

THIS AGREEMENT IS MADE THE 3<sup>RD</sup> DAY OF MAY 2005

**BETWEEN:**

Co-operative Housing Programs  
Administration Agency of Canada

(referred to in this Agreement as the "Service Provider")

**AND:**

Canada Mortgage and Housing Corporation

(referred to in this Agreement as "CMHC")

WHEREAS the purpose of this Agreement is to provide for the administration of certain portfolio management activities in relation to the cooperative housing programs now administered by CMHC in British Columbia, Alberta, Ontario and Prince Edward Island through an organization (the Service Provider) that is located outside government but remains fully accountable to government and, through it, to the public. The Parties acknowledge that the Service Provider may seek the opportunity to provide similar services for cooperative housing in other jurisdictions;

AND WHEREAS through this Agreement the Service Provider will on behalf of the federal government

- ensure that public funds committed in support of program objectives are used efficiently as intended and are properly accounted for; and
- safeguard the public's investment in cooperative housing.

AND WHEREAS the Service Provider is committed to continuous improvement and effective and efficient service delivery. Its success in achieving this goal is expected to contribute to ensuring the continued success of the Programs and, over time, to more cost-effective use of federal funds and improved Program outcomes.

NOW THEREFORE IN CONSIDERATION OF the above and the mutual covenants and other provisions of this Agreement, the Service Provider and CMHC agree as follows:

## **DEFINITIONS**

1. In this Agreement:
  - a. "Agreement" means this Agreement together with all schedules to it.
  - b. "Annual Fee" has the meaning assigned to it in Article 15.
  - c. "Change" means any material addition, reduction, deletion, modification, improvement, amendment or adjustment to the Services or to the methodologies or procedures relating to the Services.
  - d. "CMHC Information" means all information and records of or pertaining to CMHC, the Portfolio, the cooperatives, clients and the Programs in any form including all documentation, analysis, specifications and reports created by the Service Provider as part of the Services and all other information and records of the Service Provider which contain or are derived from the CMHC Information.
  - e. "CMHC Intellectual Property" means Intellectual Property owned or licensed by CMHC, any additions or modifications thereto made by CMHC or the Service Provider during the term of this Agreement and any Intellectual Property created by the Service Provider at CMHC's request or at CMHC's expense.
  - f. "CMHC Policies" has the meaning assigned to it in Schedule "B".
  - g. "day" means a clear day. Where a period of days is specified, the period is deemed to begin with the day following the event that began the period and to end at midnight on the last day of the period.
  - h. "Guidelines" has the meaning assigned to it in Schedule "B".
  - i. "Intellectual Property" means all rights protectable by copyright, trademark, official mark, service mark, patent or trade secret under any applicable law and all software (including programming code, such as source code and object code), systems, data tools, methodologies,

specifications, reports, documentation, manuals, interfaces and designs.

- j. "Operating Agreement" means the agreement between CMHC and a cooperative housing entity assisted under any of the Programs that establishes the terms and conditions of the relationship between the cooperative and CMHC under one of the Programs.
- k. "Parties" means the Service Provider and CMHC and "Party" means either one of them.
- l. "Phase I Agreement" means the Agreement signed between Canada Mortgage and Housing Corporation and the Co-operative Housing Federation of Canada dated April 22, 2005.
- m. "Portfolio" means the cooperative housing entities that are party to an Operating Agreement, as further specified in Schedule "A". The Portfolio may change from time to time as the Operating Agreements expire, or projects are terminated, and at the discretion of the federal government, new programs are introduced..
- n. "Programs" means the programs of CMHC under the *National Housing Act* through which, and to the extent to which, cooperative housing entities in British Columbia, Alberta, Ontario and Prince Edward Island have received financing and financial and other assistance, including the Section 27 Non-profit Housing Program, the Section 61 Cooperative Housing Program, the Section 95 Cooperative Housing Program (Pre-86), the Federal Cooperative Housing Program (Post-85), the Federal/Provincial Non-profit Cooperative Housing Program (Post-85, PEI only), the Urban Native Cooperative Housing Program..
- o. "Service Provider Information" means all information in any form received or created by the Service Provider as a result of this Agreement but "Service Provider Information" does not include any part of the CMHC Information and for greater certainty this does not include Service Provider information received or created under any similar agreement with another party.
- p. "Service Provider Intellectual Property" means Intellectual Property owned or licensed by the Service Provider and any additions or modifications thereto made by the Service Provider during the term of

this Agreement.

- q. "Service Provider Intellectual Property" means Intellectual Property.
- r. "Services" has the meaning assigned to it in Article 2.
- s. "Term" has the meaning assigned to it in Article 9

### **SERVICES, RESPONSIBILITY AND AUTHORITY OF THE SERVICE PROVIDER**

- 2. For the purposes of this Agreement the Service Provider will diligently and faithfully undertake and perform all of the tasks, duties, responsibilities and services described in Schedule "B" of this Agreement or that are incidental thereto (the "Services") on a timely basis and in good faith and will exercise the authority there set out and no more. In its performance, it will use suitably trained staff and personnel in accordance with good business practices. In the course of performing the Services the Service Provider may provide advice to CMHC on the policies that govern the Programs and the Portfolio, as appropriate, but will refrain from publicly challenging the federal government or CMHC with respect to such matters.
- 3. The Service Provider will assume the obligation to perform the Services in stages, as set out in the migration plan attached as Schedule "C" (the "Service Migration Plan").
- 4. In performing the Services the Service Provider agrees to meet the objectives, performance standards and measures set out in Schedule "D", which Schedule is to be finalized by June 30, 2005; to respect the terms of the Operating Agreements, CMHC Guidelines and Policies; to comply with the Conflict of Interest principles and guidelines set out in Schedule "G" and the procurement objectives and values set out in Schedule "H" and to provide fair, equitable and impartial service to all cooperative housing entities in the Portfolio.
- 5. No later than September 30, CMHC and the Service Provider will agree as necessary on specific arrangements for the transfer of initial defined responsibility to the Service Provider, which arrangements will be set out in Schedule "E", to be appended to this Agreement. No transfer of responsibility will proceed until Schedules "D", "F", "I" and "J" have been finalized and insurance pursuant to article 51 has been obtained.

6. Provided it fulfills all of the responsibilities assigned to it in this Agreement and meets the objectives, performance standards and measures set out in Schedule "D," and provided CMHC is not adversely affected and is not required to change any of its own tools, methods or systems in order to receive the Services,, the Service Provider has discretion as to the choice of tools, methods and human resources for the performance of the Services except where explicitly indicated otherwise in Schedule "B".
7. Provided the Service Provider is not in default of its obligations under this Agreement, it will be the sole entity responsible for performing that portion of the Services it assumes from time to time under this Agreement, and CMHC will refrain from performing any part of the Services so assumed. Without fettering any right or capacity of CMHC outside the Services, CMHC will co-operate reasonably to permit the Service Provider to perform the Services. In their separate contacts with the cooperatives in the Portfolio, the Parties will respect their respective roles. Notwithstanding the foregoing, the Parties agree that CMHC retains the right to communicate with the co-operatives, at its discretion, including in its capacity as lender or insurer. Should, in exceptional circumstances, CMHC deem necessary, it may take any action available to it at law or under the Operating Agreements to enforce the terms of those agreements with or without the consent of the Service Provider. It will endeavour to advise the Service Provider of its intention to do so and its reasons. Notwithstanding the above CMHC retains the unfettered right to pursue any action available to it at law, at equity or otherwise, that it may take in its capacity as a lender or insurer of or related to any cooperative in the Portfolio.
8. The Parties agree that throughout the term of this Agreement, Changes will be dealt with in line with leading outsourcing industry practices and in compliance with a Change Request Process to be agreed to by July 31, 2005, and added as Schedule "F" to this Agreement.

#### **TERM AND RENEWAL**

9. Unless terminated according to its terms by one of the Parties, this Agreement will run from the date of this Agreement until the fifth anniversary of the first day of the month in which this Agreement is signed.. The Agreement shall automatically renew for further terms of five (5) years each subject to the Parties reaching agreement, in respect of the fees to be charged during the applicable renewal term. In connection with the forgoing the parties shall follow the

following process:

- (i) the Service Provider shall provide to CMHC, no later than one hundred and eighty (180) days prior to the expiry of the then current term of this Agreement, a detailed fee proposal (the “Fee Proposal”) in respect of the fees to be charged during the applicable renewal term together with an explanation of any proposed increases;
- (ii) CMHC shall have a period of thirty (30) days to consider the Fee Proposal and to request further information and clarification;
- (iii) the Service Provider shall respond to CMHC’s request for further information and clarification within fourteen (14) days after receipt of such request;
- (iv) the Parties shall each appoint two (2) representatives with appropriate authority and familiarity with this Agreement to attempt to reach agreement on the fees to be charged during the applicable renewal term;
- (v) the parties shall act, and cause their respective representatives to act, reasonably and in good faith to reach agreement on the fees to be charged during the applicable renewal term;
- (vi) the Parties shall act, and cause their respective representatives to assign high priority to the negotiations and to meet as frequently as either party may reasonably request;
- (vii) in the event that, notwithstanding compliance with the foregoing process, the Parties do not reach agreement with respect to the fees to be charged during the applicable renewal term the Parties shall engage in non-binding mediation in accordance with the process set out below and this Agreement shall continue in force in accordance with its current terms pending the outcome of the mediation and the parties decision to terminate or renew based on such mediation.

The mediation shall be conducted by a single independent professional mediator selected by the parties within sixty (60) days after the Fee Proposal has been delivered to CMHC. The mediator shall be experienced in mediating financial issues. If the parties can not agree upon a mediator, the two candidates proposed to act as mediators by the Parties shall be requested to nominate the mediator. The mediation shall take place in the City of Ottawa, in the Province of Ontario.

The mediator shall determine the procedure for the mediation. The mediation shall take place no more than sixty (60) days after the date after the expiry of the current term of the Agreement and shall continue for such number of days, up to a maximum of five (5) days, as either Party may request. The Parties shall require the mediator to provide a written recommendation for resolving any outstanding issues relating to the fees to be charged during the applicable renewal term of the Agreement, within fourteen (14) days after the end of the mediation. The mediator shall have no jurisdiction to award costs associated with the mediation. Each party shall bear its own costs and expenses relating to the mediation and shall also pay one half of the fees and expenses of the mediator.

The recommendation of the mediator made pursuant hereto shall not be binding on the Parties provided that each Party must notify the other Party in writing within ten (10) days after the issuance of the mediator's recommendation, that it either:

- (i) ratifies the mediator's recommendation, whereupon the fee arrangement, if so ratified by both Parties, shall become binding on the Parties and the Agreement shall be renewed effective on the date that the preceding term had expired; or
- (ii) rejects the mediator's recommendation.

If a Party shall fail to notify the other party of its decision within such ten (10) day period, it shall be deemed to have ratified the mediator's recommendation. If a Party notifies the other Party within such ten (10) day period of its decision to reject the mediator's recommendation ("Rejection Notice"), then this Agreement shall terminate and expire (subject to Section 68, Termination Rights and Transition) on the date that is thirty (30) days after receipt of such notice. If CMHC provides the Rejection Notice, the termination shall be treated as if it were a termination for convenience by CMHC pursuant to Section 60 and the rights and obligations of the Parties set out in Section 67 and Schedule "I" shall be the Parties' sole remedy. If the Service Provider provides the Rejection Notice, the termination shall be treated as if were a termination by CMHC by reason of the Service Provider's Material Default pursuant to Section 61 and the rights and obligations of the Parties set out in Section 61 shall be the Parties' sole remedy. If both Parties provide a Rejection Notice, each Party shall bear its respective costs and any damages incurred as a result of the resulting termination of this Agreement. Where a Rejection Notice is given, Schedule "I" will apply.

## REPRESENTATIONS AND WARRANTIES

10. CMHC represents and warrants that
  - a. it has full power and authority to enter into this Agreement and that it has obtained all requisite approvals to enter into this Agreement and to perform according to its terms;
  - b. the execution, delivery, and performance of this Agreement is not contrary to any law, order or agreement binding on CMHC;
  - c. by May 31, 2005 and prior to the finalization of the Annual Fee for the Service Provider, it will provide to the Service Provider full and complete information based on the information available to it on the size of the Portfolio, the incidence in the Portfolio of projects in financial difficulty, and the number of projects in the Portfolio in non-compliance with their Operating Agreements, all as of December 31, 2004; and information on CMHC aggregate operating expenditures for the Portfolio on direct and indirect costs for the fiscal year ending December 31, 2004;
  - d. that it has been able to fulfil the principal functions associated with administration of the Portfolio, excluding the provision of benchmarking and best practices services, within the aggregate expenditures to be identified under c above, excluding costs associated with capital outlays, fixed costs and overhead;
  - e. that no later than thirty (30) days before the migration of initial responsibility to the Service Provider, CMHC will provide a listing to the Service Provider of all cooperative housing entities in the Portfolio for the related Province who, to the best of its knowledge, are in financial difficulty, or are not in material compliance with their Operating Agreement based on the most recent information available to CMHC at that time, including the last completed review by CMHC of the cooperatives financial statement;
  
11. The Service Provider represents and warrants that
  - a. it is duly incorporated pursuant to the *Canada Cooperatives Act*;
  - b. it has full power and authority to enter into this Agreement;

- c. this Agreement has been duly authorized by the Service Provider;
- d. the execution, delivery, and performance of this Agreement is not contrary to any law, order or agreement binding on the Service Provider;
- e. all data, tools, software or other materials delivered by the Service Provider shall be delivered in such a format as to not restrict use, copying or modification by CMHC or its representation, and shall be tested for devices which may tend to destroy or corrupt data or disable software or hardware;
- f. no data, tools, software or other materials delivered by the Agency shall infringe the proprietary rights, intellectual property rights or privacy rights of any third party;
- g. that the Service Provider and the Co-operative Housing Federation of Canada (“CHF Canada”) are and will continue to remain separate entities until the expiry of the term of the Agreement, and that the Service Provider will treat CHF Canada as it would treat any other third party entity in the performance of this Agreement.

#### **INFORMATION SHARING**

- 12. CMHC covenants to provide the Service Provider with reasonable access to the CMHC Information without charge and at times and in all forms as may reasonably be required to enable the Service Provider to perform its Services and that CMHC may reasonably be in a position to provide. CMHC will notify the Service Provider on a timely basis of any material changes to the CMHC Information relevant to the Services being provided under the contract.
- 13. In addition to the specific reporting obligations set out in this Agreement, the Service Provider covenants to make all Service Provider Information and CMHC Information open and available to inspection by CMHC and its representatives on the Service Provider’s premises on reasonable written notice and to respond to any reasonable requests for information made by CMHC. The Service Provider shall co-operate and assist CMHC in responding within the delays required to comply with accountability and reporting requirements it is required to meet by law or otherwise and shall in so doing also make available to CMHC all related records and information. Reasonable requests will include, but will not be limited to, requests or complaints received by CMHC or the Service

Provider under the *Access to Information Act*, the *Privacy Act*, the *Official Languages Act*, and any other legislation governing CMHC.

#### **FINANCIAL ARRANGEMENTS**

14. The Service Provider acknowledges that the Services provided to CMHC are provided on a not for profit basis.
15. For performing the Services, CMHC will pay the Service Provider:
  - a. the "Start-Up Fee" to be finalized by June 30, 2005 in quarterly instalments in the amounts and on the dates specified in Schedule "J".. The Start-Up Fee will enable the Service Provider to meet costs it may need to incur until it begins performing the Services, including all capital and one-time costs; and
  - b. the "Annual Fee" to be finalized by July 31, 2005 quarterly and in advance commencing on the date specified in Schedule "J". The Annual Fee will be adjusted each year by the annual adjustment factors specified in Schedule "J"; and
  - c. the Service Provider will, at CMHC's sole discretion, apply the amount, if any, by which the Start-Up Fee exceeds the Service Provider's actual start-up costs as partial payment of the Annual Fee or return the excess to CMHC.
16. The Service Provider is entitled to carry forward from one year's operations to the next in an operating reserve ("Operating Reserve") any excess in the cumulative Annual Fee paid under this Agreement over the cumulative cost of performing the Services ("Excess"). The Operating Reserve may not exceed One Hundred and Fifty Thousand Dollars (\$150,000) at any time ("Reserve Cap"). Any Excess existing over and above the Reserve Cap at the end of each Service Provider fiscal year will be deducted by CMHC from the quarterly payments of the Annual Fee in the next year.
17. On the termination of this Agreement, any amount remaining in the Operating Reserve will be dealt with in accordance with Article 68 of this Agreement.
18. The Service Provider will spend the Start-Up Fee and the Annual Fee only on the performance of the Services.

19. Should any material change occur in any of the following the Parties will agree on an appropriate change in the amount of the Annual Fee:
  - a. the size of the Portfolio; and
  - b. the number of Programs administered.
20. Subject to any other provisions of this Agreement, the Annual Fee will be adjusted on a one-time basis, by June 30, 2005 on the mutual agreement of the Parties, for matters identified in Schedule "J".
21. With the consent of the Service Provider, CMHC may purchase or lease equipment, premises or furniture for the Service Provider as may be necessary for the Service Provider to carry out the Services (the "In-Kind Contribution"). Depending on where the cost to the Service Provider was initially budgeted, the Start-Up Fee or the Annual Fee will be adjusted to reflect the value of the In-Kind Contribution.

#### **BOOKS, ACCOUNTS AND AUDIT**

22. The Service Provider will identify and account on a continuing basis for all of the assets, liabilities, revenues and expenses associated with the performance of its obligations pursuant to this Agreement separately from its other assets, liabilities, revenues and expenses. The assets associated with the performance of this Agreement do not have to be physically segregated from the Service Provider's other assets, provided that a full accounting separation is maintained.
23. The Service Provider will follow Canadian generally accepted accounting principles and will otherwise distinguish in its books of account among initial operating costs, start-up costs, capital costs and continuing operating costs.
24. The Service Provider will permit CMHC, its auditors and representatives and the Auditor General of Canada to inspect or audit all its books, accounts, records, systems, on the Service Provider's premises at any reasonable time during the currency of this Agreement or within six (6) months after termination, on reasonable advance notice by CMHC to the Service Provider. CMHC will bear the full costs of CMHC and its auditors and representatives for any such inspection or audit
25. As required by the *Canada Cooperatives Act*, the Service Provider will cause an annual audit to be conducted by an independent auditor of its financial

statements to be conducted in accordance with Canadian generally accepted auditing standards.

26. If any audit pursuant to Article 25 reveals that the Service Provider is not in compliance with any provision of this Agreement or any applicable generally accepted accounting principle or other audit requirement or law to which the Service Provider is subject, and except for situations, where CMHC at its discretion, may consider the non-compliance to be a Material Default, the Service Provider shall promptly bring itself into compliance, and in connection therewith, shall complete and communicate in writing to CMHC for CMHC's approval a plan for resolution of the matters underlying such non-compliance.

#### **DATA OWNERSHIP, INTEGRITY AND RETENTION**

27. The CMHC Information and CMHC Intellectual Property is the property of CMHC. CMHC hereby grants the Service Provider a fully paid, royalty-free, non-exclusive, non-transferable license to use the CMHC Information and CMHC Intellectual Property to the extent required to fulfill its obligations pursuant to this Agreement and for no other purpose, unless otherwise approved by CMHC.
28. During the Term, the Service Provider Information and Service Provider Intellectual Property is the property of the Service Provider and remains the property of the Service Provider except as otherwise provided in this Agreement. The Service Provider hereby grants to CMHC a fully paid, royalty-free, non-exclusive, non-transferable license to use the Service Provider Information and Service Provider Intellectual Property in connection with the Services pursuant to this Agreement.
29. The Service Provider will maintain the security, confidentiality, and integrity of the CMHC Information and the Service Provider Information in accordance with the standards of a responsible and prudent services and facilities provider and manager of the experience and commercial sophistication of a party undertaking a task of the nature and importance of the Services. Without limiting the foregoing, the Service Provider will implement physical and computer security measures sufficient to ensure that only authorized persons have access to the CMHC Information and Service Provider Information and will implement back-up, archival and retrieval systems and procedures as may reasonably be required to ensure the integrity, accuracy and completeness of the CMHC Information and the Service Provider Information.

30. Pursuant to the *Library and Archives Canada Act* ("The Act"), the Service Provider's management, retention and disposition of CMHC information will adhere to the requirements of the Act, and no CMHC information shall be destroyed without the authorization of CMHC.

#### **REPORTING, ACCOUNTABILITY AND EVALUATION**

31. The Service Provider will report to CMHC quarterly on the Service Provider's performance of the Services in the format to be agreed by CMHC and the Service Provider from time to time. The Parties agree to develop the reporting format for the quarterly reports by September 30, 2005. The Service Provider will provide CMHC with access to all documentation as may be required to verify the Service Provider's reports and to enable CMHC to assess the Service Provider's performance in accordance with Schedule "D."
32. Included in the reporting, to be done quarterly, but not exclusively, will be:
- a. a program-compliance report, segmented by Program, setting out the extent to which the Portfolio, as well as individual cooperatives within the Portfolio, are in compliance with their Operating Agreements;
  - b. a risk-management report, presenting summary data drawn from the Service Provider's risk-analysis activities;
  - c. the names of cooperatives in financial difficulty or at risk of defaulting on their financial obligations, including those believed by the Service Provider to have serious management difficulties;
  - d. a status report on financial workout analyses being undertaken with respect to projects in difficulty; and
  - e. a report on the numbers of households in the Portfolio receiving income-tested or rent-supplement assistance.
33. Annually, within four (4) months after the end of the Service Provider's fiscal year, the Service Provider will provide CMHC with:
- a. an annual review of the performance of the Portfolio against the

- objectives and performance standards specified in Schedule "D";
- b. a report of the Service Provider's chief executive officer on the operations of the Service Provider, its performance of the Services, complaints received from program clients and how those complaints were resolved, the Service Provider's performance against its established client-service standards and its compliance with this Agreement;
  - c. its audited financial statement, together with the auditor's report thereon and the auditor's management letter to the Service Provider;
  - d. an independently audited report on the Service Provider's compliance with this Agreement in the completed fiscal year;
34. If the audit report provided pursuant to Section 33(d) reveals that the Service Provider is not in compliance with any provision of this Agreement or any applicable generally accepted accounting principle or other audit requirement or law for which the Service Provider has responsibility, and except for situations, where CMHC at its discretion, may consider the non-compliance to be a Material Default, the Service Provider shall promptly bring itself into compliance, and in connection therewith, shall complete and communicate in writing to CMHC for CMHC's approval a plan for resolution of the matters underlying such non-compliance.
35. Through a secure Service Provider website CMHC will have access at all times reasonably required by CMHC to updates of the periodic reports referred to in Section 32, as well as the Service Provider's policies, minutes of meetings of the Service Provider's board of directors and its committees, and any other information the Parties may together agree should be available to CMHC through this medium.
36. Each year the Service Provider will:
- a. hold an annual information session for CMHC and cooperative housing entities in the Portfolio, which session may be held concurrently with the CHF Canada annual general meeting;
  - b. meet with CMHC to review the Service Provider's annual report, its performance under this Agreement and its current operating plan as approved by the Service Provider's board of directors; and

- c. meet with CMHC to review the state of the Portfolio and trends in the social and market housing sectors that could affect the future of the Portfolio and the performance of the Programs.
37. CMHC may from time to time commission or conduct and bear the cost of an evaluation of the Service Provider designed to determine its success in meeting the objectives, performance standards and measures set out in Schedule "D", or an evaluation of the Programs themselves. The Service Provider will give CMHC its full co-operation in the evaluation process. By the agreement of the Parties, this Agreement will be amended as appropriate to give effect to any changes that may be indicated in the Service Provider's mandate, Services and operations, as a result of the findings of the evaluation of the Service Provider.

#### **ACCESS TO INFORMATION AND PRIVACY**

38. The Parties agree that in carrying out their respective obligations under this Agreement they will comply with all the requirements of the following statutes:
- a. The *Access to Information Act*, R.S.C. 1980-81-82-83, c. 111, Sch. I "1", as amended;
  - b. The *Privacy Act*, R.S.C. 1980-81-82-83, c. 111, Sch. II "1", as amended;
  - c. The *Personal Information Protection and Electronic Documents Act*, R.S.C. 2000, c.5; and
  - d. any other applicable statutes dealing with information and privacy.
39. The Service Provider will refer to CMHC all requests it receives for access to CMHC Information, and any related complaints, made pursuant to the *Access to Information and Privacy Acts* or any other statutes dealing with information and privacy that govern CMHC within one (1) business day of receipt for response. CMHC will be responsible for responding to all such inquiries, requests and complaints.

#### **CONFIDENTIALITY**

40. The Service Provider and its directors, officers, employees, agents, representatives and contractors will keep confidential during and after the term of

this Agreement all information relating to the affairs of CMHC including CMHC information, of which they may acquire knowledge as a result of the Service Provider's engagement under this Agreement and that is not in the public domain and shall not use any information except as necessary to perform the Services and the Role. The Service Provider may only share CMHC's confidential information with its directors, officers, employees, agents, representatives and contractors on a need-to-know basis and no such disclosure shall be permitted in respect to an agent, representative or contractor until a non-disclosure agreement in a form acceptable to CMHC, has been signed by such agent, representative or contractor.

41. CMHC and its directors, officers, employees, agents, representatives and contractors will keep as confidential during and after the currency of this Agreement all information relating to the affairs of the Service Provider of which they may acquire knowledge as a result of this Agreement and that is not in the public domain. Notwithstanding the foregoing, CMHC may share such information with others provided it is shared only on a need-to-know basis.

#### **SERVICE QUALITY INQUIRIES AND COMPLAINTS**

42. The Service Provider will monitor the quality of service it provides to cooperatives in the Portfolio through periodic surveys, focus groups and any other methods as may be appropriate in the circumstances.
43. The Service Provider will adopt and put into effect a procedure for resolution of complaints received from housing cooperatives in the Portfolio. The procedure will be publicized from time to time to all housing cooperatives in the Portfolio and posted on the Service Provider's website. The Service Provider will ensure that the procedure
  - a. is available in both official languages,
  - b. is easy to understand,
  - c. is quick,
  - d. addresses all points at issue, and
  - e. provides for an effective response to and appropriate redress for all complaints.

44. The Service Provider agrees to inform CMHC of any inquiries, requests for information or complaints (“Inquiries”) received from elected officials or their offices, or news media, that relate to CMHC and the Services under this Agreement.
45. The Service Provider shall forward all inquiries from elected officials or their offices and the news media within twelve (12) hours. CMHC will be the point of contact and spokesperson for these inquiries. The Service Provider agrees to cooperate and collaborate in the preparation of responses including the provision of and access to information related to the request within the time frames required by CMHC to meet its reporting requirements.
46. The Service Provider agrees to inform CMHC of any issues that the Service Provider anticipates may prompt inquiries from the news media or elected officials on a timely basis, and agrees to provide information related to the issue so that CMHC may be in a position to respond to related inquiries.
47. The Service Provider will respond to inquiries that may be received from the general public, CMHC, members or residents of cooperatives in the Portfolio or persons seeking to become members or residents, the cooperative housing sector, and other external Parties except for those identified in Section 46. Subject to the provisions of this Agreement, including those regarding confidentiality, information sharing, and access to information and to personal information, the Service Provider will provide information on a timely and consistent basis on matters of a factual nature, in accordance with the nature and scope of the request. Inquiries other than of a factual nature will be referred to CMHC for response.

#### **ETHICAL CONDUCT AND CONFLICT OF INTEREST**

48. The Service Provider’s board of directors will adopt and maintain in place an ethical conduct policy setting standards for the continuing conduct of Service Provider directors and employees and independent contractors acting in the Service Provider’s name. The policy will reflect the principles and guidelines for avoiding conflicts of interest set out in Schedule G. During the Term the Service Provider will amend the policy, as necessary, to reflect the best practices of non-profit organizations and to meet or exceed the standards of CMHC for conflicts of interest and standards of conduct.
49. Each director will enter into an ethical conduct agreement at the time of his or her initial appointment and on an annual basis thereafter that will require the

director to observe the ethical conduct policy; to be and remain up to date with all housing charge payments due to the co-operative if the director is a member of a housing cooperative; and otherwise conduct themselves at all times in a manner that befits their role as stewards of the Service Provider and does not bring embarrassment to the Service Provider or bring the good name of the Service Provider or CMHC into disrepute.

#### **BUSINESS INTERRUPTION AND DISASTER RECOVERY PLAN**

50. The board of directors of the Service Provider will adopt and implement a business interruption and disaster recovery plan reasonable for its needs and obligations, having regard to all the circumstances. The plan must be to the satisfaction of CMHC, acting reasonably.

#### **INSURANCE AND BONDING**

51. The Service Provider agrees to provide and maintain at all times during the Term of this Agreement, sufficient insurance coverage in an amount to be agreed to by the Parties before June 30, 2005 in light of availability, cost, and a reasonable assessment of potential liability, for commercial general liability insurance, a fidelity bond, errors and omissions insurance, and directors and officers liability insurance.

The Service Provider must provide a Certificate of Insurance to CMHC prior to July 31, 2005, confirming the above insurance policies and evidencing that coverage has been placed with Insurers licensed to conduct business in Canada. CMHC shall be a named insured under the bond and insurance policies, with the bond and policy containing a condition that CMHC shall be notified in the event of non-renewal of any one of them.

It shall be the sole responsibility of the Service Provider to decide whether or not any other insurance coverage, to the insurance requirements stipulated herein, is necessary for its own protection or to fulfill its obligations under the contract. All insurance policies shall be provided and maintained by the Service Provider at its own expense.

#### **EMPLOYEE TRANSITION**

52. The Parties will co-operate with and assist each other to effect the initial staffing of the Service Provider and to permit any employees of CMHC who wish to join the Service Provider to do so on terms suitable to all parties. The Parties

contemplate that this may include transfers of CMHC employees or secondments. The Service Provider will not place any artificial barriers in the way of employing or engaging any employee of CMHC who wishes to join the Service Provider and who meets the reasonable qualifications for employment the Service Provider has established. The Parties agree to negotiate and memorialize in good faith agreements dealing with the specifics of these arrangements in a timely way on an as-needed basis.

#### **DISAGREEMENTS BETWEEN THE PARTIES**

53. Subject to the provisions below respecting events of Material Default, the Parties will attempt in good faith to resolve any disagreement, controversy, question or claim arising out of or relating to this Agreement (a "Disagreement") promptly and through negotiation between them. As set out below, the negotiations will be conducted between senior managers or officers of each of the Parties.
54. Where either Party determines that a Disagreement exists, that party will advise the other in writing of the nature of the Disagreement and will propose a resolution. If within twenty-one (21) days after delivery of the notice the Disagreement has not been resolved to the Parties' mutual satisfaction, the Party receiving the notice will respond in writing to the other.
55. Each of the notice and the response must include:
  - a. a statement of the complaining or responding Party's position, as the case may be, and a summary of the arguments in support of that position; and
  - b. the name and title of the person who will represent the Party in the negotiation and the name and affiliation of any other person who will accompany that person.

The person appointed by each of the Parties to settle a Disagreement must be employed at a higher level of management than the person involved in the disagreement and must have the independent authority to settle the Disagreement.

56. If the Disagreement has not otherwise been resolved, within thirty (30) days after delivery of the disputing Party's initial notice, and regardless of whether the other party has responded the named representatives of each Party will meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt in good faith to resolve the Disagreement.

57. Each of the complainant and the respondent will honour all reasonable requests for information related to a Disagreement made by the other.
58. If the representatives of CMHC and the Service Provider do not meet within thirty (30) days of the disputing Party's initial notice, or if they are unable to resolve the Disagreement within sixty (60) days of the initial notice, the Disagreement will be referred to more senior managers or officers of the Service Provider and CMHC for resolution. These new representatives must be authorized to settle the Disagreement and will likewise meet to attempt to resolve the Disagreement. If no meeting of the more senior managers or officers has taken place within fifteen (15) days after the referral, or if the Disagreement has not been resolved within a further thirty (30) days from the referral to those people, either Party shall be free to take such action and commence such proceedings as it shall deem appropriate.
59. Any of the time periods set out in Articles 45 through 49 may be extended or abridged by the agreement of the Parties.

**TERMINATION AND MATERIAL DEFAULT - REMEDIES FOR NON-PERFORMANCE**

60. CMHC may upon delivery of a written notice to the Service Provider designating the termination date, terminate this Agreement for convenience, subject to payment of the applicable amounts calculated pursuant to Section 67 hereto.
61. Where a Material Default as contemplated by Section 63 arises on the part of the Service Provider. CMHC, at its sole discretion, may take the following actions, either one at a time, or any combination of them at the same time, or all of them at once:
  - a. suspend payment to the Service Provider on account of all or part of the Start-Up Fee or Annual Fee;
  - b. seize the Service Provider's records;
  - c. remove responsibility from the Service Provider for delivery of some or all of the services set out in this Agreement;
  - d. take any action, exercise any right or pursue any remedy available at law or at equity in relation to the Material Default;

- e. bring any proceedings in the nature of specific performance, injunction or other equitable remedy, it being expressly acknowledged by each of CMHC and the Service Provider that damages at law may be an inadequate remedy for a default or breach of this Agreement;
  - f. bring any legal action to recover damages;
  - g. appoint a receiver or receiver-manager;
  - h. terminate or decline to renew this Agreement and transfer the Service Provider's responsibilities back to CMHC or to another entity; or
62. Where a material default, as contemplated by Section 64 arises on the part of CMHC, the Service Provider, at its sole discretion, may take the following actions, either one at a time, or any combination of them at the same time, or all of them at once:
- a. take any action, exercise any right or pursue any remedy available at law or at equity in relation to the Material Default;
  - b. bring any proceedings in the nature of specific performance, injunction or other equitable remedy, it being expressly acknowledged by each of CMHC and the Service Provider that damages at law may be an inadequate remedy for a default or breach of this Agreement; or
  - c. bring any legal action to recover damages.
63. A Material Default on the part of the Service Provider includes but is not limited to the Service Provider
- a. becoming insolvent or bankrupt or subject to the provisions of the *Winding-Up Act* or the *Bankruptcy and Insolvency Act*;
  - b. proposing a compromise or arrangement under any legislation for the benefit of debtors;
  - c. going into liquidation, being dissolved, or having its corporate existence terminated;
  - d. either voluntarily or under an order of a court of competent jurisdiction taking any steps or proceedings respecting liquidation, dissolution or

- termination of its corporate existence;
- e. defrauding CMHC;
  - f. being in material breach of this Agreement and failing to cure such breach within thirty (30) days after receipt of written notice of such breach from CMHC.
  - g. failing to reasonably meet the objectives, performance standards and measures set out in Schedule "D";
  - h. being determined to be in Material Default, pursuant to Section 26 or 34;
  - i. amending its Articles of Incorporation, By-laws, or making any other corporate or organizational changes, including its non-profit nature and operation, any of which materially conflict with this Agreement.
64. A Material Default on the part of CMHC arises upon CMHC being in material breach of this Agreement and failing to cure such breach within sixty (60) days after receipt of written notice of such breach from the Service Provider.
65. The exercise or obtaining of any right, remedy or relief by a party in connection with this Agreement including the exercise of a right of termination shall be without prejudice to any other right, remedy or relief vested in or to which such party may be entitled at law, in equity or under this Agreement..

#### **CONTINUED PERFORMANCE**

66. Until their respective obligations under this Agreement terminate or expire in accordance with the Agreement, the Parties will continue to perform their respective obligations, including while any dispute is being resolved in the manner provided for in this Agreement.

#### **TERMINATION RIGHTS AND TRANSITION**

67. In the event of the termination or expiration of this Agreement for any reason whatsoever, the Agency shall provide such orderly termination and transition services for such period as CMHC may reasonably require up to a maximum of twelve (12) months after the date of such termination and the Parties shall comply with the provisions of Schedule "I" (Termination Transition Plan Principles) to be agreed to between the Parties by July 31, 2005. If this

Agreement is terminated by reason of CMHC's Material Default or for convenience by CMHC prior to the end of the Term, then notwithstanding Section 62, the Service Provider's sole remedy (but without prejudice to its rights to be paid for fees properly owing up to the date of termination of the Services) shall be for CMHC to pay the Service Provider reasonable amounts sufficient for the Service Provider to discharge all of its obligations to the extent directly related to:

- (i) liability, if any, relating to the termination of employees dedicated to the provision of Services under this Agreement and who are not hired by CMHC (as contemplated by Schedule "I") it being understood that the Service Provider shall give working notice to such employees at the beginning of any notice period in the case of termination for convenience by CMHC or upon the Service Provider sending notice of termination to CMHC in the case of termination by reason of CMHC's Material Default,
- (ii) premises and equipment leases used on a dedicated basis for the provision of Services under this Agreement, provided that CMHC shall not be liable in respect of payments owing by the Service Provider to the Co-operative Housing Federation of Canada for items that have been previously funded by CMHC, including those items funded under the Phase I Agreement.
- (iii) the Service Provider's information technology system, used on a dedicated basis for the provision of Services under this Agreement and to the extent not acquired by CMHC (as contemplated by Schedule "I"), up to a maximum of six(6) months' license and other payments, provided that CMHC shall not be liable in respect of payments owing by the Service Provider to the Co-operative Housing Federation of Canada for items that have been previously funded by CMHC, including those items funded under the Phase I Agreement.

The Service Provider shall use commercially reasonable efforts to minimize and mitigate the amounts claimable as a result of CMHC's Material Default or termination for convenience by CMHC. Where the Service Provider enters into any subcontract agreement, services agreement, lease or any other agreement that is dedicated to the Services, the Service Provider shall use reasonable efforts to ensure that such agreement is transferable to CMHC at no extra cost to CMHC.

68. If this Agreement is terminated for any reason, then after all liabilities and obligations of the Service Provider have been met, at the unfettered discretion of

CMHC either:

- a. the remaining assets of the Service Provider funded under this Agreement will be disposed of for their then fair value to third parties and the net proceeds delivered in a timely manner to CMHC; or
- b. the Service Provider will assign the remaining assets funded under this Agreement and the Service Provider Information to CMHC for nominal consideration.

#### **SURVIVAL**

69. The provisions of Sections 12-13, 16, 24, 27, 28, 29, 38, 40, 41, 53, 65, 67, and 68 shall survive termination or expiration of this Agreement together with such other provisions of this Agreement (including its schedules) which expressly or by their nature survive termination or expiration.

#### **HOUSE OF COMMONS**

70. No member of the House of Commons will be admitted to any share or part of this Agreement or anything relating to it or to any benefit arising from it.

#### **BINDING AGREEMENT**

71. This Agreement will be binding upon and will enure to the benefit of the Parties and their respective successors and permitted assigns.

#### **ASSIGNMENT**

72. This Agreement may not be assigned by the Service Provider without the prior express written consent of CMHC. A change of shareholder control in respect of the Service Provider shall be deemed to be an assignment requiring CMHC's consent for the purposes of this Section. It is not contemplated that any such consent would be given.

#### **INDEPENDENT CONTRACTOR**

73. The Parties agree that neither of them is in any way the legal representative or agent of the other Party, that neither has any right or authority to create any obligation on behalf of the other Party or to bind the other Party in any way, and

that neither Party is giving any guarantee or warranty whatsoever expressed or implied on behalf of the other Party. There is no partnership or joint venture between the Parties.

74. CMHC will not be responsible for the acts or omissions of anyone representing or engaged by or for the Service Provider.
75. The Service Provider may on its own account retain agents and subcontractors on reasonable terms to assist it in carrying out this Agreement.

#### **OFFICIAL LANGUAGES**

76. In carrying out this Agreement the Service Provider shall execute its Role and Services in accordance with the Official Languages Act and its Regulations (the Act) and in so doing will make available in both English and French any information originating with the Service Provider and intended to be made available to the general public and will communicate with the cooperative housing entities in the Portfolio and persons associated with them in their choice of English or French. All complaints received by the Service Provider pursuant to the Act shall be forwarded to CMHC within one (1) business day of receipt for response by CMHC. CMHC shall have the right to monitor the Services provided by the Service Provider in both official languages.

#### **CMHC IDENTIFICATION**

77. The Service Provider may only use any of the name, logo, initials, copyright symbol or other identifying symbols of CMHC with the express written consent of CMHC. All use of any of them must comply with the CMHC branding and Federal Identity Program guidelines, as adopted and amended by CMHC from time to time.

#### **FEDERAL VISIBILITY**

78. Publicity, communications and information distributed by the Service Provider to the general public, cooperatives and members of cooperatives, other than correspondence between the Service Provider and a cooperative related to administrative Services performed under this Agreement, shall contain a CMHC approved reference to the role and support provided by the Federal Government, through CMHC to the Programs. The Service Provider shall ensure that any announcement, notification including but not limited to official announcements, news releases or events, speeches, signages, print and electronic (web)

information published by the Service Provider that are outside factual programmatic matters and like communications related to its Services under the Agreement shall be provided to CMHC for approval, a minimum of fifteen (15) days, in advance of their release to the public. Where appropriate and under the direction of CMHC, the CMHC and/or the Government of Canada logo shall appear in accordance with CMHC branding and Federal Identity Program guidelines.

## **NOTICES**

79. All notices under this Agreement will be in writing and delivered by hand to the Parties at the following addresses:

CMHC at: Canada Mortgage and Housing Corporation  
Attention: President  
700 Montreal Road  
Ottawa, Ontario K1A 0P7  
Fax: (613) 748-2067

Service Provider at: Co-operative Housing Programs Administration  
Agency of Canada  
Attention: President  
225 Metcalfe Street, Suite 311  
Ottawa, Ontario K2P 1P9  
Fax: (613) 230-2231

or at such other address in Canada as either Party may stipulate for itself in writing to the other.

80. Any notice given under this Agreement must be given on a day other than a Saturday, Sunday or public holiday.

## **NO WAIVER**

81. No waiver by either Party of any violation of this Agreement will be effective unless in writing and signed by that Party. No waiver will be inferred from or implied by any failure to act or delay in acting by either Party in respect of any violation or anything done by the other Party. The waiver by either Party of any violation of this Agreement will not operate as a waiver of that Party's rights in respect of any continuing or subsequent violation, whether of the same or any other nature.

82. This agreement does not have the effect of waiving or forgiving any of the parties' rights or obligations under the Phase I Agreement.

**TIME OF ESSENCE**

83. Time is and shall be of the essence for this Agreement.

**AMENDMENT**

84. This Agreement may only be amended by the written agreement of the Parties.

**GOVERNING LAW**

85. The law of the Province of Ontario and of Canada applicable in Ontario will govern all issues concerning the construction, validity and interpretation of this Agreement. Each of the Parties agrees to submit to the jurisdiction of the courts of the Province of Ontario in any action or proceeding arising out of or relating to this Agreement.

**SEVERABILITY**

86. If any provision of this Agreement is held invalid or unenforceable for any reason, such invalidity shall not affect the validity of the remaining provisions of this Agreement, and the Parties shall substitute for the invalid provision a valid provision which most closely approximates the intent and economic effect of the invalid provision.

**GENDER, NUMBER, ETC.**

87. In this Agreement, words importing the singular include the plural and vice versa, and words importing gender include all genders.

**ARTICLE AND SECTION HEADINGS**

88. The insertion of headings and the division of this Agreement into Articles and Sections are for convenience of reference only and shall not affect the interpretation hereof. The words "hereof", "hereunder", "hereto" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion of this Agreement.

## **GENERAL INTERPRETATION**

89. The use of the terms “including” or “include” will in all cases herein mean “including, without limitation” or “include, without limitation”, respectively. The Parties acknowledge and agree that they have mutually negotiated the terms and conditions of this Agreement and that any provision contained herein with respect to which an issue of interpretation or construction arises will not be construed to the detriment of the drafter on the basis that such Party was the drafter, but will be construed according to the intent of the Parties as evidenced by the entire Agreement.

## **ENTIRE AGREEMENT**

90. This Agreement, including the Background recorded at the beginning and all of the attached Schedules, constitutes the entire Agreement between the Parties, contains all representations and warranties of each of them to the other, and supersedes any prior agreement, whether written or oral.

## **SCHEDULES**

91. The following schedules as attached to this Agreement or as will be appended on the dates indicated form part of this Agreement:
- A. Portfolio
  - B. Scope of Service Provider Services and Authority
  - C. Service Migration Plan
  - D. Service Provider Objectives, Performance Standards and Measures
  - E. Specific Arrangements for Initial Transfer of Responsibilities to Service Provider
  - F. Change Request Process
  - G. Conflict of Interest Principles and Guidelines
  - H. Procurement Objectives and Values
  - I. Termination Transition Plan Principles
  - J. Fees
  - K. Scope of Future Services
92. To the extent that any of the Schedules have been attached marked “draft” or a completion date is indicated, the Parties shall act reasonably and in good faith to finalize such Schedules according to the timelines indicated in this Agreement or, if not so indicated, as soon as reasonably practicable. The Schedules so finalized shall be consistent with the principles stated in this Agreement. Once

finalized each such schedule shall be signed by both parties and appended to this Agreement whereupon such schedule shall constitute a binding part of this Agreement. If, notwithstanding the foregoing provisions, there is a Disagreement between the Parties concerning incomplete Schedules that is not resolved by following the process for Disagreements set out in Sections 53 through 59 of this Agreement, then, notwithstanding Section 59 of this Agreement, the Parties shall follow a mediation process equivalent to that set out at the end of in Section 8 of this Agreement. Subject to this Section, the provisions relating to ratification, rejection and termination in Section 8 shall apply in the same manner as if the Disagreement involved a Fee Proposal.

### **FUTURE SERVICES**

93. Provided that objectives and performance standards and measures set out in Schedule "D" are met to the satisfaction of CMHC, the Parties acknowledge that it is their common intent, acting in good faith and using their best efforts, to arrange for the Service Provider to provide additional services in the future , with the services contemplated as set out in Schedule "K".

This Agreement is executed by the Parties by their duly authorized representatives:

At Ottawa, Ontario, on \_\_\_\_\_ 2005

CANADA MORTGAGE AND  
HOUSING CORPORATION

\_\_\_\_\_  
The Honourable Joseph Frank Fontana  
Minister of Labour  
Minister for Canada Mortgage and Housing  
Corporation and the National Housing Act

Per \_\_\_\_\_  
Karen Kinsley  
President

At Ottawa, Ontario, on \_\_\_\_\_ 2005

CO-OPERATIVE HOUSING  
PROGRAMS ADMINISTRATION  
AGENCY OF CANADA

Per \_\_\_\_\_  
Ray Hession  
President  
(Corporate Seal)

## **SCHEDULE B: SERVICE PROVIDER SCOPE OF SERVICES AND AUTHORITY**

Subject to the terms and conditions of this Agreement, the Service Provider will perform the services set out below.

The Service Provider will operate within the accountability framework established through this Agreement, while possessing the authority it needs in order to perform its duties efficiently and effectively on CMHC's behalf. The Service Provider and CMHC will make every effort to develop and maintain a co-operative working relationship. Consistent with this, where one Party is required to provide information, advice or approvals to the other, that Party will act in a timely way, allowing the other to perform its responsibilities fully, in the best interests of both the Program clients and the public.

### **SUMMARY OF SERVICES TO BE PROVIDED**

In support of the administration of the Portfolio the Service Provider will

- provide information to Program clients and others on the Programs, CMHC Policies and Guidelines, and the Service Provider's practices;
- monitor and seek compliance with project Operating Agreements;
- assess and take action to mitigate the risks to CMHC associated with the Portfolio;
- provide default prevention services to the Portfolio;
- provide default management services to the Portfolio;

### **LIMITATIONS ON SERVICES**

#### **Policy**

In performing the Services the Service Provider will not

- assume the role of the federal government in determining housing policy;
- make changes to
  - the graduated occupancy charge schedule
  - the definition of income
  - the income ceiling for eligible households, other than annual adjustments in accordance with the Guidelines
  - acceptable securities for the investment of subsidy surplus fund assets
  - acceptable securities for the investment of replacement reserve fund assets or other matters over which CMHC has policy discretion under its Operating Agreements with housing cooperatives;

- ❑ have the authority to change Portfolio administration and default management policies (the "CMHC Policies"),<sup>1</sup> except with the explicit agreement of CMHC.

The Service Provider will give advice to CMHC on the CMHC Policies, as may be appropriate, but decisions to change the CMHC Policies will rest with CMHC.

### **Program Guidelines**

Before the Service Provider assumes responsibility for administering the Portfolio, CMHC and CHF Canada will review all existing CMHC guidelines governing the Programs to be administered (the "Guidelines") and agree on any changes to the Guidelines that may be necessary in light of the Service Provider's planned business model, including its emphasis on plain-language communications. The Service Provider will not make substantive changes to the Guidelines afterwards without CMHC's consent.

### **Loans Administration**

The Service Provider will monitor loan repayments as part of its risk and default management activities, but will not otherwise administer mortgage loans within the Portfolio or liaise with insured lenders, unless requested to do so by CMHC.

### **Projects in Difficulty**

The Service Provider will not have the authority to

- ❑ approve CMHC's financial participation in project workouts
- ❑ approve workout repayment terms and conditions;
- ❑ authorize CMHC loan advances to projects;
- ❑ approve project termination implementation strategies and communication plans;
- ❑ adjust or settle loan insurance claims from lenders;
- ❑ approve project sales or partial sales;
- ❑ approve new project borrowings from or insured by CMHC;
- ❑ approve other project borrowings secured by an encumbrance against the project land or buildings;
- ❑ discontinue federal assistance to a project in difficulty in the Portfolio without the explicit agreement of CMHC.

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<sup>1</sup> Portfolio administration policy is the body of policy that guides CMHC's management of the Programs. An example is the policy on the treatment of net revenues in the Section 95 Program (Pre-86). Default management policy governs CMHC's management of loan defaults and financial workouts.

## **SCOPE AND AUTHORITY**

### **Providing information to Program clients and others on the Programs, CMHC Policies and Guidelines, and the Service Provider's practices**

1. The Service Provider will provide a Web-based plain-language information service in support of its administration of the Programs. It will receive and respond, through appropriate media, to specific information requests from housing cooperatives, the general public, professionals providing services to housing cooperatives in the Portfolio, and service providers in the cooperative housing sector.
2. Following each annual review, the Service Provider will provide each cooperative in the Portfolio with the results of its financial review and risk analysis for the cooperative, in an accessible and understandable form. The report will include a comparative analysis of the coop's performance against its own past performance and the current performance of its peers. Throughout the year, cooperatives will have Web access to the Service Provider's analyses and other information on their projects.

#### Authority:

Except as set out in this Agreement, the Service Provider will have the authority to respond to all enquiries and requests for information made directly to it or referred to it by CMHC, ensuring that it complies with all applicable privacy laws and confidentiality requirements. It will consult with CMHC before responding to formal access-to-information requests. Where the law or this Agreement may require, the Service Provider will obtain CMHC's approval of its response or forward the request to CMHC for response.

### **Monitoring and seeking compliance with project Operating Agreements**

1. The Service Provider will seek to ensure the compliance of housing cooperatives in the Portfolio with the project Operating Agreements they have entered into with CMHC, the Guidelines and CMHC Policies. It will provide information on Program requirements and communicate with housing cooperatives to support compliance.
2. The Service Provider will provide approvals to cooperatives under project Operating Agreements, as necessary, in accordance with the Guidelines. Examples are the approval of replacement reserve expenditures that are not pre-authorized under the agreement, approval of replacement reserve plans and contribution levels, and approval of operating budgets for projects with Operating Agreements or workout agreements in which the right of budget approval is reserved to CMHC.

3. The Service Provider will obtain an annual information return from each cooperative in the Portfolio, as well as the cooperative's audited financial statements, and, in the case of cooperatives with funding under the Pre-1986 Section 95 Program, a reconciliation of income-tested assistance allocated to households during the year. The annual information return and assistance reconciliation will be in a form acceptable to CMHC.
4. For cooperatives funded under the Pre-1986 Section 95 Program the Service Provider will undertake a reconciliation of federal assistance through the review of the annual information return, audited financial statements and reconciliation of income-tested assistance form and provide to CMHC a recommendation for any subsidy adjustments that may be required. The recommendation will be supported by the documentation submitted by the cooperative and the Service Provider's working papers in sufficient detail to allow CMHC to confirm and make the subsidy adjustment.
5. The Service Provider will carry out a visual inspection of site and building conditions at each project in the Portfolio at least once every two years to determine the standard of care of the property and its general state of repair. If the inspection of interior and exterior common areas indicates an inadequate state of repair, the Service Provider may undertake an inspection of a sample of individual units.
6. From the annual information returns and other evidence available to it, such as physical inspection reports, complaints and periodic communications with cooperatives, the Service Provider will seek to identify any breaches of the financial or other terms of project Operating Agreements.
7. The Service Provider may carry out an on-site review, as necessary, in instances where a project's compliance with the terms of its Operating Agreement is in doubt.
8. The Service Provider will advise cooperatives of identified Operating Agreement breaches and the requirement to cure them, following up as appropriate to ensure the project returns to full compliance.
9. The Service Provider will produce an annual operating-agreement compliance report for each project and share it with the cooperative.
10. The Service Provider will provide CMHC with periodic Program and Portfolio-wide compliance performance reports and, through a secure website, with the names of cooperatives that are in breach of their Operating Agreements. Serious agreement breaches will be reported directly to CMHC as soon as known.

Authority:

1. The Service Provider will obtain CMHC's agreement prior to obtaining or applying independent legal advice on the interpretation of project Operating Agreements.
2. Where the Service Provider believes it necessary to invoke one or more of the remedies available under the Operating Agreement or at law in order to obtain Operating Agreement compliance it will so advise CMHC and together CMHC and the Service Provider will agree on the appropriate action to be taken. Such remedies include, depending on the Program, suspension of federal assistance, the repayment of the Subsidy Surplus Fund, action for specific performance and the appointment of a receiver, whether court-ordered or not.

**Assessing and taking action to mitigate the risks to CMHC associated with the Portfolio**

1. The Service Provider will perform the activities necessary to identify and intervene with cooperatives facing actual or emerging financial, physical, or operational difficulties that, if not corrected, could impair their ability, on a continuing basis, to meet their financial obligations as they fall due.
2. The Service Provider will monitor the repayment of mortgage loans by cooperatives in the Portfolio, obtaining information on projects in arrears from CMHC.
3. The Service Provider will perform a systematic risk analysis of each cooperative in the Portfolio upon receipt of the coop's annual information return.<sup>2</sup> It will perform additional, interim reviews as circumstances may require. The Service Provider will classify cooperatives according to the degree of risk they represent and follow up with the coops in accordance with its established protocols, in order to mitigate identified risks.
4. The Service Provider will carry out on-site examinations of cooperatives' operations and detailed property inspections as necessary, including inspections of unit interiors, to support its risk management activities.
5. The Service Provider will submit periodic Program and Portfolio-wide risk management reports to CMHC and, through a secure website, will provide CMHC with access at all times to a list of projects in each established risk category. Projects in the high-risk category will be reported directly to CMHC as soon as identified.

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<sup>2</sup> The same data collected through the review of cooperatives' annual returns will be used to conduct a formal performance benchmarking service. Although that service is planned to begin only in a later phase, it is expected that before then, when advising Program clients, Service Provider staff will make considerable informal use of the comparative data the risk-management system will make available.

Authority:

The Service Provider will carry out project risk analyses. After appropriate consultation with CMHC, the board of directors of the Service Provider may approve changes to the risk analysis model employed and the supervisory and intervention protocols for at-risk projects.

**Providing default prevention services to the Portfolio**

1. The Service Provider will carry out an analysis of each project that is in default of its mortgage repayment obligations or is at risk of defaulting if corrective action is not taken. The analysis will be carried out using CMHC's analytical model and decision framework for the analysis of housing cooperatives in difficulty, which CMHC may modify from time to time. The Service Provider will give advice to CMHC on the framework, as may be appropriate.
2. The Service Provider will refer projects with funding under the Federal Co-operative Housing (ILM) Program that are experiencing financial difficulty to the Federal Co-operative Housing Stabilization Fund for assistance.

**Providing default management services to the Portfolio**

1. The Service Provider will develop for CMHC's approval responsible recommendations for financial workouts<sup>3</sup> or terminations of projects in serious financial difficulty in accordance with CMHC Policies.
2. Where assistance from the Federal Co-operative Housing Stabilization Fund is indicated, either from the Stabilization Fund alone or in conjunction with CMHC, the Service Provider will assist the Fund in obtaining the information it requires on the project.
3. The Service Provider will implement approved financial workouts and administer workout agreements with cooperatives, acting to ensure the successful completion of the workout and the cooperative's compliance with the workout terms.
4. Prior to the end of the planned workout period, the Service Provider will make a recommendation to CMHC regarding repayment of the workout loan or other action.

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<sup>3</sup> Financial workouts may include second-mortgage loans, payment deferrals or other special payment arrangements, extensions of the amortization period of the existing first-mortgage loan, provision of Enhanced Assistance or other CMHC assistance, loan increase, or partial sale of the property, or other techniques to avoid or cure a loan default and to facilitate the return of a project to financial health.

5. Where a project termination is approved, the Service Provider will develop a communication plan and strategy for protecting assisted households and will implement the termination according to a plan approved by CMHC .
6. The Service Provider will monitor the repayment of workout loans.

Authority:

The Service Provider will perform analyses of projects in default or serious financial difficulty, using CMHC's analytical model and decision framework and, following CMHC Policies, will recommend financial workouts or project terminations to CMHC.

## **SCHEDULE K: SERVICE PROVIDER SCOPE OF FUTURE SERVICES AND AUTHORITY - FUTURE PHASES**

Should the Parties proceed with their expressed intent to contract for further services, it is expected that the future phases would include the Services outlined below.

### **SUMMARY OF SERVICES TO BE PROVIDED**

In support of the administration of the Portfolio the Service Provider will

- manage cooperative housing rent supplement programs currently administered by CMHC, with the concurrence of the province where the province is a program funding partner<sup>4</sup>;
- administer federal assistance to the Portfolio;
- approve and administer Additional Financial Contributions (AFC) to eligible projects;<sup>5</sup>
- provide a benchmarking and best practices service for cooperatives in the Portfolio.

### **LIMITATIONS ON SERVICES**

#### **Policy**

In performing the Services the Service Provider will not

- have the authority to change Portfolio administration policies governing the Rent Supplement Programs except with the explicit agreement of CMHC.

The Service Provider will give advice to CMHC on the Rent Supplement Programs, as may be appropriate, but decisions to change the Program policies will rest with CMHC.

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<sup>4</sup> CMHC administers cooperative rent supplement programs in Alberta, Ontario and PEI. Programs in the other provinces are provincially administered.

<sup>5</sup> AFC refers to a program of CMHC assistance offered to housing cooperatives funded under the 1979 – 1985 S95 Program who are experiencing a shortfall of income-tested assistance following the renewal of their mortgage at a lower interest rate and who meet specific eligibility criteria.

## **Program Guidelines**

Before the Service Provider assumes responsibility for administering the Portfolio, CMHC and CHF Canada will review all existing CMHC guidelines governing the Rent Supplement Programs to be administered (the "Rent Supplement Guidelines") and agree on any changes to them that may be necessary to reflect the Service Provider's emphasis on plain-language communications. Final authority for approval of the guidelines rests with CMHC. The Service Provider will not make substantive changes to the Rent Supplement Guidelines afterwards without CMHC's consent.

## **Management of Program Funds**

From the time that it assumes responsibility for administering federal assistance to the Portfolio and managing the rent supplement programs, the Service Provider will forward payment directions to CMHC in respect of each project receiving assistance under any of the Programs and the rent supplement programs. It will not hold the federal operating subsidies or rent supplement moneys at any point.

## **SCOPE AND AUTHORITY**

### **Managing cooperative housing rent supplement programs currently administered by CMHC, with the concurrence of the province where the province is a program funding partner**

1. The Service Provider will administer the rent supplement programs to which housing cooperatives in the Portfolio have access, in those provinces where CMHC currently administers those programs, in accordance with rent supplement program guidelines, agreements and policies.
2. The Service Provider will calculate all required rent supplement payments to projects, in accordance with the rent supplement program guidelines and agreements, and process adjustments, suspensions and reinstatements.
3. The Service Provider will remit a monthly rent supplement payment requisition to CMHC for each project in the program. CMHC will make rent supplement payments directly to the cooperatives, using its electronic funds transfer capability.
4. The Service Provider will prepare renewals of rent supplement agreements prior to their expiry and will act to ensure the timely execution of the agreements by participating housing cooperatives.
5. The Service Provider will respond to requests for information about the rent supplement programs from housing cooperatives in the Portfolio.

6. The Service Provider will maintain rent supplement program data in its database and analyse and report project and program-wide data to CMHC, as required.

Authority:

The Service Provider will advise CMHC of all project-level rent supplement payments and adjustments required in accordance with project rent supplement agreements and program guidelines. It may decline payment of rent supplement claims that are not in compliance with rent supplement agreements and guidelines but will otherwise suspend payment of rent supplements only with CMHC's consent.

**Administering federal assistance to the Portfolio**

1. The Service Provider will administer project-level subsidies in accordance with the Operating Agreements, CMHC Policies and Guidelines. It will calculate subsidies payable and process adjustments, suspensions and reinstatements.
2. The Service Provider will remit a monthly subsidy adjustment requisition to CMHC. CMHC will make subsidy payments directly to the cooperatives, using its electronic funds transfer capability, and, acting upon the Service Provider's requisition, adjust the payments as required.
3. On behalf of CMHC, the Service Provider will ensure the recovery and remittance to CMHC of unused federal assistance from Section 95 cooperatives, in accordance with the Operating Agreements, CMHC Policies and Guidelines.
4. The Service Provider will respond to requests for information about Program subsidies from housing cooperatives in the Portfolio.
5. The Service Provider will keep current subsidy data in its information system for each administered project in receipt of assistance and will analyse and report Program and Portfolio-wide data to CMHC, as required.

Authority:

The Service Provider will advise CMHC of all payments of and adjustments to project subsidies required in accordance with the Operating Agreements, CMHC Policies and Guidelines. It may suspend, with CMHC's consent, and restore subsidy payments in accordance with Program authorities.

### **Approving and administering Additional Financial Contributions (AFC) to eligible projects**

1. The Service Provider will provide information to Section 95 housing cooperatives on the effects of a change in interest rate on mortgage rollover and receive, process and approve applications for an Additional Financial Contribution from CMHC, in accordance with the Guidelines.

#### Authority:

The Service Provider will review and approve or reject applications for AFC, in accordance with the Guidelines.

### **Providing a benchmarking and best practices service for projects in the Portfolio**

1. From the data it obtains through the annual information returns, the Service Provider will develop and share with the Portfolio and with CMHC financial and other performance benchmarks for measurable aspects of project health. Benchmarks will be developed for the Portfolio as a whole and for identified cohort groups within the Portfolio, including Program cohorts. Comparisons to external benchmarks will be made where available. The Service Provider will provide advice to cooperatives on how to conduct their own benchmarking activities and to plan for superior performance.
2. The Service Provider's best-practices unit will identify superior performers among cooperatives in the Portfolio and, with their voluntary co-operation, gather in-depth information on their operations. The Service Provider will share information on the reasons for the cooperatives' success with other cooperatives in the Portfolio and will facilitate networking among cooperatives who wish to share best-practices information with each other.