



## **PRIME Information Statement**

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**May 2023**

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## PRIME Introduction

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The Colorado Local Government Liquid Asset Trust (COLOTRUST or the Trust) was organized in 1985 in accordance with the Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, C.R.S.) to allow Colorado governmental entities to pool their funds to take advantage of short-term investments and maximize net interest earnings. The Trust is a professionally managed local government investment pool trust fund available only to governmental entities in Colorado.

COLOTRUST PRIME (PRIME) is one of three portfolios the Trust offers to Colorado governmental entities that are or become COLOTRUST Participants. As further described herein, PRIME was established by the Trust in accordance with Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, C.R.S.) PRIME is a professionally managed portfolio consisting of U.S. Treasury securities, certain federal agency or instrumentality securities, repurchase agreements collateralized by such securities, collateralized bank deposits, and 'AAAm' rated government money market funds. PRIME is designed to generate current income while maintaining liquidity and preserving capital.

PRIME was created pursuant to the COLOTRUST Indenture of Trust (the Indenture). The most recently Amended and Restated Indenture was adopted by the COLOTRUST Board of Trustees (the Board) and became effective on May 1, 2021. Governmental entities that participate in the PRIME portfolio are referred to as "Participants" in the Indenture and this Information Statement. The Indenture allows COLOTRUST Participants to register and participate in PRIME. Each potential PRIME Participant receives a copy of the Indenture, the Information Statement, Investment Policy, and current financial statements before becoming a Participant.

## Participants

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PRIME is available to any Colorado local government that is or becomes a Participant by taking appropriate official action to adopt the COLOTRUST Indenture of Trust, open an account in the Trust, and maintain a balance in the account. Each Participant appoints a Designee, and all official communications between the Trust and a Participant are through the Designee.

## Investment Objectives

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PRIME is designed to provide daily liquidity while generating current income and preserving capital for Colorado governmental entities by investing only in securities that are legal pursuant to the Legal Investments Act (Part 6, Article 75, Title 24, C.R.S.) and the Public Deposit Protection Act (Articles 10.5 and 47 of Title 11, C.R.S.) (the Statutes).

PRIME is presently allowed by the Trust's investment policies to maintain a portion of its assets in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. It may also invest assets in securities of a Federal Farm Credit Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National

Mortgage Association, the Government National Mortgage Association, and other federal instrumentality or agency security permitted by the Legal Investments Act, repurchase agreements collateralized by those securities, collateralized bank deposits, and 'AAAm' rated government money market funds. The PRIME portfolio may be invested in securities with a maximum maturity of 397 days for fixed rate debt and 762 days for sovereign government floating-rate debt. The PRIME portfolio is limited to an average weighted maturity not to exceed 60 days to reset and 120 days to final. PRIME seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share.

COLOTRUST is registered with the Securities Commissioner of the State of Colorado in accordance with the Local Government Investment Pool Trust Fund Administration and Enforcement Act (Part 9, Article 51, Title 11, C.R.S.).

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

COLOTRUST PRIME is rated 'AAAm' by S&P Global Ratings. S&P's definition of a 'AAAm' rating is "safety is excellent" and a fund has "superior capacity to maintain principal value and limit exposure to loss." These ratings are neither a market rating nor a recommendation to buy, hold, or sell the securities by the rating agencies.

## Income Allocations

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All net income of the PRIME portfolio is determined as of the close of business each day (and at such other times as the Board may determine) and is credited immediately thereafter pro rata to each Participant's account. Net income that has thus accrued to the Participants is converted as of the close of business of each day into additional shares that are thereafter held in each Participant's account. Reinvested net income is converted into full and fractional shares at the rate of one share for each one dollar credited. Net income for each portfolio each day consists of (1) all accrued interest income on assets of the portfolio; plus or minus (2) any amortized purchase discount or premium; less (3) accrued expenses.

## Determination of Net Asset Value

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

For the purpose of calculating the NAV per share, the securities held by PRIME are valued as follows: (1) securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such

securities; (2) all other securities and assets are valued at fair market value determined in good faith.

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

It is a fundamental policy of PRIME to maintain a NAV of \$1.00 per share, but for the reasons herein stated there can be no assurance that the NAV will not vary from \$1.00 per share. The NAV per share of PRIME may be affected by general changes in interest rates resulting in increases or decreases in the value of the securities held by the Trust. The market value of such securities will vary inversely to changes in prevailing interest rates. Thus, if interest rates have increased from the time a security was purchased, such security, if sold, might be sold at a price less than its cost. Similarly, if interest rates have declined from the time a security was purchased, such security, if sold, might be sold at a price greater than its cost. If a security is held to maturity, no loss or gain is normally realized as a result of these fluctuations.

## Description of Shares

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

## Eligible Investments

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The PRIME portfolio invests in securities that are legal pursuant to the Statutes. For a more complete description of permitted investments please refer to the PRIME Investment Policy, available on [www.colotrust.com](http://www.colotrust.com).

## Investment Restrictions

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The Trust may buy and sell and enter into agreements to buy and sell the permitted investments subject to the restrictions described below. These restrictions are considered to be fundamental to the operation and activities of the Trust and may not be changed without a majority vote of the Participants.

1. The Trust may not make any investment other than a permitted investment.
2. The Trust may not make any investment other than investments authorized by the Board's investment policy, Indenture, and the statutes of the state of Colorado, as the same may be amended from time to time; provided, however, the Board and the Trust shall not be responsible for insuring compliance with any investment restrictions provided for in a Participant's home rule charter or elsewhere.
3. The PRIME portfolio may invest in permitted securities with maximum maturities as outlined by the Legal Investments Act (Part 6, Article 75, Title 24, C.R.S.).
4. The Trust may neither borrow money nor incur indebtedness whether or not the proceeds thereof are intended to be used to purchase permitted investments except as a temporary measure to facilitate withdrawal requests which might otherwise require unscheduled dispositions of PRIME portfolio investments and only as to the extent permitted by law.
5. The Trust may not buy securities from or sell securities to the Administrator, the Investment Advisor, the Custodian, or any member of the Board (Trustee), or with any affiliate, officer, director, employee, or agent of any of them.

The Trust may not enter into any repurchase agreements for any securities that are not listed as "permitted investments" in the previous section. In addition, all such agreements must be initially collateralized at 102% and additional securities must be provided if the market value of the collateral falls below 101.5%.

## Computation of Yield

The Trust quotes a daily and seven-day average yield for the PRIME portfolio in reports and information published by the Trust. To obtain the daily yield, a daily yield factor is first calculated. The factor is the net income for that day divided by the number of shares outstanding. The factor is then multiplied by 365 (366 in a leap year) to produce the daily yield. The seven-day average yield is obtained by averaging the daily yield for seven identified, consecutive days. The Trust may also quote the PRIME portfolio yield from time-to-time on other bases for the information of its Participants.

The yields quoted from time-to-time should not be considered a representation of the yield of the PRIME portfolio in the future since the yield is not fixed. Actual yields will depend not only on the type, quality, and maturities of the investments held by the PRIME portfolio and changes in interest rates on such investments but also on changes in the portfolio's expenses during the period.

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

## Investment Risks

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

There are several risks associated with pooled investments.

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

### Stable Net Asset Value Risks

Although COLOTRUST PRIME will be managed to maintain a stable NAV of \$1.00 per share, there is no guarantee that it will be able to do so.

### Investment Not Insured or Guaranteed

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

### Liquidity Risk

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

### Market Risk

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

### Issuer Risk

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

### Default Risk

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

## Suitability

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

## Fees and Expenses

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The Trust has entered into an agreement with Public Trust Advisors, LLC, effective February 7, 2020 whereby Public Trust is paid a fee, calculated daily and paid monthly, at an annual rate of up to 0.12% (12 basis points) of the individual PRIME investment of each Participant. This fee will accrue on a daily basis for the duration of the investment in PRIME. Public Trust may, from time-to-time, choose to voluntarily waive fees for the benefit of the fund participants.

Public Trust is responsible for payment of the costs of operation of the Trust including but not limited to Administrator and Investment Advisor fees, Custodian fees, ratings agency fees, operational, and marketing expenses.

## Withdrawals

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Withdrawals from the PRIME portfolio may be made by wire transfer, ACH funds, or transfer between Participants. Requests for withdrawal from accounts with pre-established wire instructions in the PRIME portfolio will be honored on a same day basis if received prior to 11:00 a.m. The Trust requests 24-hour notice for wire transfer withdrawals of \$1 million or more.

## Investing in PRIME

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PRIME is available to existing Participants as well as to new Participants. Prior to investing in PRIME, Participants are required to submit a PRIME Account Registration Form, which is available on [www.colotrust.com](http://www.colotrust.com).

Upon the Participants' receiving acknowledgement of PRIME registration from COLOTRUST, shares of PRIME are acquired by the Participant in the portal or by check contribution form. There is no minimum initial investment amount, nor a minimum required balance after the purchase is made. PRIME contributions and transfers must be submitted via the portal by 11:00 am MT. Funds received after 11:00 a.m. but before 4:00 p.m. (late funds) will be invested overnight by the Trust's Administrator in the Trust's interest-bearing bank account at UMB Bank that is fully collateralized in compliance with the Public Deposit Protection Act, Article 10.5 of Title 11 C.R.S. All interest earnings attributable to late funds invested in the Trust's interest-bearing bank account will be distributed on a pro rata basis to each Participant's account the next business day.

In the unlikely event that the portal is unavailable, COLOTRUST Participants may contact the Client Service team at (877) 311-0219 for further assistance.



## Reporting

Each Participant receives quarterly and annual financial statements of the Trust as well as a monthly statement of the Participant's PRIME account(s). The annual financial statements are issued as of the Trust's fiscal year end on December 31 each calendar year. Participants are advised to review the financial statements of the Trust that are furnished to them. The reports also include sufficient information to establish compliance with the investment policy established in the Indenture and other information required by the statutes of the state of Colorado and by regulations promulgated by the Securities Commissioner of the State of Colorado.

The Trust answers inquiries from Participants at any time during business hours. Inquiries may be made by mail, email at [info@colotrust.com](mailto:info@colotrust.com), via the Internet at [www.colotrust.com](http://www.colotrust.com), or by phone at (303) 864-7474 from the Denver area or at (877) 311-0219 outside of the Denver area. The telefax number is (877) 311-0220. The mailing address is COLOTRUST, 717 17th Street, Suite 1850, Denver, Colorado 80202.

## Statements

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In addition to the quarterly and annual financial statements of the Trust, a monthly statement is provided for the accounts of PRIME Participants. The Statement will provide the month's beginning balance, purchases, redemptions, income earned, income earned year-to-date, month-end balance, and transaction activity summary.

## Board of Trustees

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The Board is responsible for assuring compliance with the Indenture and the investment restrictions therein. The Board has the power to administer the Trust and the affairs of the Trust. Further information about the COLOTRUST Board of Trustees, its structure, roles and responsibilities is available on [www.colotrust.com](http://www.colotrust.com) and in the COLOTRUST Information Statement.

The Board is responsible for the investments of the Trust and for the general administration of the business and affairs of the Trust; however, the Trustees are not required personally to conduct all of the business of the Trust and consistent with its ultimate responsibility, the Board has appointed an Administrator, an Investment Advisor, a Custodian, Legal Counsel, and an Independent Accountant. The Board may assign such duties to the Administrator, Investment Advisor, and Custodian as it deems to be necessary or desirable for the efficient management of the Trust.

## The Investment Advisor and Administrator

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

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

Public Trust is registered with the Securities and Exchange Commission as an investment advisor under the Investment Advisers Act of 1940. [Registration of an investment adviser with the SEC does not imply a certain level of skill or training.](#)

As Administrator, Public Trust services all Participant accounts in the Trust, determines and allocates income of the Trust, provides certain written confirmation of the investment and withdrawal of funds by Participants, provides administrative personnel and facilities to the Trust, determines the net asset value of the Trust, and performs all related administrative services for the Trust. At least quarterly, the Administrator provides the Board with a detailed evaluation of the performance of the Trust based upon a number of factors. This evaluation includes a comparative analysis of the Trust's investment results in relation to industry standards such as the performance of comparable money market mutual funds and various indices of money market securities.

The Agreement with Public Trust may not be assigned, by operation of law or otherwise, by Public Trust, without the express written consent by the Trust and may be terminated without penalty on 45 days written notice at the option of the Trust or Public Trust.

The Trust is prohibited from buying securities from and selling securities to Public Trust and any of its affiliates.

## Custodian

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UMB Bank, N.A. serves as Custodian for the Trust pursuant to a Custodian Agreement. UMB Bank acts as safekeeping agent for the Trust's investment portfolios and serves, in accordance with the statutes of the state of Colorado, as the depository in connection with the direct investment and withdrawal mechanisms of the Trust. UMB Bank does not participate in the Trust's investment decision-making process.

On occasion, the Trust uses other custodians for some permitted investments such as tri-party repurchase agreements.

The Custodian Agreements remain in effect until terminated by either the Trust or the Custodian. The Agreements are not assignable without the prior written consent of the Trust and may be terminated without penalty on 60 days written notice at the option of the Trust or the Custodian.

## Legal Counsel

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At the present time, Butler Snow, LLP serves as General Counsel to the Trust.

## Independent Accountants

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At the present time, Cohen and Company serves as independent certified public accountants to audit the annual Financial Statements of the Trust. The audit contains statements of assets and liabilities, of operations, and of changes in net assets of the Trust prepared in conformity with generally accepted accounting principles. The opinion of the independent certified public accountant on such financial statements is based on an examination of the books and records of the Trust made in accordance with generally accepted auditing standards.

\*Past performance is no guarantee of future results. Any financial and/or investment decision may incur losses. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. A 'AAAm' rating by S&P Global Ratings is obtained after S&P evaluates a number of factors, including credit quality, market price exposure, and management. Ratings are subject to change and do not remove market risk. [Click here](#) for more information. COLOTRUST is not a bank. An investment with COLOTRUST is not guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although COLOTRUST PRIME seeks to preserve your investment at \$1.00, it cannot guarantee it will do so. External audits may not catch all instances of accounting errors and do not provide an absolute guarantee of accuracy.

05/23 Managed by Public Trust Advisors, LLC

## Contact Information

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