REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Direct Investment Request 2024 #1

Date: July 15, 2024
To: Board of Directors of the Toronto Atmospheric Fund
From: Vice President, Impact Investing

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains financial information, supplied in confidence to the Toronto Atmospheric Fund which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

The Direct Investment Committee (DC) recommends an investment of up to $500,000 in a mobility-as-a-service company. The investment is in the form of convertible notes, structured in two (2) tranches of $250,000 where the second tranche is conditional on meeting milestones. This bridge financing is to support the continued operations of a company in TAF's portfolio of Direct Investments that is strongly aligned with TAF's mandate and focus on accelerating Electric Vehicle (EV) uptake. The proposed allocation complies with TAF's investment policy and target portfolio.

RECOMMENDATIONS

The Vice President, Impact Investing recommends that the Board of Directors of the Toronto Atmospheric Fund:

1. Approve an investment of up to $500,000 in convertible note bridge financing, structured in two $250,000 tranches and subject to the terms and conditions outlined by the Direct Investment Committee contained in the Confidential Attachment #1.

2. Direct staff to confirm that the company has successfully executed its operating plan and that the other interested investor(s) has committed additional, matching financing before TAF advances any of the second, conditional financing tranche of up to $250,000.

3. Direct staff to implement the investment subject to the satisfaction of TAF's solicitor.

4. Direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains commercial and financial

information, supplied in confidence to the Toronto Atmospheric Fund, which, if disclosed, could reasonably be expected to significantly prejudice the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

FINANCIAL IMPACT

There is no financial impact to the City resulting from the adoption of the recommendations in this report.

DECISION HISTORY

At its meeting held July 11, 2024, the Direct Investment Committee (DC) recommended that TAF's Board of Directors approve the investment described in Confidential Attachment 1.

At its meeting held April 27, 2023, TAF's Board of Directors approved an investment of up to $500,000, subject to the terms and conditions recommended by the DC and modifications to those terms and conditions to the satisfaction of the DC, and directed TAF's VP, Impact Investing to implement the investment to the satisfaction of TAF's solicitor. (https://secure.toronto.ca/council/agenda-item.do?item=2023.TA2.12)

COMMENTS

Investment Criteria
This investment provides continuing support for a company with an innovative shared mobility business model which TAF previously invested in. TAF evaluation indicates that commercialization will have substantial Greenhouse Gas (GHG) emission reduction potential which aligns with TAF's mandate for the Greater Toronto and Hamilton Area (GTHA). This investment, along with funding from another investor, will help the company reach sustainable operations and achieve the desired scale in the longer term.

Due Diligence
Financial due diligence was conducted to validate the investment thesis and determine the cash requirements of the business to execute on its business plan. The market acceptance of the company's mobility-as-a-service products were examined through a review of current and potential opportunities and conversations with external parties and potential clients.

Deal Terms
The investment is structured as a Convertible Note in two tranches: up to $250,000 for the first tranche, alongside a concurrent and matching investment from another current investor, and a potential second tranche up to $250,000 under no less favourable terms if the funds are needed alongside the other investor. Cash will be drawn based on cash flow projections and achieving specific milestones.

The total investment of $500,000 represents 0.51% of TAF’s net asset value (NAV) at Q1 2024 and 1.50% of TAF’s 30% Direct Investment asset class target allocation.

CONTACT

Kristian Knibutat, Vice President, Impact Investing, kknibutat@taf.ca

SIGNATURE

Kristian Knibutat
Vice President, Impact Investing

ATTACHMENTS

Confidential Attachment 1 – Direct Investment Request 2024-1