

Beechwood Co-operative Homes Inc.

Bylaw No. 8

Investment Bylaw

Passed by the Board
of Directors on May 21, 2008.

Confirmed by the
Members on

Article 1: Purpose of this Bylaw

The purpose of this Bylaw is to establish the principles and guidelines for the investment of the Co-op's capital reserves and other funds. It changes the rules in the Co-op's existing Bylaws in the following areas:

- Article VII in Bylaw No.1, the General Bylaws.

Article 2: Introduction and special meanings

- 2.1 Beechwood Co-operative Homes Inc. (the "Co-op") has funds other than the monies it needs for current operations. These funds include the capital reserve fund, member deposits and retained earnings. The Co-op wants to invest these funds for the purpose of
- maintaining and preserving its homes and other property
 - providing for future financial contingencies.
- 2.2 The Co-op is a non-profit corporation and none of the investment income on the funds is subject to tax of any kind.
- 2.3 The Co-op must follow the *Social Housing Reform Act* (SHRA) which includes rules about the operation and investment of capital reserve funds. The Co-op will follow those rules when making decisions about its capital reserve investments.
- 2.4 The Co-op may adopt from time to time other policies and procedures that work with this Bylaw.
- 2.5 Certain words have special meanings when used in this Bylaw.
- (a) "*Social Housing Reform Act*" means the Ontario *Social Housing Reform Act* (SHRA), including all amendments to bring it up to date.
- (b) "Social Housing Services Corporation" means the Social Housing Services Corporation (SHSC) that was set up under the SHRA to manage capital reserve investments, coordinate insurance programs, deliver bulk-buying programs and put in place a system for sharing best practices.
- (c) "SHSC Financial" means the SHSC Financial Inc., a company set up by the Social Housing Services Corporation to oversee its investment program.
- (d) "Capital plan" is a plan for the replacement of the capital items, such as appliances, flooring, roofs and windows, that includes

- a study of the condition of the buildings with a schedule of when the replacements will be needed (a building condition assessment)
 - a forecast of the annual funding requirements for the capital reserve (reserve fund forecast).
- (e) "Capital reserve fund" is the money that a co-op puts in a separate fund to replace or make major repairs to capital items such as roofs, furnaces, stoves, refrigerators, carpets and plumbing. The money in the capital reserve fund comes from the annual or monthly transfer from the Co-op's operating budget and any additional lump sum contributions that a co-op may make. This fund may from time to time be referred to as the Co-op's "replacement reserve fund".
- (f) "General reserve fund" is the money that a co-op sets aside in addition to the capital reserve fund. The money may come from retained earnings or other sources. While it is not subject to the same investment or spending restrictions as the capital reserve fund, it may be used to supplement that fund if it proves to be inadequate to fund necessary replacements or major repairs.
- (g) "Investment allocation" means the proportion of funds invested in different types of investments.
- (h) "Investment risk" means the risk that some of the value of the principal could be lost through changes in the value of the investment.
- (i) "Member deposits" means the amount of money the Co-op holds for each member household while that household lives in the Co-op.
- U) "Principal" means a sum of money placed in an investment to earn investment income.
- (k) "Retained earnings" means the accumulation of annual surpluses less annual losses over the life of the Co-op.
- (l) "Rate of return" means the annual amount of income from an investment, expressed as a percentage of the principal.

Article 3: Administration

3.1 The Co-op's board of directors will

- (a) review this Bylaw from time to time and propose amendments as required
- (b) invest and deposit funds according to this Bylaw

- (c) review the Co-op's investments when the Bylaw is adopted and make any changes necessary to follow it
- (d) monitor investment results
- (e) report to the members about the investments at the Co-op's annual meeting.

Article 4: Investment objectives

4.1 Capital reserve fund

The primary objectives for investing the capital reserve fund are

- (a) to achieve the best possible rate of return while keeping investment risk to an acceptable level
- (b) to ensure that the Co-op has sufficient money to maintain its property.

4.2 General reserve fund

The primary objective for investing the general reserve fund is to

- (a) achieve the best possible rate of return while keeping investment risk to an acceptable level.
- (b) to supplement the funds available in the capital reserve fund to maintain the Co-op's property

4.3 Other funds

The primary objective for investing other funds which include member deposits and retained earnings is to achieve the best possible rate of return while keeping investment risk to an acceptable level.

Article 5: Types of investment that are allowed

5.1 Capital reserve funds

The board may only invest capital reserve funds in

- (a) securities of mutual or investment funds managed or offered by the SHSC Financial
- (b) other investments required or permitted by the Social Housing Services Corporation.

5.2 Other investments

Other funds, which include the general reserve and may also include member deposits and retained earnings, may only be invested in

- (a) bank or credit union deposits
- (b) government bonds, treasury bills or other securities backed by a level of government in Canada or by a crown corporation or agency
- (c) securities of mutual or investment funds managed by a credit union, bank or other financial institution.
- (d) securities of mutual or investment funds managed or offered by SHSC Financial.

Article 6: External investment manager

- 6.1 SHSC Financial or any other manager chosen by the SHSC will manage the Co-op's capital reserve funds and any other funds the Co-op invests with SHSC's investment program.
- 6.2 The Co-op's board of directors may hire a professionally accredited investment manager to manage any other investments. The board will consult with an investment manager before making any investments other than bank or credit union deposits or investments in SHSC Financial's funds.
- 6.3 The Co-op's board of directors will make sure that any investment manager, or other agent or advisor providing investment services to the Co-op, is aware of and follows this Bylaw.
- 6.4 Every year the Co-op's board of directors will review the performance of any investment manager, agent or advisor it is using.

Article 7: Capital planning and investment allocation

7.1 Capital planning

The Co-op's board of directors will have a capital plan prepared and updated from time to time to help guide its decisions about when cash from its capital reserve funds will be needed for capital replacements and repairs.

7.2 Investment allocation

The board will decide how to allocate capital reserve and other funds among the investment alternatives based on

- (a) the Co-op's requirements for cash over the short and long term
- (b) the need to diversify (choose a mix of) investments to balance investment risk against rate of return
- (c) the advice of SHSC Financial portfolio adviser and any external investment manager hired by the Co-op.

CERTIFIED to be a true copy of Bylaw No. 8 of Beechwood Co-operative Homes Inc., passed by the Board of Directors at a meeting held May 21, 2008 and confirmed by a two-thirds vote at a meeting of members held on____ _

_____els
Corporate Secretary