

GVR 2020 Investment Committee – Open Issues

| Issue | IC Meeting Notes | Next Steps |
|---|--|--|
| Investment Committee Logistics | | |
| <ul style="list-style-type: none"> • What is the term for serving on the IC? • How will the following be handled? <ul style="list-style-type: none"> • Who crafts meeting agenda? • How many IC members are required for a quorum to begin a meeting? • Who takes meeting minutes? • How are previous meeting minutes approved? • How is next meeting agenda set? | <ul style="list-style-type: none"> • One-year term for IC members • Bev plus volunteer to take meeting minutes • Half of IC members necessary for a quorum • Once IPS issue resolved, meeting length will shorten • IC members do not get GVR email addresses • GVR will take minutes at “normal” IC meetings | <ul style="list-style-type: none"> • Regular meetings will be 2nd Tuesdays of month at 9:30am |
| Crafting a new IPS – issues to consider | | |
| Schedule for revising IPS – what’s our schedule? | <ul style="list-style-type: none"> • IC needs to discuss; 2 months? 3 months? | <ul style="list-style-type: none"> • Item for next IC meeting |
| Start over or just “tweak” previous investment policy dated 4/24/19 | <ul style="list-style-type: none"> • Plan for revising IPS – <ul style="list-style-type: none"> • Jen to provide Word.docs of 2016, 2019 and 2020 IPS documents to IC • Nellie has example of “typical” IPS • IC members to review and make recommendations as to what to use in updated IPS • IC then decides on new IPS / final draft • Review final draft with Board; SBH • Mar2020 IPS was voted upon by GVR Board; thus to change IC must get Board approval <ul style="list-style-type: none"> • Jen to add to next Board mtg agenda | <ul style="list-style-type: none"> • Jen to provide the Word.docs of IPSs • Jen to add IPS topic to agenda of next Board meeting • Nellie to send out “typical” IPS to IC |
| Remove mandate to use SBH? | <ul style="list-style-type: none"> • Yes, remove mandate that GVR must stay with SBH. May want to change IA at a future date. | <ul style="list-style-type: none"> • Remove in IPS update |
| Where is March 2020 revised IPS “officially” located? Has it been formally adopted? | <ul style="list-style-type: none"> • Mark indicated that the 3/18/2020 updated IPS was meant to replace all previous IPSs. <ul style="list-style-type: none"> • To provide better direction, benchmarks | <ul style="list-style-type: none"> • Issue will be clarified when IC updates IPS |

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| | <ul style="list-style-type: none"> • Saved 35 basis pts (0.35%) on fees • SBH funds should not charge fees • But March 2020 IPS was not conveyed to SBH; funds transferred to SBH in April 2019 <ul style="list-style-type: none"> • Thus, SBH does not follow March 2020 IPS • Cheryl sent SBH Mar 2020 IPS, but SBH did not change investments to match. They were unclear on formal role of this update. • John Roberts from SBH was in Tucson recently and met with Cheryl, providing reports | <ul style="list-style-type: none"> • IC will have discussions with SBH on go-forward plan • IC will have multiple questions/requests to SBH • Cheryl to provide copy of SBH report to IC |
| Remediation – March 2020 IPS includes remediation; do we keep Remediation section in new IPS? If so, how do we want to revise? If IA fails to achieve investment objectives, IC meet within one calendar month to determine course of action if any? | <ul style="list-style-type: none"> • Change to 7 calendar days for SBH to notify us that they are out of compliance • IC to provide IA guidance within one month | <ul style="list-style-type: none"> • Include in new IPS |
| Should we add a “Conflict of Interest” policy? Vanguard suggestion | <ul style="list-style-type: none"> • The previous IC discussed if there was any conflict of interests when making switch to SBH...quite a long process • No one knows of any existing conflict of interest • This section should be included in new IPS | <ul style="list-style-type: none"> • Include in new IPS |
| Should we add (Vanguard recommendation) language regarding a “disciplined process for hiring, evaluating and terminating Investment Advisor”? | <ul style="list-style-type: none"> • Discussed how we ended up choosing SBH • SBH provided a complex marketing document | <ul style="list-style-type: none"> • Not decided as to if we should add more language to cover this |
| Should we add section that addresses the preparation and filing of all government required forms? (Vanguard recommendation) | <ul style="list-style-type: none"> • No | <ul style="list-style-type: none"> • None |
| Investment Strategy | | |
| Formal investment strategy paragraph? | <ul style="list-style-type: none"> • IC to update and clarify in new IPS | <ul style="list-style-type: none"> • Update in new IPS |

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| Fund allocation targets and ranges for 3 main funds – <ul style="list-style-type: none"> • Liquidity needs for each fund? Required cash balances? • Were targets and ranges working for liquidity needs? | <ul style="list-style-type: none"> • GVR needs about \$800K/month in cash • Currently plenty of cash for GVR liquidity needs • Too much cash, actually • In the CPM it lays out details on purpose and needs of the investment funds | <ul style="list-style-type: none"> • Review CPM for strategy details of funds • Develop new cash targets by fund • Discuss w/SBH and JPM |
| Investment specificity – keep “micromanagement” of allowed investment funds or revert back to a more general direction? | <ul style="list-style-type: none"> • Revert back to more general direction | <ul style="list-style-type: none"> • Revise in new IPS |
| <ul style="list-style-type: none"> • Investment targets and ranges – keep previous ones? Update? • Add a column for risk tolerance? • Add investment time horizon for each fund? (Variable? Percentage?) | <ul style="list-style-type: none"> • April 2019 tables have been in use one to two years • We want to keep tables in new IPS | <ul style="list-style-type: none"> • Determine items to be captured in new tables • Determine table inputs for each fund • Include in new IPS |
| Operating cash fund – <ul style="list-style-type: none"> • How were these funds previously invested? • Were they with JPM or other bank where GVR does main banking? | <ul style="list-style-type: none"> • Previously at Edward Jones; now JPM • Multiple checking accounts in use by GVR | <ul style="list-style-type: none"> • |
| Risk Mitigation | | |
| Is SBH Short-Term Plus Fund SBAPX too risky with such low assets? | <ul style="list-style-type: none"> • Yes, too risky. We should not be in this fund • Where do we want to move these funds? • Needs to be part of SHB discussion | <ul style="list-style-type: none"> • Advise SBH of our decision |
| Should we put a limit (such as \$500K/security in all Reserve accounts combined) on investments? | <ul style="list-style-type: none"> • Yes, we should have limits. \$500K? \$750K? • Should the limit be per fund or in total? | <ul style="list-style-type: none"> • Continue discussion in next IC meeting |
| What do we want our policy to be w/investing in Proprietary funds? <ul style="list-style-type: none"> • Fees? Risk level? Rate of return? | <ul style="list-style-type: none"> • Proprietary funds can be difficult to move • Remove problem if moved to Schwab? Unsure | <ul style="list-style-type: none"> • Consider this issue as we prepare for discussion with SBH |
| Fund Benchmarks | | |
| Where did current benchmarks come from? | <ul style="list-style-type: none"> • Unsure where they came from | <ul style="list-style-type: none"> • |

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| Are current funds allocated per direction in benchmarks? Has anyone checked? | <ul style="list-style-type: none"> • Unsure how currently fitting March 2020 benchmarks • Need analysis on how current investments allocated: equities, bonds, REITS and cash | <ul style="list-style-type: none"> • Dave will do analysis |
| What type of benchmarks are typically included in an IPS? | <ul style="list-style-type: none"> • Benchmarks are typically included in an IPS • Schwab provides useful “report cards”; • Morningstar and Riskalyze provide useful info • Previous accounts with Edward Jones used benchmarks • Mar2020 benchmarks seem too specific • We want to have benchmarks in new IPS | <ul style="list-style-type: none"> • Cheryl to send Edward Jones benchmarks • SBH recommendations for benchmarks? • Other benchmarks • Include benchmarks in revised IPS |
| Tracking Investments | | |
| Can IC or at least IC Chair have electronic access to funds? | <ul style="list-style-type: none"> • IC members advised against even giving Bev “view only” access on internet • Issue with IC membership changing | <ul style="list-style-type: none"> • No access to be provided for now |
| In addition to monthly SBH statements, request additional reports? EG: Morningstar; Riskalyze | <ul style="list-style-type: none"> • Additional reports would be useful | <ul style="list-style-type: none"> • Cheryl to request from SBH |
| Portfolio analysis / asset allocations – <ul style="list-style-type: none"> • How frequent should IC schedule review? Monthly? Quarterly? Semi-annually? • Vanguard: conduct an updated asset allocation study at least every three years or as needed. | <ul style="list-style-type: none"> • Quarterly review of portfolio by IC reasonable • Annual review of risk tolerance levels | <ul style="list-style-type: none"> • Include in new IPS |
| April 2020 SBH statements | <ul style="list-style-type: none"> • Bev provided prior to meeting | <ul style="list-style-type: none"> • Dave will incorporate into Excel model |
| Performance of funds | | |
| Did GVR suffer penalties moving funds to SBH? | <ul style="list-style-type: none"> • Only small penalties; less than \$1000 | <ul style="list-style-type: none"> • |
| How did Edward Jones perform prior to losing our business? | <ul style="list-style-type: none"> • Cheryl has historic reports | <ul style="list-style-type: none"> • Cheryl will provide Edward Jones reports |

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| <p>Recent performance of Operating Cash Fund</p> <ul style="list-style-type: none"> • How are funds allocated between four options? • How has performance been? • Are CEO and CFO satisfied with this fund? | <ul style="list-style-type: none"> • Cheryl/Jen happy with JPM • IA in Scottsdale very responsive • He has suggested trying other funds to generate more returns • JPM is not operating to the Mar2020 IPS • IC agreed to remove the specificity included in the Mar2020 IPS when updating to new IPS | <ul style="list-style-type: none"> • Remove specificity in new IPS • Determine how much cash is needed by fund • Add findings to new IPS |
| <p>Recent performance of Initiatives Reserve Fund, Mx Repair/Replace Fund, and Emergency Reserve Fund</p> <ul style="list-style-type: none"> • How are funds allocated between eight options? • Performance? | <ul style="list-style-type: none"> • Funds not invested per March2020 guidelines • Thru Mar 2020, combined performance above 3% since inception (approx. one year) • Mar2020 IPS specificity unnecessary | <ul style="list-style-type: none"> • Remove detailed specificity in updated IPS |
| <p>Is SBH’s style, as well as performance, meeting our investment strategy?</p> | <ul style="list-style-type: none"> • Need to discuss | <ul style="list-style-type: none"> • Prepare list of issues to discuss with SBH |
| SBH Fee Structure and Penalties | | |
| <ul style="list-style-type: none"> • Will there be fees/penalties associated with moving funds out of SBH? | <ul style="list-style-type: none"> • Shouldn’t be any penalties when moving funds • Contract states in paragraph 16 that “client may terminate this agreement without penalty within five business days of its execution.” | <ul style="list-style-type: none"> • Double check with SBH |
| <p>SBH contract states we are required to verify their quarterly fee.</p> <ul style="list-style-type: none"> • How is this being accomplished? • Are the matching fee schedule below? | <ul style="list-style-type: none"> • GVR is not getting desired clarity of fees | <ul style="list-style-type: none"> • Include in upcoming SBH discussion |
| <p>Fees calculated for SBH accounts</p> <ul style="list-style-type: none"> • Per SBH contract: <ul style="list-style-type: none"> • With Total Market Value of \$5M to \$7.5M annual fee is 0.75% • With TMV above \$7.5M, fee decreases to 0.70% | <ul style="list-style-type: none"> • Need clarity on fees | <ul style="list-style-type: none"> • Bev to provide original SBH proposal |

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| <ul style="list-style-type: none"> • SBH contract states “The Advisor is authorized to pay commissions at a rate deemed reasonable by the Adviser...The Advisor may, in its discretion, cause the Client through the Client’s account to pay brokers a commission greater than another qualified broker might charge.” | <ul style="list-style-type: none"> • Are we paying above market to brokers? | <ul style="list-style-type: none"> • Include in upcoming SBH discussion |
| How do these fees compare to a reasonable benchmark? | <ul style="list-style-type: none"> • Need clarity of fees | <ul style="list-style-type: none"> • Include in upcoming SBH discussion |
| Feedback from past IC states they “shifted from owning individual bonds to a proprietary bond fund managed by SBH which will save us between \$25 to \$35k per year in fees.” Is this verifiable? | <ul style="list-style-type: none"> • Need clarity on this claim | <ul style="list-style-type: none"> • Compare to what we were paying at Edward Jones |
| COVID-19 | | |
| How has COVID crisis impacted current situation? How should this modify our plan? | <ul style="list-style-type: none"> • Not discussed | <ul style="list-style-type: none"> • |
| Fiduciary Education | | |
| Vanguard recommends providing IC training opportunities, such as conferences, websites, publications, etc. How do we want to pursue? | <ul style="list-style-type: none"> • Not discussed | <ul style="list-style-type: none"> • |