

**MINNESOTA ASSOCIATION OF GOVERNMENTS INVESTING FOR  
COUNTIES (“MAGIC” or the “Fund”)**

**SUPPLEMENT DATED JANUARY 7, 2022  
TO THE MAGIC INFORMATION STATEMENT DATED NOVEMBER 5, 2018**

This Supplement supplies additional information with respect to the Fund and should be read in conjunction with the Fund Information Statement dated November 5, 2018 as supplemented to date. Terms used in this Supplement shall be as defined in the Information Statement.

Effective December 7, 2021, the Fund’s investment adviser, PFM Asset Management LLC (“PFMAM”), is now a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”) The acquisition was initially announced July 8. PFMAM will continue to operate as a separate registered investment advisor serving your Program. A copy of the related press release is available on PFMAM’s website in the following location: <https://www.pfmam.com/newsroom>. As a result of this acquisition, certain updates to information regarding the Fund’s Service Providers were necessary and are identified below.

**Investment Adviser, Administrator & Transfer Agent**

PFM Asset Management LLC  
P.O. Box 11760  
Harrisburg, PA 17108-1760

PFMAM is an investment adviser registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended, and a subsidiary of USBAM. USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp.

**Distributor/Marketing Agent**

PFM Fund Distributors, Inc.  
213 Market Street  
Harrisburg, PA 17101

PFM Fund Distributors, Inc., an affiliate of PFM Asset Management LLC, offers shares of the Portfolios on a continuous basis. It is responsible for printing and distributing sales materials. PFM Fund Distributors, Inc., is a subsidiary of U.S. Bank. U.S. Bank is a separate entity and subsidiary of U.S. Bancorp.

## **Custodian**

U.S. Bank N.A.  
60 Livingston Avenue  
St. Paul, Minnesota 55107

U.S. Bank holds each Portfolio's securities. In addition to internal governance, numerous federal agencies, including the Office of the Comptroller of the Currency ("OCC"), the Federal Reserve System and the Consumer Financial Protection Bureau ("CFPB"), supervise and inspect U.S. Bank and its parent company, U.S. Bancorp, to ensure sound banking practices and to protect clients. Appropriate information barriers relating to activities and data exist to facilitate fully independent and segregated oversight of client assets as custodian.

## **Custodial Arrangements**

U.S. Bank National Association, St. Paul, MN, is Custodian for the Portfolios and individual portfolios related to bond proceeds invested in the Fund's BAM Program. The Custodian holds all cash and securities of the Portfolios and the individual portfolios, except that certain securities owned by the Portfolios or individual portfolios and subject to repurchase agreements may be held by other custodians acting for the Fund or respective individual portfolio. Neither the Custodian nor disbursing agent participate in determining the investment policies or in investment decisions. The investment adviser may not invest funds with, nor buy or sell any securities through, any affiliated service provider. The investment adviser, PFMAM, is a subsidiary of USBAM. USBAM is a subsidiary of U.S. Bank. U.S. Bank is a separate entity and subsidiary of U.S. Bancorp.

The date of this Supplement is January 7, 2022.

**THIS IS A SUPPLEMENT TO THE INFORMATION STATEMENT DATED NOVEMBER 5, 2018 AS SUPPLEMENTED MAY 14, 2021 AND FEBRUARY 14, 2020. IT PROVIDES ADDITIONAL INFORMATION ABOUT THE FUND. A COMPLETE INFORMATION STATEMENT, INCLUDING ALL SUPPLEMENTS, IS AVAILABLE UPON REQUEST BY CONTACTING A FUND REPRESENTATIVE AT (800) 731-7150.**

**PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE.**

**MINNESOTA ASSOCIATION OF GOVERNMENTS INVESTING FOR  
COUNTIES (“MAGIC” or the “Fund”)**

**SUPPLEMENT DATED MAY 14, 2021  
TO THE MAGIC INFORMATION STATEMENT DATED NOVEMBER 5, 2018**

This Supplement supplies additional information with respect to the Fund and should be read in conjunction with the Fund Information Statement dated November 5, 2018 as supplemented to date. Terms used in this Supplement shall be as defined in the Information Statement.

The Board of Trustees has retained a new law firm to serve as Legal Counsel to the Fund and as such all references to Knutson, Flynn & Deans, P.A. should be replaced with Kennedy & Graven, Chartered (“Kennedy & Graven”). The contact information for Kennedy & Graven is as follows:

Fifth Street Towers  
150 South Fifth Street, Suite 700  
Minneapolis, MN 55402

The date of this Supplement is May 14, 2021.

**THIS IS A SUPPLEMENT TO THE INFORMATION STATEMENT DATED NOVEMBER 5,  
2018 AS SUPPLEMENTED FEBRUARY 14, 2020. IT PROVIDES ADDITIONAL  
INFORMATION ABOUT THE FUND. A COMPLETE INFORMATION STATEMENT,  
INCLUDING ALL SUPPLEMENTS, IS AVAILABLE UPON REQUEST BY CONTACTING A  
FUND REPRESENTATIVE AT (800) 731-7150.**

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**MINNESOTA ASSOCIATION OF GOVERNMENTS INVESTING FOR  
COUNTIES (“MAGIC” or the “Fund”)**

**SUPPLEMENT DATED FEBRUARY 14, 2020  
TO THE MAGIC INFORMATION STATEMENT DATED NOVEMBER 5, 2018**


This Supplement supplies additional information with respect to the Fund and should be read in conjunction with the Fund Information Statement dated November 5, 2018 as supplemented to date. Terms used in this Supplement shall be as defined in the Information Statement.

Cutoff times for MAGIC investment options have changed. Effectively immediately, the cutoff time for receipt of orders for same day transactions is 1:00 p.m. Central Time on a Business Day and the cutoff time for receipt of orders for next day ACH transactions is 3:00 p.m. Central Time on a Business Day. Existing references to cutoff times within this document are replaced with the new cutoff times identified above.

The date of this Supplement is February 14, 2020.

**THIS IS A SUPPLEMENT TO THE INFORMATION STATEMENT DATED NOVEMBER 5, 2018. IT PROVIDES ADDITIONAL INFORMATION ABOUT THE FUND. A COMPLETE INFORMATION STATEMENT, INCLUDING ALL SUPPLEMENTS, IS AVAILABLE UPON REQUEST BY CONTACTING A FUND REPRESENTATIVE AT (800) 731-7150.**

**PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE.**



Minnesota  
Association of  
Governments  
Investing for  
Counties



*A Comprehensive  
Financial Service for  
Minnesota Counties*

# INFORMATION STATEMENT

November 5, 2018

The **MAGIC Fund** is Sponsored by the:  
Minnesota Association of County Auditors, Treasurers, and Financial Officers  
Association of Minnesota Counties

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## Part 1

*Part 1 presents key facts about the Portfolios and Programs of the Fund, including information on costs, minimums, policies, and how to place transaction orders. Part 1 is descriptive, not definitive, and is qualified by the information contained in Part 2.*

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## Part 2

### Information Statement Addendum

*Part 2 contains supplemental information to Part 1. Some of this information further defines or qualifies information presented in Part 1. There is also information on additional topics, such as the history of the Fund. Parts 1 and 2 together constitute the offering document for the Portfolios and Programs.*

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## Terms Used in this Document

**BAM** The BAM Program, offering Bond Account Management.

**Business Day** Any day that (1) both the Federal Reserve Bank of New York and the Fund's Custodian are open for business and (2) the primary trading markets for the Fund's portfolio instruments are open and the Fund's management believes there is an adequate market to meet purchase and redemption requests. Additionally, the Fund is authorized not to open for trading on a day that is otherwise a Business Day if the Securities Industry and Financial Markets Association ("SIFMA") recommends that the primary trading markets close. The Fund may also close early on a Business Day if the SIFMA recommends that primary trading markets close early.

In light of anticipated limited availability for money market securities and fixed income settlement capacity limitations, the Fund will not be open for business on Good Friday even if the primary trading markets are open. Specifically, no Federal Reserve wire settlement will occur, purchases and redemptions will not be accepted and no settlement will occur for the Fund.

**CD Purchase Program** The Certificates of Deposit Investment Program

**Custodian** U.S. Bank or the designated bank, agent, or trust company responsible for safeguarding financial assets of the MAGIC Fund and its portfolios.

**Declaration** The Declaration of Trust through which the MAGIC Fund was created.

**EON** - Easy online network. The Investment Adviser's web-based information and transaction service.

**Fund** The MAGIC Portfolio and the MAGIC Term Portfolio (MAGIC Term Series).

**Investment Adviser** PFM Asset Management LLC, the MAGIC Fund's Investment Adviser, Administrator and transfer agent.

**Investor** A participant in the Fund who holds shares of one or more Portfolios.

**GASB 79** Statement No. 79 of the Governmental Accounting Standards Board

**Liquid Portfolio** The MAGIC Portfolio

**MAGIC** Minnesota Association of Governments Investing For Counties.

**Portfolios** The MAGIC Portfolio and MAGIC Term Portfolio. "Portfolio" refers to each specific section of this document in which it is used to describe the features of that particular Fund Portfolio.

**Program** The Bond Account Management Program or the Certificates of Deposit Investment Program.

**Program Participant** an entity who uses the services of the BAM Program and/or CD Purchase Program.

**Sponsors** Minnesota Association of County Auditors, Treasurers, and Financial Officers ("MACATFO") and the Association of Minnesota Counties ("AMC").

**Trustees** Members of the Board of Trustees of the Fund.

# Portfolio Summaries

## MAGIC Portfolio

### Investment Objective

To earn the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable \$1.00 net asset value (NAV).

### Fees and Expenses

These are the fees you may pay when you buy and hold shares in this Portfolio.

#### Annual Portfolio Operating Expenses

Investment advisory, administrative and marketing fees	0.23%
Other operating expenses	0.09%
<b>Total annual Portfolio operating expenses</b>	<b>0.32%</b>

Gross information being shown which may not reflect any fee waivers.

### Expense Example

This example is intended to help you compare the cost of investing in this Portfolio with the cost of investing in other funds. The example assumes that you invest \$10,000 for the time periods indicated and then redeem all of your shares at the end of the period. The example also assumes that you earn a 5% return each year on your investment and that the operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

1 year	3 years	5 years	10 years
\$33	\$103	\$180	\$406

### Principal Investment Strategies

The Portfolio invests exclusively in high-quality, short – term money market instruments such as:

- U.S. Government and agency obligations
- highly rated state and local obligations
- certain obligations of financial institutions, including certificates of deposit issued by FDIC-insured banks
- money market mutual funds and other pooled investment vehicles that observe certain investment restrictions
- commercial paper
- negotiable certificates of deposit
- repurchase agreements
- bankers' acceptances

The Investment Adviser may adjust exposure to interest rate risk, typically seeking to take advantage of possible rises in interest rates and to preserve yield when interest rates appear likely to fall.

The Portfolio is designed to maintain a dollar-weighted average maturity of no more than 60 days, and a dollar-weighted average life (final maturity, disregarding interest rate adjustments) of no more than 120 days. It will not purchase any investment with a maturity date more than 3 years from the date of purchase.

### Main Risks

As with any similar pooled investment, there are several factors that could hurt the Portfolio's performance, cause you to lose money, or cause the Portfolio's performance to trail that of other investments.

- **Interest rate risk** When short-term interest rates fall, the Portfolio's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected, the Portfolio's share price could fall.

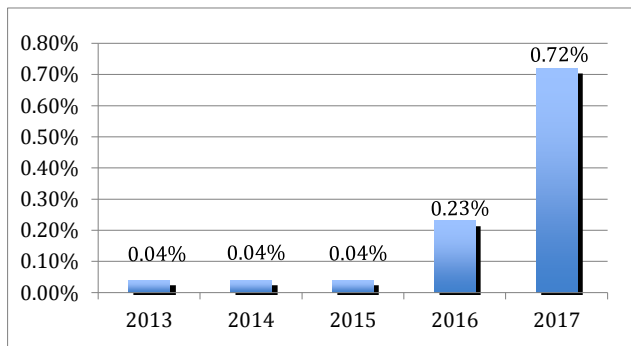
- **Credit risk** The issuer of a security could fail to pay interest and principal in a timely manner. The credit quality of the Portfolio's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause the Portfolio's share price to fall.
- **Liquidity risk** The Portfolio's share price could fall during times when there are abnormal levels of redemption requests or markets are illiquid.
- **Management risk** Performance could be hurt by decisions made by the Investment Adviser, such as choice of investments or timing of buy/sell decisions.

*An investment in the MAGIC Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolio.*

## Past Performance

All performance figures shown here assume that dividends, if any, were reinvested. For current yield information, call 800-731-7150. Past performance may not indicate future results.

### Annual Total Returns (%)



*Note: Returns shown above are for the Portfolio's fiscal years. The MAGIC Fund's fiscal year-end is June 30<sup>th</sup>.*

## Management

**Investment Adviser** PFM Asset Management LLC

## Purchase and Sale of Portfolio Shares

**Minimum Initial Investment** \$1.00

**Minimum Account Balance** No minimum.

## Placing Orders

You can place orders to buy or sell Portfolio shares by wire, automated clearing house (ACH), check, or via EON, the Fund's web-based information service.

For more complete information on buying and selling shares, see "Buying Shares-MAGIC Portfolio" and "Redeeming Shares-MAGIC Portfolio."

## Tax Information

We suggest that you check with your tax advisor before investing in the Fund. Relevant considerations may include:

- Section 115(1) of the Internal Revenue Code of 1986, as amended (the Code), which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code, (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
- The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

## MAGIC Term Portfolio

### Investment Objective

To provide an investment subject to pre-set redemptions occurring from 60 days to up to one year from the time of investment, and that will produce the highest earnings consistent with maintaining principal at maturity and meeting the redemption schedule. Each MAGIC Term Portfolio seeks to assure the return of principal on the planned maturity date, although principal value may fluctuate prior to that date, and therefore may be greater or less than \$1.00 a share. There is a penalty for early withdrawal, and NAV may be more or less than \$1.00 a share.

### Fees and Expenses

Under its agreement with the Fund, each MAGIC Term Portfolio series pays the Investment Adviser a monthly fee for investment advisory, administration and marketing services at an annual rate not to exceed 0.25% of average daily net assets. At its discretion, the Investment Adviser may waive some or all of its fees for the MAGIC Term Portfolio, and such waiver may be discontinued at any time. In addition to the aforementioned fees, each MAGIC Term series is responsible for its own allocated portion of expenses such as insurance costs, the fees of the Custodian, audit, rating agency (if applicable), trustee expenses and legal fees.

These are the fees and expenses you may pay when you buy and hold shares in this Portfolio.

#### Annual Portfolio Operating Expenses (Fees and expenses shown may be subject to certain fee waivers)

MAGIC Term	(Not to exceed)
Management and administrative fees	0.25%
Other operating expenses	0.10%
<b>Total annual operating expenses</b>	<b>0.35%</b>

The Portfolio may charge significant penalties for any redemptions prior to the agreed-upon redemption date. As the penalty charged is based on actual costs incurred in effecting the redemption and protecting the interests of other Portfolio Investors, the actual amount of the penalty cannot be stated in advance.

### Principal Investment Strategies

Each series of MAGIC Term is a portfolio of Permitted Investments and has a series-specific Termination Date

The Investment Adviser may adjust exposure to interest rate risk, typically seeking to protect against possible rises in interest rates and to preserve yield when interest rates appear likely to fall.

For information regarding certain risks associated with investments by the MAGIC Portfolio in various Permitted Investments, see “Main Risks”.

### Main Risks

There are risks associated with investment in each MAGIC Term Portfolio series which should be considered carefully by Investors and potential Investors in light of their particular circumstances as they may exist from time to time. The Portfolio may not be an appropriate investment in certain situations for some Investors and potential Investors. Although the Portfolio has been designed and is operated with the goal of minimizing risk, Investors and potential Investors should carefully consider the factors described in this section in light of their particular circumstances. The risks specified in this section may also be applicable to certain investments in any additional programs offered by the Investment Adviser.

- **Credit risk** The issuer of an obligation could fail to pay interest or principal in a timely manner. The credit quality of holdings could change rapidly in certain markets and the default or decline in credit quality of even a single holding could cause your share price to fall.
- **Early redemption risk** Early redemption penalties charged could reduce or eliminate investment gains and could mean that the amount you get back is less than your initial investment.
- **Management risk** Performance could be hurt by decisions made by the Investment Adviser, such as choice of investments or timing of buy/sell decisions.

*An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment on the planned redemption date at \$1.00 per share, it is possible to lose money by investing in the Portfolio.*

### Past Performance

The performance of each MAGIC Term Portfolio series may vary. For current rates, call (800-731-7150). Past performance may not indicate future results.

## Management

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**Investment Adviser** PFM Asset Management LLC

## Purchase and Sale of Portfolio Shares

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**Minimum Initial Investment** \$100,000.

**Minimum Account Balance** \$100,000.

**Minimum Holding Period** 60 days. Premature withdrawal may result in a penalty.

**Maximum Term** 1 year

## Placing Orders

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In addition to setting up an account prior to your initial purchase of shares, you may need to provide certain other information and certifications.

Prior to placing any order, call the Fund's toll-free number to discuss the amount and term of your investment and to get information on projected yield.

Once your investment has been approved, you can place orders to buy or sell MAGIC Term Portfolio shares by either wire or check. To place orders, contact us at:

**Online** [www.magicfund.org](http://www.magicfund.org)

**Phone** 800-731-7150

Orders can be processed the same Business Day if they are received and accepted by the Investment Adviser by 12:00 p.m. Central time and (for purchases) if the Portfolio's Custodian receives federal funds by wire prior to the close of business. Otherwise, they are processed on the next Business Day.

*For more complete information on buying and selling shares see "Buying Shares—MAGIC Term" and "Redeeming Shares-MAGIC Term."*

## Tax Information

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We suggest that you check with your tax advisor before investing in the Fund. Relevant considerations may include:

- Section 115(1) of the Internal Revenue Code of 1986, as amended (the Code), which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code, (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
- The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

# Program Summary

## Additional Fund Programs

### General Information

MAGIC Fund Investors also have access to a range of additional products authorized by the Board of Trustees and administered by the Investment Adviser.

At present, the Investment Adviser offers to Fund Investors a Certificates of Deposit Investment Program and a BAM Program. *These programs are separate from the MAGIC Fund's investment program and its Board takes no responsibility for them. Investors that opt to take advantage of these programs must enter into a separate agreement with the Investment Adviser.*

For further information about the Certificates of Deposit Investment Program or the BAM Program, contact the Investment Adviser.

### CD Purchase Program

CDs available through the CD Purchase Program are issued by institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") within limits prescribed by law. FDIC insurance is backed by the full faith and credit of the United States government. For each depositor that otherwise qualifies, interest and principal are fully insured up to the applicable insurance limit in effect at the time of purchase. In order to maintain FDIC insurance coverage of both principal and interest on CDs purchased through the CD Purchase Program, CDs may only be purchased in amounts so that the total value of the CD and all interest thereon will not exceed the applicable FDIC insurance limit. For purposes of providing advice on CDs, the Investment Adviser will assume, unless the Participant informs the Investment Adviser to the contrary, that the Participant is entitled to the applicable FDIC insurance on each CD purchased through the Program.

Additional information regarding FDIC coverage limits and requirements can be found on the FDIC website: [www.myFDICinsurance.gov](http://www.myFDICinsurance.gov).

### BAM Program

In the BAM Program, the Investment Adviser works closely with the Program Participant to create a comprehensive investment strategy and to build, over time,

an individual portfolio that meets the Program Participant's disbursement needs. The Custodian will hold these portfolio assets in a separate discretionary account in the Program Participant's name.

Under the BAM Program, the Investment Adviser may also provide Program Participants with arbitrage rebate services, develop and review their investment policies, provide cash flow modeling, and assist with cash management for bond proceeds

### Fees and Expenses

Each Program Participant in the CD Purchase Program and the BAM Program pays the Investment Adviser an advisory fee, the amount of which is based upon factors like the volume and complexity of the participant's transactions.

In addition, under its agreement with the MAGIC Fund, the Investment Adviser receives a fee for its services in developing and providing the program, including the Bond Account Management Program, in an amount not to exceed 0.25% of the daily assets under management.

### Eligible CDs

The Investment Adviser seeks to ensure that each Program Participant's CD investments are entirely covered by FDIC insurance. The Investment Adviser also reviews the financial condition of each financial institution whose CDs are being offered under the program.

### Main Risks

There are several risk factors that you bear directly as a CD Purchase Program Participant.

- **Credit risk** The issuer of a CD could fail to pay interest or repay principal in a timely manner. In such a case, the amount and the timing of any repayment may depend on the FDIC or NCUA.
- **FDIC or NCUA risk** If the FDIC or NCUA fails to honor its stated coverage of CDs purchased through the CD Purchase Program, you would be solely responsible for resolving the matter with the insuring party and would bear any losses.

- **Eligibility risk** The CD Purchase Program does not actively monitor any Program Participant's eligibility for FDIC or NCUA coverage or the eligibility of any particular CD for any Program Participant. The Program Participant is solely responsible for notifying the Investment Adviser about outside investments that may have an adverse effect on assets invested through the CD Purchase Program.
- **Excess deposit risk** Because the CD Purchase Program can not actively monitor deposits of any type that are made outside the CD Purchase Program, your total deposits with a financial institution could exceed FDIC or NCUA coverage limits, leaving you exposed to potential losses should the financial institution be unable to honor its commitments to depositors.
- **Early redemption risk** CDs are not liquid and may be subject to early redemption. Early redemption penalties charged by the CD issuer could reduce or eliminate any earnings, and could mean that the amount you get back is less than your initial purchase amount.

There are also risks that you bear directly as a BAM Program Participant:

- **Interest rate risk** When short-term interest rates fall, the market value of any fixed rate investment is likely to rise. When interest rates rise, especially if the rise is sharp or unexpected, a security's market value is likely to fall.
- **Credit risk** The issuer of a security could fail to pay interest or principal in a timely manner. The credit quality of any security could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause the overall value of program securities to fall.
- **Liquidity risk** The value of program securities could fall during times when markets are illiquid.
- **Management risk** Performance could be hurt by decisions made by the Investment Adviser, such as choice of investments.

## Management

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**Investment Adviser** PFM Asset Management LLC

**Custodian** (*Applicable to the BAM Program only*) Although Program Participants are free to choose a custodian, the Fund has arranged for its Custodian, U.S. Bank, to be available to serve as custodian for the assets of any BAM Program account. The Custodian holds cash and securities of each account in a separate account in the name of the applicable Program Participant. The Custodian does not participate in investment decisions.

## Redemption of Program CDs

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On the maturity date, redemption proceeds will automatically be wired to your MAGIC Portfolio account.

## Tax Information

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We suggest that you check with your tax advisor before purchasing CDs or any other investments. Relevant considerations may include:

- Section 115(1) of the Code, which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
- The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

# Fund Details

## The MAGIC Fund

The MAGIC Fund is a joint powers entity in the form of a common law trust organized and existing in conformity with the Minnesota Joint Powers Act (Minnesota Statutes, Section 471.59). The Fund was established in 1990 by the adoption of a Declaration of Trust by the initial participants.

As described in this document, the Fund is professionally managed for the benefit of its Investors, who receive shares of the Fund in proportion to their interests. The Fund is authorized to establish two or more separate investment portfolios.

The Fund is not registered as an investment company under the Investment Company Act of 1940. There is no assurance that it will meet its investment objective.

Fund Investors also have access to a range of additional products authorized by the Board of Trustees and administered by the Investment Adviser. At present, the Investment Adviser offers a CD Purchase Program and a BAM Program. *These programs are separate from the MAGIC Fund's investment program and its Board takes no responsibility for them. Investors that opt to take advantage of these programs must enter into a separate agreement with the Investment Adviser.* Investors should direct any questions about the CD Purchase Program or the BAM Program to the Investment Adviser.

Under the CD Purchase Program, any Program Participant may invest for its own account in CDs and other fixed income instruments. In the BAM Program, the Investment Adviser works with Program Participants to create individual investment strategies and portfolios.

Assets purchased under the CD Purchase Program and the BAM Program are not assets of the Fund and are held by the Custodian in a separate account in the Program Participant's name.

Unless indicated, the remaining information in this Fund Details Section does not apply to the CD Purchase Program or the BAM Program.

## Principal Investment Strategies

### Portfolio Securities

The Fund invests exclusively in high-quality instruments that meet the requirements of Minnesota law and satisfy additional criteria set by the Fund's Board of Directors. Portfolio securities are denominated in US dollars and have remaining maturities of 397 days (approximately 13 months) or less at the time of purchase. However, the Fund may invest in securities greater than 397 days if certain maturity shortening features (such as interest rate resets and demand features) apply. Securities with maturity shortening features may be deemed to have maturities shorter than their stated maturity dates.

Any percentage limitation or rating requirement for Portfolio securities will normally be applied at the time of purchase.

Permitted investments include but are not limited to:

- **Obligations of United States government agencies and instrumentalities.**
  - Government bonds, notes, bills, mortgages (excluding certain high-risk mortgage-backed securities), and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its Instrumentalities, or organizations created by an Act of Congress.
- **State and local government obligations**
  - General obligations of any state or local government with taxing powers, if rated A or higher by a nationally recognized rating agency.
  - Revenue obligations of any state or local government with taxing powers, if rated AA or higher by a nationally recognized rating agency.
  - Any general obligation of the Minnesota Housing Finance Agency that is a moral obligation of the State of Minnesota, if rated A or higher by a nationally recognized rating agency.
  - General obligation temporary bonds as specified by Minnesota State Statutes.

- **Repurchase agreements**
  - Repurchase agreements that qualify under Minnesota Statutes Section 118A.05, in which the counterparty is a financial institution or licensed broker-dealer that meets certain criteria.
- **Obligations of financial institutions**
  - Bankers' acceptances of United States banks.
  - Time deposits, including CDs, that are fully insured by the FDIC, are insured, bonded and collateralized as required by Minnesota law, and are held at financial institutions meeting all criteria that the Fund's Board of Directors may require.
- **Commercial paper**
  - Commercial paper of United States corporations, or their Canadian subsidiaries, with a stated maturity of 270 days or less from issuance, rated in the highest category by two nationally recognized rating agencies.
- **Negotiable Certificates of Deposit**
  - Negotiable certificates of deposit or other evidences of deposit issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state-licensed branch of a foreign bank with a remaining maturity of 397 days or less; provided that for maturities of one year or less, the debt obligations of the issuing institution or its parent are rated at the time of purchase in the top short-term rating category by at least two nationally recognized statistical ratings organizations and for maturities in excess of one year, the senior debt obligations of the issuing institution or its parent are rated at the time of purchase at least A or its equivalent by at least two nationally recognized statistical ratings organizations. Investments in these instruments shall not be subject to the collateralization requirements of section 118A.03.
- **Other investment vehicles**
  - No-load money market mutual funds that are regulated by the SEC and rated AAA or equivalent (by at least one rating agency), invest only in the types of U.S. Government and agency obligations and repurchase agreements described in this section, maintain a dollar-weighted average stated maturity of 60 days or less, and seek to maintain a stable net asset value of \$1.00.
  - Minnesota joint powers investment trusts that invest only in securities listed in Minnesota

- Statutes, Sections 118A.04 and 118A.05.
- Short-term investment funds established under Regulation 9 of the Office of the Comptroller of the Currency that invest only in collateral listed in Minnesota Statutes, Sections 118A.04 and 118A.05.
- Guaranteed investment contracts issued or guaranteed by United States commercial banks or insurance companies, United States branches of foreign banks, or Canadian subsidiaries of any such institutions. The issuing institution's unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency.

### **Credit support of US Government and agency obligations**

Obligations of certain agencies and instrumentalities (such as Ginnie Mae) are supported by the full faith and credit of the US government. Others, such as obligations of Fannie Mae and Freddie Mac, are neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the United States. However, these agencies may receive some form of federal support. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. Such support may be limited and subject to specified conditions.

Some obligations have liquidity support, which is an arrangement under which the US Government or its agencies or instrumentalities agree to advance funds to the entity to the extent it has insufficient funds to honor its obligations. Liquidity support may be subject to certain conditions, including that the entity not be in bankruptcy.

Lastly, some obligations are supported only by the credit of the agency or instrumentality issuing the obligation.

The Investment Adviser is satisfied that all of these types of obligations are of high quality and meet its investment criteria.

*For further information on Portfolio securities, see the Information Statement Addendum (ISA).*

### **Management Policies**

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The Board of Trustees oversees the management of the Fund and formulates its investment policies.

The Investment Adviser may trade actively in seeking to maximize yields. Although this may result in high portfolio turnover, such turnover is not expected to have a material effect on Fund performance because the Fund's typical transactions carry small costs.

*For further information on management policies, see the Information Statement Addendum (ISA).*

## Main Risks

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There are several risk factors that could hurt the Fund's performance, cause you to lose money, or cause the Fund's performance to trail that of other investments.

**Interest rate risk** When short-term interest rates fall, the Fund's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected, the Fund's share price could fall.

During periods of unusually low interest rates, the Fund's yield may approach zero. Over time, the total return of the Fund may not keep pace with inflation.

**Credit risk** The issuer of a security owned by the Fund could fail to pay interest and principal in a timely manner. The credit quality of the Fund's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause the Fund's share price to fall.

For money market instruments that rely on third-party credit guarantors, the same risks may apply if the financial condition of the guarantor deteriorates or the guarantor ceases to insure money market instruments. To the extent that a guarantor insures other types of debt obligations, its financial condition could deteriorate as a result of events that have little or no connection to securities owned by the Fund.

For US government or agency securities not backed by the full faith and credit of the US government, there is no guarantee that the government will intervene in the event of any loss or default.

Any type of credit backing or guarantee applies only to the securities held by the Fund, not to shares of the Fund itself, and does not protect against any risk other than credit risk.

**Management risk** Fund performance could be hurt by investment decisions made by the Investment Adviser, such as choice of investments or timing of buy/sell decisions.

**Counterparty risk** A financial institution or other counterparty with whom the Fund does business (such as trading or entering into repurchase agreements), or that underwrites, distributes, or guarantees any investments or contracts that the Fund owns or is otherwise exposed to, may decline in financial health and become unable to honor its commitments. This could cause losses for the Fund or delay the return or delivery of collateral or other assets.

When the Fund invests in CDs issued by FDIC-insured institutions, FDIC insurance may not fully protect the Fund against the above risks.

**Financial industry risk** Any market price movements, regulatory or technological changes, or economic conditions affecting banks or other financial institutions will have a significant impact on the Fund's performance.

**Foreign investment risk** To the extent that the Fund invests in US securities of foreign issuers that are denominated in US dollars, it faces some of the risks of foreign investing, such as unfavorable political and legal developments, limited financial information, regulatory risk, and economic and financial instability.

**Additional cost level risk** To the extent that the Fund invests in mutual funds or other pooled investment vehicles rather than directly, the Fund's shareholders will effectively be paying two or more levels of costs, which could reduce yields.

**Liquidity risk** If the Fund faces an unusual volume of redemption orders, or if it is unable to sell Fund securities at the desired time or price, the Fund's share price could fall.

For further information on risks related to each Portfolio and additional programs of the Fund, please refer to the sections entitled *Portfolio Summaries (MAGIC Portfolio and MAGIC Term Portfolio)* and *Program Summary – Additional Programs*.

*An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment, it is possible to lose money by investing in the Fund.*

## Management of the Fund

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### Board of Trustees

The Board of Trustees has overall responsibility for the business and affairs of the Fund, including supervising the service providers listed below.

*For information on current Trustees, see the ISA.*

### Investment Adviser, Administrator, and Transfer Agent

PFM Asset Management LLC  
P.O. Box 11760  
Harrisburg, PA 17108-1760

PFM Asset Management LLC is registered under the Investment Advisers Act of 1940, as amended, and is under common ownership with Public Financial Management, Inc. (PFM), a financial advisory firm. Together, PFM Asset Management and PFM have acted as financial or investment advisers to thousands of cities,

townships, boroughs, counties, school districts, and authorities and health and higher education institutions in more than half of US states. For additional information on the Investment Adviser, visit [www.pfm.com](http://www.pfm.com).

As Investment Adviser, PFM Asset Management is responsible for supervising the Fund's investment program, managing the Fund's assets, implementing any training programs approved by the Trustees, and providing the Trustees with quarterly performance evaluations, and maintaining the books and records of the Fund.

PFM Asset Management also provides certain administrative services to the Fund, such as:

- Calculating the net asset value per share (NAV).
- Arranging for quarterly Board of Directors meetings.
- Overseeing the preparation of tax returns, reports to the Board, shareholder reports, and regulatory filings.
- Coordinating the activities of other service providers.

In addition, PFM Asset Management serves as transfer agent for the Fund. It receives, validates, and processes account applications and orders to buy and sell Fund shares.

**Distributor**

**PFM Fund Distributors, Inc.**  
213 Market Street  
Harrisburg, PA 17101-2141

PFM Fund Distributors, Inc., a wholly owned subsidiary of PFM Asset Management, offers shares of the Fund on a continuous basis. It is generally responsible for printing and distributing sales materials.

**Custodian**

**U.S. Bank, N.A.**  
800 Nicollet Mall  
Minneapolis, MN 55402

U.S. Bank holds the Fund's securities and other assets, such as cash received from Investors who are buying Fund shares.

**Independent Registered Public Accounting Firm**

**RSM US LLP**  
30 South 17<sup>th</sup> Street  
Suite 710  
Philadelphia, Pennsylvania 19103

RSM US LLP serves as the Fund's independent accountant and conducts the annual audit of the Fund's financial statements.

**Legal Counsel**

**Knutson, Flynn & Deans, P.A.**  
1155 Centre Pointe Drive  
Suite 10  
Mendota Heights, MN 55120

**Management and Administrative Costs**

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**Investment Adviser** The annual fee for PFM Asset Management's services as Investment Adviser is calculated as a percentage of average daily net assets:

<u>Fund assets</u>	<u>Fee</u>
First \$250 million	0.075%
Over \$250 million	0.05%

**Administrator** The annual fee for PFM Asset Management's services as Administrator, which includes marketing services provided by PFM Fund Distributors, is also calculated as a percentage of average daily net assets:

<u>Fund assets</u>	<u>Fee</u>
First \$250 million	0.17%
Over \$250 million	0.14%

*Both fees are accrued daily and payable monthly.*

The Investment Adviser also receives a fee for providing the CD Purchase Program and BAM Program, not to exceed 0.25% of daily net assets under management in each program.

For the fiscal year ended June 30, 2015, actual fees paid to the PFM Asset Management and PFM Fund Distributors, after voluntary fee waivers, were \$707,406 (0.18% of average daily net assets).

**Custodian** The Custodian receives a fee equal to 0.0033% of the Fund's average monthly value. This fee is computed and paid monthly. In addition, the Fund pays the custodian an administration charge of \$7200 per year, \$10.00 for each DTC or Fed book-entry transaction, and \$25.00 for each physical transaction

When applicable, the custodian is also paid an account overdraft fee (calculated daily and paid monthly) equal to the overdraft amount multiplied by the custodian's reference rate minus 1%, divided by 360.

**Sponsorship fee** The Sponsors are paid a fee for the services rendered as sponsor to the MAGIC Fund at an annual rate applied to the total average daily net assets of all Fund Investors invested in the MAGIC Portfolio. The rate paid to each Sponsor is as follows:

<u>Organization</u>	<u>Rate</u>
MACATFO	.005%
AMC	.005%

**Other expenses** The Fund is responsible for paying directly all costs that are not the responsibility of the service providers. Examples of direct Fund costs are those associated with:

- Legal and audit services.
- Brokerage commissions.
- Preparation and production of information statements and reports, and the printing and distributing of same to Investors.
- Interest, taxes, and other non-recurring or extraordinary expenses, including litigation.

The Fund also pays insurance premiums and out-of-pocket expenses incurred by the Fund's Trustees and officers in connection with their duties.

**Expense reductions** PFM Asset Management or U.S. Bank N.A. may voluntarily reduce or limit the expenses they charge to the Fund. However, they may discontinue any fee waivers at any time, and may also elect to have the foregone fees restored through later fee increases subject to certain terms and conditions.

*For information on the agreements with various service providers and their associated expenses, see the ISA.*

# Investing in the Fund

## Opening an Account

### Eligible Investors

Investors in the Fund must be Minnesota counties or county instrumentalities that have enacted a resolution to join and completed the necessary documentation. County "instrumentalities," as defined in the Joint Powers Act and the Fund's Declaration of Trust, include Regional Development Commissions or Regional Planning Agencies, as well as Metropolitan Agencies, Commissions or Districts. Counties and County instrumentalities may be collectively referred to as "Counties."

### MAGIC Portfolio Account Minimums

- Minimum initial investment: \$1.00
- No minimum balance.

### MAGIC Term Portfolio Account Minimums

- Minimum initial investment: \$100,000
- Minimum account balance: \$100,000

### Account Opening Process

To open an account in the MAGIC Fund you must complete the appropriate account forms. You can obtain account forms by calling the Investment Adviser at 800-731-7150 or visiting [www.magicfund.org](http://www.magicfund.org).

Once your documents have been found in good order, we will open your account and you will receive an account number within 24 hours. The Fund does not issue share certificates. Your account will be maintained on the books of the Investment Adviser acting as transfer agent.

Investors may open sub-accounts with the Fund for their accounting convenience or to meet fund segregation requirements.

### Business Days

The Fund is open Monday through Friday (each, a "Business Day"). A Business Day is any day that (1) both the Federal Reserve Bank of New York and the Fund's Custodian are open for business and (2) the primary trading markets for the Fund's portfolio instruments are open and the Fund's management believes there is an adequate market to meet purchase and redemption requests.

Additionally, the Fund is authorized not to open for trading on a day that is otherwise a Business Day if the Securities Industry and Financial Markets Association ("SIFMA") recommends that the primary trading markets close. The Fund may also close early on a Business Day if the SIFMA recommends that primary trading markets close early.

In light of anticipated limited availability for money market securities and fixed income settlement capacity limitations, Management has determined that the Fund will not be open for business on Good Friday even if the primary trading markets are open. Specifically, no Federal Reserve wire settlement will occur, purchases and redemptions will not be accepted and no settlement will occur for the Fund.

## Buying Shares – MAGIC Portfolio

Once your application has been accepted, you may invest in the MAGIC Portfolio using one of the methods in the table below. All investments must be in US dollars and must be drawn on a US bank or a US

Branch of a foreign bank. Fractional shares will be rounded to the nearest 1/100<sup>th</sup> of a share.

Settlement date	Instructions	Additional information
<b>Same day</b>	<ul style="list-style-type: none"> <li>• Initiate a transaction online or by calling 800-731-7150 <b>before 11:00 a.m. Central Time.</b></li> <li>• Provide the following information:               <ul style="list-style-type: none"> <li>- Investor's name and account number</li> <li>- Amount being wired or transferred</li> <li>- Name of bank sending wire</li> </ul> </li> <li>• Instruct your bank to initiate the wire <b>on the same day.</b> For wires, send to:               <ul style="list-style-type: none"> <li>Name of Bank [update]</li> <li>Account of the MAGIC</li> <li>Fund Account # [update]</li> <li>Reference: Investor's name</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Fund does not charge fees for receiving wires. However, the transmitting bank may charge for wiring funds. To avoid charges, use next day transfer below.</li> <li>• It is your responsibility as an Investor to insure that the Fund receives immediately available funds by close of on the settlement date. Otherwise, same day settlement cannot occur and you will be charged for the Custodian's overdraft fee.</li> </ul>
<b>Next Business Day</b>	<ul style="list-style-type: none"> <li>• Initiate an ACH transaction online or by calling the Investment Adviser at 800-731-7150 <b>before 5:00 p.m. Central Time.</b></li> <li>• Investors must register with the Fund for ACH transfers prior to initiating them. Call the Investment Adviser for details.</li> </ul>	<ul style="list-style-type: none"> <li>• Funds will transfer overnight and begin earning interest the next Business Day.</li> <li>• The Fund does not charge fees for ACH transfers, and transferring banks generally do not impose fees for ACH either.</li> </ul>
<b>By check</b>	<ul style="list-style-type: none"> <li>• Checks should indicate your account name and number and be payable to "MAGIC."</li> <li>• Send checks to:               <ul style="list-style-type: none"> <li>U.S. Bank N.A.</li> <li>Bank by Mail</li> <li>P.O. Box 1950</li> <li>St. Paul, MN 55101-0950</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Shares will be issued when the check is credited to the Fund's account in federal funds. This normally occurs on the next business day after the Custodian receives the check.</li> </ul>
<b>Online purchase</b>	<ul style="list-style-type: none"> <li>• Investors may also purchase shares using the above methods via EON, the Fund's internet- based information service.</li> <li>• Investors must have submitted an EON <a href="#">Online Account Access Authorization Form</a>, which may be obtained either by calling the Administrator at 800-731-7150 or by visiting <a href="http://www.magicfund.org">www.magicfund.org</a> and clicking on "Open an Account" or "Forms."</li> </ul>	

## Redeeming Shares – MAGIC Portfolio

You may withdraw all or any portion of the funds in your MAGIC Portfolio account at any time by redeeming shares. Shares will be redeemed at the net asset value per share next determined after receipt of a request for

withdrawal in proper form. This determination is made as of **11:00 a.m. Central Time** each Business Day. Funds may be withdrawn in any of the ways shown below.

Method	Instructions	Additional information
<b>Wire</b>	<ul style="list-style-type: none"> <li>• You may initiate an online transaction or call the Investment Adviser on any Business Day at 1-800-731-7150 to request a withdrawal.</li> </ul> <p>You may also redeem shares by sending a written request to:</p> <p>Minnesota Association of Governments Investing for Counties c/o PFM Asset Management LLC P.O. Box 11760 Harrisburg, PA 17108-1760</p> <p>Your request must include your account name, number and address and the amount of your redemption, and be signed by an authorized signatory.</p> <ul style="list-style-type: none"> <li>• For transactions initiated online or by telephone before 11:00 a.m. Central Time, funds will normally be wired on that same day to the bank account specified on your account forms. Requests received after 11:00 a.m. Central Time will be processed on the following Business Day.</li> </ul>	<ul style="list-style-type: none"> <li>• The Fund does not charge for a wire, but your depository may charge for receiving it. Changes to the specified bank account must be received in writing.</li> <li>• Telephone requests will be accepted only if you have provided written authorization for telephone redemption in your account application or elsewhere. The Fund may require additional verification before affecting a telephone redemption.</li> </ul>
<b>ACH</b>	<ul style="list-style-type: none"> <li>• ACH investors may initiate an online transaction or call the Investment Adviser before 11:00 a.m. Central Time and request the movement of funds to a specified bank account.</li> <li>• Funds will transfer overnight and be available at your financial institution at the beginning of the next Business Day.</li> <li>• Please contact the Investment Adviser at 800-731-7150 for the appropriate forms and for further details.</li> </ul>	<ul style="list-style-type: none"> <li>• This method normally provides access to funds earlier in the Business Day, and your bank charges, if any, are normally much lower than for a wire.</li> <li>• The Fund does not charge fees for ACH debits if procedures are properly followed.</li> </ul>
<b>Checks</b>	<ul style="list-style-type: none"> <li>• You may use checks to redeem Fund shares. We provide this service to facilitate compliance with the Federal arbitrage regulations. The Investment Adviser can provide you with details regarding checkwriting services, including fees.</li> <li>• When a check is presented to the Custodian for payment, we will redeem the appropriate number of full or fractional shares from your account to cover the amount of the check.</li> </ul>	<ul style="list-style-type: none"> <li>• If you do not have sufficient shares in the account to cover the check, we will return the check to the bank that presented it for payment and you will be charged a fee.</li> <li>• Funds will continue to earn income until the check clears.</li> <li>• If you use checks, you will receive images of checks paid with monthly statements.</li> </ul>

## Buying Shares — MAGIC Term

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Prior to placing any order, call us to discuss the amount and term of your investment and to get information on the projected yield. Each investment will be given its own projected yield. Yields may vary according to the term of

the investment and the rates available at the time of investment. Shares in MAGIC Term may be purchased by Same Day Wire or by requesting a transfer from a MAGIC Portfolio account.

Method	Instructions	Additional information
<b>Wire (same-day settlement)</b>	<ul style="list-style-type: none"> <li>● Investments in MAGIC Term may be made by having the Investor arrange for its bank to wire funds to the Custodian.</li> <li>● Initiate a transaction online or by calling 800-731-7150 before 11:00 a.m. Central Time.</li> <li>● Provide the following information:               <ul style="list-style-type: none"> <li>— Investor's account name and account number</li> <li>— Amount being wired</li> <li>— Whether the transfer is by Federal wire (preferred) or bank wire</li> <li>— Name of bank sending wire</li> <li>— Wire instructions can be obtained by contacting the Fund administrator 800-731-7150</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● The Fund does not charge fees for receiving wires. However, the sending bank may charge for wiring funds.</li> <li>● It is your responsibility as an Investor to ensure that your bank sends sufficient funds to cover your intended purchase.</li> <li>● A Federal Reserve wire is preferred since it permits the investment of funds immediately upon receipt.</li> </ul>
<b>Internal Transfer from MAGIC Portfolio account</b>	<ul style="list-style-type: none"> <li>● The Investor may move funds from a MAGIC Portfolio account to a MAGIC Term account by calling the Administrator at 800-731-7150.</li> <li>● Requests for transfer which are received by telephone <b>prior to 11:00 a.m. Central Time</b> provide same day credit of funds.</li> <li>● Transfers requested <b>after 11:00 a.m. Central Time</b> will be credited the next Business Day.</li> </ul>	

## Redeeming Shares — MAGIC Term

Funds may be withdrawn in any of the ways shown below:

Type of Redemption	Instructions	Additional information
<b>Maturity</b>	<ul style="list-style-type: none"> <li>No action required. Redemption value will be reinvested in MAGIC Portfolio shares at the maturity date of the MAGIC Term Series in which you are invested.</li> </ul>	<ul style="list-style-type: none"> <li>Redemption value per share will equal the purchase price plus dividends (at the projected yield) minus any losses incurred by the series (not counting those resulting from premature redemptions).</li> </ul>
<b>Planned Early Redemption</b> <i>Redemption prior to maturity date</i>	<ul style="list-style-type: none"> <li>At the time an order for shares is placed, Investors may submit a request for redemption on a Planned Early Redemption Date prior to the termination date for the series without the imposition of a penalty.</li> </ul>	<ul style="list-style-type: none"> <li>The redemption value per share for shares being redeemed on a Planned Early Redemption Date is equal to the original purchase price for such shares plus dividends thereon, less such share's allocation of any losses incurred by the series (other than losses resulting from Premature Redemption of shares of the series).</li> </ul>
<b>Premature Redemption</b> <i>Redemption prior to maturity date</i>	<ul style="list-style-type: none"> <li>An Investor may withdraw funds pursuant to a Premature Withdrawal request prior to the Termination Date for the series or prior to the Investor's Planned Early Withdrawal Date, as the case may be, by redeeming a minimum of 10,000 shares and multiples thereof.</li> <li>Send a letter to the Investment Adviser requesting redemption prior to maturity date. Alternatively, you can notify the Portfolio by calling MAGIC Term account representative at 800-731-7150 and following up with written confirmation of your instructions.</li> <li>7 days after we receive your request, redemption proceeds will be transferred to your MAGIC Portfolio account, unless you have instructed us to wire the funds to your pre-authorized bank account. In the absence of instructions from an Investor, these funds will be credited to a previously designated MAGIC Portfolio account of the Investor.</li> </ul>	<ul style="list-style-type: none"> <li>Premature redemption amounts must be for the entire investment or, for partial redemptions, must be in increments of \$10,000.</li> <li>Redemption value per share will equal the purchase price plus dividends earned to date minus any losses incurred by the series and any premature redemption penalty.</li> </ul>

## Policies Concerning Withdrawals

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**Suspending Withdrawals** The Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Federal Reserve Bank of New York is closed other than for customary weekend and holiday closings, or if the Board of Trustees determines that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

## General Policies

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### Services to Investors

The Fund offers certain additional account features at no extra charge, including:

**Statements** The Investment Adviser will provide written confirmation of investments and withdrawals on a daily statement. It will also provide monthly statements covering the previous month's transactions and showing dividends paid, if any, and the account balance as of the statement date. The statement will also indicate total year-to-date income earned. Account information is also available on the web at [www.magicfund.org](http://www.magicfund.org).

**Information Services** Toll-free telephone service, **1-800-731-7150**, is available to provide Investors with information including up-to-date account information and transaction history, and to receive instructions for the investment or withdrawal of funds.

**Website** Account information and information regarding the Fund and its programs along with current news concerning the Fund can be found at [www.magicfund.org](http://www.magicfund.org). A password and user identification are required to initiate a transaction or access account information. The system can be accessed through the MAGIC Fund web site by selecting "Account Access." A password and user identification can be received by contacting customer service at **1-800-731-7150**.

### Rights we reserve

The Fund reserves the right, acting through its appropriate entity, to do the following:

- add, change, or drop account minimums at any time without advance notice
- reject any investment or to limit the size of any Investor's account
- limit the frequency of purchases for any reason
- establish a minimum check amount or to terminate, suspend or alter check-writing privileges.

### Tax Information

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We suggest that you check with your tax advisor before investing in a Portfolio of the Fund or through any Program of the Fund.

### Use of Amortized Cost

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The Board of Trustees has determined, in consultation with the Investment Adviser, that it will manage the Fund's Liquid Portfolio in accordance with GASB 79 requirements, as applicable, for continued use of amortized cost.

### Financial Highlights

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The Fund's audited financial statements and financial highlights are included in the MAGIC Fund Annual Report. The Annual Report is available upon request.

## Part 2 – Information Statement Addendum

### THE MAGIC FUND

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The Minnesota Association of Governments Investing for Counties (herein, the "MAGIC Fund") is a joint powers entity in the form of a common law trust organized and existing under the laws of the State of Minnesota in accordance with the provisions of the Minnesota Joint Powers Act (Minnesota Statutes, Section 471.59, as amended) (the "Joint Powers Act"). The MAGIC Fund was established in the fall of 1990 by the adoption of a Declaration of Trust by the Initial Participants as that term is defined in the Declaration of Trust. The Declaration of Trust was amended by the participants on August 21, 1996.

The address of the MAGIC Fund is: The MAGIC Fund, c/o Association of Minnesota Counties, 125 Charles Ave., St. Paul, MN 55103.

The MAGIC Fund answers inquiries at any time during business hours from an Investor concerning the status of its account (number of shares, etc.) and the current yields available through the MAGIC Fund's investment programs. Such inquiries can be made to the MAGIC Fund's Investment Adviser, by calling toll-free, 1-800-731-7150, or by writing PFM Asset Management LLC, at P.O. Box 11760, Harrisburg, PA 17108-1760,. Confirmations and monthly statements are also available through EON (Easy Online Network), the MAGIC Fund's Internet-based information system. To access EON please visit the MAGIC Fund's website at [www.magicfund.org](http://www.magicfund.org) and click on the link "Account Access." If a MAGIC Fund Investor does not have an EON account, contact the Investment Adviser, at 1-800-731-7150.

INVESTMENTS IN THE MAGIC FUND INVOLVE CERTAIN RISKS WHICH SHOULD BE CONSIDERED BY EACH POTENTIAL INVESTOR BEFORE INVESTING. AN INVESTMENT IN THE FUND IS NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY. FOR FURTHER INFORMATION REGARDING CERTAIN RISKS ASSOCIATED WITH INVESTMENTS IN THE MAGIC FUND, SEE "CERTAIN RISKS OF INVESTMENT IN THE "MAGIC FUND" ON PAGES 26 TO 28.

### ELIGIBLE INVESTORS

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The Declaration of Trust allows Counties, as defined below, to open accounts and become Investors as described in this Information Statement. A County is defined in the Declaration of Trust as a County, or any "instrumentality" (as that term is defined in the Joint Powers Act or the Declaration of Trust) of a County. The definition of the term "instrumentality" or "County instrumentality" in the Declaration of Trust also includes all Regional Development Commissions or Regional Planning Agencies and any or all Metropolitan Agencies, Commissions or Districts. Counties and County instrumentalities are collectively referred to in the Declaration of Trust and in this Information Statement as "Counties." Counties which participate in the programs of the MAGIC Fund are referred to as "Participants" in the Declaration of Trust.

### INVESTMENT OBJECTIVES AND POLICIES

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**General Objective.** The general objective of the MAGIC Fund is to provide the Investors the highest possible investment yield while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Laws which govern the investment of funds by Counties. The MAGIC Fund seeks to attain its investment objectives by pursuing a professionally managed investment program consistent with the policies and restrictions described herein.

No assurance can be given that the MAGIC Fund will achieve its investment objectives or that any benefits described in this Information Statement will result from the placement of monies in the MAGIC Fund by a County that becomes an Investor. However, the Trustees and the Investment Advisor intend to make all reasonable efforts to attain the MAGIC Fund's investment objectives.

**Permitted Investments.** The MAGIC Fund is specifically designed for Minnesota Counties and County instrumentalities. Accordingly, its portfolio at all times consists solely of instruments in which Counties are permitted to invest funds pursuant to

Minnesota Law. Even if a particular instrument or security would otherwise be a Permitted Investment under Minnesota law, no instrument or security may be acquired by the MAGIC Fund unless it also meets the additional and more stringent criteria approved by the Trustees in consultation with the Investment Advisor. Unless noted otherwise, the following are authorized instruments for the Portfolios:

- (a) government bonds, notes, bills, mortgages (excluding certain high-risk mortgage-backed securities), and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an Act of Congress;
- (b) any security which is a general obligation of any state or local government with taxing powers which is rated A or better by a national bond rating service;
- (c) may not purchase any Permitted Investment if the effect of such purchase by the MAGIC Fund would be to make the average dollar-weighted maturity of the MAGIC Fund's investment portfolio greater than sixty (60) days and the dollar-weighted average life (portfolio maturity computed to final maturity without regard to interest rate adjustments on investments) greater than 120 days; provided, however, that if different Portfolios are established by the Trustees pursuant to the Declaration of Trust, the MAGIC Fund may not purchase any Permitted Investment if the effect of such purchase by the MAGIC Fund would be to make the average dollar-weighted maturity and dollar-weighted average life of any Portfolio greater than that which has been designated by the Trustees as the intended average dollar-weighted maturity or dollar-weighted average life of the Portfolio to which the purchase of the Permitted Investment relates.
- (d) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated A or better by a national bond rating agency;
- (e) bankers' acceptances of United States banks;
- (f) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and that matures in 270 days or less;
- (g) time deposits that are fully insured by the Federal Deposit Insurance Corporation; provided that any such deposit shall be insured, bonded, or collateralized in the manner required by Minnesota Law and that any such bank or thrift institution accepting the time deposit shall meet the criteria designated from time to time by the Trustees;
- (h) negotiable certificates of deposit or other evidences of deposit, issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state-licensed branch of a foreign bank with a remaining maturity of 397 days or less; provided that for maturities of one year or less, the debt obligations of the issuing institution or its parent are rated at the time of purchase in the top short-term rating category by at least two nationally recognized statistical ratings organizations and for maturities in excess of one year, the senior debt obligations of the issuing institution or its parent are rated at the time of purchase at least A or its equivalent by at least two nationally recognized statistical ratings organizations. Investments in these instruments shall not be subject to the collateralization requirements of section 118A.03.
- (i) certain general obligation temporary bonds;
- (j) Repurchase Agreements consisting of authorized collateral and reverse repurchase agreements that qualify under Minnesota Statutes, Section 118A.05 with (i) a financial institution qualified as a depository of public funds of a government entity; (ii) any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000; (iii) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or (iv) a securities broker-dealer licensed pursuant to Minnesota Statutes, Chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt;
- (k) securities lending agreements, including custody-agreements, with a financial institution that has its principal executive office in Minnesota and (i) is qualified as a depository of public funds of a government entity or (ii) is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000; provided that collateral for such transactions shall be limited to securities described in Minnesota Statutes, Sections 118A.04 and 118A.05.
- (l) agreements or contracts for shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes, Sections 118A.04 and 118A.05;
- (m) units of a short-term investment fund established and administered pursuant to Regulation 9 of the Office of the Comptroller

- of the Currency, in which investments are restricted to securities described in Minnesota Statutes, Sections 118A.04 and 118A.05;
- (n) shares of an investment company which is registered under the Federal Investment Company Act of 1940 and which holds itself out as a money market fund meeting the conditions of Rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization;
  - (o) agreements or contracts for shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months;
  - (p) agreements or contracts for guaranteed investment contracts if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries or the domestic affiliates of any of the foregoing and if the credit quality of the issuer's or guarantor's short- and long-term unsecured debt is rated in one of the two highest categories by a nationally recognized rating agency.
  - (q) any other investment instruments now or hereafter permitted by applicable law for the investment of the funds of Counties organized under the laws of the State of Minnesota. The investment instruments above are referred to in this Information Statement as "Permitted Investments."

**Investment Restrictions.** The Portfolios, unless otherwise noted, may buy and sell, and enter into agreements to buy and sell, Permitted Investments subject to the restrictions described below. These restrictions are considered to be fundamental to the operation and activities of the MAGIC Fund and may not be changed without the affirmative vote of a majority of the Investors.

The MAGIC Fund:

- (a) may not make any investment other than a Permitted Investment;
- (b) may not purchase any Permitted Investment which has a maturity date more than three (3) years from the date of the MAGIC Fund's purchase thereof; provided that the Trustees must approve by resolution or an applicable Certificate of Designation investment in any types or classes of Permitted Investments that would have maturity dates more than 397 days from the date of the MAGIC Fund's purchase thereof;
- (c) may not purchase any Permitted Investment if the effect of such purchase by the MAGIC Fund would be to make the average dollar weighted maturity of the MAGIC Portfolio greater than sixty (60) days; provided, however, that if different Portfolios are established by the Trustees pursuant to the Declaration of Trust, the MAGIC Fund may not purchase any Permitted Investment if the effect of such purchase by the MAGIC Fund would be to make the average dollar weighted maturity of any Portfolio greater than that which has been designated by the Trustees as the intended average dollar weighted maturity of the Portfolio to which the purchase of the Permitted Investment relates. In making a determination as to the average dollar weighted maturity of any Permitted Investment which is subject to an irrevocable agreement on the part of a Responsible Person to purchase such Permitted Investment from the MAGIC Fund within a specified time period, that Permitted Investment shall be deemed to mature on the day on which the MAGIC Fund is obligated to sell such Permitted Investment back to a Responsible Person or the day on which the MAGIC Fund may exercise its rights under such agreement to require the purchase of such Permitted Investment by a Responsible Person. (As used in this Information Statement, the phrase "Responsible Person" means a recognized securities firm designated as such from time to time by the Trustees acting with the advice and counsel of the Investment Advisor);
- (d) may not borrow money or incur indebtedness except to facilitate as a temporary measure: (i) withdrawal requests which might otherwise require unscheduled dispositions of portfolio investments; (ii) for a period not to exceed one (1) business day, withdrawal requests pending receipt of collected funds from investments sold on the date of the withdrawal requests or withdrawal requests from Investors who have notified the MAGIC Fund of their intention to deposit funds in their accounts on the date of the withdrawal requests; or (iii) for a period not to exceed one (1) business day, the purchase of Permitted Investments pending receipt of collected funds from Investors who have notified the MAGIC Fund of their intention to deposit funds in their accounts on the date of the purchase of the Permitted Investments;
- (e) may not make loans, provided that the MAGIC Fund may make Permitted Investments;
- (f) may not hold or provide for the custody of any MAGIC Fund Property in a manner not authorized by law or by an institution or person not authorized by law;

(g) except as permitted above under the heading "Permitted Investments," may not purchase securities or shares of investment companies or any entities similar to the MAGIC Fund; and

(h) may not pledge assets except to secure indebtedness permitted by clause (d) above; provided that in the case of indebtedness secured under clause (d) (ii) or (iii) above, it may pledge assets only to the extent of actual funds in the account of an Investor on whose behalf the indebtedness was incurred plus an amount equal to that amount which that Investor has notified the MAGIC Fund that it intends to deposit in its account on that date.

*The following restriction applies to the MAGIC Portfolio only.*

**Illiquid Securities.** Illiquid investments are securities that cannot be sold or disposed of in the ordinary course of business at approximately the value ascribed to it by the Fund. The Fund may not invest more than 5% of net assets in the following illiquid investments, measured in aggregate. Illiquid investments include:

- Restricted investments (those that, for legal reasons, cannot be freely sold).
- Fixed time deposits with a maturity of more than seven days that are subject to early withdrawal penalties.
- Any repurchase agreement maturing in more than seven days and not terminable at approximately the carrying value in the Fund before that time.
- Other investments that are not readily marketable at approximately the carrying value in the Fund.

If the 5% limitation on investing in illiquid securities is adhered to at the time of investment, but later increases beyond 5% resulting from a change in the values of the Fund's portfolio securities or total assets, the Fund shall then bring the percentage of illiquid investments back into conformity as soon as practicably possible. The Fund believes that these liquidity requirements are reasonable and appropriate to assure that the securities in which the Fund invests are sufficiently liquid to meet reasonably foreseeable redemptions of shares.

## **TRUSTEES AND OFFICERS**

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**Powers and Duties.** The Trustees have full, exclusive and absolute control and authority over the business and affairs of the MAGIC Fund and its assets, subject to the rights of the Investors as provided in the Declaration of Trust. The Trustees may perform such acts as in their sole judgment and discretion are necessary and proper for conducting the business and affairs of the MAGIC Fund or promoting the interests of the MAGIC Fund or its Investors. The Trustees oversee, review, and supervise the activities of all consultants and professional advisers to the MAGIC Fund.

**Number and Qualifications.** Subject to the power of the Investors to amend the Declaration of Trust, the Board of Trustees shall consist of nine (9) voting directors and two (2) ex-officio, non-voting directors, chosen in the following manner:

(a) Minnesota Association of County Auditors, Treasurers, and Financial Officers (MACATFO), upon recommendation of the MACATFO Executive Committee, initially appointed two treasurers to one-year terms and two treasurers to two-year terms. All subsequent treasurers appointed as directors by said President serve two-year terms.

(b) the President of the Association of Minnesota Counties (AMC), upon recommendation by the AMC Board of Directors, initially appointed two commissioners to one-year terms and two commissioners to two-year terms. All subsequent commissioners appointed as directors by said President serve two-year terms.

(c) these eight appointed members appoint a ninth director to a two-year term upon recommendation by the Minnesota Governmental Finance Officers' Association (MGFOA).

(d) the Executive Director of the AMC serves as an ex-officio, non-voting member of the Board, and Secretary to the Board. The Executive Director of the AMC may appoint a specific person to carry out his or her duties as an ex-officio member and as Secretary to the Board. The appointment shall be in writing and shall be entered in the files of the MAGIC Fund.

(e) the President of the MACATFO serves as an ex-officio, non-voting member of the Board. The President of the MACATFO may appoint a specific person to carry out his or her duties as an ex-officio member. The appointment shall be in writing and shall be entered in the files of the MAGIC Fund.

(f) by-laws adopted by the Trustees govern the operation and make-up of the Trustees and Officers of the MAGIC Fund.

**Compensation.** The Trustees serve without compensation, but they are reimbursed by the MAGIC Fund for reasonable travel and other out-of-pocket expenses incurred in connection with their duties as Trustees. The Trustees are not required to devote their entire time to the affairs of the MAGIC Fund.

**Officers.** The officers of the MAGIC Fund shall be the same as the officers of the Board of Trustees. The Executive Director of the AMC or the person appointed by the Executive Director shall act as Secretary of the MAGIC Fund and will be an ex-officio, non-voting member of the Board of Trustees. The Trustees may elect or appoint such other officers or agents who shall have such powers, duties, and responsibilities as the Trustees may deem to be advisable and appropriate.

**Duties; Appointment of Advisers.** The Trustees are responsible for the general investment policies and program of the MAGIC Fund and for the general supervision and administration of the business and affairs of the MAGIC Fund. However, the Trustees are not required personally to conduct all of the business of the MAGIC Fund and, consistent with their ultimate responsibility, the Trustees have appointed an Investment Adviser, an Administrator, a Marketing Agent, a Custodian, an Independent Accountant and Legal Counsel. The Trustees are authorized to assign such duties to the Investment Adviser, the Administrator, the Marketing Agent and the Custodian as they deem to be appropriate.

## THE INVESTMENT ADVISER

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**Investment Adviser; Agreement.** PFM Asset Management LLC (“PFMAM”), a registered investment adviser has been appointed by the Trustees to act as the MAGIC Fund's Investment Adviser, to provide investment advice and, in general, to implement and carry out the investment program of the MAGIC Fund. The MAGIC Fund's agreement with the Investment Adviser remains in effect until December 31, 2017, and until a successor agreement is approved. The agreement is not assignable, without written consent, and may be terminated without penalty on sixty (60) days written notice at the option of the Trustees or the Investment Adviser.

**Duties.** The Investment Adviser continuously supervises the investment program of the MAGIC Fund, subject to the supervision of the Board of Trustees; determines what investment instruments shall be purchased or sold in the MAGIC Fund Portfolios; arranges for the purchase and sale of investment instruments held by the MAGIC Fund; assists in arranging seminars and presentations to implement training programs approved by the Trustees; provides the Trustees at least quarterly with a detailed evaluation of the performance of the MAGIC Fund; coordinates the activities of those providing professional services to the Fund. In performing its duties, the Investment Adviser must act in conformity with the Declaration of Trust, the By-laws, the Information Statement of the MAGIC Fund and with the instructions and directions of the Trustees. The Investment Adviser must conform to and comply with all applicable Federal and State laws, rules and regulations.

## THE ADMINISTRATOR

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**Administrator; Agreement.** The Trustees have appointed PFMAM, as the Administrator of the MAGIC Fund. PFMAM is a Delaware limited liability company. The agreement pursuant to which PFMAM has been retained by the Trustees to serve as Administrator remains in effect until December 31, 2017, and until a successor agreement is approved. The agreement is not assignable, without written consent, and may be terminated without penalty on sixty (60) days written notice at the option of the Trustees or the Administrator.

**Administrative Duties.** The Administrator, subject to the supervision of the Board of Trustees, assists in supervising all aspects of the MAGIC Fund's operations (other than those operations to be managed by the Investment Adviser or the Custodian); coordinates operations activities with those of the Custodian; services all Investor accounts in the MAGIC Fund, including the processing of applications and registrations for membership in the MAGIC Fund and account inquiries; determines the per share net asset value of each Investor's account on a daily basis; provides written confirmation of each investment and withdrawal of funds by Investors; furnishes the Board of Trustees with a monthly statement of its account in the MAGIC Fund and a quarterly copy of the MAGIC Fund's financial statements for the fiscal quarter most recently ended; prepares and provides to the Investment Adviser unaudited financial statements on a monthly basis; arranges for the preparation of all required MAGIC Fund tax returns; periodically updates the MAGIC Fund Information Statement; arranges for the quarterly Trustee meetings, including the preparation and distribution of meeting materials; facilitates the preparation of the annual financial statements and related audit of the MAGIC Fund by the Fund's independent accountants; and administers the marketing of the MAGIC Fund subject to the supervision of the Trustees..

**Marketing Related Duties.** In addition to the above-described administrative duties, PFMAM through its wholly owned subsidiary PFM Fund Distributors, Inc. has agreed to perform the following marketing duties; employ, train, monitor and license a marketing team, attend various conferences on behalf of the MAGIC Fund; develop advertisements and other sales materials; attend seminars hosted by the MAGIC Fund; advise the Trustees regarding methods of seeking and obtaining additional MAGIC Fund Investors; and report to the Trustees the status and progress of marketing activities and strategies.

**Additional Program Duties.**

In addition to the duties described above, PFMAM may develop and provide a CD Purchase Program to assist MAGIC Fund Investors in purchasing fixed income investments. Investments offered through the CD Purchase Program are limited to investment instruments defined as Permitted Investments in the Declaration of Trust. Neither the Investment Adviser nor the MAGIC Fund has any liability for any services provided pursuant to this program and PFMAM has agreed to assume responsibility for and to reimburse the Investment Adviser and/or the MAGIC Fund for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Investment Adviser or the MAGIC Fund or their respective officers, directors or agents that in any way arise out of a claim, suit or proceeding based in whole or in part on the provision of the CD Purchase Program.

PFMAM may also develop and make available to MAGIC Fund Investors a bond proceeds reinvestment program. PFMAM may provide arbitrage calculation services directly or enter into subcontracts with arbitrage service calculation providers to provide services as a part of that program. Any MAGIC Fund Investor provided such arbitrage calculation services must have a separate contract with the arbitrage calculation service provider.

In performing its duties, PFMAM must act in conformity with the Declaration of Trust, the By-laws, the Information Statement of the MAGIC Fund and with the instructions and directions of the Trustees. PFMAM must conform to and comply with all applicable Federal and State laws, rules and regulations.

## THE CUSTODIAN, LEGAL COUNSEL, INDEPENDENT ACCOUNTANTS AND CONSULTANT

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### THE CUSTODIAN

**Custodian; Agreement.** U.S. Bank National Association of Minneapolis, Minnesota, serves as Custodian for the MAGIC Fund pursuant to a Custodian Agreement. The MAGIC Fund's agreement with the Custodian remains in effect until December 31, 2017, and until a successor agreement is approved. The agreement is not assignable and may be terminated without penalty on sixty (60) days' written notice at the option of the Trustees or the Custodian.

**Duties.** The Custodian acts as a safekeeping agent for the MAGIC Fund's investment portfolios and serves as the depository in connection with the direct investment and withdrawal mechanisms of the MAGIC Fund. The Custodian does not participate in the MAGIC Fund's investment decision-making process. The MAGIC Fund may invest in obligations of the Custodian and buy and sell Permitted Investments from and to it.

### LEGAL COUNSEL, INDEPENDENT ACCOUNTANTS AND CONSULTANT

**Legal Counsel.** Knutson, Flynn & Deans, Professional Association of Mendota Heights, Minnesota serves as legal counsel to the MAGIC Fund.

**Independent Accountants.** RSM US LLP serves as the MAGIC Fund's independent accountants and conducts the annual audit of the MAGIC Fund.

## CERTAIN RISKS OF INVESTMENT IN THE MAGIC FUND

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There are risks associated with investment in the MAGIC Fund which should be considered carefully by Investors and potential Investors in light of their particular circumstances as they may exist from time to time. The MAGIC Fund may not be an appropriate investment in certain situations for some Investors and potential Investors. Although the MAGIC Fund has been designed and is operated with the goal of minimizing risk, Investors and potential Investors should carefully consider the factors described in this section in light of their particular circumstances. The risks specified in this section may also be applicable to certain investments in the CD Purchase Program.

**Income, Market and Credit Risk.** Investments in the MAGIC Fund are subject to income, market and credit risk. Income risk is the potential for a decline in current income of the investment portfolio of the MAGIC Fund. The MAGIC Fund's current income is based on relatively short-term interest rates, which can fluctuate substantially over short periods. Accordingly, investments in the MAGIC Fund are subject to current income volatility. Market risk is the potential for a decline in the market value of fixed-income securities held in the investment portfolio of the MAGIC Fund as a result of a rise in prevailing interest rates. This could result in the incurrence of a loss with respect to a security in the event that such a security were to be sold for a market price less than its amortized value. Credit risk is the possibility that an issuer of securities held in the investment portfolio of the MAGIC Fund fails to make timely payments of principal or interest. The credit risk of the MAGIC Fund is a function of the credit quality of its underlying securities. A discussion of the credit risks associated with certain Permitted Investments is set forth below.

**Repurchase Agreements.** The MAGIC Fund may invest in Permitted Investments which may include repurchase agreements. In a repurchase agreement, an investment is sold to the MAGIC Fund at which time, the seller agrees to repurchase the investment from the MAGIC Fund at a specified time and at an agreed upon price. The sale price and the repurchase price are the same. The yield on the repurchase agreement is determined at the time of sale. This yield may be more or less than the interest rate on the underlying collateral.

Although the MAGIC Fund enters into such repurchase agreement arrangements only with recognized and established securities firms designated as Responsible Persons from time to time by the Trustees acting with the advice and counsel of the Investment Advisor, there can be no assurance that such a Responsible Person will pay the agreed upon repurchase amount on the designated date. In the event that such a Responsible Person fails to pay the agreed upon price at the specified time, the MAGIC Fund might suffer a loss resulting from (i) diminution of the value of the underlying Permitted Investment to an amount below the amount of the anticipated repurchase price, (ii) the costs associated with the resale of the investment, and (iii) a delay experienced in foreclosing upon and selling the investment.

Although at the time the MAGIC Fund enters into a repurchase agreement the underlying collateral has a market value which is equal to 102% of the price paid by the MAGIC Fund and equal to or greater than the anticipated repurchase price, there can be no assurance that such market value will continue to equal or exceed the repurchase price. In the event the market value of the underlying collateral falls below the agreed upon repurchase price, the Responsible Person with which the MAGIC Fund has entered into the repurchase agreement will be required to deliver additional collateral to the MAGIC Fund.

There can be no assurance that such deliveries of additional collateral will be made in all circumstances. In the event that such a delivery is not made and the Responsible Person does not pay the repurchase price on the specified date, the amount of the MAGIC Fund's loss will be increased as a consequence of such failure of delivery because the value of the underlying collateral will be less than the amount originally paid by the MAGIC Fund.

**Obligations of United States Government Agencies and Instrumentalities.** Investors should be aware that not all obligations issued by agencies and instrumentalities of the United States Government are the subject of a guarantee of the full faith and credit of the United States Government. The obligations of some agencies and instrumentalities of the United States Government that may be purchased by the MAGIC Fund from time to time are obligations only of the applicable agency or instrumentality and are not full faith and credit obligations of the United States. The creditworthiness of such obligations relates only to the credit of the issuing agency or instrumentality. No assurance can be given that the agency or instrumentality will under all circumstances be able to obtain funds from the United States Government or other sources to support all of its obligations.

**FDIC Insured Certificates of Deposit.** Some of the assets of the MAGIC Fund may be invested in certificates of deposit issued by depository institutions which are insured by the Federal Deposit Insurance Corporation (the "FDIC"). FDIC insurance is backed by the full faith and credit of the United States government. Although the Investment Adviser uses the investment criteria established by the Trustees in order to reduce risk when determining which institutions will be used for such investments, no assurance can be given that such an institution will not become insolvent during the life of an investment in it. Accordingly, the MAGIC Fund will invest in FDIC insured institutions only on a fully collateralized basis in accordance with Minnesota Law or in amounts that will result in full insurance in accordance with the regulations of the FDIC as interpreted by the FDIC from time to time. Under these regulations Investors' deposits in each insured institution are insured up to applicable FDIC insurance limits and other limitations in effect at the time of purchase in the aggregate, regardless of whether the deposits are made through the MAGIC Fund's CD Purchase Program or directly by an Investor.

In the event that an institution issuing a certificate of deposit in which the MAGIC Fund has invested becomes insolvent, or in the

event of any other default with respect to such a certificate of deposit, an insurance claim will be filed with the FDIC by the MAGIC Fund, if appropriate. In such a case, there may be delays before the FDIC, or other financial institution to which the FDIC has arranged for the deposit to be transferred, makes the relevant payments. Such delays may be occasioned by requirements relating to the filing and processing of insurance claims, including requests for additional information by the FDIC. Furthermore, if the defaulted deposit is transferred to another institution, the transferee institution may, instead of paying the insured amount, elect to keep the deposit in existence with or without changing its original terms. Such changes of terms may include a reduction of the original interest rate paid on the deposit.

The amount insured by the FDIC is the principal of the relevant deposit and the interest accrued on the deposit to the date of default, up to applicable FDIC insurance limits and other limitations in effect at the time of purchase in the aggregate. There is no insurance with respect to interest on a deposit between the date of the default and the date of the payment of insurance by the FDIC. Accordingly, a default by an institution might result in a delay in the receipt of invested principal and pre-default accrued interest by an affected Investor and a loss of interest related to the period between the date of the default and the payment of the insurance.

In addition, the FDIC is free to deny any claim that it does not deem to be valid. Any such denial might have to be challenged in judicial or administrative proceedings brought by the MAGIC Fund and any affected Investor. Furthermore, there can be no assurance that the FDIC will have sufficient assets to pay any or all insurance claims resulting from the insolvency of any institution. In the event that funds are not made available to it by the United States or other sources, Investors could experience a loss due to a full or partial non-payment of insurance claims by the FDIC.

**Collateralized Certificates of Deposit.** From time to time, the MAGIC Fund may invest in collateralized certificates of deposit as permitted by law. In the event of a default on such a certificate of deposit, it may be necessary to foreclose on the collateral. Such foreclosure will entail certain risks for the Investors participating in the MAGIC Fund. These risks include losses resulting from a diminution in the value of the collateral before it can be sold, procedural delays relating to the foreclosure, costs of foreclosure and a failure to realize an amount in the foreclosure equal to the principal of and interest on the defaulted certificate of deposit.

**Payments after Maturity Date.** In the event that monies are received with respect to a fixed income investment as a result of a deposit insurance claim, foreclosure of collateral or for any other reason after the maturity date of such fixed income investment, the amounts of such payments will not be distributed to the Investors participating in such fixed income investment until after the maturity date of such fixed income investment. Accordingly, care should be exercised by Investors in determining whether or not investment in a particular fixed term investment is appropriate if all of the monies that would be invested by the Investor in such investment is required by it in full and without delay on the maturity date of the fixed income investment.

**Commercial Paper.** The MAGIC Fund may purchase commercial paper which qualifies as a Permitted Investment. Commercial paper is a debt instrument that is issued by a company and is secured only by the assets, if any, of that company. The creditworthiness of such obligations relates only to the creditworthiness of the issuing company. Although the Investment Advisor uses the criteria established by the Trustees when determining which companies' commercial paper will be purchased, no assurance can be given that such companies will not become insolvent during the life of an investment in it. In the event of such an insolvency or in the event of any other default with respect to such commercial paper, a claim will be filed by the MAGIC

Fund against the company, if appropriate. However, there is no assurance that the MAGIC Fund will receive any recovery as a result of filing a claim.

**Bankers' Acceptances.** Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligations both of the bank and of the drawer to pay the face amount of the instrument upon maturity. They are not FDIC Insurance, but rather their creditworthiness relates only to the creditworthiness of the issuing bank.

## EXPENSES OF THE MAGIC FUND

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**Investment Adviser Fee.** Under its agreement with the MAGIC Fund, the Investment Adviser is paid a fee for its services as Investment Adviser for the MAGIC Fund at an annual rate equal to (a) 0.075% of the MAGIC Fund's average daily net assets up to \$250,000,000; and (b) 0.05% of the MAGIC Fund's average daily net assets in excess of \$250,000,000. This fee is computed daily and paid monthly.

**Administrator Fee.** Under its agreement with the MAGIC Fund, the Administrator is paid a fee for its services as Administrator for the MAGIC Fund at an annual rate equal to (a) 0.17% of the MAGIC Fund's average daily net assets up to \$250,000,000; and (b) 0.14% of the MAGIC Fund's average daily net assets in excess of \$250,000,000. This fee is computed daily and paid monthly. This fee includes compensation to PFMAM and its subsidiary for marketing services.

**CD Purchase Program Fee.** Under its agreement with the MAGIC Fund, the Administrator is paid a fee for its services in developing and providing a CD Purchase Program, including a bond proceeds reinvestment program, in an amount not to exceed 0.25% of the daily net assets under management in that program.

**Custodian Fee; Cash Management Service Fee.** Under its agreement with the MAGIC Fund, the Custodian is paid an annual administration charge of \$7200. It is also paid a fee for its services as custodian of the MAGIC Fund at an average annual rate equal to 0.00333% of the MAGIC Fund's average monthly market value. The market value of the MAGIC Fund is computed as of each month end. The Custodian fee is computed and paid monthly. The Custodian is also paid a transaction charge of \$10.00 for each DTC or Fed book entry trade transaction and \$25.00 for each physical trade transaction.

The Custodian is also paid a fee for its cash management services based on the per item charges and demand deposit credits and charges specified in the schedule of compensation for cash management services included in its agreement with the MAGIC Fund.

**Custodian Fee; Account Overdrafts.** The Custodian is also paid a fee for account overdrafts equal to the overdraft amount multiplied by the U.S. Bank's current overdraft rate, divided by 360. Fees are calculated daily and paid monthly.

PFM Asset Management LLC and U.S. Bank National Association (each a "Service Provider") may, but shall not be obligated to, reduce a portion of its fees to assist the Fund in an attempt to maintain a positive yield. In the event that a Service Provider elects to initiate a fee reduction, such fee reduction shall be applicable to the computation of the net asset value ("NAV") of the Fund on the business day immediately following the date on which the Service Provider gives notice to the Fund on the rate of the fee reduction to be applied in calculating the NAV. A fee reduction shall remain in effect until notice is provided to the Fund by the Service Provider regarding its intent to terminate its fee reduction or revise, upward or downward, the rate of its fee reduction.

At any time after a fee reduction has been terminated, the relevant Service Provider may elect to have the amount of its accumulated reduced fees restored in whole or in part under the conditions described in the Service Provider's Fee Reduction Agreement with the Fund by way of a payment of fees in excess of the rate it was entitled to, prior to any fee reduction, all as set forth in the respective Fee Reduction Agreement.

### Sponsorship Fee.

The Sponsors are paid a fee for the services rendered as sponsor to the MAGIC Fund at an annual rate applied to the total average daily net assets of all Fund Investors invested in the MAGIC Portfolio. The rate paid to each Sponsor is as follows:

<u>Organization</u>	<u>Rate</u>
MACATFO	.005%
AMC	.005%

## INFORMATION SPECIFIC TO THE MAGIC PORTFOLIO

### DAILY INCOME ALLOCATIONS

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All net income of the MAGIC Portfolio is determined as of the close of each business day (and at such other times as set forth in the Custodian or Investment Advisory, Administration and Marketing Agreements or as the Trustees may determine) and is credited immediately thereafter pro rata to each Investor's account. Net income, which has thus accrued to the Investors is converted as of the close of business of each calendar month into additional shares of beneficial interest which thereafter are held in each Investor's MAGIC Portfolio account. Such net income is converted into full and fractional shares of beneficial interest at the rate of one share for each one dollar (\$1.00) credited. Although daily income accruals are not automatically transmitted in cash, Investors may obtain cash by withdrawing shares at their net asset value without charge.

Net income for each income period consists of (i) all accrued interest income on MAGIC Portfolio assets, (ii) plus or minus all realized gains or losses on MAGIC Portfolio assets and any amortized purchase discount or premium, and (iii) less the MAGIC Portfolio's accrued and paid expenses (including accrued expenses and fees payable to the Investment Adviser, the Administrator and the Custodian) applicable to that income period.

Since net income of the MAGIC Portfolio (including realized gains and losses on the MAGIC Fund's assets, if any) is allocated among the Investors each time net income is determined, the net asset value per share of beneficial interest ordinarily remains at one dollar (\$1.00) per share. The MAGIC Portfolio expects to have net income each day. If for any reason there is a net loss on any day, the MAGIC Portfolio will reduce the number of its outstanding shares by having each Investor contribute to the MAGIC Portfolio its pro rata portion of the total number of shares required to be cancelled in order to maintain the net asset value per share of the MAGIC Portfolio at a constant value of one dollar (\$1.00). Each Investor will be deemed to have agreed to such a contribution in these circumstances by its adoption of the Declaration of Trust and its investment of monies in the MAGIC Portfolio.

### COMPUTATION OF YIELD

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Current yield information for the MAGIC Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the MAGIC Fund. The current yield, which is also known as the current annualized yield or the current seven-day yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally valued at \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7.

The MAGIC Portfolio may also quote a current effective yield from time to time. The current effective yield represents the current yield compounded to assume reinvestment of dividends. The current effective yield is computed by determining the net change in account value over a seven-day base period (exclusive of capital changes and income other than investment income), over a seven day period in the value of a hypothetical account with a balance of one share at the beginning of the period, dividing the difference by the value of the account at the beginning of the period to obtain the base period return, then compounding the base period return by adding 1, raising the sum to a power equal to 365/ divided by 7, and subtracting 1 from the result. The current effective yield will normally be slightly higher than the current yield because of the compounding effect of the assumed reinvestment.

The MAGIC Portfolio also may publish a "monthly distribution yield" on each Investor's month-end account statement. The monthly distribution yield represents the net change in the value of a hypothetical account with a balance of one share (normally valued at \$1.00 per share) resulting from all dividends declared during a month by the MAGIC Portfolio expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

At the request of the Trustees or Investors, the MAGIC Portfolio may also quote the current yield from time to time on bases other than seven days for the information of its Investors.

The yields quoted by the MAGIC Portfolio or any of its representatives should not be considered a representation of future yield, since the yield is not fixed. Actual yields will depend on the type, quality, yield and maturities of securities held by the MAGIC Portfolio, changes in interest rates, market conditions and other factors.

## **DETERMINATION OF NET ASSET VALUE**

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The net asset value per share of the MAGIC Portfolio for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator as of the close of business of each Minnesota banking day or at such other time or times as set forth in the Investment Advisory, Administration and Marketing or Custodian Agreements or as the Trustees by resolution may determine. Such determination is made by subtracting from the value of the assets of the MAGIC Portfolio the amount of its liabilities and dividing the remainder by the number of outstanding shares of the MAGIC Portfolio.

In making these computations, the Administrator values the MAGIC Portfolio's investments by using the amortized cost method. The amortized cost method of valuation involves valuing an investment instrument at its cost at the time of purchase and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the MAGIC Portfolio would receive if it sold the instrument. During such periods, the yield to Investors may differ somewhat from that which would be obtained if the MAGIC Portfolio used the market value method for valuing all its portfolio investments. For example, if the use of amortized cost resulted in a lower (higher) aggregate portfolio value on a particular day, a prospective Investor of the MAGIC Portfolio would be able to obtain a somewhat higher (lower) yield than would result if the MAGIC Portfolio used the market value method, and existing Investors would receive less (more) investment income. The purpose of this method of calculation is to attempt to maintain a constant net asset value per share of one dollar (\$1.00).

The Trustees have adopted certain procedures with respect to the MAGIC Fund's use of the amortized cost method to value the MAGIC Portfolio. These procedures are designed and intended (taking into account market conditions and the MAGIC Portfolio's investment objectives) to stabilize net asset value per share as computed for the purpose of investment and redemption at one dollar (\$1.00) per share. The procedures include a weekly valuation of the MAGIC Portfolio by the Administrator and the Custodian using the market value method and a periodic review by the Trustees, in such manner as they deem appropriate and at such intervals as are reasonable in light of current market conditions, of the relationship between net asset value per share based upon the amortized cost value of the MAGIC Portfolio's investments and the net asset value per share based upon available indications of market value with respect to such portfolio investments. In the event that there is a difference of more than 0.5% between the amortized cost value and the market value, it is anticipated that the Trustees will take such steps as they consider appropriate (such as shortening the average portfolio maturity or realizing gains or losses) to minimize any material dilution or other unfair results which might arise from differences between the two methods of valuation.

## **INFORMATION SPECIFIC TO THE MAGIC TERM PORTFOLIO**

### **DAILY INCOME ALLOCATION**

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Dividends on shares of each MAGIC Term Series are declared and paid on the Termination Date of each series, except for dividends on shares redeemed pursuant to a Planned Early Withdrawal or a Premature Withdrawal before the Termination Date of such series, which will be declared and paid when such shares are redeemed. Dividends will be paid from net income, which will consist of interest earned, plus any discount ratably amortized to the date of maturity, plus all realized gains and losses on the sale of securities prior to maturity, less ratably amortization of any premium and all accrued expenses of that series.

Dividends on shares which are declared and paid on a Planned Early Withdrawal Date are equal to the projected yield for such shares to the Planned Early Withdrawal Date, less any losses affecting projected yield attributable to such shares. Dividends on shares declared and paid on a Premature Withdrawal Date are equal to the projected yield for such shares to the Premature Withdrawal Date, less any losses affecting projected yield attributable to such shares. Dividends on shares declared and paid on a Termination Date for

a series are equal to the projected yield for such shares to the Termination Date, less any losses affecting projected yield attributable to such shares, plus an additional dividend, if any, equal to any excess net income of the series attributable to such shares. Any excess net income of a series on the Termination Date of the series will be allocated on a pro rata basis to all shares then outstanding. Dividends are deposited into an Investor's MAGIC Portfolio account unless a separate wire transfer has been pre-authorized.

**Distribution of Securities in Lieu of Cash.** Investment securities may be distributed to the Investors in any series in lieu of cash whenever the Trustees determine that such distributions would be in the best interest of the Investors in the series.

## **COMPUTATION OF YIELD**

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The yield quoted for any investment in a series of MAGIC Term is determined by dividing the expected net income per share for the period from the settlement date to the Termination Date by the purchase price per share, dividing this result by the actual number of days between the settlement date and the Termination Date, and multiplying the result by 365.

The yields quoted by the Fund or any of its representatives should not be considered a representation of the yield of the MAGIC Portfolio or any MAGIC Term Series in the future, since the yield is not fixed. Actual yields will depend on the type, quality, yield and maturities of securities held by the series, changes in interest rates, market conditions and other factors.

## **DETERMINATION OF NET ASSET VALUE**

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The withdrawal value per share for any series of MAGIC Term will be determined as of the close of business on any day when a withdrawal is made. The withdrawal value per share on the Termination Date of a series of MAGIC Term is equal to the original purchase price for such share, plus dividends thereon, at the projected yield less such share's allocation of any losses incurred by the series (other than losses resulting from Premature Withdrawals of shares of the series). The withdrawal value per share for shares being redeemed on a Planned Early Withdrawal Date is equal to the original purchase price for such share, plus dividends thereon, at the projected yield less such share's allocation of any losses incurred by the series (other than losses resulting from Premature Withdrawals of shares of the series). The withdrawal value per share for shares being redeemed on a Premature Withdrawal Date is equal to the original price for such share, plus dividends thereon, at the projected yield less such share's allocation of any losses incurred by the series, less a Premature Withdrawal penalty, if any.

Each series of MAGIC Term provides for a fixed-rate investment by Investors, but the market value of the underlying assets will, prior to their maturity, tend to fluctuate inversely with the direction of interest rates. It is the intent of the MAGIC Fund to manage each series of MAGIC Term in a manner that produces a share price of at least \$1.00 on the Termination Date and on each Planned Early Withdrawal Date for the Investor that redeems on said date. However, there can be no guarantee that this objective will be achieved.

The Investment Adviser, on behalf of the Fund, determines the net asset value of the shares of each series of MAGIC Term at the close of each business day for purpose of computing fees. The net asset value per share for each series of MAGIC Term is calculated by dividing the total value of investments and other assets less any liabilities by the total outstanding shares of a series of MAGIC Term as of the day the calculation is made.

## **ALLOCATION OF LOSSES**

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Any losses incurred by a series (other than losses resulting from Premature Redemptions of shares of the series) may be allocated among all shares of the series outstanding at the time such loss is incurred. Such a loss may result from a default on an investment or from a sale of an investment. If such a loss occurs, the redemption value per share could be lower than that on which the projected yield was quoted at the time of issuance of the share.

## CALCULATING SHARE PRICE

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The redemption value per share for any series of the MAGIC Term Portfolio will be determined on any day when redemption is made and on termination of the series. It is the intent of the Fund to manage each series in the MAGIC Term Portfolio in a manner that produces a share price of at least \$1.00 on the termination date.

The Investment Adviser, on behalf of the Fund, determines the net asset value of the shares of each series of the MAGIC Term Portfolio at the close of each Business Day for the purpose of computing fees. The net asset value per share for each series of the MAGIC Term Portfolio is calculated by dividing the total value of investments and other assets less any liabilities by the total outstanding shares of the series as of the day the calculation is made.

**Planned Early Redemption.** The redemption value per share for shares being redeemed on a Planned Early Redemption Date is equal to the original purchase price for such shares plus dividends thereon, less such share's allocation of any losses incurred by the series (other than losses resulting from Premature Redemption of shares of the series). Each series of the MAGIC Term Portfolio provides for a fixed-rate investment by Investors, but the market value of the underlying assets will, prior to their maturity, tend to fluctuate inversely with the direction of interest rates. It is the intent of the Fund to manage each series of the MAGIC Term Portfolio in a manner that produces a share price of at least \$1.00 on the Termination Date and on each Planned Early Redemption Date for the Investor that redeems on said date. However, there can be no guarantee that this objective will be achieved.

**Termination.** The redemption value per share on the Termination Date of a series will be equal to the original purchase price for such share, plus dividends thereon (including any excess net income), less such share's allocation of any losses incurred by the series (other than losses resulting from Premature Redemption of shares of a series).

The Investment Adviser, on behalf of the Trust, determines the net asset value of the shares of each series of the MAGIC Term Portfolio at the close of each business day for purpose of computing fees. For this purpose, the net asset value per share for each series of the MAGIC Term Portfolio is calculated by dividing the total value of investments and other assets less any liabilities by the total outstanding shares of a series of the MAGIC Term Portfolio as of the day the calculation is made.

## PORTFOLIO TRANSACTIONS

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Subject to the general supervision of the Trustees, the Investment Adviser is responsible for the investment decisions and the placing of the orders for portfolio transactions for the MAGIC Fund's portfolios. The MAGIC Fund's portfolio transactions occur primarily with major dealers in money market liquid and government instruments acting as principals. Such transactions are normally on a net basis which do not involve payment of brokerage commissions. Transactions with dealers normally reflect the spread between bid and asked prices.

The Investment Adviser places orders for all purchases and sales of portfolio securities. Although the MAGIC Fund does not ordinarily seek, but may nonetheless make profits through short-term trading, the Investment Adviser may, on behalf of the MAGIC Fund, dispose of any portfolio investment prior to its maturity if it believes such disposition is advisable. The MAGIC Fund's policy of generally investing in instruments with maturities of less than one (1) year will result in high portfolio turnover. However, since brokerage commissions are not normally paid on the types of investments which the MAGIC Fund may make, any turnover resulting from such investments should not adversely affect the net asset value or net income of the MAGIC Fund.

The Investment Adviser seeks to obtain the best net price and most favorable execution of orders for the purchase and sale of portfolio securities. Where price and execution offered by more than one dealer are comparable, the Investment Adviser may, in its discretion, purchase and sell investments through dealers which provide research, statistical and other information to the Investment Adviser or to the MAGIC Fund. Such supplemental information received from a dealer is in addition to the services required to be performed by the Investment Adviser under the Investment Advisory and Administration Agreement, and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such information.

Portfolio investments will not be purchased from or sold to the Investment Advisor, the Administrator, or any affiliate of the Administrator. The MAGIC Fund may deposit its moneys and funds in one or more account(s) offered by the Custodian or its affiliates, such as a non-interest bearing checking account or an interest bearing checking account (i.e., a NOW account). Any

moneys or funds deposited in such account(s) shall be insured, bonded, or collateralized in the manner required by Law. The Investment Adviser may utilize such account(s) to the extent it feels appropriate in furtherance of the MAGIC Fund's investment objective.

## REPORTS TO INVESTORS AND TAXES

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### Reports to Investors.

Each Investor receives annual reports providing financial information regarding the MAGIC Fund. The annual report includes audited financial statements of the MAGIC Fund. The MAGIC Fund's fiscal year ends on June 30 of each year. Quarterly unaudited financial statements are also available to Investors upon request. In addition, an Investor receives a daily statement listing each investment and withdrawal that it makes that day and a monthly statement detailing the entire month's activity. Investors and potential Investors are advised to review the financial reports of the MAGIC Fund that are made available to them.

### Taxes.

Counsel to the MAGIC Fund is of the opinion that the MAGIC Fund is not subject to Federal or Minnesota income tax upon the income realized by it, and that the Investors are likewise not taxable upon distributions to them of such income.

## DECLARATION OF TRUST

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Each potential Investor is given a copy of the Declaration of Trust before it becomes an Investor in the Fund. Certain portions of the Declaration of Trust are summarized in this Information Statement. These summaries are qualified in their entirety by reference to the text of the Declaration of Trust.

**Description of Shares.** The Declaration of Trust authorizes an unlimited number of shares that may be used to represent the proportionate allocation of shares of beneficial interest among Investors. The beneficial interests measured by shares do not entitle the Investor to whom the shares relate to preference, appraisal, conversion, exchange or preemptive rights.

The Trustees, in their discretion, from time to time, may authorize the division of shares into two or more Portfolios, or the establishment of two or more Portfolios of shares, with each Portfolio relating to a separate portfolio of investments.

For all matters requiring a vote of Investors, each Investor is entitled to one (1) vote with respect to each matter, without regard to the number of shares held by the Investor. It is not necessary for an Investor to hold any minimum number of shares to be entitled to vote. Investors are not entitled to cumulative voting.

No shares may be transferred to any person other than the Fund itself at the time of withdrawal of monies by an Investor. Furthermore, shares may not be pledged, hypothecated or otherwise encumbered by an Investor.

**Withdrawals.** Pursuant to a request for withdrawal by an Investor in accordance with Section 6.5 of the Declaration of Trust, the MAGIC Fund shall cause to be delivered to the Custodian a Certificate signed on behalf of the MAGIC Fund specifying the amount to be paid for the shares redeemed. A withdrawal request made by an Investor in the form of a check drawn upon its MAGIC Fund Account with the Custodian (in accordance with the protocols set forth in Exhibit A of the Custodian Agreement) shall be deemed to constitute the presentation of a Certificate. Investors also may make withdrawals by written, telephone or telecopy request in conformance with the procedures set forth in the Declaration of Trust. The Trustees may adopt procedures which establish periods during which funds may not be withdrawn from the MAGIC Fund and may temporarily suspend the right of withdrawal or postpone the date of payment during certain emergency situations specified in the Declaration of Trust. In addition to distributions made at the request of individual Investors, the Trustees may from time to time also declare and pay to the Investors, in proportion to their respective ownership of shares, out of the earnings, profits or assets in the hands of the Trustees, such supplementary distributions as they may determine. The declaration and payment for such supplementary distributions and the determination of earnings, profits, and other funds available for supplementary distributions and other purposes shall lie wholly in the discretion of the Trustees and may be made at such time and in such manner as the Trustees may in their sole discretion from time to time determine. The Trustees may also allocate to the Investors in proportion to their respective allocations

of shares additional shares in such manner and on such terms as they may deem proper. Any or all such supplementary distributions may be made among the Investors of record at the time of declaring a distribution or among the Investors of record at such other date as the Trustees shall determine.

**Borrowing.** The MAGIC Fund may not borrow money or incur indebtedness except to facilitate as a temporary measure: (a) withdrawal requests which might otherwise require unscheduled dispositions of its portfolio investments; (b) for a period not to exceed one (1) business day, withdrawal requests pending receipt of collected funds from investments sold on the date of the withdrawal requests or withdrawal requests from Investors who have notified the MAGIC Fund of their intention to deposit funds in their account on the date of the withdrawal request; or (c) for a period not to exceed one (1) business day, the purchase of Permitted Investments pending receipt of collected funds from Investors who have notified the MAGIC Fund of their intention to deposit funds in their accounts on the date of the purchase of the Permitted Investments.

**Investor Liability.** The Declaration of Trust provides that Investors shall not be subject to any individual liability for the acts or obligations of the MAGIC Fund and provides that every written undertaking made by the MAGIC Fund shall contain a provision that such undertaking is not binding upon any of the Investors individually. The Trustees intend to conduct the operations of the MAGIC Fund, with advice of counsel, in such a way as to avoid ultimate liability of the Investors for liabilities of the MAGIC Fund.

**Responsibility of Trustees, Officers and Agents.** No Trustee, officer, employee, or agent of the MAGIC Fund (or other person who might be designated by the Trustees) is individually liable to the MAGIC Fund, an Investor, an officer, an employee or an agent of the MAGIC Fund for any action or failure to act unless it is taken or omitted in bad faith or constitutes willful misfeasance or misconduct, reckless disregard of duty, or gross negligence. All third parties shall look solely to the MAGIC Fund property for the satisfaction of claims arising in connection with the affairs of the MAGIC Fund.

**Indemnification.** Subject to certain conditions and limitations set forth in the Declaration of Trust, the MAGIC Fund will indemnify each of its Trustees, officers and employees, or any other persons designated by the Trustees to receive such indemnification, against all liabilities and expenses (including, without limitation, amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees) reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceeding by the MAGIC Fund or any other person, whether civil or criminal, in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a Trustee, officer, employee, agent or otherwise designated person, except as to any matter as to which he shall have been adjudicated to have acted in bad faith or with willful misfeasance or misconduct or reckless disregard of his duties or gross negligence.

**Termination of the Declaration of Trust.** The MAGIC Fund may be terminated by the affirmative vote of a majority of the Investors entitled to vote at any meeting of the Investors or by an instrument in writing, without a meeting, signed by a majority of the Trustees and consented to by a majority of the Investors entitled to vote. Upon the termination of the MAGIC Fund and after paying or adequately providing for the payment of all of its liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining MAGIC Fund property, in cash or in kind, or partly in cash and partly in kind, among the Investors according to their respective proportionate beneficial interests.

**Amendment of the Declaration of Trust.** The Declaration of Trust may be amended by the affirmative vote of a majority of the Investors entitled to vote at any meeting of the Investors or by an instrument in writing, without a meeting, signed by a majority of the Trustees and consented to by not less than a majority of the Investors entitled to vote. The Trustees may, from time to time, by a two-thirds vote of the Trustees, and after fifteen (15) days prior written notice to the Investors, amend the Declaration of Trust without the vote or consent of the Investors, to the extent they deem necessary to conform the Declaration of Trust to the requirements of applicable laws or regulations, or any interpretation thereof by a court or other governmental agency, but the Trustees shall not be liable for failing to do so.

**Withdrawal.** An Investor may withdraw from participation in the MAGIC Fund at any time in its discretion by sending an appropriate notice to the MAGIC Fund, as specified in the Declaration of Trust.

## ACCOUNT OPERATIONS AND DIRECTIONS TO INVESTORS

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**Shareholder Accounts.** The MAGIC Fund does not issue share certificates. Instead, an account is maintained for each shareholder by the MAGIC Fund's Administrator acting as transfer agent. Each Investor's account will reflect the full and fractional shares of the Fund that it owns. An Investor will be sent confirmations of each transaction in shares and monthly statements showing account balances.

**Sub-Account Services.** An Investor may open sub-accounts with the MAGIC Fund for accounting convenience or to meet requirements regarding the segregation of funds. Sub-accounts can be established at any time. An Investor may call 1-800-731-7150 for further information and to request the necessary forms.

### **How to Buy and Redeem Shares of the Fund.**

#### **How to Buy Shares.**

To open an account, an Investor should call the Administrator at 1-800-731-7150 or contact:

Minnesota Association of Governments Investing for Counties  
c/o PFM Asset Management LLC  
P.O. Box 11760  
Harrisburg, PA 17108-1760

Upon approval of a new account application, an account number will be provided to the Investor within twenty-four hours. Shares of the MAGIC Fund may be purchased on any business day through the Administrator. A business day is Monday through Friday except for any days that are holidays of the Federal Reserve Bank or any days when the bond market is closed (as determined by SIFMA). The Fund may also close early on any days when the bond market closes early.

All purchases of shares are effected at the net asset value per share next determined after a properly executed order is received by the Administrator provided that federal funds are received on a timely basis and the Investor notifies the Administrator prior to 11:00 a.m., Central Time, by calling 1-800-731-7150, or via EON, the MAGIC Fund's Internet based information service. Orders received after 11:00 a.m. Central Time will be executed on the following Business Day. Net asset value is normally computed as of 11:00 a.m., Central time.

Shares are entitled to receive dividends beginning on the day of purchase. For this reason, the MAGIC Fund must have federal funds available to it in the amount of an Investor's investment on the day the purchase order is accepted. A purchase order is accepted, following timely notification to the Administrator: (1) immediately upon receipt of a federal funds wire; or (2) when federal funds in the amount of the purchase are credited to the MAGIC Fund's account with its Custodian (one or more business days after the Investor's check is received). To permit the Investment Adviser to manage the Portfolios most effectively, an Investor should place purchase orders as early in the day as possible by calling 1-800-731-7150.

#### **Purchase By Federal Funds Wire.**

Shares may be purchased by an Investor wiring federal funds to the MAGIC Fund's Custodian. Funds are credited to an Investor's account the same day if an order is received and accepted by the MAGIC Fund by 11:00 a.m. Central Time and federal funds are received prior to the close of business. The MAGIC Fund does not impose a transaction charges to accept a wire. However, charges may be imposed by the bank that transmits the wire. Wire instructions will be provided in the Investor materials provided by the Administrator or can be obtained by calling 1-800-731-7150. If the MAGIC Fund does not receive a wire on the date it was to be transmitted, the MAGIC Fund will pass on the overdraft fee that is imposed by the Custodian.

#### **Purchase By Next-Day ACH Transfer.**

Shares may be purchased by an Investor initiating an ACH (electronic) transfer from an Investor's local bank account to its MAGIC Portfolio account. These funds are credited the next Business Day if the order is submitted and accepted by 5:00 p.m., Central Time. The MAGIC Fund does not impose any transaction charges to initiate an ACH transfer, and generally the transferring bank does not impose a fee (check with the transferring bank). An Investor must first register for ACH transfers before initiating. Call 1-800-731-7150 for information on how to register.

**Purchase By Check.**

Shares may also be purchased by an Investor sending a check. Shares will be issued when the check is credited to the MAGIC Fund's account with its Custodian in the form of federal funds. Normally this occurs on the Business Day following receipt of a check by the MAGIC Fund's Custodian. Checks to purchase shares should indicate the account name and number and be made payable to MAGIC. Purchase checks should be sent to:

Minnesota Association of Governments Investing for Counties  
c/o PFM Asset Management LLC  
P.O. Box 11760  
Harrisburg, PA 17108-1760

**Online Purchase Via EON.**

Shares may be purchased by an Investor using the above methods via EON, the MAGIC Fund's Internet-based information service. This method of purchase is available to Investors who complete and submit an "EON Online Account Access Authorization Form." These forms can be obtained by visiting [www.magicfund.org](http://www.magicfund.org) and clicking on "Open an Account" and "Forms" or by calling the Fund's Administrator at 1-800-731-7150.

**How to Redeem Shares.**

An Investor may redeem all or a portion of its shares of the MAGIC Fund on any Business Day without any charge by the Fund. Shares are redeemed at their net asset value per share next computed after the receipt of a redemption request in proper form. Requests to redeem shares may be made by an Investor as described below.

**General Information.**

Shares may be redeemed by an Investor on any Business Day. Redemption requests received prior to 11:00 a.m. Central Time, are effected at the net asset value computed as of the close of business on the day the order is received. Redemption requests received after 11:00 a.m. Central Time, will be computed based on the next business days' net asset value. Shares are not entitled to receive dividends declared on the day of redemption. If shares have recently been purchased by check (including certified or cashiers check), the payment of redemption proceeds will be delayed until the purchase check has cleared. For this reason, an Investor should purchase shares by federal funds wire if it anticipates the need for immediate access to its investment. Shares may not be redeemed until an original signed account application is on file.

**Telephone Redemption Procedures.**

An Investor may redeem shares by calling 1-800-731-7150. The Investor will be asked to provide the account name and number, and the amount of the redemption.

A telephone redemption request may be made by an Investor only if the telephone redemption procedure has been selected on the account application or if written instructions authorizing telephone redemption are on file.

Reasonable procedures are used to confirm that telephone redemption requests are genuine, such as providing written confirmation of transactions or requiring a form of personal identification or other information prior to affecting a telephone redemption. If these procedures are used, the MAGIC Fund and its agents will not be liable to an Investor for any loss due to fraudulent or unauthorized telephone instructions.

During periods of severe market or economic conditions, it may be difficult to contact the MAGIC Fund by telephone. In that event, an Investor should follow the procedures described below for written redemption requests and send the request by overnight delivery service.

**Written Redemption Requests.**

An Investor may redeem shares by sending a written redemption request. The request must include the complete account name, number and address and the amount of the redemption and must be signed by an authorized signatory of the account pursuant to the account application. The MAGIC Fund reserves the right to request additional information from, and to make reasonable

inquiries of, any eligible guarantor institution. Written redemption requests should be sent to:

Minnesota Association of Governments Investing for Counties  
c/o PFM Asset Management LLC  
P.O. Box 11760  
Harrisburg, PA 17108-1760  
Fax: 1-888-535-0120

**Online Redemption Requests Via EON.**

Shares may be redeemed by an Investor via EON, the MAGIC Fund’s Internet-based information service. This method of redemption is available to Investors who complete and submit an “EON Online Account Access Authorization Form.” These forms can be obtained by visiting [www.magicfund.org](http://www.magicfund.org) and clicking on “Open an Account” and “Forms” or by calling the Fund’s Administrator at 1-800-731-7150.

**Redemption by Federal Funds Wire.**

An Investor may redeem shares of the Fund by wire transfer to another bank account. Proceeds of the redemption will be paid by federal funds wire to one or more bank accounts previously designated in writing by the Investor. The MAGIC Fund does not impose any transaction charges to send a wire. However, charges may be imposed by the bank that receives the wire. Normally, redemption proceeds will be wired on the day a redemption request is received if the request is received prior to 11:00 a.m. Central Time, or before the closing of the U.S. Government securities markets on days when the PSA recommends an early closing of those markets.

**Redemption by ACH Debit.**

Depending on an Investor’s MAGIC Fund account type, the Investor may be able to authorize another bank, vendor, or agency to electronically debit its MAGIC Fund account. An Investor may call 1-800-731-7150 for eligibility and detailed instructions to be provided to the initiating bank, vendor, or agency. The MAGIC Fund does not impose any transaction charges to accept an ACH debit if the proper procedure is followed.

**Check Redemption Privilege.**

An Investor may make arrangements to utilize the Cash Management and Checkwriting services provided by the Custodian which allow Investors to redeem shares by check. Checks may be written in any dollar amount not exceeding the balance of an Investor’s account and may be made payable to any person. Checks will be honored only if they are properly signed by a person authorized on the certificate of authority. Redemption checks will not be honored if there is an insufficient share balance to pay the check or if the check requires the redemption of shares recently purchased by a check which has not cleared. There is a charge for stop-payments or if a redemption check cannot be honored due to insufficient funds or other valid reasons. Checkwriting privileges may be modified or terminated at any time. Additional information regarding Cash Management Services, including a description of services and fees, can be provided by the Administrator upon request.

For additional information on redeeming shares, an Investor should call the Administrator at 1-800-731-7150.

**ADDITIONAL MAGIC FUND PROGRAMS**

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**Overview.** From time to time the Investment Adviser may, at the request or with the approval of the Board of Trustees, make other services or programs available to Investors of the MAGIC Fund. Investors are advised that these additional services and programs are separate from the investment programs encompassed by the MAGIC Fund, and the Board of Trustees of the MAGIC Fund takes no responsibility for such services or programs. The parties offering such services or programs are solely responsible for them, and questions regarding any such service or program should be directed to the party offering it. The interests held under any additional program are in the name of the respective Investors and are not part of the assets of any Portfolio of the MAGIC Fund.

## **Certificates of Deposit Investment Program (“CD Purchase Program”).**

### **FDIC and NCUA Insurance**

The availability of FDIC or NCUA insurance is a critical factor in considering whether a bank or thrift institution (referred to herein as a “financial institution”) is eligible to participate in the CD Purchase Program, in that the number, size and location of many of the smaller community financial institutions which could participate in the Program make extensive credit review unfeasible. In light of this, and in order to assist the financial institutions in raising funds, the Federal government administers the FDIC and NCUA insurance programs with its provisions for investment, within prescribed limits, by institutional Investors. As a result, it is the Investment Adviser’s view that FDIC or NCUA insurance, in conjunction with a limited credit review as described below, is appropriate to identify financial institutions that will provide attractive investment returns without undue credit risk.

The Program is designed to provide Investors with the ability to purchase CDs from financial institutions throughout the United States that are intended to be insured by the FDIC or NCUA. The investment policies of individual Investors may contain limitations that do not permit investment in the above-described investments. **Each Investor represents that FDIC-insured and NCUA-insured CDs are permitted investments of the Investor under applicable laws and under the Investor’s investment policies.**

Although the Investment Adviser will recommend only those financial institutions that meet the criteria described below under "Criteria for Financial Institutions to Participate in the CD Purchase Program", the financial institutions that participate in the CD Purchase Program are generally small in size and are not rated by national credit rating organizations. **The CDs will not be collateralized**; hence there will be reliance only on federal deposit insurance and it is crucial that an Investor’s CDs be fully covered by FDIC or NCUA insurance.

The FDIC insurance limits are set forth in the Federal Deposit Insurance Act, 12 U.S.C. §1811, et seq., and in the related regulations found in Part 330 of Title 12 of the Code of Federal Regulations (12 C.F.R. Part 330). The NCUA insurance limits are set forth in the Federal Credit Union Act, 12 U.S.C. §1751, et seq., and in the related regulations found in Part 745 of Title 12 of the Code of Federal Regulations (12 C.F.R. Part 745). By participating in the Program, **each Investor should obtain its own legal advice regarding these regulations and is responsible for its own compliance with them.**

CDs in amounts above applicable FDIC or NCUA insurance limits are not insured. In determining FDIC or NCUA insurance limits, Federal regulations provide that all amounts deposited by a depositor, including amounts deposited directly, through brokers or through other means in a financial institution regardless of the source, will be combined in determining the insurance limit.

Individual CDs will normally be limited by the Investment Adviser to amounts such that the principal and accrued interest will be within FDIC or NCUA insurance limits for the term of the CD. The CD Purchase Program may facilitate the simultaneous purchase of multiple CDs with the same maturity at multiple banks. The minimum CD purchase will be approximately \$95,000. The minimum maturity is 60 days. Some financial institutions may impose further limits on the size of deposits.

**By participating in the Program, each Investor authorizes the Investment Adviser to assume, unless the Investor informs the Investment Adviser to the contrary, that the Investor is entitled to the respective applicable limits of FDIC insurance and NCUA insurance on the aggregate of CDs purchased through the CD Purchase Program with any FDIC- or NCUA-insured financial institution.**

The Investment Adviser will maintain records of all deposits made by an Investor through the Program to assist the Investor in maintaining CDs within applicable insurance limits, but the Investment Adviser is not responsible for the effects on FDIC or NCUA insurance limits of deposits made directly by the Investor outside of the CD Purchase Program. The Investment Adviser will not monitor deposits made directly by the Investor outside of the CD Purchase Program or through other arrangements outside of the CD Purchase Program, **It is the Investor’s sole responsibility to determine that deposits made directly by the Investor outside of the CD Purchase Program do not result in the CDs purchased by the Investor under the CD Purchase Program exceeding the insurance limits, and neither the Investment Adviser nor the Trust has any responsibility in that regard.**

The Investment Adviser advises each Investor against purchasing CDs issued by a financial institution with which the Investor has a depository relationship outside of the CD Purchase Program.

At the time of purchase, the Investment Adviser will require that an authorized representative of the Investor affirm that the purchase of a CD through the CD Purchase Program will not put the Investor in a position of exceeding the applicable FDIC or NCUA insurance limits with respect to the issuing financial institution.

**Criteria For Financial Institutions To Participate in the CD Purchase Program**

The CD Purchase Program guidelines are as follows. First, the Investment Adviser limits the eligibility of financial institutions that participate in the CD Purchase Program to those that are members of the FDIC or NCUA. Second, on a quarterly basis the Investment Adviser will review each financial institution's financial condition as reported to the FDIC or NCUA to determine that the financial institution meets all of the following criteria:

Has total assets of at least \$50 million.

Has total Tier 1 Capital of at least 6%.

Has not had any major capital-related enforcement actions brought against it within the last 12 months.

**Available Investments and Rates**

The Investment Adviser will maintain a computer system with a database on each financial institution that offers CDs through the CD Purchase Program. Current rates will be entered into the data tables for each financial institution. This database will enable the Investment Adviser to access and quote rates on individual CDs and blended rates on groups of CDs issued by multiple financial institutions to facilitate the simultaneous investment by an Investor in multiple CDs based on a single blended rate.

At the request of an Investor, the Investment Adviser will timely advise the Investor of CDs available to satisfy the Investor's investment requirements. Upon authorization by the Investor, the Investment Adviser will use its best efforts to obtain the most favorable execution and interest rate in connection with the purchase and sale of CDs selected by the Investor. The Investor has no obligation to purchase any CD recommended by the Investment Adviser.

As an additional limitation, the Investment Adviser will monitor on a continuous basis the total amount of CDs issued and outstanding by a financial institution through the CD Purchase Program and similar programs administered or advised by the Investment Adviser in other states, and will not recommend a financial institution where the aggregate of such outstanding CDs exceeds 10% of the financial institution's assets.

**Program Termination**

The CD Purchase Program Agreement between each Investor and the Investment Adviser for placing CDs through the CD Purchase Program may be terminated by the Investor or Investment Adviser at any time, without cause, by notice in writing transmitted by first class mail or recognized courier service. Each Investor's Agreement will terminate automatically and without notice in the event that the Investment Adviser shall cease to be the Administrator of the CD Purchase Program for the Trust or in the event that such Investor shall withdraw as a shareholder of the Portfolio. Notwithstanding the foregoing, termination shall not relieve the Investor of its obligation to pay any fee which has become payable to the Investment Adviser up to and including the date notification of termination has been received in writing by the counterparty.

**Investment Restrictions**

The Fund has adopted the following investment restrictions on all separate accounts of the Program, which cannot be changed without approval of a majority of Trustees:

An Investor's separate account will not purchase a security with a stated maturity date greater than investment policy limitations at time of purchase.

Each separate account will be managed so that the weighted average duration of all of the investments will not exceed policy limits. Within this limitation, the average duration of the separate account will vary according to the Investment Adviser's appraisal of market conditions and likely cash flows into and out of the separate account.

An Investor must either currently have a Board-approved investment policy or develop and formally adopt such a policy before it can invest in this Program and the investments in the separate account must be consistent with the Investor's investment policy and governing laws.

Legal counsel for the Program Investor is required to issue an opinion stating that the investment of funds in the Program constitute a permitted investment under the Investor's authorizing documents.

### **Transactions**

The Investment Adviser has full discretion in arranging for the execution of all security transactions on behalf of the Investor. Cash to facilitate Portfolio transactions is normally either redeemed from or reinvested through the Investor's pre-designated account using the Fund's cash management tools. In arranging for security transactions, the Investment Adviser will give primary consideration to obtaining the most favorable price and efficient execution of transactions. Investment transactions can only be executed during normal operating hours. The Investment Adviser may invest in the obligations of the Program's Custodian, and may also buy or sell securities through the Custodian.

**Investments** The Investment Adviser will purchase investments for a Portfolio based upon specific instructions received from the Investor, or at the discretion of the Investment Adviser if the Investor has agreed to give discretion. If expected withdrawals from the separate account are known, the Investor should provide a drawdown schedule to the Investment Adviser that will be used in managing investments to help assure adequate overall liquidity. Investment purchases for a separate account are settled by the Custodian by redeeming shares from the Investor's pre-designated account.

**Withdrawals** An Investor may initiate the sale of investments from its separate account by contacting the Investment Adviser directly. Funds made available from the sale of a security or securities will be invested in the Investor's pre-designated account. **Sales made prior to maturity will be made at the current market price, which may be lower or higher than the investment's book value.**

Neither the Trust nor the Portfolios assume any responsibility for the fees paid to the Investment Adviser or the Custodian.

**BAM Program.** In the BAM Program, the Investment Adviser works closely with the Program Participant to create a comprehensive investment strategy and individual portfolio for the client while focusing on the project's disbursement needs. In addition, the Investment Adviser offers arbitrage rebate services, investment policy review and development, cash flow modeling, and cash management services for bond proceeds.

Note that individual portfolios of both the CD Purchase Program and the BAM Program are created pursuant to a separate agreement between each Program Participant and the Investment Adviser. The Custodian will hold assets in an individual portfolio in a separate account in the Program Participant's name.

**The Name.** "Minnesota Association of Governments Investing for Counties" is the designation of the MAGIC Fund under its Declaration of Trust. The Declaration of Trust is filed in the Office of the Secretary of State of the State of Minnesota, and provides that the name of the MAGIC Fund refers to the Trustees collectively in their capacity as Trustees and not personally or as individuals. All persons dealing with the MAGIC Fund must look solely to the MAGIC Fund property for the enforcement of any claims against the MAGIC Fund since neither the Trustees, officers, agents, nor Investors assume any personal liability for obligations entered into on behalf of the MAGIC Fund.