

ATTACHMENT #1

INVEST TORONTO INC. TRANSITION PLAN

MAY 31, 2017

Background

Toronto City Council adopted a staff report entitled: Update on the Creation of a Foreign Direct Investment Regional Agency on July 12, 2016 which approved the City of Toronto's participation in Toronto Global for an initial three year period subject to the execution of a funding agreement among the participating municipalities. City Council also directed that the business and affairs of Invest Toronto Inc. be wound up after an orderly transition to Toronto Global and request that the Board of Directors of Invest Toronto report to the shareholder on the details of the transition process and submit a proposal for the winding up of the business and affairs and distribution of the assets of the corporation.

Status of Toronto Global

In early 2016, Toronto Global entered into employment contracts with remaining GTMA staff and operations were conducted in Invest Toronto offices. Certain administrative services were provided under a shared services agreement with Toronto Port Lands Company and an operating services agreement with Invest Toronto dated as of April 1st, 2016. Subsequent to Toronto City Council's approval in July, the securing of federal funding in December and the execution of the municipal funding agreement also in December, Toronto Global formally launched on February 3, 2017.

Update on Transition

1. Report to Shareholder on Transition Activities

Invest Toronto Management had identified to the Invest Toronto Board the following key areas of risk during the transition period:

- Employee Obligations
- Financial Commitments
- Distribution of Residual Assets and Identification of Trailing Obligations

Item	Potential Financial Impact
i) Operating Services Agreement	+\$343,000
ii) Inherited Successor Employer Credit	-\$178,000
iii) Vacation Pay Liability Credit	-\$12,000
iv) Office Leaseholds and Equipment	+\$87,000

The Invest Toronto Board and Management have mitigated the operational risks and minimized the financial costs of this transition in the following manner:

a) Employee Obligations

This section is contained in Confidential Attachment 2.

b) Financial Commitments

Invest Toronto has minor service contracts which are either short-term in nature or will be assumed by Toronto Global. The only significant financial liability was the Invest Toronto office lease with Oxford Properties Group which expires in September 2020. Invest Toronto Management helped facilitate the assignment of the lease which was assumed by Toronto Global on February 1, 2017. This was completed without any financial impact to Invest Toronto.

c) Distribution of Residual Assets and Identification of Trailing Obligations

Invest Toronto was predominantly funded by grants from the Toronto Port Lands Company to pay for operating, capital and working capital requirements. The general principle adopted was that any unused operating funds, capital assets or working capital would be returned to TPLC if not required. In 2016, three quarterly grants were made totaling \$2.025 million.

The remaining tangible capital assets relate to primarily office leaseholds and some equipment. Toronto Global has agreed to acquire these assets at their net book value of approx. \$87,000. The remaining trailing obligations will be dealt with in the wind up plan section detailed below.

In conclusion, Invest Toronto Board and Management have supported actions during this transition phase that have resulted in significant cost savings to both Invest Toronto and Toronto Global and minimizing any future financial obligations for Invest Toronto.

2. Invest Toronto Financial Position as at December 31st, 2016

Please find attached an audited balance sheet showing Invest Toronto's financial position at December 31, 2016 which includes the benefit of the shared cost of the employees under the proposed operating services agreement which has been reflected in the 2016 financial statements.

As at December 31, 2016, Invest Toronto had approximately \$240,000 in unused funds from the TPLC 2016 grants which will be used in part to fund the dividend to the City of Toronto in the amount of \$890,412.

3. Funding of City of Toronto's 2016/2017 Toronto Global Contribution

In the July 2016 staff report, City Council approved a payment of \$890,412 annually for the next three years as its contribution to Toronto Global. As per the Municipal Funding Agreement, payments are due on the date of execution (December 2) and annually thereafter.

For the first year's contribution (i.e. 2016/2017 payment) City Council directed the funds to be paid from any excess 2016 TPLC annual grant to Invest Toronto of \$2.7 million. This payment will be executed via shareholder direction to TPLC to issue a dividend to the City of Toronto. Budget authority will be required in an upcoming Council report to pay 2016/2017 contribution and record the receipt of the dividend as non-program revenue.

In order to fund the 2016/ 2017 payment of \$890,412, TPLC will use the unused 2016 fourth quarter grant of \$675,000 plus excess 2016 grant funds of \$215,412.

4. Wind Down Plan June 2017 onwards

Invest Toronto Management has prepared the following draft Wind Down Plan that has been approved by the Invest Toronto Board and submission to the City of Toronto as requested by Toronto City Council. The City of Toronto City Manager will then report to Toronto City Council to obtain authorities that may be necessary to implement the Wind Down plan, including changing the Invest Toronto Board Governance structure. It is anticipated that the following activities will occur during a roughly six month period. At the end of this period and assuming all the regulatory housekeeping has been completed, the Shareholder has the option of maintaining the corporation as an inactive business or take steps to dissolve the entity.

Invest Toronto Management has prepared an unaudited cash flow projection of the wind down process as well as a proforma income statement for the period to September 30, 2017. Assuming City Council approval at its July meeting, the following activities will occur during the period and an accompanying responsibility checklist will be prepared with timelines:

a) Governance

The Invest Toronto Board has requested that the City change the board governance structure of the Invest Toronto Board to a three member Board comprised of the Board Chair, Board Vice-Chair, and Chair of the Audit Committee.

The Invest Toronto Interim CEO and the Invest Toronto CFO will continue to be officers with signing authority and operational control. The shared administrative services agreement with TPLC will continue until operations cease.

b) Insurance coverage

Following discussions with City of Toronto staff, Invest Toronto Management recommends to the Invest Toronto Board to purchase an additional Directors & Officers liability “run-off” insurance policy to insure against an unforeseen future claims. Invest Toronto’s insurance broker has provided a quote of approximately \$13,000 for this type of policy coverage.

Invest Toronto’s insurance program to cover operations has an annual renewal date in August. At that time, Invest Toronto Management will assess the need for any continuation of coverage on a monthly basis. Subject to Board approval, any unnecessary insurance coverages will be terminated and may be eligible for a small premium rebate.

c) Collection of receivables and payment of trade payables

In 2017 there will be ongoing collection of receivables (e.g. GST/HST rebates,) and payment of any remaining trade payables. As various operating activities cease through this period, there will be a recovery of working capital which had been funded by previous TPLC operating and capital grants from the early start-up years. It is not expected that there will be any remaining residual tangible assets to return to TPLC. There is an expectation of a transfer of residual cash back to TPLC once Invest Toronto operations cease of roughly \$50,000 assuming no reserves are required for any significant financial obligation or commitment.

d) Disposition of intellectual property

Invest Toronto Management will work with City of Toronto staff to transfer the remaining intellectual property back to the City of Toronto.

e) Corporate records

Invest Toronto Management will work with the Toronto City Clerk’s office to understand the required records management protocols and store the Invest Toronto documents.

f) HR matters

Invest Toronto employees that were eligible for 2016 bonuses will be issued T4's for calendar 2017.

g) Audit matters

The annual general meeting is expected to take place at the Toronto City Council meeting scheduled for July 5th at which time the 2016 audited financial statements will be presented to the Shareholder with a simplified annual report letter. The Shareholder will be required to confirm the auditor for the fiscal 2017 stub period final audit.

The Invest Toronto Board has received a final report for information from the City's Auditor General to ensure closure to any outstanding recommendations from a previous audit report.

5. List of Financial Exhibits

1. 2016 Invest Toronto Grant Reconciliation
2. Invest Toronto Statement of Financial Position as at December 31, 2016
3. Invest Toronto Statement of Operations for the year ended December 31, 2016
4. Invest Toronto Inc. - Unaudited Balance Sheet as at March 31, 2017
5. Invest Toronto Inc. – Unaudited Income Statement as at March 31, 2017
6. Proforma Income Statement to September 30, 2017
7. Projected Cash Flow Statement to September 30, 2017