

Southern Interior
DEVELOPMENT INITIATIVE TRUST

**BYLAW
AND
POLICY
MANUAL**

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1.0 Bylaws

Bylaw No. 1, being a bylaw to regulate the proceedings of the Southern Interior Development Initiative Trust (the “Trust”).

Membership of the Southern Interior Development Initiative Trust

1. Appointment of Directors

Directors of the Southern Interior Development Initiative Trust must be appointed in accordance with Division 2 of the enabling legislation, and consists of 13 individuals of whom:

- (a) 8 are to be appointed by the Regional Advisory Committees, with each of the 2 Regional Advisory Committees appointing 4 of their number as Directors, and
- (b) 5 are to be appointed by the Lieutenant Governor in Council.

The term of office of a Director of the Southern Interior Development Initiative Trust is:

- (a) Two years from the expiry of the term of the retiring Director that he or she replaces, if the Director is appointed by a Regional Advisory Committee and
- (b) Three years from the expiry of the term of the retiring Director whom he or she replaces, if the Director is appointed by the Lieutenant Governor in Council.

On or before the expiry of the term of any Director, the Regional Advisory Committee or the Lieutenant Governor in Council responsible for the appointment of such Director, shall appoint a replacement and must promptly notify the Directors of the Southern Interior Development Initiative Trust of those replacement appointments.

An individual who is a Member of the Legislative Assembly must not be appointed as a Director of the Southern Interior Development Initiative Trust.

2. Vacancies among the Directors

A Director of the Southern Interior Development Initiative Trust ceases to hold office when:

- (a) the Director's term of office expires,
- (b) the Director ceases to be a member of the Regional Advisory Committee by which he or she was appointed; or

(c) the Director dies, resigns or is removed from office.

If one of the Directors of the Southern Interior Development Initiative Trust ceases to hold office, a replacement for that Director must be appointed in the same manner as that Director was appointed.

A replacement Director appointed under this section holds office until the end of the term of the Director he or she replaces.

3. Removal and Replacement of Directors

A Regional Advisory Committee may remove and replace, in accordance with any procedures it has established for that purpose, any Director it has appointed to the Southern Interior Development Initiative Trust.

The Lieutenant Governor in Council may remove and replace any Director the Lieutenant Governor in Council has appointed to the Southern Interior Development Initiative Trust.

If a Director is removed and replaced, the Regional Advisory Committee or the Lieutenant Governor in Council, as the case may be, must promptly notify the Directors of the Southern Interior Development Initiative Trust of the replacement appointment. The term of office of the replacement Director is the remainder of the term of the Director he or she replaces.

A Director of the Southern Interior Development Initiative Trust may be removed as, and ceases to be, a Director of the Southern Interior Development Initiative Trust on the passing of a resolution to that effect by all of the remaining Directors.

An act or proceeding of the Directors of the Southern Interior Development Initiative Trust is not invalid merely due to fewer than 13 Directors being in office or in attendance.

4. Remuneration of Directors

A Director of the Southern Interior Development Initiative Trust must not accept remuneration from the corporation other than for reasonable travelling and out of pocket expenses necessarily incurred by the Director in discharging his or her duties, as outlined in policy.

Proceedings of the Meetings of the Southern Interior Development Initiative Trust

5. Meetings

The Trust will meet at least four times per year including one public meeting annually, at such date and location deemed appropriate by the Trust.

All regular meetings of the Trust shall take place at such times and locations as the Chair may determine and notice of such meetings shall be provided by email or fax to each Director at least one week in advance.

Meetings of the Trust may be conducted by means of audio, visual and audio, electronic or other communications facilities.

Any seven Directors of the Trust may at any time, by notice in writing directed to the Chair, require a meeting to be called, and the Chair shall within two weeks set a date for a meeting which shall be held no later than thirty days from the date of such notice directed to the Chair;

Board meetings shall generally not be open to the public, with the exception of the Annual General Meeting.

Meeting procedures will be generally set by policy subject to provisions of the Southern Interior Development Initiative Trust Act.

6. Annual General Meeting

The Annual General Meeting will be held no later than July 15 of each year.

At the Annual General Meeting to be held in each year, the Directors of the Trust shall elect one of their number as Chair and one of their number as Vice Chair to hold office until a successor or successors are elected, and for this purpose each Director shall have one vote.

The Trust may establish a Management Committee of Directors, one of which must be the Chair or Vice Chair. A minimum of two additional members shall be elected.

The Trust will also elect both a Finance Committee and Audit Committee each composed of three to four Directors;

The Auditor's Report and the Annual Report will be received at the Annual General Meeting.

7. Quorum

A majority of the Directors constitute a quorum for the transaction of the business of the Trust including electronic vote. If a quorum is lost during a meeting, no decisions will be made although the group can continue with the agenda and make recommendations for issues to be conducted via electronic vote;

All Bylaws and resolutions of the Trust shall be decided by a majority of the votes of the Directors who are at the meeting and entitled to vote thereon;

In all cases where the votes of the Directors present are equal for and against the question of a motion, the motion shall be deemed defeated.

8. Minutes

The minutes of the proceedings of all meetings of the Trust shall be drawn up and entered in a book to be kept for that purpose, and shall be certified as correct by the Chair or other Director presiding at the

next meeting at which they are adopted. A summary of the minutes shall be available for inspection at all reasonable times.

9. Opening Proceedings

Call to Order: As soon after the hour of the meeting as there shall be a quorum present, the Chair shall call the Directors to order.

Non-Attendance of Chair: In the event the Chair or Vice Chair does not attend within fifteen minutes after the time appointed for the meeting, a member of the Management Committee shall call the Directors to order and if a quorum is present, the chairman shall be chosen who shall preside during the meeting or until the arrival of the Chair or Vice Chair.

No quorum after fifteen minutes – adjournment: In the event there shall be no quorum present within fifteen minutes after the time appointed for the meeting, the Secretary shall record the names of the Directors present and the Trust shall then stand adjourned for that meeting.

10. Reading the Minutes

Immediately after the Chair has taken Chair of the meeting, the minutes of the preceding meeting which shall have been previously circularized, shall be considered for adoption as written, and any mistake therein may be corrected in the adoption of the minutes by the Trust.

11. Duties of the Presiding Chair

The Chair, if present, shall preside at all meetings of the Trust and shall have voting rights.

12. Duties of the Vice Chair

The Vice Chair shall assume the duties and responsibilities of the Chair during his/her absence.

13. Points of Order

The Chair shall preserve order and decide all points of order which may arise, but subject to appeal from the other Directors of the Trust.

14. Appeal from Decision

If an appeal be taken by a Director of the Trust from a decision of the Chair, the question shall be immediately put to him, and decided without debate; "shall the Chair be sustained?". The Chair shall be governed by the vote of the majority of the Directors of the Trust (exclusive of the Chair), and the names of the Directors voting for or against the question shall be recorded in the minutes. In the event of the votes being equal, the question shall pass in the affirmative.

15. Agenda

The Secretary to the Board shall distribute, prior to each meeting, an agenda outlining the business to be transacted at the meeting.

The Chair shall have the right to add items of business if in his or her opinion such additional items shall be in the best interests of the Trust.

16. Resolutions

All resolutions shall be regularly moved and seconded, and the Chair shall declare the motion to be put and also declare the mover and seconder.

A resolution that is approved in writing or by facsimile, telephone, video conferencing, or electronic mail by a majority of the Directors is as valid as if it were passed at a meeting of the Directors properly called and constituted;

Every Director present when the question is put shall vote, and any Director who abstains from voting shall be deemed to have voted in the affirmative.

If a Director disagrees with a particular course of action and is not content to have the record imply a consensus on the matter, that Director should request that his or her dissent should be shown in the minutes.

17. Voting

No member shall speak upon any motion or question more than once, save as hereinafter provided. After the motion has been made and seconded, or a question properly put before the meeting, the mover of the motion or the member putting the question to the Trust shall be allowed to speak upon it and thereafter all members who so desire may speak upon the motion or question and when all members have spoken, or such members of the Trust as may wish to speak upon the question or motion, the mover of the motion or the member raising the question shall be allowed a reply but shall be confined to replying to matter and things raised by other members of the Trust and when the mover of such motion or the members has put such question to the Trust has been heard in reply, the motion or question shall be put to a vote.

After the question is finally put by the Chair of the meeting, no member shall speak to the question nor shall any other motion be made until after the result of the vote has been declared and the decision of the Chair of the meeting as to whether the question has been finally put and as to the outcome of any vote thereon, shall be conclusive.

Every member, including the Chair, who shall be present when the question is put, shall vote and any member when present who abstains from voting shall be deemed to have voted in the affirmative.

Any matter to be determined by the Board may be determined by electronic vote provided that a majority of the then Directors submit a vote by the voting deadline. Only votes submitted will be counted.

18. Motion to Commit

A motion for commitment, until it be decided, shall preclude all amendment of the main question.

19. Motions Allowed During Debate

When a question is under consideration, no motion shall be received unless:

- (a) To commit;
- (b) To amend;
- (c) To lay on the table;
- (d) To postpone indefinitely;
- (e) To postpone to a certain time;
- (f) To move the previous question
- (g) To adjourn.

20. Order of Precedence

These several motions shall be precedence in the order in which they are named in Section 19 and the last five shall be neither amendable nor debatable.

21. Motion to Adjourn

The motion to adjourn the Trust or to adjourn the debate shall always be in order, but if such motion be defeated, no second motion to the same effect shall be introduced until after some other business or proceedings shall have been dealt with and there shall be no debate permitted upon a motion to adjourn and upon a motion to adjourn being moved and seconded, question thereon shall be put forthwith and determined.

22. Amendments in General

Moving Amendments: - A member shall have the right of moving an amendment to a motion without giving notice thereof.

The amendment may propose:

- a. To leave out certain words;
- b. To leave out certain words and to insert or add others;
- c. To insert or add certain words.

23. Amendment Failed

Only one amendment shall be allowed to an amendment, as an amendment once failed by the Trust cannot be proposed a second time.

24. Motions Ruled Out of Order

Whenever the Chair is of opinion that a motion offered by the Trust is contrary to the rules and privileges of the Trust, he shall immediately apprise the Trust of the same and before putting the question thereof, he shall if requested by any member of the Trust, cite the rule or authority applicable to the case. No argument or comment shall ensue, except an appeal to the Trust as provided by Section 14 hereof.

25. Division of a Question

When the question under consideration contains distinct propositions, upon the request of any member of the Trust, the vote upon each proposition shall be taken separately.

26. Reconsideration

Motion to Rescind

A motion to rescind a resolution passed by the Trust may be made at any time but only by a member of the Trust who declared that he voted in the affirmative when such resolution was passed.

After any question except one of indefinite postponement has been decided any member may at a first meeting held thereafter move for a reconsideration thereof but no discussion of the main question shall be allowed and no debate had thereon unless the motion to reconsider has been adopted.

27. Privilege

Whenever a matter of privilege arises, it shall be immediately taken into consideration.

28. Proceedings Relating to the Passage of Bylaws

No Bylaw shall be introduced either in blank or in an incomplete form. Every Bylaw shall be printed or typewritten before it is introduced and each member of the Trust shall be provided with a copy thereof. Every Bylaw shall be introduced upon motion duly seconded by the question "Bylaw No. be now introduced and passed by the Southern Interior Development Initiative Trust", and upon this motion being carried, the Bylaw second motion either at the same meeting or a subsequent meeting where the question is "Bylaw No. be now reconsidered and adopted by the Southern Interior Development Initiative Trust". There shall be no amendments on the motion to reconsider and finally adopt the Bylaw.

29. Seal and Signature of the Chair

Every Bylaw shall be under the Seal of the Trust and shall be signed by the Chairman or by the person legally presiding at the meeting at which the Bylaw has been passed.

30. Unprovided Matters

In all matters relating to procedure not expressly provided for in this procedure Bylaw, the provisions of the Southern Interior Development Initiative Trust Act relating to proceedings shall be followed and applied insofar as the same shall be applicable. In all other unprovided cases, in the proceedings of the Trust, the provisions of “Roberts Rules of Order” insofar as the same shall be applicable, shall be followed and applied.

31. Amendment of the Bylaw

This Procedure Bylaw shall not be altered or amended except by Bylaw passed at a regular meeting of the Trust pursuant to the notice in writing in the agenda package of the meeting.

32. Review of the Southern Interior Development Initiative Trust Act

Every five years from the establishment of the Southern Interior Development Initiative Trust Act, the Directors must appoint a committee of qualified individuals to review the Act and evaluate how it is functioning. The review committee may consult with business, labour, education providers, government and any other person or organization it considers appropriate. The review committee must publish a report of its findings in a public manner.

Adopted by the Board of Directors of the Southern Interior Development Initiative Trust

Policy 1.0 Revised: November 4, 2009

Chair on behalf of the Board

2.0 Governance Policies

2.01 Governance and Governance Assessment

This policy is designed to demonstrate the Southern Interior Development Initiative Trust's (may be referred to as the "Corporation" or the "Trust") obligation to model high standards of accountability. For the purposes of this policy, governance shall be defined as "the act of governing – providing leadership, direction and ensuring sound management."

Once appointed to the board of Directors, the Board as collective, rather than individual Directors has the power and obligation to manage the affairs of the Corporation.

Board responsibilities and due diligence

Board members are expected to exercise due diligence in carrying out their general responsibilities.

Due diligence is defined as:

Directors will ensure that practices and decisions are without suspicion and influence, while avoiding any appearance of impropriety, which may raise concerns within the organization or external to the organization. Board members will sign and commit to the Conflict of Interest and Confidentiality Agreement.

Directors will be informed on the incorporating legislation, bylaws, mission, and all policies.

Directors will be informed on Board activities and general trends in community economic development.

Directors will attend all Board meetings in person, commit to serve on a committee(s) and contributing to the work of the Board.

Directors will exercise care, diligence and skill that a prudent person would show in similar circumstances.

Directors will offer personal perspectives on issues, but not represent any community or business interest, but rather the interests of the Trust area as a whole.

Directors will remain unified with fellow Directors in support of a decision that has been made.

Directors will work with staff on committees and respect and separate roles of Board and staff.

Fiduciary duty

A Director's fiduciary duty is the cornerstone of his or her relationship with the Trust corporation. It is the requirement that Directors act honestly and in good faith with a view to the best interests of the corporation.

The legal impetus for characterizing the Director's relationship with the Trust as being fiduciary in nature stems from the need for the public to be confident that the members of the board and

management team will not manipulate the Trust for their own benefit. The fiduciary duty brings with it an obligation to prefer the interests of the Trust to those of any other person or constituency. It also prevents the Director from disclosing confidential information about the Trust.

The Trust is prohibited from insuring and indemnifying the Director for legal and other costs if a Director breached his or her fiduciary duty.

Duty of Care

The 'duty of care' is the standard by which a Director's performance will be judged by corporate statutes. Every Director shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The duty of care requires Directors to spend the time necessary to make an informed business judgement. Directors who are being careful and diligent will ask themselves whether they have the information they need in order to make a decision, will consider that information critically and will question management and outside advisors closely until they are satisfied with the responses they receive. Only then will they apply their judgement to the matter before them.

Director Characteristics and Competencies

Individual Directors should possess all of the following personal characteristics:

- Integrity and accountability;
- Informed judgement;
- Financial literacy;
- Mature confidence;
- High performance standards.

The Board as a whole should possess all of the following core competencies, with each Director contributing knowledge and experience in at least one domain;

- Accounting and finance;
- Business judgement;
- Policy governance;
- Local government;
- Management;
- Crisis response;
- Economic development knowledge;
- Leadership;
- Strategy/vision.

(Adapted from the Report of the NACD Blue Ribbon Commission on Director Professionalism, 2001)

Governance

The Board will work as a Policy Governance Board where the Board develops policy as a whole and has a Finance and Management Committee with defined mandates.

Governance Assessment

The Board will assess its effectiveness annually. The following areas will be considered as part of the assessment:

Board orientation; planning the direction and priorities of the organization; Investment Policy; understanding the roles of the Board and the Executive Director, efficient use of the organization's resources; Board credibility; Board commitment to mission and values; Board member compliance with bylaws, policies, code of conduct; conflict of interest; management in a crisis; attendance and management of Board meetings; soundness of decision making processes; balance between stability and innovation; working relationship with Board and Executive Director; measurement of Executive Director's performance against objectives.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.02 Role of Officers of the Board

This policy is designed to demonstrate the Southern Interior Development Initiative Trust's obligation to model high standards of accountability. For the purposes of this policy, governance shall be defined as "the act of governing – providing leadership, direction and ensuring sound management."

Board officers

Board officers are considered to be in the service of the Board and may only act in place of the Board when acting together as an Executive Committee in accordance with the bylaws and as delegated by the Board through policy.

Board Chair

The role of the Chair is to ensure the integrity of the Board's processes. The Chair is the only Board member authorized to speak for the Board, unless this duty is specifically delegated to another Board member. The Chair will ensure that the Board follows all the corporations' bylaws and policies. The Chair does not have the authority to make decisions outside the bylaws or the parameters of policies created by resolution of the Board. The Chair will ensure that the Board is properly informed about the operations of the Trust and has the information and opportunity necessary to come to decisions on matters within its purview. The Chair and the Executive Director will set the agendas for meetings of the Board. The Chair will plan the conduct and timing of Board meetings in conjunction with the Executive Director.

Vice Chair

The role of the Vice Chair is to assume the duties of the Chair during his/her absence. The Vice Chair shall support the work of the Chair. During the conduct of Board meetings, the Vice Chair shall assist in noting speakers and the sequence of the same, and assist in the tracking of motions and discussion. In the absence of the Chair, the Vice Chair, shall assume the duties and responsibilities of the Chair

Management Committee

The Management Committee consists of the Chair and / or Vice Chair and up to four other Directors appointed by their peers. Appointments will be reviewed at the annual general meeting and every effort is made to ensure continuity, commitment and competency in the business of the Committee.

The mandate of the Management Committee is to be the Board's primary liaison with the Executive Director, who is responsible for the execution of Board policy and directives, and for determining the means, organizational structure and management processes necessary to achieve the Trust's objectives.

The Management Committee has discretion to:

- Review draft meeting agendas and provide operations advice to the Executive Director when requested;

- Approve Director's expense claims which are not within expense policy of the Board;
- Review Trust public communications materials;
- Deal with matters referred from time to time by the Board;
- Monitor and review the Executive Director's performance annually;
- Authorize increases to the annual operating budget of less than 10% per annum with supporting documentation provided by the Executive Director, providing the Board is informed at the next meeting;
- Deal with issues referred by the Executive Director that are of a politically sensitive or time sensitive nature, with resulting actions referred to the Board as appropriate.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.03 Financial Accountability

This purpose of this policy is to provide guidelines for the Trust's financial accountability to the 'people of the Trust area' as a whole.'

The Trust's financial affairs will be conducted in a responsible manner, consistent with the ethical obligations of stewardship and the legal requirements of provincial and federal statutes and regulators.

The Annual financial report will be factual and accurate in all material respects. The Annual Report will be prepared using generally accepted accounting principles (GAAP) and standards established by the Canadian Institute of Chartered Accountants in all material respects.

The annual report will disclose:

- The total amount of disbursements, income, and expenses including salaries and overhead;
- Approved projects and measurable economic benefits.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.04 Ethical Conduct

It is important that Board and staff practices and decisions are without suspicion or influence and avoid any appearance of impropriety, which may raise concerns within or outside the organization. The policy is designed to ensure the Trust's reputation for integrity of decisions. As a result, this policy addresses the ethical standards of conduct including conflicts of interest real or perceived. This Policy will be signed off by all Directors and staff of the Trust.

Guidelines and Declaration of Ethical Conduct for Directors, Staff of the Southern Interior Development Initiative Trust.

Each Director and staff of the Trust shall acknowledge and sign a copy of this document.

Compliance with the Ethical Conduct Policy including Code of Conduct and Conflict of Interest provisions of which the following guidelines form a part is core to the duty of care required by all directors and staff.

For purposes of these guidelines and declaration following, reference to “director” shall apply equally to all staff of the Trust.

1. COMPLIANCE WITH THE LAW

1.1 Directors should act at all times in full compliance with both the letter and the spirit of all applicable laws.

1.2 In his/her relationship with the organization, no director should commit or condone an unethical or illegal act or instruct another director, employee, or supplier to do so.

1.3 Directors are expected to be sufficiently familiar with any legislation that applies to their work to recognize potential liabilities and to know when to seek legal advice. If in doubt, directors are expected to ask for clarification.

1.4 Falsifying any record of transactions is unacceptable.

1.5 Directors should not only comply fully with the law, but should also avoid any situation which could be perceived as improper or indicate a casual attitude towards compliance.

2. CONFLICTS OF INTEREST

2.1 In general, a conflict of interest exists for directors who use their position at the Trust to benefit themselves, friends or families.

2.2 A director should not use his or her position with the Trust to pursue or advance the director's personal interests, the interests of a related person (1), the director's business associate, corporation, union or partnership, or the interests of a person to whom the director owes an obligation.

2.3 A director should not directly or indirectly benefit from a transaction with the Trust over which a director can influence decisions made by the Trust.

2.4 A director should not take personal advantage of an opportunity available to the Trust unless the Trust has clearly and irrevocably decided against pursuing the opportunity, and the opportunity is also available to the public.

2.5 A director should not use his or her position with the Trust to solicit clients for the director's business, or a business operated by a close friend, family director, business associate, corporation, union or partnership of the director, or a person to whom the director owes an obligation.

2.6 Every director should avoid any situation in which there is, or may appear to be, potential conflict (2) which could appear (3) to interfere with the director's judgment in making decisions in the Trust's best interest.

2.7 There are various situations that could give rise to a conflict of interest. The most common are accepting gifts, favours or kickbacks from suppliers or proponents seeking funding, close or family relationships with outside suppliers or proponents, passing confidential information to competitors or other interested parties or using privileged information inappropriately.

2.8 A director should fully disclose all circumstances that could conceivably be construed as conflict of interest.

(1) "related" person means a spouse, child, parent or sibling of a director

(2) "conflict" means a conflict of interest or apparent conflict of interest

(3) "apparent" conflict of interest means any situation where it would appear to a reasonable person that the director is in a conflict of interest situation.

3. **DISCLOSURE**

3.1 Full disclosure enables directors to resolve unclear situations and gives an opportunity to dispose of conflicting interests before any difficulty can arise.

3.2 A director should, immediately upon becoming aware of a potential conflict of interest situation, disclose the conflict (preferably in writing) to the board chair. This requirement exists even if the director does not become aware of the conflict until after a transaction is complete.

3.3 If a director is in doubt whether a situation involves a conflict, the director should immediately seek the advice of the board chair. If appropriate, the board may wish to seek advice from the Trust's ethics advisor or legal advice.

3.4 Unless a director is otherwise directed, a director should immediately take steps to resolve the conflict or remove the suspicion that it exists.

3.5 If a director is concerned that another director is in a conflict of interest situation, the director should immediately bring his or her concern to the other director's attention and request that the conflict be declared. If the other director refuses to declare the conflict, the director should immediately bring his or her concern to the attention of the board chair. If there is a concern with the board chair, the issue should be referred to the governance committee or equivalent committee of the board that deals with board governance issues.

3.6 A director should disclose the nature and extent of any conflict at the first meeting of the board after which the facts leading to the conflict have come to that director's attention. After disclosing the conflict, the director:

(i) should not take part in the discussion of the matter or vote on any questions in respect of the matter (although the director may be counted in the quorum present at the board meeting);

(ii) if the meeting is open to the public, may remain in the room, but shall not take part in that portion of the meeting during which the matter giving rise to the conflict is under discussion, and shall leave the room prior to any vote on the matter giving rise to the conflict;

(iii) should, if the meeting is not open to the public, immediately leave the meeting and not return until all discussion and voting with respect to the matter giving rise to the conflict is completed; and

(iv) should not attempt, in any way or at any time, to influence the discussion or the voting of the Board on any question relating to the matter giving rise to the conflict.

4. **OUTSIDE BUSINESS INTERESTS**

4.1 Directors should declare possible conflicting outside business activities at the time of appointment. Notwithstanding any outside activities, directors are required to act in the best interest of the Trust.

4.2 No director should hold a significant financial interest, either directly or through a relative or associate, or hold or accept a position as an officer or director in an Trust in a material relationship with the Trust, where by virtue of his or her position in the Trust, the director could in any way benefit the

other Trust by influencing the purchasing, selling or other decisions of the Trust, unless that interest has been fully disclosed in writing to the Trust.

4.3 A “significant financial interest” in this context is any interest substantial enough that decisions of the Trust could result in a personal gain for the director.

4.4 These restrictions apply equally to interests in companies that may compete with the Trust in all of its areas of activity.

4.5 Directors who have been selected to the board as a representative of a stakeholder group or region owe the same duties and loyalty to the Trust and when their duties conflict with the wishes of the stakeholder or constituent, their primary duty remains to act in the best interests of the Trust.

5. CONFIDENTIAL INFORMATION

5.1 Confidential information includes proprietary technical, business, financial, legal, or any other information which the Trust treats as confidential.

Applications are submitted to the Trust for the use of staff, Consultants, Regional Advisory Committees and the Board to determine the qualifications of the applicant organization and merits of the project for which funds are requested. It is incumbent on all representing the Trust, that this information shall be maintained as confidential and used with discretion irrespective of any decision with respect to the Application.

Regional Advisory Committee and Board members who receive copies of the applications in advance of the Committee or Board meetings may make enquiries about the applicant organization. However, under no circumstances can the submitted application materials be disclosed or quoted.

It is important to note that the Regional Advisory Committee may make recommendations on funding requests that are subject to the approval of the Board. Therefore, there must be no disclosure about the Committee's deliberations or the recommended outcome prior to the authorization of the Board and Executive Director once a decision is rendered. For continuity, the outcome of the funding application should be communicated by the Executive Director who will generally involve the sponsoring local government in the communication.

5.2 Directors should not, either during or following the termination of an appointment, disclose such information to any outside person unless authorized.

5.3 Similarly, directors should never disclose or use confidential information gained by virtue of their association with the Trust for personal gain, or to benefit friends, relatives or associates.

5.4 If in doubt about what is considered confidential, a director should seek guidance from the board chair or the CEO.

6. INVESTMENT ACTIVITY

6.1 Directors should not, either directly or through relatives or associates, acquire or dispose of any interest, including publicly traded shares, in any company while having undisclosed confidential

information obtained in the course of work at the Trust which could reasonably affect the value of such securities.

7. OUTSIDE EMPLOYMENT OR ASSOCIATION

7.1 A director who accepts a position with any Trust that could lead to a conflict of interest or situation prejudicial to the Trust interests should discuss the implications of accepting such a position with the board chair recognizing that acceptance of such a position might require the director's resignation from the Trust's board.

8. ENTERTAINMENT, GIFTS AND FAVOURS

8.1 It is essential to fair business practices that all those who associate with the Trust, as suppliers, contractors or directors, have access to the Trust on equal terms.

8.2 Directors and members of their immediate families should not accept entertainment, gifts or favours that create or appear to create a favoured position for doing business with the Trust. Any firm offering such inducement should be asked to cease.

8.3 Similarly, no director should offer or solicit gifts or favours in order to secure preferential treatment for themselves or the Trust.

8.4 Under no circumstances should directors offer or receive cash, preferred loans, securities, or secret commissions in exchange for preferential treatment. Any director experiencing or witnessing such an offer should report the incident to the board chair immediately.

8.5 Gifts and entertainment should only be accepted or offered by a director in the normal exchanges common to established business relationships for the Trust. An exchange of such gifts should create no sense of obligation on the part of the director.

8.6 Inappropriate gifts received by a director should be returned to the donor.

8.7 Full and immediate disclosure to the board chair of borderline cases will always be taken as good-faith compliance with these standards.

9. USE OF THE TRUST'S PROPERTY

9.1 A director should require the Trust's approval to use property owned by the Trust for personal purposes, or to purchase property from the Trust unless the purchase is made through the usual channels also available to the public.

9.2 Even then, a director should not purchase property owned by the Trust if that director is involved in an official capacity in some aspect of the sale or purchase.

10. **RESPONSIBILITY**

10.1 The Trust should behave, and be perceived, as an ethical Trust.

10.2 Each director should adhere to the minimum standards described herein and in the Trust’s code of conduct, and to the standards set out in applicable policies, guidelines or legislation.

10.3 Integrity, honesty, and trust are essential elements of the Trust’s success. Any director who knows or suspects a breach of the Trust’s code of conduct and ethics has a responsibility to report it to the board chair.

10.4 To demonstrate determination and commitment, each director should review and declare compliance with the Trust’s code of conduct and ethics annually.

11. **BREACH**

11.1 A director found to have breached his/her duty by violating the minimum standards set out in this document may be liable to censure or a recommendation for dismissal to the Board.

12. **WHERE TO SEEK CLARIFICATION**

12.1 Normally, the board chair or the governance committee chair should be responsible to provide guidance on any item concerning standards of ethical behaviour.

13. **FORM OF DECLARATION**

I ACKNOWLEDGE that I have read and considered the Code of Conduct and Conflict of Interest Guidelines for Directors of the Southern Interior Development Initiative Trust and agree to conduct myself in accordance with the Code of Conduct and Conflict of Interest Guidelines for Directors.

Signature

Print Name

Date

Policy 2.04 Revised: November 4, 2009

Chair on behalf of the Board

2.0 Governance Policies

2.05 Director Performance Expectations

The policy is designed to demonstrate the Southern Interior Development Initiative Trust's obligation to model high standards of accountability. A code of conduct is a statement of essential principles intended to govern the conduct of the Board of the Trust.

Specific expectations of Board Members are that they:

1. Participate at all Board meetings

Should extenuating circumstances arise, communicate the reason to the Chair for non-attendance;

Board Members who fail to participate in three consecutive Board Meetings shall be asked to resign from the Board by the Chair or designate and only under extenuating circumstance shall they be allowed to continue as a Board Member, providing that any Board Member who fails to participate in, either four consecutive Board Meetings or at least two out of six Board Meetings on a roll forward basis shall automatically be deemed to have resigned from the Board.

It shall be the responsibility of the Chair to follow up with the appropriate Regional Advisory Committee or Provincial Government to communicate concerns regarding non-participation and when applicable to advise of the requirement for a replacement Board Member.

2. understand, support and promote the Trust's mandate; its mission, vision, objectives and operations; and abide by its by-laws;
3. act objectively, and in the best interest of the corporation;
4. prepare for all Board meetings, and all committee meetings of which the director is a member, by reviewing all agenda material including reports;
5. attend, and participate in, all board meetings, and all committee meetings of which the director is a member;
6. keep careful notes at meetings, and review the minutes of all meetings;
7. ensure that there are effective internal systems in all areas of corporate activity, particularly accounting;
8. act consistently with policy to avoid conflict of interest, and maintain board confidentiality;
9. value collaboration, consensus building, respect for others, and principle based behavior;
10. ensure that the board communicates with one voice on the basis of decisions only; and
11. ensure that all Board discussions are confidential.

This policy will be reviewed annually.

Revised: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.06 Risk Management

The Board of Directors is responsible to ensure that bylaws are current; that governance practices are consistent with the bylaws; adequate insurance provisions are in place to protect the organization and board from potential liabilities; resources are sufficient to minimize risk to employees; statutory and regulatory requirements are complied with; policies are respected in actual practice; and adequate contingency plans are in place against reasonably anticipated crises. The policy is also designed to demonstrate the organization's obligation to model high standards of accountability.

Bylaws

Bylaws will be reviewed annually each Annual General Meeting of the Trust.

Insurance

The Trust will maintain a \$5 Million Policy for Directors and Officers Liabilities and Omissions Insurance.

The Trust will maintain adequate Property and \$2 Million General Liability Insurance.

Vehicles used by Directors or staff for the business of the Trust will maintain a minimum of \$2 million in general liability insurance.

Compliance with Statutory and Regulatory Requirements

All Annual and Strategic Plan reporting required by the Southern Interior Development Initiative Trust Act, Canada Revenue Agency, Companies Act, Freedom of Information and Protection of Privacy Act, and Business Corporations Act will be filed by the Executive Director and reported to the Board.

Corporate Records

The following corporate records will be maintained by the Corporation

- Charter documents;
- Bylaws;
- Register of addresses, dates of election, appointment/resignation of Directors and Officers;
- Duplicate filed copies of all government filings;
- Contact list, including addresses for each Director, Officer, and the Auditor;
- Copies of annual meeting calendar or notice of meetings;
- Minutes of the Board organized in date order including:
 - Appointment, resignation and removal of Directors and Officers;
 - Appointment of the Auditor;
 - Approval of all corporate resolutions;
- Policies;
- Copies of financial statements and tax returns.

Policies

Policies documented in this manual will be reviewed at least annually and will be distributed to all Directors with orientation of new Board Directors.

Contingency Plans

Staff will maintain an adequate contingency plan to protect against computerized or paper records loss, computer hacking, and the event of fire or earthquake.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.07 Planning – Strategic, Annual Operating Plan and Planning Cycle

This policy is designed to demonstrate the Board's commitment to providing the vision for the Southern Interior Development Initiative Trust as a key ingredient in organizational and fiscal stewardship.

Strategic Plan

The Board, with the assistance of staff, will develop a rolling three year Strategic Plan. At least three months prior to each fiscal year end, the Board and staff will start the development of the next year of the Strategic Plan, to keep it current on a rolling three year basis.

The initial three year Strategic Plan will be submitted to the Minister of Economic Development by March 1, 2007 and will be posted on the Trust's website once developed. Subsequent iterations of the Strategic Plan will be developed prior to the beginning of each new fiscal year.

Annual Operating Plan

An Annual Operating Plan will be developed by Trust staff based on the Strategic Plan, Board Policies, and financial returns to the Trust investments.

The Annual Operating Plan will contain specific objectives, expected results, operational budget, and a general disbursement plan based on the guidance provided by the Strategic Plan. Targets set in the Operating Plan will be used annually to measure the benefits of the Trust to the economy of the Trust area.

The Annual Operating Plan will be presented to the Board for review, amendment and approval at the first general meeting of the fiscal year.

Annual Report

The Annual Report will be developed by June 1st for the previous calendar year and will report on the following:

- Goals set by the Directors for the preceding fiscal year, indicating how those goals have been met and detail how those achievements met the intent of the purposes identified in section 18 of the Southern Interior Development Trust Act;
- A comparison of actual results for the preceding fiscal year with the expected results identified in the strategic plan for that fiscal year; and
- Audited financial statements.

A copy of the Annual Report will be provided to each of the Regional Advisory Committees, and will also be published in a manner that can reasonably be expected to bring the Annual Report to the attention of the public.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.08 Board/Committee – Staff Relationship

Board-appointed committees provide the recognized avenues for ongoing work of the Trust, when duly authorized by the Board. Staff will act as a resource to the committees. The Board may establish committees as it deems appropriate in addition to the Management Committee whose mandate is described in Policy 2.02 Role of Officers of the Board.

Finance Committee

The Finance Committee consists of three to four Directors appointed by their peers. Appointments will be made and reviewed by the Board at the Annual Meeting and every effort will be made to ensure continuity, commitment and competency in the business of the Committee. The Committee will choose its own Chair following the Annual Meeting. The Chair will report to the Board at each meeting on recommendations and results of the Committee's deliberations. The Committee will not exercise authority over staff, but will advise and be informed by the Executive Director to collegially accomplish the Committee's mandate. The Committee will normally not be involved in operational aspects of the Trust, except through the Executive Director. Requests for organizational resources or staff time will be directed through the Executive Director.

The mandate of the Finance Committee is to be the Board's primary liaison with the Executive Director, Chief Financial Officer, Auditors, and Investment Manager(s) for the following duties.

The Finance Committee has discretion to:

- Draft and recommend investment policy to the Board;
- Recommend Investment Manager(s) to the Board and advise the Executive Director on the general terms of a contract;
- Review and recommend internal financial control policy developed by the Executive Director and Chief Financial Officer if applicable; and
- Ensure that Directors and Officers Liability and Omissions Insurance are kept in good standing by the Corporation.
- The Committee acts only under the authority and direction of the Board.

The Directors of the Finance Committee should be able to read and understand fundamental financial statements, including the corporation's balance sheet, income statement and cash flow statement (or be able to do so within a reasonable period of time after his or her appointment to the Finance Committee.)

Audit Committee

The Audit Committee shall consist of two to four Directors appointed by their peers. Appointments are made and will be reviewed by the Board at the Annual Meeting and every effort will be made to ensure continuity, commitment and competency in the business of the Committee. The Committee will choose

its own Chair following the Annual Meeting. The Chair will report to the Board at each meeting on recommendations and results of the Committee's deliberations. The Committee will not exercise authority over staff, but will advise and be informed by the Executive Director to collegially accomplish the Committee's mandate. The Committee will normally not be involved in operational aspects of the Trust, except through the Executive Director. Requests for organizational resources or staff time will be directed through the Executive Director.

The mandate of the Audit Committee is to be the Board's primary liaison with the Executive Director for the following duties.

- Review recommendations for the appointment and compensation of the external auditor;
- Recommend an Audit Consultant who is authorized to be an auditor of a company under section 205 of the *Business Corporations Act* to audit the accounts, transactions and financial statements of the Trust, and advise the Executive Director on the general terms of a contract;
- Receive the Auditors report and ensure that any recommendations are duly acted on;
- Evaluate the need for an internal audit function and make appropriate recommendations to the board;
- Where an internal audit function is in place:
 - hire, evaluate and (if needed) replace the head of the internal audit unit;
 - approve the internal audit unit's terms of reference;
 - review audit reports and ensure that recommendations are implemented, and;
 - evaluate the internal audit unit's performance.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.09 Respect in the Workplace

This policy defines a respectful workplace that builds strong relationships, and allows staff and Directors to feel valued for the talent and dedication that they bring to achieving the Trust's goals.

Joint Accountability

“Each person is responsible for outcomes and the current situation. There is no one else to blame...”

Absolute Honesty, Professional Behaviour and Respectful Dialogue

“Absolute honesty is essential for partnership....Patriarchal governance creates the social distance and vulnerability that cause us to work so hard to avoid the truth.”

Honesty doesn't mean being able to say whatever you want whenever you want, without regard to how this will impact other Board members or staff.

Where there is not respectful dialogue, the Board supports ending a conversation in a clear non-confrontation manner.

Board members and staff will be sensitive to communicating the trusteeship role of the Directors and stewardship of the Trust resources for the public.

Board Directors and staff will deport themselves in a professional manner and represent the Trust with integrity and exemplary behaviour. Discretion will be used when communicating in a public forum or with the public of the Trust area on Board business.

Humour or sarcasm that is in poor taste or insensitive to others feelings will be avoided. Directors and staff will address any concerns with the person immediately involved and not with others until they have made every effort to work to a collaborative solution with the person who has aggrieved them.

Sexual harassment of any kind will not be tolerated.

Board Directors will not direct the work of staff, but will refer requests to the Executive Director who will set priorities for staff. The Chair must represent the Board as a whole when providing direction.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.10 Appointment of the Executive Director

The recruitment, selection and appointment of an Executive Director are, along with performance monitoring, among the most important responsibilities of the Board. An appointment of an Executive Director should be made with the confidence of the Board.

The Board of Directors contract the Executive Director for the management and administration of the Trust. He or she is responsible within the parameters established by the Board for determining the methods by which the Board's directions and policies will be executed and the desired outcomes achieved.

The Executive Director with the active involvement of the Board is responsible for leading the corporation into the future and therefore must ensure that there are long term goals and a strategic planning process in place. The leadership for this process must come from management. The Board should bring objectivity and a breadth of judgement to the strategic planning process because the board is not involved in the day-to-day management of the corporation.

Appointment of the Executive Director

Recruitment, selection, contract negotiation and recommendation of a candidate's appointment as Executive Director is the responsibility of the Board, but may be delegated to a task group of the Board. The Board will endorse the appointment by resolution.

The Management Committee is responsible for annual performance monitoring that will be done in a collaborative manner with the Executive Director.

The Management Committee is responsible for negotiating increments to salary.

Termination

The Board as a whole is responsible for terminating the relationship with the Executive Director. Dismissal requires two thirds approval of the Director positions normally filled, regardless of vacancies, at a meeting duly called to consider such action.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.11 Executive Authority

The Executive Director is responsible within the parameters established by the Board for determining the methods by which the Board's directions and policies will be executed and the desired outcomes achieved.

The Executive Director is responsible to the Board as a whole rather than to individual members of the Board. The Executive Director shall implement policies as determined by the Board and consistent with the requirements of any legislation or regulations.

Delegation to the Executive Director

The Board delegates responsibility for execution of Board policies to the Executive Director.

All Board responsibilities delegated to staff and consultants will be delegated through the Executive Director so that the authority and accountability of staff derives from the authority and accountability of the Executive Director.

The Board of Directors as a group rather than individual Directors, Officers, or Committees, are responsible for providing direction to the Executive Director within the context of Board policies.

The Executive Director is responsible for all recruitment, salary and contract negotiation for staff within the parameters of the annual operating budget. The Executive Director is responsible for ensuring that annual performance evaluations are completed with all staff.

The Executive Director is responsible for the achievement of programs within the annual operating budget, but will exercise discretion on sub-accounts. The Board will generally be updated twice per year on the operating budget, but monthly reports will be available on request.

Daily and media communications from the Trust are the responsibility of the Executive Director.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.12 Executive Director Performance Evaluation

The Executive Director is the sole official link between the Board of Directors and the organization that it governs. The responsibilities of the Executive Director lie in the exercise of delegated authority and compliance within parameters established by Board policy and directives.

The Executive Director's job contributions can be expressed as performance in the following areas: job description; annual performance objectives negotiated with the Board; organizational achievement of operating plan and corporate objectives; organizational operation within the Board policies; relationship with staff and relationship with community stakeholders.

The process of evaluation needs to occur in a manner that is fair and transparent. In this way, the Board of Directors will also demonstrate their commitment to accountability.

Implementation

At the beginning of each fiscal year, the Executive Director will draft the objectives for that year, review them with the Management Committee and then present them to the Board.

At the end of each fiscal year, the Management Committee will undertake a formal evaluation of the performance of the Executive Director. This evaluation shall include the following submissions: a written self-evaluation of performance by the Executive Director summarizing the achievement of annual objectives, as well as feedback on the Executive Director's performance solicited from staff and Board members. The Management Committee will prepare a written evaluation from all of the sources noted above and will meet with the Executive Director to discuss the same.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

2.0 Governance Policies

2.13 Appointment of the Chief Financial Officer

The decision to hire and the subsequent recruitment, selection, contract negotiation and appointment of the Chief Financial Officer is the responsibility of the Board. This process may be delegated to the Executive Director on behalf of the Board and shall include the active involvement of the Chair of the Finance Committee and members of the Management Committee. The Board will endorse the appointment by resolution.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

3.0 Financial Management Policies

3.01 Investment Policies

The goal of the investment policy is to outline the Trust's investment principles and provide guidelines to achieve an optimal balance of return on investment and investment risk management in a prudent and diversified manner that will provide adequate returns while ensuring requirements for distribution and investment outlined in the strategic plan have the best opportunity to be achieved.

The investment policy shall also ensure that the Trust conforms to the requirements of applicable Federal and Provincial Statutes and legislation and the Income Tax Act including the Trustee Act.

As such, the Trust, in carrying out its duties and responsibilities, agrees to exercise such competence and skill as may be expected of careful and diligent investment management.

Refer to Schedule 1 attached for the Statement of Investment Policies and Procedures.

Roles and Responsibilities

Board of Directors

The Board of Directors will appoint the Finance Committee to review Investment Policy Statements and results of the Investment Manager Search. The Board may delegate authority to approve the Investment Policy Statements and negotiate a contract for Investment Management to the Finance Committees. The Finance Committee will present the proposed contract and an overview of the search process to the Board for ratification.

The Board of Directors will monitor the results of the market investments and ensure compliance to the Investment Policy Statement bi-annually, based on the report of the Finance Committee.

The Finance Committee

The Finance Committee will conduct a search for Investment Manager(s) and report to the Board on the results, and any contract that the Chair of the Finance Committee and the Executive Director enter into with clarity on fee structure, duration, and services provide by the Manager(s).

The Finance Committee will develop Investment Policy Statements in collaboration with staff and the appointed Investment Manager.

The Finance Committee has delegated authority to develop, amend and approve Investment Policy Statements, but the results will be reported to the Board at the next scheduled Board meeting.

The Finance Committee will undertake the following functions as appropriate:

- Review the systems of risk management and the internal controls established by management to:
 - ensure the organization's sound financial performance;

- ensure that the organization's internal controls have integrity and will lead to the production of accurate financial statements and performance reports;
- ensure that management has appropriate systems in place to identify and manage risk, and;
- prevent financial mismanagement;

A written record of all Finance Committee meetings will be kept in the form of notes. Formal motions shall not be made. The notes of the Finance Committee will be forwarded as a formal report to the Board of Directors and a motion for the acceptance of the same will be made.

The Finance Committee will monitor the investment results according to the objectives in the Investment Policy Statement on a quarterly basis and report by email or verbal report to the Board.

The Finance Committee will educate themselves on investment risk, strategic economic trends, new asset classes and investment instruments through periodic meetings up to three times per year with Fund and Investment Managers.

Investment Manager

The Investment Manager is required to invest assets of the Trust according to the Trustee Act and the approved Investment Policy Statements of the Trust.

The Investment Manager will participate in the development of Investment Policy Statements with the Finance Committee and staff, and will remain fully aware of amendments to the Investment Policy.

The Investment Manager will provide a review of fund/account performance as well as the expectations on the economic and financial market outlook and related investment strategies at least four times annually. Reports on income and disbursements from each account will be tracked by the Manager to the nominal sub-account level at least monthly and will be available by internet access.

The Investment Manager will be responsible for ensuring that the Finance Committee is knowledgeable about new asset classes or investment instruments and their impact on the Trust's asset management objectives.

The Investment Manager will be required to provide a letter of compliance detailing any guideline which has been breached and/or confirming compliance.

Oversight of the Investment Manager

On a periodic basis every one to two years, the Finance Committee may engage the services of an independent investment consultant to review the performance of the Investment Manager and the Fund Managers, relative to appropriate indexes and peer performance. The consultant may also make recommendations on the value in the "fee structure" charged for investment management, and make other recommendations designed to inform the Finance Committee and demonstrate truly independent due diligence and fiduciary responsibility by the Committee and the Board.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

3.0 Financial Management Policies

3.01 Schedule 1: Statement of Investment Policies and Procedures (Adopted Oct 11-2007)

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1. General

1.1 Application

- (a) This statement of investment policies and procedures (“the Statement”) applies to the assets held in trust with respect to SIDIT (“the Fund”). It contains investment objectives, guidelines and monitoring procedures.
- (b) Any investment manager (“the Manager”) or any other agent or advisor providing services in connection with the Fund shall accept and adhere to this Statement.

1.2 Compliance

- (a) The Fund will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary which might be construed from this Statement.
- (b) All investment activities will be made in accordance with the Code of Ethics and Standards of Practice of the CFA Institute.

1.3 Pooled Funds

The Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described under this policy. It is recognized by the Committee that complete adherence to this Statement may not be entirely possible; however, the Manager is expected to advise SIDIT in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement. SIDIT acknowledges that when an investment is held through a pooled fund, the guidelines of that fund are controlling.

1.4 Effective October 11, 2007

This Statement supersedes any previous investment policy statement. This Statement is effective October 11, 2007.

2. Responsibilities

2.1 Fund Administration

Responsibility for the Fund rests with SIDIT. SIDIT's Board of Directors ("the Board") has the sole power to amend or terminate the Fund.

The Board is responsible for the Assets of the Trust as well as adopting a Statement of Investment Policies & Procedures that sets forth a general framework for investment and management of the Assets. In establishing or amending policy the Board will address, but is not limited to, the following:

- (a) investment objectives
- (b) risk tolerance
- (c) constraints and guidelines on investments
- (d) asset ranges and suitable classes of investments
- (e) governance
- (f) delegation of authority

The Board will provide for and receive a regular and consistent review of investment performance, operation, and compliance with the policies established in this Statement of Investment Policies & Procedures.

In executing their approval authority, the Board will require the prior recommendation of the Investment Committee.

The Board is responsible for establishing and approving the Terms of Reference of the Investment Committee.

2.2 Delegation

The Board may delegate some of its responsibilities with respect to the investment of the Fund to agents and advisors.

2.3 Investment Committee

An Investment Committee ("the Committee") appointed by the Board will be responsible for:

- Reviewing this Statement at least once per year;
- Drafting amendments when necessary to this Statement;
- Selecting the Manager and any other agents or advisors that may be necessary to prudently manage the Fund;
- Monitoring the Manager and any other agents or advisors; and
- Informing the Manager of any significant cash flows.

2.4 Investment Manager

The Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- Providing the Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- Attending meetings of the Committee at least twice per year to review performance and to discuss proposed investment strategies;
- Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation; and
- Advising the Committee of any elements of this Statement that could prevent attainment of the Fund's objectives.

2.5 Standard of Care

In exercising their responsibilities, the Committee, Manager and any other agent or advisor shall adhere to the following guidelines:

- (a) in the discharge of their duties and the exercise of their powers, whether the duty or power is created by law or a trust instrument, they shall exercise the degree of care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person.
- (b) Without limiting the generality of (a), persons who possess, or because of their profession, business or calling, ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the Fund, shall apply that particular knowledge or skill set to the administration of the Fund.

2.6 Investment Manager Selection

In the event a new or additional Investment Manager is to be selected, the Investment Committee will undertake an external Investment Manager search.

Evaluation of the Investment Manager(s) will be conducted annually and include measurement and comparison of returns to comparable public index benchmarks.

Quarterly performance reports will be reviewed by the Investment Committee.

At least annually, Investment Committee will meet with the Investment Manager to review past performance, investment strategy, and economic outlook, Investment Manager's staff turnover, consistency of style, succession planning and record of service and compliance with this Policy.

2.7 Dismissal of an Investment Manager

Termination of the services of an Investment Manager may be exercised at the sole discretion of the Board at anytime for such reasons including but not limited to:

- (a) Performance results which are consistently below the benchmarks.
- (b) Changes in the overall structure of the Assets such that the Investment Manager's services are no longer required.
- (c) Changes in key personnel, firm structure, or investment philosophy which may adversely affect the potential return and/or risk of the investment portfolio.
- (d) Failure to adhere to this Statement of Investment Policies & Procedures.
- (e) Winding down of the Trust

3. Fund Overview

SIDIT was created by an Act of Provincial legislature with a onetime allocation of \$50 million to support economic development in the area described as the Southern Interior of British Columbia.

SIDIT has in excess of \$52.9 million as of September 2007 held in a money market fund.

It seeks to invest such funds amongst asset classes to achieve optimal returns commensurate with a conservative risk tolerance.

4. Fund Objectives

4.1 Investment Philosophy

The overall investment philosophy of the Fund is to maximize the long-term real rate of return subject to an acceptable degree of risk, defined as conservative.

4.2 Investment Objectives

- (a) The objective of the Fund is to meet SIDIT's financial obligations related to disbursements in support of economic development initiatives and its day to day operations while preserving and expanding reserves necessary to meet future opportunities and obligations.
- (b) The long-term expected rate of return for the Fund is 3% above inflation (as recorded by the Consumer Price Index).
- (c) The Fund is expected to earn a rate of return in excess of the composite benchmark return over four year rolling periods.

The benchmark is composed of:

- 15% S&P/TSX Composite Total Return Index

- 15% MSCI World (Ex-Canada) Index (in Canadian dollars)
- 30% SC Universe Bond Index
- 40% Scotia Capital 91-day T-Bill Index.

4.3 Rate of Return Calculations

Market value calculations are to be used unless otherwise indicated and all calculations are to be made on a time-weighted basis.

5. Asset Allocation

5.1 Target Asset Allocation and Ranges

Asset Class	Minimum*	Target*	Maximum*
Canadian equities	10%	15%	20%
Foreign equities	10%	15%	20%
<i>Total equities</i>	<i>20%</i>	<i>30%</i>	<i>40%</i>
Bonds	10%	30%	50%
Cash & short-term	30%	40%	50%

* Percentage of portfolio at market value.

5.2 Basis of Asset Allocation

The asset allocation has been determined in order to meet the Fund objectives. It reflects a risk/return trade-off which was assessed by the Committee.

6. Permitted Investments

- (a) Canadian equities:
 - Common and preferred stocks;
 - Rights and warrants;
 - Convertible debentures
 - Income trusts; and
 - Exchange traded funds.

- (b) Foreign equities:
 - Common and preferred stocks;
 - Rights and warrants;
 - Convertible debentures
 - American Depository Receipts and Global Depository Receipts (or similar); and
 - Exchange traded funds.

- (c) Short-term instruments:
 - Cash;
 - Demand or term deposits;
 - Short-term notes;
 - Treasury bills;
 - Bankers acceptances;
 - Commercial paper; and
 - Investment certificates issues by banks, insurance companies and trust companies.

- (d) Fixed income instruments:
 - Bonds (domestic and foreign);
 - Debentures (convertible and non-convertible); and
 - Mortgages and other asset-backed securities.

- (e) Pool funds, closed-end investments, companies and other structured vehicles in any or all of the above permitted investment categories is allowed.

6.1 Derivatives

Investment in derivative instruments may be used for hedging purposes to facilitate the management of risk or to facilitate an economical substitution for a direct investment. Under no circumstances will derivatives be used for speculative trading or to create a portfolio with excess leverage.

6.2 Prohibited Transactions

The Fund will not engage in the following unless permitted in writing by the Committee:

- Purchase of equity securities on margin;
- Loans to individuals other than to arm's length parties guaranteed by a mortgage;
- Short sales of equities; and
- Investments in real estate, venture capital, resource properties, and commodity funds.

6.3 Borrowing

- (a) Borrowing on behalf of the Fund is only permitted in order to pay disbursements for projects approved by the Board with the written approval of the Committee.
- (b) The Fund will not be used to guarantee any borrowing except in the case of unanticipated overdrafts when cash is not sufficient to settle a disbursement as outlined above.

6.4 Securities Lending

Securities lending is permitted through the Custodian of the Fund, subject to applicable legislation and provided that a minimum liquid, high quality collateral coverage of at least 102% of the current market value of the loaned securities is maintained at all times. Securities lending (if any) will be at all times be in compliance with National Instrument 81-102.

7. Investment Restrictions

7.1 Canadian Equities

- (a) No more than 15% of the market value of the assets of the Canadian equity portfolio may be invested in the equity securities of any one company.
- (b) There will be a minimum of 30 stocks in the Canadian equity portfolio.
- (c) The largest 8 stocks may not account for more than 50% of the market value of the assets of the Canadian equity portfolio.
- (d) No more than 10% of the market value of the Canadian equity portfolio may be invested in companies with a market capitalization of less than \$100 million at the time of purchase.

7.2 Foreign Equities

- (a) No more than 15% of the market value of the assets of the foreign equity portfolio may be invested in the equity securities of any one company.
- (b) There will be a minimum of 30 stocks in the foreign equity portfolio.
- (c) The largest 10 stocks may not account for more than 50% of the market value of the assets of the foreign equity portfolio.
- (d) No more than 20% of the market value of the foreign equity portfolio may be invested in companies with a market capitalization of less than \$1 billion (U.S.) at the time of purchase.

7.3 Fixed Income

- (a) Maximum holdings of the fixed income portfolio by credit rating are:
 - 100% AAA ratings;
 - 80% for A and AA ratings; and
 - 20% for BBB ratings.
- (b) Maximum holdings of the fixed income portfolio by issuer:
 - 100% for Government of Canada;
 - 50% for Provincial bonds A-rated or higher;
 - 15% for Provincial bonds below A-rated;
 - 50% for Corporate bonds A-rated or higher;
 - 15% for Corporate bonds below A-rated;
 - 20% for asset-backed securities;
 - 20% for mortgages or mortgage funds;

- 20% for bonds denominated for payment in non-Canadian currency; and
 - 10% for real return bonds.
- (c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poors' or Moody's at time of purchase.
- (d) Canadian federal government (or federal government guaranteed agencies) shall make up at minimum 20% of the market value of the fixed income portfolio.
- (e) No more than 5% of the market value of the fixed income portfolio may be invested in a single security not issued by the Government of Canada or a Provincial government with an A-rating or higher at time of purchase.
- (f) No more than 2% of the market value of the fixed income portfolio may be invested in a security of a single issuer with a rating of BBB or below at time of purchase.
- (g) Private placements are permitted under the following terms:
- The Manager may invest in liquid private placements which meet the same criteria (including liquidity and credit quality) which would be applied to purchasing public issues.
 - The Manager may invest a maximum of 10% of the market value of the fixed income portfolio in illiquid private placements provided they meet the same credit quality standards imposed on other corporate bond investments.
 - No more than 2% of the market value of the fixed income portfolio may be invested in an illiquid private placement of a single issuer.
- (h) The minimum rating for short-term securities is R1 (low).

8. Other Matters

8.1 Valuation of Investments

- (a) Investments in publicly traded securities shall be valued no less frequently than monthly at their market value.
- (b) Investments in pooled funds comprising of publicly traded securities shall be valued according to the unit values published at least monthly by the Manager.
- (c) If a market valuation of the investment is not readily available, then a fair value shall be determined by the Manager. For each such non-traded investment, an estimate of fair value shall be provided by the Manager not less frequently than quarterly. In all cases, the methodology should be applied consistently over time.
- (d) The Committee shall be provided with a qualified independent appraiser's evaluation of all such non-traded investments not less frequently than every three years, or annually where the investment represents more than 2% of the Fund.

8.2 Conflict of Interest

- (a) A conflict of interest is deemed to exist when a fiduciary of the Fund has an interest of sufficient substance and proximity to his/her duties and powers with respect to the Fund to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the Fund.
- (b) A fiduciary of the Fund must disclose any actual or perceived conflict of interest in accordance with procedures established by the Committee, or as soon as possible along with all relevant details to the Chair of the Committee who, in turn, discloses it to all Committee members at an appropriate time.

8.3 Proxy Voting Rights

- (a) Proxy voting rights on Fund securities are delegated to the Manager. However, in the case of segregated holdings, the Committee reserves the right to exercise voting rights on Fund securities when it deems appropriate.
- (b) The Manager maintains a record of how voting rights of securities in the Fund were exercised.
- (c) The Manager will exercise acquired voting rights in the best interests of the Fund. In case of doubt as to the best interests of the Fund, the Manager will request instructions from the Committee and will act in accordance with such instructions.

9. Monitoring

9.1 Investment Reports

Each quarter, the Manager will provide an investment report containing the following information:

- Portfolio holdings at the end of the quarter;
- Portfolio transactions during the quarter;
- Rates of return for the portfolio with comparisons to relevant indexes or benchmarks;
- Commentary on investment returns;
- Market outlook and strategy; and
- Commentary on any material changes with the Manager.

9.2 Compliance Reports

Each quarter, the Manager will provide a report confirming compliance with the requirements set out in this Statement.

9.3 Committee Meetings

At the discretion of the Committee, but at least once per year, the Manager will meet with the Committee. At these meetings, the Manager will:

- Review and update the investment policy and strategy;
- Review the rate of return achieved by the Fund;
- Review capital market performance and expectations of future returns;
- Provide any information concerning new developments affecting the firm and its services; and
- Comment on the continued appropriateness of the Statement.

10. Statement Review

10.1 Annual Review

This Statement will be reviewed each year and more frequent at the discretion of the Committee.

10.2 Material Changes

Material changes in the following areas may require a need for revision to this Statement:

- Long-term risk/return tradeoffs in capital markets;
- Financial situation of the Fund;
- Risk tolerance of Committee members;
- Legislation or regulation; and
- Shortcomings of the Statement that emerge in its practical application or significant modifications that are recommended to the Committee by the Fund's advisors.

Statement of Investment Policies and Procedures

Approved: October 11, 2007

Chair on behalf of the Board

3.0 Financial Management Policies

3.02 Authorization

The policy is designed to provide accountability for the organization and the staff, while providing a framework of authority for the operations of the Southern Interior Development Initiative Trust.

Typically, authorization by the executive staff will be required on documents such as legal and fund agreements, operational contracts, banking documents, and accounts payable cheques.

Authorities

The signature of the Executive Director and one Management Committee member is normally required on all operating accounts payable cheques. If unavailable and time is of the essence, two Board Directors may sign after reviewing the supporting documentation.

These authorizations remain in place for all values of banking documents, that are consistent with the annual operating budget, or approved project spending that has been ratified by the Board.

Legal and funding contract accountability agreements for approved projects will normally be signed by the Executive Director for all projects ratified by the Board. If the Executive Director is unavailable and time is of the essence, the documents may be signed by the Chair after reviewing the supporting documentation.

The Executive Assistant has the authority to book and pay for all travel expenses by corporate credit card, providing supporting documentation is reconciled with the credit card statement and available for monthly review by the Management Committee.

The Administrative Assistant shall have the authority to purchase general office supplies on an as-required basis via corporate account or corporate credit card.

The Administrative Assistant shall have the authority to establish and maintain a \$200.00 petty cash account providing it is reconciled on a monthly basis.

The Administrative Assistant has the authority to purchase office equipment and office furniture via corporate account or corporate credit card under the direction of the Executive Director.

The most recent approved interim financial statements will be available to the Board at each meeting.

Staff Appointment

The Executive Director has the responsibility for staff recruitment and negotiation of compensation, providing it is consistent with the annual operating plan.

Staff contracts will generally be reviewed by the Chair of the Management Committee, and will be signed by the Executive Director and the staff person.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

3.0 Financial Management Policies

3.03 Expense Reimbursement

The purpose of this policy is to provide guidelines for all expense reimbursement. The Board is responsible for efficient use of financial resource, and keeping expense policy consistent with Revenue Canada guidelines.

Policy on Board Member Expenses and Reimbursements

1. Board Members will attempt to be reimbursed for costs from sources other than the Southern Interior Development Initiative Trust (“the Trust”) whenever possible. For example, if the member is already traveling for business related purposes on behalf of a different entity, attempts should be made for all costs to be reimbursed by the other entity before claiming reimbursements from the Trust.
2. Board Members who must travel to attend a Board meeting resulting in a home departure time before 7:00 a.m. and/or home arrival time after 10:00 p.m. will be eligible for one night hotel accommodation.
3. Board Members shall be eligible for one night hotel accommodation when the combined travel and meeting time exceeds 12 hours.
4. Miscellaneous expenses such as taxi fares and parking costs may be claimed.
5. Board Members are eligible for expense reimbursement to a maximum of the lowest cost travel/ accommodation option. When selecting air travel, the costs associated with airport parking and taxi fares should be considered, as should incremental hotel and meal costs, when evaluating costs of driving.
6. If circumstances such as inclement weather or difficult travel arrangements (e.g. flight connections) cause a Board Member to fall outside general policies, the CEO and the Management Committee may approve expenses on an exception basis.
7. Hotel accommodation will be reimbursed to the lesser of the actual cost or \$225 per night including taxes (every effort should be made to obtain accommodation at “government rates” or “special event” rates where applicable).

Where the approved travel requires overnight stay and the Board Member chooses to stay with friends or relatives rather than hotel accommodations, then a \$50.00 per night hotel allowance is permitted. Where additional costs are incurred as a result of the alternate accommodation (ie. Taxi, mileage) the incremental costs to a maximum of \$17 per day are permitted.

8. Actual meal costs will be reimbursed, to a maximum of \$100 per day. If the Board Member is entitled to reimbursement for hotel costs related to a one day meeting, meal costs would be reimbursed for a maximum of two days.
9. In the circumstance when a meal receipt is not available, the maximum claimed amount shall coincide with Canada Revenue Agency meal rate of \$17 per meal to a maximum of \$51 per day(see www.cra-arc.gc.ca)
10. For use of a personal vehicle for authorized travel purposes, the tax exempt per kilometre allowance recommended by the Canada Revenue Agency will apply (currently \$.54 per kilometre in 2009) (see www.cra-arc.gc.ca) Vehicle travel will be reimbursed from home to the meeting location using the shortest regular travel route.

Where an individual chooses to travel by automobile, reimbursement will be the lesser of the travel claim (including associated costs) and the total transportation costs that would have been payable if the individual had traveled by air.

Associated costs of automobile travel such as parking fees, bridge, ferry, or highway tolls, and en-route accommodation are also claimable, if supported by original receipts.

11. An approved expense claim form must be properly completed and remitted in order to receive expense reimbursement.
12. Original receipts are required in support of all expenses except when such receipts are not usually issued (e.g. metered parking, mileage).
13. Expense claims should be received in the Trust office no later than the 21st day of the following month
14. If circumstances cause a Board Member to incur costs in excess to prescribed rates, the Chair may approve such expenses on an exception basis.

RAC Chairs to Board Meetings

- When invited or requested by the Board to attend meetings, workshops or conferences, the RAC Chairs shall be reimbursed for expenses according to the guidelines applicable to Board Members.

RAC

- RAC members will be reimbursed for travel expenses when travelling on RAC business according to the Board's Expense Policy.
- RAC expense claims must be approved by the RAC Chair.
- RAC expenses are limited to \$2,000 per Regional Advisory Committee per annum.

Staff

- Southern Interior Trust staff will be reimbursed for travel expenses when travelling on corporate business according to the Board's Expense Policy.

All claims shall be made by completing and signing the approved claim form and attaching all supporting receipts, mailed to the Trust's office.

This policy will be reviewed annually.

Policy 3.03 Revised: November 4, 2009

Chair on behalf of the Board

3.0 Financial Management Policies

3.04 Financial Operations

The purpose of the policy is to provide guidelines for the corporation's financial operations given the Board's responsibility for ensuring that the development of financial management and inventory control systems are adequate to properly record financial transactions and control of assets. In addition, the Board is responsible for monitoring efficient use of resources and ensuring the establishment of proper financial controls and policies.

1. All disbursements for approved projects shall be made by way of cheques issued or electronic transfer authorizations from SIDIT's operating account.
2. Transfers from SIDIT's investment account to its operating account to cover either operating costs or project disbursements shall require the signature of 3 Board Members authorizing the transfer.
3. All transfers from SIDIT's investment account shall be made to its established operating account only. Any changes to its operating account shall be communicated in writing to the transfer agent signed by at least three Board Members and shall include a copy of the Board Resolution authorizing such changes to its operating account.
4. Cheques or electronic transfers issued from SIDIT's operating account for amounts up to \$50,000 shall require the signatures of either two Board Members or one Board Member and the Chief Executive Officer.
5. Cheques or electronic transfers issued from SIDIT's operating account for amounts in excess of \$50,000 shall require the signature of any two Board Members plus the signature of the Chief Executive Officer.
6. SIDIT shall instruct its transfer agent by letter to provide services as directed by items 2 and 3. above.

Accounts Payable

At minimum two signatures will be required on all cheques. The signature of the Executive Director and one Management Committee member is normally required on all accounts payable cheques. If unavailable and time is of the essence, two Management Committee members may sign after reviewing the supporting documentation.

All cheques will have supporting invoices and information attached for review before signing.

All blank cheques will be secured in a locked cabinet when not in use.

Payroll cheques

Payroll will be outsourced to a qualified payroll service responsible for direct payroll deposit and CRA remittances.

The Bookkeeper will enter this information into the Trust's accounting program.

Payroll will be done semi- monthly.

Accounting

Accounting reconciliation will be completed within the month immediately following the reconciliation period.

The financial reports will be printed by the Bookkeeper and given to the Chief Executive Officer for review.

All transactions will be entered into the accounting program as soon as is practical within the current reporting period. Journal entry numbers will be entered only all accounts payable documentation for cross referencing purposes in the accounting program.

All documentation in regard to accounting will be filed in an appropriate manner and easily accessible to staff.

Cheques will be processed bi-weekly for signature and distribution.

All credit card transactions will be cross referenced with the credit card invoice. Transactions will be allocated to the appropriate general ledger account and the credit card invoice paid in full monthly.

Financial Statements

Year to date financial statements (unaudited) will be presented to the Board at each meeting.

The statements will reflect year to date activity (actual to budget) for the most recent reporting period. Major variances from budget will be explained.

Government Remittances

Payroll source deductions will be remitted to Revenue Canada by the due date. These amounts will be cross referenced against the actual amount deducted from the chequing account during the bank reconciliation.

Banking

Cheques will be deposited to the Trust's account within five business days of receipt. All deposits will be itemized and allocated to the relevant general ledger account. On receipt, all cheques will be stamped "For Deposit only to the Account of the Southern Interior Development Initiative Trust".

Petty Cash

Receipts will be required for all reimbursement of petty cash, except occasional parking meter change for Board Directors which will be noted.

All receipts will be itemized and allocated to the relevant general ledger account.

Authorization Limit

The Executive Director has the authorization to purchase or order items within the Trust's approved annual operating budget.

This authorization may be delegated to staff, but the Executive Director will additionally sign receipts on review.

The Management Committee is authorized to approve Director and RAC Chair expense claims which are not within the expense policy of the Board, but must provide a rationale for records.

Contract Authorization

The Executive Director is authorized to enter into contracts for services within the Trust's approved annual operating budget.

The Executive Director is authorized to enter into contracts consistent with Board resolutions and project approvals. If the Executive Director is unavailable and time is of the essence, the Chair will sign the contract.

Project funding contracts will not include administrative overhead cost allowances for local governments, societies or other organizations. Examples of administrative cost allowances would be book-keeping services, administrative fees, or inspection fees.

Year End Audit

The Trust's fiscal year end is March 31st.

All materials required for the year end audit need to be completed 45 days following the year end for presentation to the Trust's auditor.

Annual Meeting

The audited financial statements will be presented to the Directors as soon as possible following the annual audit. This will generally occur at the spring Annual General Meeting of the Trust.

Submission of Audited Financial Statements to the Auditor General

The audited financial statements will be presented to the Auditor General of BC within four months of the previous fiscal year end.

This policy will be reviewed annually.

Policy 3.04 Revised: November 4, 2009

Chair on behalf of the Board

3.0 Financial Management Policies

3.05 In-kind Policy

The purpose of the policy is to provide guidelines for not for profit and community based organizations pertaining to in-kind contributions representing a portion of the applicant's equity when identifying funding sources for projects and to help ensure that in-kind contributions are assessed fairly and equitably.

Southern Interior Development Initiative Trust (SIDIT) will recognize certain in-kind contributions as representing a portion of applicant equity or matching resources when identifying funding sources for projects. The following guidelines are provided to help ensure that in-kind contributions are assessed fairly and equitably.

SIDIT reserves the right to make the final determination of eligibility and fair value of in-kind contributions. To avoid a situation where in-kind contributions may be later deemed ineligible or unfairly valued, proponents are advised to contact SIDIT early in the process if they foresee problems in complying with these guidelines for a given project.

Guidelines:

1. This policy applies to projects submitted by not for profit and community based organizations.
2. Currently the minimum leverage ratio is 1:1, requiring that funding from all other sources at least matches funding requested from SIDIT. In-kind contributions may represent up to 50% of the funding required from non-SIDIT sources.
3. In-kind contributions may be in the form of materials, supplies, equipment or land.
4. Valuation shall be based on fair market value. Such valuation must be verifiable as to the local market value of the materials, supplies, equipment or land.
5. Donated land may be included as a contribution but will be limited to the portion of land used for the project. The value of this form of contribution may be confirmed by the assessed value noted in a current municipal Property Tax Notice or in a BC Assessment Property Assessment Notice. Alternatively, SIDIT may require that the value be verified by an independent written appraisal by a registered appraiser as approved by SIDIT.
6. In-kind contributions shall not include time of the board of directors of the proponent or costs associated with proponent board activities.
7. Fund raising activities including the submission of funding applications are not eligible as an in-kind contribution costs.
8. In-kind contributions should be supported by receipts, and, when appropriate, independent third-party verification.
9. SIDIT may hold back approved funding for a project pending verification of in-kind contributions.
10. SIDIT reserves the right to deduct third party costs associated with verification of in-kind contributions from the approved funding.

Approved: June 23, 2010

Chair on behalf of the Board

3.0 Financial Management Policies

3.06 Lending and Equity Investment Policy (Adopted February 26, 2009)

*The Lending and Equity Investment Policy of the Southern Interior Development Initiative Trust (SIDIT) is a collection of principals and statement of intent rather than a prescriptive set of rules. Refer to **Appendix One** attached for definitions used throughout this Policy.*

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This policy will be reviewed annually.

Policy 3.06 Revised: November 4, 2009

Chair on behalf of the Board

3.0 Financial Management Policies

3.06 Lending and Equity Investment Policy

The Lending and Equity Investment Policy of the Southern Interior Development Initiative Trust (SIDIT) is a collection of principles and statement of intent rather than a prescriptive set of rules. Refer to **Appendix One** for definitions used throughout this Policy.

1.0 MANDATE

The mandate of the Southern Interior Development Initiative Trust (SIDIT) is to help grow and diversify the economy of the Southern Interior of British Columbia through economic development initiatives in 10 key sectors (forestry, pine beetle recovery, agriculture, mining, tourism, small business, Olympic opportunities, energy, transportation and economic development). Governance of the Trust is the responsibility of a 13 member Board of Directors. Four Directors are appointed by each of two Regional Advisory Committees (RACs) representing the Columbia Kootenay and Thompson Okanagan regions. The remaining five directors, all of which are from the Trust area, are appointed by the provincial government. RAC membership is comprised of local government elected officials and members of the Legislative Assembly, from the region.

Within its mandate, SIDIT will lend to, and invest in, promising commercial enterprises that may not qualify for credit through traditional sources. SIDIT will assess the long-term potential of lending and investment opportunities and take a more patient position than would a traditional lender.

It is envisioned that the loans and investments made by SIDIT will eventually become bankable at which time, the enterprise may retire the SIDIT position in favour of a traditional lender allowing SIDIT's funds to be re-invested in other promising enterprises.

If there are any business proposals presented to SIDIT in which SIDIT does not have the specific commercial knowledge, it will search out or contract the expertise. Alternatively, SIDIT will also consider syndicating these types of commercial ventures with other Lending Partners that have the level of skill required.

In conclusion, SIDIT will take an approach to Commercial Lending that is between conservative and moderately risky, with considerable emphasis placed on the integrity and management skills of the business covenants.

2.0 SCOPE

2.1 Intent

The Lending and Equity Investment Policy sets out the general approach of SIDIT to all lending and equity investing activities.

2.2 Purpose

The purpose of the Policy is to:

- Describe SIDIT's approach to lending and equity investing;
- Contribute to SIDIT's mission, vision, values, goals and strategies;
- Provide prudent lending and investment guidelines to maximize returns while ensuring the safety of capital;
- Provide one clear place of reference for all directors, officers and referral agencies;
- To work toward the consistent application of equity investing and lending guidelines; and
- Minimize misunderstandings, errors, and omissions in application of lending and equity investment policies.

2.3 General Approach

Emphasis will be placed on term loans between \$25,000 and \$1,000,000 to borrowers with new or established operations, related business experience or proven management capacity and on loans secured by revenue-producing business interests.

Commercial lending activities will be conducted within:

- The general underwriting principles in the Loan and Equity Investment Policy;
- The guidelines of SIDIT's Strategic Plan and provisions of the *SIDIT Act*;
- The known and demonstrated evaluation of skills of SIDIT's approving officers or of the approving officers of the Lending Partner;
- The debt-servicing parameters outlined in the Loan and Equity Investment Policy; and
- SIDIT's Loan and Equity Investment Procedures, which must be maintained in conformity with this Policy.

2.4 Financial Information

When considered necessary, financial statements must be audited. Interim statements will be regarded with caution as they may show more favourable pictures than the year-end statement. Projections and pro-formas should be recognized as estimates, unless based on independent appraisals, studies, reports, etc. supporting the underlying assumptions.

In the event that debt servicing ability is not apparent from the operations of the borrowing entity, debt servicing sources may include other income generated by Indemnitors or Covenanters who can be expected to provide additional financial support if called upon. Patient capital lending may be available for defined periods.

Financial status and debt servicing ability of borrowers and Indemnitors/Covenantors will be substantiated by current financial statements and reports. Loan agreements must require borrowers and Indemnitors /Covenantors to provide current financial statements, security values and reports within reasonable time limits.

2.5 Authority

This Lending and Equity Investment Policy representing prudent guidelines, was adopted by Resolution of the Board of Directors of SIDIT at a duly constituted meeting held November 4, 2009

3.0 MARKET SERVICE AREA

The service area of SIDIT is defined within the *SIDIT Act*. In summary, SIDIT covers the southern Interior of British Columbia, an area bounded by the U.S. border to the South, the Alberta border to the East, Hope to the West and Blue River to the North.

4.0 ELIGIBILITY GUIDELINES

SIDIT will consider projects consistent with the *SIDIT Act* taken together with SIDIT's Strategic Plan and published guidelines (www.sidit-bc.ca).

SIDIT prefers partnerships and leveraged investments over being a sole investor and may adopt a partner position with one or more traditional lenders or equity partners in deals that it finances. SIDIT's position may rank equal to or subordinate to the position of its lending or equity partner in terms of cash flow and security.

5.0 STRUCTURE AND PURPOSES

The structure of SIDIT's equity investments will be consistent with best business practices in equity investment procedures. The structure of SIDIT's loans will be consistent with traditional lending procedures. In general terms, amortization periods will not exceed the life expectancy of the assets being secured and the loan term will typically be five years or less. The purpose of all loans or investments funded by SIDIT will comply with the *SIDIT Act*.

Fees will be market-based and rates will appropriately represent the inherent risk of each individual circumstance.

SIDIT's role in the ongoing operation of the enterprises that it invests within will be passive. It is not intended that SIDIT will assume seats on the Boards of the enterprises that they invest in.

All loans and equity investments will be monitored against traditional standards and when they are deemed to be bankable, steps will be taken to retire SIDIT's position in favour of a traditional lender, allowing SIDIT's funds to be recycled into new opportunities. At the time of approval, exit clauses and bankable timelines will be developed and monitored against.

6.0 CREDIT CRITERIA

With the exception of short-term cash flow and the building of equity, SIDIT will expect its borrowing and investing applicants to meet all other traditional and prudent funding standards of performance.

SIDIT will determine enterprise risk based on a careful study of the business plan, past performance of the enterprise if applicable and management capacity of the principals in order to gain a sufficient level of comfort that future cash flow and equity targets will be met.

Within the context of the SIDIT Act, SIDIT will balance the level of risk that is present with the community economic benefits that are being created. However, SIDIT will always satisfy itself that the potential of the deal is sound and prudent in order to protect the future of the fund.

7.0 RISK RATING

All applications will be risk-rated according to the Risk Rating Guidelines. A moderate approach will be followed. At the time a loan is granted, its risk rating will generally be R-4 or better on a scale of R-1 to R-5. All applications will be risk rated as part of their annual review or renewal.

Refer to **Appendix Two**.

8.0 CASH FLOW REQUIREMENTS

SIDIT will consider being patient for cash flow providing that other positive credit and community economic indicators are in evidence in the application.

9.0 DUE DILIGENCE

All aspects of applications that pass SIDIT strategic fit test (see **Section 10.0**) will be confirmed. Credit and community economic development benefits will be analyzed. Each application will be expected to illustrate a growth potential wherein equity and cash flow are being built over time and are sustainable.

10.0 APPLICATION SUBMISSION REQUIREMENTS

All applications to SIDIT will be submitted electronically in a prescribed format. The application forms will include questions to determine the level of credit risk and community economic development benefit that are derived.

SIDIT will determine the strategic fit – against the *SIDIT Act* and SIDIT's mandate – before commencing underwriting due diligence .

11.0 AUTHORIZATION PROCESS

Within the constraints of the *SIDIT Act*, loan and equity investment applications that meet the criteria outlined within this policy may first be referred for endorsement to a SIDIT Committee designated for that purpose. Following endorsement by the Committee, applications will be referred to the SIDIT Board of Directors for their approval. Alternately, applications for approval may be referred directly to the SIDIT Board of Directors.

All loan and equity investment amendments that increase previously approved facilities will be referred to the Board for their approval. All other amendments will be approved by the CEO. The CEO may delegate authorizations to a Lending Partner for expediency.

12.0 CLIENT CONTACT

Loan and investment application forms that are completed will include authorizations allowing SIDIT to refer the personal and private information to a Lending Partner for underwriting/due diligence/annual review purposes. The Lending Partner will deal directly with the applicant once referred by SIDIT. The relationship between SIDIT and its Lending Partner will be transparent to applicants.

13.0 PORTFOLIO OBJECTIVES

SIDIT's primary objective is to support economic development opportunities based on project merit within the Southern Interior irrespective of geographic considerations. In line with the *SIDIT Act* and its mandate, SIDIT will encourage submissions throughout the region.

14.0 CLIENT SERVICE COMMITMENTS

SIDIT or its Lending Partner will strive to meet or exceed market-competitive service standards. SIDIT's service standards will be published and measured.

15.0 CONFLICT OF INTEREST

SIDIT's Code of Conduct Policies will be adhered to.

Any person, including a member of any Board Committee, whose loan or equity investment that of a business associate, spouse, relative, or related corporation is being considered will disclose the details of the conflict of interest, will not participate in any part of the approval or processing of the loan, and will absent him/herself from any committee or board meetings at which subject loan or equity investment is discussed.

If the person is in doubt about whether a conflict of interest exists or if an apparent conflict of interest could be inferred by anyone, the person will declare the interest and reveal the details of the possible conflict to the Board Chairperson or, if the person is a committee member, to the committee.

Any disclosure and its details will be recorded in the minutes of the meeting.

16.0 CONFIDENTIALITY AND PRIVACY

The use of information will be disclosed, third-party relationships will be transparent and SIDIT will commit to protect the confidentiality of information in its possession.

17.0 ENVIRONMENTAL ISSUES

Environmental issues will be considered and the potential risk assessed in the underwriting of loans and investments.

All applicants for a loan or investment over \$50,000 secured by commercial property must complete and sign SIDIT's Environmental Questionnaire. After a review of the Questionnaire, a Stage 1 Preliminary Site Investigation Report may be required.

All loans and investments over \$50,000 secured by commercial property will require execution of an Environmental Indemnity Agreement.

All applicants for a loan or investment over \$500,000 secured by commercial property may be required to provide a Stage 1 Preliminary Site Investigation Report prepared by an environmental assessment firm. The report must contain the following statement: "This Stage 1 Preliminary Site Investigation Report has been completed in accordance with *the Waste Management Amendment Act*, The Contaminated Sites Regulation and any other pertinent legislation of the Province of B.C." The Report must be satisfactory to SIDIT or its Lending Partner and if not, a Stage 2 Report is required and the above statement requires the following addition: "and the Special Waste Regulation."

A Stage 1 Preliminary Site Investigation Report is required in all cases for applicants whose industries/activities are listed in Schedule 2, *Contaminated Site Regulations/Waste Management Act (Bill 26)*.

18.0 TARGET EQUITY AND LOAN ALLOCATION AND RANGES Based on a \$30 million portfolio

Asset Class	Allocation	Minimum*	Target*	Maximum*
Equity	\$10 million			
<i>Seed Capital</i>		5%	15%	25%
<i>Growth Capital</i>		10%	25%	40%
<i>Expansion Capital</i>		10%	25%	40%
<i>Mezzanine Capital</i>		20%	35%	50%
Loans	\$20 Million			
<i>Subordinated Debt</i>		30%	40%	50%
<i>Asset-Backed Debt</i>		40%	60%	100%

***value is based on current balances and monitored on at least an annual basis**

Appendix One
DEFINITIONS

- Loans: The term “loan” is used to refer to any credit relationship that SIDIT enters into with a borrowing client.
- Investments: The term “investment” or “equity investment” is used to refer to any relationship that SIDIT enters into utilizing convertible debentures, preferred convertible shares, rights and warrants. It is anticipated that SIDIT will take common shareholder equity positions upon imminent exit

Appendix Two CHARACTERISTICS OF RISK

A risk rating of 1 to 5 is used to quantify the inherent risk of each loan or investment opportunity. The following schedule summarizes the general characteristics of risk for each rating.

Security Risk Factor:

- RR1 Fully secured (negotiable or readily liquid)
Financial strength negates collateral concern
- RR2 Margin consistently exceeds requirements
Collateral has well-established value and marketability
- RR3 Adequately secured by acceptable collateral within industry standards
Margin requirements are met at all times
- RR4 Security value and marketability difficult to assess
Loan not fully margined or secured
- RR5 Situation is below that of RR4

Management Risk Factor:

- RR1 Management is strong and highly experienced
Evidence of strong succession and depth of management
- RR2 Superior experience and performance
Above average depth and succession
- RR3 Capable management
Adequate depth and succession
- RR4 Unproven or unknown management
- RR5 Situation is below that of RR4

Debt Service Coverage Risk Factor:

- RR1 Proven earnings ability, cash flow coverage undoubted
Stability and Quality of cash flow undoubted
- RR2 Strong earnings, ability to repay is above-average
Debt service capacity in excess of 2 times based on actual performance
- RR3 Provides satisfactory coverage over debt service requirements in line with industry averages
- RR4 Cash flow available for debt service is marginal
Ability to service debt based on forecasts which are not supported by past performance
Repayment is unproven.
- RR5 Situation is below that of RR4
Loan is more than 90 days in arrears

Profit Trends Risk Factor:

- RR1 Maximizes both gross and net margins
Consistently well above industry average
- RR2 Consistently above industry average in both gross and net margins
- RR3 Earning profits and making progress
Profitability is acceptable; however, gross and net margins and trends may be mixed
Generally conforms to industry standard
- RR4 Profits unproven, weak, or incurring losses; however potential for improvement evident
Volume and earnings deterioration evident but deemed correctable
- RR5 Situation is below that of RR4

Working Capital Ratio (Liquidity) Risk Factor:

- RR1 Working capital very strong and substantially above industry average (+3:1)
- RR2 Working capital strong and above industry average (between 2:1 and 3:1)
- RR3 Working capital adequate between 1:1 and 2:1 and conforms to industry average
- RR4 Working capital negative or non-existent
- RR5 Situation is below that of RR4

Debt/Equity Ratio (Leverage) Risk Factor:

- RR1 Debt/Equity less than 1:1
- RR2 Debt/Equity not more than 2:1
- RR3 Debt/Equity conforms to industry average and generally does not exceed 3:1
- RR4 Debt/Equity in excess of industry average (generally in excess of 4:1)
Undercapitalized
- RR5 Situation is below that of RR4

Industry Status Risk Factor:

- RR1 Long-term prospects excellent
High insulation from price and market swings
- RR2 Above-average potential for the future
Strong insulation against wide market swings
- RR3 Average future potential
Acceptable vulnerability to market swings
- RR4 Limited potential
High vulnerability to market swings/trends
- RR5 Situation is below that of RR4

Poor Risks:

Loans that have the following characteristics should be classified as Poor Risk (RR5):

- Loan is considered uncollectible (in whole or in part)
- Continuance as an active asset not justified
- Imminent possibility of loss
- Serious financial situation in evidence
- Steps to minimize loss are imperative
- Non-accruing or non-performing loan
- Carrying a reservation
- Any loan 90 days in arrears or more

4.0 General Policies

4.01 Community Representation and Media Communications

The policy is designed to demonstrate the Trust's obligation to model high standards of accountability. The function of public relations is to assist the Trust in achieving its goals and objectives through development and execution of programs designed to earn public understanding and support.

The Board is responsible to represent the Trust positively to the communities of the Trust area and fairly represent community perspectives to the Trust.

The policy is aimed at providing a process for managing announcements of project funding approved by the Southern Interior Trust Board of Directors. The Board has the responsibility to manage all communications around project funding decisions using a cooperative and collaborative model with the involvement of Regional Advisory Committees (RACs), MLAs, sponsoring local governments, project proponents and other stakeholders.

Implementation

The authority to speak on behalf of the Board rests with the Chair. The authority to speak on behalf of the Trust rests with the Executive Director. Both will represent the Trust on matters of Board policy.

This authority can be delegated by the Chair to other Directors or by the Executive Director to staff of the Trust.

Strategic Communications Plan

The primary communication tools will be:

- Visual branding provided by the logo and consistent visual style of communications products;
- A website that is current and has a depth of information about the Trust;
- Mass electronic distribution of four Southern Interior Development Initiative Trust newsletters;
- Distribution of the Strategic Plan and Annual Report;
- Strategic scheduling of local government, Chamber of Commerce and public speaking engagements in communities, preferably coincidental with project announcement events;
- Strategic commitments to some invitations to speak at conferences and seminars where there is a focused opportunity for the Trust to reach a large audience and improve the perception of the Trust;
- Project announcements with accompanying media releases;
- Advertising of key strategic projects which most closely align with the intent and vision for the Trust;
- Board Director and/or Executive Director attendance at Local Government Area Association conventions;
- Strategic meetings with government leaders, MLA's, senior bureaucrats, and organizations of influence and direct relevance to the Trust.

Project funding announcements will be made with the following considerations as a guide:

- Availability of the Board Chair and Executive Director and others;
- Announce multiple project funding decisions when appropriate;
- Announcement of project funding decisions will be made using a variety of tools including news releases, news conferences during local government meetings as part of larger Trust organized public and media events and others. The specific targeted media release area and audience needs to be individually assessed for each announcement;
- Timing of project funding decisions will support strategic communications objectives of the Trust;
- Larger project funding decisions may be announced on-site during a news conference with involvement of Trust representatives, RAC representatives, MLAs, sponsoring local governments, project proponents and other stakeholders as appropriate;

Guidelines for communication of project funding approvals include:

- All approved projects will be considered **confidential** until an official announcement is made;
- The Executive Director will act as the principal contact for the Trust when the communicating the status of projects to key stakeholders;
- The Trust will manage announcements of all project funding approvals.
- The timing of announcements will be made at the discretion of the Chair and may be made prior to actual release of funds, as for example at time of term sheet signing or contribution agreement execution.

This policy will be reviewed annually.

Approved: June 5, 2008

Chair on behalf of the Board

5.0 Program Policies

5.01 Vision and Mission

Vision

The SIDIT Board of Directors and RAC members share a vision of the future for the Southern Interior.

That vision is:

- *a future where economic opportunities are enabled, providing long-lasting measurable benefits to communities*
- *a future where regional investment creates significant positive impacts across the region while smaller communities are given opportunities to remain or become economically sustainable*
- *a future where there is a strong and diversified economy in the Southern Interior that supports the development of viable, healthy, vital and sustainable communities throughout*

Mission

The Board's mission expresses how they see the Southern Interior Trust contributing to this vision for Southern Interior BC:

The mission of the Southern Interior Development Initiative Trust is to support regionally strategic investments in economic development projects that will have long-lasting and measurable regional benefits for the Southern Interior.