



## REPORT ACTION REQUIRED

### Report to Shareholder, Toronto Economic Development Corporation (TEDCO)

<b>Date:</b>	November 12, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	Jeffrey D. Steiner, President & C.E.O., TEDCO & Jerry Prypasniak, Corporate Secretary and General Counsel
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### **SUMMARY**

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TEDCO is a company incorporated under the Ontario Business Corporations Act which is solely owned by the City of Toronto. TEDCO submits an annual report to its sole shareholder which complies with its corporate governance requirements and all relevant shareholder directions. In addition, TEDCO already submitted its audited financial statements which were approved by the City of Toronto Audit Committee on September 24, 2007 and City Council on October 22, 2007. Further, the TEDCO Management provided a presentation summarizing its key activities to the Economic Development Committee on November 7, 2007.

#### **RECOMMENDATIONS**

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**It is recommended that:**

1. Council receive the City of Toronto Economic Development Corporation (TEDCO) 2006 Annual Report and 2007 update comprising this report and the presentation from Jeffrey D. Steiner, President & CEO of TEDCO dated November 7, 2007, included as attachment 1 to this report, copies of which have been filed with the Clerk and distributed under separate cover to Council Members.

2. The City existing Shareholder Direction be amended to permit the composition of the Board of Directors of any TEDCO subsidiary to be composed of at least fifty per cent of directors chosen from the TEDCO Board rather than the current one hundred per cent, to accommodate any joint venture or pension fund initiative undertaken by TEDCO.
3. Council authorize and direct the appropriate City Officials to take the necessary actions to give full effect to the foregoing.

## **Financial Impact**

There is no financial impact of this report.

## **BACKGROUND**

City Council is sole shareholder of TEDCO, a corporation incorporated pursuant to the provisions of the City of Toronto Act, 1985 under the Business Corporations Act (Ontario) ( "OBCA" ) on March 24, 1986. The requirements under the OBCA for TEDCO regarding filing of financial statements and appointment of auditors for 2006 have followed the practice established in 2003. TEDCO's financial statements for 2006 already have been filed by TEDCO with the City's Finance Department and the City's Audit Committee and approved by Council at its meeting of October 22, 2007. The City has already re-appointed the incumbent auditors, Ernst & Young LLP, Chartered Accountants for the 2007 financial year and re-authorized TEDCO's Board of Directors to fix their remuneration.

### **Subsidiary Governance to Facilitate Joint Ventures**

TEDCO staff has had discussions with staff from the City Manager's office regarding amendment of the City's current requirement under an existing Shareholder's Direction that the directors of any TEDCO subsidiary be chosen from TEDCO board members only. TEDCO has been authorized by its Board of Directors to pursue initiatives through joint ventures with pension funds and other entities. Normal commercial practice requires that the board of directors of a subsidiary created for such purpose would be appointed by both parties to the joint venture. As a result TEDCO's Board of Directors has authorized TEDCO to propose the following amendment to the City of Toronto Shareholder Direction to TEDCO:

"The City existing Shareholder Direction be amended to permit the composition of the board of directors of any TEDCO subsidiary to be composed of at least fifty per cent of directors chosen from the TEDCO Board rather than one hundred per cent to accommodate any joint venture or pension fund initiative undertaken by TEDCO."

It is recommended that the City, as shareholder authorize such amendment to the existing Shareholder Direction.

## **COMMENTS**

The rationale for this request to amend the shareholder direction is to accommodate the normal governance requirements of joint ventures where Board Directors are comprised from both partner organizations. In this instance, TEDCO has been examining options to increase the level of investment in Toronto by entering into joint ventures with pension funds and other partners. This opportunity has been taken to the market in the form of a Request for Proposal process to obtain joint venture partners to undertake development projects on TEDCO lands. In order to accommodate the normal governance requirements of such initiatives, TEDCO is proposing that subsidiary corporations be formed to manage these initiatives, and that the TEDCO Board of Directors make up a minimum of 50% of the Directors of such subsidiary corporations. This requires a change to our Shareholder direction, which is fully supported by our TEDCO Board.

## **CONCLUSION**

TEDCO continues to provide sound leadership to a range of urban development and economic development programs in concert with its Shareholder. The change in governance structure for subsidiary corporations of TEDCO will provide an enhanced opportunity to increase the level of investment within the City of Toronto.

## **CONTACT**

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## **SIGNATURE**

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Jeffrey D. Steiner  
President & C.E.O.  
TEDCO