

Fife Road Co-operative Homes, Inc.

BY-LAW NO. 4

INVESTMENT BY-LAW

Passed by the Board of Directors on January 24, 2019

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FIFE ROAD CO-OPERATIVE HOMES, INC.

INVESTMENT BYLAW

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Fife Road Co-operative Homes, Inc.

INVESTMENT POLICY

Article 1: Purpose of this by-law

The purpose of this by-law is to establish the principles and guidelines for the investment of Fife Road Co-operative Homes, Inc. capital reserves and other funds.

Article 2: Introduction and special meanings

- 2.1 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 *Housing Services Act* (HSA) 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 by-law.
- 2.5 Certain words have special meanings when used in this by-law.
- (a) "*Housing Services Act*" means the Ontario *Housing Services Act 2011* (HSA), including all amendments to bring it up to date.

- (b) "Housing Services Corporation" means the Housing Services Corporation (HSC) that was set up under the HSA to manage capital reserve investments, co-ordinate 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 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 the Co-op may make.
- (f) "Investment allocation" means the proportion of funds invested in different types of investments.
- (g) "Investment risk" means the risk that some of the value of the principal could be lost through changes in the value of the investment.

- (h) "Member deposits" means the amount of money the Co-op holds for each member household while that household lives in the Co-op.
- (i) "Principal" means a sum of money placed in an investment to earn investment income.
- (j) "Retained earnings" means the accumulation of annual surpluses less annual losses over the life of the Co-op.
- (k) "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 by-law
- (c) review the Co-op's investments when the by-law 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 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 Housing Services Corporation.

5.2 Other investments

Other funds, which 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 or offered by SHSC Financial.

Article 6: External investment manager

- 6.1 SHSC Financial or any other manager chosen by the HSC will manage the Co-op's capital reserve funds and any other funds the Co-op invests with HSC'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 must 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 by-law.
- 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.