

Report of the National President and Chief Executive Officer  
42nd National Convention

Most Reverend Archbishop Skurla, Most Reverend Bishop Burnett, Most Reverend Bishop Pazak, Most Reverend Bishop Kudrick, – Mr. Bob Bruce, President & Chief Actuary of Bruce & Bruce Company, Mr. Joe Annotti, President and CEO of the American Fraternal Alliance, Mr. Bob Devitz President and CEO of Legendary Marketing, Inc., Reverend Clergy, Officers, Honored Guests, Delegates and Guests.

Glory to Jesus Christ!!

In preparing for my presentation of my report to you as your President and Chief Executive Officer, I came across this quote – “A goal without a plan is a wish - and wishes make for poor strategic plans.” This quote is also in line with a business philosophy I learned as a very young college student at the University of Miami in 1972 that I often share and presented in my 2012 Convention Report that I have held true to – “Fail to Plan, Plan to Fail.” I am not quite sure how many of the six Greek Catholic priests and representatives from the fourteen lodges present at Saint Mary’s Greek Catholic Church in Wilkes-Barre, Pennsylvania on February 14, 1892, were fortunate enough to have a college degree or even a high school diploma for that matter that may have influenced them. However, they had that same philosophy, having a plan with an ultimate goal. No doubt their plan and goals started as a “wish,” a “vision.” Their goal at the time was to establish a national organization to band independent religious-national brotherhoods together into one strong organization to meet the ongoing needs of Carpatho Rusyn immigrants, that included the spreading of love and friendship among the Rusin Greek Catholic people living in America, the giving of material and financial aid to members and their heirs in the event of death, the providing of the ways and means necessary for the education of their people in national and religious requirements and of aid to churches and schools, and if financial conditions permit, the giving of aid to the injured and indigent members. Although modified over our one hundred and twenty-four years of history, this “wish” by our founders has stood the test of time. Their “goals” continue to be achieved and fostered each and every day through programs sponsored on a national level by the GCU and by the officers and members of our local Lodges and Districts. It is important that we “Remember Our Past” as this foundation no doubt has played and will continue to play a most valuable role in our Society’s current and future success.

However, as we have seen over our past history, no matter how much we plan, how much we prepare, how much we double and triple check to make sure that each of our t’s are crossed and each of our i’s are dotted, there is always a threat that is not seen, heard nor predicted, always a challenge that will lay on the horizon to be addressed. As one of my favorite characters of Saturday Night Live, Roseann Rosanna-danna stated in each of her routines – “It’s Always Something!” The GCU’s “somethings” included many crises through its 124 year history. Our Society weathered the storms of the Spanish Flu Epidemic between 1918 and 1919, the Great Depression in 1929, the re-rating of its members’ policy premium in the 1930’s and two World Wars. Post World War II, the GCU faced many operational challenges attempting to create more efficiency that included the adoption of a one fund system, the consolidation of three branches,

direct billing, the relocation of the home office and many other changes implemented to further strengthen the financial well-being of our Society. And yes, many financial challenges within the economic and investment market were faced and addressed. Corporate improprieties such as Enron as a specific example, 9/11, the daily threat of terrorism, the wars in Iraq and Afghanistan, a declining stock market, and a record low interest rate environment all had a major impact upon our financial markets and the financial performance of the GCU over the years. But for the most part it pretty much was smooth sailing as the GCU experienced continued asset and surplus growth while generating comfortable profitability continuing to meet all claims, and sponsor and support many fraternal activities for its members and for our Byzantine Catholic Churches.

Then came the “perfect storm!” One of the most challenging economic and investment markets occurred in 2008 and 2009. As you are aware and as I reported in great detail in my report to the Convention in 2012, the GCU experienced a tremendous financial setback.

The 2008 Global Financial Crisis (GFC) or the "Great Recession," is considered by many economists to be the worst financial crisis since the Great Depression of the 1930s.<sup>[1]</sup> It resulted in the collapse of large financial institutions, the bailout of banks by national governments and downturns in stock markets around the world. In many areas, the housing market also suffered, resulting in numerous evictions, foreclosures and prolonged unemployment. It contributed to the failure of key businesses, declines in consumer wealth estimated in trillions of U.S. dollars, and a significant decline in economic activity, leading to a severe global economic recession in 2008.<sup>[2]</sup>

As I reported to the delegates of the 2012 Convention, the GCU suffered a severe setback in our investment portfolio that led to a 76% decline in surplus in our year end results of 2008. Surplus at year end 2007 that totaled \$26.6 million declined to \$6.4 million with a major concern of the GCU’s solvency. To counter the concerns of the PA Insurance Department and to strengthen our solvency, the “plan” was to enact the “Maintenance of Solvency Provision” which placed a non interest bearing 2% lien on the cash values of our members’ life insurance policies and a non-interest bearing 2% lien on the statement values of our members’ annuity contracts as of June 30<sup>th</sup>, 2009 that provided an additional \$12 million to surplus. Your Board of Directors, Executive Officers and General Counsel, elected and hired to first and foremost, be fiscally responsible in protecting our members’ business they have placed with the GCU, are very proud of the fact that our members did not lose one penny in the cash value of their life insurance policies nor the statement values of their annuity contracts. This decision proved to be a textbook rendition of how the Maintenance of Solvency Provision would assist a fraternal benefit society if financial hardships should be experienced.

Your Board of Directors, Executive Officers and General Counsel also had a “Plan” on how this lien was to be paid back and a “goal” to remove this lien as quickly as possible. A lien reduction plan was adopted allowing for the lien to be reduced as our surplus reached specific levels per the lien reduction plan that the Pennsylvania Insurance Department viewed as reasonable with no objection to its implementation. Yearly reductions were recorded against each members’ share of the lien and the lien was paid off in its entirety on June 30, 2014, just five years since its enactment.

Although there are many components in measuring the financial performance and stability of a company, Mr. Bob Bruce of Bruce and Bruce Company who will be addressing us today always

professed that a thumbnail measurement of success lies in continued asset and surplus growth in addition to generating moderate yearly profitability. Since year end 2009, the GCU's total admitted assets grew from \$660 million to \$1.35 billion as of December 31, 2015 representing a 105% growth in 6 years. Surplus as of December 31, 2009 was \$6.4 million without the aid of the \$12 million lien. I am extremely proud to report, as was noted in the 2016 Annual Report issue of the GCU Magazine that our surplus year end 2015 has reached an all-time high of \$90.7 million. Yearly profits over this seven year period amounted to \$88 million, the primary factor leading to our increased surplus. Presented is our Society's profits since 2009 thru 2015.

2009 - \$ 4,804,234  
2010 - \$ 3,930,503  
2011 - \$ 8,326,079  
2012 - \$12,190,406  
2013 - \$18,521,243  
2014 - \$18,166,267  
2015 - \$22,063,543

In addition, the GCU's Asset Valuation Reserve or AVR which is a statutory reserve requirement to offset unexpected investment portfolio losses, was at \$ 127,000, almost totally depleted, but now restored to its allowed maximum level of over \$13 million, funded primarily through controlled expenses and net income.

Your Board, Executive Officers and General Counsel's primary "goal" was to increase surplus, conscious of the fact that this component plays a major role in the calculation of the GCU's Risk Based Capital Ratio or RBC, looked upon heavily by regulators as one measurement of a company's stability.

Another milestone accomplished and to be celebrated from our last four years, was the GCU's asset base reaching \$1 billion dollars in 2013. Our Society is on track to reach \$1.5 billion through year end 2016, a half way point to reaching \$2 billion in assets.

As I mentioned there are many components in measuring the financial performance and stability of a company. The GCU subscribes to Standard Analytical Services, an independent company that compares the GCU to the top twenty-five leading life insurance carriers with over 100 years of experience issuing life insurance to the general public. The GCU stacks up quite favorably in comparing the following: Solvency, Liquid Assets, Profitability, and Net Interest Rate Earned.

Solvency:

Average of 25 of the Leading Life Companies - \$ 106.01  
GCU - \$107.16

Liquid Assets:

Average of 25 of the Leading Life Companies - \$ 43.44  
GCU - \$ 104.13

Profitability:

Average of 25 of the Leading Life Companies - \$ 43.44

GCU - \$104.13

Net Interest Rate Earned:

Average of 25 of the Leading Life Companies - \$ 4.78

GCU - \$ 5.88

Standard Analytical concluded that based on the financial results achieved for the year 2015, the analysis made of the GCU is favorable in comparison with the aggregate averages of 25 of the leading companies.

This independent comparison is quite powerful for recruiting agents and potential members into our organization as financial stability is one of the key components studied in placing business with any financial institution.

So we must “Remember Our Past,” “Embrace the Present,” celebrate our recovery and accomplishments and learn from our experience!

Our Controller of the GCU, Brian Sprinker, will be presenting to you in greater detail our financial progress over the last four years.

As your President and Chief Executive Officer, I addressed the esteem body of delegates assembled at our 41st National Convention right here at the Tropicanna Hotel just four short years ago. My remarks focused on a “Plan” a “Vision” and many “Goals” for our societies’ future and now would now like to provide to you an update on our progress on the following area presented on this slide:

- Our Investment Strategies and Philosophy
- Our Life Insurance and Annuity Products
- Our Governance Practices
- Our Constitution and By-Laws
- Our Home Office Operations and Information Technology Advancements
- Our Communication to Our Members and to Our Agents
- Our Fraternal Structure and Programs
- Our support of our Byzantine Catholic Church, hierarchy and clergy
- Our Strategic Marketing Plan
- Our Subsidiaries within the GCU Holding Company

First,

- Our Investment Strategies and Philosophy

For the most part, the GCU’s investment strategy, philosophy and policy has been very consistent. We continue to invest in investment grade corporate bonds, reducing our exposure to common stocks and preferred stocks. As of year end 2015, 93.7% of the GCU’s bond portfolio is rated as investment grade. Since the fallout of the equities market in 2008 and 2009 many common stock positions have been liquidated as there market price recovered to the price they were purchased at or above. This measure, reduces the risk of impeding surplus as common stock positions are reported at market value by statutory requirements that can have a negative effect upon surplus if market values should decline.

Under a very low interest rate environment we have also enhanced the GCU's portfolio return by venturing into very conservative real estate investments, partnering with Washington Alliance Capital, Blackstone and Castlebrook Development Group that have their special niches in the commercial real estate market. We have been very pleased with each of these partnerships and the returns these investments have produced.

Over the last several years, we have experienced a very strong bond market as increased market values produced substantial unrealized gains. In conjunction with our consultant and portfolio managers, this market environment presented an excellent opportunity to take advantage of such an opportunity as bond positions were sold producing substantial realized gains replaced with bonds of similar yield and duration. By statutory requirements, the realized gains must be recorded into the Interest Maintenance Reserve. The GCU's Interest Maintenance Reserve is one of the highest among fraternal organizations totaling \$16.7 million which is future income with no associated liabilities.

The Executive Finance Board is responsible for all the investment holdings of the GCU. I thank each member of this Board for their contribution in the success we have accomplished over the last four years. This Board has worked very closely with our consultant and portfolio managers to assure sound investment practices and mitigating associated risk keeping our members interest at the forefront.

I would now like to recognize the individuals that provided their guidance and expertise in assisting the Board of Directors and Executive Finance Board in the management of the GCU's investment portfolio and have also made financial sacrifices as well in assisting us.

First our consultants, Mr. Bo Stone, Senior Vice President-Wealth Management, Senior Institutional Consultant and Mr. Jonathan Reddig, Associate Vice President, Financial Advisor, of Morgan Stanley Smith Barney.

Portfolio Managers, Andrew Fisher, President and Chief Executive Officer, CIM Investment Management, Inc. - Mr. Clint Pelfrey, President & Chief Investment Officer, Prosperity Capital Advisors.

We thank each of you!

Next,

- Our Life Insurance and Annuity Products

The GCU continues to be challenged in our goal of increasing our life business. I am determined with the support of the Board of Directors to eventually record consistent annual life premium of \$ 20 million or more per year. This is a very aggressive goal in light of our past but I truly believe that this goal can become a reality. Not overnight but over a controlled period of time as there are surplus consequences in growing your life business too quickly. We have developed a "strategic life plan" which first called for taking an in depth "under the hood" look at each our ordinary whole life, term and single premium life plans offered. Each and every aspect was reviewed that included pricing, commissions, riders, our distribution strategy and marketing materials to assure that the GCU's products are competitive in the life insurance arena. We also

researched successful life carriers, our competition and their strategies. Our Agent Field Advisory Council that met this past April provided invaluable information that will assist us in attaining our goal. We have made several adjustments to each of our products and are very confident that the updates to our products will be well received by life agents and individuals seeking life coverage. We have recently started to launch our new life strategy to what I believe is a very comprehensive plan that will set the framework to increased life premium. Educating the consumer and our existing members on the importance of life insurance is another component. We have partnered with Life Happens, a nonprofit organization dedicated to helping and educating Americans to take personal financial responsibility through the ownership of life insurance and related products, including disability and long-term care insurance. We invite you to visit the Life Happens website – [www.lifehappens.org](http://www.lifehappens.org) – that contains numerous videos of testimonies of real life situations on how important having life insurance can be to a family. Many of the stories are tear jerking and really hit home!

I would now like to present to you a very short video by Danica Patrick, a professional race car driver and the 2016 spokesperson for life insurance awareness month who has a special message for us.

Our fixed income annuity was first introduced in 1977. In researching past minutes of the Board of Directors meetings, President George Batyko first presented the annuity product to the Board for consideration at the October 1975 Board meeting. The annuity product was met with both favorable and unfavorable opinions, mostly unfavorable at the time. After a great deal of discussion, no positive action was taken at that meeting to approve the annuity plan as a product offered by the GCU.

Mr. Batyko, maybe being a little relentless, once again requested the Board to reconsider the annuity plan at the April 1976 meeting. In his report to the Board at this meeting he stated and I quote –“We were disappointed at the last meeting that this Board did not give us the authority to implement an annuity plan. This is the hottest plan in the insurance business today, and we should have it in our sales basket.” – end of quote. After discussion at this meeting, the Board agreed to implement the plan on a trial basis for one year at which time a report be made to the Board on the progress of this program, and the rest is history. The fixed annuity product officially became a product of the GCU in August 1977 that complemented the various life products offered. In the minutes of the April 1978 meeting Mr. Batyko’s report to the Board was as follows and I quote again from the minutes – “We are pleased with our annuity program – Approximately \$66,000 has been deposited on 47 plans since the inception of our program in August of 1977. We feel confident that annuities will be a strong contributing factor to our financial stability.” end of quote!

This “Wish” this “Vision,” this “Plan” and this “Goal” by Mr. Batyko and members of the Board of Directors in bringing on the annuity in the 1970’s is no doubt the primary contributing factor to our asset growth and financial stability and success we experience today!

The annual financial statements reveal the history of the impact annuities have had on our asset growth:

**Looking at Annuity Deposits we observe the following:**

1978 - \$449,202 in annual premium or - \$37,435 per month – GCU’s year end Total Assets – \$ 27.8 million

1980 - \$1,413,284- \$ 117,774.00 per month- Total Assets - \$ 29.6 million

1985 - \$7,021,422.00 in annual premium or - \$ 585,118.00 per month – GCU’s year end Total Assets - \$ 59.9 million

1990 - \$15,160,643 - \$ 1,263,387.00 per month – Total Assets - \$ 135.1 million

1995 - \$27,603,969 in annual premium or - \$ 2,300,330.00 per month – Total Assets year end – \$ 288.7 million

2000 – \$19,852,167 - \$1,654,347.00 per month – Total Assets - \$ 391.2 million

2005 - \$42,041,435 in annual premium or - \$3,503,453.00 per month – Total Assets year end - \$ 575.5 million

2010 - \$191,220,375.00 - \$15,935,031 per month – Total Assets - \$ 810.8 million

2015 – Annual premium of \$239,601,889.00 or - \$19,966,824.00 per month – Total Assets – \$ 1.35 billion

The GCU’s assets year end 1978 totaled \$ 27.8 million.

The GCU’s assets as of May 31, 2016 are now \$ 1.43 billion.

So, as we “Remember Our Past” we honor Mr. Batyko and the Officers and Board Members that served under his seven administrations, especially those Board members who supported his “vision” and “foresight” in bringing the annuity into the GCU’s product portfolio in 1977 who we present to you:

Spiritual Advisor – Most Reverend Emil J. Mihalik

National Secretary/Treasurer – Ann Lucas

National First Vice President – George N. Juba, Sr.

General Counsel – Sigmund T. Brinsky

Board Members:

Anna Bobanic

Andrew Chekan

Mary Dano

Ilona Evancho

Msgr. Paul Firczak

Anna Hric

John Kish

John Spirnak

John J. Urban

Nicholas J. Yackanicz

We thank each of you!

Next is,

- Our Governance Practices

Governance continues to be a very hot topic among regulators. Specific targets within the fraternal industry center on the following:

The hiring of Executives by the Board of Directors. Traditionally fraternal have elected their executive management team at Convention which is strongly being frowned upon quite heavily by regulators. The GCU was one of the initial societies to make this change to our Bylaws which occurred in 2011. Today many fraternal are struggling to have this process changed by amendments to their Bylaws at their Convention, to a point where states are mandating the process to have executives hired by the Board rather than being elected at a convention. It is imperative that Executives responsible for the day to day operations of their societies have the education, experience and background to be in such positions of authority.

The first hire by your Board of Directors outside of our past traditional process was for the position of Executive Vice President and Chief Operations Officer. I am extremely pleased to introduce to you, Deborah Tatro. Deborah is now in her fourth year serving our Society as your Executive Vice President and COO. She will be formally introduced to you today in presenting her report.

In addition to appointing officers rather than having them elected, the Pennsylvania Insurance Department has advocated a reduction in the size of the Board and also the development of minimum qualifications for Board Members. Once again, your Board was proactive taking this directive quite seriously, requesting approval from our delegates of our 2012 Convention to eliminate the National Vice President position that was also Board seat, effective October 1, 2016. Our current National Vice President and Chairman of the Board, Greg Vladika is a National Director candidate at this convention as the National Vice President position has been eliminated from our Bylaws effective this Convention. This action has now reduces the number of Board seats from twelve to eleven.

In line with this directive to establish minimum qualification for Board of Directors, the Board adopted a National GCU Board of Directors Position Description document that has been made part of the Declaration of Candidacy Form for this Convention. The Board will be developing specific qualifications a candidate must meet to be nominated.

Another concern by regulators within the Fraternal Benefit System that your Board will be studying, is the continued high cost of Conventions and an alternative governance process to conducting Conventions. Presently thirteen fraternal benefit societies have an alternative structure. I am currently researching this matter on behalf of the Board for further review. Regulators are advocating for the Board of Directors as the Supreme Legislative and Judicial authority of a fraternal benefit society, not the Convention.

As I have research minutes from many Board meetings from the past, the Boards role and responsibilities has migrated substantially over the years, from one of micro managing the day to

day operations to one of more strategic, risk focused responsibilities, requiring continued education in each and every aspect of our Societies operations and financial components to assure fiscal responsibility on the part of our Board to our members and the business they have placed with the GCU, being transparent in all matters and upholding the “Mission,” “Core Values” and “Corporate Vision” of our Society. GCU has begun this process, educating our executives and Board members on many of these important topics in support of “good governance” practices.

In my years, as serving as your former National Secretary Treasurer and now as your President and Chief Executive Officer, there has never been remotely a questions that your Board members and Executives have always had our members’ best interests at the forefront in each and every decision that is made.

As a part of Governance, audits now conducted by the Pennsylvania Insurance Department center around a risk focused examination by regulators rather than past exams focusing primarily on financials. The GCU’s first risk focused examination was conducted in 2014 with no major concerns.

- Our Constitution and By-Laws

Our Governance is dictated by our Bylaws. Modified over the course of our one hundred and twenty four years to maintain consistency and relevancy as society and the regulatory landscapes change on a daily basis. The review of our Bylaws is a constant focus by your Board of Directors, Executives and General Counsel, cognizant of the fact that this document contains the rules upon which our Society is governed. Very shortly after our 2012 Convention, the Board appointed a Bylaw Committee to take an in depth analysis of the GCU’s Bylaws. The Committee, chaired by Attorney John Urban with the assistance of our General Counsel as well, contracted with Attorney Harry S. Rosenthal, a specialist in Parliamentary Services and our Parliamentarian for this Convention, to assist the Committee in this endeavor. Many forward thinking amendments were discussed in depth, some approved as part of the proposed amendments that we will be reviewing for your approval and others tabled for the time being.

You have been presented numerous proposed Bylaw amendments for your consideration and adoption. The majority of these proposed amendment involve clarification, grammar, antiquated language and redundancy. The proposed material changes to our Bylaw I presented and reviewed with our delegates at our Pre Convention meetings will be once again reviewed with you dealing with Governance. Each of these material changes are being proposed for approval in the best interest of our Society and endorsed by many Insurance Department regulators.

Next,

- Our Home Office Operations and Information Technology Initiatives

I reported in my address to the delegates of the 2012 Convention many areas of the GCU operation and Information Technology Initiatives that were in the process of being addressed that included the establishment of a Call Center, the implementation of a Customer Relationship Management System, a new Avaya phone system, the electronic imaging of our members’ active and claim files, the development of web portals to distribute information in a more timely

manner to our members, agents, Lodge and District Officers, our Board members and our employees, - improving online access, performing a major overhaul of our GCU website and many other new operational and Information Technology initiatives to better serve our current audience, while preparing for our new wave of technologically savvy X, Y and Millennial generations who will be becoming members of our Society.

Our Executive Vice President and Chief Operating Officer Deb Tatro will be presenting to you her Operations Report that will include a status update on each of these initiatives and others on the drawing board.

One area I would like to report on, is the renovations to the GCU's Home Office. As the old saying goes, "nothing lasts forever." As the GCU's financial position has been very strong, the Board of Directors approved various needed improvements to the Home Office building. The first phase of renovations completed included a new roof, replacement of the deteriorated wood siding to a masonry material, the enclosure of an exterior patio for future expansion of our call center, the installation of an elevator and updates for compliance with the American Disabilities Act. Phase two of our renovations project include replacement of our parking lot and driveway asphalt, replacement of parking lot lighting, updates to the landscaping, the installation of a digital sign, a sign for our St. Nicholas Chapel and the installation of two flagpoles to accommodate the flag of the Commonwealth of Pennsylvania and the Carpatho-Rusyn flag. We invite you to visit our entire campus for a tour of the office, our St. Nicholas Chapel and Seven Oaks if your travels should bring you to Western Pennsylvania and the Beaver area! You would be very proud to be a member of the GCU after your visit!

- Our Communication to Our Members and to Our Agents

Communications is one industry that has forever changed the world. It has impacted society and business in a way no one would have thought imaginable twenty years ago. We continue to use traditional means and have made advances in using current technology to better communicate to our members and agents.

For this convention, for the sake of convenience, cost effectiveness and being environmentally conscious, we launched a Convention website as over 80% of our delegates have registered providing up to date information about the Convention. This process will continue to be improved upon for the future.

We use Facebook and email blasts to promote many of our fraternal events both on a national, lodge and district levels. We will continue to improve upon our presence in this ever changing world of communication.

Please be assured that for now we will continue to publish our bi-monthly magazine, which is available to view on the GCU website and continue to assist our Lodges and Districts in promoting each of their fraternal events via our website and direct mail pieces.

As we have developed a strategy to increase life premium, the development of a communications strategy is also imperative to be relevant to the next wave of members and agents that will expect

information to be accessible at their fingertips by way of their smartphone. The implementation of various social media tools will also play a most important part in our future marketing efforts to assure our continued financial and fraternal success. These advances have and will continue to be more cost effective as well as we have already experienced. Improved communication is another key to our continued success.

Next is,

- Our support of our Byzantine Catholic Church, hierarchy and clergy

The GCU and our Byzantine Catholic Church in America have a very deep history together from the very beginning. Our GCU publication “Opportunity Realized - The Greek Catholic Union’s First One Hundred Years” informs us that the first wave of Greek Catholic immigrants began to reach America in the 1870’s with the first Byzantine Catholic Church being established in 1884 in Shenandoah, Pennsylvania. It was customary as a main priority of our Carpatho-Rusyn ancestors after settling into a community to form a committee, buy a piece of land, build a church and pay to bring a priest from the homeland. Other churches were established at Freeland Pennsylvania in 1886, Hazleton, Pennsylvania in 1887, Kingston, Pennsylvania in 1888 and in Jersey City, New Jersey and Minneapolis, Minnesota in 1889.

Mr. John Righetti, will be providing more insight on this topic as he will be sharing with us the Role of the GCU in the propagation of Rusyn Culture and the Eastern Catholic Church during his scheduled presentation as we honor our 125<sup>th</sup> Anniversary. We have continued to foster this relationship as our hierarchy are present with us once again as Spiritual Protectors, mandated by our Bylaws. Our Clergy serve on our Board of Directors and as members of our Supreme Tribunal. 55 of our 60 lodges are based within our Byzantine Catholic parishes, many of these same parishes having delegates representing their lodge at the historic meeting of the founding of the GCU on February 14<sup>th</sup> 1892 and still active today.

The GCU, our lodges and districts and their members continue to support our Byzantine Catholic Church, our hierarchy and clergy. Our Byzantine Catholic Church and its parishes are benefactors of financial and volunteer support some of which are:

- Our continued support of our Sts. Cyril and Methodius Byzantine Catholic Seminary. Since 1966 the GCU has donated \$2 million \$930 thousand dollars. A resolution will be presented to the delegates to continue this support for the next four years.
- The Home Office provides annual assistance to the St. Nicholas Charity Dinner sponsored by the Archeparchy of Pittsburgh to benefit the Seminary which has raised over \$40,000 over the last four years
- The GCU’s Lodges and Districts has raised \$ 534,000 over the last four years as well to benefit the many parishes and the Sisters of Saint Basil the Great through the GCU’s Matching Funds Program
- To honor our Clergy and their dedication to the priesthood and for shepherding the many faithful parishioners of the Byzantine Metropolia, the Board of Directors recently instituted an honorarium for our clergy celebrating their 25 years or more and 50 years or more anniversaries as ordained priests.

- Not to mention the many volunteer hours given by GCU members in support of their parish.

This is our “history,” our “roots.” This was our Founder’s “Vision” and “Plan!” Again, it is important that we “Remember Our Past” as this deep faith in God and our Patron Saint Nicholas has played and will also continue to play a most valuable role in our Society’s current and future success.

- Our Strategic Marketing Plan

The first marketing efforts at the time of the GCU’s early years can be traced back to the first issue of a newspaper advocated by one of our founding clergy, Father Eugene Volkay, The Americansky Russky Viestnik was first published and distributed on March 17<sup>th</sup>, 1892. The name of the A R V, which this publication was referred to, was changed to the GCU Messenger on December 11<sup>th</sup>, 1952 as this publication appeared entirely in English with a headline – “The GCU is forging ahead.” This publication continues today as the GCU Magazine serving as a marketing vehicle just as it did 124 years ago. In addition to the Viestnik, our lodges and lodge secretaries played a most vital role in the GCU’s marketing efforts. Sundays for GCU members consisted of attending liturgy, socializing in the parish hall following services and paying their weekly dues to their lodge secretary. Many of our lodge secretaries were very diligent in signing up new members into our Society. I have heard stories were even some of our lodge secretaries went to hospitals to sign up newborns into the GCU. Talk about dedication!

In addition to our lodge secretaries, many members of the GCU were licensed fraternal agents as well. In the 1980’s, due to changes in regulation, in particular agent licensing, fraternal agents were grandfathered into maintaining a fraternal license with no limits on sales production or be subject to continuing education requirements. As some life and annuity products have become more complex and many states enacting suitability requirements, today’s new fraternal agents are subject to limits on the amount of life insurance and annuity products that may be sold by a fraternal agents, enacted by regulators to protect the interests of the consumer.

Today, our marketing efforts focus on relationships. Relationships with our existing members, our long time fraternal agents, our independent agents and general agents has been our strategy in marketing the GCU and the products we offer. Recently we have also expanded, targeting insurance marketing organizations ((IMO’s) and field marketing organizations (FMO’s) that recruit agents and agencies to be an affiliate of their IMO or FMO providing expert training on sales and marketing that will assist in growing their agencies and business. In turn, the IMO and FMO that the GCU appoints, endorses to their agents that the GCU’s is a preferred carrier of their organization for life insurance and fixed income annuities. Some IMO’s have hundreds of agents under their organization. This distribution had proved to be very successful and cost effective thus far evident by our increased annuity premium.

In addition to fostering existing relationships, no matter what type of agency structure, it is imperative that we improve upon our on information technology. We will continue to enhance our agent portal to make it the very best it can be that will be the primary source of communication to our agents.

The main focus on our product and fraternal marketing efforts will be website driven, developing a stronger presence on the various social media tools used and viewed by all generations.

Our branding initiative is a most critical part of our marketing strategy. Pete Popivchak of Wall-to-Wall Studios, Inc. will be addressing you to give you a better insight on how important branding is to the success of an organization and a progress report on what has been completed thus far. I am personally excited about this project and very much looking forward to this redesign in how the GCU will position itself in the marketplace.

- Our Fraternal Structure and Programs

As we are introducing new programs and some new fraternal structure ideas to have more of our members involved in the fraternal aspects of the GCU, I will be presenting to you tomorrow a separate fraternal report on this very important part of the GCU's Mission.

- Our Subsidiaries within the GCU Holding Company

I would now like to provide to you an update on our investment within the GCU Holding Company Inc. which encompasses three separate corporations –GCU Real Estate Company, Inc., Seven Oaks Country Club, Inc., and GCU Agency, Inc.

We have experienced an uptick in the local housing market within Beaver County, Pennsylvania over the last four years. All of the planned units within the first phase of carriage homes units, Muirfield Place are completed and sold. We continue to work with Birkshire Hathaway Home Services in marketing of our single family development to prospective homebuyers in the market. Our marketing strategy of offering incentives that includes lower lot and home pricing points and membership to Seven Oaks has been successful as we experienced fourteen sales within the development over the last three years with several prospective buyers interested in the remaining twelve lots of our single family development. In speaking to the residents of the single family development located in Congressional Place and the residents of the carriage home development at Muirfield Place and Pinehurst Place, they very much enjoy the lifestyle that our entire development offers. We will continue to implement various strategies in consultation with our real estate broker to attract more prospective homebuyers to our development.

I am pleased to report that Seven Oaks Country Club, Inc. experienced substantial membership growth over the last four years despite the still sluggish economy and challenges faced within the golf industry. We continue to engage the services of Legendary Golf Marketing and Management, Inc. to provide assistance in generating new memberships and increased revenues in each area of the Club's operation. Seven Oaks continues to be Legendary's most successful private club client each year as positive membership growth has been experienced over the last four years resulting in increased membership dues revenue which is the Club's primary source of revenue. We have experienced 60 new members to date in 2016 with many more leads from individuals interested in membership.

Mr. Bob Devitz, President and CEO of Legendary Management, Inc., will be addressing us today to provide an overview of his perspective of the progress that has been over the last four years based upon his observations and financial results experienced since his involvement.

Many programs were developed and implemented to market membership, various events and other amenities of membership that Mr. Devitz will be reporting on.

We remain very optimistic on the continued financial improvement to Seven Oaks based upon our results experienced and the fact that Seven Oaks remains as the only private club in Beaver County that offers various Club amenities and family programming that will be very attractive to prospective members.

As I previously reported, Western Pennsylvania also continues to be a primary focus of various companies for the drilling of a vast amount of untapped natural gas and oil reserves located in the Marcellus and Utica Shale formations found in this area. The current low energy prices has had a dramatic effect upon the Marcellus and Utica Shale industry forcing many companies to reduce their capital spending. Substantial investment continues however. In my research, one major player in this industry has reduced their investment in 2016 from \$ 1.8 billion down to \$ 1 billion. Still a fairly hefty investment indicating that this industry will eventually explode. The lack of pipeline infrastructure has been another challenge for this industry. Currently, we are in no hurry to settle in on a land lease contract for the GCU Holding Company and its subsidiaries. The 740 acres of land owned by the GCU, GCU Real Estate Company, Inc. and Seven Oaks Country Club, Inc. will generate substantial fees and royalties once the market improves. We may expect the new lease to contain an initial bonus of up to \$3,000 per acre and royalties as high as 18%.

I reported at the 2012 Convention the intent of Shell Chemical to construct a multi-billion dollar petrochemical plant or ethane cracker plant that will be located less than 10 miles from our real estate development and Seven Oaks. The ethane cracker plant converts ethane from Marcellus and Utica Shale natural gas liquids into more profitable chemicals such as ethylene, which is then used to produce everything from plastics to tires to antifreeze. I am extremely excited to report to you that Shell Chemical officially announced on June 7<sup>th</sup> their commitment to build this plant. Construction will begin within the next eighteen months with a goal of bringing the plant online in the early 2020's. Shell has already invested millions of dollars in site preparation to ready this property for the construction of this plant. This project is estimated to create more than 600 new permanent operational jobs projecting that 6,000 construction jobs will be created. This multi-billion dollar investment will bring economic growth to Western Pennsylvania specifically Beaver County resulting in a greater demand for housing that will have a positive effect upon our real estate development and membership at Seven Oaks.

The Board of Directors of GCU Real Estate Company, Inc. will be researching all options to develop additional parcels of property to meet this increase in housing demand that will have a most positive financial impact upon the GCU Holding Company its subsidiaries.

The GCU Agency, Inc. continues to receive incremental revenues from third party relationships placed into this subsidiary such as long term care and jumbo term insurance.

The GCU Holding Company and its subsidiaries have made substantial financial improvements over the last four years. We remain confident, with a land lease still to be secured for mineral rights and the announcement by Shell Chemical to construct the ethane plant, the financial position of the Holding Company and its subsidiaries will continue to improve.

In closing, my philosophy has always been, you are only as good as the people that surround you. I have once again been truly blessed these last four years to work with a very conscientious and dedicated group of individuals, your Board of Directors. They have provided direction and support to me and to your Executive team. Each and every one of them truly has the best interest of our members and our society as their priority in serving the needs of our members and of our Society. They have served on various committees, recommending policies and developing plans in charting our organization's future. I thank each member of our Board for all their personal support of me as well. Our Society has never been stronger, in light of the challenges that were faced just seven short years ago - \$ 1.43 billion dollars in assets with \$1.5 billion within our sights, surplus approaching \$100 million, excellent profitability with the strongest solvency ratios in the last twenty-five. This type of performance just doesn't happen! It comes from strong leadership as your current Board has exhibited. Each of the incumbent officers seeking re-election are most deserving of your support to be elected once again and who I endorse. There are many more "somethings" ahead of us. Some we are aware of and currently addressing, especially the revamping of our fraternal structure, some on the horizon yet to surface.

To our retiring National Board of Directors, Martha Seech and Roger Embley, your impact upon our society throughout your years of services will be remembered and honored forever in the history annals of our Society, just as we are honoring at this Convention our past officers and administrations over our past 124 year history. The most important attribute about these two individuals is that they are just "good people" which tells it all, sharing a deep faith in God and a willingness to serve others. Roger has served our Society as a National Board of Director since 2000, being elected at the 38<sup>th</sup> National Convention in Louisville, Kentucky. Martha was first appointed by the Board in 1978, serving the GCU for 38 consecutive years as a member of the Board of Directors, the longest ever in the history of the GCU. Because of this, Martha has the title amongst our Board of being our Senior Statesman. We congratulate both of you wishing you continued good health and happiness. I am sure Roger, that you get to spend a little more time with Marci visiting family in Texas continuing to support your parish, and Martha, I know you will be spending more time with your family as well and husband George enjoying your relaxing time on the shores of Lake Erie and your commitment to the pierogi project at your parish. You both will be truly missed.

To our Executive Vice President and COO, Deb Tatro who has brought her talents and background to the GCU that has made such impact in many area of our operations in her brief three and one half year tenure. To our General Counsel, Ted Trbovich, who has provided invaluable guidance and support to me and your Board as well. At times I would be calling my family or my Mom, and Ted would answer the phone which was kind of weird! But that tells you the amount of contact I have with him over the course of a week. I thank both of you. To each and every Department Manager and support staff member, your contributions on a day to day basis in servicing the needs of our members and agents is invaluable as our Board, Executives, General Counsel, our over 43,000 member and agents thank you. But, most importantly to our delegates assembled here and to our entire membership of the GCU my sincere appreciation for the trust and confidence you exhibit in me as your President and Chief Executive Officer.

To Mr. Bob Bruce and his Staff at Bruce and Bruce Company, our thank you for your services and guidance, especially during our recovery period, that has also played a most significant role in the success we enjoy today.

It has been customary in my closing comments to share with you a poem, some insights on life or an inspirational message that really hits home. So as we “Honor Our Past, Embrace the Present and Prepare for Our Future,” it is most apropos for me to once again share a quote with you that I have shared with you in the past. It is from Mr. Batyko’s welcoming remarks to the delegates of our 35<sup>th</sup> National Convention in Toronto, Canada in 1988. It is quite ironic that I attended last month an Executive Summit in Toronto sponsored by the American Fraternal Alliance as the meeting was hosted in the same hotel, The Sheraton Centre, in downtown Toronto that hosted our 35<sup>th</sup> Convention where Mr. Batyko presented his remarks. I do believe that my decision to once again share this quote with you is meant to be, and I am sure that Mr. Batyko is looking down upon us with a sense of pride and joy!

His quote is as follows:

“We all know that on the same ocean and on the same day, one boat will sail South and another North, one will sail East and another West, which proves that it is not the wind, or the gale, but the set of the sail that will determine the course of our future.”

The GCU’s sail was set on February 14<sup>th</sup>, 1892, almost one hundred and twenty five years ago. We honor each of our Presidents that have captained our ship, each of our past Officers and Board members that met each and every “Something” over our past 124 year history, and have adjusted our sail and course accordingly that has made the GCU what it is today!

I thank you for your kind attention as will continue to look forward in serving our members and our society as your Captain, President and Chief Executive Officer!

My best wishes to you for a safe, fun and productive 42nd National Convention as we continue to “Retool the GCU for a Brighter future!”

Thank you!