

The Blackwell Public Trust  
Investment Policy Statement  
September 1, 2010

I. *Information about The Blackwell Public Trust.* The Trust Indenture was created on the 21<sup>st</sup> day of June, 2010, by the City of Blackwell and the Blackwell Municipal Authority. Collectively, these parties will be referred to as the "Trustor" which includes the current Trustees of The Blackwell Public Trust. The Beneficiary of this Trust is the City of Blackwell, Oklahoma. The Trustees of this Trust are:

- i. *Mayor:* Mr. Mark Cordell
- ii. *Councilperson:* Mr. Brad Bechtel
- iii. *Trustee #1:* Mr. Mike Loftis
- iv. *Trustee #2:* Mr. Mark Savage
- v. *Trustee #3:* Mr. Jim Rogers

Pursuant to the Trust Indenture of The Blackwell Public Trust, (Article VI: "Powers and Duties of the Trustees", section 6.4 "Investments") the Trustees are obligated to make investment decisions within the parameters of the Investment Policy Statement.

In addition, all Trustees are subject to the Oklahoma Uniform Prudent Investor Act, currently found at 60 O.S. §175.60, *et seq.*

II. *Scope of Investment Policy Statement and Primary Investment Objective.* The purpose of this investment policy and investment policy statement is to aid the Investment Advisor with guidance of short- and long-term investments of the Trust's principal. The primary purpose of The Blackwell Public Trust is to "promote, encourage and further the accomplishment of all activities which are or may become of benefit to the City of Blackwell and which have a public purpose" (Article II "Purposes", sections 2.1-2.5). The primary investment objective of the Trust is to generate the required monthly .25% income to said earmarked accounts (Article II, section 2.4), while preserving and protecting the principal from inflation. The secondary investment objective is to obtain reasonable growth by earning a favorable investment return (as compared against inflation).

III. *Considerations for Achieving Investment Objectives.* The objective of satisfying required monthly payments (as stated above in Section II), while preserving and protecting the

principal from inflation by earning a favorable investment return, should be met by consideration of asset allocation, asset quality and asset diversification.

a. Asset Allocation

To accomplish the investment objectives of the Trust, the Investment Advisor is authorized to utilize common stocks and convertible securities, debt securities, fixed-income securities, short-term (cash) investments, mutual funds or other similar investments. The Investment Advisor should adhere to the below Target and Allowable Range for the Blackwell Public Trust. The Trustees will periodically review the Investment Advisor's compliance with the target allocation. The Investment Advisor may drift from the Target Allocation but must be within the Allowable Range.

	<u>Target</u>	<u>Allowable Range</u>
Common Stocks	60%	20% - 75%
Fixed-Income	40%	20% - 70%
Cash	0 %	0% - 20%

b. Asset Quality

- i. *Common Stocks.* The quality rating of at least sixty (60%) percent of common stocks should be B+ or better, as rated by Standard & Poor's or other equivalent rating services.
- ii. *Convertible Preferred Stock and Convertible Bonds.* The Trust may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as in (i) above.
- iii. *Debt Securities/Fixed-Income Securities.* The quality rating of bonds and notes must be investment grade as determined by the major rating agencies (i.e. Moody's, Standard & Poor's and/or Fitch). The portfolio may consist of only traditional principal and interest obligations where the interest can be either in the form of period coupon payments or accrual.

The portfolio must maintain a weighted average duration of 7 years or less.

- iv. *Short-term Reserves.* The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities or short-term reserves.

c. **Asset Diversification**

As a general policy, the Trust will maintain a reasonable diversification at all times by investing across and within asset classes. Specific asset class ranges outlined below should be adhered to.

1. *Single Security Concentration.* The Trust should avoid investments in equity securities of any one company that exceed 5% of the investment portfolio or the total securities position (debt and equity) in any one company that exceed 10% of the total portfolio. The exception is for direct obligations of the U.S. Government and its agencies.
2. *Non-U.S. Securities.* The Trust should not allocate more than 20% of the total portfolio in non-U.S. investments.
3. *Sector Diversification.* The Trust should maintain reasonable sector allocations and diversification. The Trust may not invest 25% of the portfolio in any one sector, as determined by GICS (Global Industry Classification Standards).

**Acceptance of Investment Policy Statement**

Mr. Mark Cordell, Mayor: \_\_\_\_\_ Date: \_\_\_\_\_

Mr. Brad Bechtel, Councilperson \_\_\_\_\_ Date: \_\_\_\_\_

Mr. Mike Loftis, Trustee \_\_\_\_\_ Date: \_\_\_\_\_

Mr. Mark Savage, Trustee \_\_\_\_\_ Date: \_\_\_\_\_

Mr. Jim Rogers, Trustee \_\_\_\_\_ Date: \_\_\_\_\_



**CROWE & DUNLEVY**  
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Founded 1902

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August 19, 2010

Mark Skiles, City Manager  
City of Blackwell  
P. O. Box 350  
Blackwell, Oklahoma 74631



**Re: Oklahoma Uniform Prudent Investor Act**

Dear Mark:

You have asked whether the Trustees can adopt the investment policy and follow the guidelines of the investment policy for The Blackwell Public Trust. The answer is "yes" provided that you observe the standards set forth in the Oklahoma Uniform Prudent Investor Act. A summary of the guidelines follows:

1. Delegation. You may delegate investment and management decisions if the delegation is reasonable and cost-effective. You must satisfy yourself that you have chosen an investment professional with the necessary expertise. You should also monitor the investment performance and determine if the agent has complied with the policy and your directions.

2. Diversification. You are required to seek diversification of investments which is what you are doing in the asset allocation that is proposed.

3. Portfolio Theory. You may now look at your total portfolio and choose a mix of assets to meet your needs. You are authorized to invest in some assets which have a higher risk than others.

4. No Investment Is Imprudent, per se. The primary reason for adoption of the Prudent Investor Act was to change a law which had previously prohibited certain investments and allowed a trustee to be challenged if a single investment did not perform well. The Prudent Investor Act was designed to allow you to enter into the type of investment policy that you are adopting.

Also please refer to page 6 (enclosed) of our chart which analyzed the other Oklahoma statutes and found that there was nothing that prohibited certain types of investments for a public trust. I also enclose a statute about public trusts and housing projects which keeps the real property in the ad valorem tax base, effective

TULSA  
500 KENNEDY BUILDING  
321 SOUTH BOSTON AVENUE  
TULSA, OK 74103-3313  
TEL: 918.592.9800 • FAX: 918.592.9801

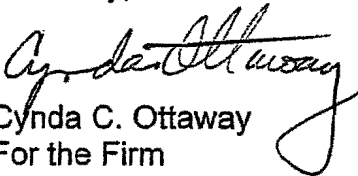
OKLAHOMA CITY  
20 NORTH BROADWAY, SUITE 1800  
OKLAHOMA CITY, OK 73102-8273  
TEL: 405.235.7700 • FAX: 405.239.6651

NORMAN  
THE HIFPOINT OFFICE BUILDING  
2500 SOUTH MCGEE, SUITE 140  
NORMAN, OK 73072-6705  
TEL: 405.321.7317 • FAX: 405.360.4002

Mark Skiles, City Manager  
August 19, 2010  
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November 1, 2010. If you decide to do a housing project, this rule and related statutes should be reviewed and discussed.

Sincerely,

  
Cynda C. Ottaway  
For the Firm

CCO/wt  
Enclosures

Issue	Oklahoma Public Trust	Oklahoma Non-Profit Corporation
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Limitations on Investments		
General Limitations (other than prudent investing)	The Board of Trustees should adopt a written investment policy and exercise due diligence in selection of investments. Other than as listed in this section, the trustee will be limited only by general fiduciary standards.	Generally no restrictions, unless the investment jeopardizes the entity's charitable function
	Funds placed on deposit with financial institutions must be in insured (FDIC) or otherwise collateralized accounts	
	Trusts not permitted to own wholesale outlet, unless part of the industry	
	Trusts not permitted to own a retail outlet unless operated on and in conjunction with permitted investment (i.e., recreational facility)	
	Trusts not permitted to own a residential enterprise under 60 OS 178.6	
	Trusts not permitted to own distribution center or warehouse for intoxicating beverages or low-point beer under Title 37	

1984687.01

**Oklahoma Statutes Citationized****Title 60. Property****Chapter 4 - Uses and Trusts****Section 178.6 - Public Trusts - Exemption From Provisions - Housing Finance**

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**This Statute Will Go Into Effect**  
**On: 11/01/2010**  
**See Historical Data for Current Version**

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Cite as: 60 O.S. § 178.6 (OSCN 2010)

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The provisions of Sections 652 and 653 of Title 62 of the Oklahoma Statutes and Sections 178.4 and 178.5 of this title shall not affect: public trusts operating, financing or refinancing facilities for the aged or disabled persons by nonprofit, religious or benevolent organizations; public trusts operating, financing or refinancing county, municipal or nonprofit hospitals; public trusts operating college or educational dormitories or student housing facilities; trusts formed for the purpose of constructing buildings for local units of the Department of Human Services under the provisions of Section 189a of Title 56 of the Oklahoma Statutes; public trusts carrying out redevelopment, rehabilitation and conservation activities in accordance with an approved urban renewal plan, provided property owned by said trust shall not be exempt from ad valorem taxation for a period exceeding five (5) years; trusts created under the provisions of Sections 15-141 through 15-147 of Title 2 of the Oklahoma Statutes or other trusts created for the same purpose. Section 176 et seq. of this title shall not prevent public trusts from administering or financing a housing program pursuant to a contract with an agency of the United States Government or the State of Oklahoma, or prevent public trusts from financing or refinancing housing projects, provided said projects:

1. Involve only property that is subject to ad valorem taxation; or
2. Involve financing or refinancing the construction, acquisition and/or improvement and rehabilitation of existing housing projects not subject to ad valorem taxation immediately before any such financing or refinancing,

and in either case are located within the geographic boundaries of the beneficiary or beneficiaries of the public trust. Notwithstanding the provisions of subdivision (b) of division (2) of subparagraph a of paragraph 8 of Section 2887 of Title 68 of the Oklahoma Statutes, housing projects which were exempt from ad valorem taxation immediately before such financing or refinancing shall not become subject to ad valorem taxation because they are financed or refinanced by a public trust under this provision.

A public trust with a city or cities, a county or counties, or the state as the beneficiary or beneficiaries thereof may issue its evidences of indebtedness for the purpose of financing housing projects or housing programs within the geographic boundaries of its beneficiary or beneficiaries as same represent an authorized and proper public function for public trusts.

**Historical Data**

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Laws 1976, HB 1651, c. 222, § 13, eff. December 1, 1976; Amended by Laws 1980, SB 147, c. 12, § 2, emerg. eff. March 18, 1980; Amended by Laws 2000, SB 1041, c. 361, § 1, emerg. eff. June 6, 2000 (superseded document available); Amended by Laws 2002, SB 1527, c. 33, § 2, emerg. eff. April 10, 2002 (superseded document available); Amended by Laws 2002, HB 2904, c. 476, § 1, emerg. eff. June 6, 2002 (superseded document available); Amended by Laws 2010, HB 2615, c. 304, § 1, eff. November 1, 2010 (superseded document available).