

FOUNDATION

For A Healthier West Orange

BOARD MEETING MINUTES

Tuesday, November 29, 2022, at 8:30 AM
Zoom and 1200 E. Plant Street, Ste. 200
Winter Garden, FL 34787

The Foundation for a Healthier West Orange (HWO, Inc.) Board of Directors met on Tuesday, November 29, 2022, at the Healthy West Orange Building and via Zoom. Chair J. Whiddon called the meeting to order at 8:30 a.m., after quorum was established. **Directors Present:** B. Spong (virtual), C. Evans (virtual), J. Whiddon (virtual), N. Sutton (virtual), Kari Vargas (virtual), T. Keating. **Directors Absent:** none. **Staff Present:** P. Brown, L. Boettcher, T. Swanson, A. Mendyk. **Guests:** J. Jonasen of Gunster (virtual).

PUBLIC COMMENT

No members of the public were in attendance; therefore, no public comment period was necessary.

APPROVAL OF MINUTES

Board Action: Upon a motion duly made and seconded, the minutes of the Board Meeting on October 7, 2022, were unanimously approved.

FINANCE COMMITTEE REPORT – November 2, 2022 Report and October Statements

Chair J. Whiddon called upon P. Brown to present the financial reports for September 2022 and October 2022. P. Brown called attention to the unaudited combined balance sheet that includes HWO, Inc. and its three affiliates, HWO Investments, LLC, HWO Holdings, LLC and Healthy West Orange, LLC. On a combined basis, total assets were \$80.7 million at end of both September 2022 and October 2022, with the primary assets being the HWO Investments, LLC portfolio at \$65.6 million at end of September and \$67.6 million at end of October. The Foundation's money market account and CD accounts were \$7.3 million at end of September and \$7.2 million at end of October. Liabilities were \$67,376 at end of September and \$68,243 at end of October.

Moving to the unaudited combined statement of revenues and expenses for the 12 months ended September 2022, net investments had a year-to-date total investment loss of \$11.5 million, while in October 2022 for FYE2023 there was an investment gain of \$2 million. All sub-categories for year-to-date expenses on the income statement were within budget. P. Brown asked for further comments, questions, or a motion.

Board Action: Upon a motion duly made and seconded, the Finance Committee Report from November 2, 2022, and the October 2022 Finance Report were unanimously approved.

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INVESTMENT POLICY MODIFICATION

P. Brown presented proposed changes to the HWO Investments, LLC Endowment Fund Investment Policy Statement which would allow for private equity investments. The international equity asset class allocation would be lowered because private equity would include international investing. The Finance Committee recommended that the changes be approved by the HWO, Inc. Board (HWO, Inc. being the sole member and manager of HWO Investments, LLC). P. Brown asked for further comments, questions, or a motion.

Board Action: Upon a motion made and seconded, the revisions to the HWO Investments, LLC Endowment Fund Investment Policy as presented and attached were unanimously approved by the Board of HWO, Inc., acting in its capacity as the manager of HWO Investments, LLC.

INVESTMENT PRIVATE EQUITY DECISION

P. Brown presented the Finance Committee's recommendation to invest \$2 million in the JP Morgan PEG Global Private Equity XI, L.P. Fund. This Fund was the Finance Committee's preferred alternative for its balance of investment in partnerships, co-investments, and secondaries, as well as diversification in both domestic and international. This Fund would be allowed to do offshore investments with the HWO, Inc. funding. The Finance Committee recommended that the investment be approved by the HWO, Inc. Board (HWO, Inc. being the sole member and manager of HWO Investments, LLC). P. Brown asked for further comments, questions, or a motion.

Board Action: Upon a motion made and seconded, authorization to invest \$2 million in the JP Morgan PEG Global Private Equity XI, L.P. was unanimously approved by the Board of HWO, Inc., acting in its capacity as the manager of HWO Investments, LLC.

INSURANCE UPDATE

Chair J. Whiddon called upon P. Brown and T. Swanson to update the board on a proposal for cybersecurity insurance coverage. A Coalition Cyber Policy quote for up to \$1 million of coverage was presented. The Board agreed that the Policy would be purchased for one year and evaluated again in a year, and a decision would be made at that time on renewal.

Board Action Upon a motion duly made and seconded, the Coalition Cyber Policy was unanimously approved to be purchased for one year.

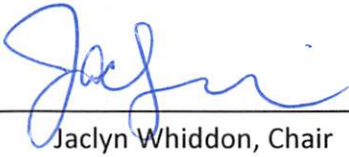
OPEN FORUM

Discussion ensued on future Board meeting dates of Tuesday, February 7, 2023, as previously scheduled, as well as Thursday, May 4, 2023. Finance Committee meetings were set for Friday, January 27, 2023, and Monday, May 1, 2023.

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The meeting was adjourned at 9:02 a.m.



Jaclyn Whiddon, Chair

HWO Investments LLC

ENDOWMENT FUND

INVESTMENT POLICY STATEMENT

Approved

Finance Committee November 2, 2022

FHWO Board of Directors November 29, 2022

HWO Investments LLC December 7, 2022

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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 Inc. 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 35% Russell 3000 Index, 15% 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	15%	10% - 20%	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
Private Equity	5%	0 – 10%	Investment Specific
Multi Asset Investments*	10%	5% - 15%	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 Investment 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.