

AMERICAN REGISTRY OF INTERNET NUMBERS INVESTMENT POLICY STATEMENT

February 2016

Introduction

This statement of investment policy has been adopted by the Board of Trustees of the American Registry of Internet Numbers ("ARIN") to provide guidelines for the investment of funds held by the organization.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the funds held will be divided into three separate investment pools. The process for determining the dollar amount in each pool is set forth in the "Procedures" section of this document. The three investment pools shall be called the "**Operating Reserve Fund**", the "**Legal Defense Reserve Fund**" and the "**Long Term Reserve Fund**".

Assignment of Responsibility

Responsibility of the Finance Committee of the Board of Trustees

The Finance Committee of the Board of Trustees is charged by law with the responsibility of managing association assets in accordance with each funds purpose and restrictions. The Committee shall discharge its duties solely in the interest of the organization, with the care, skill, prudence and due diligence under the circumstances then prevailing, that the prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. The specific responsibilities of the Finance Committee relating to the investment management of assets include:

1. Projecting the financial needs and communicating such needs to the Investment Consultant (s) on a timely basis;
2. Determining the risk tolerance and investment time horizon and communicating these to the appropriate parties;
3. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the assets;
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant (s), and Custodian (s);
5. Annual evaluation of the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress;
6. Developing and enacting proper controls procedures: For example, replacing Investment Manager (s) due to fundamental change in investment management process, or failure to

comply with established guidelines.

Responsibility of the Investment Consultant (s)

The Investment Consultant's role is that of a non-discretionary advisor to the Board of Trustees. Investment advice concerning the investment management of the assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant (s) include:

1. Assisting in the development and periodic review of investment policy;
2. Monitoring the asset allocation of the Funds and providing the Finance Committee with recommendations for rebalancing;
3. Conducting investment manager searches;
4. Providing "due diligence", or research, on the Investment Manager (s);
5. Providing recommendations on investment managers to hire or terminate;
6. Hiring and terminating Investment Managers or Mutual Funds on behalf of the Finance Committee;
7. Monitoring and reporting quarterly on the performance of the Investment Managers as defined in the Long Term Reserve Fund reporting section to provide ARIN with the ability to determine the progress toward the investment objectives;
8. Communicating matters of policy, manager research, and manager performance to the Board;
9. Reviewing investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.

Responsibility of the Investment Manager (s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction. Specific responsibilities of the Investment Managers (s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities.
2. The timely reporting of quarterly investment performance;
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process;

4. Informing the Consultant of any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc;

Responsibility of the Custodian (s)

The custodian will physically (or through agreement with sub-custodian) maintain possession of securities owned by the association, 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 within the accounts.

Procedures

1. The following procedures will be followed to ensure the investment policy statement is consistent with the current mission of the organization and accurately reflects the current financial condition:
 - a. This investment policy shall be reviewed by the Finance Committee of the Board of Trustees for any necessary revisions.
 - b. Recommendations for any revisions or modifications will be made to the Board of Trustees for approval.
2. The following procedures will be used to determine the dollar amounts to be placed in the specific accounts:
 - a. The Chief Operating Officer will recommend the dollar amounts to be placed in the accounts.
 - b. The Finance Committee will have final approval of the dollar amounts placed in specific fund
3. The services of an investment consultant will be sought to manage portions of ARIN funds. The following procedures shall be followed to engage a new or replace a current investment consultant:
 - a. The President will recommend the hiring or replacing of an investment consultant to the Finance Committee of the Board of Trustees.
 - b. The Finance Committee of the Board of Trustees will review the candidate(s) and make a recommendation to the Board of Trustees, who shall have final approval.
4. The structure of the Long Term Fund will consist of separately managed accounts and/or mutual funds. The procedures for changing a managed account or a mutual fund will be as follows.

- a. The Investment Consultant will recommend changing the manager of an account and /or mutual fund to the Chief Operating Officer.
 - b. The Chief Operating Officer will review the candidate(s) and forward the recommendations to the President and Treasurer for review and final approval. The Investment Consultant will verbally confirm the transfer with the President.
5. ARIN's President, Chief Operating Officer, and Director of Financial Services shall be identified on the Investment Consultant's Corporate Resolution as authorized signatories to the investment account(s). While not a signatory, ARIN's Treasurer (as the Chair of the Finance Committee) shall be added as an Interested Party (and provided full visibility online) to the investment account(s).
6. When necessary, the Chief Operating Officer will contact the Investment Consultant to notify them of the need for funds to be withdrawn from investment accounts. If funds need to be liquidated from accounts other than the Operating Reserve Account, these funds should first be transferred to the Operating Reserve Account so that the draw will be out of one account. Once the funds have been identified, either the President or Chief Operating Officer must sign a letter authorizing the transfer (ARIN will be internally responsible for Treasurer approval of withdrawals). The Investment Consultant will verbally confirm the transfer with the signing officer and ARIN's Director of Financial Services before funds will be transferred out of the investment accounts.

AMERICAN REGISTRY OF INTERNET NUMBERS LEGAL DEFENSE FUND

Purpose

The purpose of this fund is to invest money that ARIN may need to draw on as legal challenges arise as a result of policy enforcement during and following the final depletion of the IPv4 free pool. The size of this fund should not be less than 2 million dollars at any given point in time. This fund will be available to meet expenses occurring as a result of unanticipated events. At least one quarter of this money will be available for ARIN's legal related matters within a one-year budget cycle.

Investment Objectives

The investment objectives of the Fund are:

1. Liquidity;
2. Preservation of capital; and
3. To optimize the investment return within the constraints of the policy.

Investment Guidelines

ALLOWABLE INVESTMENTS

1. The Chief Operating Officer shall be authorized to invest the Fund as follows:
2. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed

- federally insured amounts;
3. Money market funds that invest in government-backed securities;
 4. Federally insured certificates of deposit not to exceed to exceed the insurable limit per institution;
 5. Direct obligations of the U.S. Government, its agencies and instrumentalities.
 6. Commercial paper rated A-1/P-1 by Standard & Poor's and Moody's;
 7. Corporate notes with a minimum rating of investment grade by one rating service;
 8. Mutual funds meeting the investment guidelines of the Legal Reserve Fund.

MATURITY

The Fund shall have a weighted average maturity of three years or less.

AMERICAN REGISTRY OF INTERNET NUMBERS OPERATING RESERVE FUND

Purpose

The purpose of the Operating Reserve Fund is to provide sufficient cash to meet the operational requirements of the organization within the current budgeted year. This fund will be drawn to meet expenses as they occur. The fund will also be replenished quarterly with income from ARIN's operations.

Investment Objectives

The investment objectives of the Fund are:

1. Liquidity
2. Preservation of Capital and;
3. To optimize the investment return within the constraints of the policy.

Investment Guidelines

ALLOWABLE INVESTMENTS

The Chief Operating Officer shall be authorized to invest the Fund as follows

1. Money market funds that invest in government-backed securities;
2. U.S. federally insured certificates of deposit not to exceed to exceed the insurable limit per Institution;
3. Direct obligations of the U.S. Government, its agencies and instrumentalities;

MATURITY

The maturities on investments for the Operating Fund shall be limited to one to three years or less.

AMERICAN REGISTRY OF INTERNET NUMBERS LONG TERM RESERVE FUND

Purpose

The purpose of the Long Term Reserve Fund is to invest ARIN's reserves, which are defined as income that has been recognized in the organization's financial statements. This Fund's main goal is to maintain the financial stability of the organization. ARIN's Board of Trustees has instructed that the organization should have at least one years operating budget in reserve to ensure ARIN's continuing operation.

Investment Objectives for the Long Term Reserve Fund

The objectives of the portfolio represent a long term goal of maximizing the returns without exposure to undue risk, as defined herein. It is understood that fluctuating rates of return are characteristic of the securities markets. The primary concern should be long term appreciation of the assets and consistency of total return on the portfolio. Recognizing that short term market fluctuations may cause variations in the account performance, the portfolio is expected to achieve the following objectives over a five-year moving time period:

1. The account's total expected return will exceed the increase in the Consumer Price Index by 5% annually. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.
2. The account's total expected return will exceed the increase in the Treasury Bill Index by a minimum of 4% annually. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.

Understanding that a long term positive correlation exists between performance volatility (risk) and expected returns in the securities markets, we have established the following short term objective:

The portfolio should be invested to minimize the probability of low negative total returns, defined as a one-year return worse than negative 10%. It is anticipated that a loss greater than this will occur no more than one out of twenty years.

Investment Guidelines

The investment policies and restrictions presented in this statement serves as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding any appropriate investment opportunities.

Investment Restrictions

The Board has adopted the following restrictions to apply to the portfolio in its entirety. The ARIN Long Term Reserve Fund will not

1. Purchase any private placements that may not be publicly sold without registration under the U.S. Securities Act of 1933;
2. Loan money or securities to any individual or corporation from the assets of the portfolio other than through the purchase of marketable fixed income securities;
3. Permit the mortgage, pledge, or hypothecation of any assets of the portfolio;
4. Invest in companies defined in any major market index as a constituent of the telecommunications or technology sectors. This restriction is to avoid any conflict of interest with ARIN member organizations. The investment manager may, with written approval from ARIN's President, invest in technology companies that are unrelated to ARIN's line of business. However, investments in diversified mutual funds are allowed, even if they have telecommunications and technology company investments, as long as they are not sector funds that concentrate in these two areas.
5. Make any investments that may be precluded by any special instructions issued in writing from time to time by the Board, through the Board's Finance Committee.

Furthermore, the following investment activities are also restricted unless utilized by professional money managers/mutual funds:

1. Purchase individual options contracts.
2. Make direct investments in commodities or commodity contracts.
3. Conduct Short Sales.
4. Engage in Margin transactions or the use of leverage.

Diversification

Investment of the Long Term Reserve Fund shall be so diversified so that the portfolio will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio, unless under the circumstances it is clearly prudent not to do so. In structuring a diversified portfolio for its Long Term Reserves, ARIN seeks to hold no more than 20% in any one industry or hold no more than 5% of its portfolio in the securities of any one company at cost, as determined at the time of purchase, or 10% of market value: (this limitation does not apply to obligations issued or guaranteed by the United States Government);

TARGET ASSET MIX

The Long Term Reserve Fund shall be comprised of the asset classes listed in the table below. The target weight is the desired weight for each asset class. The minimum weights and maximum weights shall be set at 0.70 and 1.30 times the target weight respectively to allow for normal market fluctuations and to allow for temporary over/under weight allocations that are believed to be desirable by either the Finance Committee or the Investment Consultant. For example, an asset class with a target weight of 33% has a 23% minimum and 43% maximum weight.

ASSET CLASS	TARGET WEIGHT
EQUITY	
U.S. Large Capitalization Stocks	33%
U.S. Mid Capitalization Stocks	7%
U.S. Small Capitalization Stocks	5%
International Stocks	15%
TOTAL EQUITY	60%
FIXED INCOME	35%
ALTERNATIVE INVESTMENTS	5%

The Finance Committee will monitor the asset allocation of the Long Term Reserve Fund based on quarterly reports provided by the Investment Consultant. It is the responsibility of the Investment Consultant to monitor the Fund on an on-going basis and to make recommendations for portfolio rebalancing to ensure that the funds remain within Investment Policy guidelines.

ASSET CLASS	MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
EQUITY			
U.S. Large Capitalization Stocks	23%	33%	43%
U.S. Mid Capitalization Stocks	5%	7%	9%
U.S. Small Capitalization Stocks	3%	5%	7%
International Stocks	10%	15%	20%
TOTAL EQUITY		60%	
FIXED INCOME	24%	35%	46%
ALTERNATIVE INVESTMENTS	3%	5%	7%

EQUITIES

The equity asset classes should be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a five-year moving time period net of fees and commissions.

The following definitions shall apply for the purposes of this policy:

U.S. Large Capitalization Stocks: A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value exceeding \$10.0 billion and primary shares of which are traded on a major U.S. exchange. The generally accepted, nationally recognized index for this asset class is the Standard & Poor's 500 Stock Index (S&P 500)

U.S. Mid Capitalization Stocks: A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value between \$2 billion and \$10.0 billion. The generally accepted, nationally recognized index for this asset class is the Russell Midcap Index

U.S. Small Capitalization Stocks: A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value less than \$2 billion. The generally accepted, nationally recognized index for this asset class is the Russell 2000 Index.

International Stocks: Stocks comprised primarily of non-U.S. based companies, the primary shares of which are traded on exchanges outside the U.S.

The generally accepted, nationally recognized index for this asset class is the Europe Australasia Far East (EAFE) Index.

FIXED INCOME

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The following definitions shall apply for the purposes of this policy:

Fixed Income	A portfolio comprised primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations rated investment grade or better and having a weighted average maturity of approximately 10 years. The generally accepted, nationally recognized index for this asset class is the Barclays Capital Aggregate Index.
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ALTERNATIVE INVESTMENTS

Alternative investments, including hedge funds, managed futures, commodities and other non-traditional investments, shall be utilized through mutual funds or professionally managed pools of such investments to provide for a prudent level of diversification. Performance comparisons will be made to an appropriate index(s).

Investment Manager Selection and Evaluation Criterion

Investment Manager Selection

In selecting the Investment Managers for the Endowment Fund, the Finance Committee will consider a variety of statistical and non-statistical factors. These factors, measured over a multi-year period, may include the Investment Manager's investment objectives, performance relative to its index and peer group, risk characteristics, return characteristics, investment style, fees, manager tenure and turnover, style consistency and the degree of correlation with other Investment Managers employed by ARIN.

Investment Manager Monitoring and Review

The on-going monitoring of investment options must be a regular and disciplined process. It is the mechanism for revisiting the Investment Manager selection process and confirming that the criteria originally satisfied remain so, and that an Investment Manager continues to be a valid selection. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

The Finance Committee will monitor, on a periodic basis, the same factors identified above under “Investment Manager Selection”. The placement of a manager on a “watch list” may be required if an Investment Manager:

1. has a change in manager or analytical staff;
2. has experienced style drift;
3. has performed unfavorably on an absolute basis relative to its index or peer group over rolling five year periods;
4. has performed unfavorably on a risk adjusted basis relative to its index or peer group over rolling five year periods;
5. has violated ARIN’s investment policy guidelines;
6. has material litigation filed against the firm;
7. has material changes in firm ownership structure; or
8. has exhibited any other unfavorable factors that the Finance Committee or the Investment Consultant deem material since the initial selection of the Investment Manager.

Watch list status is expected to last no longer than one quarter and will be used to evaluate the factors that led to the watch list designation. If, at the conclusion of the watch list evaluation, the Finance Committee has overall satisfaction with the Investment Manager, no further action is required. If areas of dissatisfaction exist, it is the responsibility of the Finance Committee, working with the Investment Consultant, to consider taking steps to remedy the deficiency, including the removal of the Investment Manager.

Investment Manager Removal

The Finance Committee, working with the Investment Consultant, may remove an Investment Manager when it believes such removal is in the best interest of the Long Term Reserve fund, taking into account all relevant factors including, and without limitation, a lack of confidence in the Investment Manager’s ability to:

1. Achieve performance and risk objectives;
2. Comply with investment guidelines; or
3. Maintain a stable organization and retain key relevant investment professionals.

The watch list is not the only route for removing an existing manager. The aforementioned events or conditions, or any other events or conditions of concern identified by the Finance Committee or the Investment Consultant, may prompt the immediate removal of an Investment Manager without it being

watch listed. Any decision to remove an Investment Manager will be made on an individual basis, and will be made based on quantitative and qualitative review.

The investment consultant will prepare the following reports on a quarterly basis:

1. Performance evaluation of each investment manager to include:
 - a. Performance vs. Appropriate index
 - b. Performance vs. Peer group
2. Performance evaluation of composite asset classes (i.e. “equity”) to include:
 - a. Performance vs. Appropriate index
 - b. Performance vs. Similar portfolios
3. Performance evaluation of total portfolio:
 - a. Performance vs. Appropriate index
 - b. Performance vs. Similar portfolios

The report will provide the above information for the following time periods, as the passage of time allows:

- a. For the quarter
- b. Year to date
- c. Trailing 12 months, 3 years and 5 years