

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.