

**LONG-TERM PORTFOLIO
INVESTMENT POLICY STATEMENT**

FOR

**VILLAGE CENTER COMMUNITY DEVELOPMENT
DISTRICT**

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The Village Center Community Development District (the “District”) has established a Long-Term Investment Portfolio (the “Portfolio”). This Portfolio provides support and funding for future emergency and capital requirements related to upgrading infrastructure and other longer term operating needs. The District hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

I. Scope

This Policy Statement was developed in accordance with Chapter 218.415, Florida Statutes. The Policy Statement applies to all funds held by or for the benefit of the District in the Long Term Portfolio. For the purpose of this Policy, the Long Term Investment Portfolio is defined as funds in any general or special account or fund of the District held or controlled by the governing body of the District, which funds in reasonable contemplation will not be needed for the purpose intended within a reasonable time from the date of such investment. However, the Policy Statement shall not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

The main investment objective of the Portfolio is to achieve long-term growth of Portfolio assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District’s current and long-term financial obligations.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Portfolio assets.
2. Establish an appropriate investment strategy for managing all Portfolio assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Portfolio.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence and legal requirements for Portfolio assets.

II. Investment Authority

The District Board of Supervisors (the “Board”) provides oversight of certain policies and procedures related to the operation and administration of the Portfolio. The Board will have authority to implement the investment policy and guidelines in the best interest of the Portfolio to best satisfy the purposes of the Portfolio. In implementing this Policy Statement, the Board believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the Board in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Board in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Portfolio subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers (“Managers”) and strategies consistent with its role as a fiduciary for the Portfolio. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible for monitoring and reviewing investment managers; measuring and evaluating performance; and other tasks as deemed appropriate in its role as Advisor for Portfolio assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Portfolio’s investment objectives. The Advisor shall never take possession of securities, cash or other assets of the Portfolio, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission and the Florida Department of Financial Services.
2. A custodian selected by the District to maintain possession of physical securities and records of securities owned by the Portfolio, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Portfolio.
3. Specialists such as attorneys, auditors, and actuaries to assist the Board in meeting its responsibilities and obligations to administer Portfolio assets prudently.

III. Statement of Investment Objectives

The investment objectives of the Portfolio are as follows:

1. To invest assets of the Portfolio in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Portfolio, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for spending policy needs and reasonable expenses of operation of the Portfolio.
3. To enhance the value of Portfolio assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled “Performance Expectations”.

IV. Prudence and Ethical Standards

1. The standard of prudence to be used by the District shall be the *Prudent Person* standard and shall be applied in the context of managing the Portfolio. The District acting in accordance with written procedures and this Policy Statement and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The *Prudent Person* rule states the following:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. While the standard of prudence to be used by staff who are officers or employees is the *Prudent Person* standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of *Prudent Expert*. The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

V. Ethics and Conflicts of Interest

Staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, employees involved in the investment process shall disclose to the District any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's portfolio.

VI. Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity, and certain real estate investments focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, and certain real estate investments focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, commodities, and certain real estate investments funds.

Time Horizon

The Portfolio's investment objectives are based on a long-term investment horizon ("Time Horizon") of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Board has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Portfolio may hold some cash, cash equivalent, and/or money market funds for near-term Portfolio spending needs and expenses (the "Portfolio Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Board believes that to achieve the greatest likelihood of meeting the Portfolio's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Portfolio's target rate of return over the long-term, as described in the section titled "Performance Expectations".

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	20% - 60%	40%
International Equity	0% - 40%	20%
Other	0% - 20%	0%
Income Assets		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Portfolio will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Portfolio will be to achieve an average total annual rate of return that is equal to or greater than the Portfolio's hurdle rate of 5%, a combination of expected spending and inflation. Additionally, it is expected that the annual rate of return on Portfolio assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Portfolio investments and blended benchmark comparisons for the Portfolio in its entirety.

VII. Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Portfolio. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS[®]), Securities & Exchange Commission (“SEC”), Financial Industry Regulatory Agency (“FINRA”) or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal (“RFP”) completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Portfolio assets.

VIII. Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers’ Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”).

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as real estate, private investment funds and commodities, when deemed appropriate. The total allocation to this category may not exceed 30% of the overall portfolio.

Real Estate: Consists of publicly traded Real Estate Investment Trust (“REIT”) securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as “Other” under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as “Other” under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Protection: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities (“TIPS”), commodities or commodity contracts, and certain real estate or real property funds and the equity of companies in businesses thought to protect against inflation. Inflation protecting assets will be reported in the Real Return Assets category.

Cash Equivalents

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Protection

Portfolio investments designed to protect against various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Portfolio assets. One example of such a vehicle is an exchange traded fund (“ETF”) which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Portfolio shall be held by a custodian approved by the Board for safekeeping of Portfolio assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Portfolio Agreement. Investments of the Portfolio not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

IX. Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Board the appropriateness of this Policy Statement for achieving the Portfolio's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance Measurement

The Advisor shall report on a quarterly basis to the Board to review the investment performance of the Portfolio. In addition, the Advisor will be responsible for keeping the Board advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Portfolio.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used. In addition to the quarterly update on earnings, the Advisor will provide a quarterly update on fees

incurred during the quarter by the Districts from the Custodian, the Advisors and the Managers used by the Advisors.

Voting of Proxies

The Board recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

X. Authorized Investment Institutions and Dealers

District Staff shall recommend and the Board of Supervisors shall approve a list of financial institutions authorized to be public depositories and/or provide investment services.

XI. Third-Party Custodial Agreements

The District will seek to protect its interests in all securities purchased by the District via appropriate insurance coverage by broker/dealers or via the use of a third party custodian approved by the Finance Director and evidenced by safekeeping receipts.

XII. Master Repurchase Agreement

When dealing with repurchase agreement transactions, the Finance Director will require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

XIII. Bid Requirement

When applicable, staff will determine the appropriate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (2) must be selected.

XIV. Internal Controls

The Finance Director shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers or District board members.

XV. Continuing Education

The Finance Director and appropriate Authorized Staff shall annually complete a minimum of eight (8) hours of continuing education in subjects or courses of study related to investment practices and products.

XVI. Reporting

The Finance Director or designee shall submit a quarterly investment status report to the District's Board of Supervisors. The report shall summarize investment transactions that occurred during the reporting period, and shall discuss the current portfolio in terms of maturity, rates of return and other features.

XVII. Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Board. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the District Board of Supervisors:

Stephen J. Drake
Chairman

August 6, 2014
Date