



## Investment Committee

### Minutes Meeting No. 3

City Hall,  
Meeting Room C

8:30AM  
June 5, 2012

---

**Members present:**

Guy Burry  
Bill Crossland  
David Wai (Chair)  
Randy Williamson  
Rob Roberti  
Elisabeth DeMarco  
Chris Asimakis  
Mike Layton  
Jason Kotler  
Andrea Baldwin  
Matthew Leibowitz

**Regrets:**

Stefan Reichenbach  
Don Fraser  
Jane Ambachtsheer  
Sheila Norman  
Graham McBride  
Robert Dawson  
Gary Ebersberger

**Also present:**

Julia Langer, Chief Executive Officer, TAF  
Mary Pickering, Vice-President Programs & Partnerships, TAF  
Tim Stoate, Vice-President Impact Investing, TAF  
Richard Rysak, Finance Director, TAF  
Ross Powell, Manager, Energy Efficiency Investments, TAF  
Lyle Jones, Stakeholder Support Coordinator, TAF  
Ryan Kuruliak, Proteus Investment Advisors Ltd.  
Peter Knight, President, Generation Investment Management  
Michelle Huang, Generation Investment Management

## 1. Welcome

David Wai welcomed the attendees and asked everyone to introduce themselves.

## 2. Declarations of Conflict of Interest

None.

## 3. Equities Manager Presentation

Peter Knight and Michelle Huang of Generation Investment Management presented to the Committee. Mr. Knight thanked the Committee for investing with Generation and said that Generation views our relationship as a partnership. He indicated that Generation has \$7.2 billion under management and is a small boutique firm with plans to stay that way. Generation has four lines of business: global equity, a climate solutions fund, a global credit fund, and their foundation.

Mr. Knight reviewed the process by which Generation chooses investments. First, Generation analysts create roadmaps for each industry for which they are considering an investment. From that roadmap, 4-5 prospective companies are identified and 2-4 months are spent doing a thorough review of the company from a business quality, management quality and ESG perspective. If the company meets Generation's standards, the company is put on their focus list. Once on the focus list, a decision to invest is based on valuation. Generation manages its portfolio of investments using financial models that extend 40 years. He characterized their approach as "humble and paranoid".

Over Generation's seven year track record, six years have outperformed their benchmark; 2011 was the year of under-performance. TAF's 2012 investment was well-timed in that regard.

## 4. First Quarter Results and Analysis

Ryan Kuruliak of Proteus Performance Management provided an update on the results for the first quarter of 2012, including analysis of the performance of Generation Investment Management, Greenchip Financial and TD Asset Management. All asset classes are in compliance. The proportion of investments allocated to fixed income and private debt has increased. Over the past four years, TAF's portfolio has remained in low-risk, low-volatility compared to a representative universe of funds.

Tim Stoate indicated that several committed transactions would be rescinded or scaled-back as the financing would not be needed, including for GreenSaver, 30 Elm Avenue, and Metro Hall. This frees up approximately \$1.4 million in the direct investment portfolio.

## 5. Incubating an Energy Efficiency Company

Julia Langer briefed the Committee regarding the incubation of an energy efficiency financing company intended to accelerate energy efficiency in the multi-unit residential and mid-rise commercial sectors, demonstrate opportunities to financing in this space to the wider market, and diversify TAF's revenue sources in order to rely less on the endowment.

TAF's Energy Savings Purchase Agreement financing tool is the crucial aspect that provides the business opportunity which the company seeks to capitalize on. TAF aims to finance 4-6 ESPA transactions to prototype and demonstrate the value proposition. Given TAF's capacities and governance, the approach to achieving scale would be for a private sector company to own and operate the business, with TAF, other investors and senior lenders providing the necessary capital for scaled-up implementation.

The Committee indicated support and enthusiasm for the business model. They agreed that the quality of the owner/operator is key to success. In addition to companies that have business alignment they suggested that a fund manager could be a viable 'partner'. They also provided suggestions for terms and conditions for negotiating TAF's investment that would reflect TAF intellectual and incubation effort and investment to open up this market. These include a generous stake of the total equity value of the business in addition to return of capital, founder rights, carried interest, tax benefits, and intellectual property rights. They suggested TAF explore the opportunity to license or accredit others to deliver the product as a way to further increase TAF's return.

Several structural and governance issues were also raised. Tim Stoate indicated that he would discuss with Energi, the insurance provider, whether or not the owner/operator of the company could have internal engineers serving as the project engineer.

The Committee recommended:

- a) advancing development of the energy efficiency financing business, starting with a short business plan summary.
- b) that the existing ESPA subcommittee continue and include supporting TAF staff in developing the business to its mandate.

At this point the Committee lost quorum. It was agreed that the views of the members present would be noted and the views of other members solicited before any recommendation was made to the Board. This was done by email and recommendations to approve both transactions have been received from significantly more than is required, which is reflected in the recommendations below.

At this point, Councillor Mike Layton assumed the Chair.

## 6. YCC 81 Transaction

The Committee considered the transaction to provide YCC 81 with \$377,091 in ESPA financing.

Jason Kotler suggested that the YCC 81's ROI be calculated and presented to the condominium board, and requested that TAF reserve the right to sell data from each ESPA transaction.

Randy Williamson requested that TAF staff determine a structure whereby TAF would share any government incentives with the building. He also requested that TAF staff add a clause to the transaction giving TAF the right of first refusal for future energy efficiency work undertaken by each ESPA recipient.

Lisa DeMarco suggested that the Ontario Power Authority may be open to sharing the carbon credits of a project.

**On Motion** by Randy Williamson and unanimously carried, the Committee recommended the transaction for approval by the Board.

7. TSCC 1757

The Committee considered the transaction to provide TSCC 1757 with \$326,000 in ESPA financing.

The suggestions made with regard to the previous transaction are equally relevant for this one. The Committee was pleased to note the contribution from TSCC 1757.

**On Motion** by Randy Williamson and unanimously carried, the Committee recommended the transaction for approval by the Board.

8. Public Market Return Projection

The Committee requested that Ryan Kuruliak coordinate a review of the long-term yield assumption by describing the past and current situation, reflecting on what other funds use, providing perspectives on the market, and addressing other relevant factors.

There being no other business, the meeting adjourned.