

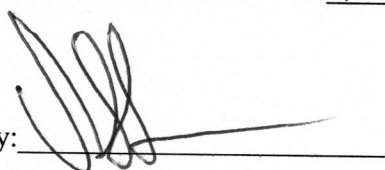
MESA COUNTY FEDERAL MINERAL LEASE DISTRICT
PERMANENT FUND RESOLUTION

The intent and purpose of this resolution is as follows:

1. The Mesa County Federal Mineral Lease District (District) was enacted to provide economic benefits to communities within Mesa County affected by mineral extraction and development.
2. The District provides grants to governmental entities for planning; construction and maintenance of public facilities; and the provision of public services.
3. The District recognizes that minerals are finite resources and that, once extracted, the financial benefits from minerals development may be limited and fleeting. The District further recognizes that minerals development may result in long-term impacts on communities or changes in the need for public services.
4. It is the intent of the District to invest a portion of mineral lease funding remitted to the District for the purpose of establishing a Permanent Fund (the Fund). The intention of the Board of Directors is that the Fund will be prudently invested, and that principal will be allowed accumulate and grow, providing a source of revenue for the District and Mesa County communities in perpetuity.
5. It has often been the case that local governments and the State of Colorado have had to sacrifice long term community needs to satisfy immediate revenue demands. It is the intent of the District that it accumulate mineral lease remittances so that a permanent and sustainable fund is available to satisfy future community needs.
6. The District will fund community projects that are deemed to have a significant impact or significant public benefit, as determined by the Board of Directors.
7. It is the intention of the District that the Fund principal shall not be expended, except in times of an emergency or compelling public need. Funding decisions which would have the effect of depleting or reducing the principal of the Fund should only be enacted after a thorough and deliberate process in which the District finds that the expenditure is in the long-term best interests of the community.
8. If any portion of the principal of the Fund is expended, the District shall endeavor to replace that expended principal as soon as practicable.

9. It is the intention of the District that this Resolution shall serve as guidance for the District into the future.

Approved and enacted by a majority of the Board of Directors this 11th day of October, 2017.

By: 

David Ludlam, Board Chair

Mesa County Federal Mineral Lease District

Investment Policy Resolution

I. Scope & Purpose

- a. This Investment Policy Statement (IPS) governs the investments associated with the Permanent Fund (the Fund) of the Mesa County Federal Mineral Leasing District (MCFMLD).
- b. The Board of Directors (the Board) shall have oversight responsibility for investment of the assets of the Fund and may delegate investment authority to other staff and/or to external investment advisers who may be retained by the Board. This Investment Policy Statement sets forth responsibilities for risk measurement, monitoring, and management to be fulfilled by the Board. Additional risk management oversight may be provided by other individuals as the Board may determine from time to time.

II. Governance

- a. **Responsibilities for Setting Investment Policy, Executing Investment Decisions, & Monitoring Results of Policy** – The Board shall act as a fiduciary in the implementation and monitoring of this IPS, and any delegation of duties to the investment advisor, as required by C.R.S. § 30-20-1307(6)(a). The Board shall make or authorize investments in a manner that complies with the Uniform Prudent Investor Act, C.R.S. § 15-1.1-101, et seq.
- b. **Process for Reviewing and Updating the IPS** – At least once per quarter during a regularly scheduled monthly meeting of the MCFMLD, a portion of the agenda shall be devoted to a review of the current portfolio and performance of the Fund, and its appropriateness in the current economic environment. At that time proposed changes will be considered for adoption by the Board. At least annually, the Board shall review the IPS and consider any revisions or changes which should be made, in light of current economic conditions or the needs of the MCFMLD.
- c. **Process for Engaging & Discharging External Advisors** - The Board and its staff will develop a competitive Request for Proposals for soliciting offers from qualified firms to engage as the investment advisor for the Trust's assets. The Board will then evaluate the responses and interview any candidates that appear capable of complying with the Board's current investment philosophy. After

selection the Board will continue to monitor the Investment Advisor's performance to insure that the advisor is fulfilling their mandates within the contractual obligations negotiated between the Trust and the Investment Advisor, including Investment Guidelines that will be incorporated in each investment management contract, responsibilities of the investment manager, characteristics of the manager's style of investing, performance expectations, compensation, organizational requirements, and reporting and other administrative requirements. The Investment Advisor will be responsible for reporting the current results to the Board on a quarterly basis.

- d. **Responsibilities of the Board and Staff** - The Board of Directors shall be responsible for (1) Developing policies that are suitable for achieving the strategic objectives set for the Trust by the Board; (2) approving such policies and policy proposals that may be set forth by the staff from time to time; and (3) reviewing and revising policies as required. The Investment Advisor shall be responsible for (1) reviewing the IPS and, as required, making recommendations for revisions to the Board; (2) acting on the policy mandates of the Board, including developing and implementing the procedures required to do so; and (3) all other duties designated by the Board. The Investment Advisor shall advise and provide investment recommendations, but this duty shall not preclude investment of the Trust in managed mutual funds or exchange traded funds, where appropriate. The Investment Advisor shall be a person or firm acting pursuant to the Investment Advisor Act of 1940, as amended, 15 U.S.C. § 80b-1, et seq.
- e. **Responsibility for Determination of Asset Allocation, Inputs Used, and Criteria for Development of Input Assumptions** - The Asset Allocation Plan for the Trust shall be recommended by the Investment Advisor as the appropriate allocation to achieve a target risk profile for the Trust's investment portfolio. The asset allocation shall reflect the Investment Advisor's consideration of expected returns for each asset class, as well as consideration of expected prevailing levels of inflation and interest rates. The Investment Advisor shall consider the expected correlation of asset class returns and expected volatility of returns to determine an asset allocation that aims to maximize the expected returns to the Trust, while staying within the specified risk tolerance of the Trust. Calculations supporting the desired risk target are based on the financial goals of the Trust and are included in Appendix X. The Board will review and, if appropriate, approve the asset recommendations by the Advisor.
- f. **Responsibility for Risk Management, Monitoring, and Reporting** - The Investment Advisor will monitor the Portfolio's investment

performance against the Portfolio's stated investment objectives and report results to the Board of Trustees [quarterly]. The Board of Trustees will formally assess the Portfolio and the performance of its underlying investments as follows:

- i. The stated risk objectives of the Portfolio.
- ii. The Portfolio's long-term total return objective relative to actual market performance, as determined by a composite benchmark of market indexes.

III. Investment Returns & Risk Objectives

- a. **Investment Objective & Grant Funding Policy** – The MCFMLD's grant funding policy for the Fund was developed to meet several objectives, namely to: (a) provide a current source of funding for current grants, and, (b) establish and grow a portfolio capable of funding future grants in perpetuity. To fulfill the MCFMLD's mission over the long-term, the portfolio should seek to maximize the total return of the portfolio given the specified risk target.
- b. **The Risk Tolerance of the Fund** – The Board considers risk to be a resource to be deployed prudently to achieve the investment and financial objectives of the Fund. The Investment Advisor will establish a risk-measurement process to explicitly account for and manage the Trust's assumption of risk, as otherwise specified under section IV(a)(i) of this IPS. The risk-management process is consistent with the Trust's Grant Funding Policy. The Board of Trustees has approved the risk target (see Appendix X), and subsequent revisions require Board approval; at each quarterly meeting when the Investment Advisor presents the Quarterly Investment Report, a regular agenda item will be to review risk management in general and risk budget variances specifically.
- c. **Investment Constraints of the Fund**
 - i. **Liquidity Requirement** - Consistent with the grant funding policy, THE MCFMLD anticipates that it will disburse up to **75%** of incoming grant revenue within the period and up to **50%** of the annual net return after expenses of the Fund. Therefore, at least **10%** percent of the value of the Portfolio should be invested in instruments that can be quickly converted to cash with no significant adverse change in value because of the liquidation required to annually fund grants.
 - ii. **Time Horizon** – THE MCFMLD will develop and maintain a long-term forecast based on multiyear projections of grant receipts, grant funding, expenses, and asset growth.
 - iii. **Tax concerns** – THE MCFMLD is a tax-exempt entity. Therefore, taxes do not need to be taken into consideration during the portfolio management process.

iv. Legal and Regulatory Factors- The assets or investments to be acquired by the Fund must conform to those investments authorized under C.R.S. § 24-51-206.

v. Unique Circumstances –

1. Investment restrictions – The MCFMLD's policy is that all investment decisions shall be made for the exclusive benefit of the MCFMLD's current and/or future beneficiaries and that other considerations that are ancillary to the primary objective of benefit to beneficiaries shall not be entertained as part of the investment process.

2. Proxy-voting policy - The Investment Advisor is charged with the responsibility of monitoring and voting proxies in a way that is consistent with the Federal Mineral Lease District's objective that all investment decisions shall be made for the exclusive benefit of the MCFMLD's current and future beneficiaries.

3. Leverage & use of derivatives - The Portfolio will not use any form of leverage or borrowing to purchase or acquire any securities or other investments. To the extent otherwise lawful, investments utilizing a limited percentage of derivatives may be appropriate. The MCFMLD shall not engage in the purchase or sale of derivatives for speculative purposes.

IV. Operations & Management

a. Measurement and Monitoring of Risk

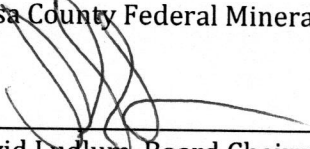
i. Performance and reporting - The Investment Advisor is responsible for preparing quarterly reports of asset class and total portfolio performance for the Board. These reports should include: (1) A history of transactions over the period; (2) The asset allocation of portfolio; (3) The total return of the portfolio and each asset class; (4) The benchmark return for each asset class; (3) A generally accepted metric for evaluating risk over time (i.e. rolling 12-month Standard Deviation); (5) A summary of all holdings; and (6) the advisory fees over the period.

Appendix X – Risk Target

The Board of THE MCFMLD acknowledges the direct correlation between investment returns and the risk taken to achieve those returns. Therefore the Board desires to seek a balance between maximizing annual returns with the tolerance of total unrealized losses in any given year, by directing the Investment Advisor of the Fund to establish the annual risk tolerance for unrealized losses to be less than **15%**.

Approved and adopted by a majority vote of the MCFMLD Board this 9th day of August, 2017.

Mesa County Federal Mineral Lease District

By: 
David Ludlum, Board Chairman