North Carolina High School Athletic Association

11.2011

Investment Policy Statement

For use with:

- *BB&T*

Investment Policy Statement

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Account Identifying Information

Account Name:	North Carolina High School Athletic Association Endowment Investment Account (the "Account")
Account Number:	1152009456
Account Type:	Investment Management Account
Client Name:	North Carolina High School Athletic Association (the "Client")
Investment Manager Agent:	Branch Banking and Trust Company (BB&T)

Purpose of Investment Policy Statement

The purpose of this statement is to establish a written policy for the investment of the Account's assets. BB&T may provide advisory services to the Client in the establishment of an investment policy. Among the items addressed by this Investment Policy Statement are:

- Return and Income objectives, risk tolerance, and time horizon for achieving investment goals
- The Account's liquidity needs and other unique circumstances
- Asset allocation targets and allowable ranges, rebalancing guidelines and permitted securities
- Performance measurement
- Communication plans: frequency and content of communication and account review

BB&T will be responsible for implementing the investment policy as well as advising the Client on the status of implementation and execution. Implementation will involve the selection of specific investment vehicles and investment managers. While observing the requirements of applicable federal and state law (including any provisions related to diversification, eligible investments and the authorization of investments) and the principles of prudent investment management, BB&T shall broadly diversify the investments in order to reduce risk and to produce incremental return.

It is expected that the investment policy will be periodically reviewed though would not be subject to frequent changes. For example, short-term changes in the financial markets would not typically require an adjustment to the investment policy Assets will be invested in a prudent manner and within a manner consisent with UPMIFA (Uniform Prudent Management of Institutional Funds Act) guidelines.

Investment Objectives

The investment objective of the Account is marked under "Selections" section of this document. Please note that the selected investment objective may also include diversifying assets as described under "Investment Categories" below.

Investment Objective	Primary Objective	Risk Tolerance Spectrum
Aggressive Growth	Low income generation with high emphasis on long term growth	Highest
Growth	Low income generation with moderately high emphasis on long term growth	
Balanced	Moderate to low income generation with moderate emphasis on long term growth	
Income and Growth	Moderate income generation and moderate long term growth	
Income Primary	Moderate to high income generation with moderate emphasis on long term growth	
Income	Moderately high income generation with low emphasis on long term growth	
Fixed Income Only	High income generation and less regard for long term growth	
Preservation of Principal		Lowest

Over a full market cycle (usually about five years) the Account's primary return objective is to compare favorably to a customized, blended benchmark relevant to the Account's objective and risk tolerance. Some variability of returns over the near term may be experienced in order to achieve these goals. The blended benchmark is discussed later in the document.

Investment Parameters

Risk Tolerance:

The Client is comfortable with a degree of variability of returns as associated with the investment objective selected from the matrix above and indicated in the "Selections" section of this document.

Investment Time Horizon:

The time horizon for this investment portfolio is considered to be long term or "other" as discussed with the Client.

Liquidity:

To provide for regular or occasional distributions and withdrawals, liquidity will be available as discussed under "Asset Allocation" guidelines.

Investment Categories

Cash Equivalents:	**Objectives:** Generate returns in excess of 90 day T-Bills while providing a stable principal value and liquidity. **Risks:** Realized return may not exceed the rate of inflation.
Fixed Income:	**Objectives:** Generate current income and lessen the volatility of an all equity portfolio. **Risks:** Loss of principle value in a rising interest rate environment, credit risk and failure to exceed the rate of inflation.
Domestic Equities:	**Objectives:** Growth in principal while outpacing the effect of inflation. Provide current income through dividends. **Risks:** Loss of principal over the short-term and extended periods of time. Lower than expected capital appreciation.
Foreign Equities:	**Objectives:** Growth in principal and diversification among countries around the world. Exposure to both developed and emerging markets. **Risks:** Some foreign equities may be closely correlated to domestic markets. Unique risks include political instability, adverse exchange rate movements, imperfect exchanges and insufficient foreign securities regulation.
Diversifying Assets - Real Estate:	**Objectives:** Capital appreciation with an emphasis on inflation protection. May generate current income through dividends. **Risks:** Underlying property values closely tied to the strength of the economy. High correlation among certain types of properties.
Diversifying Assets - Commodities:	**Objectives:** Traditional portfolio risk reduction through diversification. Offers opportunity for protection against rising inflation, geopolitical risk and a falling dollar. **Risks:** Deflationary economic environments. May experience greater volatility than traditional stock and bond investments.
Diversifying Assets - Hedge Funds and Other Alternative Strategies:	**Objectives:** Capital appreciation and non-correlation with traditional asset classes. Potential for positive returns in any market environment. (May be accessed through registered funds and / or limited partnerships.) **Risks:** If not registered funds, relatively illiquid. Subject to less regulation than traditional investments. Lack of transparency in reporting.

The above represents some the key "objectives" and "risks" of investing in the listed asset classes. This is not a complete list of the benefits and risks that accompany these asset classes.

Security Guidelines

Allowed Security Types

BB&T employs an extensive due diligence and quality screening process in its selection and monitoring of traditional investments and diversifying assets / strategies. Consequently, BB&T's investment and alternative strategy platform will be at the full disposal of the Client and customized to the Client's unique circumstances and investment objective.

Fixed Income: Securities may cover broad spectrum of fixed income sectors (including but not limited to government, asset-backed, corporate, high yield and municipals) within both the domestic and international markets and may be accessed via individual securities, mutual funds, exchange traded funds.

Equity: Securities may cover capitalization ranges (large, mid and small) and style ranges (value, core and growth) within domestic and international markets and may be accessed via individual securities, mutual funds and/or exchange traded funds.

Diversifying Asset – Real Estate: Securities providing exposure to various properties may include individual securities, mutual funds, exchange traded funds, real estate investment trusts (REITs) and/or partnership vehicles.

Diversifying Asset - Commodities: Securities providing exposure to various commodities (including oil, gold, silver and others) may be accessed via individual securities, mutual funds and/or exchange traded funds.

Diversifying Asset - Hedge Funds, Hedge Fund of Funds and Other Alternative Strategies: Investments may provide exposure to a broad range of strategies including, but not limited to, long/short equity, market event driven, managed futures and others. Securities may be accessed via mutual funds, registered funds and/or limited partnership vehicles.

Note: The above platform description is representative but may not be all inclusive.

Disallowed Security Types
Any constraints stipulated by the Client will supersede the allowed security types in the section above.

Special Security Considerations
BB&T will make every effort to comply with client specific security restrictions. These restrictions should be indicated in the "Selections" section of this document.

Quality Considerations

As described under "Allowed Security Types", BB&T's quality control is governed by two primary ongoing processes that include 1) investment screening and selection and 2) investment monitoring. These risk management protocols are focused on ensuring the appropriate quality of assets managed directly by BB&T as well as those assets handled by outside managers in a sub-advisory capacity.

Fixed income securities will be primarily composed of investment grade securities. Smaller positions in less-than-investment grade securities may be held, subject to the same two processes described above: investment screening and selection, and investment monitoring.

Diversification Considerations

As described under "Purpose of the Investment Policy Statement", BB&T in its discretionary capacity is committed to the principles of prudent investment management which call for appropriate broad diversification.

Asset Allocation

After reviewing the long-term return and risk characteristics of various asset classes and considering the Account's goals and constraints, the following asset allocation strategy will be incorporated to achieve the objectives of the Account. The investment objective of the Account should be indicated in the "Selections" section of this document. Only one Investment Objective is allowed. A selection should be made from either the Standard (includes alternative strategies) section or the Legacy (does NOT include alternative strategies) section below.

Standard Investment Objectives

Investment Objective	Cash and Equivalents	Fixed Income	Equities	Diversifying Assets
Aggressive Growth	0.00%	0.00%	80.00%	20.00%
Growth	0.00%	21.25%	63.75%	15.00%
Balanced	0.00%	37.00%	51.00%	12.00%
Income and Growth	0.00%	47.50%	42.50%	10.00%
Income Primary	0.00%	58.00%	34.00%	8.00%
Income	0.00%	73.75%	21.25%	5.00%
Fixed Income Only	0.00%	100.00%	0.00%	0.00%
Preservation of Principal	100.00%	0.00%	0.00%	0.00%

Legacy Investment Objectives

Investment Objective	Cash and Equivalents	Fixed Income	Equities	Diversifying Assets
Aggressive Growth	0.00%	0.00%	90.00%	10.00%
Growth	0.00%	21.25%	71.25%	7.50%
Balanced	0.00%	37.00%	57.00%	6.00%
Income and Growth	0.00%	47.50%	47.50%	5.00%
Income Primary	0.00%	58.00%	38.00%	4.00%
Income	0.00%	73.75%	23.75%	2.50%
Fixed Income Only	0.00%	100.00%	0.00%	0.00%
Preservation of Principal	100.00%	0.00%	0.00%	0.00%

For the Legacy investment objectives, there is no target allocation to Alternative Strategies. Therefore, the allocation to Diversifying Assets is reduced and the allocation to Equities is increased.

These allocations are the long-range target allocations for the Account, also called the strategic target. The strategic target represents the asset allocation with expected returns, risk, and cash flow characteristics which match up with the investment objectives and other parameters described in this investment policy statement. The strategic target asset allocation represents the 'normal' allocation to each asset class under 'normal' market conditions.

Based on BB&T's tactical asset allocation process, the Account's tactical target, or short-range target, may vary from the strategic target. Changing economic circumstances and the various relative investment opportunities as perceived by BB&T may make it desirable to change the target allocations. After taking into consideration the Account's circumstances, BB&T may adjust the asset allocation within the stated ranges.

These guidelines are regularly communicated to the Client in investment reviews and are also available upon request at any time.

The tactical variance of the allocation to each asset class is listed below:

Asset Class	Asset Class Allocation % Variance
Cash and Equivalents	+ / - 10%
Fixed Income	+ 12.5% / - 10%
Equities	+ / - 10%
Diversifying Assets	From 0% allocation to +10% above Target

The amount of assets held in cash equivalents will be primarily based on the unique needs of the Account as indicated in the chart above. However, occasionally cash balances may exceed the target range due to circumstances such as: an accumulation in money market funds temporarily between investment trades, cash reserves set aside for anticipated distributions, new cash contributions.

Diversification

No limitations are placed on amounts held in US Treasury Bills, Notes, and Bonds or US Government agency securities. For all other fixed income securities, no more than 5% of the Account's value at the time of purchase shall be held in securities of a single issuer unless otherwise directed by the Client.

Equity securities will be diversified both by individual positions and economic sectors. At the time of purchase, no individual stock will exceed 5% of the Account's value unless otherwise directed by the Client.

Given the unique characteristics of alternative investment strategies, no individual strategy will exceed 5% of the Account's value at the time of purchase. The total exposure to any one firm will not exceed 10% of the Account's value at the time of purchase.

Other Considerations

All restrictions are on a best efforts basis and BB&T from time to time may not be able to comply with these restrictions. The Client also understands that BB&T will not be liable for any error relating to maintaining stated restrictions. BB&T will monitor these restrictions to the extent possible and will notify you of any known deviations.

Rebalancing

From time to time, market conditions may cause the Account's investments in various asset classes and strategies to vary from the target allocation. Generally, when allocations are out of range, a plan for rebalancing will be developed and implemented. BB&T will consider individual client circumstances in determining when to rebalance the portfolio.

Reporting and Evaluation

It is expected that BB&T shall review this account periodically with the Client. A general agenda for these meetings will include, but shall not be limited to, the following:

- Investment policy review
- Market overview
- Account review, including:
  - Asset allocation
  - List of assets
  - Investment performance

Performance Measurement Standards

The performance of the various managers and investment strategies will be reviewed on a regular basis. However, comparison of the strategy performance versus appropriate benchmarks will focus on an annualized, rolling three, five and ten-year time period.

The Account's performance will be measured against the performance of a blended benchmark reflecting either the current asset allocation and/or the target asset allocation. Performance will be analyzed to ensure consistency of the investment process and to identify any violations of the prescribed mandate.

Performance measurement services will be provided by a third party using relevant market benchmarks.

Disclosures

Account Document Governs. If any term or condition of this Investment Policy Statement conflicts with any term or condition in the primary legal document governing the Account, the terms and conditions of the primary legal document will control.

BB&T Discretion. BB&T will have full investment authority and discretion to implement the written objectives of the Client regarding the investment of the Account assets. In the exercise of its discretion, BB&T may utilize investment advisers and sub-advisers, including affiliates of BB&T. In the absence of any directions from the Client, BB&T is authorized to hold the Account assets in its own money market fund or cash equivalent option.

Use of Sterling Capital Management Funds. BB&T may invest and reinvest in any open-end or closed-end management investment company or investment trust registered under the Investment Company Act of 1940, as amended, which a prudent person would find suitable under like circumstances and with due regard for the purposes of this Plan. The fact that Branch Banking and Trust Company, or any affiliate or subsidiary of Branch Banking and Trust Company is providing services to and receiving compensation from the foregoing investment company or investment trust as investment advisor, custodian, transfer agent, registrar or otherwise shall not preclude BB&T from investing in the securities of such investment company or investment trust.

Securities and Funds not FDIC Insured (except for assets in BB&T's Insured Deposit Program). Individual securities, Mutual Funds, Exchange Traded Funds and any other investment asset placed in the Account (except for assets in BB&T's Insured Deposit Program) are not obligations of or insured or guaranteed by BB&T or its affiliates, the U.S. Government, or the Federal Deposit Insurance Corporation (FDIC).

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Selections:

These selections apply to this Account and Client:

Account Name: North Carolina High School Athletic Association Endowment Investment Account (the "Account")

Account Number: 1152009456

Account Type: Investment Management Account

These selections represent the Client's current intentions in regard to the Account.

After reviewing the long-term return and risk characteristics of various asset classes and considering the Account's goals and constraints, the following asset allocation strategy will be implemented (**select one Objective from either the Standard or Legacy Asset Allocations**).

Investment Time Horizon:

☐ Long term. ☐ Other _____.

Investment Objective:

☐ ***Standard Asset Allocation***

Selection	Investment Objective	Cash and Equivalents	Fixed Income	Equities	Diversifying Assets
☐	**Aggressive Growth**	0.00%	0.00%	80.00%	20.00%
☐	**Growth**	0.00%	21.25%	63.75%	15.00%
☐	**Balanced**	0.00%	37.00%	51.00%	12.00%
☐	**Income and Growth**	0.00%	47.50%	42.50%	10.00%
☐	**Income Primary**	0.00%	58.00%	34.00%	8.00%
☐	**Income**	0.00%	73.75%	21.25%	5.00%
☐	**Fixed Income Only**	0.00%	100.00%	0.00%	0.00%
☐	**Preservation of Principal**	100.00%	0.00%	0.00%	0.00%
☐	**Other:** _____	___0___% Customized Variance: +/-_____%	_____% Customized Variance: +/-_____%	_____% Customized Variance: +/-_____%	_____% Customized Variance: +/-_____%

Actual allocation may diverge from the long-term strategic allocation for each investment objective based on acceptable ranges of allocation established by BB&T. The Diversifying Assets allocation may include investment in some or all of the following asset classes: Commodities, Real Estate Investment Trusts (REITs), and Alternative Strategies, as described in this document.

☑ ***Legacy Asset Allocation (No Alternative Strategies)***

Selection	Investment Objective	Cash and Equivalents	Fixed Income	Equities	Diversifying Assets
☐	**Aggressive Growth**	0.00%	0.00%	90.00%	10.00%
☐	**Growth**	0.00%	21.25%	71.25%	7.50%
☐	**Balanced**	0.00%	37.00%	57.00%	6.00%
☐	**Income and Growth**	0.00%	47.50%	47.50%	5.00%
☐	**Income Primary**	0.00%	58.00%	38.00%	4.00%
☐	**Income**	0.00%	73.75%	23.75%	2.50%
☐	**Fixed Income Only**	0.00%	100.00%	0.00%	0.00%
☐	**Preservation of Principal**	100.00%	0.00%	0.00%	0.00%
☑	**Other:** Mid Cap Equity	0% Customized Variance: +/-10%	_____% Customized Variance: +/-_____%	100% Customized Variance: +/-10%	_____% Customized Variance: +/-_____%

Actual allocation may diverge from the long-term strategic allocation for each investment objective based on acceptable ranges of allocation established by BB&T. The Diversifying Assets allocation may include investment in some or all of the following asset classes: Commodities and Real Estate Investments Trusts (REITs), as described in this document.

Tax Constraints:
Taxable ☐ Non-Taxable ☑
Other Tax Considerations: _____

Regulatory Constraints:
Please list here: _____
Not Applicable ☐

Legal Constraints:
Please list here: _____
Not Applicable ☐

Security Restrictions:
If an entire "Investment Category" is restricted, please indicate beside the appropriate Category in the "Restricted Investment" column as "**Restricted**". If an investment within a particular Category is restricted, please indicate in the "Restricted Investment" column beside the appropriate investment's category the **ticker, name or other unique identifying information** for that particular investment.

Investment Category	Restricted Investment
Cash Equivalents:	
Domestic Fixed Income:	
Foreign Fixed Income:	
Domestic Equities:	
Foreign Equities:	
Diversifying Asset – Real Estate:	
Diversifying Asset – Commodities:	
Diversifying Asset – Hedge Funds:	
Other Diversifying Assets / Alternative Strategies:	
Other Unique Circumstances:	Mid Cap Equity Funds Only

Acceptance and Adoption:

Client and BB&T agree that Client's investment policy will govern the resulting implementation and ongoing portfolio management This Investment Policy Statement includes all goals and restrictions communicated by Client. The policy will be reviewed on a periodic basis.

Client
By: _____
Title: Commissioner
Date: 11-17-11

Branch Banking and Trust Company
By: _____
Title: Vice President
Date: 11/16/2011