

*ONTARIO HARNESS HORSE ASSOCIATION
GROUP RRSP PROGRAM*

**STATEMENT OF
INVESTMENT
POLICIES AND PROCEDURES**

Version 2



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1. Overview

- 1.1 This document constitutes the Statement of Investment Policies and Procedures (the "Policy") applicable to the Ontario Harness Horse Association Group Retirement Program (the "Plan") sponsored by Ontario Harness Horse Association (the "Sponsor") to provide retirement income for members and beneficiaries of the Plan (the "Members").
- 1.2 The purpose of the Policy is to define the investment principles, objectives and policies that are appropriate to the needs of the Plan and the major procedures that support their implementation.
- 1.3 The Sponsor has established an RRSP Committee (the "Committee") to oversee the running of the retirement program. See the Group RRSP Policy for details.
- 1.4 The Sponsor has appointed Manulife Financial (the "Plan Administrator") as record-keeper for the assets of the Plan. All assets shall be invested in pooled or separate funds (the "Funds") and Guaranteed Investment Account ("GIA") offered by the Plan Administrator.
- 1.5 The Plan Administrator will provide the Sponsor with a statement of investment policies and procedures for each available fund from which the Sponsor can choose for investment purposes.
- 1.6 The Sponsor shall review this Policy annually to ensure that it continues to be appropriate for the requirements of the Plan, and shall either confirm or amend it. Such confirmation or amendment will be noted in the minutes of the Committee meetings. Any changes that affect Members or the Plan Administrator shall be promptly communicated to them, subject to the terms of the contract between the Sponsor and the Plan Administrator.

2. Background Information

- 2.1 The Plan is a group RRSP. Membership in the Plan is voluntary for Ontario Standardbred Industry participants who meet the eligibility requirements.
- 2.2 Member and Sponsor contributions are as determined under the Group RRSP Policy. See the Group RRSP Policy for details.

- 2.3 The liabilities of the Plan are equal to the sum of the assets the Members hold in their individual accounts. The size of the liabilities of the Plan is thus completely dependent on the amount of net cash flows to Member accounts, the allocation of contributions to each investment option, and the investment performance of the options selected.
- 2.4 The Sponsor makes available the investment vehicles for all contributions from a selection of diversified investment options offered by the Plan Administrator.
- 2.5 Members bear the investment risk and, should they choose to purchase an annuity when leaving the Plan, the risk of fluctuations in interest rates.
- 2.6 A Member's retirement benefit is determined by the value of the Member's account prior to retirement.

3. Investment Objectives And Allocation

- 3.1 The investment objective of the Plan is to permit Members to accumulate assets within the Plan in order to provide some level of retirement income while preserving capital and providing growth with low risk.
- 3.2 To achieve the above objectives, the Sponsor shall choose investments that:
 - are well diversified and professionally managed; and
 - charge fees that are reasonable for their asset class and investment style.
- 3.3 The plan encompasses two accounts, the Members' Account and the OHHA Holding Account.
 - The purpose of the Members' Account is to provide some level of retirement income while preserving capital and providing growth with varying levels of risk as assumed by members.
 - The purpose of the OHHA Holding Account is to maximize growth while preserving capital for funding of contributions to members' accounts, with a moderate level of risk.

- 3.4 More specifically, the default option for assets of the Members' Account shall be invested as follows:
- Balanced funds 85%, because they provide diversification across all asset classes and attractive risk and return characteristics;
 - GIAs 15%, because they provide stable and predictable income.
- 3.5 More specifically, the assets of the OHHA Holding Account shall be invested as follows:
- Balanced funds 100%, because they provide diversification across all asset classes and attractive risk and return characteristics.
- 3.6 In accordance with the Capital Accumulation Plan guidelines, members may choose to invest their funds in any of the funds offered by the Plan Administrator and approved by the Sponsor. Should the member not choose their own investment options, the default option as stated in 3.4 will apply.
- 3.7 In selecting the investments available for the Plan, the Sponsor shall take into account the size and growth of the Plan, average age of the membership, risk tolerance, and costs.

4. Monitoring

- 4.1 The Sponsor shall, at least once a year:
- a) evaluate the investment performance of each Fund, compared with its investment goals and the risk taken to achieve these returns;
 - b) review the assets and cash flows of the Plan;
 - c) review the appropriateness of the investments selected under the Plan; and
 - d) review the products offered by the Plan Administrator and monitor its record of service to the Plan.
- 4.2 The primary investment performance goal of each actively managed Fund shall be to achieve a rate of return, before deducting investment

management fees, equal to or greater than the total return produced by the appropriate financial index or benchmark, as follows:

<u>Asset Class</u>	<u>Benchmark</u>
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Balanced of investment policies	Fund's policy asset mix, as defined in its statement of investment policies
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The secondary investment performance goal of each actively managed Fund shall be to achieve a rate of return in the top half of a recognized universe of investment managers with similar mandates.

- 4.3 The measurement time period for assessment of investment performance and investment risk shall be four years. However, time periods of less than four years should also be considered in the evaluation of investment performance.

Recognizing that the returns achieved over such shorter period can vary significantly from the relevant goals, the general trend of results relative to the goals and the likelihood that satisfactory results can reasonably be expected over 4-year moving periods should form the basis for the evaluation of a Fund's performance.

- 4.4 In evaluating a Fund or the Plan Administrator, the Sponsor shall also consider non-quantifiable factors, such as:
- a) turnover of key personnel;
 - b) significant increase or decrease in the number of clients or assets under management;
 - c) changes in organizational stability or ownership; and
 - d) changes in investment style or unusual changes in portfolio composition.
- 4.5 The Sponsor may request annually from the Plan Administrator, and the Plan Administrator shall supply, a statement of compliance with respect to the investment of the Funds, including whether or not any investment manager has been found guilty of a securities offence since the last annual statement of compliance, or is presently under investigation by a regulatory authority and if so, the status of such investigation.
- 4.6 If investment performance is below the above goals or if there have been significant changes in the characteristics of an investment manager or the

Plan Administrator, the Sponsor shall identify the causes and determine whether any action needs to be taken, and if so, shall take effective steps to correct the situation.

Notwithstanding the above, the Sponsor shall have the authority to change investments or the Plan Administrator at any time, as it deems in the best interest of the Plan and its Members, subject to the provisions of the contract between the Sponsor and the Plan Administrator.

5. General Provisions

- 5.1 Eligible investments. The investments in each of the Funds under this Plan shall be subject to the policies and guidelines of the appropriate Fund's statement of investment policies.
- 5.2 Legal limitations. All investments shall be maintained within the legal limitations stipulated for the Income Tax Act (Canada) and its Regulations, as amended from time to time.
- 5.3 Plan limitations. Except with the written permission of the Sponsor, the Plan shall not engage in:
- borrowing, except where the borrowing is necessary to cover a short-term contingency, including but not limited to paying Plan benefits and expenses, and the borrowing is for a period that does not exceed ninety days;
 - the guarantee of third-party borrowing;
 - the purchase of securities on margin;
 - the granting of loans to individuals; and
 - short selling.
- 5.4 Securities lending. The assets of a Fund may only be loaned by an investment manager through a professional custodian if explicitly allowed by the appropriate Fund's statement of investment policies, and shall be conducted in a manner which is consistent with applicable legislation, under terms and conditions typical of those used for Canadian pension funds.

- 5.5 Valuation of Investments. The assets of the Plan shall be valued according to the following methods:
- a) Funds shall be valued at the unit values supplied by the Plan Administrator or the Fund's Sponsor;
 - b) During their term, GIAs shall be valued at cost plus accrued interest. The same methodology shall also be applied on death, termination, or retirement of a Member. Upon interfund transfers or termination of the arrangement, GIAs shall be valued at the lesser of cost plus accrued interest and market value. The market value is calculated by projecting the cost of the GIA to the end of its term, and discounting this amount back to the date of the event using interest rates prevailing at that time for new GIAs of a similar term; and
 - c) Any other asset shall be valued at its market value when it is readily available from a recognized stock exchange or other organized facility. If a market valuation is not readily available, an estimate of the market value shall be computed based on a consistent and reasonable methodology. Such estimates shall be supplied at least annually by the Plan Administrator or other qualified independent professionals.
- 5.6 Voting Rights. The investment managers shall exercise the voting rights acquired through the Funds' assets, at all times acting prudently and solely in the financial interests of the Members and beneficiaries.

6. Related Party Transactions And Conflicts Of Interest

- 6.1 Transactions with related parties of the Plan as defined in Section 6.2 are prohibited except as allowed by Section 6.3, 6.4 or 6.5. Conflicts of interest of related parties, with conflicts defined in Section 6.6, should be avoided at all times.
- 6.2 For the purposes of these guidelines, related parties are defined as:
- i) the Sponsor;
 - ii) a member of a committee, a board, or other body that is the Sponsor of the Plan;

- iii) an officer, director or employee of the Sponsor;
 - iv) a person responsible for holding or investing the assets of the Plan, or any officer, director or employee thereof;
 - v) an association or union representing employees of the Sponsor, or an officer or employee thereof;
 - vi) an employer who participates in the Plan, or an employee, officer or director thereof;
 - vii) a member of the Plan;
 - viii) the spouse or child of any person referred to in any of paragraphs i) to vii);
 - ix) an affiliate of the Sponsor if the Sponsor is a corporation;
 - x) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs i) to viii);
 - xi) an entity in which a person referred to in paragraph i), ii), iii), or vi), or the spouse or a child of such a person, has a substantial investment.
- 6.3 The Sponsor may not enter into a transaction with a related party on behalf of the Plan unless:
- the transaction is required for the operation or administration of the Plan; and
 - the terms and conditions of the transaction are not less favorable to the Plan than market terms and conditions.
- 6.4 The Sponsor may also enter into one or more transactions with a related party on behalf of the Plan if the value of such transactions is nominal or the transactions are immaterial to the Plan, more specifically if, in total, they represent less than 0.01% of Plan assets and less than \$10,000.
- 6.5 The Sponsor may not lend Plan assets to a related party.
- 6.6 A conflict of interest arises when any of the above persons has or acquires any pecuniary or personal interest, direct or indirect, real or perceived, in any matter in which the Plan is concerned which conflict with the person's duties and powers in respect of the Plan, or which impair the person's

ability to make an unbiased judgment in completing their responsibilities to the Plan.

6.7 Where a conflict of interest exists:

- a) The person with the conflict shall advise the Sponsor as soon as possible after becoming aware of the conflict;
- b) The person with the conflict shall abstain from any discussion and voting on the matter in conflict; and
- c) The Chief Financial Officer shall determine the appropriate actions required, or if necessary seek the advice of legal counsel as to the actions required, to mitigate the effects of the conflict.

Approved and Adopted by:

Ontario Harness Horse Association

Per:


Darryl MacArthur, President

JUNE 2 2009
Date