

other Accounts or organizations which are to be invested by PTCC for the benefit of the Founding Presbyteries;

AND WHEREAS PTCC will have received assets from The Toronto West Presbytery Corporation, to be invested for the benefit of the South West Presbytery Community Ministries in the South West Presbytery of Toronto Conference;

AND WHEREAS PTCC and the Founding Presbyteries wish to establish policies and procedures to govern the operation of PTCC including the investment of the assets by PTCC, the annual payment of net investment income to the Founding Presbyteries and requests for grants to be made by PTCC to the Founding Presbyteries and others as may be permitted;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of Two Dollars (\$2.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the covenants herein contained, the parties hereto covenants and agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

- (a) "Account" or "Accounts" means those funds as described in sections 3.1, 3.2, and 3.3 hereof;
- (b) "Act" means the *Corporations Act*, R.S.O. 1990, chap. C. 38 as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references herein to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;
- (c) "Agreement" means this agreement between PTCC, Living Waters, Northern Waters, South West and Southeast dated ____ day of _____, 2010 and titled Presbyteries of Toronto Conference Corporation Operating Agreement;
- (d) "Bylaws" means the bylaws of Presbyteries of Toronto Conference Corporation unless otherwise stated;
- (e) "Corporation" means the corporation incorporated as a corporation without share capital under the Act by letters patent dated the 27th of June, 1973, amended by supplementary letters patent dated the ____ day of _____,

- 2010 (collectively sometimes referred to as the “Letters Patent”) and currently named the Presbyteries of Toronto Conference Corporation;
- (f) “Extraordinary Grant Requests” means a grant request under Article 3.11;
 - (g) “Founding Presbyteries” means collectively Living Waters, Northern Waters, South West and Southeast;
 - (h) “Living Waters” means Living Waters Presbytery or its successor presbytery;
 - (i) “Northern Waters” means Northern Waters Presbytery or its successor presbytery;
 - (j) “South West” means South West Presbytery or its successor presbytery;
 - (k) “South West Presbytery Community Ministries” sometimes referred to as the “Community Ministries” means the existing Jane-Finch and Davenport-Perth Community Ministries in South West Presbytery;
 - (l) “TC” means Toronto Conference of the United Church of Canada;
 - (m) “The Toronto Tri Presbytery Corporation” means the Corporation incorporated as a corporation without share capital under the Act by letters patent dated the 12th day of November, 1973 and amended by supplementary letters patent dated the 7th day of November, 1991;
 - (n) “Toronto Southeast” means Toronto Southeast Presbytery or its successor presbytery;
 - (o) “Toronto West Presbytery Corporation of the United Church of Canada” or “TWPC” means the corporation as previously named prior to issue of supplementary letters patent dated _____day of _____, 2010, changing the name of TWPC to Presbyteries of Toronto Conference Corporation and amending its objects;
 - (p) “TUCC” means the Toronto United Church Council.

All other capitalized terms contained in the Agreement shall have the meaning given to such terms in the bylaws and regulations of PTCC from time to time properly enacted;

1.2 Interpretation. In the Agreement unless the context otherwise requires, words importing the singular shall include the plural number, as the case may be, and vice versa.

- 1.3 Headings.** The headings used throughout the Agreement are inserted for reference purposes only and are not to be considered in construing the terms and provisions of the Agreement or to be deemed in any way to clarify, modify or explain the effect of such terms or provisions.
- 1.4 Conflicts.** To the extent of any conflict between the provisions of the Agreement and the provisions of either the Act or the Letters Patent to the corporation, the provisions of the Act or the Letters Patent shall govern.
- 1.5 Invalid Provisions.** The invalidity or unenforceability of any provision of the Agreement shall not affect the validity or enforceability of the remaining provisions of the Agreement.

ARTICLE 2

PURPOSE AND ORGANIZATION

2.1 Purpose

PTCC and the Founding Presbyteries acknowledge and agree that:

- (a) the Executive of TC passed motions in 2008 and 2009 after receiving reports from various Task Groups related to the future use of the assets held by TC, the nine Presbyteries under TC jurisdiction, the Corporation, and authorized on June 10, 2009 a further Task Group to outline “terms and timelines under which the Founding Presbyteries and TC would be able to access Accounts which have been designated for their use, held within the Corporation.”
- (b) after discussions with representatives of TWPC, and following a decision on June 10, 2009 by the Executive of TC, TWPC took the necessary steps to apply for supplementary letters patent, amending its objects, changing its name to PTCC, amend the objects of incorporation and thereafter revising the bylaws of PTCC in order to provide a corporate vehicle to serve all the presbyteries of TC;
- (c) PTCC shall continue as a not-for-profit corporation authorized to issue receipts for charitable donations having a charitable registration number issued by the Canada Revenue Agency;
- (d) the Agreement sets out policies and procedures related to the investment of the assets received by PTCC, the handling of annual grant requests by the Founding Presbyteries from the net investment income, and requests

for other grants by the Founding Presbyteries and the South West Presbytery Community Ministries from the capital funds of PTCC.

2.2 Modification of this Operating Agreement

The policies and procedures reflected in this operating agreement represents PTCC's and the Founding Presbyteries current agreement respecting the best approach for the management of the assets held by PTCC. It is acknowledged and agreed that circumstances may arise after this operating agreement is executed that may result in a need to modify the terms of the operating agreement, and that the terms of this operating agreement may be modified only upon the unanimous consent by all parties to this operating agreement.

2.3 Addition/Removal of Parties

PTCC and the Founding Presbyteries acknowledge and agree that parties may be added to or removed from the Agreement. PTCC and the Founding Presbyteries agree to consider the addition of or removal of parties to this operating agreement, in good faith, including any modifications that may be required, by entering into an amended Agreement which incorporates any change in participation.

2.4 Director, Member Obligation

(a) Each member and director shall abide by all rules of law and bylaws or regulations of PTCC governing conflict of interest and shall, where required, declare such conflict and abstain from participating in any discussions or vote on such matter.

2.5 Book of Account and Records

Proper books of account and records shall be kept by PTCC in accordance with all laws, rules, regulations and policies applicable to an Ontario not-for-profit charitable corporation, registered with a charitable number from the Canada Revenue Agency and shall prepare and file all appropriate returns, notices information statements and other materials applicable to PTCC, on a timely basis.

ARTICLE 3

Financial Structure and Guide Lines

3.1 Founding Presbytery Accounts

The estimated monetary assets to be held by PTCC at the execution date of the Agreement for the Presbyteries and their Ministries is set forth in **Schedule A** hereto.

The financial structure of PTCC shall be organized into a number of different Accounts according to the following:

- (a) PTCC shall set up separate Accounts within PTCC for each of:
 - (i) Living Waters
 - (ii) Northern Waters
 - (iii) South West
 - (iv) Southeast
 - (v) PTCC
 - (vi) South West Community Ministries
 - (vii) Community Ministries Trust
- (b) The initial capital assets received by PTCC shall be assigned to each Founding Presbytery Account and to the South West Presbytery Community Ministries Account within the accounts of PTCC, as well as future capital asset additions to PTCC, designated for the Founding Presbyteries.
- (c) These Accounts will provide a logical account within the financial records of PTCC that delineates the portion of the overall capital assets of PTCC held for the benefit of each Founding Presbytery and the South West Presbytery Community Ministries, while enabling all the financial assets to be held in one or more corporate bank account(s) or investment account(s) by PTCC, as shall be determined to be most beneficial.

3.2 South West Presbytery Community Ministries Account

- (a) Approximately \$1.8 million in capital assets are to be allocated by PTCC to support the South West Presbytery Community Ministries (the "Community Ministries") and other related ministries. These assets shall be managed as a separate Account in PTCC.

- (b) PTCC, when requested by South West Presbytery, shall make grants to the Community Ministries; an approximate estimate of these amounts is as follows:
 - (i) On average, \$204,800 per year for each of five (5) years from 2011 through 2015 (year one (1) grant is approximately \$185,670 and year five (5) grant is approximately \$221,900).
 - (ii) In 2016, year six (6), an amount of approximately \$221,900, and for the next four (4) years, an amount declining by 20% per year from 2017 through 2020, so that the Account is exhausted by the end of 2020.
 - (iii) Approximately \$82,500 shall be granted to other related ministries over the 10-year period.
- (c) Requests made by South West to PTCC for grants to the Community Ministries shall have prior approval by the full court of South West. The limitations of Articles 3.8, 3.9, 3.10, 3.11, and 3.13 shall not apply to grants made from the South West Presbytery Community Ministries Account.
- (d) If any assets remain in the South West Presbytery Community Ministries Account at the end of 2020 they shall be retained in the South West Account for “community ministry” initiatives within the South West.

3.3 PTCC Account and Assets

- (a) PTCC shall have its own Account in order to perform the necessary receipt of income and payment of expenses before allocations. This Account will also facilitate the situation when the timing of receipt of funds and payment of expenses results in having to record the transaction before an allocation of funds is known.
- (b) It is anticipated that the PTCC Account will have a zero balance at the end of each financial year.
- (c) PTCC may hold assets in cash, marketable securities and other forms such as real property, mortgages, or special investments in order to facilitate the work of the Founding Presbyteries and to maximize return on the capital in accordance with Article 4.3.

3.4 Reporting

Annual financial reports shall be issued by PTCC to each of the Founding Presbyteries, the South West Presbytery Community Ministries, and other individual Accounts; the reports shall reflect the overall financial position of PTCC as well as the assets, income and expenses for each of the Accounts.

3.5 PTCC Investment Committee & Investment Officer

PTCC has the authority to appoint an Investment Committee, to engage a financial institution to invest and manage its financial assets and appoint an Investment Officer or other staff or advisors to advise the board of directors and/or its Committee(s) on investment matters and shall do as required from time to time.

3.6 Apportionment of Investment Income & Realized/Unrealized Capital Gains/Losses to Accounts

(a)**The Founding Presbyteries Accounts & The South West Presbytery Community Ministries Account:** The overall investment interest, dividends, and the realized/unrealized capital gains/losses (except for capital losses arising from specific grants of capital as outlined further in Article 3.12) will be applied pro-rata against the Accounts. Interest, dividends, and realized/unrealized capital gains/losses will be applied and allocated quarterly on an estimated basis, and finalized annually at the end of each calendar year, based on accruals and receipt of Accounts in that calendar year.

(b)**The PTCC Account:** This Account, although segregated, shall be subject to the pro-rata allocation of interest, dividends, and realized/unrealized capital gains/losses as with the other Accounts.

3.7 Apportionment of Costs to the Accounts

The costs of the operation of PTCC will be charged pro-rata against the Founding Presbytery Accounts, the South West Presbytery Community Ministries Account and any other accounts established in the future, and will be based on the value of each of the Accounts at the beginning of each financial year. Typical expenses include general administrative expenses, legal expenses, bookkeeping and audit expenses, and investment management fees or commissions paid for the purchase and sale of financial assets.

3.8 Annual Payment of Interest & Dividend Income from Accounts

Founding Presbyteries shall be entitled to request grants equal to the expected net financial return earned by their Account during the year, as advised to them by the Treasurer of PTCC. Any part of the financial return not requested or withdrawn by a Founding Presbytery may be added to the amount available for grant requests in future years or, at the option of the Founding Presbytery, it may be designated as capital in their Account.

Grant Requests

In order to ensure good stewardships, treat PTCC funds as capital when raised as capital, ensure appropriate justification and planning, and reduce the possibility of capital losses due to short term divestitures of investments, the following rules shall govern grant requests.

3.9 Annual Grant Request of Capital - up to 5%

- (a) Annually, each Founding Presbytery shall be entitled to request PTCC for a grant equal to a fixed percent of their capital financial assets.
- (b) PTCC's consideration of a capital asset grant request may be expected when the annual amount requested is not greater than five percent (5%) of capital in the Founding Presbytery's Account at the beginning of that year.
- (c) Consideration by the PTCC Board requires that proper notice has been given and the intended use of the capital has been approved by the full court of the Founding Presbytery.
- (d) Three (3) months notice for a grant request of 5% of capital is required to lessen potential losses in PTCC investments due to early liquidation.
- (e) These grant requests shall be subject to the capital loss provisions described in Article 3.12.

3.10 Grant Requests for Church Development/Redevelopment Projects - up to 10%

- (a) PTCC shall set up criteria and procedures to facilitate a Founding Presbytery to make an application to request a grant from PTCC from their Account for a project such as church development /redevelopment, in excess of the requested 5% capital draw down in Article 3.9 above.
- (b) Church development/redevelopment refers to the work of any congregation or congregations working together to redevelop property or programs to meet the needs of the community they serve. This could include but not be limited to amalgamation, specialized ministries such as youth, seniors, and community ministries, and it may or may not involve property.
- (c) A church development project grant request shall not exceed ten percent (10%) of the current value of the capital assets in the Founding Presbyteries Account.
- (d) A church development project request from a Founding Presbytery would be limited to one-time financial support from the Account for that project.
- (e) Consideration by the PTCC Board requires that proper notice has been given and the intended use of the capital has been approved by the full court of the Founding Presbytery that requested the grant.

- (f) Six (6) months notice for a 10% grant request is required to lessen potential losses in PTCC investments due to early liquidation.
- (g) These grant requests shall be subject to the capital loss provisions described in Article 3.12.

3.11 Grant Requests for Major Church Development/Redevelopment Projects - over 10%

- (a) PTCC shall set up separate criteria and procedures to facilitate a Founding Presbytery to make an application to request a grant for more than ten percent (10%) but not more than twenty percent (20%) of the capital in its Account for a major church, development/redevelopment project ("Extraordinary Grant Requests").
- (b) An Extraordinary Grant Request shall be part of the ongoing PTCC financial management process, so that PTCC has an opportunity to provide an assessment of the impact that such an extraordinary grant request has on the overall PTCC investments, and for all Accounts.
- (c) Consideration of an Extraordinary Grant Request by the PTCC Board requires that proper notice has been given and the intended use of the capital has been approved by the full court of the Founding Presbytery.
- (d) Six (6) months notice is required for an Extraordinary Grant Request in excess of 10% to lessen potential losses in PTCC investments due to early liquidation.
- (e) An Extraordinary Grant Request shall be subject to the capital loss provisions described in Article 3.12.

3.12 Apportionment of Capital Losses to a Founding Presbytery Account Due to Payment of a Grant Request

Notwithstanding the three (3) months notice provision as noted in Article 3.09 and the six (6) months notice provision in Articles 3.10 and 3.11, any capital loss arising from the execution of a grant request(s) by a Founding Presbytery that would negatively affect income of the other Accounts shall be the financial responsibility of the requesting Founding Presbytery, and the amount of any capital loss would be deducted from their grant, and credited as a capital addition and prorated to the other Accounts.

3.13 PTCC Requirements for Grant Requests

A Founding Presbytery will be responsible for making its financial projections sufficiently in advance for PTCC to have funds available to meet the Founding Presbyteries grant requests in accordance with this Agreement. Timing of grant requests for grants from PTCC shall be:

- (a) Grant requests for the net income from interest and dividends and up to a 5% grant of capital shall be made no later than September 30 of the year prior to which the Founding Presbytery is requesting the grant.
- (b) Grant requests for up to 10% of capital or an Extraordinary Grant Request shall be made no later than September 30 of the year prior to which the Founding Presbytery is requesting the draw down, and the first draw shall not be available until six (6) months after the approval of the grant request by the Board of PTCC.

3.14 Reporting of Accounts

PTCC shall provide for each Account an annual written report and interim reports on a regular basis as the directors shall determine, to the board of directors and beneficiaries of such Accounts. The Investment Committee, in addition to the annual report, shall be required to provide quarterly reports to the board of directors and beneficiaries of such accounts. All reports shall be in sufficient detail and currency to provide accurate information on the amount, nature and identity of investments in the account, the return of investments, the distributions from the Account for the reporting period and applications for distributions outstanding for the reporting period.

3.15 Opening Balance Sheet and Statement of Accounts

Attached as **Schedule B** to the Agreement is a draft Opening Balance Sheet and Statement of Accounts as of _____, 2010 ("Opening Statements"). The Opening Statements have been provided on a draft basis for information purposes only as an indication of the opening financial position and structure of PTCC and is subject to verification and correction if necessary by the Auditor of PTCC and the approval of the board of directors.

ARTICLE 4

ACCOUNTING FOR PTCC

4.1 Proceeds from the Sale of Surplus Real Property through Toronto Conference

PTCC and the Founding Presbyteries acknowledge and agree that proceeds from the sale of surplus real property or personal property transferred from TC to PTCC for the use of the Founding Presbyteries shall be divided equally between the Founding Presbyteries and allocated by PTCC to their individual Accounts.

4.2 Acknowledgement of Possible Other Accounting for PTCC

- (a) Approximately \$1.6 million of the total of approximately \$3.4 million in assets held by PTCC shall be allocated equally to the Accounts of the Founding Presbyteries.
- (b) Approximately \$900,000 in assets being transferred to PTCC by the Toronto Tri-Presbytery Corporation shall be allocated equally to the Accounts of the Founding Presbyteries.
- (c) Any residual assets of the Founding Presbyteries not yet allocated will be transferred to PTCC and will be allocated equally to the Accounts of the Founding Presbyteries.
- (d) Assets received by TC as it draws down the Cedar Glen Fund (now held by TUCC) over the five (5) year period 2010 – 2014 and proceeds from the sale of surplus real property, will initially be used to meet TC requirements for separate TC funds, including a general fund, a contingency fund, and a technology fund.
- (e) Net assets from the Cedar Glen Fund and assets from the sale of surplus real property that are surplus to TC requirements shall be transferred to PTCC on an ongoing basis, and shall be allocated equally to the Accounts of the Founding Presbyteries.
- (f) Capital asset additions to the Accounts of PTCC may come from TC through the proceeds from the sale of surplus real and personal property and from donations directly to PTCC by individuals or estates.

4.3 Investment Policies of PTCC

It shall be the investment policy of PTCC to invest the Founding Presbyteries assets and other assets conservatively, preserving the capital and yielding the maximum return on investment possible, in accordance with prudent investment strategies, the objects, and the special provisions of the Corporation.

ARTICLE 5

OWNERSHIP OF ASSETS, RESTRICTIONS, & PTCC AS CUSTODIAN OF ASSETS OF THE UNITED CHURCH OF CANADA

5.1 Ownership of Assets

PTCC and the Founding Presbyteries acknowledge and agree that there is the need for fundamental clarity and understanding on the issue of ownership of the financial assets of PTCC.

- (a) PTCC is not a deposit taking institution or an investment management organization.
- (b) Financial and other forms of assets, when received by PTCC, become the property of PTCC alone and are legally its assets to be administered in accordance with its duties and responsibilities as a registered charitable corporation and the terms of this Agreement.

5.2 Restrictions

The Founding Presbyteries acknowledge and agree that should PTCC wish to agree to certain restrictions on any assets received, it may be required to enter into separate trust arrangements where practicable.

5.3 PTCC as Custodian of Assets of the United Church of Canada

PTCC and the Founding Presbyteries acknowledge and agree that PTCC will be a custodian of assets of The United Church of Canada, albeit capital, largely in the form of financial assets.

It is also acknowledged and agreed:

- (a) That these financial assets are not operational assets, and for the most part, were raised through special capital campaigns in Congregations and that good stewardship of these assets demands they be respected and preserved as capital assets,
- (b) That the temporal needs of the church change from time to time, as an example: Congregations in metropolitan areas have found that they do not need to own manses and that Presbyteries direct congregations when selling manses to invest the funds arising from the sale to earn income for ministerial housing allowances. The income from the investment of capital assets arising from the sale of Church property can similarly support the changing needs of ministry within the Church,
- (c) That placing of such financial capital assets in a separate corporation, such as PTCC aids in obtaining the maximum return on capital, and helps to separate operational assets from financial capital assets, and
- (d) That PTCC can provide a wide range of possible financial help to Presbyteries and Congregations, including short-term loans, to help them meet their financial needs as well as unexpected requirements.

ARTICLE 6
**GENERAL PROVISIONS, OPERATIONAL PROCEDURES, DISPUTE
RESOLUTION**

- 6.1** In the event of dispute relative to this Agreement, as a method of dispute resolution and as a last resort measure, the meeting may with the consent of the meeting refer the matter to a conflict resolution facilitator selected from the most recent list of facilitators approved and published by the United Church of Canada for determination. The resolution shall set forth the nature of the matter in dispute with sufficient detailed background and information to fully inform and assist the facilitator in its determination. The decision of the facilitator shall be final and binding and not subject to appeal.
- 6.2** This Agreement and each of its terms shall be binding upon and enure to the benefit of the parties executing the same and their respective successors, administrators and permitted assigns.
- 6.3** This Agreement shall come into effect on the date stated on page 1 hereof, after signing by all parties.

ARTICLE 7
NOTICES

- 7.1** Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery (in which case it shall be left with a responsible party of the recipient) or by electronic communication addressed to the recipient as follows:

To: PTCC
41 Kennedy Park Road
Toronto, Ontario M6P 3H2

Attention: Brian Traquair, Treasurer
Fax No.: 416-646-5894
E-mail: Brian.Traquair@Sungard.com

To: Living Waters
59 Line 4 North
Oro-Medonte, Shanty Bay, ON
L0L 2L0

Attention: Jody Maltby, Conference Minister for
Program
Fax No.: 705-487-2114
E-mail: jmaltby@united-church.ca

To: Northern Waters
P.O. Box 10038
56 Victoria Street East
Alliston, ON L9R 0B7

Attention: Kerrie Perry, Conference Minister for
Program
Fax No.: 705-434-1846
E-mail: kperry@united-church.ca

To: South West
65 Mayall avenue
Downsview, ON M3L 1E7

Attention: Ken MacDonald, Conference Minister for
Program
Fax No.: 416-241-2689
E-mail: kmacdonald@united-church.ca

To: Southeast
963 Pharmacy Avenue
Scarborough, ON M1R 2G5

Attention: Anne Shirley Sutherland, Conference
Minister for Program, Property & Public Witness

Fax No.: 416-759-2091
E-mail: asutherl@united-church.ca

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication shall be conclusively deemed to have been given, if given by personal delivery, on the day of actual delivery thereof, and, if given by electronic communication, on the day of transmittal thereof if transmitted during normal business hours of the recipient on a Business Day and on the Business Day following the transmittal thereof if not so transmitted.

IN WITNESS WHEREOF the parties have authorized their officers to sign this Operating Agreement and seal as appropriate on the date above first written:

The Presbyteries of Toronto Conference Corporation

Per: _____
Name and Title

Per: _____
Name and Title
I / We have authority to bind the Corporation

Living Waters Presbytery

Per: _____
Name and Title

Per: _____
Name and Title
I / We have authority to bind the Presbytery

Northern Waters Presbytery

Per: _____
Name and Title

Per: _____
Name and Title
I / We have authority to bind the Presbytery

South West Presbytery

Per: _____

Per: _____

I / We have authority to bind the Presbytery

Toronto Southeast Presbytery

Per: _____

Name and Title

Per: _____

Name and Title

I / We have authority to bind the Presbytery