

# RECOMMENDATION TO THE EXECUTIVE COMMITTEE

## FROM:

President D. Patrick Lewis

## RECOMMENDATION:

To approve amending the Arizona REALTORS® Policies B.6 – Operating and Reserve Funds Investment Policy to add a permitted investment of up to \$100,000 in the National Association of REALTORS® Second Century Ventures, LLC.

## BACKGROUND:

The Association was asked to consider investing in the NAR Second Century Ventures, LLC (SCV). SCV is a venture capital investment arm of NAR and specializes in early-stage investments. REach Ventures 2019 LLP (the Fund) has been organized as a Delaware Limited Partnership and is the general partner of the Fund. SCV is the managing member of the general partner and owns 100% of the general partner.

The primary purpose of the Fund is to invest up to \$150,000 in each company that is a participant in a NAR REach technology accelerator program and is generally in the seed stage or other early stage financing round of Securities. The investment would be for at least 10 years and would involve significantly more risk than any previous Association investment.

In the year 2000, the Association entered into an Agreement with RE FormsNet, LLC (zipLogix) whereby the Arizona REALTORS® obtained a small membership interest and became a non-founding member of the LLC (expressed in Sub-Units), in exchange for being an early adopter and granting the LLC a license to offer the Arizona REALTORS® forms by electronic means. As a result, of the zipLogix/TransactionDesk Merger, the Association received a check for our interest in zipLogix in excess of \$100,000.

The recommendation is to reinvest the zipLogix return on investment into the REach Ventures at the next opportunity.

## BUDGET IMPACT:

\$100,000 from 2019 Miscellaneous Income.

## MOTION:

**TO APPROVE AMENDING THE ARIZONA REALTORS® POLICIES B.6 – OPERATING AND RESERVE FUNDS INVESTMENT POLICY TO ADD A PERMITTED INVESTMENT OF UP TO \$100,000 IN THE NATIONAL ASSOCIATION OF REALTORS® SECOND CENTURY VENTURES, LLC.**

## FOR MORE INFORMATION CONTACT:

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## **B.6 – OPERATING AND RESERVE FUNDS INVESTMENT POLICY**

All AAR Funds not immediately required shall be invested by the CEO and Controller at the direction of the Treasurer and Executive Committee. Permitted investments shall include: Obligations of the US Treasury; obligations of an agency of the US Government; obligations of and obligations fully guaranteed by any of the fifty (50) states of the United States of America; Auction Preferred Stock (APS) and/or Auction Rate Certificates (ARC) and/or Variable Rate Demand Obligations (VRDO) and corporate bonds with an investment grade rating by a nationally recognized rating service. Funds invested in certificates of deposit shall not exceed the total amount insured, including interest earned to maturity, so that a guarantee is made of return of principal and interest.

With the approval of the Executive Committee, permitted investments shall also include:

- (i) up to twenty percent (20%) of the Capital Reserve, up to twenty percent (20%) of the Strategic Initiatives Reserve and up to twenty percent (20%) of the Issues Mobilization Fund in long term growth assets with equity exposure (such as stocks, stock mutual funds and exchange traded funds). The Capital Reserve, Strategic Initiatives Reserve and the Issues Mobilization Fund shall be analyzed annually taking into consideration past disbursements and anticipated future disbursements. Up to twenty percent (20%) of the funds in these accounts that are deemed not to be needed for their intended purpose for a period of five (5) years or greater shall be eligible to be invested in long term growth assets with equity exposure. All investments in long term growth assets with equity exposure shall be reported to the Board of Directors at the next scheduled meeting.
- (ii) up to \$100,000 in the NATIONAL ASSOCIATION OF REALTORS® Second Century Ventures.