)	(4,306,255)	262,625
Changes in Claims and Capitation Payable	4,512,479	1,254,427	(1,499,669)
Changes in IBNR	(7,783,425)	11,793,211	(17,148,743)
	23,938,297	32,507,638	18,247,716
Net Cash Flow from Operating Activities	\$ 23,938,297	\$ 32,507,638	\$ 18,247,716

Statement of Cash Flows - YTD

	<u>JAN 15</u>
Cash Flow From Operating Activities	
Collected Premium	\$ 457,693,161
Miscellaneous Income	246,124
State Pass Through Funds	35,841,828
<u>Paid Claims</u>	
Medical & Hospital Expenses	(164,874,613)
Pharmacy	(41,010,327)
Capitation	(19,313,897)
Reinsurance of Claims	(3,427,386)
State Pass Through Funds Distributed	(33,672,209)
Paid Administration	(22,831,846)
Repay Initial Net Liabilities	-
MCO Taxes Received / (Paid)	(29,091,058)
Net Cash Provided / (Used) by Operating Activities	<u>179,559,776</u>
Cash Flow From Investing / Financing Activities	
Proceeds from Line of Credit	-
Repayments on Line of Credit	-
Net Acquisition of Property / Equipment	(79,337)
Net Cash Provided / (Used) by Investing / Financing	<u>(79,337)</u>
Net Cash Flow	<u>\$ 179,480,439</u>
Cash & Cash Equivalents (Beginning of Period)	60,176,698
Cash & Cash Equivalents (End of Period)	239,657,138
	<u>\$ 179,480,439</u>
Adjustment to Reconcile Net Income to Net Cash Flow	
Net Income / (Loss)	41,498,735
Depreciation & Amortization	210,749
Decrease / (Increase) in Receivables	41,446,927
Decrease / (Increase) in Payables	27,721
(Decrease) / Increase in Other Liabilities	4,213,087
(Decrease) / Increase in Other Liabilities	62,509,018
Change in MCO Tax Liability	(14,154,988)
Changes in Claims & Capitation Payable	3,739,438
Changes in IBNR	40,069,089
	<u>179,559,776</u>
Net Cash Flow from Operating Activities	<u>\$ 179,559,776</u>
	-



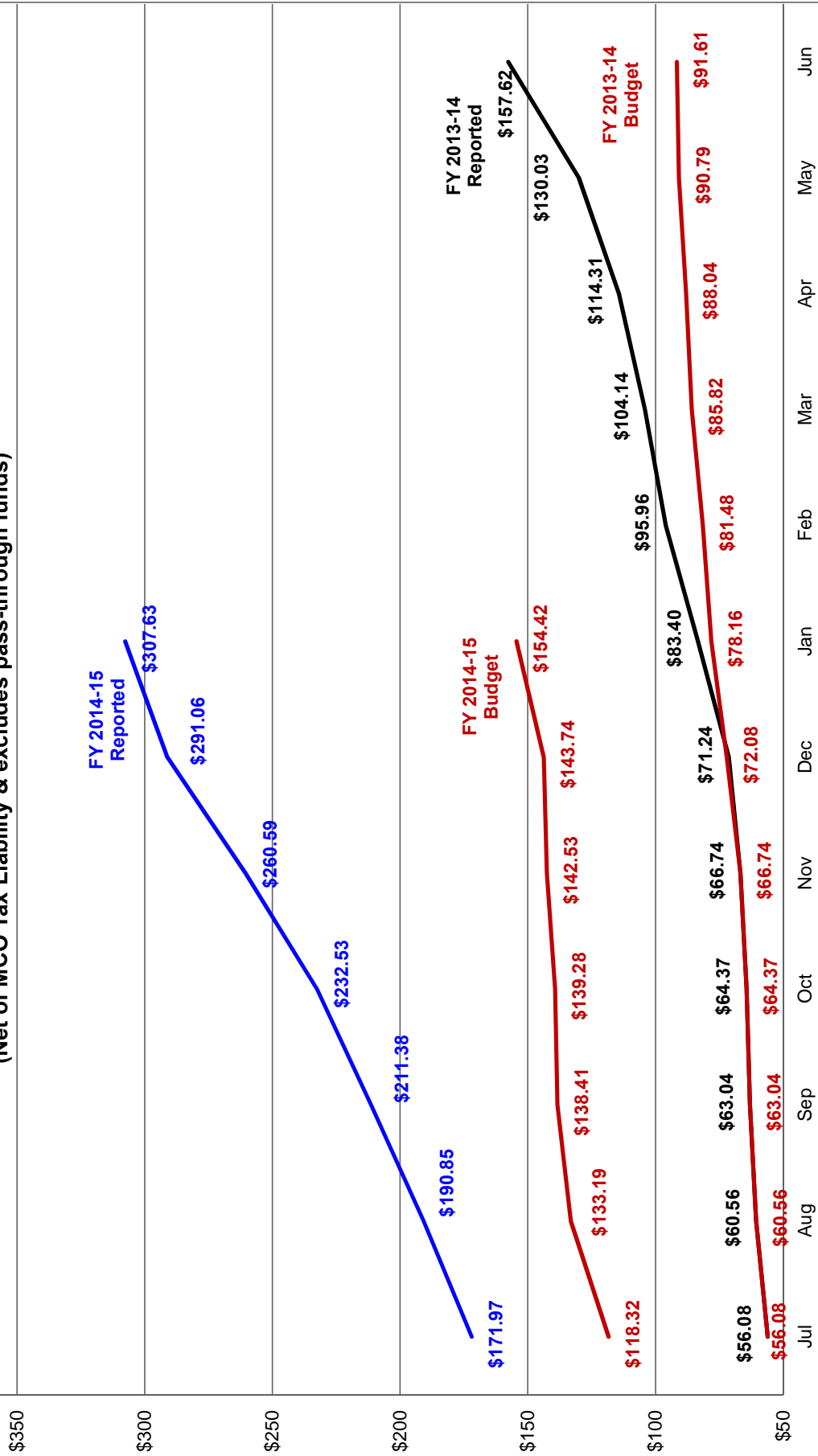
For the month ended January 31, 2015

APPENDIX

- Cash Trend Combined
- Paid Claims & IBNP Composition
- Total Expense Composition
- Pharmacy Cost Trend
- Pharmacy Cost & Utilization Analysis

**GOLD COAST HEALTH PLAN
JAN 2015**

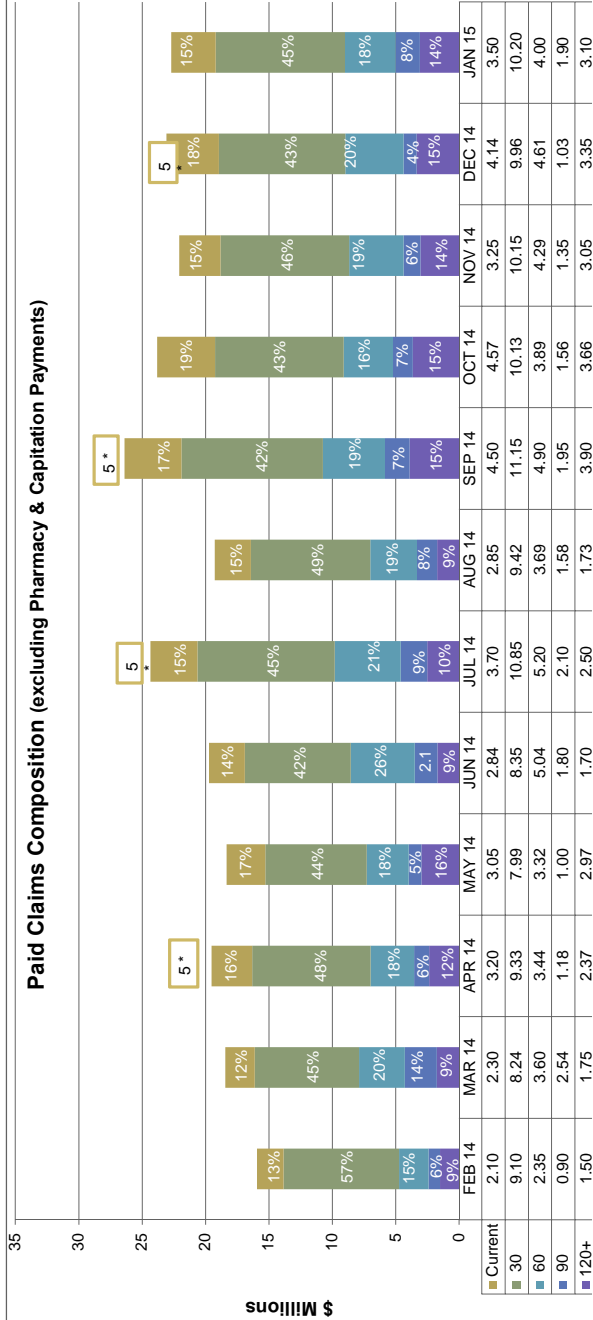
**Cash + Medi-Cal Receivable Trend (\$ in Millions)
(Net of MCO Tax Liability & excludes pass-through funds)**



Decrease / (Increase) in Receivables

GOLD COAST HEALTH PLAN
JAN 2015

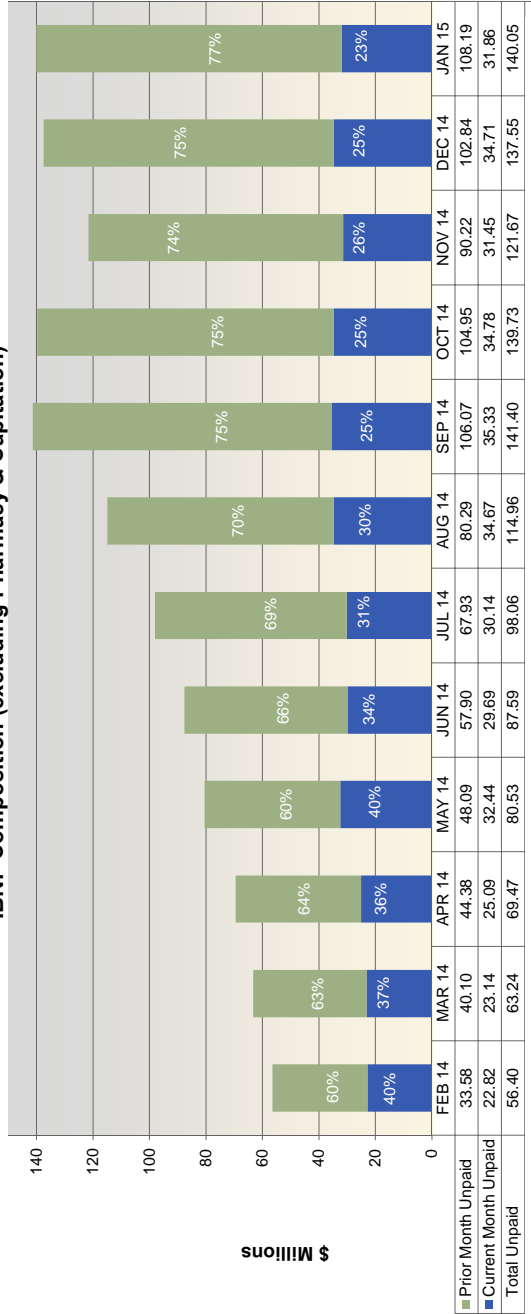
Paid Claims Composition (excluding Pharmacy & Capitation Payments)



Note: Paid Claims Composition - reflects adjusted medical claims payment lag schedule.

* Months Indicated with 5* represent months for which there were 5 claim payments. For all other months, 4 claim payments were made.

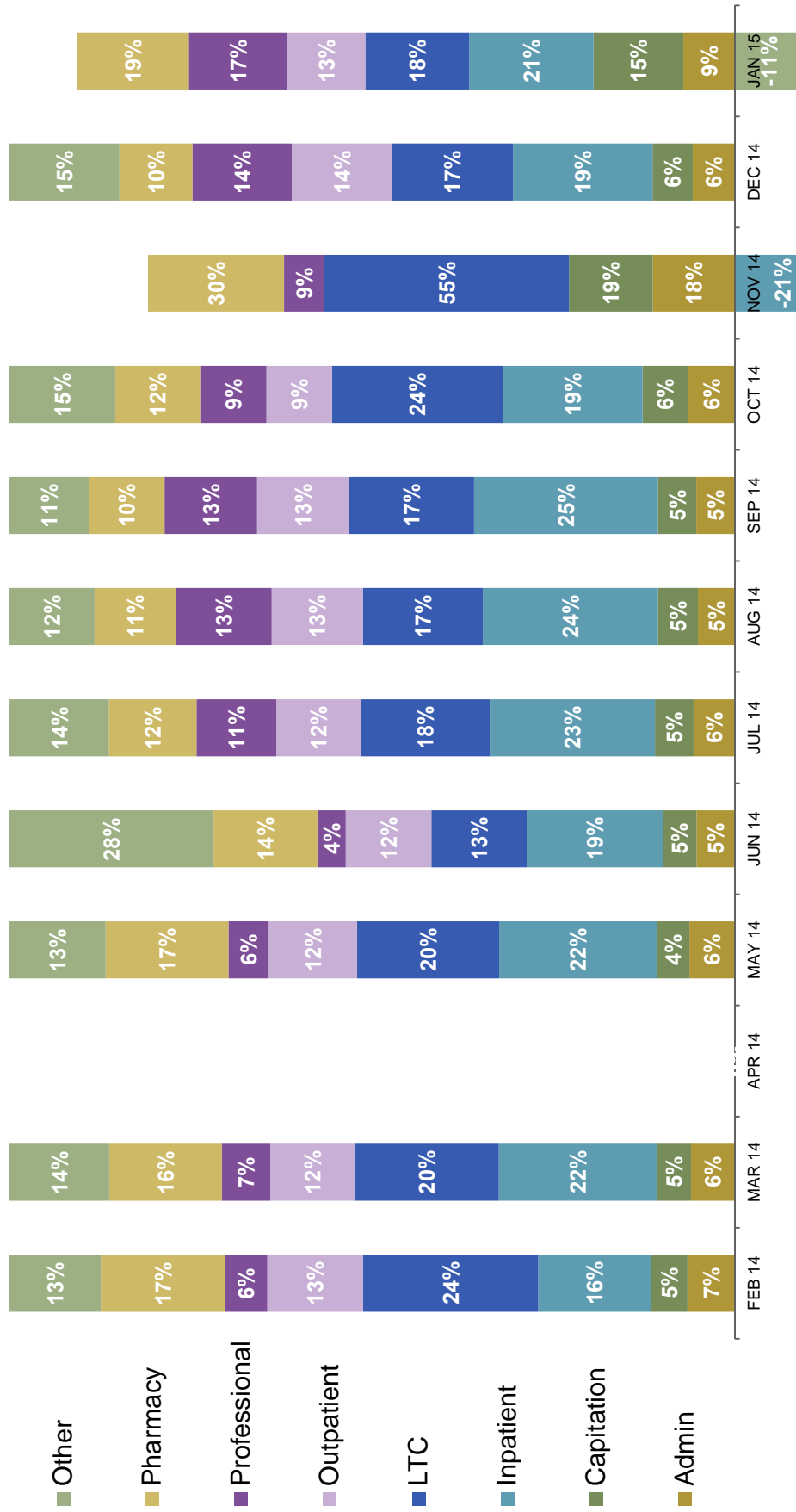
IBNP Composition (excluding Pharmacy & Capitation)



Note: IBNP Composition - reflects updated medical cost reserve calculation plus total system claims payable.

GOLD COAST HEALTH PLAN

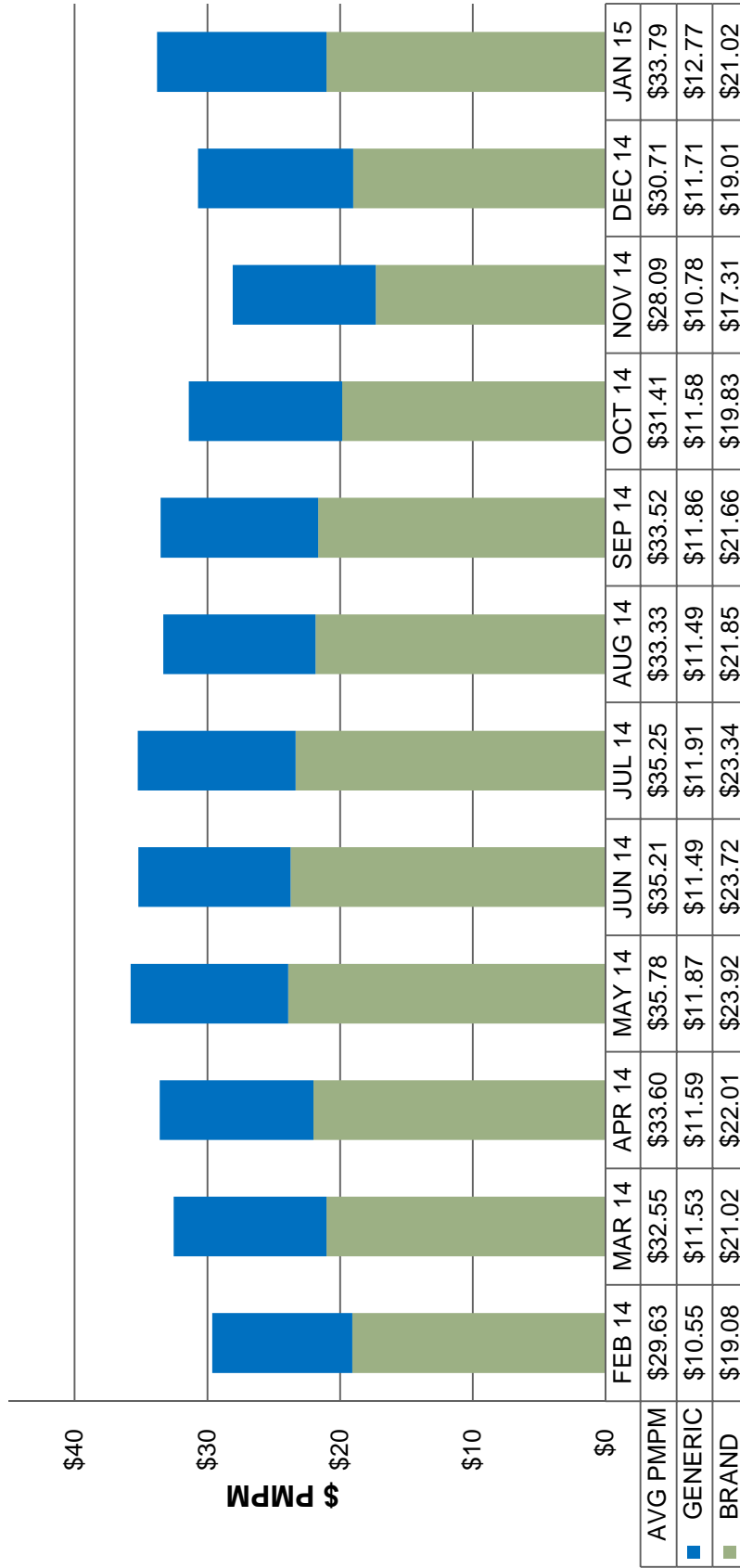
Total Expense Composition



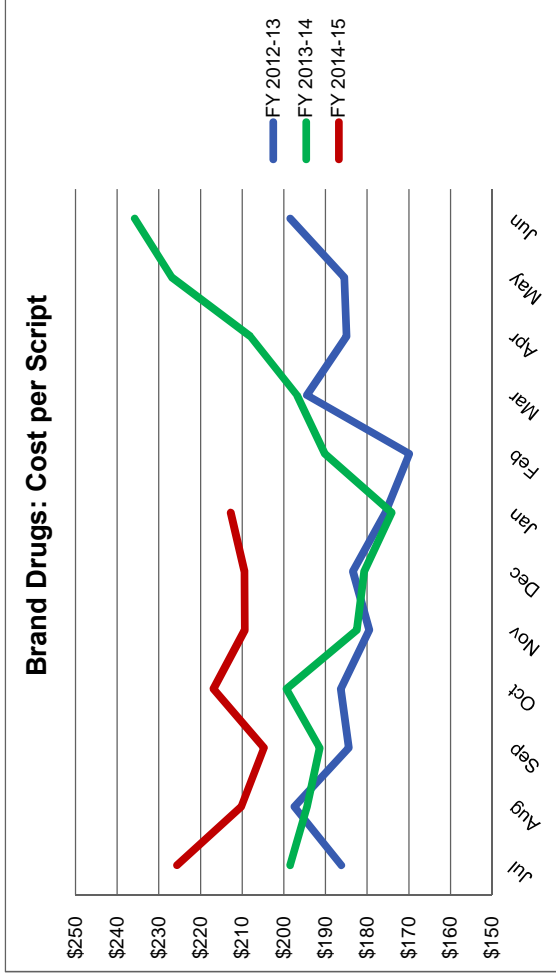
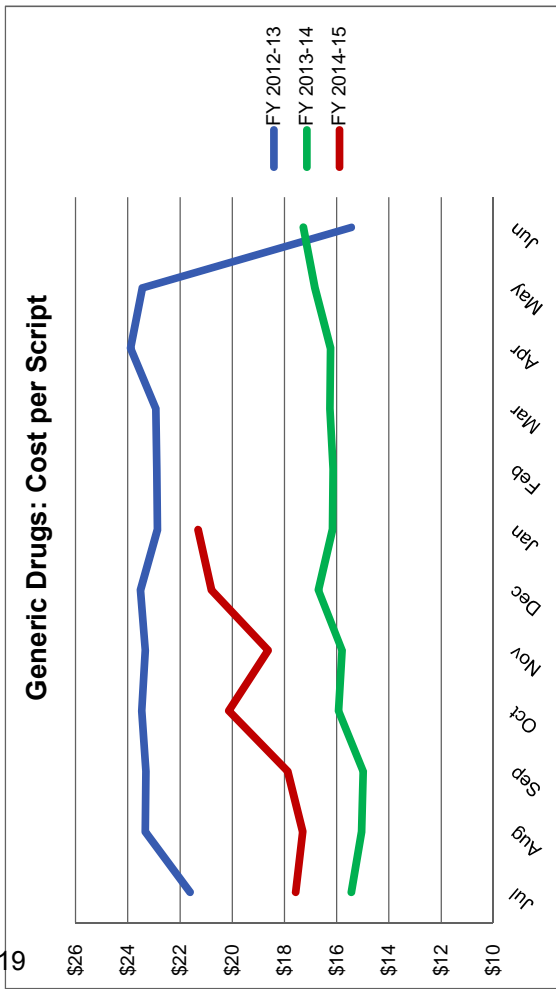
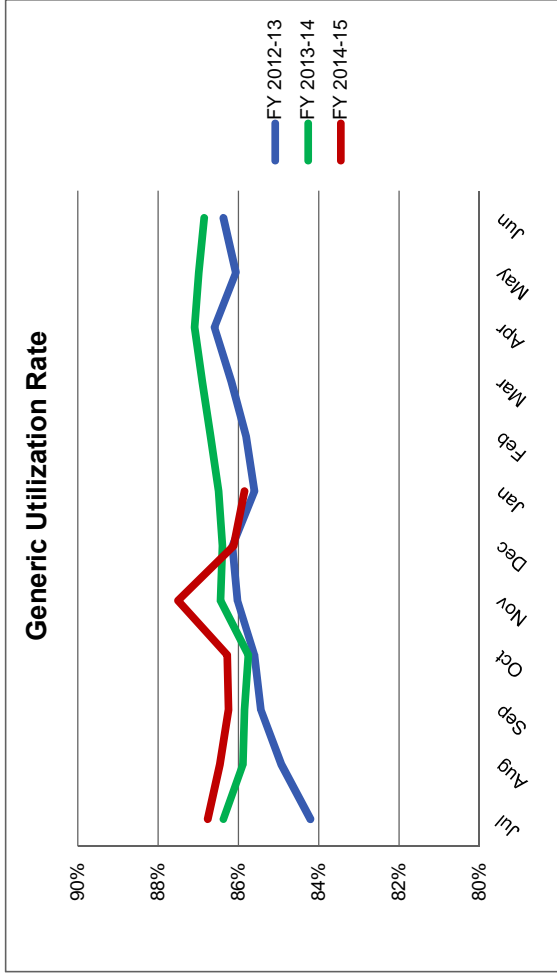
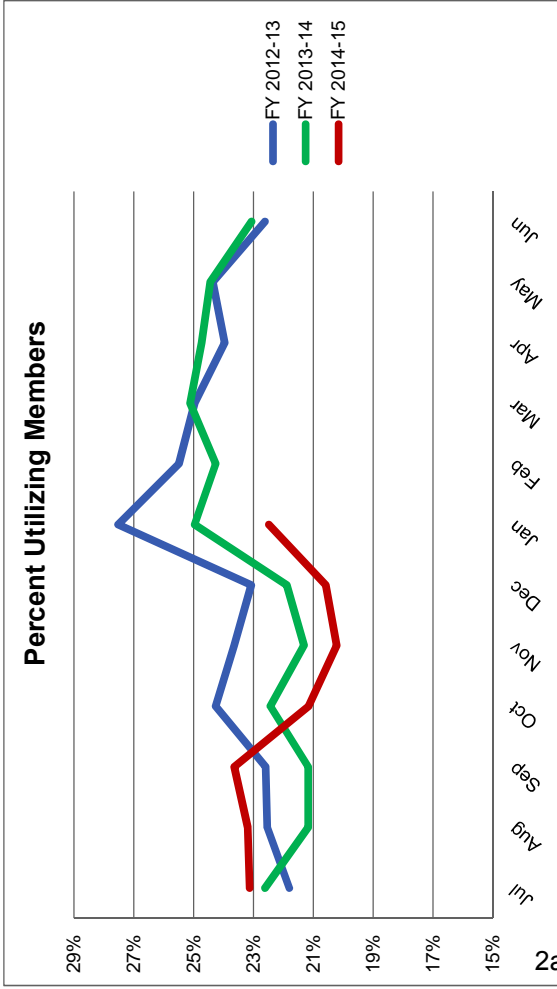
Note: November 2014 reflects an adjustment in medical expenses as a result of the Adult Expansion allowance for revenue recoup

GOLD COAST HEALTH PLAN

Pharmacy Cost Trend



**GOLD COAST HEALTH PLAN
Pharmacy Analysis**



AGENDA ITEM 3a

To: Gold Coast Health Plan Commissioners

From: Scott H. Campbell, General Counsel

Date: March 23, 2015

Re: Adoption of Resolutions Authorizing the Opening of Accounts with Commercial Institutions; and Adoption of Resolutions Authorizing the Investment of Monies with a number of Government Entities and Approval to Join *Ca*/TRUST, a Joint Powers Authority

SUMMARY:

Gold Coast Health Plan (GCHP or Plan) currently has unallocated reserves in excess of \$250 million Pursuant to the Investment Policy, staff intends to open various accounts with which to deposit and invest the funds. In order to open accounts, the government agencies and commercial institutions require a resolution from the Commission authorizing the opening of the account.

BACKGROUND / DISCUSSION:

The Plan currently maintains between \$200 and \$250 million in unallocated cash reserves in an account with Rabobank. This amount is in excess of Rabobank's policy, and the Plan will need to place some of the funds in additional accounts or investments. Pursuant to the Plan's Investment Policy, the Chief Executive Officer and Chief Financial Officer are recommending that portions of the unallocated reserves be invested in various accounts including the State's Local Agency Investment Fund, the Ventura County Treasury, *Ca*/TRUST (a Joint Powers Authority), and various commercial banking accounts. In order to open accounts with any of these funds, the Plan will need to provide a resolution from the Commission authorizing the opening of each account.

In particular, staff is considering making the following investments:

- Bank Money Market Account
- Bank Certificates of Deposit
- Commercial Paper
- Local Agency Investment Fund
- Ventura County Treasury Pool
- *Ca*/TRUST (Medium Term and/or Long Term)

The Local Agency Investment Fund (LAIF) is a voluntary State program created by statute, which creates an investment option local governments and special districts. The program

operates a large portfolio – billions of dollars – and is managed by the State Treasurer's Office investment staff. The fund earned net interest of approximately .26% in the last quarter. Investments are generally liquid, but the Plan may only make 15 transactions per month and the minimum amount for transactions is \$5,000. LAIF's frequently asked questions are attached with this report. Investments with LAIF are specifically authorized by the Investment Policy, in an amount up to the allowable limit established by LAIF, which is \$50 million.

Pursuant to Government Code Section 53684, local agencies are also authorized to invest excess funds with the County Treasury. The Ventura County Treasury manages approximately \$2 billion in local government funds and requires a \$25,000 minimum investment to open an account. Staff has inquired the County Treasury Manager as to the Treasury's recent performance and was informed that the Treasury has been earning net interest of approximately .4%. Investments with the County Treasury are specifically authorized by the Investment Policy, in an amount up to 20% of the Plan's investment portfolio. The Treasurer, in his or her discretion, may require up to 30 days-notice prior to any withdrawals.

The Investment Trust of California, known as *Ca/TRUST*, is a Joint Powers Authority comprised of California public agencies for the purpose of pooling and investing local agency operating reserves. A Board of Trustees supervises and administers the investment program of the Trust. In order to become a member agency and open an account, the Plan must complete a program registration form and become a member of the Joint Powers Authority, which are attached to this report. *Ca/TRUST* offers participating agencies the option of three accounts – a money market, a short-term, and a medium-term. Staff is recommending a resolution authorizing the opening of two accounts (short and medium term). Current net rates of return are 0.43% for the medium term fund and 0.74% for the long term fund. Investments with *Ca/TRUST* are specifically authorized by the Investment Policy for up to 15% of the Plan's portfolio, provided that the Plan's investment does not exceed 10% of the *Ca/TRUST*'s pool. In order to be a *Ca/TRUST* participant, the Plan must make a minimum investment of \$250,000.

Additionally, staff is recommending opening the following commercial bank accounts in addition to the current Rabobank account:

1. Bank of the West commercial paper account. The account will earn interest at approximately 0.20%, net of fees. Funds may not be withdrawn unless the commercial paper matures (maximum maturity is 270 days. This account is authorized by the Plan's Investment Policy in an amount up to 15% of the Plan's portfolio; and
2. Manufacturer's Bank money market account and/or certificates of deposit account. The account will earn interest at 0.27%, and is subject to. Funds may be withdrawn at any time from the money market account, and certificates of deposit may be withdrawn upon maturity. This account is authorized by the Plan's Investment Policy in an unlimited amount. This account spreads funds on deposit with multiple banks with a maximum of \$250,000 each, managed in one portfolio by Manufacturer's Bank; and

3. Heritage Oaks Bank money market account. The account will earn interest at 0.40%. Funds may be withdrawn at any time. This account is authorized by the Plan's Investment Policy in an unlimited amount, but presently limited by the bank to \$25 million; and
4. Rabobank existing money market account. The account will earn interest at 0.22%. Funds may be withdrawn at any time. This account is authorized by the Plan's Investment Policy in an amount up to 15% of the Plan's portfolio.

The funds will be invested according to the Investment Policy .The Investment Committee will meet at least semi-annually but more often the first six months as needed. The main objective is to reduce the funds at Rabobank and place them temporarily in the accounts as reported, changes may be made after the first meeting of the Investment Committee

FISCAL IMPACT:

None at this time. The attached resolutions authorize the opening of the accounts. When funds are approved to be transferred into the accounts, the fiscal impact will be the expected interest earned Relative to the existing accounts, considering the relative risk and other costs.

RECOMMENDATION:

That the Commission adopt the resolutions authorizing the investment of funds and opening of accounts.

CONCURRENCE:

The Executive / Finance Committee recommended the Commission Approve Opening Accounts with the County of Ventura and LAIF at the March 5, 2015 Committee Meeting.

Attachments:

1. Resolution Authorizing the Opening of a Commercial Paper Account with Bank of the West; and
2. Resolution Authorizing the Opening of a Money Market Account and/or a Certificates of Deposit Account with Manufacturer's Bank; and
3. Resolution Authorizing the Opening of a Money Market Account with Heritage Oaks Bank; and
4. Resolution Authorizing the Investment of Monies in the Ventura County Treasury; and
5. Resolution Authorizing the Investment of Monies in the Local Agency Investment Fund (LAIF); and
6. Resolution Authorizing GCHP to Join with Other Public Agencies as a Participant of the Investment Trust of California (Ca/TRUST); and
7. Local Agency Investment Fund (LAIF) - Frequently Asked Questions about LAIF; and
8. Investment Trust of California (Ca/TRUST) - Program Registration Form and Participation Agreement; and

9. Investment Trust of California (Ca/TRUST) - Joint Exercise of Powers Agreement; and
10. Investment Trust of California (Ca/TRUST) - Information Statement for the Shares Program

RESOLUTION NO. 2015-____

**A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN, AUTHORIZING THE OPENING OF A
COMMERCIAL PAPER ACCOUNT WITH BANK OF THE
WEST**

WHEREAS, the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, has determined it to be in the best interest of the Plan to establish a banking account with Bank of the West .

NOW THEREFORE BE IT RESOLVED, that the Plan execute and deliver to said bank a duly signed original of the completed banking resolution, and that the authority to transact business, including but not limited to the maintenance [of savings, checking and other accounts as well as borrowing by the Plan], shall be as contained in said resolution with the named officers therein authorized to so act on behalf of the Plan as specified hereto.

BE IT FURTHER RESOLVED, with specific authorization from the Commission, the Chief Executive Officer is authorized to open banking accounts, manage or provide instructions regarding each account and contract for other banking services deemed necessary to manage the banking accounts with Bank of the West on behalf of the Plan, acting alone, to; (1) establish one or more including but not limited to deposit or investment accounts and from time to time additional accounts; (2) to designate from time to time persons to manage, operate or otherwise provide instructions regarding each account, including the designation of authorized signers; and (3) contact for such other banking services as any authorized representative deems necessary or appropriate to manage the Plans accounts.

BE IT FURTHER RESOLVED, any one of the following individuals is hereby authorized to write checks, withdraw funds, or take such other actions as may be necessary on behalf of the Plan regarding the account:

1. The Chief Executive Officer
2. The Chief Financial Officer
3. The Chief Operations Officer
4. The Controller
5. The Director of Financial Analysis

BE IT FURTHER RESOLVED that the authorizations contained in this resolution shall not be changed except through further resolution of the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board

RESOLUTION NO. 2015-____

**A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN, AUTHORIZING THE OPENING OF A
MONEY MARKET ACCOUNT AND/OR CERTIFICATES OF
DEPOSIT ACCOUNT WITH MANUFACTURER'S BANK**

WHEREAS, the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, has determined it to be in the best interest of the Plan to establish a banking account with Manufacturer's Bank.

NOW THEREFORE BE IT RESOLVED, that the Plan execute and deliver to said bank a duly signed original of the completed banking resolution, and that the authority to transact business, including but not limited to the maintenance [of savings, checking and other accounts as well as borrowing by the Plan], shall be as contained in said resolution with the named officers therein authorized to so act on behalf of the Plan as specified hereto.

BE IT FURTHER RESOLVED, with specific authorization from the Commission, the Chief Executive Officer is authorized to open banking accounts, manage or provide instructions regarding each account and contract for other banking services deemed necessary to manage the banking accounts with Manufacturer's Bank on behalf of the Plan, acting alone, to; (1) establish one or more including but not limited to deposit or investment accounts and from time to time additional accounts; (2) to designate from time to time persons to manage, operate or otherwise provide instructions regarding each account, including the designation of authorized signers; and (3) contact for such other banking services as any authorized representative deems necessary or appropriate to manage the Plans accounts.

BE IT FURTHER RESOLVED, any one of the following individuals is hereby authorized to write checks, withdraw funds, or take such other actions as may be necessary on behalf of the Plan regarding the account:

1. The Chief Executive Officer
2. The Chief Financial Officer
3. The Chief Operations Officer
4. The Controller
5. The Director of Financial Analysis

BE IT FURTHER RESOLVED that the authorizations contained in this resolution shall not be changed except through further resolution of the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board

RESOLUTION NO. 2015-____

**A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN, AUTHORIZING THE OPENING OF A
MONEY MARKET ACCOUNT WITH HERITAGE OAKS
BANK**

WHEREAS, the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, has determined it to be in the best interest of the Plan to establish a banking account with Heritage Oaks Bank..

NOW THEREFORE BE IT RESOLVED, that the Plan execute and deliver to said bank a duly signed original of the completed banking resolution, and that the authority to transact business, including but not limited to the maintenance [of savings, checking and other accounts as well as borrowing by the Plan], shall be as contained in said resolution with the named officers therein authorized to so act on behalf of the Plan as specified hereto.

BE IT FURTHER RESOLVED, with specific authorization from the Commission, the Chief Executive Officer is authorized to open banking accounts, manage or provide instructions regarding each account and contract for other banking services deemed necessary to manage the banking accounts with Heritage Oaks Bank. on behalf of the Plan, acting alone, to; (1) establish one or more including but not limited to deposit or investment accounts and from time to time additional accounts; (2) to designate from time to time persons to manage, operate or otherwise provide instructions regarding each account, including the designation of authorized signers; and (3) contact for such other banking services as any authorized representative deems necessary or appropriate to manage the Plans accounts.

BE IT FURTHER RESOLVED, any one of the following individuals is hereby authorized to write checks, withdraw funds, or take such other actions as may be necessary on behalf of the Plan regarding the account:

1. The Chief Executive Officer
2. The Chief Financial Officer
3. The Chief Operations Officer
4. The Controller
5. The Director of Financial Analysis

BE IT FURTHER RESOLVED that the authorizations contained in this resolution shall not be changed except through further resolution of the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:

NAY:

ABSTAIN:

ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board

RESOLUTION NO. 2015-___

**A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN AUTHORIZING THE INVESTMENT OF
MONIES IN THE VENTURA COUNTY TREASURY**

Resolution of: Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan

Agency Address: Gold Coast Health Plan
711 East Daily Drive, Suite 106
Camarillo, CA 93010-6082

Agency Phone No: (805) 437-5500

WHEREAS, Government Code section 53684 et. seq. allows for the deposit of money of a local agency in the County Treasury for purposes of investment by the County Treasurer; and

WHEREAS, the Commissioners of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan, hereby find that the deposit and withdrawal of money in the Ventura County Treasury in accordance with Government Code section 53684 et. seq. for the purpose of investment as provided therein is in the best interests of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan;

NOW THEREFORE, BE IT RESOLVED, that the Commissioners of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan hereby authorize the deposit and withdrawal of Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, monies in the Ventura County Treasury in accordance with Government Code section 59684 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan, officers holding the title(s) specified hereinbelow **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Ventura County Treasury and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

_____	_____	_____
(NAME)	(TITLE)	(SIGNATURE)
_____	_____	_____
(NAME)	(TITLE)	(SIGNATURE)
_____	_____	_____
(NAME)	(TITLE)	(SIGNATURE)

Section 2. This resolution shall remain in full force and effect until rescinded by the Commissioners of the Ventura County Medi-Cal Managed Care Commission, dba Gold Coast Health Plan, by resolution and a copy of the resolution rescinding this resolution is filed with the Ventura County Treasurer.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board

RESOLUTION NO. 2015-___

**A RESOLUTION OF THE VENTURA COUNTY MEDICAL
MANAGED CARE COMMISSION, DBA GOLD COAST
HEALTH PLAN AUTHORIZING THE INVESTMENT OF
MONIES IN THE LOCAL AGENCY INVESTMENT FUND**

Resolution of: Ventura County Medi-Cal Managed Care Commission, doing business
as the Gold Coast Health Plan

Agency Address: Gold Coast Health Plan
711 East Daily Drive, Suite 106
Camarillo, CA 93010-6082

Agency Phone No: (805) 437-5500

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Commissioners of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan, hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan;

NOW THEREFORE, BE IT RESOLVED, that the Commissioners of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan hereby authorizes the deposit and withdrawal of Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan, monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan, officers holding the title(s) specified hereinbelow **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

(Name)	(Title)	(Signature)
_____	_____	_____

(Name) (Title) (Signature)

(Name) (Title) (Signature)

Section 2. This resolution shall remain in full force and effect until rescinded by the Commissioners of the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board

RESOLUTION NO. 2015-____

A RESOLUTION AUTHORIZING THE VENTURA COUNTY MEDI-CAL MANAGED CARE COMMISSION, DAB GOLD COAST HEALTH PLAN, “PUBLIC AGENCY” WITHIN THE MEANING OF THAT TERM IS DEFINED BY THE CALIFORNIA GOVERNMENT CODE, TO JOIN WITH OTHER PUBLIC AGENCIES AS A PARTICIPANT OF THE INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS *Ca*/TRUST

WHEREAS, Section 6502 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the “Joint Exercise of Powers Act”) provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties; and

WHEREAS, Section 6509.7 of the Joint Exercise of Powers Act provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise their common authority to invest funds in their treasuries as authorized by subdivision (p) of Section 53601 of Title 5, Division 2, Part 1, Chapter 4, Article 2 of the Government Code of the State of California (the “California Government Code”); and

WHEREAS, under Section 6500 of the Joint Exercise of Powers Act, a “public agency” includes but is not limited to the federal government or any federal department or agency, the State of California, 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 the California Joint Exercise of Powers Act; and

WHEREAS, public agencies which constitute local agencies, as that term is defined in Section 53630 of the California Government Code, are authorized pursuant to Section 53601 and/or 53635 thereof to invest all money belonging to, or in the custody of, the local agency in certain specified investments; and

WHEREAS, the Investment Trust of California, carrying on business as *Ca*/TRUST (the “Joint Powers Authority”) was established, pursuant to and in accordance with the Joint Exercise of Powers Act, by a Joint Exercise of Power Agreement, made as of February 24, 2005, as amended and restated in 2012 (the “Joint Powers Agreement”), as a vehicle for public agencies to jointly exercise their common power to invest funds in accordance with applicable California law governing the investment of funds by public agencies; and

WHEREAS, pursuant to and in accordance with the Joint Exercise of Powers Act, the Ventura County Medi-Cal Managed Care Commission, doing business as the Gold Coast Health Plan (the "Public Agency") desires to join the other public agencies which are or will be Participants of the Joint Powers Authority by adopting and executing the Joint Powers Agreement, a form of which has been presented to this meeting; and

WHEREAS, the Public Agency is a public agency as that term is defined in the Joint Exercise of Powers Act and a local agency as that term is defined in Section 53630 of the California Government Code; and

WHEREAS, the Public Agency is otherwise permitted to be a Participant of the Joint Powers Authority and to invest funds in the Joint Powers Authority to be managed by the Investment Adviser to the Joint Powers Authority, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law; and

WHEREAS, there has been presented to this meeting an Information Statement describing the Joint Powers Authority (the "Information Statement").

NOW, THEREFORE, BE IT RESOLVED by the Ventura County Medi-Cal Managed Care Commission of the Public Agency (the "Governing Body") as follows:

Section 1. The Public Agency shall join with other public agencies pursuant to and in accordance with the Joint Exercise of Powers Act by executing the Joint Powers Agreement and thereby becoming a Participant in the Joint Powers Authority, which Joint Powers Agreement is hereby approved and adopted, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law. A copy of the Joint Powers Agreement shall be filed with the minutes of the meeting at which this Resolution was adopted. The Governing Body is hereby authorized to execute, and the Attesting Officer of the Governing Body is hereby authorized to attest and deliver, the Joint Powers Agreement, in substantially the form presented at this meeting.

Section 2. The Public Agency is hereby authorized to purchase shares of beneficial interest issued by the Joint Powers Authority from time to time with available funds of the Public Agency, and to redeem some or all of those shares from time to time as such funds are needed, notwithstanding other investments held by the Public Agency or current investment policies that otherwise may be in effect for the Public Agency so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law.

Section 3. The appropriate officers, agents and employees of the Public Agency are hereby authorized and directed in the name of and on behalf of the Public Agency to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to accomplish the purposes of this Resolution.

Section 4. The Treasurer or principal financial officer of the Public Agency is hereby delegated authority of the Governing Body of the Public Agency to take all actions and to make and execute any and all instruments, which he or she might deem necessary or appropriate in order to carry out the purposes of the Governing Body in adopting this Resolution, including, without limitation, the authority to extend the maturity of any investments made pursuant to this Resolution in accordance with applicable California law.

Section 5. Nothing contained in this Resolution shall be deemed to infringe upon the right of the Public Agency or the Governing Body or Treasurer or principal financial officer of the Public Agency to make other investments outside of the mandate of this Resolution in accordance with applicable California law to the fullest extent permitted thereunder.

Section 6. This Resolution shall take effect on March 23, 2015.

PASSED, APPROVED AND ADOPTED by the Ventura County Medi-Cal Managed Care Commission dba the Gold Coast Health Plan at a regular meeting on the 23rd day of March, 2015, by the following vote:

AYE:
NAY:
ABSTAIN:
ABSENT:

David Araujo, Chair

Attest:

Traci R. McGinley, Clerk of the Board



Frequently Asked Questions about LAIF

LAIF Account

1. What entities are permitted to invest in LAIF?

Local governmental units, nonprofit corporations whose membership is confined to public agencies or public officials, and qualified quasi-governmental agencies can invest in LAIF. (Government Code Section 16429.1)

2. Does LAIF allow multiple accounts and subaccounts for each participating agency?

No. However, agencies are permitted to open separate bond proceeds accounts.

3. What documents are required to open a LAIF account?

A Certified Board Resolution (adopted by the entity's governing body) and an Authorization for Transfer of Funds are required to open a regular LAIF account. In addition to these documents, a Bond Application and Official Statement are required to open a LAIF bond proceeds account. Please see "How to Participate" at www.treasurer.ca.gov/pmia-laif/answerbook.asp and contact LAIF staff at 916-653-3001 for more information.

4. What are the LAIF procedures for depositing and withdrawing funds?

See "Procedures for LAIF Transactions" at www.treasurer.ca.gov/pmia-laif/answer/procedures.asp.

5. How do I obtain a copy of the wiring instructions for my LAIF transactions?

Contact LAIF staff at 916-653-3001 for the wiring instructions for your bank.

6. Are there minimum and/or maximum LAIF account balance restrictions?

Yes. Regular LAIF account balances are capped at \$50 million. There is no minimum account balance requirement. Bond proceeds accounts have no deposit restrictions.

7. How many transactions are permitted each month?

Each regular LAIF account is permitted 15 transactions per month.

8. Is there a minimum and/or maximum transaction amount for deposits and withdrawals?

Yes. For regular LAIF accounts, the minimum transaction amount is \$5,000 and the maximum transaction amount is \$50 million. Bond proceeds accounts have a one-time deposit with no cap and are set-up with a drawdown schedule.

9. Does LAIF require advance notice for deposits and/or withdrawals?

No. However, for cash flow purposes, we request at least 24 hours advance notice for withdrawals of \$10 million or more.

10. Is there a cutoff time for deposits and withdrawals?

Yes. LAIF transactions completed by 10:00 a.m. Monday – Friday will receive same day credit. Also, transactions may be requested 10 calendar days in advance of the effective date.

11. Can a LAIF account remain open with a zero balance?

Yes. LAIF accounts will remain open with a zero balance unless a request is made to close the account.

12. Are confirmation numbers provided for each transaction?

Yes. Confirmation numbers are given over the phone at the time of the transaction and also are included in the monthly statements.

13. How do I request changes to my LAIF account?

Address, authorization and banking information change forms are available online at www.treasurer.ca.gov/pmia-laif/laif.asp under “Forms.” Change forms must be signed by 2 persons authorized by the agency’s resolution and then returned to LAIF. A sample resolution is also available if the authorized signers change. Please contact LAIF staff at 916-653-3001 for further assistance.

14. How do I request a copy of a statement?

Monthly statements are available online for one year under “Reporting Documents” at www.treasurer.ca.gov/pmia-laif/laif.asp. For requests beyond one year, please contact LAIF staff at 916-653-3001 for assistance.

15. Are LAIF funds borrowable?

No. “Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

- a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
- b) Impoundment or seizure by any state official or state agency.”
(Government Code Section 16429.3)

16. Will LAIF funds still be available if there is a State budget impasse?

Yes. The Court of Appeal issued a decision on the *Jarvis Taxpayers Association v. Connell* case on May 29, 2002 where the court held that the Controller may disburse funds during a budget impasse when the state and federal law properly authorizes or requires their payment, despite the absence of a budget act or emergency appropriation. “The right of a city, county, city and county, special district, nonprofit corporation, or quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state’s failure to adopt a State Budget by July 1 of each new fiscal year.” (Government Code section 16429.4)

Administration

1. How much are LAIF's administrative costs?

Administrative costs are not to exceed 5% of quarterly earnings of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly earnings of the fund for the subsequent fiscal year. (Government Code Section 16429.1) These fees cover actual costs to administer the LAIF program. A history of administrative costs can be found at www.treasurer.ca.gov/pmia-laif/historical/admin_costs.asp.

2. How often are administrative fees assessed and how are they paid?

Administrative fees are assessed quarterly. For each LAIF account, these fees are deducted from quarterly earnings prior to interest posting.

3. Are there additional fees for wiring funds?

No. LAIF does not charge a fee for wires or book transfers. However, your financial institution may charge a fee for LAIF transfers.

Interest

1. What's the current interest rate on the Pool?

For current interest rates on the Pool, go to www.treasurer.ca.gov/pmia-laif/performance/PMIA-LAIF_perform.pdf.

2. What methodology is used to calculate interest (simple maturity, yield to maturity, etc.)?

Interest is calculated on a dollar-day basis to guarantee equitable distribution among all member funds.

3. How frequently is interest paid?

Interest is paid quarterly and is posted to the LAIF accounts on the 15th of the month, or previous business day if the 15th is a non-working day, after the quarter end (i.e., January 15, April 15, July 15 and October 15).

4. How are gains and/or losses reported (factored monthly or only when realized)?

Gains and/or losses are reported when realized.

Reporting

1. How often is the portfolio yield reported to participants?

The portfolio yield is updated weekly. See "PMIA/LAIF Performance" at www.treasurer.ca.gov/pmia-laif/performance/PMIA-LAIF_perform.pdf. To receive weekly electronic performance updates, please contact LAIF staff at 916-653-3001 to be added to the subscriber list.

2. Are administrative fees of the Pool deducted before quoting the yield?

No. The yield is quoted prior to deduction of administrative fees.

3. Where can I find reporting documents for the Pool?

The following reports can be found www.treasurer.ca.gov/pmia-laif/laif.asp at under "Reporting Documents": Disclosure Statements, Market Valuation, Maturity Schedule, Monthly Reports, Quarterly Reports, Annual Reports, and Independent Auditor's Report by Bureau of State Audits.

4. Is the Pool insured?

No. However, due to the portfolio's characteristics, credit risk is minimal.

Securities

1. Does the Pool provide a written statement of the PMIA Investment Policy?

Yes. A written statement of the PMIA Investment Policy can be found at www.treasurer.ca.gov/pmia-laif/answer/policy.pdf. The policy includes a description of authorized securities, credit standards of investments, allowable maturity range of investments, the maximum allowable dollar weighted average portfolio maturity, the limits of portfolio concentration permitted for each type of security, and the policy on reverse repos.

2. Is the Pool rated?

No. The Pool is not rated.

Security

1. What are the safekeeping practices of the Pool?

The Treasurer may, "place and maintain for safekeeping as a trust deposit with any qualified trust company, other than the depositor bank, or with the Federal Reserve Bank of San Francisco or any branch thereof any securities that have been received..." (Government Code Section 16551) The Treasurer utilizes a custodian bank.

2. Is the Pool subject to audit by an independent auditor?

Yes. The Pool is audited annually by the Bureau of State Audits and the resulting opinion is posted to the website at www.treasurer.ca.gov/pmia-laif/reports/bsa.pdf.

3. Who makes the portfolio decisions?

Investment decisions are made by the State Treasurer and the Investment Division staff of the State Treasurer's Office.

4. How do the investment managers monitor the credit risk of the securities in the Pool?

A written statement of portfolio management goals, objectives and policies, along with independent market valuations, are used to monitor the credit risk of the securities in the Pool.

5. How is the Pool monitored?

The Pool is monitored by the Pooled Money Investment Board, Local Investment Advisory Board and the Bureau of State Audits to ensure compliance with written policies.

6. How often are the portfolio's market and securities value reported?

These values are reported quarterly and can be found at www.treasurer.ca.gov/pmia-laif/reports/quarterly.asp.

7. What method is used to value the portfolio?

The amortized cost and current value methods are used to value the portfolio.

8. Does the pool distribute detailed reports of its holdings?

Yes. These reports are distributed on a monthly basis and can be found at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

INVESTMENT TRUST OF CALIFORNIA

doing business as



A JOINT POWERS AUTHORITY

PROGRAM REGISTRATION FORM AND PARTICIPATION AGREEMENT

FEBRUARY 24, 2005

(Revised June 9, 2010)

(Updated September 12, 2012)

(Revised July 9, 2013)

**1100 K STREET, SUITE 101
SACRAMENTO, CA 95814
TEL (888) 422-8778**

PROGRAM REGISTRATION FORM AND PARTICIPATION AGREEMENT

INSTRUCTIONS

To become a CalTRUST Participant, please complete this **Program Registration Form and Participation Agreement**. If you have any questions concerning any part of this form, please call the CalTRUST toll-free number: (888) 422-8778.

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the CalTRUST Joint Exercise of Powers Agreement, dated as of February 24, 2005, as amended September 12, 2012, by and among the members of CalTRUST (the "JP Agreement") or the information statement of CalTRUST (the "Information Statement"), as applicable.

When the Program Registration Form and Participation Agreement is complete, please handle as follows:

FAX OR SCAN AND E-MAIL A COPY of this Form to:

CalTRUST Program Administrator
916-321-5067 (facsimile)
lcampbell@csacfinancecorp.org

MAIL THE ORIGINAL of this Form to:

CalTRUST Program Administrator
1100 K Street, Suite 101
Sacramento, CA 95814

PART 1. REGISTRATION

Name of Public Agency: (the "Participant")	
Mailing Address:	
City, State, Zip:	
Type of Public Agency:	
[For example: Federal Government, Federal Department or Agency, State, State Department or Agency, County, County Board of Education, County Superintendent of Schools, City, Regional Transportation Commission of a State, Joint Powers Authority, or Other (please specify)]	
Agency Tax ID Number:	
CalTRUST Program Accounts:	Money Market <input checked="" type="checkbox"/> Short-Term <input checked="" type="checkbox"/> Medium-Term <input checked="" type="checkbox"/>

* * *

Contact Information for Agency Personnel

Primary Contact

Name: _____

Title: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Secondary Contact

Name: _____

Title: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Additional Contact (optional)

Name: _____

Title: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Additional Contact (optional)

Name: _____

Title: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

PART 2. WITHDRAWAL INSTRUCTIONS

The Administrator agrees to honor all properly authorized wire transfer requests in accordance with the terms of the Information Statement that is then current.

At any time, the Participant may change (a) wiring instructions, (b) authorized representatives, (c) other information. However, the Participant agrees that the Administrator may rely on the information previously supplied by the Participant until the Administrator receives authorized written notification of any change on forms prescribed by CalTRUST. Changes will become effective on the Business Day following receipt of written notice by the Administrator.

The Administrator is hereby authorized to act upon instructions received in writing by the authorized representative(s) listed below to have amounts withdrawn from this account and wired only to the Federal Reserve member bank account designated below, unless changed by written instructions to the Administrator. It is understood that the Administrator will be under no obligation to honor, in whole or in part, any transfer request which (a) exceeds available funds invested in the Shares Program, (b) is provided by any person other than the authorized persons designated below, (c) is not in accordance with any other requirements stated herein.

Bank Name:	_____
ABA Number:	_____
Account Name:	_____
Account Number:	_____
Bank Address:	_____

* * *

PART 3. CERTIFICATION AND SIGNATURES

The undersigned certify and affirm that:

1. None of CalTRUST, its Trustees, the Administrator, the Investment Advisor or the Custodian has provided any advice to the Participant about whether to participate in CalTRUST. The Participant has requested and received from the Administrator all information that the Participant, after due inquiry, deemed relevant to participating in CalTRUST. The Participant has carefully reviewed the Information Statement and JP Agreement, has discussed with CalTRUST representatives any questions the Participant may have had as to such materials, and as to the business, operations or financial condition of CalTRUST, and agrees to be bound by the terms of the Information Statement and acknowledges the terms of the JP Agreement as they relate to the Participant. The Participant understands the risks of this investment as described in the Information Statement. The Participant has taken into account that, like an investment in most securities, there is a risk of loss of this investment, and that an investment through the Series of Shares known as the "CalTRUST Medium-Term Fund" Series (the "Medium-Term Fund") and the "CalTRUST Long-Term Fund" Series (the "Long-Term Fund") will be relatively illiquid so that funds invested in those Funds will not be readily available. Taking into account these factors and all other factors relating to the Shares Program, the Participant has independently concluded that this investment is suitable for the Participant.
2. The Participant has consulted with its own legal, accounting, tax, investment and other advisers in connection with this investment, to the extent that the Participant has deemed necessary, including with respect to the investment of any tax-exempt bond proceeds, which may result in certain consequences if invested.

3. The Participant is duly authorized to enter into this Program Registration Form and Participation Agreement, and the person signing this Program Registration Form and Participation Agreement on behalf of the Participant is authorized to do so, under all applicable governing documents and investment objectives of the Participant, by the legislative or other governing body of the Participant, and pursuant to applicable laws. This Program Registration Form and Participation Agreement constitutes a legal, valid and binding agreement of the Participant enforceable against the Participant in accordance with its terms.
4. The Participant is 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.
5. The Participant understands that the Shares have not been registered under the Securities Act of 1933, as amended. The Participant understands that no federal or state agency has passed on the merits or fairness of this investment.
6. This Program Registration Form and Participation Agreement shall be binding on the Participant and its successors and assigns and shall inure to the benefit of the successors and assigns of CalTRUST and the Administrator. This Program Registration Form and Participation Agreement shall be governed by the laws of the State of California as such laws are applied to agreements that are made in California by California residents and that are to be performed wholly within California.
7. The Participant has reviewed CalTRUST's Investment Policy and has determined that it satisfies, and does not conflict with, the Participant's legal and policy requirements and investment objectives, including any limitations that the Participant has adopted that are more restrictive than State law or CalTRUST's Investment Policy, and the Participant agrees to review the Investment Policy each time its governing body reviews its own investment policy. To the extent that the Participant has any questions or concerns about the Investment Policy, it agrees to raise these matters expediently with CalTRUST and if such questions or concerns are not addressed to the satisfaction of the Participant, it agrees to sell its Shares.
8. The Participant accepts responsibility for the investment decisions of the Investment Advisor and agrees that it will independently review the performance of the Investment Advisor as often as it deems necessary to meet all legal requirements applicable to the investment of the Participant's funds with respect to investment decisions affecting the Participant.
9. If the Participant has in effect an annual delegation of discretionary investment power to its treasurer, such delegation to the treasurer will be in effect at all times when the Participant participates in the Shares Program.
10. The Participant has carefully reviewed and understands the important disclosures and information contained in the Information Statement concerning the requirements, and consequences for failing to comply with such requirements, with respect to the following topics:
 - When funds may be invested through or withdrawn from the Series of Shares known as the "CalTRUST Money Market Fund" (the "Money Market Fund"), Short-Term Fund, Medium-Term Fund and/or Long-Term Fund;
 - When investments will begin earning income after an investment of funds through the Money Market Fund, Short-Term Fund, Medium-Term Fund and/or Long-Term Fund;
 - When investments will stop earning income in connection with a withdrawal of funds from the Money Market Fund, Short-Term Fund, Medium-Term Fund and/or Long-Term Fund;
 - Requisite form and timing of advance notices of and timing of receipt of funds for investments through the Money Market Fund, Short-Term Fund, Medium-Term Fund and/or Long-Term Fund;
 - Requisite form and timing of advance notices of requests for withdrawals from the Money Market Fund, Short-Term Fund, Medium-Term Fund and/or Long-Term Fund; and
 - When funds to be invested through the Medium-Term Fund and/or Long-Term Fund will be automatically and temporarily invested through the Short-Term Fund, and when such funds will be automatically transferred from the Short-Term Fund and invested through the Medium-Term Fund and/or Long-Term Fund as requested.

* * *

PART 4. AUTHORIZED REPRESENTATIVES

(Below are the Individuals authorized to conduct transactions on behalf of the Participating Agency)

The undersigned certify that any (insert number) of persons signing below as authorized representatives of the Participant have the full authority and capacity to invest funds in and withdraw funds from the Shares Program. The undersigned agree that the certifications, instructions, and authorizations contained in this Program Registration Form and Participation Agreement will remain in effect until the Administrator receives written notice of change.

Authorized Representatives of:

--

(Name of Participating Agency)

Trustee or Other Fiduciary Signatures

(The total number of Trustees/Fiduciaries signing below must equal or exceed the number of authorized representatives indicated in the box above)

Trustee/ Fiduciary	
Print Name:	Signature:
Title:	Date:

Trustee/ Fiduciary	
Print Name:	Signature:
Title:	Date:

Trustee/Fiduciary	
Print Name:	Signature:
Title:	Date:

Trustee/Fiduciary	
Print Name:	Signature:
Title:	Date:

Additional signatures, if any, may be added on a separate sheet.

* * *

PART 5. SIGNATURES

(Signature required from the individual(s) authorized to approve participation in the CalTRUST Program)

The undersigned hereby duly execute and deliver this Program Registration Form and Participation Agreement as of this

day of

, as authorized signatories of:

(Name of Participating Agency)

Authorized Signatory

Authorized Signatory	
Signature:	Witness Signature (optional):
Print Name:	Print Name:
Title:	

Additional Authorized Signatory (optional)	
Signature:	Witness Signature (optional):
Print Name:	Print Name:
Title:	

JOINT EXERCISE OF POWERS AGREEMENT

DATED AS OF FEBRUARY 24, 2005

(Amended April 16, 2008)

(Amended August 4, 2009)

(Amended April 25, 2012)

(Amended September 12, 2012)

**CREATING THE
INVESTMENT TRUST OF CALIFORNIA,
doing business as**



A JOINT POWERS AUTHORITY

1100 K Street, Suite 101
Sacramento, CA 95814
Tel (888) 422-8778

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I. CREATION; PURPOSE, DEFINITIONS AND REPRESENTATIONS	2
Section 1.1 Creation of <i>CalTRUST</i>	2
Section 1.2 Purpose.....	2
Section 1.3 Definitions.....	2
Section 1.4 Addition of Public Agencies as Members; Withdrawal of Members.	4
Section 1.5 Representations, Warranties, Covenants and Agreements of the Members	4
ARTICLE II. GOVERNING BOARD; MEETINGS OF THE BOARD.....	5
Section 2.1 Board of Trustees.....	5
Section 2.2 Number, Qualification, Election and Term of Trustees.....	5
Section 2.3 Resignation and Removal.	5
Section 2.4 Vacancies	5
Section 2.5 Quorum	6
Section 2.6 Manner of Acting	6
Section 2.7 Meetings of the Board.....	6
Section 2.8 Committees	7
Section 2.9 Fees and Compensation	7
ARTICLE III. OFFICERS.....	7
Section 3.1 Officers	7
Section 3.2 Treasurer	8
Section 3.3 Election of Officers.....	8
Section 3.4 Removal of Officers.....	8
Section 3.5 Resignation of Officers.....	8
Section 3.6 Vacancies in Offices	8
Section 3.7 Fees and Compensation	8
ARTICLE IV. POWERS	8
Section 4.1 General Powers	8
Section 4.2 Specific Powers.....	9
Section 4.3 Approval Powers of Members	10
ARTICLE V. ADMINISTRATIVE, INVESTMENT ADVISORY AND OTHER SERVICES FOR CALTRUST.....	11
Section 5.1 Administrative, Investment Advisor and Approval of Agreements.	11
Section 5.2 Investment Advisor for the Shares Program.....	11
Section 5.3 Compensation of Investment Advisor for Shares Program and Others.....	12
Section 5.4 Other Activities of Investment Advisor for Shares Program.....	12
Section 5.5 Custodian for the Shares Program.	12

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 5.6 Other Services to <i>Ca</i> TRUST	13
Section 5.7 Authorization to Execute	13
ARTICLE VI. SHARES PROGRAM	13
Section 6.1 Shares of Beneficial Interest	14
Section 6.2 Series of Shares.....	14
Section 6.3 Rights of Participants.....	15
Section 6.4 Register of Shares	16
Section 6.5 Transfer of Shares	16
ARTICLE VII. REDEMPTIONS OF SHARES WITHIN SHARES PROGRAM	16
Section 7.1 Redemptions	16
Section 7.2 Suspension of Right of Redemption	17
Section 7.3 Redemptions to Reimburse <i>Ca</i> TRUST for Loss on Nonpayment for Shares or for Other Charges	17
Section 7.4 Redemptions in Kind	17
Section 7.5 Reporting.....	17
Section 7.6 Minimum Investment.....	18
ARTICLE VIII. DETERMINATION OF NET ASSET VALUE, NET INCOME, DISTRIBUTIONS AND ALLOCATIONS	18
Section 8.1 Shares Program	18
ARTICLE IX. MEETINGS OF PARTICIPANTS; APPROVAL POWER OF PARTICIPANTS	18
Section 9.1 Voting	18
Section 9.2 Action Without Meeting	18
Section 9.3 Notice of Action.....	19
Section 9.4 Meetings.....	19
Section 9.5 Proxies.....	19
Section 9.6 Inspectors.	19
Section 9.7 Record Date for Participant Notice, Voting and Giving Consents.....	20
Section 9.8 Approval Powers of Participants	20
Section 9.9 Meeting Agendas.	21
ARTICLE X. LIMITATIONS OF LIABILITY OF MEMBERS, PARTICIPANTS, TRUSTEES AND OTHERS	21
Section 10.1 No Personal Liability of Members, Participants, Trustees and Others	21
Section 10.2 Indemnification of Participants in Shares Program	21
Section 10.3 Bad Faith of Trustees and Others.....	22
Section 10.4 Indemnification of Trustees and Others from Third-Party Actions	22
Section 10.5 Indemnification of Trustees and Others for Successful Defense.....	22

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 10.6 Advance of Expenses.....	22
Section 10.7 Exclusions and Limitations of Indemnification of Trustees and Others.....	23
Section 10.8 Obligations under Law.....	23
Section 10.9 Required Approval.....	23
Section 10.10 Insurance.....	23
Section 10.11 Fiduciaries of Employee Benefit Plan	24
Section 10.12 No Duty of Investigation and Notice in <i>CalTRUST</i> Instruments.....	24
Section 10.13 Reliance on Experts	24
Section 10.14 Immunity from Liability	24
Section 10.15 Further Restriction of Duties and Liabilities	24
 ARTICLE XI. DURATION, TERMINATION AND AMENDMENT	 25
Section 11.1 Duration	25
Section 11.2 Termination of <i>CalTRUST</i>	25
Section 11.3 Amendment Procedure.....	25
Section 11.4 Merger, Consolidation and Sale of Assets.....	26
 ARTICLE XII. RECORDS AND REPORTS	 26
Section 12.1 Maintenance and Inspection of Records	26
Section 12.2 Inspection by Trustees	26
Section 12.3 Financial Statements and Audits.....	27
 ARTICLE XIII. GENERAL MATTERS	 27
Section 13.1 Checks, Drafts, Evidence of Indebtedness.....	27
Section 13.2 Execution of Instruments	27
Section 13.3 Fiscal Year	27
Section 13.4 Principal Office.....	27
Section 13.5 Accountability.....	27
 ARTICLE XIV. MISCELLANEOUS	 27
Section 14.1 Governing Law	27
Section 14.2 Counterparts	28
Section 14.3 Certificates	28
Section 14.4 Provisions in Conflict with Law or Regulations.....	28
Section 14.5 Notices	28
Section 14.6 Index and Headings for Reference Only.....	28
Section 14.7 Successors in Interest.....	28
 SCHEDULE A INITIAL MEMBERS.....	 A-1
 SCHEDULE B LIST OF MEMBERS.....	 B-1

JOINT EXERCISE OF POWERS AGREEMENT

This **JOINT EXERCISE OF POWERS AGREEMENT**, dated as of February 24, 2005 (this "Agreement"), amending and restating that certain declaration of trust, dated as of January 9, 2003 and amended and restated as of June 3, 2003, is entered into by each Public Agency (as defined below) set forth on Schedule A hereto (the "Initial Members"). Capitalized terms used in this Agreement shall have the meanings given such terms in Section 1.3 of this Agreement, unless otherwise defined.

WITNESSETH

WHEREAS, pursuant to the Act, two or more Public Agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each Member is a "Public Agency" as that term is defined in Section 6509.7 of the Act, which, as of the date of this Agreement, 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 this state or another state, or any joint powers authority formed pursuant to this [Article 1] by any of these agencies," and includes "a nonprofit corporation whose membership is confined to public agencies or public officials;" and

WHEREAS, 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; and

WHEREAS, the Act authorizes the Members to create a joint exercise of powers entity separate from the Members to exercise the common powers of the Members, as specified in this Agreement, and to act as administrator of this Agreement; and

WHEREAS, by this Agreement, each Member desires to create and establish the Investment Trust of California, doing business as *CalTRUST*, for the purposes set forth herein to exercise the powers provided herein and to act as administrator of this Agreement; and

WHEREAS, the Act authorizes a joint powers authority, such as *CalTRUST*, to issue shares of beneficial interest to participating Public Agencies; and

WHEREAS, by this Agreement, *CalTRUST* will establish and administer an investment program for the benefit of its Participants, such program to be known as the Shares Program; and

WHEREAS, pursuant to the Law, Public Agencies may purchase shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 of the Act; and

WHEREAS, the Shares Program involves the investment by Public Agencies in shares of beneficial interest issued by *CalTRUST* in accounts containing authorized investments that are owned by *CalTRUST*.

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

**ARTICLE I.
CREATION; PURPOSE, DEFINITIONS AND
REPRESENTATIONS**

Section 1.1 Creation of CalTRUST. There is hereby created pursuant to the Act a public agency and entity to be known as the “Investment Trust of California,” doing business as “CalTRUST.” As provided in the Act, *CalTRUST* shall be a public agency and entity separate and apart from the Members. The debts, liabilities and obligations of *CalTRUST* shall not constitute debts, liabilities or obligations of the Members.

Section 1.2 Purpose. This Agreement is made pursuant to the Act to provide for the exercise by *CalTRUST* of those powers referred to in the recitals hereof and for *CalTRUST* to administer the exercise of those powers. The purpose of *CalTRUST* is to consolidate investment activities of the Participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the Shares Program (as described in Articles VI and VII hereof). The Public Agencies that purchase Shares from *CalTRUST* through the Shares Program are collectively referred to herein as “Participants”, and individually, as a “Participant”.

Section 1.3 Definitions. As used in this Agreement, the following terms shall have the following respective meanings unless the context otherwise requires:

“Act” shall mean Title 1, Division 7, Chapter 5 of the California Government Code (commencing with § 6500), the Joint Exercise of Powers Act, as it may be amended from time to time.

“Affiliate” shall mean, as to any person, any other person who owns beneficially, directly or indirectly, at least 5% of the outstanding capital stock or equity interest of such person or of any other person who controls, is controlled by or is under common control with such person, or is an officer, retired officer, director, employee, partner or trustee of such person or of any other person who controls, is controlled by or is under common control with such person.

“Agreement” shall mean this Joint Exercise of Powers Agreement as it may from time to time be amended in accordance with the provisions hereof.

“Bad Faith” shall have the meaning set forth in Section 10.3 hereof.

“Board of Trustees” or “Board” shall mean the governing board of *CalTRUST*.

“CalTRUST” shall mean the Investment Trust of California, doing business as *CalTRUST*, created by this Agreement.

“Custodian” shall mean the entity engaged by *CalTRUST* to serve as the custodian for the Shares Program pursuant to the terms of the Custody Agreement.

“Custody Agreement” shall mean a custody agreement pursuant to which *CalTRUST* shall engage a custodian to provide certain services to *CalTRUST* for the Shares Program, including but not limited to maintaining a securities custody account for all cash, securities and other property that may be delivered to the Custodian from time to time upon the terms and conditions set forth therein.

“Disqualification” shall have the meaning set forth in Section 2.3(b) hereof.

“Information Statement” shall mean the information statement or other disclosure document relating to the Shares Program as such Information Statement may be revised from time to time.

“Initial Members” shall have the meaning set forth in the preamble hereto.

“Investment Advisor” shall mean the entity engaged by *CalTRUST* to serve as the investment advisor to the Shares Program pursuant to the terms of the Investment Advisory Agreement.

“Investment Advisory Agreement” shall mean an investment advisory agreement pursuant to which *CalTRUST* shall engage an investment advisor to provide certain services to *CalTRUST* for the Shares Program.

“Investment Policy” shall mean the investment policies and objectives of *CalTRUST* relating to the Shares Program, as such Investment Policy may be revised from time to time in accordance herewith.

“Law” means Title 5, Division 2, Part 1, Chapter 4 of the California Government Code (commencing with § 53600), as it may be amended from time to time.

“Members” shall mean the Initial Members and each Public Agency that becomes a Member pursuant to the terms of Section 1.4 hereof.

“Member Trustee” shall have the meaning set forth in Section 2.2 hereof.

“Non-Interested Trustees” shall have the meaning set forth in Section 10.6 hereof.

“Participants” shall have the meaning set forth in Section 1.2 hereof.

“Public Agency” shall have the meaning given to such term from time to time in Section 6509.7 (or any successor or amended provision) of the Act. As of the date of this Agreement, “Public Agency” is defined in Section 6509.7 of the Act 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 this state or another state, or any joint powers authority formed pursuant to this article by any of these agencies,” and includes “a nonprofit corporation whose membership is confined to public agencies or public officials.”

“Ralph M. Brown Act” shall mean Title 5, Division 2, Part 1, Chapter 9 of the California Government Code, as it may be amended from time to time.

“Series” shall have the meaning set forth in Section 6.1 hereof.

“Shares” shall have the meaning set forth in Section 6.1 hereof.

“Shares Program” shall mean the investment program provided to Participants by CalTRUST whereby Public Agencies invest in Shares.

“Shares Register” shall have the meaning set forth in Section 6.4 hereof.

Section 1.4 Addition of Public Agencies as Members; Withdrawal of Members.

(a) **Addition of Members.** A Public Agency may become a Member by taking appropriate action to authorize and approve the execution and delivery by such Member of this Agreement, signing a counterpart of this Agreement and furnishing CalTRUST with satisfactory evidence that such actions have been taken.

(b) **Withdrawal.** A Member may withdraw from this Agreement upon written notice to the Secretary of the Board. The Secretary of the Board shall forward a copy of such written notice of withdrawal to the Investment Advisor. Any such withdrawal shall be effective only upon receipt of the written notice of withdrawal by the Secretary of the Board who shall acknowledge receipt of such notice of withdrawal in writing to such withdrawing Member and shall file such notice as an amendment to this Agreement effective upon such filing.

(c) **List of Members.** Schedule B sets forth a list of all Members and shall be amended from time to time upon additional Public Agencies becoming Members and upon Public Agencies withdrawing as Members.

Section 1.5 Representations, Warranties, Covenants and Agreements of the Members. Each Member represents, warrants, covenants and agrees to and with CalTRUST and the other Members, but only as to itself, as follows:

(a) **Organization as Public Agency.** The Member is duly organized and validly existing as a Public Agency with the common powers referred to in the recitals hereof, and each of the recitals hereof is true as it relates to such Member. The Member has full legal right, power and authority to enter into this Agreement, to observe and perform its obligations hereunder and to become a Member hereunder. By all necessary official actions the Member has duly authorized and approved the execution hereof and the observance and performance of its obligations hereunder.

(b) **Binding and Enforceable.** This Agreement constitutes a legal, valid and binding obligation of the Member enforceable against the Member in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, and by the application of equitable remedies in appropriate cases.

**ARTICLE II.
GOVERNING BOARD; MEETINGS OF THE
BOARD**

Section 2.1 Board of Trustees. CalTRUST shall be governed by the Board of Trustees.

Section 2.2 Number, Qualification, Election and Term of Trustees. 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.

Section 2.3 Resignation and Removal.

(a) **Resignation.** Any Trustee may resign by an instrument in writing signed by such Trustee and delivered to the other Trustees, and such resignation shall be effective upon such delivery, or at a later date according to the terms of the instrument.

(b) **Disqualification.** A Trustee will cease to be qualified as a Trustee in the event, and as of the date, such Trustee dies, is judged incompetent, or, in the case of a Member Trustee, is no longer a member of the governing body, officer or personnel of a Member, or becomes incapable of performing the duties of the office of Trustee, a guardian or conservator is appointed for such Trustee, or such Trustee is otherwise disqualified from acting as a Trustee by reason of applicable law (each, a “Disqualification”).

(c) **Removal by Trustees.** Any Trustee may be removed, with or without cause, by the action of two-thirds (2/3) of the remaining Trustees.

(d) **Removal by Court.** The Superior Court of the County of Sacramento, California, may at the suit of any Member or of any Participant holding at least 10% of the aggregate of the then outstanding Shares, remove from office any Trustee in case of fraudulent or dishonest acts or abuse of authority or discretion with reference to CalTRUST and may bar from reelection as a Trustee of CalTRUST any Trustee so removed for a period determined by the Court.

Section 2.4 Vacancies. The term of office of a Trustee shall terminate and a vacancy shall occur in the event of the resignation, Disqualification or removal of a Trustee. No such vacancy shall operate to annul this Agreement. In the case of a vacancy, including a vacancy existing by reason of an increase in the number of Trustees by the Board, a majority of the remaining Trustees shall fill such vacancy by the appointment of such other person as they in their discretion shall see fit and as is qualified as provided herein. If there shall be no remaining Trustee, a majority of the Members may appoint a Trustee who is qualified as provided herein. An appointment of a Trustee may be made in anticipation of a vacancy to occur at a later date by reason of resignation, provided that such appointment shall not become effective prior to such resignation. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is

filled as provided in this Section 2.4, the Trustees in office, regardless of their number, shall constitute the Board and shall have all the powers granted to the Board and shall discharge all the duties imposed upon the Board by this Agreement. No person appointed hereunder shall commence his or her term of office until such person has accepted such appointment in writing.

Section 2.5 Quorum. A majority of the Trustees shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

Section 2.6 Manner of Acting. Subject to the Ralph M. Brown Act and except as otherwise provided herein, any action required or permitted to be taken by the Board may be taken by a majority of the Trustees present at a meeting of Board (a quorum being present), or by a teleconference during which at least a quorum of the members of the Board participate from locations within California and which meets all other requirements of Section 54953 of the California Government Code.

Section 2.7 Meetings of the Board.

(a) All meetings of the Board, including, without limitation, regular, adjourned regular, special and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act. In addition, the Secretary shall cause notice of each meeting of the Board to be sent to each Trustee, each Member and each Participant. The Board shall hold at least one regular meeting each year, and may provide for the holding of regular meetings at more frequent intervals. In addition, the Board or a committee of Trustees appointed in accordance with Section 2.8 shall hold regular meetings each month at which meetings the investment performance of the Shares Program and related items shall be presented. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by the Board. The Secretary of CalTRUST shall cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Trustee and to any Member or Participant (if such Member or Participant so requests CalTRUST in writing).

(b) If the Board receives, on behalf of one or more Members or Participants, a request to include an item of business on the agenda for a regular Board or committee meeting at least ninety six (96) hours prior to such meeting, such item of business shall be included on the agenda for that meeting. If the request to include an item of business on the agenda is received less than ninety six (96) hours prior to such meeting, such item of business shall not be included on the agenda for that meeting, but shall be included on the agenda for the following regular meeting of the Board, unless the Board otherwise determines to include such item of business on the agenda in accordance with the Ralph M. Brown Act. Any Board agenda that includes an item of business requested by any Member or Participant shall be distributed to all Members and Participants pursuant to Section 14.5 or as otherwise permitted by the Ralph M. Brown Act.

(c) If the Secretary of CalTRUST receives, on behalf of one or more Members or Participants, a request to call a special meeting of the Board or a particular committee to consider an urgent item of business raised by a Member or Participant, the Secretary shall promptly forward such request to each Trustee, and the Board may, in its sole discretion, determine whether or not to call a special meeting to consider such item of business. If the Board does

determine to call a special meeting, the item of business raised by the Member or Participant shall be included on the agenda. The Board may, at its discretion, include any other items of business raised by a Member or Participant so long as such items are raised not less than twenty four (24) hours prior to the time set for the meeting and in sufficient time for the item to be included on the agenda distributed with notice of such special meeting. If the Board does not call a special meeting to consider the item of business raised by a Member or Participant, such item of business shall be included on the agenda of the next regular Board meeting if the Board received the request from the Secretary in accordance with Section 2.7(b). Any Board agenda that includes an item of business requested by any Member or Participant shall be distributed to all Members and Participants pursuant to Section 14.5 or as otherwise permitted by the Ralph M. Brown Act.

Section 2.8 Committees. The Board may create one or more committees and appoint members of the Board to serve on such committees. Each committee shall consist of two or more Trustees who serve at the pleasure of the Board. The creation of a committee and appointment of members to it shall be approved by a majority of all of the Trustees serving on the Board when the action is taken. The provisions of this Agreement which govern meetings, notice and waiver of notice, and quorum and voting requirements of the Board shall apply to committees of the Board as well.

Section 2.9 Fees and Compensation. Trustees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board. This Section 2.9 shall not be construed to preclude any Trustee from serving CalTRUST in any other capacity as an officer, agent, employee, or otherwise and receiving compensation for those services.

ARTICLE III. OFFICERS

Section 3.1 Officers. The officers of CalTRUST shall be the President, Secretary and Treasurer (as defined below) and such other officers as the Board may determine. Any number of offices may be held by the same person.

Section 3.2 Definition of Officers.

(a) **President.** The President shall preside at all meetings of the Board of Trustees and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Trustees or be prescribed by the Joint Powers Agreement.

The President shall also be the chief corporate officer of CalTRUST and shall subject to the control of the Board of Trustees, have general supervision, direction and control of the business and officers of CalTRUST. He shall be ex-officio member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Trustees or by this Joint Powers Agreement.

(b) **Secretary.** The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Trustees may order, of all meetings of the Trustees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings and the proceedings thereof. The Secretary shall give or cause to be given notice of all meetings of the Board of Trustees, shall keep CalTRUST records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Trustees or this Joint Powers Amendment.

(c) **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.

Section 3.3 Election of Officers. The officers of *CalTRUST* shall be elected by the Board to serve at the pleasure of the Board until such officer is re-elected or a successor to such office is elected by the Board. The officers shall have such authority and perform such duties as the Board may from time to time determine, subject to the rights, if any, of an officer under any contract of employment.

Section 3.4 Removal of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board.

Section 3.5 Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect as of the date of the receipt of that notice or at any later time specified in that notice, and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of *CalTRUST* under any contract to which the officer is a party.

Section 3.6 Vacancies in Offices. A vacancy in any office because of death, resignation, removal or any other cause shall be filled in the manner prescribed herein for regular appointment to that office. The President may make temporary appointments to a vacant office pending action by the Board.

Section 3.7 Fees and Compensation. Officers may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board.

ARTICLE IV. POWERS

Section 4.1 General Powers. *CalTRUST* shall have the power, in its own name, to exercise the common powers of the Members referred to in the recitals hereof and to exercise all additional powers given to a joint powers entity under the Act and any other applicable law for

any purpose authorized under this Agreement. Pursuant to Section 6508 of the Act, *CalTRUST* shall have the power, in its own name, to do any or all of the following: to make and enter into contracts, or to employ agents and employees, to acquire, construct, manage, maintain or operate any building, works or improvements, or to acquire, hold or dispose of property or to incur debts, liabilities or obligations and sue and be sued in its own name. Pursuant to Section 6509.7 of the Act, *CalTRUST* shall have the power, in its own name, to issue shares of beneficial interest in the securities and obligations authorized by the Law. *CalTRUST* is authorized, in its own name, to do all acts necessary for the exercise of said powers for said purposes. Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed upon a county in the exercise of similar powers, as provided in Section 6509 of the Act.

Section 4.2 Specific Powers. Consistent with, derived from and subject to the general powers of *CalTRUST* granted in Section 4.1, *CalTRUST* shall have the following specific powers:

(a) **Investments.** *CalTRUST* shall have the power to subscribe for, invest in, reinvest in, purchase or otherwise acquire, own, hold, pledge for settlement purposes only, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of investments of every nature and kind, provided such investment is (in the sole and absolute discretion of *CalTRUST*) consistent with the applicable law and the Investment Policy, and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more persons, firms, associations or corporations to exercise any of such rights, powers and privileges in respect of any of such investments.

Subject to Section 9.8, the Investment Policy may be revised from time to time by resolution of the Board, provided that the Investment Policy shall at no time permit investments not authorized for legal investment under the Law. Promptly upon the Board's approval of any amendment to the Investment Policy, the Board shall cause the amended Investment Policy to be delivered to each Participant.

(b) **Issuance and Redemption of Shares.** *CalTRUST* shall have the power to issue, sell, repurchase, redeem, retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and otherwise deal in Shares, or any Series of Shares by means of the Shares Program, and subject to the provisions hereof, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares, or any Series of Shares, any funds or property of *CalTRUST* with respect to such Shares, or Series of Shares, whether capital or surplus or otherwise, to the full extent now or hereafter permitted by applicable law.

(c) **Legal Title.** Legal title to all *CalTRUST* property shall be vested in *CalTRUST*, except that *CalTRUST* shall have power to cause legal title to any *CalTRUST* property to be held in the name of any other person as nominee, on such terms as *CalTRUST* may determine, *provided, however*, that the interest of *CalTRUST* therein is appropriately protected.

(d) **Delegation.** *CalTRUST* shall have power to delegate from time to time to officers, employees or agents of *CalTRUST* the doing of such things and the execution of such

instruments in the name of *CalTRUST* or otherwise as *CalTRUST* may deem expedient, to the same extent as such delegation is permitted by applicable law.

(e) **Collection and Payment.** *CalTRUST* shall have power to collect all property due to *CalTRUST*; to pay all claims, including taxes, against *CalTRUST* property; to prosecute, defend, compromise or abandon any claims relating to *CalTRUST* property; to foreclose any security interest securing any obligation by virtue of which any property is owed to *CalTRUST*; and to enter into releases, agreements and other instruments.

(f) **Expenses and Limits Thereon.** *CalTRUST* shall have the power to incur and pay any reasonable expenses that in the opinion of *CalTRUST* are necessary or incidental to carry out any of the purposes of this Agreement.

(g) **Litigation.** *CalTRUST* shall have the power to engage in and to prosecute, defend, compromise, abandon, or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, and demands relating to *CalTRUST* or *CalTRUST* property, and, out of *CalTRUST* property, to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of *CalTRUST*, in the exercise of its good faith business judgment, consenting to dismiss any action, suit, proceeding, dispute, claim, or demand, derivative or otherwise, brought by any person, including a Member or Participant, whether or not *CalTRUST* or any of the Trustees may be named individually therein or the subject matter arises by reason of business for or on behalf of *CalTRUST*.

(h) **Miscellaneous Powers.** *CalTRUST* shall have the power to: (i) employ or contract with such persons as *CalTRUST* may deem desirable for the transaction of the affairs of *CalTRUST*, including such agents or employees as *CalTRUST* considers appropriate; (ii) to the extent permitted by applicable law, enter into joint ventures, partnerships and any other combinations or associations; (iii) purchase, and pay for out of *CalTRUST* property, insurance policies insuring the Trustees, officers, employees, agents, Members, investment advisers, distributors, or independent contractors of *CalTRUST* against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such person in such capacity, whether or not constituting negligence, or whether or not *CalTRUST* would have the power to indemnify such person against such liability; (iv) to the extent permitted by applicable law, indemnify any person with whom *CalTRUST* has dealings to such extent as *CalTRUST* shall determine, including, without limitation, any administrator of *CalTRUST*; (v) determine and change the fiscal year of *CalTRUST* and the method by which its accounts shall be kept; and (vi) adopt a seal for *CalTRUST*, but the absence of such seal shall not impair the validity of any instrument executed on behalf of *CalTRUST*.

(i) **Other Powers.** In addition to the specific powers set forth above, *CalTRUST* shall also have all other powers consistent with the Act and reasonably necessary from time to time to carry out the purposes of *CalTRUST* as set forth in Section 1.2 hereof.

Section 4.3 Approval Powers of Members. The following matters alone shall require the approval of all or a certain percentage of the Members as provided herein: (a) termination of *CalTRUST* as provided in Section 11.2, (b) merger, consolidation or sale of assets of *CalTRUST*

as provided in Section 11.4, and (c) such additional matters relating to *CalTRUST* as may be required by this Agreement or as *CalTRUST* may consider necessary or desirable. In addition, if a certain percentage approval is not specified herein, approval of at least a majority of the Members shall be required.

**ARTICLE V.
ADMINISTRATIVE, INVESTMENT ADVISORY
AND OTHER SERVICES FOR CALTRUST**

Section 5.1 Administrative, Investment Advisor and Approval of Agreements.

(a) **Supervision of *CalTRUST*.** The Board is responsible for the general policies of *CalTRUST* and for such general supervision of the business of *CalTRUST* conducted by all officers, agents, employees, advisers, managers or independent contractors of *CalTRUST* as may be necessary to insure that such business conforms to the provisions of this Agreement. However, the Board shall not be required personally to conduct all the business of *CalTRUST*, and consistent with the Board's ultimate responsibility as stated above, *CalTRUST* shall have the power to appoint, employ or contract with any person (including one or more of the Trustees or any corporation, partnership or trust in which one or more of them may be directors, officers, stockholders, partners or trustees) as *CalTRUST* may deem necessary or proper for the transaction of the business of *CalTRUST*. *CalTRUST* may in its discretion, from time to time, enter into an administrative, investment advisory, or other management contract on behalf of *CalTRUST* whereby the other party to such contract shall undertake to furnish *CalTRUST* such management, investment advisory or supervisory, administrative, accounting, legal, statistical, research, and promotional facilities and services, and such other facilities and services, if any, as the *CalTRUST* may in its discretion determine.

(b) **Investment Advisor Qualifications.** Any investment advisor retained by *CalTRUST* shall meet all of the criteria set forth in Section 6509.7 of the Act, as such provision may be amended from time to time, which, as of the date hereof, requires that:

(i) the investment advisor shall be registered or exempt from registration with the Securities and Exchange Commission;

(ii) the investment advisor shall not have less than five (5) years of experience investing in the securities and obligations authorized by the Law; and

(iii) the investment advisor shall have assets under management in excess of five hundred million dollars (\$500,000,000).

Section 5.2 Investment Advisor for the Shares Program.

(a) **Authority.** *CalTRUST* may exercise broad discretion in allowing the Investment Advisor to administer and regulate the operations of the Shares Program, to act as agent for *CalTRUST*, to execute documents on behalf of *CalTRUST*, and to make decisions which conform to general policies and general principles established by *CalTRUST*. In furtherance of the Shares Program, *CalTRUST* may authorize the Investment Advisor to effect purchases, sales, loans or exchanges of securities of *CalTRUST* on behalf of *CalTRUST* or may authorize any

officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of the Investment Advisor, all without further action by CalTRUST. Any such purchases, sales, pledges and exchanges shall be deemed to have been authorized by CalTRUST.

(b) **Best Efforts.** With respect to CalTRUST's activities under the Shares Program, the Investment Advisor shall be required to use its best efforts to present a continuing and suitable investment program to CalTRUST which is consistent with the applicable law and the Investment Policy, but neither the Investment Advisor nor any Affiliate of the Investment Advisor shall be obligated to present any particular investment opportunity to CalTRUST even if such opportunity is of a character which, if presented to CalTRUST, could be taken by CalTRUST.

(c) **Termination of Services.** CalTRUST shall have the right to terminate the Investment Advisory Agreement (i) at any time and without penalty, upon at least sixty (60) days' prior written notice to the Investment Advisor, or (ii) immediately upon written notice to the Investment Advisor, for cause in the event of breach of the Investment Advisory Agreement, negligence or willful misconduct by the Investment Advisor, which breach is not cured within ten (10) days after written notice of such breach has been provided. CalTRUST may, at any time, solicit bids to enter into a new agreement with a different independent contractor to carry out the duties set forth in the Investment Advisory Agreement.

Section 5.3 Compensation of Investment Advisor for Shares Program and Others. CalTRUST shall have the power to determine the compensation and other terms of employment or contract of the Investment Advisor or any other person employed or contracted by CalTRUST; *provided, however,* that any determination to employ or contract with any Trustee or any person of which a Trustee is an Affiliate, shall be valid only if made, approved or ratified by a majority of the Trustees who are not Affiliates of such person.

Section 5.4 Other Activities of Investment Advisor for Shares Program. The Investment Advisor shall not be required to administer the investment activities of the Shares Program as its sole and exclusive function and may have other business interests and may engage in other activities similar or in addition to those relating to the Shares Program, including the rendering of services and advice to other persons and the management of other investments (including investments of the Investment Advisor and its Affiliates); provided that such other business interests do not conflict with the best interests of CalTRUST.

Section 5.5 Custodian for the Shares Program.

(a) CalTRUST shall have the power to determine the compensation and other terms of employment or contract of the Custodian; *provided, however,* that any determination to employ or contract with any Trustee or any person of which a Trustee is an Affiliate, shall be valid only if made, approved or ratified by a majority of the Trustees who are not Affiliates of such person. The scope and terms of the Custodian's engagement by CalTRUST will be defined and circumscribed in the Custody Agreement. CalTRUST shall have the right to terminate the Custody Agreement (i) at any time and without penalty, upon at least sixty (60) days' prior written notice to the Custodian, or (ii) immediately upon written notice to the Custodian, for cause in the event of breach of the Custody Agreement, negligence or willful misconduct by the

Custodian. *CalTRUST* may, at any time, solicit bids to enter into a new agreement with a different independent contractor to carry out the duties set forth in the Custody Agreement.

(b) **Custodian Qualifications.** Any custodian retained by *CalTRUST* shall meet the following criteria:

(i) the custodian shall be a bank or trust company, in good standing, duly authorized to exercise trust powers and subject to supervision or examination by a federal or state banking authority; and

(ii) the custodian shall have combined capital and surplus in excess of fifty million dollars (\$50,000,000).

Notwithstanding the foregoing, a custodian that does not meet the requirement of clause (ii) above may be retained as the custodian for *CalTRUST* if its obligations under the Custody Agreement are guaranteed by an Affiliate which meets all of the qualifications set forth above, and such guaranty is acceptable in form and substance to *CalTRUST*.

Section 5.6 Other Services to *CalTRUST*. *CalTRUST* may from time to time enter into contracts or agreements with independent contractors in the discretion of *CalTRUST* to carry out the following functions: (i) transfer agent, record keeper and dividend disbursing agent; (ii) administrator, to maintain the books and records of the Shares Program and to supervise all aspects of *CalTRUST*'s operations, including periodically updating the Information Statement for the Shares Program, to prepare *CalTRUST*'s tax returns and periodic reports to Members or Participants, including preparation of monthly, quarterly and annual reports of financial performance to be made available to Members or Participants, to compute the daily net asset value and yield for the Shares Program, to provide office space, equipment and facilities necessary for *CalTRUST*'s operations and to provide such other administrative services as *CalTRUST* may require; (iii) distributor, to act as *CalTRUST*'s sales agent for the distribution of the Shares; (iv) customer service agent, to provide information to Public Agencies which are Members or Participants or are interested in becoming Members or Participants; (v) custodian bank, to hold all money and securities constituting *CalTRUST* property; (vi) independent certified public accountants, to perform an annual audit and provide such other services as *CalTRUST* may require; and (vii) legal counsel. The foregoing specific list shall not prevent *CalTRUST* from employing other persons to provide such advice, assistance or services as *CalTRUST* may from time to time require to carry out the purposes of *CalTRUST* as set forth in Section 1.2 hereof.

Section 5.7 Authorization to Execute. By executing this Agreement, each Member hereby authorizes *CalTRUST* to execute a Custody Agreement with a Custodian meeting the requirements hereof and an Investment Advisory Agreement with an Investment Advisor meeting the requirements hereof. *CalTRUST* is duly authorized to enter into a Custody Agreement and an Investment Advisory Agreement.

ARTICLE VI. SHARES PROGRAM

Section 6.1 Shares of Beneficial Interest. The interests of the Participants in the Shares Program established hereunder shall be divided into transferable units to be called Shares of beneficial interest, \$0.01 par value (the “Shares”). The number of Shares authorized hereunder is unlimited. Subject to Section 6.2, the Board may establish and designate from time to time any number of series of Shares (each, a “Series”), the proceeds of which may be invested in separate, independently managed accounts. Each Share of any Series shall represent an equal proportionate share in *CalTRUST* assets with respect to such Series with each other Share in such Series. The Board may divide or combine the Shares of any Series into a greater or lesser number of Shares of such Series without thereby changing the proportionate interests in *CalTRUST* assets with respect to such Series.

(a) **Initial Series of Shares.** There is hereby established and designated three (3) initial Series of Shares to be known as: (i) the “CalTRUST Short-Term Fund” Series, (ii) the “CalTRUST Medium-Term Fund” Series, and (iii) the “CalTRUST Long-Term Fund” 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.

(b) **Money Market Fund Series of Shares.** In addition, there is hereby established and designated the “CalTRUST Money Market Fund” 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.

Section 6.2 Series of Shares. The following provisions shall be applicable to each Series of Shares established and designated by the Board:

(a) **Number and Classification.** The number of shares of each Series that may be issued shall be unlimited. The Board may classify or reclassify any unissued shares of any Series or any Shares previously issued and reacquired into one or more Series that may be established and designated from time to time. Shares reacquired by *CalTRUST* shall be canceled and restored to the status of authorized and unissued Shares undesignated as to Series.

(b) **Series Assets.** All consideration received by *CalTRUST* for the issue or sale of Shares of a particular Series, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to that Series for all purposes, subject only to the rights of creditors, and shall be so recorded upon the books of account of *CalTRUST*. In the event that there are any assets, income, earnings, profits, or proceeds thereof, or funds or payments which are not readily identifiable as belonging to any particular Series, the Board shall allocate them among any one or more of the Series established and designated from time to time in such manner and on such basis as they, in their sole discretion, deem fair and equitable. Each such allocation by the Board shall be conclusive and binding upon the Participants of the Shares Program in all Series for all purposes.

(c) **Series Liabilities.** The assets belonging to each particular Series shall be charged with the liabilities of *CalTRUST* in respect of that Series, as with all expenses, costs, charges and reserves attributable to that Series, and any general liabilities, expenses, costs, charges or

reserves of *CalTRUST* which are not readily identifiable as belonging to any particular Series shall be allocated and charged by the Board to and among any one or more of the Series established and designated from time to time in such manner and on such basis as the Board in its sole discretion deem fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Board shall be conclusive and binding upon the Participants of the Shares Program in all Series for all purposes.

(d) **Dividends and Distributions.** All dividends and distributions on Shares of a particular Series shall be distributed pro rata to the Participants in that Series in proportion to the number of Shares of that Series held by such Participants at the date and time of record established pursuant hereto for the payment of such dividends or distributions.

(e) **Liquidation.** In the event of the liquidation of a particular Series, the Participants in that Series which is being liquidated shall be entitled to receive, when and as declared by the Board, the excess of the assets belonging to that Series over the liabilities belonging to that Series. The Participants of the Shares Program in any Series shall not be entitled thereby to any distribution upon liquidation of any other Series. The assets so distributable to the Participants in any Series shall be distributed among such Participants in proportion to the number of Shares of that Series held by them and recorded on the books of *CalTRUST*. The liquidation of any particular Series in which there are Shares then outstanding may be authorized by an instrument in writing approved by the Board, without the approval of the outstanding voting Shares of that Series.

(f) **Conversion and Exchange.** The Board shall have the authority to provide that the Participants in any Series shall have the right to convert or exchange the Shares of such Series for or into Shares of one or more other Series in accordance with such requirements and procedures as may be established by the Board.

(g) **Designations.** The Board shall have the power to determine the designations, preferences, privileges, limitations and rights, including approval and dividend rights, of each Series of Shares. Subject to the provisions of this Section 6.2, all Shares of all Series shall have identical rights and privileges, except insofar as variations thereof among Series shall have been determined and fixed by the Board.

(h) **Additional Series.** The establishment and designation of any Series of Shares in addition to the three (3) initial Series established and designated in Section 6.1 shall be effective upon the execution by the Board of an instrument setting forth such establishment and designation and the relative rights, preferences, approval powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of such Series or as otherwise provided in such instrument. At any time that there are no Shares outstanding of any particular Series previously established and designated, the Board may by written instrument approved by the Board abolish that Series and the establishment and designation thereof. Each instrument referred to in this Section 6.2(h) shall constitute an amendment to this Agreement.

Section 6.3 Rights of Participants. The ownership of *CalTRUST* property of every description and the right to conduct the affairs of *CalTRUST* herein before described are vested exclusively in *CalTRUST*, and the Participants shall have no interest therein other than the

beneficial interest conferred by their Shares, and they shall have no right to call for any partition, division, dividend or distribution of any property, profits, rights or interests of *CalTRUST* nor can they be called upon to assume any losses of *CalTRUST* or suffer an assessment of any kind by virtue of their ownership of Shares. The Shares shall be personal property giving only the rights specifically set forth in this Agreement. The Shares shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights, except as the Board may determine.

Section 6.4 Register of Shares. A register for the Shares Program (the “Shares Register”) shall be kept at the principal executive office of *CalTRUST* or at such place as the Board shall designate containing the names and addresses of all Participants of the Shares Program and the number and Series of Shares held by them respectively and a record of all transfers thereof. Such register shall be conclusive as to which Participants are the holders of the Shares and which Participants shall be entitled to receive distributions or otherwise to exercise or enjoy the rights of Participants of the Shares Program. No Participant shall be entitled to receive payment of any distribution, nor to have rights given to it as herein provided, until its correct name and address has been given to the transfer agent, record keeper or such other officer or agent of *CalTRUST* as shall keep the Shares Register. The Board, in its discretion, may but need not authorize the issuance of Share certificates and promulgate appropriate rules and regulations as to their use.

Section 6.5 Transfer of Shares. Shares shall be transferable on the Shares Register only by the record holder thereof or by its agent thereunto duly authorized in writing, upon delivery to the transfer agent or record keeper of a duly executed instrument of transfer, together with such evidence of the genuineness of each such execution and authorization and of other matters as may reasonably be required. Upon such delivery, the transfer shall be recorded on the Shares Register. Until such record is made, the Participant of record shall be deemed to be the holder of such Shares for all purposes hereunder and neither *CalTRUST* nor any transfer agent or record keeper nor any trustee, officer, employee or agent of *CalTRUST* shall be affected by any notice of the proposed transfer. No Shares may be transferred to a transferee other than a Participant or *CalTRUST* itself. Any attempted transfer to any other person shall be void and of no effect.

ARTICLE VII. REDEMPTIONS OF SHARES WITHIN SHARES PROGRAM

Section 7.1 Redemptions. In case any Participant of the Shares Program at any time desires to dispose of its Shares, it may deposit a written request or other such form of request as the Board may from time to time authorize, at the office of the transfer agent or record keeper or at the office of any bank or trust company, either in or outside of California which is a member of the Federal Reserve System and which the transfer agent or record keeper has designated in writing for that purpose, to have the Shares redeemed by *CalTRUST* at the net asset value thereof per Share next determined after such deposit as provided in Article VIII. Payment for redemption shall be made to the Participant within the number of business days specified in the Information Statement for the Shares Program, as most recently amended or supplemented, unless the date of payment is postponed pursuant to Section 7.2, in which event payment may be delayed beyond such period.

Section 7.2 Suspension of Right of Redemption. The Board may declare a suspension of the right of redemption or postpone the date of payment or redemption for the whole or any part of any period (i) during which the New York Stock Exchange is closed other than customary weekend and holiday closings, (ii) during which trading on the New York Stock Exchange is restricted, (iii) during which the Bond Market Association has declared the market closed when the New York Stock Exchange is open, or (iv) during which an emergency exists as a result of which disposal by CalTRUST of securities owned by it is not reasonably practicable or it is not reasonably practicable for the value of CalTRUST's net assets to be determined. Such suspension shall take effect at such time as the Board shall specify but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment on redemption until the Board shall declare the suspension at an end, except that the suspension shall terminate in any event on the first day on which the New York Stock Exchange shall have reopened or the period specified in (ii) or (iv) shall have expired (as to which the determination of the Board shall be conclusive). In the case of a suspension of the right of redemption, a Participant may either withdraw its request for redemption or receive payment based on the net asset value existing after the termination of the suspension. Notwithstanding the provisions of Section 14.5, notice of the suspension of the right of redemption shall be deemed duly given upon the posting of such notice in a prominent location on the homepage of the CalTRUST website.

Section 7.3 Redemptions to Reimburse CalTRUST for Loss on Nonpayment for Shares or for Other Charges. CalTRUST shall have the power to redeem Shares owned by any 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 as provided in the Information Statement for the Shares Program, as most recently amended or supplemented, or (iii) as otherwise deemed necessary by the Board for CalTRUST to comply with applicable law in connection with the affairs of CalTRUST. Any such redemption shall be effected at the redemption price determined in accordance with Section 7.1. CalTRUST shall notify the Participant whose Shares are being redeemed, in writing, prior to redeeming any Share pursuant to this Section.

Section 7.4 Redemptions in Kind. Payment for Shares redeemed pursuant to Section 7.1 may, at the option of the Board, in its complete discretion be made in cash, or in kind, or partially in cash and partially in kind. In case of payment in kind, the Board, or its delegate, shall have absolute discretion as to what security or securities shall be distributed in kind and the amount of the same, and the securities shall be valued for purposes of distribution at the figure at which they were appraised in computing the net asset value of the Shares.

Section 7.5 Reporting. In accordance with the terms of the Investment Advisory Agreement, the Investment Advisor shall provide, or cause the Custodian and/or any agent of the Investment Advisor or the Custodian to provide, information to each Participant, at least monthly, describing such Participant's investments through the Shares Program, including but not limited to the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the Participant, and shall additionally include a description of any of the Participant's funds, investments, or programs that are under the management of any

subcontractor to the Investment Advisor (but only if such subcontracting is permitted by this Agreement and the Investment Policy or consented to by the Members) or are part of any securities lending program, as well as a current market value of such Participant's Shares as of the date of the report and shall include the source of this same valuation.

Section 7.6 Minimum Investment. The Board shall have the power to fix the minimum investment for Participants of the Shares Program expressed in dollars or Shares, or both. Whenever a Participant's investment is less than the minimum established by the Board, CalTRUST may redeem the Shares of such Participant, *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, the investment of such Participant shall not be redeemed without such Participant's consent.

**ARTICLE VIII.
DETERMINATION OF NET ASSET VALUE, NET
INCOME, DISTRIBUTIONS AND
ALLOCATIONS**

Section 8.1 Shares Program. The Information Statement for the Shares Program, as most recently amended or supplemented, sets forth such bases and times for determining the per Share net asset value of the Shares, the net income, and the declaration and payment of distributions, as the Board, in its absolute discretion, may prescribe and deem necessary or desirable.

**ARTICLE IX.
MEETINGS OF PARTICIPANTS; APPROVAL
POWER OF PARTICIPANTS**

Section 9.1 Voting. The Participants entitled to vote or take action at any meeting or without a meeting of Participants shall be determined in accordance with this Article IX. The Participants' vote may be by voice vote or by ballot. Shares of each Series shall be voted and shall be counted based on the relative net asset value of each Share, and all Shares of all Series shall be voted together as one class, except for matters that relate exclusively to a particular Series for which only holders of Shares of that Series shall vote. Any Participant may vote part of the Shares in favor of the proposal and refrain from voting the remaining Shares or, vote them against the proposal, but if the Participant fails to specify the number of Shares which the Participant is voting affirmatively, it will be conclusively presumed that the Participant's approving vote is with respect to the total Shares that the Participant is entitled to vote on such proposal.

Section 9.2 Action Without Meeting. Any action which may be taken at any meeting of Participants may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed as provided in this Section 9.2. Any action taken at any meeting or by signed consent, may be taken upon the vote or written consent of the holders of outstanding Shares having not less than the minimum number of votes necessary to authorize or take that action at a meeting at which all Shares entitled to vote on that action were present and voted. All such written consents shall be filed with the Secretary or such other designated officer

of CalTRUST and shall be maintained in CalTRUST's records. A Participant's written consent may be revoked by a writing received by the Secretary or such other designated officer of CalTRUST before written consents of the value of Shares necessary to authorize the proposed action have been filed with the Secretary or such other designated officer of CalTRUST.

Section 9.3 Notice of Action. The Secretary or such other designated officer of CalTRUST shall give prompt notice to all Participants of any action approved: (a) by the Participants without a meeting, (b) that amends or terminates the Custody Agreement or Investment Advisory Agreement, (c) that amends the Investment Policy or this Agreement or (d) pursuant to Section 9.8 hereof. This notice shall be given in the manner specified in Section 14.5.

Section 9.4 Meetings. To the extent required by law, meetings of Participants shall be governed by and held in accordance with the provisions of the Ralph M. Brown Act.

Section 9.5 Proxies. Every person entitled to vote on any matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary or such other designated officer of CalTRUST. A proxy shall be deemed signed if the Participant's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the Participant or the Participant's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it before the vote pursuant to that proxy by a writing delivered to CalTRUST stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by the person executing that proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by CalTRUST before the vote pursuant to that proxy is counted; *provided, however,* that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy.

Section 9.6 Inspectors.

(a) **Appointment.** Before any meeting of Participants, the Board may appoint any persons, other than Trustees whose appointment is to be approved at such meeting, to act as inspectors at the meeting or its adjournment. If no inspectors are so appointed, the chair of the meeting may, and on the request of any Participant or a Participant's proxy shall, appoint inspectors at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more Participants or proxies, the holders of at least a majority of the outstanding Shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chair of the meeting may, and on the request of any Participant or a Participant's proxy shall, appoint a person to fill the vacancy.

(b) **Duties.** These inspectors shall:

(i) Determine the number of Shares outstanding and the voting power of each, the Shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies;

- (ii) Receive votes, ballots or consents;
- (iii) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (iv) Count and tabulate all votes or consents;
- (v) Determine when the polls shall close;
- (vi) Determine the result; and
- (vii) Do any other acts that may be proper to conduct the election or vote with fairness to all Participants.

Section 9.7 Record Date for Participant Notice, Voting and Giving Consents.

(a) **Fixed Record Date.** For purposes of determining the Participants entitled to notice of any meeting or to vote or entitled to give consent to action without a meeting, the Board may fix in advance a record date which shall not be more than fifteen (15) days nor fewer than seven (7) days before the date of any such meeting.

(b) **Deemed Record Date.** If the Board does not so fix a record date:

(i) **For Meetings.** The record date for determining Participants entitled to notice of or to vote at a meeting of Participants shall be at the close of business on the business day next preceding the day on which notice is given or if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(ii) **For Written Consent.** The record date for determining Participants entitled to give consent to action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is requested, or, when prior action of the Board has been taken, shall be at the close of business on the day on which the Board adopts the resolution relating to that action.

Section 9.8 Approval Powers of Participants. Any amendment to the Investment Policy shall require: (a) the approval of Participants or their proxies holding at least a majority of the outstanding Shares or (b) the negative consent of the Participants. To obtain the negative consent of the Participants, the following negative consent procedure shall be followed: (x) the Secretary shall provide each Participant with a notice in accordance with Section 14.5 at least sixty (60) days prior to the date of such proposed action explaining the nature of such proposed action and this negative consent procedure; (y) the Secretary shall provide each Participant who did not respond to the initial notice with a notice at least thirty (30) days prior to the date of such proposed action explaining the nature of such proposed action and this negative consent procedure; (z) if Participants owning at least fifty percent (50%) of the Shares do not object to the proposed action in writing within sixty (60) days after the initial notice, the proposed action shall become effective with respect to all Participants; *provided, however*, any Participant that objects in writing to the action within sixty (60) days after receiving the initial notice shall be permitted to redeem its Shares as set forth herein.

Section 9.9 Meeting Agendas.

(a) **Regular Board Meetings.** If a Participant desires an item of business to be included on the agenda for the next scheduled regular Board meeting, the Participant may request that such item of business be included on the agenda in accordance with the provisions of Section 2.7(b) hereof.

(b) **Participant Meetings.** A Participant may notify the Secretary if such Participant desires an item of business to be included on the agenda for the next scheduled regular Participant meeting. For such item of business to be included on the agenda, the Secretary must receive the request at least ninety six (96) hours prior to such regular meeting. If the request to include an item of business on the agenda is not received at least ninety six (96) hours prior to such meeting, such item of business shall not be included on the agenda for that meeting, but shall be included on the agenda for the following regular meeting of the Participants, unless the Board otherwise determines to include such item of business on the agenda in accordance with the Ralph M. Brown Act.

(c) **Special Board or Participant Meetings.** Any Participant may notify the Administrator if such Participant desires the Board to call a special meeting of the Board or of Participants to consider an urgent item of business raised by a Participant, provided that the Board is not required to call a special meeting to consider such item of business. Any such request shall be made in accordance with the provisions of Section 2.7(c) hereof.

ARTICLE X. LIMITATIONS OF LIABILITY OF MEMBERS, PARTICIPANTS, TRUSTEES AND OTHERS

Section 10.1 No Personal Liability of Members, Participants, Trustees and Others. Except in the case of fraud or willful misconduct, no Member, Participant and, subject to Section 10.3, no Trustee, officer, employee or agent of CalTRUST, acting in its capacity as a Member, Participant, Trustee, officer, employee or agent of CalTRUST, as applicable, 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. Except in the case of fraud or willful misconduct, no Member, Participant, Trustee, officer, employee, or agent, as such, of CalTRUST who is made a party to any suit or proceeding to enforce any such liability, shall be held to any personal liability. The debts, liabilities and obligations of CalTRUST shall not be the debts, liabilities and obligations of any Member, Participant, Trustee, officer, employee or agent of CalTRUST, unless otherwise provided in this Agreement; *provided, however*, that in such case, such debts, liabilities and obligations shall be limited to the value of CalTRUST's assets. Nothing contained in this Section 10.1 shall release the Investment Advisor, the Custodian or any of their respective officers, employees or agents from personal liability in connection with their engagement by or services to CalTRUST.

Section 10.2 Indemnification of Participants in Shares Program. CalTRUST shall indemnify and hold each Participant harmless from and against all claims and liabilities to which such Participant may become subject by reason of its being or having been a Participant in the

Shares Program and shall reimburse such Participant for all legal and other expenses reasonably incurred by it in connection with any such claim or liability; *provided, however*, that: (a) such Participant was acting in accordance with all legal and policy requirements and investment objectives applicable to such Participant, including any limitations that the Participant has adopted or is subject to which are more restrictive than state law, (b) such indemnity or reimbursement shall be made from assets (or proceeds thereof or income therefrom) of the one or more Series of Shares of *CalTRUST* in respect of which such claim or liability arose and not from the assets (or proceeds or income therefrom) of any other Series of Shares of *CalTRUST*, and (c) no indemnification shall be made for any Participant's negligence or willful misconduct. The rights accruing to a Participant under this Section 10.2 shall not exclude any other right to which such Participant may be lawfully entitled, nor shall anything herein contained restrict the right of *CalTRUST* to indemnify or reimburse a Participant in any appropriate situation even though not specifically provided herein.

Section 10.3 Bad Faith of Trustees and Others. No Trustee, officer or employee of *CalTRUST* shall be liable to *CalTRUST*, or to any Member, Participant, Trustee, officer, employee or agent thereof for any action or failure to act, except for his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of duty (collectively, "Bad Faith").

Section 10.4 Indemnification of Trustees and Others from Third-Party Actions. *CalTRUST* shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of *CalTRUST*) by reason of the fact that such person is or was a Trustee, officer or employee of *CalTRUST*, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if it is determined that such person acted in good faith and reasonably believed: (i) in the case of conduct in his or her official capacity as a Trustee of *CalTRUST*, that his or her conduct was in *CalTRUST*'s best interests, (ii) in all other cases, that his or her conduct was at least not opposed to *CalTRUST*'s best interests, and (iii) in the case of a criminal proceeding, that he or she had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner that such person reasonably believed to be in the best interests of *CalTRUST* or that such person had reasonable cause to believe such person's conduct was unlawful.

Section 10.5 Indemnification of Trustees and Others for Successful Defense. To the extent that a Trustee, officer or employee of *CalTRUST* has been successful on the merits in defense of any proceeding referred to in Section 10.4 or in defense of any claim, issue or matter therein, before the court or other body before which the proceeding was brought, such person shall be indemnified against expenses actually and reasonably incurred in connection therewith.

Section 10.6 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by *CalTRUST* before the final disposition of the proceeding upon a written undertaking by or on behalf of the Trustee, officer or employee of *CalTRUST*, to repay the amount of the advance if it is ultimately determined that he or she is not entitled to indemnification, together with at least one of the following as a condition to the advance: (i) security for the undertaking; or (ii) the existence of insurance protecting *CalTRUST* against

losses arising by reason of any lawful advances; or (iii) a determination by a majority of the Trustees who are not parties to the proceeding (“Non-Interested Trustees”), or by independent legal counsel in a written opinion, based on a review of readily available facts, that there is reason to believe that such person ultimately will be found entitled to indemnification.

Section 10.7 Exclusions and Limitations of Indemnification of Trustees and Others. Notwithstanding the foregoing, no indemnification or advance shall be made under Sections 10.4 to 10.6:

(a) **Bad Faith.** For any liability arising by reason of Bad Faith of a Trustee, officer or employee of *CalTRUST*.

(b) **Improper Personal Benefit.** In respect of any claim, issue, or matter as to which a Trustee, officer or employee of *CalTRUST* shall have been adjudged to be liable on the basis that personal benefit was improperly received by him or her, whether or not the benefit resulted from an action taken in such person’s official capacity.

(c) **Otherwise Prohibited.** In any circumstances where it appears that it would be inconsistent with any condition expressly imposed by a court, any provision of this Agreement, or any agreement in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification or advance.

(d) **Limited to *CalTRUST*’s Assets.** In any amount, individually or in the aggregate, that exceeds the value of *CalTRUST*’s assets. If there are concurrent indemnifications of multiple Participants under this Article IX, such indemnifications shall be made on a pro rata basis up to the value of *CalTRUST*’s assets.

Section 10.8 Obligations under Law. Notwithstanding anything herein or in the Investment Advisory Agreement to the contrary, nothing herein or therein is intended to relieve any Member or Participant of any obligation it has under State or Federal law to monitor, review, evaluate or provide oversight with respect to the Shares Program, the Investment Advisor, or its participation in *CalTRUST*.

Section 10.9 Required Approval. No indemnification or advance shall be made under Sections 10.4 to 10.6 unless and until it is determined, by a majority of the Non-Interested Trustees, or by independent legal counsel in a written opinion, based on a review of readily available facts, that indemnification of a Trustee, officer, employee or agent of *CalTRUST* is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 10.4 to 10.6, as applicable, and such indemnification is not excluded by reason of Section 10.7.

Section 10.10 Insurance. *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 hereunder, unless *CalTRUST* determines that such insurance is not cost effective for *CalTRUST* or is otherwise impracticable.

Section 10.11 Fiduciaries of Employee Benefit Plan. This Article X does not provide indemnification or release from liability with respect to any proceeding against any trustee, investment advisor or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be a Trustee, officer, employee or agent of *CalTRUST*. Nothing contained in this Article X shall limit any right to indemnification to which such a trustee, investment advisor, or other fiduciary may be entitled by contract or otherwise which shall be enforceable to the extent permitted by applicable law other than this Article X.

Section 10.12 No Duty of Investigation and Notice in *CalTRUST* Instruments. No purchaser, lender, transfer agent, record keeper or other person dealing with any Trustee, officer, employee or agent of *CalTRUST* shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by such Trustee, officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of such Trustee, officer, employee or agent. Every obligation, contract, instrument, certificate, Share or other security of *CalTRUST* and undertaking, and every other document executed in connection with *CalTRUST*, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Agreement or in their capacity as officers, employees or agents of *CalTRUST*. Every written obligation, contract, instrument, certificate, Share or other security of *CalTRUST* or undertaking made or issued by any Trustee shall recite that it is executed by such Trustee not individually, but in the capacity as Trustee under this Agreement, and that the obligations of any such instruments are not binding upon any of the Trustees, Members or Participants individually, but bind only *CalTRUST* property, but the omission of such recital shall not operate to bind the Trustees, Members or Participants individually.

Section 10.13 Reliance on Experts. Each Trustee, officer, employee and agent of *CalTRUST* shall, in the performance of his or her duties, be fully protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of *CalTRUST*, upon an opinion of counsel, or upon reports made to *CalTRUST* by any of its officers or employees or by the investment adviser, administrator, transfer agent, record keeper, custodian, distributor accountants, appraisers or other experts or consultants selected with reasonable care by the Trustees, officers, employees or agents of *CalTRUST*.

Section 10.14 Immunity from Liability. All of the privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of the trustees, officers, employees or agents of the Members when performing their functions within the territorial limits of their respective Public Agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with *CalTRUST*.

Section 10.15 Further Restriction of Duties and Liabilities. Without limiting the foregoing provisions of this Article X, the Trustees, officers, employees and Members of *CalTRUST* shall in no event have any greater duties or liabilities than those imposed by applicable law as shall be in effect from time to time.

**ARTICLE XI.
DURATION, TERMINATION AND
AMENDMENT**

Section 11.1 Duration. *Cal*TRUST shall continue without limitation of time but subject to the provisions of this Article XI.

Section 11.2 Termination of *Cal*TRUST.

(a) **By Vote.** *Cal*TRUST may be terminated by the vote of the majority of the Trustees, subject to approval of not less than two-thirds (2/3) of the Members.

(b) **Winding Up Activities.** Upon the termination of *Cal*TRUST:

(i) *Cal*TRUST shall carry on no activities except for the purpose of winding up its affairs;

(ii) The Board shall proceed to wind up the affairs of *Cal*TRUST and all of the powers of *Cal*TRUST and the Board under this Agreement shall continue until the affairs of *Cal*TRUST shall have been wound up, including the power to fulfill or discharge the contracts of *Cal*TRUST, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of *Cal*TRUST property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its business; *provided, however,* that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all *Cal*TRUST property shall require approval in accordance with Section 11.4; and

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Board may distribute the remaining *Cal*TRUST property, in cash or in kind or partly in cash and partly in kind, among the Participants according to their respective beneficial interests.

(c) **Effect of Termination.** After termination of *Cal*TRUST and distribution to the Participants as herein provided, the Board shall approve the execution of and lodge among the records of *Cal*TRUST an instrument in writing setting forth the fact of such termination, and the Trustees shall thereupon be discharged from all further liabilities and duties hereunder, and the rights and interests of all Participants shall thereupon cease.

Section 11.3 Amendment Procedure.

(a) **By the Board; By Participants.** This 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 *Cal*TRUST 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 this Agreement to the requirements of applicable laws or regulations or to eliminate or reduce any taxes which may be payable by *CalTRUST*, the Members or the Participants, or as otherwise provided herein, but the Trustees shall not be liable for failing to do so.

(b) **By the Board and Super Majority of Shares.** No amendment may be made under this Section 11.3 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 this Agreement shall permit 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.

(c) **Certificate of Amendment.** A certificate signed by the Secretary of *CalTRUST* setting forth an amendment and reciting that it was duly approved by the Board and/or the Participants shall be conclusive evidence of such amendment when lodged among the records of *CalTRUST*.

Section 11.4 Merger, Consolidation and Sale of Assets. To the extent permitted by law, *CalTRUST* may merge into or consolidate a Series of Shares with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of the Series' property, including its goodwill, upon such terms and conditions and for such consideration when and as authorized by the Board and approved by a majority of the Shares of any Series affected.

ARTICLE XII. RECORDS AND REPORTS

Section 12.1 Maintenance and Inspection of Records. The accounting books and records with respect to the Shares Program and the minutes of proceedings of the Board and the Participants shall be kept at such place or places designated by the Board or in the absence of such designation, at the principal executive office of *CalTRUST*. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any Member or Participant at any reasonable time during usual business hours for a purpose reasonably related to the Member or Participant's interests as a Member or Participant, as applicable. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

Section 12.2 Inspection by Trustees. Every Trustee shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of *CalTRUST*. This inspection by a Trustee may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 12.3 Financial Statements and Audits. A copy of any financial statements and any income statement of *CalTRUST* for each quarterly period of each fiscal year and accompanying balance sheet of *CalTRUST* as of the end of each such period that has been prepared by *CalTRUST* shall be kept on file in the principal executive office of *CalTRUST* for at least twelve (12) months and each such statement shall be exhibited at all reasonable times to any Member or Participant demanding an examination of any such statement or a copy shall be mailed to any such Member or Participant. The quarterly income statements and balance sheets referred to in this Section shall be accompanied by the report, if any, of any independent accountants engaged by *CalTRUST* or the certificate of an authorized officer of *CalTRUST* that the financial statements were prepared without audit from the books and records of *CalTRUST*. An annual audit of the accounts and records of *CalTRUST* shall be made, and the report thereon filed and kept, in accordance with the provisions of Section 6505 of the Act.

ARTICLE XIII. GENERAL MATTERS

Section 13.1 Checks, Drafts, Evidence of Indebtedness. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to *CalTRUST* shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time by resolution of the Board.

Section 13.2 Execution of Instruments. The Board, except as otherwise provided herein, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of *CalTRUST* and this authority may be general or confined to specific instances; and unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind *CalTRUST* by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 13.3 Fiscal Year. The fiscal year of *CalTRUST* shall be fixed and refixed or changed from time to time by resolution of the Board. The fiscal year of *CalTRUST* shall initially end on June 30 of each year.

Section 13.4 Principal Office. The Board shall fix and, from time to time, may change the location of the principal executive office of *CalTRUST* at any place within the State of California.

Section 13.5 Accountability. Pursuant to Section 6505 of the Act, *CalTRUST* shall establish and maintain such funds and accounts as may be required by good accounting practice, and there shall be strict accountability of all funds and reports of all receipts and disbursements.

ARTICLE XIV. MISCELLANEOUS

Section 14.1 Governing Law. This Agreement is executed and delivered in the State of California and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and construed according to the laws of the State of California.

Section 14.2 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and such counterparts, together, shall be constituted one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 14.3 Certificates. Any certificate executed by an individual who, according to the records of CalTRUST, appears to be a Trustee hereunder, or Secretary or assistant secretary or such other designated officer of CalTRUST, certifying to: (i) the number or identity of Trustees, Members or Participants, (ii) the due authorization of the execution of any instrument or writing, (iii) the form of any vote passed at a meeting of the Board, (iv) the number of Trustees present or voting at any meeting, (v) the identity of any officers appointed by the Board, or (vi) the existence of any fact or facts which in any manner relate to the affairs of CalTRUST, shall be conclusive evidence as to the matters so certified in favor of any person dealing with the Trustees and their successors.

Section 14.4 Provisions in Conflict with Law or Regulations. The provisions of this Agreement are severable, and if the Board shall determine, with the advice of counsel, that any of such provisions is in conflict with applicable laws and regulations, including, without limitation, the Act, the Law or the Ralph M. Brown Act, the conflicting provisions shall be deemed superseded by such laws or regulations to the extent necessary to eliminate such conflict; *provided, however,* that such determination shall not affect or render invalid any of the remaining provisions of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall pertain only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of this Agreement in any jurisdiction.

Section 14.5 Notices. Any and all notices and communications to which a Member or Participant may be entitled shall be deemed duly given or made if delivered by e-mail or facsimile or other electronic means providing a record of delivery, or, if so requested by such Member or Participant, in person or mailed, postage prepaid, addressed to the Member or Participant of record at its address as recorded in the account records for CalTRUST or the Shares Program. In addition to any other notice or communication to which a Member or Participant may be entitled, each Member and Participant shall be entitled to notice of any amendment to this Agreement, the Investment Policy or of any matter which is approved by the Participants (whether by negative consent or otherwise).

Section 14.6 Index and Headings for Reference Only. The index and headings preceding the text, articles and sections hereof have been inserted for convenience and reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

Section 14.7 Successors in Interest. This Agreement shall be binding upon and inure to the benefit of the Members and their successors and assigns. Participants shall be third-party beneficiaries of this Agreement.

* * *

IN WITNESS WHEREOF, the undersigned, a majority of Trustees, have executed this Agreement as of the date first herein above set forth.

COUNTY OF SONOMA

By: /s/ Thomas G. Ford
Title: Treasurer/Tax Collector

COUNTY OF SOLANO

By: /s/ Charles Lomeli
Title: Treasurer/Tax Collector/County Clerk

WESTLANDS WATER DISTRICT

By: /s/ Dave Ciapponi
Title: Assistant General Manager

**SCHEDULE A
INITIAL MEMBERS**

Solano County

Sonoma County

Westlands Water District

**SCHEDULE B
LIST OF MEMBERS**

Butte County

Contra Costa County

Monterey County

Rio Alto Water District

Riverside County

San Mateo County Transit District

Solano County

Sonoma County

Westlands Water District

Yuba County

City of Pinole

Pinole Redevelopment Agency

City of National City

City of Chino

Chino Redevelopment Agency

Santa Barbara County

San Diego County

West Valley Mosquito and Vector Control District

Water Facilities Authority

ALPHA Fund

INVESTMENT TRUST OF CALIFORNIA,
doing business as



A JOINT POWERS AUTHORITY

INFORMATION STATEMENT

FOR THE SHARES PROGRAM

FEBRUARY 24, 2005
(REVISED SEPTEMBER 11, 2013)

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 four 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, (iii) the "CalTRUST Long-Term Fund" Series, and (iv) the Wells Fargo Advantage Funds Heritage Money Market Fund, Select Class shares, offered to California Public Agencies through CalTRUST as the "CalTRUST Heritage Money Market Fund" (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. The CalTRUST Heritage Money Market Fund has a maximum dollar-weighted average maturity of 60 days, and a maximum dollar-weighted average life of 120 days, in accordance with Rule 2a-7 of the Investment Company Act of 1940.

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 in the CalTRUST Short-Term Fund, CalTRUST Medium-Term Fund and CalTRUST Long-Term Fund are not registered under any federal or state securities law. Neither CalTRUST, the CalTRUST Short-Term Fund, CalTRUST Medium-Term Fund, nor the CalTRUST Long-Term Fund is registered under the Investment Company Act of 1940 (the 1940 Act). For that reason, CalTRUST, the CalTRUST Short-Term Fund, the CalTRUST Medium-Term Fund, and the CalTRUST Long-Term Fund 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.

The shares in the CalTRUST Heritage Money Market Fund are registered with the Securities and Exchange Commission (SEC) under the provisions of Rule 2a-7 of the Investment Company Act of 1940. Additional information regarding the CalTRUST Heritage Money Market Fund can be found in the Wells Fargo Advantage Funds Heritage Money Market Fund Select Class shares fund prospectus, available online at:

http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/prospectus/prospectus_moneymarket_select.pdf

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 daily, although shares in these funds are redeemed once per month on the last Business Day of the month. The net asset value of the CalTRUST Heritage Money Market Fund is calculated multiple times daily (as of July 1, 2013, seven times per day). 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 ten 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 “Custodian” is the entity engaged by CalTRUST to serve as the custodian for the Shares Program pursuant to the terms of the Custodial Agreement. Wells Fargo Bank, N.A. a custodial bank with an office at 525 Market Street, San Francisco, CA 94105 is the Custodian for each Series.

Investment Advisor The “Investment Advisor” 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, 10th 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 four 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, (iii) the "CalTRUST Long-Term Fund" Series, and (iv) the CalTRUST Heritage Money Market Fund (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 benchmarks for the Short-Term Fund are the investment funds 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.

Barclays Short-term Gov/Corp Index

The Barclays Short-term Gov/Corp Index is an unmanaged index consisting of the cumulative daily total returns of US Treasuries, federal agency securities and investment-grade corporate bonds with maturities between one and twelve months.

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.

Medium-Term Fund Benchmark:

The performance benchmark for the Medium-term Fund is the unmanaged index specified below:

Medium-Term Fund: Bank of America Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index

The BofA Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index is a subset of The BofA Merrill Lynch US Corporate & Government Index including all securities with a remaining term to final maturity less than 3 years and rated AAA through A3, inclusive.

The BofA Merrill Lynch US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities.

For the 'A or better' or AAA-A indices, qualifying securities must have a AAA through A3 rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities. Bills, inflation-linked debt and strips are excluded from the Index; however, original issue zero coupon bonds are included in the Index and the amounts outstanding of qualifying coupon securities are not reduced by any portions that have been stripped. 144a securities, both with and without registration rights, and corporate pay-in-kind securities, including toggle notes, qualify for inclusion. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Eurodollar bonds (USD bonds not issued in the US domestic market), tax-exempt US municipal, warrant-bearing, dividends-received-deduction-eligible (DRD-eligible) and defaulted securities are excluded 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 LongTerm 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.

CalTRUST Heritage Money Market Fund Benchmark:

The performance benchmark for the CalTRUST Heritage Money Market Fund is the unmanaged index specified below:

Lipper Institutional Money Market Funds Average

The Lipper Institutional Money Market Funds Average (the Lipper Average) is an average of funds that invest in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days.

Funds included in the Lipper Average require high minimum investments and have lower total expense ratios relative to other money market funds. These funds intend to keep a constant net asset value.

The Lipper Average is not available for direct investment and does not include the effect of sales charges on total return.

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. The CalTRUST Heritage Money Market Fund has a maximum dollar-weighted average maturity of 60 days and a maximum dollar-weighted average life of 120 days, in accordance with Rule 2a-7 of the Investment Company Act of 1940..

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.

Money Market 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 CalTRUST Heritage Money Market 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.

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 each Business Day, although shares in these funds are redeemed once per month on the last Business Day of the month. The net asset value of the shares of the CalTRUST Heritage Money Market Fund is determined multiple times each Business Day (as of July 1, 2013, seven times each Business Day).

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. With the exception of the value of securities in the CalTRUST Heritage Money Market Fund, 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. Securities in the CalTRUST Heritage Money Market Fund are valued using the amortized cost method, in accordance with Rule 2a-7 under the Investment Company Act of 1940. Additional detail regarding the determination of the net asset value of the shares of the CalTRUST Heritage Money Market Fund can be found in the Wells Fargo Advantage Funds Heritage Money Market Fund Select Class shares fund prospectus, available online at:

http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/prospectus/prospectus_moneymarket_select.pdf

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

Short-Term Fund, Medium-Term Fund & Long-Term Fund

The aggregate and average annual total return, current annualized yield and effective annual yield of the Short-Term Fund, Medium-Term Fund and Long-Term Fund 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.

CalTRUST Heritage Money Market Fund

Pursuant to SEC rules governing registered money market funds, the CalTRUST Heritage Money Market Fund may quote a “7-Day Gross Yield”. The 7-day gross yield is determined based on the 7 days ended on the last day of the prior month, by taking the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by $(365/7)$ with the resulting yield figure carried to at least the nearest hundredth of one percent. The 7-day gross yield does not reflect a deduction of shareholders fees and fund operating expenses.

Additional information regarding the determination and reporting of the “7-Day Gross Yield” can be found on the SEC website at:

<http://www.sec.gov/rules/final/2010/ic-29132.pdf>.

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, Long-Term Fund, and/or CalTRUST Heritage Money Market 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.*

Investment in a Series may be through the CalTRUST Online Portal, by following the steps outlined in the “CalTRUST Online Trading User Guide”, which is available to all participants at www.caltrust.org, or by following both of the following steps:

Step 1: Provide the Administrator with the following information, either in writing by mail, courier service, or facsimile (Attention: CalTRUST Service Center, 1100 K Street, Suite 101, Sacramento, California 95814; Fax 252-972-1908), by telephone 888-422-8778, or via the online portal.

- 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.

Money Market 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.

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.

Withdrawals from a Series may be made through the CalTRUST Online Portal, by following the steps outlined in the "CalTRUST Online Trading User Guide", which is available to all participants at www.caltrust.org, or by providing the Administrator with the following information, either in writing by mail, courier service or facsimile (Attention: CalTRUST Service Center, 1100 K Street, Suite

101, Sacramento, California 95814, Fax (310) 826-3188)), by telephone 888-422-8778.

- 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 determined by the Administrator on the last Business Day of each month. 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)). In such instance, 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.

Money Market Fund

Shares in the CalTRUST Heritage Money Market 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.

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, Long-Term Fund, and CalTRUST Heritage Money Market Fund will be considered a withdrawal from one Series and a deposit to another Series subject to the restrictions, limitations and notice requirements above. Transfers may be accomplished through the CalTRUST Online Portal, by following the steps outlined in the “CalTRUST Online Trading User Guide”, which is available to all participants at www.caltrust.org, or by providing the Administrator with the following information, in writing properly executed by mail, courier service or facsimile

(Attention: *Cal*TRUST Service Center, 1100 K Street, Suite 101, Sacramento, California 95814, Fax (310) 826-3188), by telephone 888-422-8778.

- Participant's account name from which funds will be transferred
- Participant's account name to which funds will be transferred
- Participant's *Cal*TRUST account number from which funds will be transferred
- Participant's *Cal*TRUST 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 ten 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

Geoffrey Kiehl, City of Palm Springs

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: Dan McAllister, San Diego County

Secretary: Dave Ciapponi, Westlands Water District

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;
- 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 registered investment advisor 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.

Wells Capital Management is a wholly owned asset management subsidiary of Wells Fargo Bank, N.A. Assets under management total over \$343 billion, as of June 30, 2013. Wells Capital Management has a substantial presence in the cash markets with \$131 billion in money market assets under management, as of June 30, 2013, as well as expertise and asset scale in both taxable and tax-exempt short duration fixed income of \$61 billion under management, as of June 30, 2013.

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 may not be assigned by the Investment Advisor without the consent of the CalTRUST 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 30 days’ prior written notice 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

Wells Fargo Bank, N.A. a custodial bank with an office at 525 Market Street, San Francisco, CA 94105 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 \$300 Million</u>	<u>\$300 to \$500 Million</u>	<u>\$500 Million to \$1 Billion</u>	<u>Over \$1 Billion</u>
Investment Advisory Fee ²	0.073%	0.073%	0.07%	0.06%
Fund Accounting Fee ³	0.03%	0.02%	0.02%	0.02%
Administrative Fee ⁴	0.04%	0.04%	0.04%	0.04%
Contingent Fee for Other Operating Expenses ⁵	0.01%	0.01%	0.01%	0.01%
Total Annual Operating Expenses	0.153%	0.143%	0.14%	0.13%

¹ “Average daily net assets” means the average daily value of total assets minus accrued liabilities. The first \$300 Million of net assets in the Short-Term Fund will be charged the first tier rate; the next \$200 Million to \$500 Million of net assets in the Short-Term Fund will be charged the second tier rate; the next \$500 Million to \$1 Billion of net assets in the Short-Term Fund will be charged the third tier rate; and all net assets in the Short-Term Fund over \$1 Billion will be charged the fourth 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 Fund Accountant from the net assets in the Short-Term Fund.

⁴ 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.

⁵ 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**

Average Daily Net Assets in the Medium-Term
or Long-Term Fund¹

	<u>Up to \$300 Million</u>	<u>\$300 to \$500 Million</u>	<u>\$500 Million to \$1 Billion</u>	<u>Over \$1 Billion</u>
Investment Advisory Fee ²	0.173%	0.173%	0.16%	0.14%
Fund Accounting Fee ³	0.03%	0.02%	0.02%	0.02%
Administrative Fee ⁴	0.04%	0.04%	0.04%	0.04%
Contingent Fee for Other Operating Expenses ⁵	0.01%	0.01%	0.01%	0.01%
<u>Total Annual Operating Expenses</u>	0.253%	0.243%	0.23%	0.21%

¹ "Average daily net assets" means the average daily value of total assets minus accrued liabilities. The first \$300 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 \$200 Million to \$500 Million of net assets in the Medium-Term Fund or the Long-Term Fund, as appropriate, will be charged the second 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 third 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 fourth 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 Fund Accountant from the net assets in the Medium-Term Fund or the Long-Term Fund, as appropriate.

⁴ 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.

⁵ 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.

Total Annual Operating Expenses of the CalTRUST Heritage Money Market Fund

The total annual operating expenses of the CalTRUST Heritage Money Market Fund, as of July 1, 2013, are 0.13% per year of total average daily net assets in the CalTRUST Heritage Money Market Fund. Additional detail regarding Annual Fund Operating Expenses for the CalTRUST Heritage Money Market Fund can be found in the Wells Fargo Advantage Funds Heritage Money Market Fund Select Class shares fund prospectus, available online at:

http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/prospectus/prospectus_moneymarket_select.pdf.

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

*Cal*TRUST 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 *Cal*TRUST, and all such persons shall look solely to *Cal*TRUST property for satisfaction of claims of any nature arising in connection with the affairs of *Cal*TRUST.

B. LIABILITY OF TRUSTEES AND OTHERS

The Agreement provides that no Trustee, officer or employee of *Cal*TRUST will be liable for any action or failure to act, and that each will be indemnified by *Cal*TRUST 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 *Cal*TRUST.

*Cal*TRUST shall purchase and maintain insurance on behalf of each Trustee, officer, employee or agent of *Cal*TRUST 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 *Cal*TRUST would have the power to indemnify such person against that liability under the Agreement, unless *Cal*TRUST determines that such insurance is not cost effective for *Cal*TRUST or is otherwise impracticable.

* * *

ATTACHMENT A

See attached Program Registration Form and Participation Agreement.

AGENDA ITEM 4b

To: Gold Coast Health Plan Commission
From: Ruth Watson, Interim CEO / Chief Operating Officer
Date: March 23, 2015
Re: CEO Update

COMPLIANCE UPDATE:

Gold Coast Health Plan (GCHP) had auditors from Audits & Investigations (A&I) a division within the Department of Health Care Services (DHCS) from February 17, 2015 through February 25, 2015. The purpose of the onsite is to conduct the annual medical audit which includes: interviewing staff, review files and processes. The review period of the audit was December 1, 2013 through November 30, 2014. The Plan has responded to post audit requests and anticipates receiving a report within the next two months.

The DHCS Corrective Action Plan (CAP), Financial (Addendum A) remains open and the plan continues to submit items on a monthly basis as required and defined by the CAP.

Compliance continues to monitor and ensure all employees and temporary employees are trained and retrained on HIPAA and Fraud, Waste & Abuse. In addition, compliance & information technology staff conducts random internal audits for HIPAA and PHI issues. Compliance staff is in the process of revising HIPAA privacy policies and procedures and creating a comprehensive privacy program.

GCHP continues to meet all regulatory contract submission requirements. In addition to routine deliverables GCHP provides weekly and monthly reports to DHCS as a part of ongoing monitoring activities. All regulatory agency inquiries and requests are handled timely and required information is provided within the required timeframe. Compliance staff is actively engaged in sustaining contract compliance.

GCHP is required to conduct delegation oversight audits on functions which are delegated. Routine reporting from delegates to the Plan is contractually required and must be actively monitored. Reporting statistics from delegates can be found in the compliance dashboard. An annual audit schedule was created and staff is working through each audit.

Credentialing audits for the three (3) medical groups GCHP delegates credentialing to were conducted during the month of January 2015. One (1) CAP was issued on February 10, 2015 and the CAP was closed on February 17, 2015. The three medical groups are

required to continue quarterly reporting during the year. The next annual credentialing audit will be conducted in January 2016.

The Plan continues to monitor delegates through contractual required reporting. Reports are reviewed and when deficiencies are identified the Plan issues letters of non-compliance. This process is monitored, tracked and reported to the Compliance Committee. In addition, the aggregate information is provided to the Commission on the compliance dashboard attached.

GOVERNMENT RELATIONS UPDATE:

1115 Waiver Update

On March 16, 2015 the California Department of Health Care Services (DHCS) released its draft waiver renewal proposal for stakeholder comment. The new waiver is estimated to provide approximately \$15 to \$20 billion in federal funds for California's public health programs over a five year period. DHCS plans to submit its new waiver proposal dubbed "Medi-Cal 2020" to the Center for Medicare & Medicaid Services (CMS) by March 27, 2015. The current 'Bridge to Reform' 1115 Medicaid waiver expires on October 31, 2015. DHCS has set a waiver renewal implementation date of November 1, 2015. On March 18, 2015 DHCS will host a webinar with stakeholders to discuss the Medi-Cal 2020 waiver renewal application.

Primary objectives of the Medi-Cal 2020 waiver are to improve the quality of care and health outcomes for Medi-Cal beneficiaries as well as payment reform through various initiatives that include:

- Whole Person Care Pilot Programs
- Housing and Supportive Services Programs
- Workforce Development Programs
- Fee-For Service and Managed Care Systems Transformation
- Public Safety Net System Transformation

Details of the above initiatives are currently under development with stakeholder input. All initiatives have the overarching goal of reducing readmissions and inappropriate emergency room use, as well as improving access to timely care.

Children's Health Insurance Program (CHIP) Update

On March 12, 2015, leaders in the House of Representatives began deliberations on must-pass legislation to end scheduled Medicare physician payment cuts. As part of the negotiations language was included for a CHIP funding extension for an additional two years through FY 2017. While this proposal has not yet moved to the Senate, Senate Democrats have informed House lawmakers that they will not agree to any deal that does

not include a four-year extension of CHIP. A four-year funding extension would align CHIP funding with the program's authorization period, which ends in FY 2019.

Approximately 1.2 million low-income children and pregnant women receive health services that are funded through California's CHIP Programs. These programs include:

- Medicaid expansion for low-income children and pregnant women
- Optional Targeted Low Income Children's Program
- Medi-Cal Access program for Pregnant Women and Infants

GCHP signed on to a letter to Members of Congress urging them to take action to provide four-year funding extension for the Children's Health Insurance Program.

Joint Legislative Hearing on Access to Care in Medi-Cal

On March 4, 2015, the Senate and Assembly Health Committees held a joint hearing to examine whether Medi-Cal rates are adequate to maintain access to care for Medi-Cal Program beneficiaries. Assembly Health Committee Chairman Rob Bonta stated that the Medi-Cal Program now covers 1 out of 3 Californians, and the Program's current budget more than doubled from \$45 billion four years ago to \$98 billion in 2015.

Committee Members heard testimony from DHCS, the Legislative Analyst Office (LAO), the Bureau of State Audits, and various stakeholders. DHCS Director Jennifer Kent testified that about 3 million or 20% of 12 million people in Medi-Cal receive care on a FFS basis. DHCS Deputy Director Mari Cantwell testified that the rates plans are paying to providers is appropriate and that such rates must be actuarially sound per federal law.

Committee Members expressed concern over access and provider network adequacy, particularly in the Denti-Cal Program. DHCS representatives testified that in 2009 the Program had 13,500 dental providers contracted under Denti-Cal and that in 2015 there are approximately 15,000 providers in the Denti-Cal Program. Dale Carlson, Senior Audit Supervisor with the Bureau of State Audits testified that the state's Denti-Cal Program is 'woefully' inadequate. Carlson said that California ranks 37 out of 49 states in access to dental treatment for low-income children. Carlson said the three areas where the Denti-Cal Program is failing are: 1) low benefit utilization; 2) provider participation; 3) provider reimbursement. Carlson said DHCS has not conducted regular annual rate reviews of the Denti-Cal Program as required by state law.

Felix Su, Senior Fiscal & Policy Analyst with the Legislative Analyst's Office (LAO) testified that DHCS must be accountable to the Legislature for maintaining time and access standards. Mr. Su said that while COHS plans follow DMHC and Knox-Keen time and access standards, the Legislature should consider action in three areas:

- 1) require all COHS plans to be Knox-Keen licensed;
- 2) Implement a mystery shopper-type auditing scheme of plan networks;
- 3) consolidate regulatory authority between DHCS / DMHC.

Specialty Drug Spending in 2014

According to a report published by Express Scripts, prescription drug spending grew 13% in 2014, more than three times faster than it did each year from 2009 to 2013. The report pointed out that specialty drugs, including breakthrough drugs to treat Hepatitis C, were the major drivers of growth. Overall, drug prices increased more than 13%. Prices for specialty drugs went up more than 25% while prices for medications like Abilify and brand-name insulins rose 17%. Express Scripts predicts that overall drug spending could reach half a trillion dollars by 2020.

Legislation

The following is a list of Medi-Cal bills categorized by program area. These bills were either newly introduced or reintroduced in the State Legislature. As part of the legislative process, some of these measures will change between March and the deadline for bills to be approved by the Legislature on or before September 11, 2015.

Finance

AB 366 (Bonta) Medi-Cal: reimbursement: provider rates - Would require claims for payments pursuant to the inpatient hospital reimbursement methodology to be increased by yet to be determined percentage for the 2015-16 fiscal year, and would require, commencing July 1, 2016, and annually thereafter, DHCS to increase each diagnosis-related group payment claim amount based on increases in the medical component of the California Consumer Price Index.

AB 1319 (Dababneh) Medi-Cal benefits: share of cost requirements – Revises the formula to determine the personal and incidental needs deduction for certain aged, blind, and disabled Medi-Cal recipients.

SB 147 (Hernandez) Federally qualified health centers - would require DHCS to authorize a 3-year alternative payment methodology pilot project for FQHCs that would be implemented in any county and FQHC willing to participate.

SB 243 (Hernandez) Medi-Cal: reimbursement: provider rates - Would require claims for payments pursuant to the inpatient hospital reimbursement methodology to be increased by yet to be determined percentage for FY 2015-16, and would require, commencing July 1, 2016, and annually thereafter, DHCS to increase each diagnosis-related group payment claim amount based on increases in the medical component of the California Consumer Price Index.

SB 289 (Mitchell) Telephonic and electronic patient management services - Would require a health care plan, with respect to plan contracts and policies issued, amended, or renewed on or after January 1, 2016, to cover telephonic and electronic patient management services, as defined, provided by a physician or non-physician health care provider and reimburse those services based on their complexity and time expenditure.

SB 610 (Pan) Medi-Cal: federally qualified health centers and rural health clinics: managed care contracts – Requires DHCS to finalize a new rate within 90 days after an FQHC's or RHC's submission of a scope-of-service rate change. Requires that, with respect to a new FQHC or RHC that has elected for the department to establish its reimbursement rate based on projected allowable costs, DHCS finalize that rate within 90 days after the submission of the actual cost report from the first full 12 months of operation.

SB 783 (Mitchell) Health care coverage – Makes technical changes to provisions requiring a health plans to comply with minimum medical loss ratios.

Health Education

AB 1162 (Holden) Medi-Cal: tobacco cessation – Provides that tobacco cessation services are covered benefits under the Medi-Cal program and requires that those services include, at a minimum, unlimited quit attempts, defined to include at least 4 counseling sessions and a 90-day treatment regimen of any medication approved by the FDA for tobacco cessation.

AB 859 (Medina) Medi-Cal: obesity treatment plans - declares the intent of the Legislature to enact legislation to provide beneficiaries in the Medi-Cal program who have been diagnosed by a physician as obese or morbidly obese with a comprehensive obesity treatment plan.

Health Services / Behavioral Health

AB 741 (Williams) Medi-Cal: comprehensive mental health crisis services - adds to the schedule of benefits comprehensive mental health crisis services, including crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and mobile crisis support teams.

AB 859 (Medina) Medi-Cal: obesity treatment plans - declares the intent of the Legislature to enact legislation to provide beneficiaries in the Medi-Cal program who have been diagnosed by a physician as obese or morbidly obese with a comprehensive obesity treatment plan.

AB 1117 (Garcia) Medi-Cal: vaccination rates - states the intent of the Legislature to enact legislation to improve vaccination rates for persons 2 years of age in Medi-Cal managed care.

AB 1261 (Burke) Community-based adult services: adult day health care centers – Establishes the Community-Based Adult Services (CBAS) program as a Medi-Cal benefit and specifies eligibility requirements for participation in the CBAS program.

SB 296 (Cannella) Medi-Cal: specialty mental health services: documentation requirements - requires DHCS to develop a single set of service documentation requirements for the provision of specialty mental health services by March 31, 2016, for use commencing July 1, 2016, and would require the department to update the documentation requirements no less than every 2 years. This bill would prohibit counties from requiring additional documentation requirements for Medi-Cal specialty mental health services beyond those required by DHCS policy.

Member Services

AB 859 (Medina) Medi-Cal: obesity treatment plans - declares the intent of the Legislature to enact legislation to provide beneficiaries in the Medi-Cal program who have been diagnosed by a physician as obese or morbidly obese with a comprehensive obesity treatment plan.

AB 1231 (Wood) Medi-Cal: nonmedical transportation – Adds nonmedical transportation to the schedule of benefits for a beneficiary to obtain covered specialty care Medi-Cal services, if those services are more than 60 minutes or 30 miles from the beneficiary's place of residence.

SB 33 (Hernandez) Medi-Cal: estate recovery - would delete the proportionate share provision and delete the requirement that the department make a claim upon the death of the surviving spouse. The bill would also require the department to provide a current or former beneficiary, or his or her authorized representative, upon request and free of charge, with the total amount of Medi-Cal expenses that have been paid on his or her behalf that would be recoverable.

AB 1261 (Burke) Community-based adult services: adult day health care centers – Establishes the Community-Based Adult Services (CBAS) program as a Medi-Cal benefit and specifies eligibility requirements for participation in the CBAS program.

AB 1299 (Ridley-Thomas) Medi-Cal: specialty mental health services: foster children - would require DHCS to issue policy guidance that establishes the presumptive transfer of responsibility for providing or arranging for mental health services to foster youth from the county of original jurisdiction to the foster child's county of residence.

Pharmacy

AB 73 (Waldron) Medi-Cal prescription drugs—Would require specified therapeutic drug classes, as prescribed by a licensed prescriber in his or her reasonable, professional judgment, as a covered Medi-Cal benefit, to the extent permitted by federal law.

AB 463 (Chiu) Pharmaceutical Cost Transparency—Would require manufacturers of a prescription drug, made available in California, that has a wholesale acquisition cost of \$10,000 or more annually or per course of treatment, to file a report no later than May 1 of each year, with the Office of Statewide Health Planning and Development. Said reports would include the costs and profits for each qualifying drug.

Provider Relations

AB 366 (Bonta) Medi-Cal: reimbursement: provider rates - Would require claims for payments pursuant to the inpatient hospital reimbursement methodology to be increased by a yet to be determined percent for the 2015-16 fiscal year, and would require, commencing July 1, 2016, and annually thereafter, DHCS to increase each diagnosis-related group payment claim amount based on increases in the medical component of the California Consumer Price Index.

AB 858 (Wood) Medi-Cal: federally qualified health centers and rural health clinics - would provide that a maximum of 2 visits taking place on the same day at a single location shall be reimbursed when after the first visit the patient suffers illness or injury requiring additional diagnosis or treatment at another location.

AB 1388 (Obernolte) Medi-Cal: moratoria on enrollment of providers - requires DHCS to exempt a clinical laboratory provider from a moratorium on the enrollment of clinical laboratories if the provider has an existing relationship with the Medi-Cal program as a provider of benefits through a contract with a Medi-Cal managed care plan.

AB 1396 (Bonta) Medi-Cal: network adequacy – states the intent of the Legislature to enact legislation to align state law with federal law to assure that Medi-Cal payments are sufficient to enlist an adequate amount of providers, and to require an independent, third party to establish standardized metrics on access to care and quality of care, and to assess services using those metrics.

SB 243 (Hernandez) Medi-Cal: reimbursement: provider rates - Would require claims for payments pursuant to the inpatient hospital reimbursement methodology to be increased by yet to be determined percentage for the 2015-16 fiscal year, and would require, commencing July 1, 2016, and annually thereafter, DHCS to increase each diagnosis-related group payment claim amount based on increases in the medical component of the California Consumer Price Index.

SB 299 (Monning) Medi-Cal: provider enrollment - This bill would exempt providers who wish to participate in the Medi-Cal Program from notarization requirements and enroll themselves electronically.

AB 1018 (Cooper) Medi-Cal: Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) - Would require DHCS to permit county mental health plans to contract with local

educational agencies (LEAs), to provide services for Medi-Cal eligible pupils under EPSDT. The bill would also require DHCS to permit an LEA to make claims for federal financial participation directly to DHCS for EPSDT services provided by the LEA or that the LEA has contracted for.

SB 610 (Pan) Medi-Cal: federally qualified health centers and rural health clinics: managed care contracts – Requires DHCS to finalize a new rate within 90 days after an FQHC's or RHC's submission of a scope-of-service rate change. Requires that, with respect to a new FQHC or RHC that has elected for the department to establish its reimbursement rate based on projected allowable costs, DHCS finalize that rate within 90 days after the submission of the actual cost report from the first full 12 months of operation.

1115 Waiver & Other Proposed Mandates

AB 1216 (Bonta) Medi-Cal: plan amendments and waiver applications – Requires DHCS to post on its website all submitted state plan amendments and all federal waiver applications and requests for new waivers, waiver amendments, and waiver renewals and extensions and also those pending within 7 business days from the date of submission, rather than the current 10.

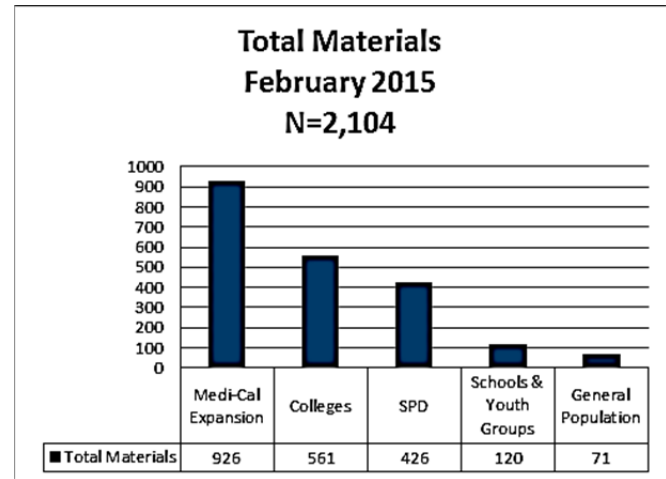
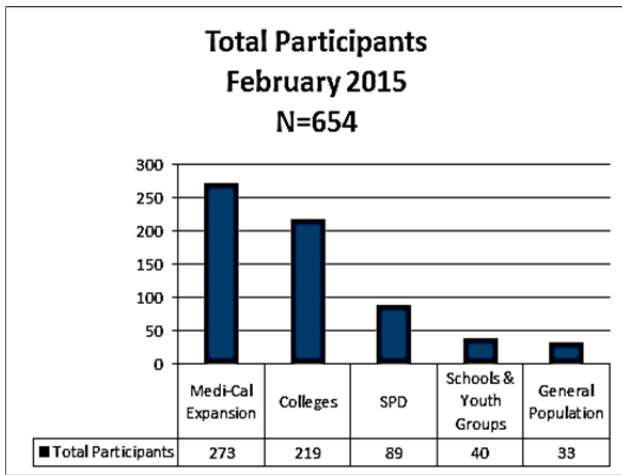
AB 72 (Bonta) Medi-Cal: demonstration project - Requires the State Department of Health Care Services (DHCS) to submit an application to the federal Centers for Medicare and Medicaid Services (CMS) for a waiver to implement an 1115 Waiver demonstration project.

SB 4 (Lara) Health care coverage: immigration status - declares the intent of the Legislature to make affordable health coverage and care to all Californians, regardless of immigration status.

HEALTH EDUCATION AND COMMUNITY OUTREACH SUMMARY REPORT:

February 2015

During the month of February 2015, GCHP participated in sixteen (16) community outreach activities. Below is a summary report of the total number of participants reached and materials distributed during the month of February 2015.



GCHP 4th Annual Community Resource Fair

On Saturday, June 6, 2015, at Plaza Park in downtown Oxnard, GCHP will be hosting the 4th Annual Community Resource Fair. Invitation letters and registration forms were emailed to various community based agencies throughout Ventura County.

As of March 18, 2015, a total of eleven (11) community based agencies have submitted their registration forms with an additional four (4) agencies interested and pending registration. Staff will continue to reach out to organizations and various groups. The goal for community resource fair to increase awareness of GCHP medical benefits as well as inform members and the general public of the community resources available to in Ventura County.

For more information about the community resource fair contact the GCHP Health Education Department or send an email to healtheducation@goldchp.org.

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Hotline A confidential telephone and web-based process to collect and compare claims, appeals, and FWA.	0	1										
Hotline Referral *FWA Department of Health Care Services Program Integrity Unit / A&I	0	0										
Hotline Referral *FWA Department of Justice	0	0										
Hotline Referral Internal Department (i.e. Grievance & Appeals, Customer Services etc.)	5	4										
Hotline Referral External Agency (i.e. HSA)	0	0										
Hotline Referral Other * Legal, HR, DHCS (Division outside of PIU i.e. eligibility, note to reporter), etc.	0	1										
Delegation Oversight The committee's function is to ensure that delegated activities of subcontracted entities are in compliance with standards set forth from GCHP contract with DHCS and all applicable regulations	8	8										
	47	33										
	3	0										
Delegation Oversight Letters of Non-Compliance	0	0										
Delegation Oversight Corrective Action Plan(s) issued to Delegates	1	1										
Audits External regulatory entities evaluate GCHP compliance with contractual obligations.	0	2										
	0	0										
	0	0										
	0	1										
	0	0										
	0	1										
Fraud, Waste & Abuse The Fraud Waste and Abuse Prevention process is intended to prevent, detect, investigate, report and resolve suspected fraud, waste and abuse for all providers and beneficiaries, whether internal or external.	5	4										
	0	0										
	5	4										
	0	0										
	0	0										
HIPAA Appropriate safeguards, including administrative policies and procedures, to protect the confidentiality of health information and ensure compliance with HIPAA regulatory requirements.	2	4										
	1	4										
	0	4										
	0	1										
	1	0										
Training Staff are informed of the GCHP's Code of Conduct, Fraud Waste and Abuse Prevention Program, and HIPAA	12	4										
	4	1										
	0	1										
	4	1										
	4	1										
	0	0										

** Reporting Requirements are defined by functions delegated and contract terms. Revised contracts, amendments or new requirements from DHCS may require additional requirements from subcontractors as a result the number is fluid
 ** Audits- Please note multiple audits have been conducted on the Plan, however many occurred in 2012 and 2013 and will be visible on the annual comparison dashboard
 ** This report is intended to provide a high level overview of certain components of the compliance department and does not include/reflect functions the department is responsible for on a daily basis.

AGENDA ITEM 4c

To: Gold Coast Health Plan Commission
 From: Ruth Watson, Chief Operating Officer
 Date: March 23, 2015
 Re: COO Update

OPERATIONS UPDATE:

Membership Update – March 2015

After a modest increase in February, Gold Coast Health Plan’s membership increased by 3,811 in March, bringing our total membership to 182,795 as of March 1, 2015. GCHP’s membership has increased by 64,283 in the past fifteen months (54%). The cumulative new membership since January 1, 2014 is summarized as follows:

- L1 (Low Income Health Plan) – 4,965
- M1 (Adult Expansion) – 34,350
- 7U (CalFresh Adults) – 3,236
- 7W (CalFresh Children) – 856
- 7S (Parents of 7Ws) – 396
- Traditional Medi-Cal – 20,480

M1 and Traditional Medi-Cal membership continues on an upward climb while the other Medi-Cal Expansion aid codes have remained fairly stable. GCHP was provided with a file of 112 potential members transitioning from Covered CA as of March 1, 2015; a total of 30 members on this list were on the March 834 eligibility file.

	14-Jan	14-Feb	14-Mar	14-Apr	14-May	14-Jun
L1	7,618	8,083	8,154	8,134	8,118	7,975
M1	183	1,550	2,482	4,514	7,279	10,910
7U	0	0	1,741	3,584	3,680	3,515
7W	0	0	0	684	714	691
7S						3

	14-Jul	14-Aug	14-Sep	14-Oct	14-Nov	14-Dec
L1	7,839	7,726	7,568	7,443	7,289	6,972
M1	15,606	18,585	21,944	23,569	24,060	27,176
7U	3,453	3,400	3,368	3,312	3,254	3,204
7W	667	624	606	296	599	589
7S	4	4	5	11	14	15

	15-Jan	15-Feb	15-Mar	15-Apr	15-May	15-Jun
L1	6,508	6,128	4,965	0	0	0
M1	30,107	31,203	34,350	0	0	0
7U	3,390	3,342	3,236	0	0	0
7W	872	872	856	0	0	0
7S	478	442	396	0	0	0

February 2015 Operations Summary

Member Orientation Meetings – GCHP continues to hold Member Orientation meetings several times per month in various locations throughout the County. Interest in these meetings continues to be strong with 73 individuals (61 members, 12 others) attending a meeting in January or February. Of the 61 members in attendance, 51 indicated they learned about the meeting via the Member Orientation meeting flyers that are included in all new member packets. In comparison, during the same time period in 2014, only 9 members attended a Member Orientation meeting.

Claims Inventory – ended February with an inventory of 49,481; this equates to Days Receipt on Hand (DROH) of 7. GCHP is now receiving more than 6,500 claims per day. Monthly claim receipts from March 2014 through February 2015 are as follows:

Month	Total Claims Received	Receipts per Day
March 2014	109,857	5,231
April 2014	110,855	5,039
May 2014	108,312	5,158
June 2014	116,474	5,546
July 2014	117,136	5,324
August 2014	108,695	5,176
September 2014	119,233	5,678
October 2014	134,274	5,838
November 2014	111,182	6,177
December 2014	128,087	6,099
January 2015	127,517	6,376
February 2015	130,559	6,528

Claims Turnaround Time (TAT) – the TAT is showing improvement; however, the regulatory requirement of processing 90% of clean claims within 30 calendar days was not met in February (83.3%). TAT continues to be impacted by the increased volume of claims which is a direct result of increased membership. In addition to hiring additional permanent staff, Xerox is bringing in temporary claims processors to address the current inventory level.

Claims Processing Accuracy – financial accuracy remained above goal (98%) in February at 99.61%. Procedural accuracy also exceeded the goal (97%) for February at 99.97%.

Call Volume – call volume remained above 10,000 calls during February in spite of the weather-related challenges during the month; the number of calls received in February was 10,264.

Average Speed to Answer (ASA) – due to severe weather in Lexington, the call center was forced to close on February 17th and then had very limited staffing on February 18th which resulted in high call wait times. This one-day anomaly resulted in GCHP missing the SLA goal of answering calls within 30 seconds or less. The combined results (Member, Provider and Spanish lines) for February were 64.8 seconds. Excluding the results from February 18th would bring the ASA to 11.8 seconds.

Abandonment Rate – the weather also impacted the abandonment rate but it still remained below the goal of 5% or less. February's combined results were 3.18%.

Average Call Length – the combined result of 7.21 minutes in February was slightly above the goal of 7.0 minutes.

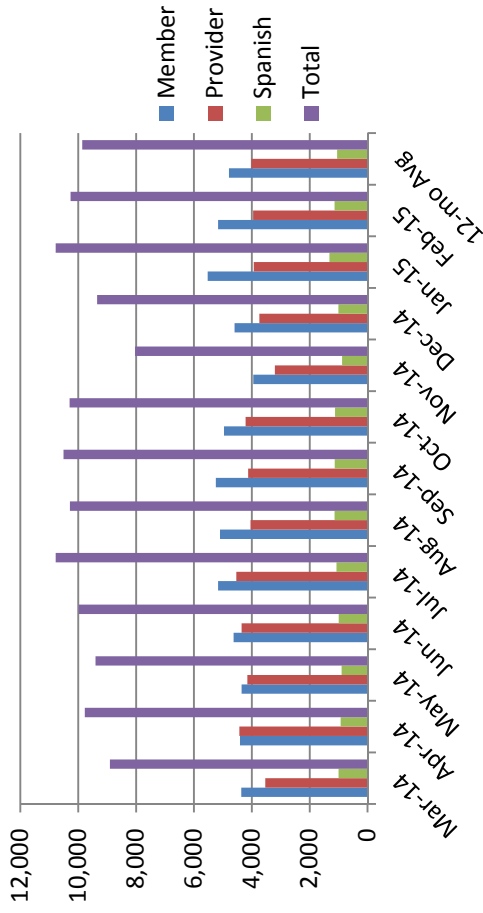
AB 85 Capacity Tracking – VCMC has a total of 24,093 Adult Expansion members assigned to them as of February 2015. VCMC's target enrollment is 65,765 or 37% of the enrollment target.

Noteworthy Activities – Operations continues to lead or be involved in the following projects:

- **Business Continuity Plan** – GCHP has contracted with Compass Consulting to assist the Plan with the development of a Business Continuity Plan (BCP). GCHP's BCP will identify the impact of potential business interruptions and formulate recovery strategies for the business' mission critical function. A BCP also identifies any gaps between the business requirements and the IT Recovery capabilities.
- **35C to 837 Encounter Data Transition** – GCHP is now submitting production data to the State in the new 837 format. Quality results have been good.
- **ICD-10 Readiness** – work continues towards implementation of the new code set which is effective for dates of service on or after October 1, 2015.
- **Crossover Claims** – implementation is underway. Providers will not have to submit paper claims with Medicare Explanation of Benefits for dates of service on or after April 1, 2015.

- Plan Selection – PCP selection during sign-up via Covered California; information matched once Medi-Cal beneficiary becomes a GCHP member. DHCS has now delayed the implementation for non-COHS plans to no earlier than September 2015. Implementation for COHS plans would follow shortly thereafter.

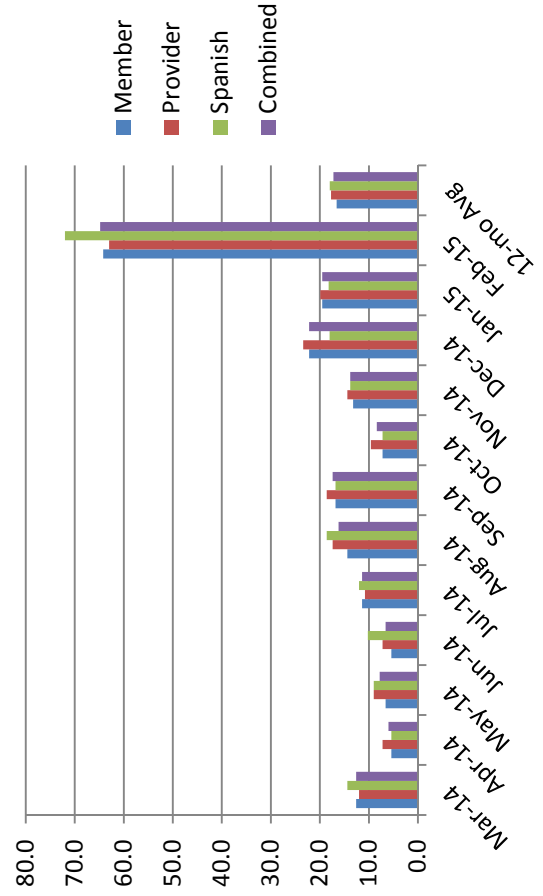
Call Center Volume



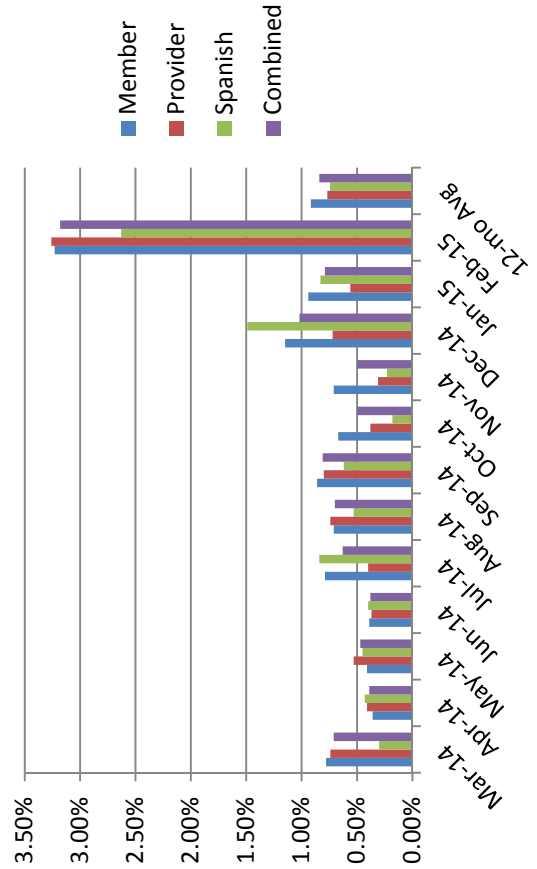
GCHP Call Center Metrics – February 2015

- Call volume remained above 10,000 calls for the month (10,264)
- Abandonment rate was within goal (3.18%) but was impacted by weather-related issue on 2/18/15
- ASA was not met due to weather-related issue on 2/18/15

Average Speed of Answer (ASA) (goal is 30 seconds or less)



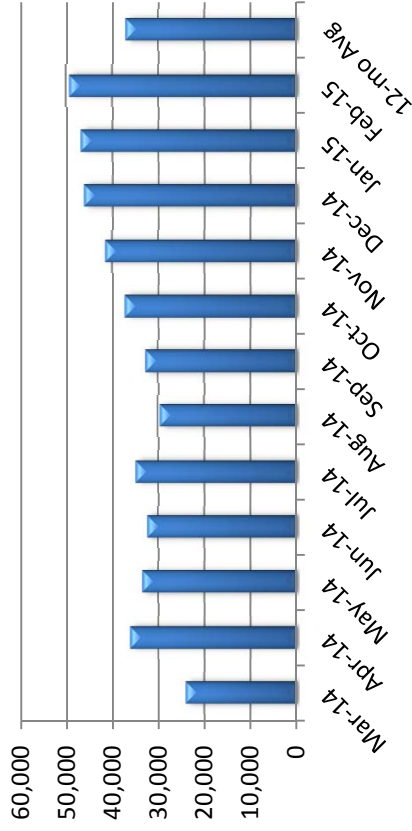
Abandonment Rate (goal is 5% or less)



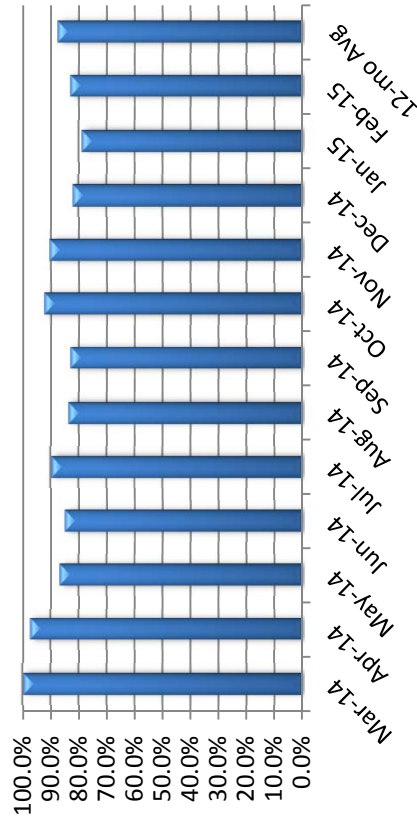
GCHP Claims Metrics – February 2015

- 30 Day Turnaround Time (TAT) was not met in February with 83.3% of clean claims processed within 30 calendar days
- Ending Inventory equals 7 Days Receipt on Hand (DROH) compared to goal of 5 days
- Financial and Procedural Accuracy both exceeded required Service Levels

Ending Inventory

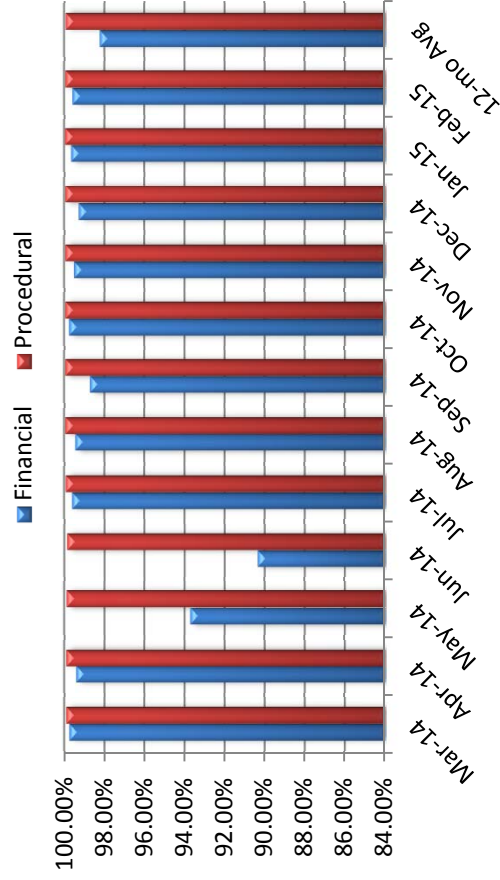


Clean Claims Processed within 30 Calendar Days



Regulatory requirement – 90% of clean claims must be processed within 30 calendar days

Financial and Procedural Accuracy



Financial Accuracy – 98% or higher
Procedural Accuracy – 97% or higher

GCHP Auto Assignment by PCP/Clinic as of March 1, 2015

	Mar-15		Feb-15		Jan-15		Dec-14		Nov-14		Oct-14	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
AB 85 Eligible	1,609		2,248		1,311		1,350		1,390		2,494	
VCMC	1,206	74.95%	1,686	75.00%	983	74.98%	1,012	74.96%	1,042	74.96%	1,870	74.98%
Balance	403	25.05%	562	25.00%	328	25.02%	338	25.04%	348	25.04%	624	25.02%
Regular Eligible	1,277		3,069		1,357		1,215		1,462		1,631	
Regular + AB 85 Balance	1,680		3,631		1,685		1,553		1,810		2,255	
Clinicas	421	25.06%	793	21.84%	373	22.14%	323	20.80%	433	23.92%	529	23.46%
CMH	193	11.49%	339	9.34%	178	10.56%	160	10.30%	197	10.88%	261	11.57%
Independent	37	2.20%	68	1.87%	48	2.85%	43	2.77%	40	2.21%	57	2.53%
VCMC	1,029	61.25%	2,431	66.95%	1,086	64.45%	1,027	66.13%	1,140	62.98%	1,408	62.44%
Total Assigned	2,886		5,317		2,668		2,565		2,852		4,125	
Clinicas	421	14.59%	793	14.91%	373	13.98%	323	12.59%	433	15.18%	529	12.82%
CMH	193	6.69%	339	6.38%	178	6.67%	160	6.24%	197	6.91%	261	6.33%
Independent	37	1.28%	68	1.28%	48	1.80%	43	1.68%	40	1.40%	57	1.38%
VCMC	2,235	77.44%	4,117	77.43%	2,069	77.55%	2,039	79.49%	2,182	76.51%	3,278	79.47%

Auto Assignment Process

- 75% of eligible Adult Expansion (AE) members (M1 & 7U) are assigned to the County as required by AB 85
- The remaining 25% are combined with the regular eligible members and assigned using the standard auto assignment process, i.e., 3:1 for safety net providers and 1:1 for all others
- The County's overall auto assignment results will be higher than 75% since they receive 75% of the AE members plus a 3:1 ratio of all other unassigned members
- AB 85 assignment began in March 2014 for members eligible in January 2014
 - VCMC has 24,093 assigned Adult Expansion members as of February 2015
 - VCMC's target enrollment is 65,765 and is currently at 37% of capacity

AGENDA ITEM 4d

To: Gold Coast Health Plan Commission
From: Melissa Scrymgeour, Chief Information Officer
Date: March 23, 2015
Re: CIO Update

Project Management Office (PMO)

Since the February Commission meeting, the Plan kicked off three new projects, for a total of 15 active projects on the current approved GCHP project portfolio.

March 2015 PMO Project Activity Highlights:

- Closed Provider Contracts & and Capitation Rebasing Evaluation (Phase 1).
- Closed Non-Emergent Medical Transportation (NEMT) Phase 1.
- Information Security Program (Operationalize) – On track to complete by March 31, 2015
- IT Disaster Recovery (DR) Project – Project is at risk for completing by the first quarter of 2015 due to technical issue in DR vendor environment. Vendor resources are actively engaged and are working with third party consultant to address the issue.
- Kicked off Provider Contracts and Capitation Rebasing Evaluation (Phase 2).
- Kicked off ACA Core Administrative Simplification Rules (CORE).
- Kicked off Business Continuity Planning (BCP).
- Completed Encounter submission in the new 837 & National Council for Prescription Drug Programs (NCPDP) data (November-March) with over 99% acceptance in support of the Encounter Data Improvement Program (EDIP).

April 2015 PMO Planned Project Activity Highlights:

- Close MedHOK Seniors and Persons with Disabilities (SPD) and Adjusted Clinical Groups (ACG) - Risk Stratification projects.
- Close Information Security Program (Operationalize).
- Close IT Disaster Recovery (DR) Project – Dependent upon vendor resolution of technical issue with virtual DR environment.
- Go live for Crossover Claims processing.
- Kick off MedInsight Upgrade.
- Begin evaluation of Provider portal solutions

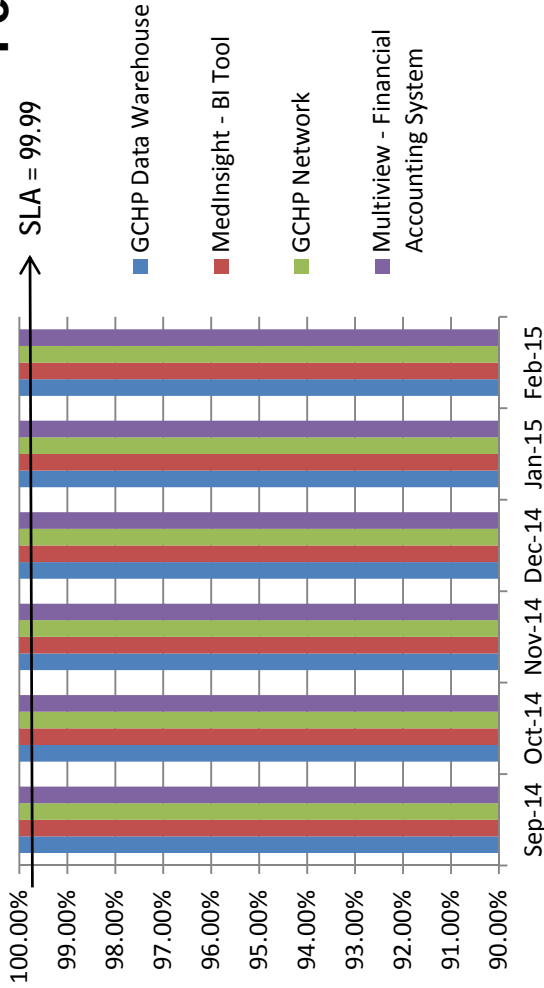
FY 2014-15 GCHP Projects:

- **ICD-10 Readiness (Phase 1 & Phase 2):** Transition all systems and providers from ICD-9 to ICD-10 by the revised Center for Medicaid and Medicare Services (CMS) mandated date of October 15, 2015.
- **Disease Management (DM) Program (Roadmap & Program):** Contractually required. Introduce formal DM program to better manage health outcomes for targeted member population. The initial Diabetes program will benefit roughly 10,000 members and help build a model for other diseases (CHF, COPD, and Prenatal).
- **Member Satisfaction:** Gauge and measure member satisfaction with GCHP, as requested by the Commission.
- **Xerox / ACS Service Organization Control (SOC) Audit:** Recommended by Plan financial auditor.
- **Encounter Data Improvement Project (EDIP):** Contractual requirement for State EDIP initiative. The State requires managed care plans to submit complete, accurate, timely and reasonable encounter data in a HIPAA compliant file format.
- **Delegation & Oversight Framework:** Institute standard delegation and oversight requirements, policies, and procedures for establishing provider contracts.
- **Business Continuity Planning (RFP & Implementation):** Contractual requirement to draft plan for critical business process resumption in the event of an emergency.
- **IT Disaster Recovery Planning:** Contractual requirement to draft plan for data and system recovery in the event of an emergency for business critical functions.
- **Crossover Claims:** Further optimizes claims processing accuracy and efficiencies to appropriately handle claims where a portion is covered by Medicare.
- **Operationalize Information Security Program** – Required to ensure ongoing HIPAA and HITECH (Health Information Technology for Economic and Clinical Health Act-2009) compliance.
- **Social Media Policy & Roadmap:** Establish a communication strategy via social media platforms to members, providers and the general community.

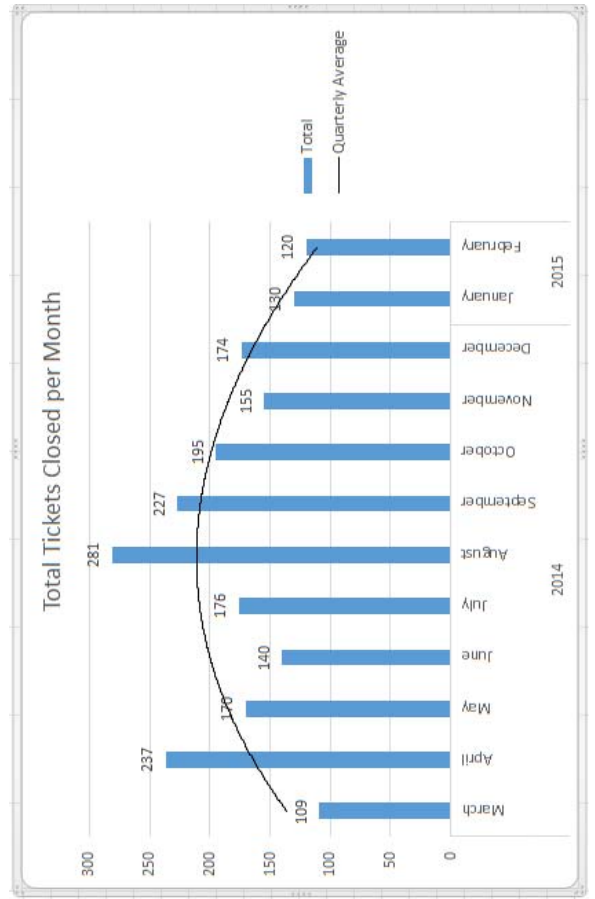
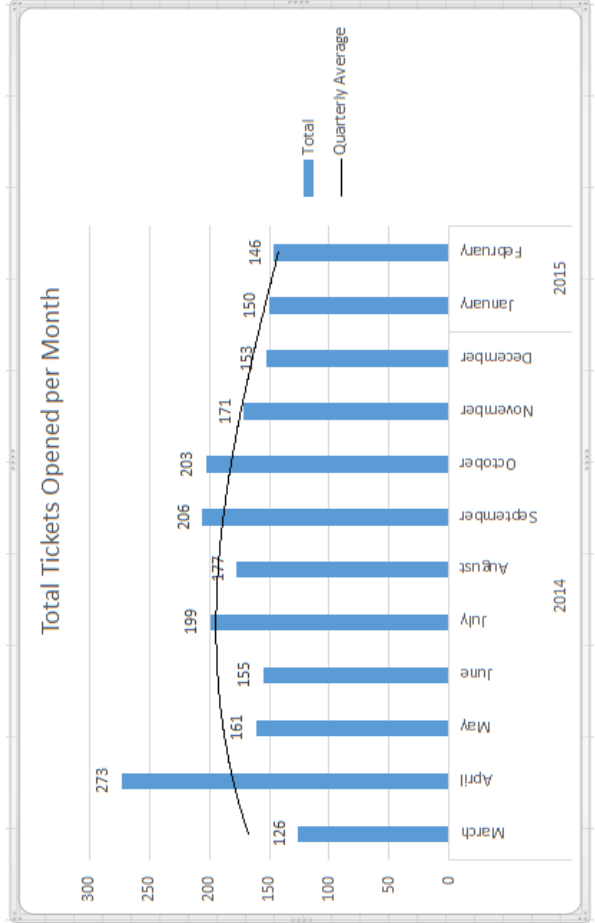
- **ACA Core Administrative Simplification Rules (CORE):** Regulatory requirement to utilize standard electronic transaction sets as defined under the Affordable Care Act.
- **HR Flexible Work Program-Telework Policy:** Implement initiatives to attract and retain staff. Under consideration are a telework strategy, employee recognition, and flexible work schedules.
- **Pharmacy Benefits Manager (PBM) Implementation:** Consulting Vendor for RFP creation, RFP and possible implementation of new PBM.
- **MedHOK ACG-Risk Stratification:** Implement MedHOK ACG module for member risk stratification. Supports the GCHP disease management program.
- **Provider Contracts & Capitation Rebasing Evaluation 9 (Phase 1 & Phase 2):** Evaluation of provider capitation rates.
- **MedInsight Upgrade:** Upgrade of the existing Milliman MedInsight Business Intelligence (BI) Tool; moving from and on premise to hosted solution.
- **Provider Portal Evaluation:** Evaluate provider portal solutions in effort to streamline provider online experience for eligibility and claim inquiries, and authorization requests. Supports Plan “valued and trusted partner” strategy.
- **MedHOK SPD:** Implement MedHOK functional enhancements to meet State SPD assessment and reporting requirements.
- **MedHOK MMS Post Implementation:** Implement system fixes to resolve MedHOK post-implementation issues.
- **ICES / IKA Upgrades:** Software version upgrade for core administration processing and claims editing systems.
- **ACS Data Warehouse Extract Optimization:** Implement improvements to the nightly IKA data extract process for GCHP reporting.
- **Non-Emergent Medical Transportation (NEMT)-(Phase 1 & Phase 2):** Modify non-emergent medical transportation processes to ensure sustained regulatory and contractual compliance. Analyze and evaluate alternatives to existing benefit.
- **Behavioral Health Benefit for Autism Spectrum Disorder (ABA)-(Phase 1 & Phase 2):** Regulatory requirement to introduce Applied Behavioral Analysis (ABA) as a treatment for Autism Spectrum Disorder (ASD) effective September 15, 2014.



GCHP IT Metrics – February 2015



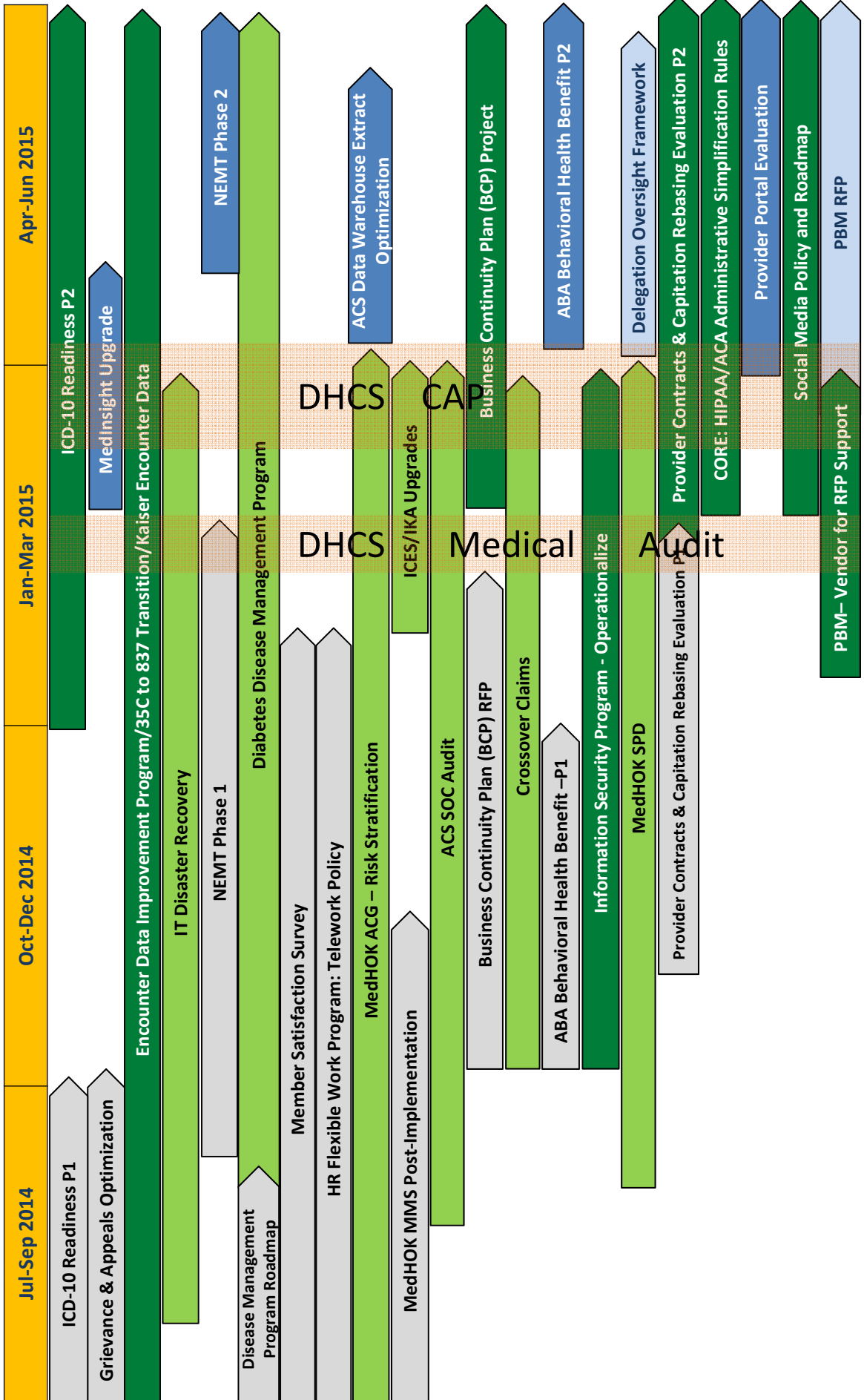
GCHP Helpdesk Service Ticket Trending





3/2015: GCHP Projects "At a Glance"

LEGEND:
 GREEN- Active Projects (Lighter GREEN reflects Project Extensions)
 BLUE -Approved FY14/15 Projects
 Dark BLUE-Delayed Start
 GREY-Closed



AGENDA ITEM 4e

To: Gold Coast Health Plan Commission

From: Dr. Nancy Wharfield, Associate Chief Medical Officer

Date: March 23, 2015

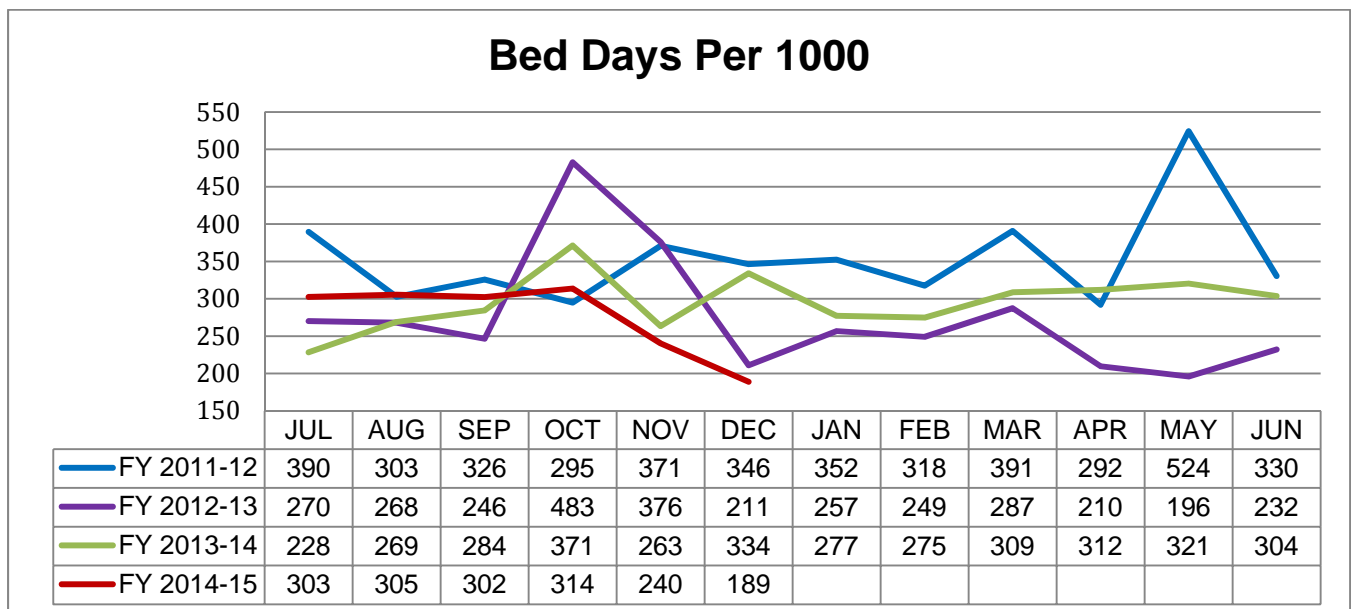
Re: Health Services Update

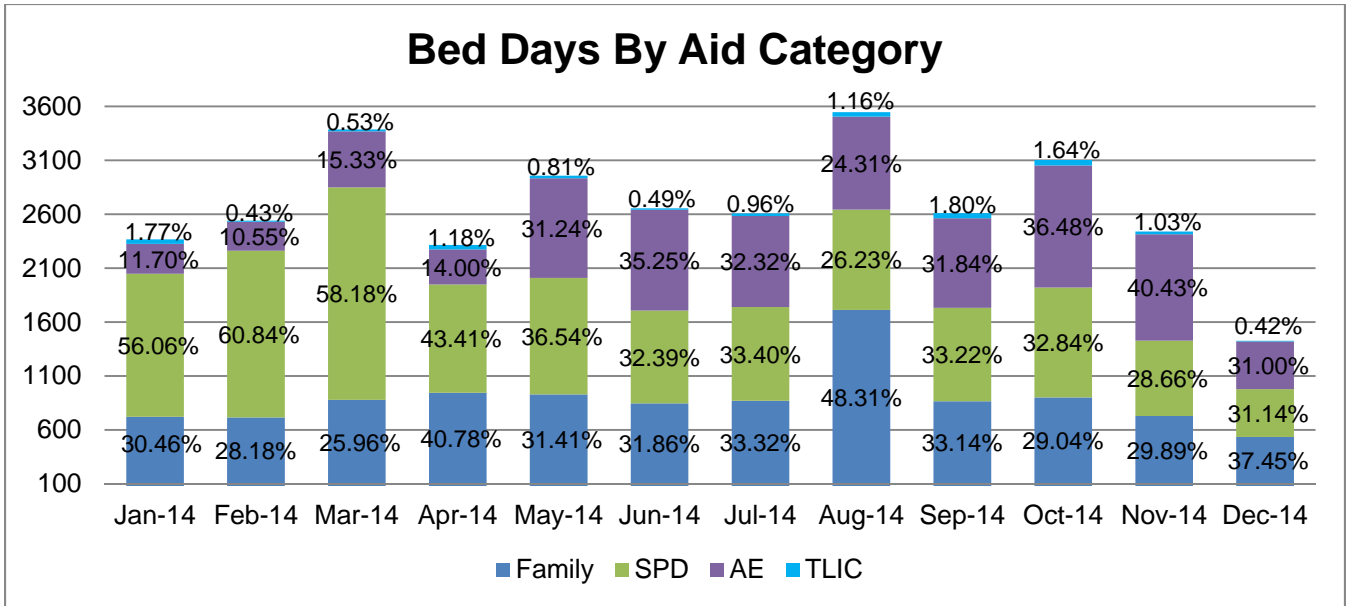
Utilization data in the Health Services monthly update to the Commission is based on paid claims compiled by date of service and is lagged by 3 months to allow for partial run out of claims data. Claims data is complete at approximately 6 months. While incomplete, a 3 month lagged snapshot allows us to see an estimate of utilization without waiting for a more complete 6 month report. Administrative days are included in these calculations. Dual eligible members, SNF, and LTC data is not included in this presentation.

Inpatient Utilization

Bed days/1000 members for FY 2014-15 declined from summer through fall. Family aid code members showed a slightly higher percentage of bed days than SPD and Adult Expansion aid code groups.

Benchmark: Reports of bed days/1000 members from available published data from other managed care plans range from 161 – 890/1000 members. There is variability of reporting of Administrative days among managed care plans.

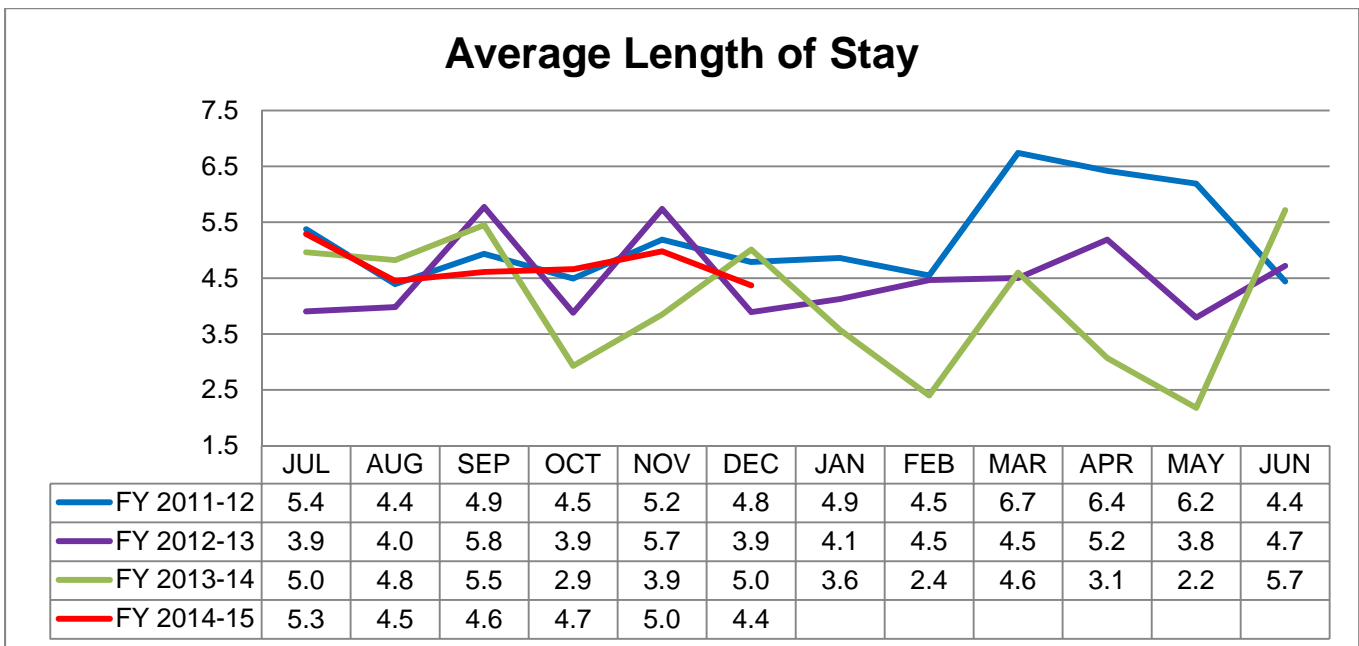




Average Length of Stay

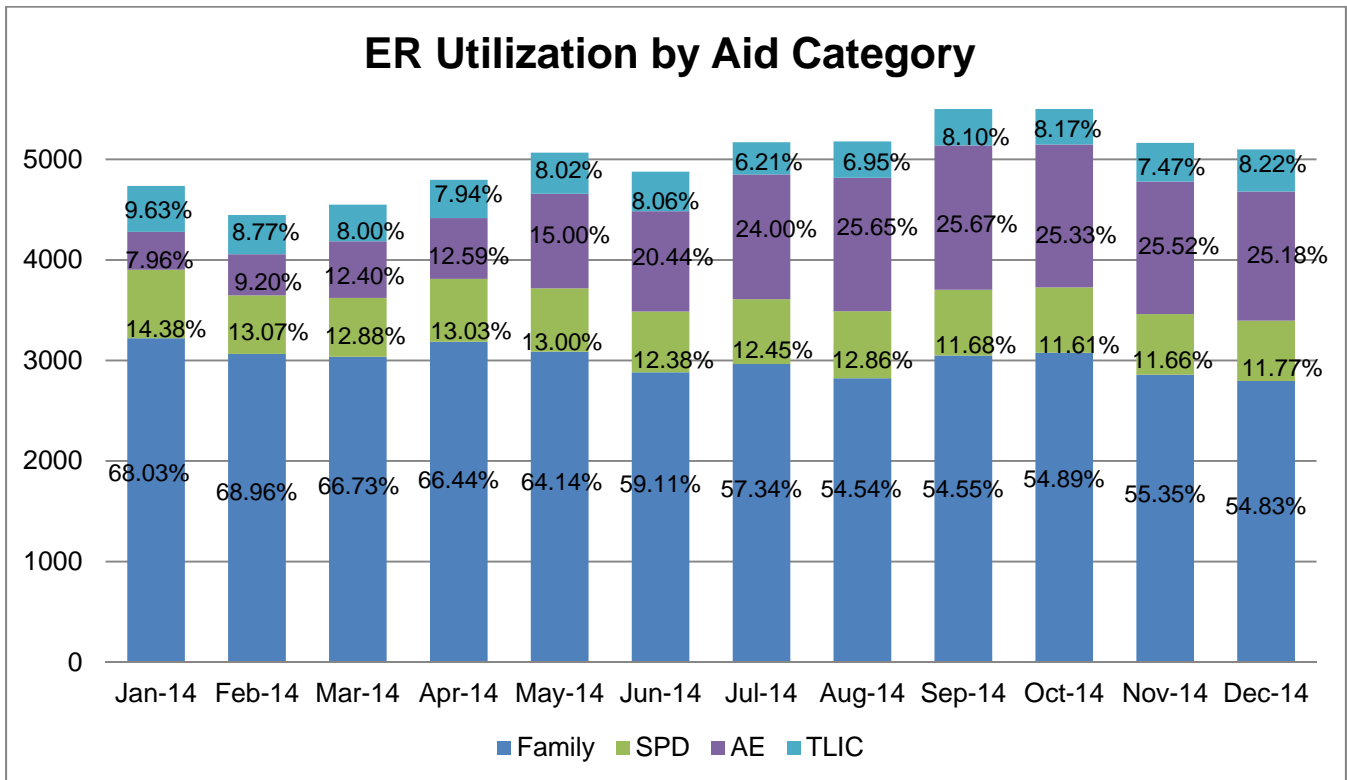
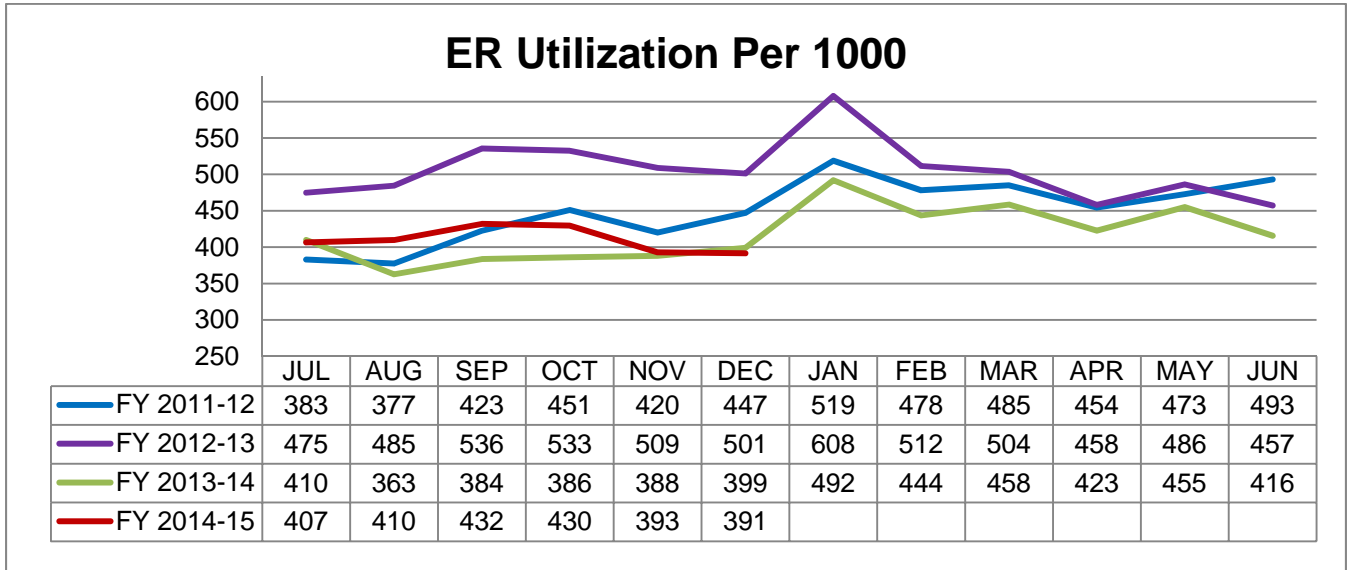
Average length of stay declined slightly in December 2014.

Benchmark: Average length of stay from available published data from other managed care plans range from 3.6 – 4.7. There is variability in reporting of Administrative days among managed care plans.



ER Utilization

ER utilization for FY 2014-15 averages just over 400 (410) and is slightly higher than the average for the same period in FY 2013-14 (388). The highest percentage of ER utilization continues to be by Family aid code group members followed by the AE group.



Authorization Requests

Requests for outpatient service continue to outnumber requests for inpatient service. Requests for outpatient service remain at approximately 200/1000 members or below for November 2014 through February 2015. Requests for inpatient service have reached a plateau between 50 – 75 requests/1000 members since May 2014.

Among Medi-Cal adult expansion members new to Gold Coast Health Plan since January 1, 2014, requests for service for M1 and L1 groups predominated. For non-adult expansion members, service requests were led by the Family and Disabled groups.

