



EXHIBIT APPENDIX
GVR BOARD OF DIRECTORS
Insert Date approved by Board
INVESTMENT POLICY STATEMENT

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1. Introduction

In making investment decisions, the Green Valley Recreation (GVR) 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 § 14-10901 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. Section 5 includes the detailed investment strategy and financial objectives for each Fund

The Investment funds include the following:

- a. Operating Cash Investments Account
- b. Initiatives Reserve Fund (IRF)
- c. Maintenance Repair/Replace Reserve Fund (MRF)
- d. Emergency Reserve Fund (ERF)

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This IPS applies to all investments of GVR’s excess operating cash and **Reserve Funds** and supersedes Appendix Subsection 3 of the GVR’s Corporate Policy Manual (CPM) concerning investments.

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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.

The responsible parties for day-to-day management of each investment account are as follows:

a.- Operating Cash Investments Acct: GVR's CEO and CFO.

b.- Initiatives Reserve Fund (IRF): The Investment Advisor, ~~(IA)~~.

c.- Maintenance Repair/Replace Reserve Fund (MRF): The Investment Advisor.

d.- Emergency Reserve Fund (ERF): The Investment Advisor.

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

Investment Objectives

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. The third investment principle is to achieve return on investments exceeding benchmarks, while meeting safety and liquidity principles.

Asset Allocations

The target **Asset Allocations** and anticipated allocation ranges for each **Fund** are below:

A. Operating Cash Investment Account

<u>Investment Type</u>	<u>Target</u>	<u>Range</u>
<u>Cash</u>	<u>25%</u>	<u>20% to 40%</u>
<u>Fixed Income</u>	<u>75%</u>	<u>60% to 80%</u>
<u>Equities</u>	<u>0%</u>	<u>Not Allowed</u>

B. Initiatives Reserve Fund

<u>Investment Type</u>	<u>Target</u>	<u>Range</u>
<u>Cash</u>	<u>10%</u>	<u>0% to 20%</u>
<u>Fixed Income</u>	<u>80%</u>	<u>70% to 90%</u>
<u>Equities</u>	<u>10%</u>	<u>0% to 20%</u>

C. Maintenance Repair/Replace Reserve Fund

<u>Investment Type</u>	<u>Target</u>	<u>Range</u>
<u>Cash</u>	<u>5%</u>	<u>0% to 10%</u>
<u>Fixed Income</u>	<u>70%</u>	<u>60% to 80%</u>
<u>Equities</u>	<u>25%</u>	<u>15% to 35%</u>

D. Emergency Reserve Fund

<u>Investment Type</u>	<u>Target</u>	<u>Range</u>
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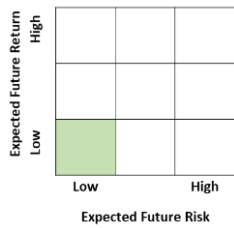
Cash	0%	0% to 10%
Fixed Income	30%	20% to 40%
Equities	70%	60% to 80%

Risk Tolerance

Risk tolerance for each investment fund is as follows:

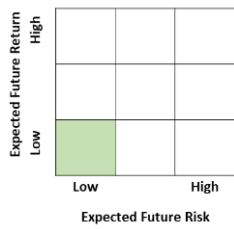
A. Operating Cash Investment Account:

Low Risk/Low Return



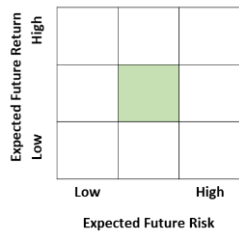
B. Initiatives Reserve Fund

Low Risk/Low Return



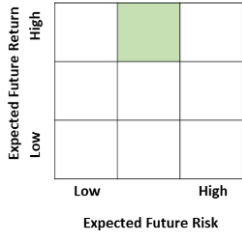
C. Maintenance Repair/Replace Reserve Fund

Medium Risk/Medium Return



D. Emergency Reserve Fund

High Return/Medium Risk



Investment Strategy

Within the constraints of the primary and secondary investment principles and **Risk Tolerance**, the following written Investment Strategies for operating cash investments and each Reserve Fund has been crafted 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.
- c. Excluding Treasury securities, investments in any one security shall not exceed 10% of the value of a reserve fund.

Benchmarks

The following benchmarks will be utilized for the investment funds:

A. Operating Cash Investment Account

For each performance report, the JP Morgan Investment Advisor will calculate a blended Benchmark for the Operating Cash Investment Account, from the Benchmarks listed below, to reflect how the funds contained within the account are invested.

- a. ICE BofAML 0-3 Month US Treasury Bill Index TR USD
- b. BB T-Bill 1-3 month TR
- c. BB U.S. 1-3 year Government
- d. BB US Aggregate Index

This blended Benchmark shall be provided by this Fund’s Investment Advisor within their reports and presentations to the Client.

B. Initiatives Reserve Fund

The Benchmark for the Initiatives Reserve Fund will be a blended benchmark as follows:

a. <u>Russell 3000 Index</u>	<u>7.0%</u>
b. <u>MSCI EAFE</u>	<u>1.5%</u>
c. <u>MSCI EM</u>	<u>1.5%</u>
d. <u>ML 91-Day T-Bill</u>	<u>10.0%</u>
e. <u>Bloomberg Barclays Intermediate Government/Credit</u>	<u>80.0%</u>
<u>Total</u>	<u>100.0%</u>

A comparison of Fund performance to this benchmark shall be provided by this Fund’s Investment Advisor within their reports and presentations to the Client

C. Maintenance Repair/Replace Reserve Fund

The Benchmark for the Maintenance Repair/Replace Reserve Fund will be a blended benchmark as follows:

a. Russell 3000 Index	20.0%
b. MSCI EAFE	2.5%
c. MSCI EM	2.5%
d. ML 91-Day T-Bill	5.0%
e. Bloomberg Barclays Intermediate Government/Credit	70.0%
<u>Total</u>	<u>100.0%</u>

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

D. Emergency Reserve Fund

The Benchmark for the Emergency Reserve Fund will be a blended benchmark as follows:

a. Russell 3000 Index	60.0%
b. MSCI EAFE	5.0%
c. MSCI EM	5.0%
d. Bloomberg Barclays Intermediate Government/Credit	30.0%
<u>Total</u>	<u>100.0%</u>

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

Liquidity

Maintaining sufficient liquidity to meet operational needs is one of GVR's key investment objectives. At each quarterly review of investments with the Investment Advisor, the IC will assess the liquidity position of each fund as to being within the ranges set forth in the asset allocation tables. Also, the IC will monitor the trends from these quarterly reports and determine whether a range adjustment is appropriate. If so, the IC will propose the recommended adjustment to the GVR Board of Directors for approval to revise the IPS.

Rebalancing

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

~~5. Section 5 has been temporarily removed and will be separately reviewed by Committee and then inserted in the the final IPS. INSERT NEW SECTION 5~~

6. Permitted Investments:

- a. U.S. Treasury Bills, Notes and Bonds and Certificates of Deposit issued by a bank insured by the Federal Deposit Insurance Corporation
- b. Securities of Federal Agencies that carry the direct or implied guarantee of the U.S. Government including Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, World Bank and Tennessee Valley Authority.

- c. U.S. and foreign corporate bonds and notes denominated in US Dollars rated **Investment Grade** including short, medium- and long-term notes rated of Baa3 or better at time of purchase.
- d. **Taxable** Municipal bonds rated Baa3 or BBB- or better at time of purchase.
- e. U.S. corporate common stock.
- f. Small-Capitalization Stocks (defined as market-capitalization below \$2 billion) shall not represent more than 10% of the equity segment of any **GVR Fund**.
- g. International Stocks shall not represent more than 15% of the equity segment of any **GVR Fund**.

h. American Depository Receipts (ADR) and Global Depository Receipts of a foreign corporation.

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i. Investments in mutual funds, Exchange Traded Funds ("ETF") and index funds are permitted provided 85% or more of their investments are in permitted investments shown above and such funds do not use **Leverage**.

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

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k. REITS

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~~7. All Investments NOT listed as Permitted specified under Permitted Investments above are prohibited. are Not permitted (For example)~~

~~Derivatives other than foreign exchange contracts and swaps and interest rate swaps~~

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~~b. Futures contracts and any commodities contracts~~

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~~Collateralized Debt Obligations (CDO)/Collateralized Mortgage Obligations (CMO) and similar collateralized debt instruments.~~

~~e. Any bonds below **Investment Grade** (Baa3/BBB-) at time of purchase.~~

~~e. Private notes~~

~~e. Hedge funds~~

~~e. Options~~

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) using the benchmarks specified in Section 5
 - ~~) For Equities the following benchmarks shall be considered:~~
 - ~~· Russell 1000 (large cap equities)~~
 - ~~· Russell 2000 (small cap equities)~~
 - ~~· MSCI EAFE (international equities)~~
 - a) ~~For Fixed Income the following benchmark shall be considered:~~
 - ~~· 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 ~~the CEO and CFO 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 Client's 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 ~~this IPS these guidelines~~ will be discussed in advance with the Client unless market conditions require immediate action.

The Advisor will, within ~~these guidelines~~ this IPS, 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~~ Statement 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 ~~quarterly 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.

e. At a minimum, the Advisor will provide the GVR Investment Committee with Account Statements showing the following:

1.- Individual positions (at the end of the calendar-quarter),

2.- Asset allocation (at the end of the calendar-quarter),

3.- Fees and expenses charged directly to the IA (during the calendar-quarter),

4.- Transactions (occurring during the calendar-quarter),

5.- Performance net of any and all fees, expenses, and charges (as of the end of the calendar-quarter), and

6.- Comparative Investment Benchmarks, shown above in Section 5. (as of the end of the calendar-quarter).

#f.- These account statements will be delivered shortly after the end of each calendar-quarter.

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§11. Remediation

~~a) If an IA Reserve Fund is in violation of one or more of the Investment Constraints described above for a period of time greater than ten consecutive business days, then:~~

~~I. The Chairman of the GVR Investment Committee is to be immediately notified. The Chairman shall conduct an Investment Committee meeting, along with the Investment Advisor, to discuss the go-forward strategy due to the out of compliance issue. This shall happen within ten business days.~~

~~II. The Reserve Fund is to be brought back into compliance within ten business days of the meeting.~~

~~III. Once the Reserve Fund is back in compliance, the Chairman of the GVR Investment Committee is to be immediately notified.~~

~~b) If an IA Reserve Fund fails to achieve its Investment Objective (identified above under Section 5-), then the:~~

~~I. Chairman of the GVR Investment Committee is to be immediately notified and~~

~~II. GVR Investment Committee is to meet within one calendar month to develop a recommendation on what actions, if any, should be taken to remedy this failure.~~

~~d.~~

12. 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.

On behalf of the Board of Directors

President

Date

Green Valley Recreation, Inc. Board of Directors

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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 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 **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.

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. A low deviation indicates low volatility. Commonly, higher the volatility means higher the risk.