

1.2.1.5 RSAR INVESTMENT POLICY (Page 1 of 4)

A.1 Purpose of Policy:

The purpose of the Reno/Sparks Association of REALTORS® (RSAR) Investment Policy (“Policy”) is to provide procedures for the management and investment of certain assets of RSAR in a prudent manner so that such assets are available for RSAR’s use for specific purposes, including but not limited to the generation of operating income, the funding of current programs or services, or the funding of new programs or services, and that the income and growth of value derived there from will be sufficient and available to meet RSAR’s obligations as they become due. This Policy shall serve RSAR and the Investment Consultant (as defined below) as the principal source for developing an appropriate investment strategy, and it shall serve as the basis for the performance evaluation of the invested assets and the Investment Consultant, as amended from time to time by RSAR. The investment policy will cover the three of the four sub-accounts. They are the General Account, Equipment Account, and Building Reserves Account. See section 7.3.1.1 for details on “Reserve Accounts.” This investment policy does not oversee the Governmental Affairs Account.

A.2 Purpose of Portfolio:

The purpose of the RSAR investment portfolio (defined below and referred to in this Policy as the “Portfolio”) is to support the ongoing mission of RSAR. The Portfolio is to provide a reliable source of funds for specific current and future needs of RSAR; the income and growth of value derived from the Portfolio should be sufficient and available to meet those needs as they become due. The Portfolio is the property of RSAR and is held for its exclusive use, benefit, and purpose.

A.3 Investment Consultant:

RSAR will utilize the services of an outside professional investment consultant or consultants (referred to herein both singularly and collectively as the “Investment Consultant”) to actively manage the Portfolio within the scope of this Policy, according to their professional judgment and fiduciary obligations. The Investment Consultant shall communicate in writing to RSAR’s Investment Subcommittee at regularly scheduled quarterly review meetings the progress, strategies, and status of the Portfolio under their management.

A.4 RSAR Board Duties:

The RSAR Board of Directors (the “Board”) has the fiduciary responsibility for the prudent investment of the Portfolio. The Board has delegated the responsibility for the operations and investment activities of the Portfolio to the Investment Subcommittee of RSAR (the “Subcommittee”). The responsibilities of the Subcommittee are set forth in greater detail in the Roles of Investment Subcommittee and Investment Consultant section of this Policy.

A.5 Subcommittee Membership:

The Subcommittee will be composed of the following individuals: the RSAR President, RSAR Treasurer, and by appointment of the RSAR President, two additional members of the Budget and Finance Subcommittee.

A.6 Composition of Portfolio:

1. Permitted Assets:

The Portfolio includes all cash, cash equivalents, fixed income securities, and equity securities under management by the Investment Consultant. The Portfolio may include international fixed income securities or equity securities if such securities are traded on the New York, American, NASDAQ, Over the Counter, REITS, or Regional Exchanges. It is expected that the majority of RSAR’s reserve funds will be transferred in due course to the Investment Consultant, taking into account a reasonable allowance for anticipated and unanticipated expenditures not covered by current revenues.

2. Board Authority:

Nothing herein shall be deemed to limit the authority of the Board, or the Executive Committee, to the extent of any such authority, to administer any assets constituting the Portfolio in whatever manner it may consider necessary.

The Executive Committee may call an emergency meeting when they feel that circumstances warrant such a meeting. Additionally, the Executive Committee may re-allocate the assets of the portfolios.

1.2.1.5 RSAR INVESTMENT POLICY (Page 2 of 4)

3. **Minimum Market Capitalization:**

Equity securities shall consist of common stocks and equivalents (issues traded on the New York, American, NASDAQ, Over the Counter, and Regional Exchanges are appropriate). The minimum market capitalization for equities shall be defined by the Russell 2000 Index benchmark. There will be no common stocks allowed in the portfolio that are deemed Microcaps as defined by the Russell Microcap Index benchmark. Only mutual funds benchmarked against the Russell 2000 Index will be allowed.

4. **Required Diversity:**

With the exception of U.S. Treasury and U.S. Agency obligations, no more than ten (10%) of the overall market value of the Portfolio shall be in one issue. No single industry, as classified by the Standard & Poors 500, shall have more than 25% of the overall market value of the Portfolio.

5. **Limitations:**

No derivatives, direct ownership of letter stock, venture capital, restricted stock, limited partnerships, short sales, margin purchases, stock loans, commodities shall be held in the Portfolio.

A.7 Investment Philosophy:

The Portfolio is to be invested to maximize long-term total returns consistent with prudent levels of risk. Returns are expected to preserve or enhance the real value of the Portfolio after cash is invested for current use. Broadly diversified the Portfolio should include investments in cash equivalents, equities and fixed income securities to reduce the volatility of the overall Portfolio while providing a predictable stream of income and growth in value of the overall Portfolio. The purpose of such diversification between and within such account segments is to provide reasonable assurance that no single security or class of investment has a disproportionate impact on the total Portfolio. Investment risks are to be considered within the context of the entire Portfolio and the need to sustain its long-term purchasing power.

A.8 Investment Objectives:

The Portfolio should provide sufficient income and growth to meet current and future needs of the Portfolio as may be determined from time to time by RSAR.

1. **Primary Investment Objective:**

The primary Investment Objective for the Portfolio is to maintain its purchasing power and seek growth of principal without exposing the Portfolio to undue risk as described under the Asset Allocation section of this Policy.

2. **Other Investment Objectives** for the Portfolio include the following:

- a. Capital appreciation of cash assets to increase RSAR's Reserve Funds and the Portfolio overall.
- b. Stability of year-to-year returns.
- c. Diversification of asset categories to avoid over concentration in any particular area.
- d. Flexibility of investment posture, within guidelines, in order to respond to the changing economic environment and the volatile capital and securities markets.

3. **Investment Horizon:**

The investment horizon for this Investment Account is seen as long-term and ongoing.

A.9 Liquidity Requirements & Risk Tolerance:

RSAR is a conservative/moderate risk-taker with regard to risk tolerance and the investment of its assets. A majority of the assets of the Portfolio are proposed to be invested only in highly liquid U.S. traded securities. The Portfolio should be managed in a manner that seeks to minimize principal fluctuations.

1.2.1.5 RSAR INVESTMENT POLICY (Page 3 of 4)

A.10 Responsibilities of Investment Subcommittee.

As set forth in the Purpose section above, the Subcommittee has responsibility for the operations and investment activities of the Portfolio. This shall include the following specific duties:

- a. Recommending to the RSAR Budget & Finance Committee overall financial objectives and investment policy.
- b. Establishing written, long-term target allocations for the Portfolio's assets within the ranges set forth in the Asset Allocation section below.
- c. Establishing a process and criteria for the selection and termination of the Investment Consultant, custodian(s) and security broker(s).
- d. Monitoring investment results quarterly to assure that the Investment Objectives of this Policy are being met.
- e. Communication on a structure and ongoing basis with the Investment Consultant.
- f. Evaluating annually the Investment Consultant, custodian(s) and security broker(s).
- g. Reporting any and all matters executed by the Subcommittee at the next regular meeting of the Board of Directors.

A. 11 Responsibilities of Investment Consultant

In addition to the other duties set forth in this Policy, the Investment Consultant will be responsible for advising the Investment Subcommittee on the following matters:

- A. Investment policy.
- B. Asset allocation.
- C. Security selection (including stocks, bonds, CDs, mutual funds, money market funds, etc.).
- D. Performance evaluation of securities.
- E. Investment strategy.
- F. Timing of security purchases and sales.
- G. Other investment matters as requested by the Investment Subcommittee.
- H. The Investment Consultant shall provide month-end regular accounting of the Portfolio's transactions and holdings, yields, current market values and the beginning and ending positions of each holding.
- I. The Investment Consultant shall provide to the RSAR Board of Directors a quarter-end regular accounting of the Portfolio's transactions and holdings, yields, current market values, summary of cash flows, calculations of the Portfolio's total rate of return on a latest quarter basis, year-to-date and since inception basis and the beginning and ending positions of each holding.
- J. The Investment Consultant should call to the attention of the Investment Subcommittee any major changes in market conditions and major Portfolio changes, and any significant changes within the Investment Consultant's operation and personnel.

A.12 Asset Allocation Per Each Consultant(s) Portfolio

- ◆ 15 to 30 percent in equities (stocks, mutual funds, etc.)
- ◆ 30 to 85 percent in fixed income securities (U.S. Treasuries, U.S. Agencies, corporate bonds, preferred issues, etc.)
- ◆ 0 to 50 percent in cash or cash equivalents (money market funds, CDs, commercial paper, repurchase agreements, government or agency obligations, etc. having a maturity of two years or less)
- ◆ 0 to 5 percent in other investments

1. RSAR Cash Needs:

RSAR annual funds for operations shall be a separate, segregated fund, and are not part of the investment portfolio.

1.2.1.5 RSAR INVESTMENT POLICY (Page 4 of 4)

2. Written Long-term Target Allocations:

The Subcommittee will establish written, long-term target allocations for the Portfolio's assets within the ranges set forth above. The Subcommittee may decide from time to time to vary the allocation of the Portfolio's asset allocations within the ranges set forth above, depending upon the performance of the asset classes and the availability of high quality investment opportunities to achieve the objectives of RSAR's overall Portfolio. The Investment Consultant may recommend a change in asset allocation due to a shift in investment strategy.

3. Review of Asset Allocation:

Asset allocation will be reviewed at least annually to determine if the allocation is appropriate.

4. Rebalance of Asset Mix:

In order to control the overall risk exposure of the Portfolio and to enhance performance, the relative mix of assets may be rebalanced from time to time. If the assets weighting varies more than 5% higher or 5% lower than the target allocation then in effect, it is expected that the Investment Consultant will rebalance that portion of the Portfolio under the Subcommittee's management to reflect the target allocation. The Investment Consultant, in his/her discretion, may recommend a change in the target allocation prior to undertaking any such rebalancing. The Subcommittee can, in its discretion and at any time, direct the Investment Consultant to rebalance the Portfolio.

A.13 General Terms and Definitions:

1. Investment Account shall mean the accounts of the Reno/Sparks Association of REALTOR[®], Inc.
2. Investment Subcommittee shall refer to the governing subcommittee established to administer the Investment Account as specified by applicable ordinance.
3. Fiduciary identifies any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Investment Account assets.
4. Investment Consultant shall mean any individual or firm hired to provide advisory services, including advice on investment objectives, asset allocation, investment instruments, funding manager search, money manager search, and performance monitoring.
5. Fund Manager shall mean any individual or firm that manages mutual funds Investment Accounts on behalf of RSAR.
6. Money Manager shall mean any individual or firm that manages equity Investment Accounts on behalf of RSAR.
7. Securities shall refer to the marketable investment securities which are defined as acceptable in this statement.
8. Investment Horizon shall be the time period over which the investment objectives, as set forth in this policy, are expected to be met.
9. Allowable Cash Equivalent Assets shall refer to Treasury Bills, Money Market Funds, Commercial Paper, and Certificate of Deposits.
10. Allowable Fixed Income Assets shall refer to U.S. Government and Agencies Securities, Corporate Notes and Bonds, Mortgage Backed Bonds, Common and Preferred Stock, and Fixed Income Securities of Foreign Governments and Corporations traded on the New York, American, NASDAQ, Over the Counter, or Regional Exchanges.
11. Risk or Risk Tolerance shall mean the probability of losing money over the Investment Account's time horizon.

Approved by: Investment Subcommittee 08/23/10

Approved by: Bylaws & Policy Committee 10/07/10

Approved by: Board of Directors 10/28/10