

By-law No. 7

INVESTMENT BY-LAW

The purpose of this By-Law is to establish the conditions under which the funds of the Co-operative will be invested.

Article 1: General

- 1.1 The Board of Directors shall invest all reserve funds in accordance with our current agreement with Canada Mortgage and Housing Corporation. *(See Schedule 1)*
- 1.2 Funds shall be invested in a manner that does not jeopardize the financial stability or interfere with the normal operations of the co-op.
- 1.3 Interest earned on investments must be used to benefit the co-op as a whole. No individual Members may benefit in a way that is not generally available to all Members of the co-operative.
- 1.4 In order to ensure the Replacement Reserves are sufficient to fund necessary capital replacements and improvements, the interest earned on the investment of reserve funds shall accrue directly to the Capital Replacement Reserve and shall not be treated as operating income.
- 1.5 Surplus funds generated from the Operating Budget will be invested in the Capital Replacement Reserve.
- 1.6 When investing the funds of the co-operative, preference shall be given to investments with credit unions and other co-operative financial institutions if the terms of such investments are reasonably comparable to or better than those generally available.

Article 2: Objectives

- 2.1 To support the funding of capital projects.
- 2.2 To support the provision of adequate working capital for the co-operative.
- 2.3 To offset or reduce the effect of inflation on reserves and operations.

Article 3: Terms of Investment

- 3.1 Where appropriate, the investments shall be held until maturity.
- 3.2 The term of the investments should consider the Co-operatives annual and long term capital replacement reserve plan, to ensure there is adequate funds available when future capital replacements are required.

Article 4: Role of the Board of Directors

- 4.1 The Board of Directors, in accordance with the criteria of CMHC's operating agreement and the Co-operative's Investment By Law # 7, are the only persons who have authority to make decisions regarding the co-operatives investments.
- 4.2 The Board may appoint a sub committee to review and make recommendations to the Board on investment strategies or changes to investment strategies. The Board will approve the investment strategy and all changes to that strategy.
- 4.3 In the event of an emergency, the Board will make every attempt to hold an emergency Board Meeting. If the nature of the emergency does not allow time for and emergency meeting, then the Treasurer, and the President and Vice-President or any two of them, are authorized to make decisions and give direction regarding investments. This decision must be ratified at the next regular Board Meeting.

- 4.4 All purchases, sales and renewals of investments require approval of the Treasurer and one of either the Manager or the Bookkeeper. The Board will on a semi annual basis review the investments to ensure they adhere to the investment By Law # 7.

Article 5: Role of Staff

- 5.1 The Manager and the Bookkeeper, on the recommendations and direction of the Board will be the contact person(s) for purchase and sale of investments.
- 5.2 The Manager in consultation with the Bookkeeper shall review the investment statements and make recommendations to the Board regarding changes in the investments that they consider to be in the best interest of the co-op.

Schedules

Schedule 1 – CMHC’s investment criteria for Capital Replacement Reserve Funds.

APPROVED BY THE BOARD OF DIRECTORS: February 28, 2007

APPROVED BY THE GENERAL MEMBERS MEETING: April 11, 2007

BOARD SIGNATURE: _____

Schedule 1

Investment Criteria for Replacement Reserve Funds

Excerpt from letter to Hazelburn Co-op (Section 95), August 2005

From Marcia Villamoya, CMHC

Eligible investments:

- Treasury bills, bonds, debentures, or any other fixed income security of or guaranteed by:
 - Canadian government or its Crown agents, including Canada Mortgage Bonds
 - Any province or territory of Canada or their Crown agents
 - Canadian corporate and financial institutions
- Asset-backed securities; that is, securities collateralized by assets that are not mortgage loans, including
- Asset-backed commercial paper:
 - Accounts, term deposits or GIC's of any financial institution that is a member of a Canadian federal, provincial or territorial government deposit insurance plan (although total deposits may exceed the insurance limits), or
 - Money market mutual funds qualified for sale in Canada

Ineligible investments:

- Callable bonds and other forms of structured investment products
- Equities
- Derivatives (financial contracts such as swaps, options, forwards and futures)
- Short sales (the sale of a security that is borrowed or not owned)
- Leveraged purchases (investments subject to a multiplier effect on profit and loss from a small change in sales, quantity or price)
- Purchases on margin, or
- Speculative transactions (characterized by the acceptance of greater exposure to price change and risk of loss)