INVESTMENT POLICY STATEMENT

For

Connecticut Association of REALTORS®, Inc.

Adopted by the CAR Board of Directors
October 1998

Revised 8/29/01
Revised 8/26/98
Revised 10/21/03
Revised 07/24/12
Revised 10/22/13

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Type of Plan:... Non-Profit Corporation

Current Assets:... $4,375,000[1]

Planning Time Horizon:.............................. 5 years
Expected Return:... 4.5% 2.0% over CPI) Consensus expectations for the CPI is a rate of increase of +2.5% per year over the next 5 years.
Risk Tolerance:... Medium, losses not to exceed 5.0%/year, based on a statistical confidence level of 95%

Asset Allocation	Lower Limit	**Strategic Allocation**	Upper Limit
Equities			
Domestic Large Capitalization:	10%	30%	50%
Domestic Small/Mid Capitalization:	3%	7%	12%
International:	7%	13%	18%
Total Equities	**20%**	**50%**	**80%**
Fixed Income			
Broad Domestic	5%	35%	70%
Real Estate/REITS	0%	5%	10%
Cash	5%	10%	15%

Evaluation Benchmark: Total return to meet or exceed the performance of the expected return of 4.5% over all 3-year periods and exceed the benchmark return of 50% S&P 500 and 40% Barclays Aggregate Bond index, and 10% US Treasury Bills over each 12-month period.

1 At latest revision.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Connecticut Association of REALTORS®, Inc. (Association) in effectively supervising, monitoring and evaluating the investment of the Association's assets (Fund). This policy is adopted by the Board of Directors (Board) to provide guidance to the Finance Committee (Committee) in implementing this IPS. The Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Board's attitudes, expectations, objectives and guidelines for the investment of all Association assets.

- Setting forth an investment structure for managing all Association reserve funds. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.

- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Association reserves are managed in accordance with stated objectives.

- Encouraging effective communications between the Committee and the investment consultant (Consultant).

- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the funds on a regular basis.

- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Association reserves.

This IPS has been formulated, based upon consideration by the Board of the financial implications of a wide range of policies, and describes the prudent investment process that the Board deems appropriate.

Mission Statement

The Connecticut Association of REALTORS®'s mission is to consistently identify, develop and maintain programs, products and services that maximize the potential for our members' success.

Key Information

Name of Corporation:	Connecticut Association of REALTORS®, Inc.
Finance Committee:	Treasurer President President-elect Past President At Large Member At Large Member
Executive Vice President:	Cynthia Butts.
Custodian:	**Morgan Stanley** Smith Barney
Investment Consultant:	**Morgan Stanley** Smith Barney
Legal Counsel:	Association General Counsel
Accountant:	Blum Shapiro & Co., P.C.
Investment Policy Assets:	$4,750,000. (Approximately, at latest revision) Consisting of both restricted and unrestricted accounts.

Governance

The Association maintains two general reserves: Operating Reserves and a Long-Term Strategic Investment Fund. In addition there are dedicated funds for the Gates Scholarship and Legal Action Fund.

No withdrawals from reserves are made other than those called for in the budget and/or for expenses authorized by the approved process for the funds involved

The Association may maintain operating reserves of up to one year's current budgeted expenses minus the amount in the restricted Legal Action Fund.

Rationale: There should be a maximum operating reserve. No minimum is set with the understanding that the Association Leadership, Executive Committee and/or the Finance Committee may recommend to the Board of Directors that these funds be replenished either by a dues increase, assessment or reallocation of funds. These reserves are to be used for operating funds to level cash flow during the beginning of the year, to provide funding for unbudgeted expenses/programs (as approved in accordance with governing documents), to fund credit lines granted by the Board of Directors to such programs as Issues Advocacy and to fund replacement of furniture/equipment. Funds in excess of the maximum shall be allocated to Association programs and/or used to offset general expenses.

The Association's Long Term Strategic Investment Fund was established with an initial amount of $1,200,000 and is adjusted annually for inflation. Earnings from this fund, less inflation adjustment, are to be transferred to the operating reserves and be available to fund Association Programs and/or offset general operating expenses. This fund is subject to the governance provision that a 2/3 vote by the Association's Board of Directors is necessary to expend from the funds principal.

Rationale: This fund is to be maintained to assist in funding the Association's programs as well as providing the Association with the capacity to respond to special needs and/or opportunities as determined appropriate by leadership with the approval of the Board of Directors.

It is best to establish one investment policy that encompasses all funds to attain the necessary diversification. In order to achieve the investment goals with the least amount of risk it is best to combine these funds for investment purposes to attain the necessary diversification.

Those restricted Association funds NOT included in the investment policy statement are Gates Scholarship, Legal Action and RPAC.

The Finance Committee shall have the prime responsibility in implementing and managing the Investment Policy. The Executive Committee and the Board of Directors shall receive financial reports on the Investment Fund performance at regularly scheduled meetings.

The objectives of the Association have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

(1) To protect and secure the purchasing power of the current reserves and all future additions.

(2) To maximize return within reasonable and prudent levels of risk.

(3) To maintain a prudent asset allocation model that reflects the goals enumerated above.

(4) Generate an income stream according to the plan spending policy.

(5) To control/minimize costs of administering the fund and managing the investments.

Spending Policy

A smoothing mechanism based on a three year rolling average of returns to allow for market fluctuations should be established. Funds available for supporting Association programs shall be the rate of equity appreciation added to the rate of return (income) from bonds and reduced by the inflation factor to preserve the Fund's purchasing power and/or growth of reserves.

Time Horizon

The investment guidelines are based upon an investment horizon of five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Association's strategic asset allocation is based on this long-term perspective.

Risk Tolerances

The Board recognizes the difficulty of achieving the Association's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Association's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is up to 4.5% which is 2.0% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for the Association has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS.

The Board realizes that market performance varies and that a 4.5% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

Over a complete business cycle, the Association's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above a customized index comprised of market indices weighted by the strategic asset allocation of the Fund[2].

2 The benchmark is 60% S&P 500 and 40% Barclay's Aggregate Bond Index.

Asset Allocation Constraints

The Board believes that the Association's risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- Domestic Large Capitalization Equities
- Domestic Small/Mid Capitalization Equities
- International Equities
- Domestic Fixed Income
- Cash Equivalents
- Real Estate

Based on the Association's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio was identified. The strategic asset allocation of the Association is as follows:

Asset Allocation	Lower Limit	**Strategic Allocation**	Upper Limit
Equities			
Domestic Large Capitalization:	10%	30%	50%
Domestic Small/Mid Capitalization:	3%	7%	12%
International:	7%	13%	18%
Total Equities	**20%**	**50%**	**80%**
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Rebalancing of Strategic Allocation

The percentage allocation to each asset class may vary as much as plus or minus 5% depending upon market conditions.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. If there are no cash flows, the allocation of the Fund will be reviewed quarterly.

If the Committee judges cash flows to be insufficient to bring the Fund within the strategic allocation ranges, they shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges (**Strategic Allocation**).

Liquidity

The Connecticut Association of REALTORS®, Inc. Executive Vice President shall prepare anticipated requirements for each disbursement period and communicate these disbursement requirements to the investment manager with as much notice as possible. It is anticipated that the Association's cash will be the initial and main conduit for contributions and disbursements.

The Association intends to implement their IPS with Institutional Money Managers. Each manager selected is expected to adhere to the terms and conditions set forth in its prospectus.

The following securities and transactions are not authorized (unless authorized in a mutual fund's prospectus):

(1) Letter stock and other unregistered securities, commodities or other commodity contracts, short sales or margin transactions.
(2) Securities lending; pledging or hypothecating securities.
(3) Investments in the equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor.
(4) Investments for the purpose of exercising control of management.

The following are provided as general guidelines in the event that the Association desires to implement the IPS with separate account managers and/or conduct their own mutual fund searches.

Domestic Equities

- Equity holdings in any one company should not exceed more than 10% of the market value of the Association's equity portfolio.

- Allocation to any one economic sector should not be excessive and should be consistent relative to the broad equity market and to managers following similar style disciplines.

- The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.

- The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against an appropriate peer group (such as those with Morningstar and Lipper) on the performance of the total funds under their direct management.

- Round lots are desirable, but not actually necessary in today's market for good price execution on most equity positions.

Domestic Fixed Income

- All fixed-income securities held in the portfolio shall have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

- No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the manager has specific written authorization.

- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.

- Holdings of individual issues shall be large enough (round lots) for easy liquidation.

- Certificates of deposit with a maturity date in excess of one-year shall also be considered fixed income instruments.

International Equities

- Equity holdings in any one company shall not exceed more than 10% of the International Equity portfolio.

- No more than 25% of the portfolio shall be invested in one industry category.

- Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% in any one country.

- The manager may enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manger's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

Cash/Cash Equivalents

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher. Certificates of Deposits (having a maturity date that is less than one year), time deposits, and repurchase agreements are also acceptable investment vehicles.

- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle managed by the custodian.

The Committee, with the assistance of the Consultant, will select appropriate money managers to manage the Association assets. If the Association chooses to conduct their own manager search, they should consider the following:

(1) Select only those managers that correspond to the asset classes outlined in the Association's IPS. For example, ensure that the growth component of the IPS is implemented with a money manager invested in growth stocks.

(2) Select only those money managers whose portfolio manager has been in place for three years or more. Exception may be made for those managers employing a team approach to asset management, where the departure of one individual may not change management style.

(3) Select only those managers that have been following the same investment strategy for at least three years.

(4) Select a manager that has sufficient assets under management so that any single client does not represent more than 10% of the assets under management.

Duties and Responsibilities of the Money Managers

(1) Managing the Association assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Committee.

(2) Exercising investment discretion including holding cash equivalents as an alternative within the IPS objectives and guidelines set forth herein.

(3) Promptly informing the Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of Association assets, including, but not limited to:

  a. Investment strategy
  b. Portfolio structure
  c. Tactical approaches
  d. Ownership
  e. Organizational structure
  f. Financial condition
  g. Professional staff
  h. Recommendations for guideline changes
  i. All legal material, SEC and other regulatory agency proceedings affecting the firm.

(4) Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Association set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.

(5) Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Association and Endowment Funds with like aims in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.

(6) Acknowledge and agree in writing to their fiduciary responsibility to the Association.

(7) To comply with all current restrictions and to agree to comply or disengage services upon changes of our guidelines.

Brokerage Policy

All transactions effected for the Association will be "subject to the best price and execution". If a manager utilizes brokerage from the Association's assets to effect "soft dollar" transactions, detailed records will be kept and communicated to the Committee.

Performance Objectives

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of Money Managers

Quarterly performance will be evaluated to test progress toward the attainment of longer term targets. It is understood that there are likely to be short term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on the performance comparisons of appropriate peer groups (such as those found with Morningstar and Lipper) with managers employing similar styles.

On a timely basis, but not less than four times a year, the Committee will meet to focus on:

- Manager's adherence to the IPS guidelines;
- Material changes in the manager's organization, investment philosophy and/or personnel; and,
- Comparisons of the manager's results to appropriate indices and peer groups.

The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

In addition to the information covered during the quarterly reviews, the Committee will meet at least annually to focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of the fund's respective style universe.

- The Association's investment performance results compared to the fund's overall composite performance figures to determine unaccounted for dispersion between the fund's reported results and the Association's actual results.

The Committee is aware that the ongoing review and analysis of managers is just as important as the due diligence implemented during the fund/manager selection process.

Accordingly, a thorough Review and Analysis of a manager will be conducted, should:

- A manager perform in the bottom quartile (75th percentile) of their peer group over an annual period.

- A manager fall in the southeast quadrant of the risk/return scatterplot for 3- and/or 5-year time periods.

- A manager has a 5-year risk adjusted return that falls below that of the median fund within the appropriate peer group.

Furthermore, performance which may require the replacement of a fund include:

- Managers that consistently perform below the median (50th percentile) of their peer group over rolling three year periods.

- Managers which perform below the median (50th percentile) of their peer group over a five year period.

CONTROL PROCEDURES (Cont.) *Investment Policy Statement*

Major organizational changes also warrant immediate review of the Investment Manager, including:

- Change in professionals
- Significant account losses
- Significant growth of new business
- Change in ownership

The performance of the Association's managed account will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.