

Watermark Co-operative Homes Inc.

BY-LAW NO. 16

a replacement of the

SPENDING BY-LAW # 10

Passed by the Board of Directors on the 22ND day of MARCH, 1999

Confirmed by the Members on the 26TH day of JUNE, 1999

BE IT RESOLVED THAT the existing Spending By-law of Watermark Co-operative Homes Inc. (being By-law No. 11) be repealed and cease to have effect, and

BE IT FURTHER RESOLVED THAT the following by-law be adopted as the Spending By-law of Watermark Co-operative Homes Inc. (to be known as By-law No. 16).

Watermark Co-operative Homes Inc.

Spending By-law

This Spending By-law sets out the rules for how the co-op's money is spent and who must give permission for each type of spending. The Spending By-law takes priority over all decisions of the board and of the members regarding spending.

Article 1: Operating Expenses

1.1 The Occupancy By-law says that each year the members will approve an operating budget for the next fiscal year. The board has the authority to spend the operating funds of the co-op in each fiscal year up to the amount of the complete operating budget.

Unless the members decide otherwise at the time of budget approval, the Board can use a surplus in one category of expense to offset a deficit in another category within the budget.

1.2 Individual members and committees of the co-op may not authorise expenditures or otherwise make financial commitments on behalf of the co-op unless the board has given them explicit authority to do so.

1.3 The board may delegate authority to spend funds to the staff of the co-op within the limits it sets. The board may also delegate spending authority to committees for a specific expense or type of expense within the limits it sets.

1.4 No person may initiate or approve any expense or purchase where that person has any conflict of interest in the matter.

1.5 The board may feel that there should be a change in the total operating expenses and/or housing charges during a fiscal year. If so, the board must call a special meeting of the members to consider the change. Procedures are set out in the Occupancy By-law.

Article 2: Budget Control

2.1 The board will receive a monthly budget control report. The report will compare budgeted income and expenses to actual income and expenses.

2.2 The board will receive a written budget review at least every three months. This report will:

- compare budgeted income and expenses to actual income and expenses
- show the projected income and expenses for each category in the budget for the rest of the year
- provide a written explanation of any projected actual surplus or deficit.

Normally the Finance Committee will review budget reports and give its comments to the board.

Article 3: Capital Expenses

3.1 The board must prepare a capital budget if it is planning capital expenses. The budget will be presented to a meeting of the members for approval. The capital budget must show:

- the proposed capital expense (s)
- the proposed source of funds, and
- the impact of the proposed expenses on the co-op's current and future operating budgets.

The board must follow the procedures set out in the Occupancy By-law.

3.2 Members' approval of the capital budget will authorise the board to spend the co-op's funds for capital expenditures for the purposes and from the sources specified, to a maximum of the total expenditures in the budget.

3.3 The board must directly approve contracts and other documents that commit the co-op to spend significant amounts of capital funds. The board can delegate authority to the staff to spend lesser amounts. When the board delegates authority, it must set limits on the amounts staff may spend and give any specific directions relating to the expenses that it considers appropriate.

3.4 No person may initiate or approve any capital expense or purchase where that person has any conflict of interest in the matter.

Article 4: Emergency Expenses

- 4.1 Emergency expenses are those expenses the co-op must make immediately because a delay will
- risk property damage, or
 - endanger the safety of persons or property, or
 - disrupt essential services to members (for example, light and power, heat, hot water, refrigeration, cooking).
- 4.2 The board can authorize any unbudgeted emergency expenses on the co-op's behalf without further authority from the members. The board may delegate authority for emergency expenditures to co-op staff or to any other persons.
- 4.3 All unbudgeted emergency expenses must be reported to the board. Significant unbudgeted emergency expenses must be reported by the board to the members.

Article 5: Fair, open and objective business practices

- 5.1 The co-op will follow fair, open and objective business practices in all its purchasing and contracting. Its spending practices and awarding of contracts must be consistent with the co-op's Conflict of Interest By-law.
- 5.2 The following rules apply to all spending except for routine or non-discretionary expenses such as property taxes, mortgage payments, utilities and existing salaries (once a staff position and salary have been approved).
- (a) Expenses under \$2,000
- The board is not required to get written quotes for expenses under \$2,000, but must take a prudent approach to spending at every level.
- (b) Expenses between \$2,000 and \$14,999
- The board will get three written quotes before approving a discretionary expense between \$2,000 and \$14,999.
- The board may waive this requirement in cases where
- the co-op has used a particular supplier or contractor regularly, or

participates in a bulk-buying program, and

- has found that their prices are competitive.

The co-op must review the prices of regular suppliers and contractors at least every second year to see if their prices remain competitive. Where the co-op has a contract, the co-op must review prices at the end of the contract. There will be no automatic renewal of any contract or agreement.

- (c) Contracts of \$15,000 or more

The board must get written quotes for contracts and agreements of \$15,000 or more. Contracts or agreements costing \$15,000 or more must contain a clause allowing the co-op to terminate the contract or agreement without penalty where there has been a breach of the co-op's Conflict of Interest By-law.

There will be no automatic renewal of any contract or agreement.

5.3 Choosing a quote

When choosing a quote the board must:

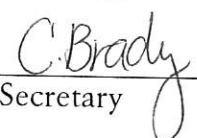
- consider the quality of goods and services to be provided, and
- base its decision on written documents outlining resources, timing, cost and fees.

The board does not have to choose the lowest quote. It may choose another quote for reasons such as quality, experience and timing. If it does not choose the lowest quote, it must document the reasons for its choice in the minutes.

CERTIFIED to be a true copy of By-law No. 16 of Watermark Co-operative Homes Inc., passed by the board of directors at a meeting held on the 22ND day of MARCH, 1999 and confirmed by a two-thirds vote at a meeting of members held on the 26TH day of JUNE, 1999.



President



Secretary

c/s