

POLICY NUMBER: 40.930

EFFECTIVE DATE: November 30, 2021

TITLE: Investment Objectives and Guidelines  
Barker Hughesville St Response

SUPERSEDES: April 20, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED:

### I. Appendix I: Trust Funds: Investment Objectives and Guidelines

- A. Schedule I-AD: Investment Objectives and Guidelines Barker Hughesville St Response.
- B. Approved Date of Schedule: February 11, 2020.
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

### II. Introduction

- A. The purpose of this policy statement is to provide a framework for Barker Hughesville St Response investments under the guidance of the Board.
- B. Department of Environmental Quality (DEQ) filed a bankruptcy claim after ASARCO declared bankruptcy in 2005. DEQ made a claim for about \$43 million for the Barker Hughesville Mining District (BHMD) site. DEQ's claim was reduced to an allowed claim of \$7.1 million. The claim was paid in full with interest of about seventeen percent (17%) or \$1,254,450.62. The funds in the DEQ special account are now at about \$9 million after earning some interest the last few years. The court also determined that the funds could only be spent on or at the BHMD site. Of the five ASARCO properties in Montana, the BHMD site is the only site that ASARCO did not own. Therefore, the court directed settlement funds to be provided directly to DEQ and into a special account. For the other four Montana sites, a special ASARCO Trust Fund was set up. These sites are Black Pine Mine (Philipsburg), Iron Mt. Mine/Flat Creek (Superior), Upper Blackfoot Mining Complex and East Helena Smelter.
- C. DEQ is committed to only spending the funds at the BHMD site. DEQ believes most of the funds should be held in reserve for potential long-term operation and maintenance (O&M) costs related to the orphan share mines which DEQ must contribute one hundred percent (100%) of the O&M costs. If opportunities arise to contribute to the clean-up cost of solid mining waste remedies, DEQ may try to help fund a portion of that work with the settlement funds. EPA and DEQ are currently working on completing an Operable Unit 1 Feasibility Study (FS) to address the orphan share mines upstream of the Block P Mine. Once the solid mining waste Record of Decision (ROD) is completed, it would be appropriate to discuss funding sources for those remedial response actions. DEQ is not opposed to spending some of the bankruptcy funds on the orphan share mining waste clean-ups. However, it is unknown when that may occur. Expenditures are expected to follow the schedule provided by the DEQ, as updated.

### III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
  1. Establish the investment objectives and performance standards of the Barker Hughesville St Response account.

2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

#### IV. Investment Objective

##### A. Strategic

1. The objective of the Barker Hughesville St Response portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.

##### B. Performance

1. Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool (TFIP) benchmark, the Short-Term Investment Pool (STIP) benchmark and the Bloomberg/Barclays 1-5 Year Treasury Index, each weighted proportionately to the portfolio's holdings, over a five (5) year moving average.

##### C. Time Horizon

1. The Barker Hughesville St Response is a long-term expendable trust fund. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board may lead to unfavorable, but expected deviation from these objectives.

##### D. Investment Guidelines

1. The Board will have full discretion to manage the Barker Hughesville St Response portfolio consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.

##### E. Permitted Investments

1. The Barker Hughesville St Response may only invest in the following:
  - a) Debt obligations of the U.S. Government, including its agencies and instrumentalities.
  - b) TFIP.
  - c) STIP or any cash vehicle at the Custodial Bank.

##### F. Other Restrictions

1. A maximum of ninety-nine percent 99% of the market value of the portfolio will be held in any combination of TFIP or Government/Agency securities.
2. The maximum maturity of Government/Agency securities will be six (6) years

- G. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, § 13  
 Section 2-15-1808, MCA  
 Section 17-1-113, MCA  
 Sections 17-6-201 through 17-6-205, MCA  
 ASARCO Bankruptcy Barker Hughesville Mining DEQ Claim (2008)