

# HWO Investments, LLC

## BOARD MINUTES

Monday, November 16, 2020 at 9:31 AM

Healthy West Orange Building

1200 E. Plant Street, Ste 200

Winter Garden, FL 34787

The Board of Directors of the Foundation for a Healthier West Orange (HWO, Inc.), in its capacity as the manager and sole member of HWO Investments, LLC met on Monday, November 16, 2020 at the Healthy West Orange Building. Chair J. Whiddon called the meeting to order at 9:31 a.m. A quorum was established, with the following **Directors Present:** M. Marsh, N. Sutton, J. Whiddon; and **Others Present:** T. Swanson, L. Boettcher, L. Buckley, J. Jonasen, and J. Breth.

No members of the public were in attendance, so invitation for public comment was not necessary.

This being the first meeting of the Board in this capacity, no minutes were approved. However, the Board acknowledged the adoption of Organizational Resolution adopted by the Board on October 2, 2020 and directed that a copy of such resolutions be included in the minutes.

### OFFICER AND AUTHORITIES DESIGNATION

J. Jonasen indicated that the Operating Agreement of HWO Investments, LLC, gives the Foundation, as the manager of HWO Investments, LLC, the authority to designate officers for HWO Investments, LLC. He proposed that the Board, acting in its capacity as the manager, designate one or two officers and empower them to sign documents and checks on behalf of HWO Investments, LLC. J. Whiddon proposed that T. Swanson serve as President and K. Harker as Treasurer of HWO Investments.

**Action Taken:** Upon a motion duly made and seconded, the Board unanimously approved the designation of T. Swanson as President and K. Harker as Treasurer of HWO Investments, LLC.

### FINANCE REPORT – OCTOBER 2020

K. Harker commented that the financial statement format for the Foundation for fiscal 2020 will reflect a breakout of HWO Investments, LLC to be presented regularly to allow the Board, acting in its capacity as the manager, to provide their fiscal oversight of HWO Investments, LLC.

K. Harker then referred the Board to financial information previously provided and to the new format for the financial statements for October, noting that each of the four companies (the Foundation and its three subsidiaries) is shown separately, and then the combined numbers are reported. At October 31, HWO Investments, LLC's assets were \$42.6 million (assuming the approval of the proposed transfer of the Foundation's investment portfolio). As to net revenues, there was a loss of approximately \$699,000 on the investment portfolio (acknowledging that the portfolio was not yet an asset of HWO Investments, LLC. K. Harker closed by commenting that he

# HWO Investments, LLC

welcomed any suggestions or comments on the financial statement format that may make them more informative or useful to the Board.

**Action Taken:** Upon a motion duly made and seconded, the financial report for October 2020 was unanimously approved.

## PROPOSED BUDGET 2020-2021

Chair J. Whiddon called upon T. Swanson and K. Harker to comment on the proposed budget for fiscal 2020-2021. T. Swanson and K. Harker then referred the Board to budget information previously discussed, provided comments and information on various line items in the budget, and responded to questions and comments from Board members. Following discussion, Chair J. Whiddon asked for a motion.

**Action Taken:** Upon a motion duly made and seconded, the 2020-2021 budget for HWO Investments, LLC as presented was unanimously approved.

## BANK RESOLUTION FOR SIGNATURE

T. Swanson shared that Seacoast Bank requires three signers and directed them to a resolution for signature authority in their packet. She proposed that the Board, acting in its capacity as the manager, designate Jaclyn Whiddon, Tracy Swanson, and Ken Harker as authorized signers for checking and money market accounts at Seacoast Bank on behalf of HWO Investments, LLC.

**Action Taken:** Upon a motion duly made and seconded, the Board unanimously approved designating J. Whiddon, T. Swanson, and K. Harker as signers for checking and money market accounts at Seacoast Bank on behalf of HWO Investments, LLC.

## INVESTMENT PORTFOLIO MOVEMENT RESOLUTION

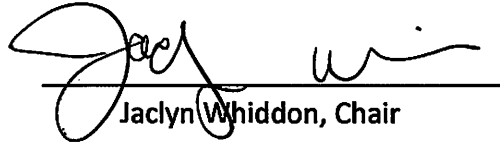
J. Jonasen directed the Board's attention to a set of resolutions in the Board package that would approve the acceptance by HWO Investments, LLC of the transfer of assets from HWO, Inc. d/b/a Foundation for a Healthier West Orange (valued at approximately \$42,615,351 as of October 31, 2020), allow HWO Investments, LLC to hold and manage those assets in accordance with the investment policy previously adopted by the Foundation's Board, and approve that investment policy as the Investment Policy in effect for HWO Investments, LLC. Discussion ensued.

**Action Taken:** Upon a motion duly made and seconded, the Board, acting in its capacity as the manager and sole member of HWO Investments, LLC, unanimously approved the set of resolutions (a copy of which is attached to these minutes) that authorizes HWO Investments, LLC to accept the transfer from the Foundation of its investment portfolio assets held by US Bank and valued at \$42,615,351 as of October 31, 2020, on the terms set forth in those resolutions, including the approval of the Investment Policy attached thereto.

# HWO Investments, LLC

## **OPEN FORUM**

The meeting was adjourned at 9:36 a.m.



Jaclyn Whiddon, Chair

**RESOLUTIONS OF THE MEMBER  
OF  
HWO INVESTMENTS, LLC**

*Pursuant to the Florida Revised Limited Liability Company Act (the "Act"), the member hereby adopts the following resolutions:*

HWO, INC., a Florida not-for-profit corporation doing business as Foundation for a Healthier West Orange, being the sole holder of the entire outstanding membership interest (the "Member") of HWO INVESTMENTS, LLC, a Florida limited liability company (the "Company"), hereby approves the following organizational acts and resolutions of the Company, pursuant to the Act. Such approval is given pursuant to the action of the board of directors of the Member taken at a timely called and duly held meeting of such board on October 2, 2020.

1. **ARTICLES OF ORGANIZATION**. RESOLVED, that the Company's Articles of Organization that were sent to the Florida Department of State and filed on September 8, 2020, are hereby ratified, approved, and confirmed in all respects. The Manager of the Company shall cause a copy of the Articles of Organization to be filed with these resolutions in the Company's minute book.

2. **MANAGEMENT**. RESOLVED, that the Company will be manager-managed. The initial manager (the "Manager") of the Company is HWO, Inc., a Florida not-for-profit corporation d/b/a Foundation for a Healthier West Orange.

3. **REGISTERED OFFICE**. RESOLVED, that the registered office and registered agent of the Company, initially fixed by the terms of the Articles of Organization, shall be retained until further action by the Member.

4. **AUTHORITY TO DO BUSINESS**. RESOLVED, that, for the purpose of authorizing the Company to do business in any state, territory or dependency of the United States or any foreign country in which it is necessary or expedient for the Company to transact business, the Manager is hereby authorized to appoint and substitute all necessary agents or attorneys for service of process, to designate and change location of all necessary statutory offices and, under the Company's seal, to make and file all necessary certificates, reports, powers of attorney and other instruments as may be required by the laws of such state, territory, dependency or country, to authorize the Company to transact business therein, and whenever it is expedient for the Company to cease doing business therein and withdraw therefrom, to revoke any appointment or surrender any authority as may be necessary to terminate the authority of the Company to do business in any such state, territory, dependency or country.

5. **DEPOSITORY**. RESOLVED, that the Manager of the Company, or its designee(s), be and are hereby authorized and directed to establish banking and checking accounts on behalf of the Company at such banks as the Manager, or its designee(s), deem necessary for the operation of the Company, and the printed resolutions supplied by such bank (if any) are deemed resolutions of the Company duly adopted by the Member as if each such resolutions were set forth herein.

6. **LIMITED LIABILITY COMPANY SEAL.** RESOLVED, that the Company may, at its discretion, utilize a limited liability company seal, which seal or mark will be adopted as an official seal of the Company.

7. **MEMBERSHIP INTEREST CERTIFICATES.** RESOLVED, that the Company may, at its discretion, utilize membership interest certificates; however, ownership will be evidenced on a book-entry basis through the Company's ownership ledger.

8. **EMPLOYER/TAXPAYER IDENTIFICATION NUMBER.** RESOLVED, that the Company shall file with the United States Internal Revenue Service an IRS Form SS-4 for the procurement of a Federal Employer Identification Number; and the Manager shall execute and deliver a Third Party Designation Certificate provided by the Company's counsel for use in connection therewith.

9. **AUTHORIZED REPRESENTATIVE'S ACTIONS.** RESOLVED, that all actions heretofore taken by Jaclyn A. Whiddon or Tracy L. Swanson, as authorized representatives of the Member, in forming the Company are hereby ratified, approved, and confirmed in all respects.

10. **FISCAL YEAR.** RESOLVED, that the fiscal year of the Company shall be October 1 through September 30.

11. **PAYMENT OF ORGANIZATIONAL EXPENSES.** RESOLVED, that the Company is hereby authorized to pay all fees and expenses necessary or appropriate in connection with the organization of the Company.

12. **ISSUANCE OF MEMBERSHIP INTERESTS.** RESOLVED, that the Manager of the Company be and is hereby authorized and directed to issue the 100% membership interest in the Company to HWO, Inc., a Florida not-for-profit corporation d/b/a Foundation for a Healthier West Orange.

13. **OPERATING AGREEMENT.** RESOLVED, that the Company is hereby authorized and directed to enter into and to perform its obligations under that certain Operating Agreement of HWO Investments, LLC, as approved by Jaclyn A. Whiddon as the authorized representative of the Member, effective as of October 2, 2020 (the "Operating Agreement"), and the Manager of the Company be and is hereby authorized and directed to execute and deliver the Operating Agreement. The Manager of the Company shall cause a copy of the Operating Agreement to be filed with these resolutions in the Company's minute book.

**RESOLUTIONS OF  
THE MANAGER AND MEMBER OF  
HWO INVESTMENTS, LLC**

*A Florida Limited Liability Company*

**November 16, 2020**

*Pursuant to the Florida Revised Limited Liability Company Act (the “Act”), the manager and sole member of HWO Investments, LLC, a Florida limited liability company, hereby adopts the following resolutions:*

The Board of Directors of HWO, INC., a Florida not-for-profit corporation doing business as Foundation for a Healthier West Orange (the “Foundation”), which is the sole manager (the “Manager”) and the sole holder of the entire outstanding membership interest (the “Member”) of HWO INVESTMENTS, LLC, a Florida limited liability company (the “Company”), hereby approves following acts and resolutions of the Manager and Member pursuant to the Act and the Operating Agreement of the Company dated as of October 2, 2020. Such approval is given pursuant to the action of the Board of Directors of the Manager and Member taken at a timely called and duly held meeting of the Manager and Member of the Company on November 16, 2020:

**WHEREAS**, the Manager believes it to be in the best interests of the Company to accept the transfer of the Foundation’s investment portfolio assets (valued at approximately \$42,615,351 as of October 31, 2020) from the Foundation (the “Transfer”) and to hold and manage those assets in accordance with the investment policy previously adopted by the Board of Directors of the Foundation prior to the formation of the Company, a copy of which is attached hereto as Exhibit A (the “Policy”);

**NOW THEREFORE, BE IT RESOLVED**, that, after careful review and consideration, the Manager hereby approves the Company’s acceptance of the Transfer of the Foundation’s investment portfolio assets to the Company in all respects; and that the adoption of the Policy to govern the Company in holding and managing such assets be, and hereby is, authorized and approved in every respect; and be it

**FURTHER RESOLVED**, that the Company is hereby authorized and empowered to enter into any and all agreements, affidavits, instructions, notices, instruments, certificates, and other documents which may be necessary or required to be delivered by the Company pursuant to or in connection with or in order to consummate the Transfer to the Company (the “Transfer Documents”) and to legally bind the Company thereto; and be it

**FURTHER RESOLVED**, that each authorized officer of the Company or the Manager, in their respective capacities as officers of the Company or the Manager (each, an “Authorized Signatory”), acting alone, be and hereby is authorized to execute and deliver, in the name of and on behalf of the Company, the Transfer

Documents, with such changes as such Authorized Signatory, upon the advice of counsel, may deem to be necessary or appropriate to consummate the transaction contemplated by these resolutions; that the execution and delivery of the Transfer Documents by such Authorized Signatory shall conclusively evidence the due authorization thereof by the Manager; and that the Company shall perform its obligations under the Transfer Documents and the Policy; and be it

**FURTHER RESOLVED**, that each Authorized Signatory be, and they hereby are, authorized and directed, for and on behalf of the Company, to take all other actions, to prepare, execute, and deliver all other agreements and documents, and to make such other filings, and pay all amounts, fees, and expenses as such Authorized Signatory may deem to be necessary or appropriate to effectuate each of the foregoing resolutions and to carry out the purposes thereof, the taking of any such action, the execution of any such agreement or documents, and the payment of any such amounts, fees, and expenses conclusively to evidence the due authorization thereof by the Manager; and be it

**FURTHER RESOLVED**, that all actions to date taken by the Manager, the Company, and each Authorized Signatory of the Company in connection with the Transfer are hereby ratified, approved, and confirmed in all respects.

**Exhibit A**

Investment Policy

*[attached]*



HWO Investments, LLC.

ENDOWMENT FUND

INVESTMENT POLICY STATEMENT

Approved

Board of Directors 11/16/2020

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## **I. Introduction**

Initial funding for the Endowment Fund (the "Fund") is being provided by a \$40 million grant from the West Orange Healthcare District. Certain of the Fund's investment policies and practices are subject to provisions of the Grant Agreement (incorporated herein by reference) between the parties. The Grant Agreement will expire 5 years after its "effective date". Such Agreement may be terminated earlier if breached or modified under certain specified conditions.

This Investment Policy Statement ("IPS") is intended to set forth the objectives of the investment management program for the Endowment Fund of HWO Investments, LLC. ("HWO"). This IPS further sets forth the general guidelines to be followed in attempting to meet and satisfy the investment management objectives. It covers all investment funds, types, and classes, whether currently in position, or established in the future, and is intended to be sufficiently specific to be meaningful, but sufficiently flexible to be practical. Through the prudent investment of its portfolio assets, HWO expects to earn the return necessary to support its mission and overall financial objectives.

## **II. Organizational Mission**

The organizational mission of HWO Investments, LLC. ("HWO") is defined as:

*"Enhance health and wellness in the West Orange Healthcare District."*

## **III. Statement of General Investment Objective**

A long-term objective of HWO's Endowment Fund investment portfolio is preservation of its corpus and generation of a return which is sufficient to fund some, or all, of current and expected future financial requirements of the organization. To accomplish this objective, HWO seeks its Endowment Fund to earn the greatest total return possible consistent with corpus preservation and within its general risk tolerance, eligible asset classes, and asset allocation strategies outlined in this Policy.

## **IV. Statement of General Risk Tolerance**

The investment program will be structured in a manner that most efficiently matches the Funds' investment risk and return characteristics with their long-term purposes and objectives. Short-term volatility and uncertainty of investment results are recognized as risks, and will be managed appropriately through specific asset allocation strategies and diversification based upon the portfolios' investment time horizon. Consistent with this view, the portfolios will be evaluated on a "total return", rather than on a "yield" basis.

## **V. Specific Investment Objectives**

The Risk and Return objectives of the investment portfolio have been quantified using inputs supplied by Management and other outside sources. In developing the risk and return objectives, Management along with its Consultant have developed risk and return targets which will:

- Fund the organization's spending policy;
- Fund current grants;
- Meet future grants;
- Provide financial flexibility necessary to meet unforeseen expenditures;
- Provide financial stability
- Fund additions to working capital while performing within prescribed risk tolerances, using acceptable strategies, asset classes, and securities

## **VI. Description & Duties of Entities**

### **A. Board of Directors**

HWO's Board of Directors ("the Board") ensures that its fiduciary responsibility for the invested assets is fulfilled through appropriate investment structure and internal and external management consistent with this IPS. Although the Board is not involved in day-to-day investment decisions, the Board shall, based on the advice and recommendations of the Finance Committee, HWO's Management ("Management"), and/or Investment Consultant establish and periodically review and approve changes to this IPS.

### **B. Finance Committee**

The Finance Committee, if utilized by the Board, ("Committee") shall be responsible for proposing any changes to the Fund's IPS to the HWO Investments, LLC. Board of Directors. If a Finance Committee is not established, all reference to a Committee shall revert to the Board.

### **C. HWO Investments, LLC. Management**

Management of HWO Investments, LLC. shall perform the following activities as directed by the Board and/or the Committee:

1. Develop sound and consistent portfolio objectives and Investment Policy guidelines for approval by the Finance Committee and the Board of Directors;
2. Review this statement periodically and recommend modifications to the Committee and the Board;
3. Select and recommend for approval by the Board and the Committee a qualified investment advisor;
4. Select or approve qualified investment managers and custodians in consultation with the investment advisor;
5. Monitor and evaluate the investment program regularly to assure that policy guidelines are adhered to and objectives are met;

6. Take appropriate actions to remove investment fund managers, custodians, consultants, and investment advisors for failure to perform as expected with prior approval of the Board and the Committee;
7. Conform actions to consistently implement the guidelines outlined herein;
8. Formulate, in concert with the consultant, the investment strategy and related asset allocation recommendations;
9. Recommend specific policies and implement procedures to provide adequate monitoring of the investment transactions;
10. Provide timely communication of investment performance to the Board and/or Committee as requested.

**D. Investment Manager(s)**

The Committee may select one or more individuals, entities, or firms to provide day-to-day investment management services for the investment program. Each Investment Manager must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 as Registered Investment Advisors or documented as exempt by the same laws. Allowable investment vehicles include separately managed accounts, mutual funds, and commingled trusts. Limited partnership investments must be approved by the Finance Committee prior to funding. The HWO Finance Committee grants the investment fund managers the authority to purchase and sell securities at the managers' discretion, as long as the investment decisions are made in conformity with the investment objectives and guidelines as outlined in the IPS and any applicable Investment Fund Manager Directives in the case of any separately managed accounts. Specific responsibilities of the Investment Manager include:

1. Adhere to all guidelines set forth in the manager directives and manager agreements entered into by the Investment Manager and HWO;
2. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Statement;
3. Report, on a timely basis, investment performance results;
4. Communicate any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process or the investment objective progress of the fund's investment management;
5. Inform the Committee regarding any material change to investment management organization (i.e. changes in portfolio management staff, ownership structure, investment philosophy, etc.);
6. Vote proxies, if requested by the Committee, on behalf of HWO and communicate such voting records to the Committee on a timely basis.

7. Execute all investment transactions with brokers and dealers qualified to execute institutional orders at the best execution possible and, where appropriate, direct the brokerage as requested;
8. Investment Manager eligibility requirements:
  - a) Neither the Investment Management firm being considered nor the individual Investment Manager recommended to the fund may have had any significant litigation;
  - b) Exhibit stability of both personnel and accounts, and
  - c) Have substantial resources to ensure future viability, sufficiently staffed back offices, and quality of personnel in research, management and communications.

#### **E. Custodians**

The Custodian shall maintain possession of securities owned in the HWO investment program. They will collect dividend and interest payments; redeem maturing securities; and effect receipt and delivery following purchases and sales. The Custodian shall also perform regular accounting of all assets owned, purchased, or sold as well as oversee movement of assets into and out of the investment program accounts. In addition, the Custodian will provide current documentation of portfolio activity and portfolio value.

#### **F. Consultant**

HWO may select an investment advisor to provide additional expertise in formulating investment strategies, developing the Investment Policy, recommending investment fund managers and reviewing the performance of those investment fund managers, and evaluating the overall performance of the aggregate portfolio of HWO. Selection of the investment advisor will be based upon criteria established by Management and approved by the Board and Finance Committee which recognizes the importance of significant investment experience with organizations similar to HWO.

The principle role of the Consultants is to provide independent advice to Management and the Committee. The Consultants shall be responsible for the following:

1. Make recommendations to Management and the Committee regarding overall investment policy and strategic asset allocation;
2. Assist the Committee in the selection of qualified Investment Managers, and assist in the oversight of existing Investment Managers, including performance evaluation and monitoring changes in staffing, ownership and the investment process;
3. Prepare a quarterly report on the Investment Managers' performance, and on the performance of each portfolio in total, including a review of guideline compliance and adherence to investment style and discipline;

4. Provide topical research and education on investment subjects that are relevant to the investment program, and
5. Meet with the Committee and Management as requested.

## **VII. Investment Objectives**

A long-term objective of the investment program is preservation of corpus and to generate a total return, which is sufficient to meet HWO's current and expected future financial requirements. The Fund will be structured in a manner that most efficiently matches HWO's investment risk and return characteristics with its long-term objectives

The investment program's return target will be based upon the spending policy analysis and is calculated based the "minimum required return" for HWO's investment portfolio in the aggregate as well as its investment time horizon. As the factors which influence this can change, an update to this analysis will be prepared triennially, or more often if necessary. The Committee understands that a shortening or lengthening of the investment horizon will result in a probable decreasing or increasing of these return goals and a probable change in asset allocation.

Permanent loss of capital is the most significant risk to the investment program's objective of protecting the value of the invested assets. The Committee also recognizes that short-term volatility is the most widely recognized form of risk and that in the short-term, market fluctuations may result in varying levels of performance. Short-term volatility and uncertainty of investment results will be managed appropriately through specific asset allocation strategies and diversification based upon the portfolio's investment time horizon.

### **A. Total Portfolio Performance**

1. The performance of the total portfolio will be measured for rolling three (3) and five (5) year periods. The performance of the portfolio will be compared to the return of the policy indexes comprised of 30% Russell 3000 Index, 20% MSCI-All Country World x U.S. Index, 30% Barclays Capital U.S. Aggregate Bond Index, 10% NCREIF ODCE Equal Weighted Index, and 10% Alternative Specific Index.
2. On a relative basis, it is expected that the total portfolio performance will rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.
3. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed a total return assumption of 6%. This absolute return objective will be evaluated in the context of the prevailing market conditions on an ongoing basis.

### **B. Equity Performance**

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to the 65% Russell 3000 Index and 35% MSCI-All Country World x U.S. Index. Individual components of the equity portfolio will

be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

#### **C. Fixed Income Performance**

The overall objective of the fixed income portion of the portfolio is to add stability, income, and liquidity to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to the Barclays Capital U.S. Aggregate Bond Index. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

#### **D. Real Estate Performance**

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF Index.

#### **E. Alternative and Other Asset Performance**

The overall objective of the alternative and/or "other asset" portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and enhance returns. This portion of the portfolio will be measured against an appropriate benchmark, which will be outlined in the Investment Manager addendum at the time of investment.

### **VIII. Investment Constraints**

#### **A. Time Horizon**

The organization is primarily a grant issuing entity; therefore, the true time horizon is perpetual. Asset allocation decisions will be made with an eye toward the infinite life of the entity. For the purposes of investment evaluation market cycles will be viewed as five to seven-year periods.

#### **B. Liquidity Needs**

HWO shall fund some, or all, of its working capital needs and spending policy from the portfolio. The portfolio will be established with sufficient liquidity to meet any near-term cash needs but will include some less liquid investments if the committee deems they provide portfolio diversification and improve the portfolios' long term risk/return relationship

#### **C. Special Considerations**

1. Minimum Cash Balance -The investment program will maintain a minimum cash balance of an amount deemed appropriate by Management.
2. Operating Standards -The fiduciaries have adopted an overall, long-term goal of



maintaining a financial profile sufficient to maintain the organization's grant making ability.

3. Conflicts of Interest - The following parties shall fall under the Conflicts of Interest provision of this Investment Policy: All parties listed in Section VI or any persons which have direct fiscal participation in, or perform in an executive capacity with influence over management or performance of any organization mentioned above.

These parties and institutions described above are precluded from serving as investment advisors; acting as investment fund managers; or providing significant brokerage services.

Local banking institutions or independent trust companies which have an employee or significant shareholder who falls under these provisions are not precluded from holding or managing the Fund as long as their interest rates, fees, expenses and services are competitive; the level of participation is not deemed significant and there is no loss or harm which can accrue to HWO from such a relationship. Notwithstanding the aforementioned, financial services can be provided by a national firm which employs any person who meets the criteria listed above, to the extent that the individual meeting the criteria is not directly involved with a transaction between HWO and the individual's employer, and the individual does not stand to benefit directly or indirectly from such a transaction.

4. Compliance with the Law -All actions undertaken or contemplated by this Policy shall follow appropriate law and applicable Florida statutes, including Section 617.2104 (Florida Uniform Prudent Management of Institutional Funds Act). Also, under this requirement is that all activities shall be deemed appropriate within the relevant sections of the Internal Revenue Code dealing with arbitrage and other applicable tax requirements for 501(c)(3) organizations.
5. Costs – It is the objective of Management and the Consultant to design and implement an investment program that is operationally efficient as well as cost effective.

## **IX. Investment Strategy**

The Committee understands long-term success relies entirely on a sound decision making process. Thorough analysis, sound decision making, and consistent methodology will give the Committee the conviction to remain committed to strategies that may be out of favor with popular opinion. At every level, within the fund, investment decisions should be made only after rigorous examination of all relevant information, and all specific investment challenges are fully understood.

The Committee recognizes that compounding investment returns is vital in meeting the long-term return objective of the investment program; therefore, the program will be structured with the intent to protect capital. This approach represents a consistent/balanced return expectation and the exact weightings of specific asset classes and Investment Managers will be at the discretion of the Committee, with the assistance of the Consultant.

## A. Diversification

To be truly diversified, the Committee and Consultant must consider and understand the impact of economic return drivers on the assets held in the investment program (i.e., interest rates, inflation, liquidity, public/private, growth rates, valuation levels, etc.). In order to accomplish this, the fund will seek to invest in a broad range of asset classes and strategies that derive returns in ways fundamentally dissimilar from one another.

## B. Asset Allocation

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The Investment Managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total fund:

Asset Class	Target	Range	Benchmark Index
Domestic Equity	30%	25% - 35%	Russell 3000
International Equity	20%	15% - 25%	MSCI-ACWI xUSA
Core Fixed Income	20%	15% - 25%	Barclays Aggregate
Non-Core Fixed Income	10%	5% - 15%	Barclay's Global Aggregate
Real Estate*	10%	0% - 15%	NCREIF ODCE – Equal Weighted
Alternative Investments*	10%	5% - 10%	Investment Specific

\*Benchmark will default to "broad market fixed income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan assets.

The Committee and Investment Consultant will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available and with reasonable notice provided to the Investment Managers. The Board does not intend to exercise short-term changes to the target allocation.

### 1. Asset Class Requirements

- a) Understandable performance and risk drivers;
- b) Provide diversification through economic return drivers (i.e., interest rates, inflation,

liquidity, public/private, growth rates, valuation levels);

- c) Understandable performance and risk of "alternative" classes (i.e. hedge funds, private investments, etc.);
- d) Risk profile and liquidity characteristics consistent with the risk tolerance of the Committee and Board. Risk tolerance for specific asset classes will be considered both independently and in the context of the overall investment program.

**2. Investment Manager Requirements (in relation to portfolio parameters and structure):**

- a) Provide an understandable investment process/strategy to adhere to parameters;
- b) Consider capital protection as a component of the investment philosophy and process;
- c) Provide verifiable or audited performance results in relation to these parameters. The performance results provided should include all accounts of similar style managed by the firm and should be actual the results of the strategy (not pro-forma or back-tested results);
- d) The performance results must have been produced by the Investment Manager following the same strategy as represented to the Consultant and HWO;
- e) In addition to the requirements listed above, Investment Managers that provide "alternative" asset classes as part of an approved strategy must:
  - 1) Be willing to disclose (at least quarterly) strategy exposures, leverage, portfolio assets/asset growth, and a review/outlook;
  - 2) Provide the fund's custodian with, at a minimum quarterly valuations (excludes private equity);
  - 3) Provide audited annual financial statements or third party valuation reports;
  - 4) Employ a policy to avoid conflicts of interest within their business.

**3. Securities Guidelines and Restrictions**

Specific securities guidelines and restrictions will be handled on an individual manager basis in the manager agreement/directives.

**X. Performance Evaluation**

The Board, Committee, and Management understand that the opportunity to achieve superior long-term results is not driven by short-term benchmark outperformance, but rather adhering to well-conceived investment policies and strategies consistently over the long-term. HWO's investment program will incorporate a diversified pool of investments, asset classes, and Investment Managers.

Performance expectations will be determined for Investment Managers prior to initial funding,

however, in general, investment managers are expected to exceed applicable market indices or benchmarks, and perform well relative to an appropriate peer group over sufficiently long time periods.

#### **A. Investment Manager Reporting**

1. **Quarterly** – the Committee will receive quarterly performance reports from the Consultant, but individual Investment Manager performance over quarterly periods will be addressed at Committee meetings on an exception basis (when performance, whether good or bad, can't be explained by the market environment).
2. **Annually** - the Consultant will prepare an annual report the assessment of each of the investment program's investment manager's compliance with this IPS, any investment manager directives, and performance expectations.

#### **B. Committee Review and Evaluation**

The Committee wishes to adopt standards by which judgments of the ongoing performance of an Investment Manager may be made. If, at any time, any three (3) of the following is breached, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five (5) of these are violated the Investment Consultant may recommend an Investment Manager evaluation for those mandates.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 50th percentile and under performance versus the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Investment Policy Statement, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the Investment Manager at any time for any reason. Managers failing to meet the above criteria may be placed on a "Watch List" by the committee. HWO Inc's Management and/or Consultant will report on all Investment Managers on the "watch list" quarterly or as often as necessary.

## **XI. Policy Review**

A survey designed to determine management's and HWO Investments, LLC.'s governing bodies' attitudes on acceptable risk parameters, long-term objectives, eligible asset classes, performance criteria and investment fund manager criteria, shall be completed at least once every three years. This Investment Policy shall be reviewed periodically, no less than triennially, or immediately upon the desires of the governing bodies of HWO or their management.

This Policy shall be immediately reviewed upon the occurrence of any of the following events:

- A. The most recent time horizon changes significantly below the previously calculated value  
or
- B. HWO Investments, LLC. experiences any significant changes in its capital structure or its statement of net position.
- C. Significant capital expenditures or outlays are forecast where proceeds from the portfolio are the expected funding source

## **INVESTMENT POLICY ADDENDUM:**

### **ADDENDUM A: ELIGIBLE SECURITIES**

The following lays out approved investments for use by the Endowment Fund. Unless otherwise specifically stated in a manager addendum, each investment manager may invest and reinvest the assets in a diversified portfolio of fully negotiable, US dollar denominated fixed income, equity and money market securities provided they meet the following criteria. Sections A through E refer to the purchase or holding of individual securities. Pooled Investment Fund guidelines are detailed in Section F.

#### **A. Equity Securities**

1. Investment in all equity securities shall be limited to those actively traded on a domestic national exchange or electronic network. Investments in individual companies must meet a minimum market capitalization requirement of \$100 million.
2. No more than 7% of the market value of the total equity portfolio may be invested in the shares of a single issuer nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
3. Investment in companies that have been publicly traded for less than one year are limited to no more than 10% of the market value of the total equity portfolio.
4. Investment in shares issued by companies outside the United States will be limited to securities of foreign corporations traded on a domestic national exchange or electronic network as well as US dollar denominated mutual/commingled investment funds.

#### **B. Fixed Income Securities**

1. Investment in individual corporate fixed income securities shall be limited to securities rated as investment grade (BBB or its equivalent) or better by a major rating agency at the time of purchase. Securities subsequently downgraded below the minimum rating by the agency used to qualify purchase shall be reported to the Committee in writing along with a suggested course of investment action regarding the security.
2. No more than 10% of the market value of the total fixed income portfolio may be invested in the securities of a single corporate issuer.
3. Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 20% of the market value of the total fixed income portfolio and shall be restricted to securities issued by GNMA, FHLMC, or FNMA.
4. The maximum duration of the total fixed income portfolio should not exceed 125% of the duration of the Barclays Capital Aggregate Bond Index.

#### **C. Real Return Securities**

1. Investments with a real return objective may pursue a variety of strategies and/or asset classes over time in order to attain their long-term objectives.

2. Real return investments will be measured on a long-term basis against a primary blended benchmark of equity and fixed income indices. The secondary objective of these strategies is to attain a return of inflation (CPI) plus a real return objective of 6%.

#### **D. Real Estate Securities**

1. Investments in real estate shall not exceed 10% of the market value of the long-term portfolio's assets
2. All real estate investments shall be made through participation in diversified commingled funds of real properties. These funds shall be broadly diversified as to property type and geography.
3. Experienced and professional real property investment managers shall manage all real estate investments.

#### **E. Cash Equivalent Securities**

Investments in cash and equivalent securities shall be limited to the following:

1. High quality money market mutual funds, which invest in investment grade money market instruments rated A1 or its equivalent by a major rating agency.
2. Direct obligations of the United States Government with a maturity of one year or less.
3. Money market or short-term investment fund options offered by the Fund's custodian.

#### **F. Pooled Investment Funds**

Investments made by the Endowment Fund may include pooled investment funds. For purposes of this policy such funds may include mutual funds, commingled funds, exchange-traded funds, limited partnerships, hedge funds and/or private equity investments.

1. Such funds may be governed by separate policy which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by WOHD into a fund the Committee will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.
2. The asset classification of the fund will be based upon its investment objective.
3. The WOHD may invest in limited partnership structured investments in order to diversify the WOHD portfolio and/or to enhance the WOHD risk controls and expected return opportunities. It is understood that these special types of pooled investment funds may have limited liquidity and/or "lock-up" periods with no liquidity. It is also recognized that these types of pooled investment funds may have higher fees and demonstrate highly variable returns over short periods of time. Given the factors previously listed, the Committee shall consider special criteria including, but not limited to, the following in evaluation of any pooled investment fund in this category:
  - a) Tenure, expertise and track record of management team;
  - b) Diversification potential of the pooled fund investment relative to other WOHD investments;

- c) Risk control provisions of the pooled investment fund;
- d) Liquidity provisions of the pooled investment fund;
- e) Use of leverage or other means of return enhancement by the pooled investment fund;
- f) Fees and potential conflicts of interest associated with the pooled investment fund.

#### **ADDENDUM B: ENDOWMENT SPENDING POLICY**

Note: The West Orange Healthcare District has provided a grant of \$10 million to HWO to fund its operating expenses and health care activities for a three-year period beginning October 1, 2019. The intent is that during that period, HWO's Endowment Fund will be established, fully invested and generating sufficient earnings to allow substantial annual contributions to fund the endeavors of HWO, Inc. for fiscal 2023 and subsequent years. Therefore, no spending of Endowment Fund returns is expected until fiscal 2022-2023.

The HWO Board is committed to prudent investment management strategies and fiscal policies that it believes will lead to growth of endowment fund principal and meeting its spending policy objectives. The Board's goal is to maximize total return with any of its income components (dividends and interest) and/or capital appreciation, but considering the risks involved in investing. The Board seeks a target return that provides portfolio growth, exceeds inflation, covers investment fees and expenses and provides a net return sufficient to fund the organization's operating expenses plus its programs and grants intended to improve the health and well-being of the residents of West Orange County.

Endowment Spending distributions will be set by the Board during each years' budget approval based upon the performance of the Fund's investments, considering total returns over the prior 3 years. If investment losses have reduced the Endowment's market value below the original corpus of \$40 million, grants will not be made until the Endowment corpus is restored to its original amount.

**Note:**

Portfolio directives that outline eligible securities, prohibited transactions, and additional portfolio guidelines and constraints will be provided to separate account managers engaged by HWO. Prior to funding, copies of the Endowment Fund Investment Policy Statement and applicable portfolio directives will be provided to and acknowledged by the investment manager.