TORONTO Atmospheric Fund **STAFF REPORT ACTION REQUIRED**

Memorandum of Understanding - Investeco

Date:	December 6, 2010
To:	Toronto Atmospheric Fund Board of Directors
From:	Julia Langer, Executive Director

SUMMARY

The private equity market is paying increasing attention to 'green' investment opportunities including in the infrastructure, energy efficiency, smart grid and renewable power, water quality and efficiency, sustainable agriculture, real estate and other categories. The expertise resident in these rapidly growing firms and their activities and contacts are highly aligned with TAF's mandate-related finance program and our objective of increasing assets under influence.

The Investment Committee is recommending a strategic relationship with Investeco, a Toronto-based firm which has been a forerunner in this space.

The objective is to work collaboratively to streamline and enhance investment, mobilize and leverage capital, and advance financial innovation in the climate solutions space. Areas of strategic engagement will include: TAF participation on the Investeco Advisory Board;, mutual advice and support regarding potential transactions and development of transactions; research and development of products, policies and/or funds to mobilize capital for low-carbon solutions;, and awareness-raising and knowledge-sharing about 'green' investing. This is a non-exclusive relationship in keeping with TAF's public mandate to advance urban approaches to reducing greenhouse gases and air pollution.

The Investment Committee approved a modest investment of $200,000 in Investeco Fund III. This is compliant with TAF's asset mix allocation set out in the Statement of Investment Objectives & Principles (SIOP) which establishes a minimum of zero and maximum of 10% for private equity.

RECOMMENDATIONS

1. The TAF Investment Committee recommends that the TAF Board of Directors direct the Executive Director to establish a strategic relationship with Investeco, including the allocation of $200,000 in Investeco Fund III.

Financial Impact

None.

ISSUE BACKGROUND

At its meeting of November 15, 2010, the Investment Committee considered a proposal from Investeco for a strategic relationship with Toronto Atmospheric Fund, building on both organization's commitment to mobilize capital for energy efficiency and clean energy projects. The firm has been successful with two previous funds, and through the strategic relationship, offers Toronto Atmospheric Fund a Board-level role in Fund III with an investment of $200,000, a level well-below the usual investment threshold. TAF's Statement of Investment Objectives & Principles sets out compliance ranges for each asset class, including a minimum of zero and maximum of 10% Private Equity.

Key areas of mutual interest and opportunity for collaboration include development and review of potential transactions, exploration of new fund(s), and addressing barriers to mobilizing 'green' capital. The terms of a strategic relationship would be set out in an MOU which would explicitly exclude any formal partner, representative, agent, investment advisory, marketing, or management relationship, and emphasize a non-exclusive relationship in keeping with TAF's public mandate to advance urban approaches to reducing greenhouse gases and air pollution.

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