



A regular meeting of the GREEN VALLEY RECREATION, INC. BOARD OF DIRECTORS held Wednesday, August 28, 2019 at West Center, the President being in the chair and the Secretary being present.

Directors Present: Charles Sieck (President), Sandra Thornton (Secretary), Carol Crothers (Treasurer), Donna Coon (Assistant Secretary), Christine Gallegos, Gail Vanderhoof, Don Weaver, Kent Blumenthal (non-voting)

Directors Present Electronically: Lynne Chalmers (Vice President), Tom Sadowski (Assistant Treasurer), Suzan Curtin, Mike Zelenak

Directors Absent: Denise Nichols

Staff: Cheryl Moose (CFO), Jen Morningstar (Director of Administrative Services), David Jund (Facilities Director), Kris Zubicki (Recreation Services Director), David Webster (Accounting Supervisor), Miles Waterbury (Communications Specialist), Karen Miars (Administrative Assistant), Randy Cheatham (IT Director), Conal Ward (IT Technician)

Visitors: 63 (includes additional staff)

1. Call to Order / Establish Quorum

President Sieck called the meeting to order at 2pm MST.
Roll call by Secretary Thornton; Quorum established.

2. Adopt Agenda

MOTION: Crothers / Seconded. Adopt Agenda as amended, remove item #10. Removal of Vision Statement from CPM under New Business. Passed: unanimous

3. Consent Calendar

A. Minutes: Board of Directors June 26 and August 8, 2019 Meetings

MOTION: Chalmers / Seconded. Approve June 26 and August 8, 2019 Meeting Minutes as presented.

MOTION TO AMEND: Crothers / Seconded. Remove Historical Timeline of the GVR-BAJA Proposed Lease Agreement from the August 8, 2019 Meeting Minutes.

Failed: 2 yes (Crothers, Curtin) / 9 no

Motion Passed: 10 yes / 1 no (Crothers)

B. June and July Financial Statements

MOTION: Crothers / Seconded. Approve June and July 2019 Financial Statements as presented.

Passed: unanimous

4. **President Report**

Good afternoon. Welcome to the August Board of Directors meeting. We have a lot exciting things going.

The first, I want to congratulate the Pickleball Club for reaching their 24 court goal. You have to admire their dedication and engagement. Through the efforts of the Pickleball Club, the number of GVR pickleball courts will triple. An expansion of this magnitude is extremely rare in any organization of any kind. The number of GVR pickleball players has been growing but a shortage of courts has been cited on numerous occasions as the limiting factor to the growth of pickleball in Green Valley. This will be a fascinating project to watch unfold and its impact on pickleball in Green Valley.

Next I want to apologize if you came to the Board meeting to watch the fireworks related to the vision statement. The 2018 Membership Survey asked the membership their opinion of this vision statement. The results showed it was very controversial. Thirty two percent of the 14,020 comments were related to the vision statement. There are members that are strongly supportive and others that are just as strongly against it. This morning's Green Valley News did an outstanding job of characterizing the issue. The one thing we can all agree on is that the Board has more important things to work on at this time.

Not all of the exciting things are positive. GVR has received our annual update to the MRR reserve study. The updated study increased the current replacement cost by 25%. This was due to a combination of nationwide increase in construction costs and a more accurate accounting of the replacement costs of mechanical equipment, such as air conditioners. In the past, the study was based on national averages for mechanical equipment. This update used actual GVR invoices to establish the costs. The bottom line is at year end 2018 our MRR reserve was 93.4% funded while our target is 85% so we thought the GVR MRR reserve was in great shape. The year end 2019 was going to be slightly under the target at 80.4% based on last year's study. The updated study projects the MRR reserve for year end 2019 to be 66.5% funded which is way below the 85% target.

The whole MRR reserve process is to ensure we have the money to maintain our equipment and facilities and keep us from getting caught low on funds. It is a great process but this latest update has created the appearance of a shortage of funds. GVR currently has nearly \$15M in financial assets so we have the money. The Board needs to decide where, when, and how to move it around. This is not a crisis.

5. **CEO Report**

Good afternoon fellow GVR members, Board, and staff. My CEO report covers GVR-related activities since our last regular session Board meeting on June 26.

1. Arizona Parks & Recreation Association 'Active Adult 50+ Program Award' to GVR

On August 21, I attended the Arizona Parks and Recreation Association's (APRA) Annual Awards Banquet at the *El Conquistador Tucson* resort in Oro

Valley to accept Arizona Parks and Recreation Association's (APRA) best-in-class *Active Adult 50+ Program Award* for 2019 for GVR's new Safety Orientation Seminar (SOS) and SOS Volunteer Program. Joining me in accepting the award was Maureen McCarthy. Coworkers Kris Zubicki, Miles Waterbury, Ashley Coggins, and David Webster joined the awards banquet celebration to honor their colleague Maureen McCarthy.

2. FY2020 Budget Proposed to Fiscal Affairs Committee

Staff proposed a balanced annual budget for FY2020 to the Fiscal Affairs Committee (FAC) on August 22, 2019. The proposed annual budget included operating and capital. It did not include a change in dues or fees from the FY2019 budget, pending board determination about funding for additional activities and non-reserve capital projects.

3. Pickleball Center – Phase I Construction Contract

Construction of the Pickleball Center is proceeding on schedule. Pickleball court construction is expected to begin mid-September. The fundraising goal of 24-courts was reached, with a total of \$347,455 donated from more than 1,400 individuals and a few businesses. Farmers Water has graciously permitted the construction trailer to be parked on their property during construction and have allowed access to electrical power for GVR to install Wi-Fi and a construction webcam on top of the trailer. The webcam should be in place within a couple of weeks.

4. Solar Installations

Solar Gain received approval to start turning systems on! The first two will be Casa Paloma 2 Center and Abrego South Center, which will go live later this week. Within two weeks, West Center, Canoa Ranch, and East Center are expected to go live.

- **Casa Paloma 2:** Project 100% complete. Meter installed. Connectivity established. Permit to Operate issued.
- **Abrego South:** Project 100% complete. Meter installed. Connectivity established. Permit to Operate issued.
- **West Center:** Partial parking has been restored for the West Center Tennis Court Parking. Project is 98% complete. Meter installed. Connectivity established. Awaiting Permit to Operate.
- **East Center:** Project is 98% complete. Meter installed. Connectivity not established. Awaiting Permit to Operate.
- **Administrative Offices:** Meter not installed. Connectivity not established.
 - **Phase 1** (north parking lot) - 98% complete.
 - **Phase 2** (south parking lot) - 90% complete.
- **Canoa Hills:** Project is 100% complete. Meter not installed. Connectivity not established.
- **Canoa Ranch:** Project is 100% complete. Meter installed. Connectivity established. Awaiting Permit to Operate.
- **Desert Hills:** Solar project construction work is complete. The lower parking lot is closed. Site clean-up will be completed the week of 9/2. Project is 95% complete.

- **Santa Rita Springs:** The parking lot west of the Ceramic Studio and the Santa Cruz Building parking lot are closed for the construction of solar canopies. Construction completion and site clean-up expected to be completed the week of 9/12.
 - **Phase 1** (east parking lot) – Santa Cruz Building - 50% complete.
 - **Phase 2** (west parking lot) – Fiesta Building - 80% complete.
- **Las Campanas Center:** The south parking lot closest to the Center will be closed for the duration of the solar canopy construction. Trenching work complete. Construction completion is estimated to be 9/20. Project is 35% complete.
- **Facilities Maintenance Building:** Construction of a solar canopy at this site has begun. This installation was approved by the Board on 8/8 at the Special Board of Directors Meeting.

Thank you.

6. Committee Reports

A. Policy Governance Ad Hoc – Director Chalmers reported.

Director Chalmers requested the Policy Governance Source Document and the Policy Governance Overview Presentation be included in the minutes.

B. Fiscal Affairs – Director Crothers reported.

MOTION: Crothers / Seconded. GVR Board of Directors approve the staff recommendation and adopt the Schedule for Dues and Fees. Passed: 8 yes / 3 no (Coon, Weaver, Zelenak)

C. Board Affairs – Director Curtin reported.

CPM Update for MR&R

**MOTION: Curtin / Seconded. GVR Board of Directors approve to remove Section V. Fiscal / Accounting, Subsection 2. Reserve Policy, E. Maintenance, Repair & Replacement Reserve Fund, 1. Purpose and the Fully Funded Balance/Cash Flow Method chart below #1 in the Corporate Policy Manual (CPM). (see Exhibit)
Passed: unanimous**

Multiple Property NMCF

MOTION: Curtin / Seconded. GVR Board of Directors approve updates to the Corporate Policy Manual (CPM) under Section II – Membership, Subsection 3. Annual Dues, Annual Dues Installment Payment Plan, Initial Fees, Fees for Services, E. New Member Capital Fee to add #2 and to change the name New Member Capital Fee to Property Acquisition Capital Fee. (see Exhibit 3)

MOTION TO AMEND: Curtin / Seconded. Add effective date October 1, 2019.

Passed: 10 yes / 1 no (Crothers)

Amended Motion Passed: 10 yes / 0 no / 1 abstain (Crothers)

Amended Motion: GVR Board of Directors approve updates to the Corporate Policy Manual (CPM) under Section II – Membership, Subsection 3. Annual Dues, Annual Dues Installment Payment Plan, Initial Fees, Fees for Services, E. New Member Capital Fee to add #2 and to change the name New Member Capital Fee to Property Acquisition Capital Fee, effective date October 1, 2019. (see Exhibit 3)

Square Dance Club Request

MOTION: Curtin / Seconded. GVR Board of Directors approve \$2.00 fee reduction for GV Squares Club non-member guests for their dances for the year. (see Exhibit)

Passed: unanimous

CPM Update for Typographical Errors

MOTION: Curtin / Seconded. GVR Board of Directors approve addition in the Corporate Policy Manual (CPM) under Section X – Miscellaneous, Subsection 3. Mistake or Typographical Error in Printed Material in the Corporate Policy Manual. (see Exhibit)

Passed: unanimous

D. Planning & Evaluation – Director Coon reported.

E. Audit – Director Vanderhoof reported.

F. Investments

Investment Management Agreement / Investment Policy

MOTION: Sadowski / Seconded. GVR Board of Directors approve transfer of GVR Operational Account assets from Edward Jones to JP Morgan Chase, adopt the new Investment Policy Statement (IPS) and Addendum. (see Exhibit)

Whereas, the Fiscal Affairs Committee approved the Investments Committee’s recommendation to add an Investment Strategy Addendum for Operating Cash Investments to GVR’s Investment Policy Statement to allow opening three (3) proprietary JP Morgan Chase Mutual Fund accounts to replace the current Edward Jones account;

Now, therefore let it be resolved that GVR Chief Executive Officer Kent Blumenthal is authorized to sign JP Morgan Investment Account opening documents; and,

Further, Kent Blumenthal, GVR Chief Executive Officer and Cheryl Moose, GVR Chief Financial Officer are authorized signers for the JP Morgan Chase Investment accounts.

Passed: unanimous

G. Bylaws Ad Hoc – Director Curtin reported.

H. Survey / Facility Access Ad Hoc – Director Thornton reported.

7. Board Project Status Reports

A. Solar Gain Status – Refer to CEO Report: Solar Installations.

B. Solar Services Agreement Amendment - President Sieck reported an additional \$2,000 in cost savings to GVR as part of the First Amendment to the Solar Services Agreement between GVR and Solaris approved at the August 8 Special Board Meeting.

C. Estoppel Certificate

MOTION: Sieck / Seconded. GVR Board of Directors authorizes President Sieck to sign the Solar Services Estoppel Certificate which execution is provided for in Section 22(i) of the Solar Services Agreement with Green Valley Renewable Energy LLC.

Passed: unanimous

D. Pickleball Complex Status Update – Refer to CEO Report: Pickleball Center – Phase I Construction Contract.

8. GVR Foundation Report

Letter of support for MAP grant application

MOTION: Vanderhoof / Seconded. GVR Board of Directors authorizes President Sieck to sign the Country Fair White Elephant grant letter of support for GVR Foundation (GVRF) to assist in raising funds for GVR Member Assistance Program (MAP).

Passed: unanimous

GVRF President Jim Counter reported: MAP grant request due to Country Fair White Elephant September 15; GVRF to host a Donor Thank You Event on October 30, partially funded by Greater Green Valley Community Foundation in the amount of \$2,000; and consideration is being given to apply for grants to fund a Portable Stage.

9. Member Comments: 3

10. Adjournment

MOTION: Vanderhoof / Seconded. Adjourn meeting at 4:05pm MST.

Passed: unanimous



EXHIBIT

BOARD OF DIRECTORS June 26, 2019

APPROVED Board Affairs Committee June 10, 2019

MAINTENANCE REPAIR & REPLACEMENT RESERVE FUND

Overview: GVR Board of Directors updated the Maintenance Repair and Replacement Reserve Policy at their May 22, 2019 meeting. To be consistent with the new policy, the CPM should be updated to reflect the change in funding.

Recommendation: The Board Affairs Committee unanimously recommends the Board of Directors delete the following from the CPM and renumber accordingly:

CORPORATE POLICY MANUAL

SECTION V – FISCAL / ACCOUNTING

SUBSECTION 2. RESERVE POLICY

E. Maintenance, Repair & Replacement Reserve Fund

~~1. Purpose~~

~~This fund shall be used only to maintain, repair or replace existing equipment and facilities as listed in the Component List of the Annual Reserve Study.~~

~~If a Component is or Components are an integral part of a capital asset not part of the Component List, only the Fully Funded Balance (as defined by the Reserve Study) to maintain, repair or replace such Component or Components may be used to repair or replace a non-component list asset. for example: A pool failure requires a new pool, the Fully Funded Balance as of the fiscal year of the pool failure to resurface the pool deck, re-plaster the pool, etc. may be withdrawn from this reserve and used to cover some of the cost of the new pool.~~

Example:

A GVR pool needs to be replaced in fiscal year 2019. For pool resurfacing of said pool only, its Fully Funded Balance of \$8,742 for fiscal year 2019 not \$11,593 in 2021 can be used to cover some of the new pool cost.

Fully Funded Balance / Cash Flow Method															
Inflation Rate		3.00%													
Interest Rate		0.00%													
		Period →													
		Remaining Useful Life													
Component List	Current Cost	Future Cost	Useful Life	Remaining Useful Life	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Pool - Resurface	10,000	11,593	10	5	10,000	2,060	4,244	6,556	9,004	11,593	1,194	3,116	3,800	5,219	6,720
Useful Life =					10	10	10	10	10	10	10	10	10	10	10
Remaining Useful Life =					-5	-4	-3	-2	-1	0	-9	-8	-7	-6	-5
Useful Life - Remaining Useful Life = Effective Age					5	6	7	8	9	10	1	2	3	4	5
Effective Age ÷ Useful Life =					50%	60%	70%	80%	90%	100%	10%	20%	30%	40%	50%
Current Cost =					\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$ 11,593	\$ 11,593	\$ 11,593	\$ 11,593	\$ 11,593
Current Cost * (Effective Age ÷ Useful Life) =						\$ 6,000	\$ 7,000	\$ 8,000	\$ 9,000	\$10,000	\$ 1,159	\$ 2,319	\$ 3,478	\$ 4,637	\$ 5,796
Fully Funded Balance						\$ 6,180	\$ 7,426	\$ 8,742	\$10,130	\$11,593	\$ 1,194	\$ 2,460	\$ 3,800	\$ 5,219	\$ 6,720

**APPROVED
BOARD AFFAIRS
July 8, 2019**

EXHIBIT 3

NEW MEMBER CAPITAL FEE

SUBSECTION 3. ANNUAL DUES, ANNUAL DUES INSTALLMENT PAYMENT PLAN, INITIAL FEES, FEES FOR SERVICES (updated 9/25/2018)

D. Initial Fees

1. The Initial Fee may be adjusted annually by the Board based on the Department of Labor CPI (Consumer Price Index), "all items, Western Urban Region," rounded to the nearest dollar amount.
2. The initial fee is due at the time of the closing of escrow on a deed-restricted membership property or at the time an owner elects to deed-restrict property for membership.
3. An owner paying an Initial Fee shall be exempt from paying the New Member Capital Fee on that property.

E. New Member Capital Fee – adopted 12/17/2015

Upon transfer of title to a GVR membership property, the new owner thereof shall pay a New Member Capital Fee unless such owner was a GVR membership property owner at the time of the transfer or within twelve months prior thereto. Revenue from the New Member Capital Fees may be used as will most effectively further the general purpose of the Corporation to provide for current and future needs.

SUGGESTED:

E. New Member Capital Fee – adopted 12/17/2015

1. Upon transfer of title to a GVR membership property, the new owner thereof shall pay a New Member Capital Fee unless such owner was a GVR membership property owner at the time of the transfer or within twelve months prior thereto.
2. *When purchasing 1 or more additional GVR membership properties, the new owner shall pay the New Member Capital Fee for each such additional property, except for transfer of title, as described in #1 of this section E.*
3. Revenue from the New Member Capital Fees may be used as will most effectively further the general purpose of the Corporation to provide for current and future needs.

APPROVED
BOARD AFFAIRS
July 8, 2019

EXHIBIT

GREEN VALLEY SQUARES REQUEST FOR GUEST FEE REDUCTION

Overview

On July 8, 2019 Randy Pecsek made a presentation to the Board Affairs Committee on behalf of the GV Squares Club.

The club requested the non-member guest fee be reduced to \$2.00 for the next year.

Recommendation

The Board Affairs committee recommends the Board of Directors approve the fee reduction of \$2 for guests of the GV Squares Club dances for the next year.

EXHIBIT

Approved
BOARD AFFAIRS
June 10, 2019

Typos in Corporate Policy Manual

Organizations I have researched or otherwise have personal knowledge do not revise and distribute a manual page containing an inconsequential error. That cost is not justified.

That said, I propose this CPM addition that does call for review of all errors, but does not require changing a page due to simple error. Keeping in mind some seemingly small errors can change or confuse the content meaning, or threaten lives, i.e., “Lets eat Grandma”, versus, “Let’s eat, Grandma”

Dale Sprinkle

SECTION X – MISCELLANEOUS

SUBSECTION 3. MISTAKE OR TYPOGRAPHICAL ERROR IN PRINTED MATERIAL IN THE CORPORATE POLICY MANUAL.

- A. When a GVR member or employee discovers or is made aware of an apparent mistake or typographical error in the Corporate Policy Manual, that person is directed to forward that information to the Chair, Board Affairs Committee.
- B. Upon receipt of that information, the Chair, Board Affairs Committee, or a Board Affairs Committee member designated by the Chair for such purpose, shall examine the reported error and:
 - 1. If the error in any way changes or confuses the intended meaning of the section, it shall be referred to the Board Affairs Committee. The Committee shall take appropriate corrective action.
 - 2. If the error does not alter or confuse the intended meaning of the section, the reviewing person shall forward the information to the Director of Administrative Services, who may cause the item to be placed in a tickler file for corrective action to be taken the next time the page containing the error is otherwise revised.

At the August Investment Committee meeting, the committee considered 5 proposals for the investment of GVR Operational Cash account. This recommendation was based upon a simpler structure which reduces the chance for operational errors and reduces the level of GVR financial staff workload required.

Additionally, we are able to get a lower price and a higher level of service which includes waiving account minimum requirements, and access to needed funds quicker, and increased returns on our investments. The current anticipated return is 2.74%.

The Investment Committee has approved and therefore recommends the GVR Board of Directors approve the transfer of Operational Account assets from Edward Jones to JP Morgan Chase. Since GVR already has its existing Operational bank accounts with JP Morgan Chase, they have offered to waive their account minimums and provide that the Branch Manager of its Scottsdale office be the point of contact for GVR financial staff.

This change also requires the updating of GVR's Investment Policy statement to address Operational cash, which includes an addendum which includes the investment strategy, asset allocation, performance objective, and investment constraints. This updated IPS has been approved unanimously by both the Investment and Fiscal Affairs committees.

Therefore, I make the following motion, that GVR Board's approve the transfer of assets from Edward Jones to JP Morgan Chase, and that the Board adopt the new Investment Policy Statement and Addendum (copies attached).

**CORPORATE POLICY MANUAL
APPENDIX 1 – BOARD POLICIES
SUBSECTION 3. GVR INVESTMENT POLICY**

1. Introduction

In making investment decisions, the Board of Directors (the “Board”), Investments Committee, GVR’s Chief Executive officer (the “CEO”) and Chief Financial officer (the “CFO”) and GVR’s financial advisor(s), if any, shall act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner they reasonably believe to be in the best interests of Green Valley Recreation, Inc. (the “GVR) and manage the assets of GVR in accordance with the Arizona Prudent Investor Act (AZ Rev Stat § 1410901 et. seq.) and the Arizona Management of Institutional Funds Act (AZ Rev Stat § 10-11801 et. seq.)

2. Purpose and Scope

The purpose of this Investment Policy Statement (the “IPS”) is to provide a framework for ensuring that GVR investments are managed consistently with GVR’s short-term and long-term financial objectives. At the same time, this IPS is intended to provide for sufficient investment flexibility to adjust to operational and market changes. This IPS applies to all investments of GVR’s excess operating cash and Reserve Funds and supersedes GVR’s Corporate Policy Manual concerning investments.

3. Definitions

Defined words used in this IPS are capitalized and written in **Bold** typeface.

See Appendix A for definitions of defined words.

4. Management of Investments.

GVR’s Board has fiduciary responsibility for GVR’s investments. The Board, Investments Committee, GVR’s CEO and CFO and financial advisor(s), if any, are bound by (1) this IPS unless changed or amended by Board resolution and (2) all federal and state laws and regulations.

5. Investment Objectives, Risk Tolerance, Investment Strategy, Asset Allocation, Liquidity, and Rebalancing.

The primary investment principle is to maintain the safety of GVR’s assets.

The secondary investment principle is to have invested operating cash and Reserve Funds available when needed by GVR’s operations without incurring an unwarranted loss of value or costs. The maturity horizon for each Fund shall be determined by each Fund’s purpose, use, and needs.

Specifically, the target **Asset Allocations** and anticipated allocation ranges for each Fund are below:

Fund A (Initiatives Reserve Fund)	Target	Range
Equities	10%	5-20%
Fixed Income	80%	80-100%
Cash	10%	0-20%

**Fund B (Maintenance
Repair/Replace Reserve Fund)**

	Target	Range
Equities	25%	15-35%
Fixed Income	70%	65-75%
Cash	5%	0-10%

Fund C (Emergency Reserve Fund)

	Target	Range
Equities	70%	60-80%
Fixed Income	30%	15-35%
Cash	0%	0-15%

A specific **Risk Tolerance** to match the purpose and use of **Operating Cash Investments** and the **Reserve Funds** shall be determined. Within the constraints of the primary and secondary investment principles and **Risk Tolerance**, a written **Investment Strategy Addendum** for operating cash investments and the **Reserve Funds** shall be designed, constructed and implemented to achieve the following.

- a. Match the purpose and use of operating cash investments and each **Reserve Fund**.
- b. Provide a relatively predictable and growing stream of annual income and **Capital Appreciation** after inflation, taxes, if any, fees and costs while minimizing the impact of market **Volatility**.

Portfolios shall be **Rebalanced** as appropriate but at least annually.

Liquidity of all investments shall be trade-date plus two (2) business days ("T+2").

6. Permitted Investments:

- a. Fixed income securities issued by the U.S. Treasury Department,
- b. Fixed income securities issued by a direct Agency of the U.S. Federal Government,
- c. Certificates of Deposit issued by a bank that is insured by the U.S. Federal Deposit Corporation,
- d. Certificates of Deposit issued by a credit union that is insured by the U.S. National Credit Union Administration,
- e. Fixed income securities and fixed income financial instruments that are rated Investment Grade (at the time of purchase) by one or more of the major credit rating agencies and are denominated in U.S. Dollar terms,
- f. Common stock of a corporation that is either domiciled, headquartered, or incorporated in the U.S. and which trades in U.S. Dollar terms,
- g. Preferred stock of a corporation that is either domiciled, headquartered, or incorporated in the U.S. and which trades in U.S. Dollar terms,
- h. American Depository Receipts,
- i. Global Depository Receipts,
- j. Mutual funds and Exchange Traded Funds that satisfy the following seven criteria:
 1. Under normal market conditions, provide daily access,
 2. Under normal market conditions, settle within two or fewer business days,
 3. Are not designated by an independent third-party investment research firm as providing leveraged exposure,
 4. Are not designated by an independent third-party investment research firm as providing inverse exposure,

5. Are the cheapest share class available to GVR and for which GVR is eligible, and
6. Trade in U.S. Dollar terms.

Overnight investment in money market funds at GVR's bank and broker/dealer, if any, are permitted.

7. Prohibited Investments

- a. Any security or financial instrument that is not listed as permitted in Section 6. Above

8. Review and Monitoring

- a. GVR's Board of Directors is responsible for GVR's Investment policies, activities, and performance.
- b. The Chief Executive officer (CEO) shall have oversight of and the Chief Financial officer (CFO) is responsible for:
 - a) Monitoring the activities of GVR's financial advisor(s)
 - b) Day-to-day coordination with Advisor regarding investment activity and decisions.
- c. The Investments Committee's responsibilities are listed below.
 1. Select, hire and terminate professional outside investment advisor(s) with notice to the CEO
 2. Revise GVR's Investment Policy Statement subject to Board approval
 3. Monitor, measure, and report on investment advisor's or advisors' performance(s)
 - a) For Equities the following benchmarks shall be considered:
 - i. Russell 1000 (large-cap equities)
 - ii. Russell 2000 (small cap equities)
 - iii. MSCI EAFE (international equities)
 - b) For Fixed Income the following benchmark shall be considered:
 - i. Bloomberg Barclays US Intermediate Govt/Credit Index
 4. Ensure GVR management implements and complies with GVR's Investment Policy Statement
 5. Meet at least once each calendar quarter to perform its assigned duties and report to the Board.

9. The responsibilities of the Client

- a. The client will authorize specific employees to serve as liaisons between the Client and Advisor.
- b. Client's authorized staff is responsible to ensure the smooth transition of the Clients investment portfolio to Advisor.
- c. Client's authorized staff will oversee that the Advisor's reporting requirements are met.
- d. Client's authorized staff will ensure that communications to Advisor from Client's Board of Directors or Investments Committee are presented to Advisor in a timely manner.

- e. Client's authorized staff will facilitate the Advisor's face-to-face and videoconference presentations to Client's Board of Directors or Investments Committee.
- f. Any proposed changes to this investment policy statement will be discussed with the Advisor promptly.
- g. The client will inform the Advisor, as soon as possible of anticipated additions to or withdrawals from the Portfolio.

10. The responsibilities of the Advisor

- a. Any deviation from these guidelines will be discussed in advance with the Client unless market conditions require immediate action.

The Advisor will, within these guidelines, have full discretion to buy, sell, invest and reinvest in assets on behalf of the Client.

- b. Advisor has a fiduciary responsibility to make investment decisions based upon what is best for the Client and within Investment Policy

Guidelines approved by the Client, the Advisor will have discretion to buy, sell, invest, and reinvest in investment assets on behalf of the Client, with notification to the Client of such transactions.

- c. The Investment Advisor will make in-person presentations about the Client's investment portfolio to the Client's Board of Directors and/or Investments Committee in Green Valley, AZ at Advisor's expense at least twice a year, unless otherwise mutually agreed in writing between Advisor and Client.

- d. The Advisor will participate in audio and/or videoconference meetings with the Client's Investments Committee on a quarterly basis each year, when not meeting in person, unless otherwise mutually agreed in writing between Advisor and Client.

11. Acknowledgments

We, the Board of Directors, recognize the importance of adhering to this Investment Policy Statement and agree to fulfill its objectives to the best of our ability.

APPENDIX A – Definition of Terms Investment Policy Statement Green Valley Recreation, Inc.

Investopedia.com is the primary source of definitions. Some definitions have been paraphrased or they are a composite from several sources.

American Depository Receipt (ADR) is a negotiable certificate issued by a U.S. bank representing a specific number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. Dollars, with the underlying security held by a U.S. financial institution overseas. This is an excellent way to buy an investment in a foreign-based company while realizing any dividend and capital gains in U.S. Dollars. However, ADRs do NOT eliminate currency, economic and country risks attributable to the foreign-based company. There are other ADR risks too. Consult your financial advisor(s).

Asset Allocation, buy and sell guidelines and **Risk Tolerance**. Investment strategies can differ greatly from a rapid growth strategy to a **Capital Appreciation** strategy. The most important part of an investment strategy is that it aligns with the investor's goal and it is followed closely by the investor and his financial advisor.

Asset Class means a group of securities that exhibit similar characteristics. The three (3) main asset classes are stocks, fixed income securities (bills, notes, bonds & other debt) and cash and cash equivalents. Some investment professional would include real estate and commodities and, possibly, other types of investments. Whatever the asset lineup, each one is expected to reflect different risk and return characteristics and will perform differently.

Asset Allocation is an **Investment Strategy** aimed to balance risk and reward by apportioning a portfolio's assets according to an investor's goals, **Risk Tolerance**, and investment time horizon. There is no simple formula that can find the right asset allocation for every investor. However, the consensus among most financial professionals is asset allocation is one of the most important decisions an investor can make. In other words, an investor's selection of individual securities is secondary to the way investments are allocated among the various securities.

Capital Appreciation is a rise of an asset price based on a rise in market price.

Credit Rating is a grade composed of a letter or letters and numbers given to a particular security by a **Nationally Recognized Statistical Rating Organization** (a credit agency) that ranks investment according to its ability to meet its obligations.

Diversification is a process of allocating capital in a way that reduces exposure to any one particular asset or risk.

Fund or **Fund's** and **Funds** or **Funds'** means operating cash investments and each **Reserve Fund**.

Investment Grade is a **Credit Rating** that indicates the issuer of a debt security has relatively low probably of default. In the case of stocks, investment grade indicates the financial soundness of the issuer. The investment industry has well-established credit rating standards for investment grade.

Investment Strategy is an investor's plan of attack to guide its investment decisions based on its goals, **Risk Tolerance** and future needs for invested money. The components of most investment strategies include

Investment Strategy Addendum is the written **Investment Strategy** required in section 5 of this Investment Policy Statement.

Leverage is the use of various financial instruments or borrowed capital such as margin to increase a potential return of an investment.

Liquidity means how quickly and easily an investment can be converted into cash.

Nationally Recognized Statistical Rating Organization (NRSRO) is a term used by the U.S. Federal government in several regulatory areas to define a credit rating company like Standard & Poor's, Moody's, Fitch and others.

Rebalancing is the process of realigning the weightings of a portfolio's assets to match its **Asset Allocation** model's weightings. Over time, the prices of investments rise and fall unevenly thus changing the weighting of a portfolio's assets. For example: If an **Asset Allocation** model is 40% stocks, 50% fixed income and 10% cash and the current portfolio assets are distributed 45% stocks, 35% fixed income and 20% cash, rebalancing buys and sells investments to align the current portfolio's asset weightings with the **Asset Allocation** model. If a different **Asset Allocation** model is applied to a portfolio, rebalancing adjusts the portfolio's assets to the new **Asset Allocation** model's weightings.

Reserve Fund and **Reserve Funds** mean a reserve fund as defined in GVR's Corporate Policy Manual, Section V-Fiscal/Accounting, Subsection 2 – Reserve Policy – adopted 11/18/2014, subparagraph B – Maintenance of GVR Financial Reserve System Updated 8/25/15.

Risk Tolerance is an investor's willingness to risk a potential loss for a potential gain. For example: How comfortable is an investor taking a potential 10% loss for a potential gain of 20%? The investor's risk tolerance is tested at various levels of loss v. gain to assess the investor's overall tolerance for risk and reward.

Volatility is the dispersion of a security's price from its mean price over time. A high deviation from a security's mean indicates high volatility. Allow deviation indicates low volatility. Commonly, higher the volatility means higher the risk.

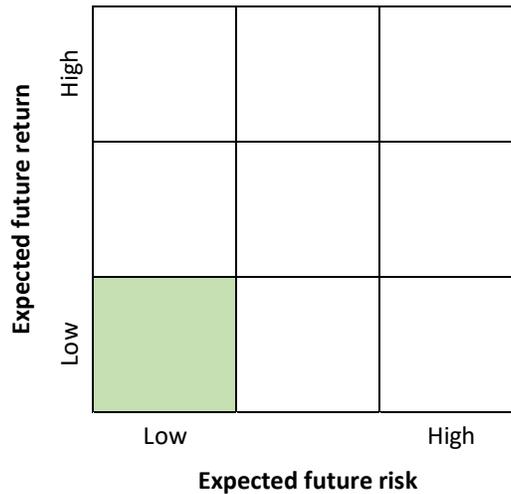
GVR INVESTMENT POLICY STATEMENT

INVESTMENT STRATEGY ADDENDUM – OPERATING CASH INVESTMENTS

Purpose and Use

Operating Cash Investments pays GVR’s operating expenses. Excess operating cash, not needed immediately, shall be invested in accordance with the **Risk Tolerance**, **Asset Allocation**, **Performance Objective**, and **Investment Constraints** specified below. If one or more of the **Investment Constraints** is violated, the **Violation Cure Procedure** will be followed.

Risk Tolerance



Asset Allocation

	Target	Permitted Range
Equities	0%	0% to 0%
Fixed Income (other than Cash Equivalents)	59%	39% to 69%
Cash Equivalents	41%	31% to 61%

Performance Objective

The desired return is 50 Basis Points (0.50%) above six-month U.S. Treasury Bills measured over rolling time windows of six months in length.

Investment Constraints

- At any and all times, the **Portfolio** is required to:
 - Have an **Average Effective Maturity** of less than 2.50 years,
 - Have an **Average Effective Credit Quality** that is “A+” or better,
 - Consist exclusively of daily-access mutual funds that provide settlement within one business day (or less), and
 - Consist of mutual funds that collectively provide indirect diversification across more than 900 individual securities (reflecting the securities contained inside the mutual funds).
- The **Portfolio** is prohibited from directly holding any security that:
 - Is not classified as a daily-access mutual fund,
 - Requires more than one business day for settlement,
 - Is classified by any one of the **Designated Investment Research Firms** as:
 - Something other than a domestic fixed income mutual fund,
 - Providing inverse exposure,
 - Providing leveraged exposure,
 - Holding less than 150 individual securities (held inside of the mutual fund), or
 - Having an **Average Effective Duration** that is less than or equal to zero.
 - Generates an annual K-1 tax statement,
- If the **Portfolio** strays outside of the **Policy Range**, then within three business days, the Portfolio is to be rebalanced back to **Policy Weights**.

Violation Cure Procedure

- If the **Portfolio** is in violation of one or more of the **Investment Constraints** described above for a period of time greater than fifteen consecutive business days, then:
 - The Chairman of the GVR Investment Committee is to be immediately notified,
 - The **Portfolio** is to be brought back into compliance within fifteen business days, and
 - Once the Portfolio is back in compliance, the Chairman of the GVR Investment Committee is to be immediately notified.

Definitions

Portfolio means the entire **Operating Cash Investments** held at J.P. Morgan taken as a whole and in its totality.

Average Effective Maturity and **Average Effective Credit Quality** shall be based only on data, information, and calculations provided by the **Designated Investment Research Firms**.

Designated Investment Research Firms are Schwab, Morningstar, J.P. Morgan Private Bank, J.P. Morgan Asset Management, Portfolio Insights (JP Morgan Chase & Co), and the specific mutual fund companies that comprise the **Portfolio**.

Policy Weights is defined as:

- 41% JP Morgan Prime Money Market Fund, VPMXX (a money market fund)
- 41% JP Morgan Managed Income Fund L, JMGIX (a bond mutual fund)
- 18% JP Morgan Floating Rate Income Fund, JPHSX (a bond mutual fund)

Policy Range is defined as:

- 31% to 61% JP Morgan Prime Money Market Fund, VPMXX (a money market fund)
- 31% to 51% JP Morgan Managed Income Fund L, JMGIX (a bond mutual fund)
- 8% to 24% JP Morgan Floating Rate Income Fund, JPHSX (a bond mutual fund)