

CONFIDENTIAL ATTACHMENT #1

**SUMMARY OF TERMS AND CONDITIONS OF THE FUNDING AGREEMENT
BETWEEN THE CITY OF TORONTO, THE TORONTO ATMOSPHERIC FUND
AND THE FEDERATION OF CANADIAN MUNICIPALITIES**

The following provides a summary of terms and conditions of the Funding Agreement between the Toronto Atmospheric Fund, the City of Toronto, and the Federation of Canadian Municipalities concerning the Government of Canada's \$40 million contribution to the Toronto Atmospheric Fund in the context of the Low Carbon Cities Canada (LC3) initiative.

CONFIDENTIAL INFORMATION OR ADVICE

COMPONENTS OF THE ENTIRE AGREEMENT ARE:

Articles 1-17
Annex A - LC3 Aggregate Fund
Annex B - National Office Services
Annex C - Eligible Expenses
Annex C1 - Ineligible Project Costs
Annex D - Reporting Requirements
Annex E - LC3 Investment Framework

Title	High-Level Description of Key Provisions
Article 1 - Definitions; Interpretation	<ul style="list-style-type: none">• Key terms defined• Generally accepted accounting principles for non-profit organizations will apply• Agreement only applies to the Canada endowment and not to the Toronto or Ontario Endowment except as may be required

Title	High-Level Description of Key Provisions
Article 2 - Purpose	<ul style="list-style-type: none"> • Agreement governs how the Canada endowment will be transferred, managed in perpetuity, invested, contribute to the LC3 network and comply with the Green Municipal Fund agreement with the federal government • The TAF Board will ensure that funds are managed and invested in accordance with the TAF Act, the Recipient Investment Policy and the agreement • TAF Board must ensure that the Canada endowment and any other federal sources of funding comprise a maximum of 80 per cent of an eligible project • FCM has right to prior approval of any investment of Canada endowment in a project or direct investment if the amount represents at least 5 per cent of the Canada endowment • TAF Board shall establish bylaws as necessary to manage the governance and operations, subject to Council approval
Article 3 - Representation and Warranties	<ul style="list-style-type: none"> • TAF and FCM warranty to each other, respectively, their valid corporate status and authorities, including their capacity to enter into and comply with the agreement and applicable statutes

<p>Article 4 - Transfer and Management of Recipient Allocation and Trust</p>	<ul style="list-style-type: none"> • FCM will provide \$40 million in a lump sum to the City in trust for TAF, including \$38 million as an endowment in perpetuity and \$2 million as operating funds. Note: as of July 3 the shift of \$2 million from endowment to operating funds remains to be confirmed. • TAF must satisfy FCM of certain documentation and governance structures to receive the Canada endowment; FCM has indicated that TAF will have met all requirements, subject to the receipt a completed five-year cash flow projection and the required bring-down certificates, and to confirmation of City Council authorization. • TAF agrees to be trustee of the Canada endowment for a public purpose to support climate action projects • TAF shall distribute the proceeds from investing the Canada endowment up to a maximum annual payout; establish and maintain reserves for non-performing direct investments and guarantees; and, in years where proceeds are higher than projected, contribute to an internally-restricted fund used to pay eligible expenses in years where proceeds are lower than expected (aka Stabilization Fund) • TAF must annually allocate at least 20% of its payout toward grants (over a five-year rolling average) and a maximum of 20% of its payout toward administrative expenses • Subject to the TAF Act and notwithstanding the Trustee Act, TAF cannot make payments with the Canada endowment except as provided for in the agreement • TAF will maintain separate bank accounts and accounting records for the Canada, Toronto and Ontario endowments. Separate accounting applies even when endowments co-mingled for purposes of investments • FCM recognizes that as of signing this agreement, and by virtue of the Toronto and Ontario endowments, TAF has satisfied the requirement for LC3 entities to match (termed "leverage") the Canada endowment, and that no further leverage is required even if the Toronto or Ontario funds are wound up in the future.
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<p>Article 5 - Investment of the Fund</p>	<ul style="list-style-type: none"> • TAF will invest the Canada endowment following the Prudent Investor Standard • TAF agrees to maintain the nominal value of the Canada endowment in perpetuity. The principal investment objective is the preservation of capital to meet future disbursements requirements • TAF is required to maintain an Investment Committee to oversee the Canada funds which must meet certain criteria, including having members with broad investment expertise and making recommendations to the Board regarding investment decisions and the appointment of external investment advisors; this can be TAF's existing Investment Committee. • One FCM representative shall be a non-voting member of TAF's Investment Committee, have access to all meeting materials, attend meetings in person or electronically, and recuse themselves from discussions not related to investment of the Canada endowment • TAF must maintain a policy for investing the Canada endowment as described in Annex E - LC3 Investment Framework. • TAF's Investment Policy is its current Statement of Investment Objectives and Principles (SIOP). The Policy may in future contain provisions specific to the Canada endowment that differ from provisions for investing the Toronto endowment and the Ontario endowment. • FCM has the right to approve changes to the Policy only as they apply to investment of the Canada endowment. Any changes to the Recipient Investment Policy will be reviewed by TAF's Investment Committee, approved by TAF's Board and forwarded to City Council for incorporation into the Statement of Investment Objectives and Principles. • TAF is required to ensure all investment and portfolio managers disclose any conflict of interest, and that conflict of interest provisions and standards are included in all service agreements with such managers. • TAF may pledge up to 4% of the Canada endowment as security for an operating line of credit to ensure appropriate cash flow for its ongoing operations, provided it is with an accredited Canadian financial institution and that any amounts borrowed against the line of credit are paid back within 180 days • TAF may borrow for the purposes of funding direct investments, subject to the TAF Act and the City-TAF Relationship Framework
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Title	High-Level Description of Key Provisions
Article 6 - Eligible Recipients	<ul style="list-style-type: none"> • Eligible Recipients must be arm's length to TAF to be eligible to receive a Grant or Direct Investment • Neither federal departments or subsidiaries, nor provincial or territorial departments or subsidiaries, are eligible to receive grants or Direct Investments from the Canada endowment; municipalities, conservation agencies and entities with municipal functions are eligible
Article 7 - Eligible Project Costs	<ul style="list-style-type: none"> • TAF may fund the reasonable project costs of an Eligible Recipient; Eligible Project Costs are outlined in Annex C • Annex C1 outlines Ineligible Project Costs • The TAF Board may exercise discretion in determining eligibility of project costs in cases where cost classes based on generally acceptable accounting principles do not match
Article 8 - Project Selection	<ul style="list-style-type: none"> • TAF shall disburse funds from the Canada endowment in the form of grants, program expenses or direct investments that support TAF's mandate in the Greater Toronto and Hamilton Area and that will result in reductions of greenhouse gases and environmental improvements, may result in community benefits and/or mobilizing private capital, meet project selection criteria, and have at least 20% of their funding come from a source other than the Canada endowment or federal government. • The TAF Board may reject a project for any reason, including technical inadequacy or unacceptable risk, and the rationale will be documented and made available to the eligible recipient upon request

Title	High-Level Description of Key Provisions
Article 9 - National Office	<ul style="list-style-type: none"> • FCM will perform the LC3 National Office Services as set out in Annex B • FCM will use the National Office Operating Fund and the proceeds from FCM investment of the National Office Operating Fund and the LC3 Aggregate Fund to pay for National Office Services to TAF and all other LC3 entities • Once the National Office Operating Fund is depleted, TAF and all LC3 entities will pay FCM annual service fees for the National Office which will be proportional based on the number of LC3 entities and their respective endowments, and are estimated to be 0.5% of the Endowment Allocation, payable semi-annually. • FCM will provide TAF an annual report on the financial status of the National Office Fund
Article 10 - Fund Limitations and Contributions	<ul style="list-style-type: none"> • TAF will ensure that any Eligible Recipients have appropriate authorization to receive funds, that any loan guarantees from TAF are accompanied by reasonable risk-based fees, and that total loan guarantees do not exceed 20% of the initial Canada endowment • Subject to the TAF Act and the Relationship Framework, TAF may accept donations or contributions to the Canada endowment from private and public sector contributors; the use of any such funds would be subject to the terms of the agreement

Title	High-Level Description of Key Provisions
Article 11 - Audit, Evaluations, Record-Keeping and Reports	<ul style="list-style-type: none"> • TAF will obtain and provide its Annual Audited Financial Statements to FCM, and an auditors report as specified in Annex D. • FCM may, at its discretion and with reasonable notice to TAF, require that an audit of the books and records of the Fund be carried out. FCM may share a copy of the audit report with TAF, the City Manager and the City's Accountability Officers • FCM may evaluate the effectiveness of its endowment • TAF will participate in FCM's Independent Five-Year Reviews that assess the LC3 initiative's performance (value-for money) and effectiveness and efficiency of the fund, general operations and investments, governance and adherence with the agreement, achievement of results and the accuracy of reported environmental, economic and social benefits and cost savings, and lessons learned and potential for broad application. • National Office Service Fees will cover FCM costs to conduct its reviews, evaluations and audits • TAF will keep all records for seven years. • TAF will use Results-Based Accountability approach to meet reporting requirements in Annex D and will comply with reporting requirements in Annex D

Title	High-Level Description of Key Provisions
Article 12 - Covenants of the Recipient	<ul style="list-style-type: none"> • TAF agrees not to pass or amend any of its by-laws that would create conflict with this agreement • TAF will operate in a transparent and open manner, subject to confidentiality provisions • TAF will give appropriate and balanced recognition of the contribution of the Government of Canada to its endowment in all promotional programs, advertising and related publications, and follow guidelines provided by FCM. • FCM may reasonably request information related to the endowment and TAF must provide the requested information • TAF must follow applicable privacy legislation and ensure its directors, employees, agents, and contractors are made aware of their obligations to protect personal information • TAF shall maintain policies related to conflict of interest, code of conduct, gender diversity, inclusion and respectful workplace, procurement and expense • TAF remains subject to the City-TAF Relationship Framework • TAF must maintain a risk management policy and risk register • TAF must maintain suitable insurance coverage • TAF will own all right, title and interest, including all intellectual property rights for documentation prepared by or on behalf of TAF for FCM under this agreement • TAF grants FCM and the Government of Canada a perpetual, irrevocable, non-exclusive, transferable and royalty-free license to use, reproduce, distribute and modify such documentation. TAF may review or choose to remove its name from any revision.

Title	High-Level Description of Key Provisions
Article 13 - Defaults and Remedies	<ul style="list-style-type: none"> • Conditions where TAF would be considered in default of this agreement include bankruptcy, involuntary termination or wind up, failure to pay National Office fees, misrepresentation, and making a material change in the nature of its business • Decline of the Fund Assets by less than 25% of the nominal value of the endowment is not a default if TAF notifies FCM and a recovery plan is developed, subject to certain exceptions. Note: as of July 3 this provision remains to be confirmed. • Provisions for TAF to rectify the various defaults are outlined, including the amount that TAF shall repay to FCM based on the different events of default. • TAF acknowledges that it is fair for FCM to seek remedy in the event of default, and FCM has sole discretion to determine the use of any recovered funds

Title	High-Level Description of Key Provisions
Article 14 - Dispute Resolution	<ul style="list-style-type: none"> • The Parties agree to resolve any dispute through a multi-tiered dispute resolution process prior to pursuing any legal proceedings • The Parties agree to make every effort to settle the dispute through negotiation prior to engaging in mediation. • Any dispute not resolved by negotiation within 30 days will be referred to mediation. • If the dispute has not been resolved within 30 days of the notice of desire to mediate, any Party may proceed to arbitration • Representatives selected to participate in the dispute resolution process will have the authority required to settle, subject to City Council approval with respect to any payment or transfer of assets. • All dispute resolution activities and documentation will be confidential, subject to applicable laws and exceptions. • The Parties shall share the costs equally for mediation or arbitration, and bear their own costs of participating in the dispute resolution process

Title	High-Level Description of Key Provisions
Article 15 - Confidentiality	<ul style="list-style-type: none"> • TAF consents to the public disclosure of the information provided to FCM under Article 11 of this agreement, except where confidentiality is protected under the <i>Municipal Freedom of Information and Protection of Privacy Act, 1990</i>, the TAF Act or other legislation, or where such information has been explicitly labelled as confidential by the Recipient. • Other than information that may be disclosed under s. 15.01, FCM shall keep confidential any information provided by TAF that is clearly indicated as "confidential" • TAF waives any of its confidentiality rights to the extent that it would impede the Government of Canada from fulfilling its subsidy notification obligations to the World Trade Organization under Article 25 of the Agreement on Subsidies and Countervailing Measures. • The Parties must disclose information if required or ordered to disclose under any applicable law or judicial order. • Any information provided to FCM in connection with the endowment or the agreement may be subject to disclosure in accordance with the <i>Access to Information Act, R.S.C., 1985, c. A-1</i>

Title	High-Level Description of Key Provisions
Article 16 - General	<ul style="list-style-type: none"> • TAF or the City may wind up the Canada endowment, subject to the City's rights under the TAF Legislation and upon 180 days' written notice to FCM, except if an event of default takes place within the 180 days' notice • In the event of Wind Up, FCM is entitled to an amount equal to the greater of the value of the Fund Assets or the Nominal Value • FCM shall not have recourse to either the Toronto endowment or the Ontario endowment nor any pro rata share of any investments or Proceeds in the assets to redress any shortfall in the value of assets at time of wind up. • Any changes to and any waiver of the requirements of this agreement must be made in writing and signed by the Parties • The Parties including their respective directors, officers, employees, agents, and elected officials are not liable under this Agreement for any damages of any kind • Monetary limits to the liability of TAF and FCM are identified • TAF is solely and fully responsible for the creation and management of the Canada endowment. • TAF agrees to indemnify the City and FCM for any claims or liability in connection with the agreement. • Subject to the TAF Act, the Parties may not transfer, assign or delegate any part of this agreement to any other person without the express prior written consent of any other Party to this agreement • This agreement does not bind the City, TAF or FCM in any other type of relationship not described in the agreement • Every five years, the parties shall conduct a review of this agreement, and may amend the agreement upon mutual agreement

Title	High-Level Description of Key Provisions
Article 17 - City-Related Matters	<ul style="list-style-type: none"> • Section 8 of the TAF Act shall guide the custody and investment of the Canada endowment • The endowment will be held in the custody of the City Treasurer, and transferred to TAF at the request of its Board. • The Canada endowment will be accounted for separately from each of the Toronto endowment and the Ontario endowment. • At no time will FCM ever have recourse to the City, the Toronto endowment or the Ontario endowment (including any Proceeds from the investment of those endowments or the stabilization fund established under those endowments). • The City agrees that at no time will the City have recourse to the Canada endowment. • The terms and conditions of this agreement do not apply to the operation of the Toronto endowment or Ontario endowment. • Nothing in the agreement shall restrict or fetter the discretion of Council of the City under the TAF Act, or any statute, by-law, or regulation; nor shall the discretion of the Province of Ontario be fettered under the Transfer Payment Agreement, or any statute, regulation, policy, order or directive.
Annex A - LC3 Aggregate Fund	<p>Identifies Operating Funds and Recipient Endowment Allocations for all LC3 Entities from the \$177 million LC3 Aggregate Fund:</p> <ul style="list-style-type: none"> • TAF (Greater Toronto and Hamilton Area) • Alberta Eco-Trust Foundation (Calgary) • Alberta Eco-Trust Foundation (Edmonton) • Ottawa Community Foundation (Ottawa) • Greater Montreal Climate Fund (Montreal) • EfficiencyOne (Halifax) • TBD (Vancouver)
Annex B - National Office Services	<p>Outlines the scope of services of FCM's National Office in support of its two primary mandates: to account to the Government of Canada on behalf of the LC3 Network, and to deliver national collaboration, knowledge-transfer and support services to the LC3 Network</p>
Annex C - Eligible Expenses	<p>Outlines eligible expenses including administrative expenses for the management of the Canada endowment, program expenses and National Office Fees.</p>

Title	High-Level Description of Key Provisions
Annex C1 - Ineligible Project Costs	<ul style="list-style-type: none"> • Outlines Ineligible Project Costs including costs not directly related to an Eligible Project, non-auditable expenses, cost incurred prior to receipt of Grant applications, interest charges or financing fees, business development costs or general fundraising costs, and costs for lobbying for the purpose of obtaining any financial benefit from the federal government or a provincial government.
Annex D - Reporting Requirements	<p>Outlines reporting requirements, frequency and formats related to the Canada endowment including:</p> <ul style="list-style-type: none"> • Management Reporting: Quarterly Reports, Budget and Cashflow, 5-Year Payout Amount calculations, annual unaudited financial statements, auditor's report, investment performance report, completed eligible project data • Annual Statement of Plans and Objectives: Activities Table, narrative report, funding targets for grants, programs and direct investments, anticipated revenues, equity risk, performance management strategies • Annual Report: Applications, eligible projects and disbursements, completed eligible projects, revenues received, activities, environmental performance, executive remuneration
Annex E - LC3 Investment Framework	<ul style="list-style-type: none"> • Outlines the minimum requirements; Investment Policy to be adopted by the TAF Board and Toronto City Council.