

Ad Hoc Investment Committee History

Investment Committee History

On February 24, 2015, GVR's Board of Directors adopted the **2015/2016 GVR Work Plan** that was presented by CEO Kent J. Blumenthal. *Work Plan Item IV "GVR Financial Planning & Revenue Development"* included the following task: 'Select financial investment firm through RFP process to manage GVR restricted reserve funds and unrestricted cash reserves.'

Vicky Mournian was approached in the summer of 2015 by then President of GVR Joe Gunton to work with John Hadley, Roger Myers and Stan Riddle to find a financial advisor for GVR investments. They also included Cheryl Moose, the CFO, as she was the person who would be working closely with the financial advisor. They worked diligently and the history of their processes is discussed below. CEO Blumenthal recused himself from the effort to choose a financial advisor for GVR since he was familiar with several local financial advisors on a personal basis.

The Board of Directors had charged the Fiscal Affairs Committee with analyzing the investments and to make a recommendation whether not there was a more organized, efficient and profitable way to invest these monies while maintaining a reasonable risk tolerance.

The Fiscal Affairs Committee formed an Investment Subcommittee to perform the assigned task. The Investment Subcommittee accomplished the following:*

- Created a contacted list of nine (9) investment firms.
- Invited seven (7) firms to informational interviews.
- Created a scoring system based on nine (9) criteria and ranked the seven (7) firms.
- Based on the scores/ranks, two (2) firms were invited back for formal interviews and were reevaluated.

**(Additional details of the 2015 award of financial advisory services is provided below)*

This last evaluation resulted in the Investment Subcommittee's decision to want to hire Mr. Skip Breither, AAMS and Financial Advisor of Edward Jones as GVR's financial advisor. The Subcommittee unanimously approved the following recommendation to go to the Fiscal Affairs Committee:

- Approve Skip Breither, AAMS and Financial Advisor, of Edward Jones at 560 East Continental Road, as GVR's financial advisor.
- Authorize GVR President Joe Gunton to enter into a Service Agreement with Edward Jones and perform accordingly.
- Authorize the Investment Subcommittee to work with Skip Breither to create all pertinent documents especially a GVR investment policy statement; further, recommend appropriate amendments to GVR's Reserve Fund Investment Parameters, if necessary.

- Authorize the Investment Subcommittee to work with Skip Breither to recommend investments to assist GVR in achieving its investment goals as stated in the Corporate Policy Manual's Reserve Policy.

The Board of Directors unanimously approved the Fiscal Affairs Committee recommendation to hire Skip and Edward Jones at the board meeting on October 29, 2015.

This same group of people mentioned above was also tasked with writing an Investment Policy. During the interview process of all the financial advisors we asked if they would assist us with the writing of this policy. Ad Hoc Investment Committee Chair Roger Myers was principal author of the Investment Policy. While Skip did not write the policy, his input was most valuable. Once we had completed the policy this was presented to the GVR Board and approved at the February 23, 2016 board meeting. The Investment Policy is published within the *Corporate Policy Manual (CPM), Appendix I-Board Policies-Subsection 3. GVR Investment Policy.*

At the time of preparing the Investment Policy the committee also recommended the criteria for the newly formed committee. Due to the nature of this committee it was felt that there should be some continuity and qualifications for each member. This document has not been formally approved as the committee is still an Ad Hoc until such time as the membership should approve it. (This document is attached for reference).

The next step for this group was to have the Investment Subcommittee formally appointed as an Ad Hoc committee until such time as the membership voted to make it a Standing Committee. This appointment was done at the GVR board meeting on April 19, 2016.

On November 29, 2016, the Board unanimously approved an Investment Ad Hoc Committee recommendation to propose an amendment to GVR Bylaws that would elevate the Investment Ad Hoc Committee to the status of a permanent Standing Committee.

A GVR member referendum to amend the Bylaws in March 2018 to elevate the Investment Ad Hoc Committee to a Standing Committee failed to receive the required two-thirds majority vote to approve.

Additional Details of 2015 Award of Financial Advisory Services

In August 2015 the following firms were contacted to solicit proposals to be named an Investment Advisor for GVR financial advisor search only by the Investment subcommittee of Fiscal Affairs Committee.

The paper trail is very limited, but it appears that other firms were also contacted and at various times were in and out of consideration.

Preliminary interviews prior to issuing an RFP with these companies. An asterisk indicates firm selected as semi-finalists for an RFP.

- RBC Wealth Management, Tucson, AZ
- John R. Peters, Professional Wealth Strategies, Tucson, AZ – A single-owner private wealth management company using Commonwealth Financial Network for “securities and advisory services.”
- Morgan Stanley, Tucson, AZ
- W.F. Stevens Financial Advisors, Green Valley, AZ – Stevens uses Frank Russell Company acquired by Northwest Mutual in 1999 for financial products and services.
- John Pautler, Raymond James, Green Valley, AZ
- UBS Financial Services, Tucson, AZ *
- Skip Breither, Edward Jones, Green Valley, AZ *

Also considered Merrill Lynch and Wells Fargo Advisors. They were eliminated due to the CFO’s objections based on past experiences. Wells Fargo Advisor. Green Valley office, was GVR’s financial advisor at the time.

Schwab was contacted but later cancelled because John Hadley was on GVR’s BOD and also on the Investment Committee and he used Schwab as his personal advisor and didn’t want to have a “conflict of interest”.

The Investment Committee ranked each company based on the following criteria:

1. Accounting Statements
2. Proprietary vs 3rd party funds
3. Fees
4. Assistance with investment policy and reporting
5. Chemistry with Cheryl
6. Co-fiduciary yes/no
7. Team support
8. Nonprofit experience
9. Home office research/support

Four of the potential advisors were selected as semi-finalists, interviewed again and scored with the following results:

RBC – Royal Bank of Canada 35pts.
 Skip Breither, Edward Jones 33pts
 Morgan Stanley 29pts
 William F. Stevens, Raymond James 21pts

The file contains some rough draft and written comments concerning the development of an RFP. Several Investment Committees submitted sample RFPs or RFPs used in the past. However, it appears a final RFP was not written. Rather, through a series of three (3)

interviews and detailed presentations a finalist, Skip Breither, Edward Jones, was chosen and recommended to the Board.

An Exhibit from the Fiscal Affairs Committee recommended that Skip Breither, Edward Jones be awarded a service contract by CEO Kent J. Blumenthal.

History updated 01/18/2019