



memorandum

c 13 Communication COUNCIL: June 28/16 Addendum Item 2

DATE: June 28, 2016
TO: Mayor and Members of Council
FROM: Jeffrey A. Abrams, Secretary, Vaughan Holdings Inc.
RE: **COMMUNICATION – COUNCIL MEETING – JUNE 28, 2016**

ADDENDUM ITEM 2: RESOLUTIONS OF THE DIRECTORS AND SHAREHOLDER OF VAUGHAN HOLDINGS INC.

Recommendation

1. That Council, acting as Shareholder of Vaughan Holdings Inc., adopt the resolutions to confirm various matters in the corporate proceedings of the Board of Vaughan Holdings Inc. as set out in Attachment No. 1.

Background:

At its meeting of June 28, 2016, the Board of Vaughan Holdings Inc. ("VHI") adopted the following resolution:

RESOLVED that the following recommendation be approved in accordance with the report of the Secretary, Legal Counsel and Vice-President, Finance and Treasurer, dated June 28, 2016:

1. That the resolutions to confirm various matters in the corporate proceedings of the Board of Vaughan Holdings Inc. set out in Attachment No. 1 be adopted;
2. That these resolutions be forwarded to City of Vaughan Council to obtain the necessary shareholder approval.

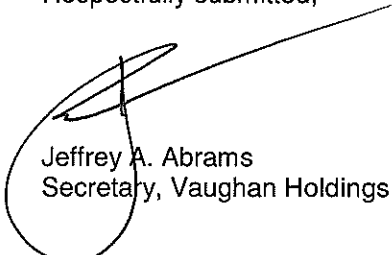
Accordingly, the resolutions are set out in Attachment No. 1. As the sole Shareholder of VHI, Council is required to approved these resolutions to give them effect.

Conclusion

Staff recommend that Council adopt the necessary shareholder resolutions arising out of the VHI meeting of June 28, 2016.

Attachment No. 1 – Resolutions of the Directors and Shareholder of Vaughan Holdings Inc.

Respectfully submitted,



Jeffrey A. Abrams
Secretary, Vaughan Holdings Inc.

**RESOLUTIONS OF THE DIRECTORS AND SHAREHOLDER
OF**

**VAUGHAN HOLDINGS INC.
(the "Corporation")**

It has been brought to the attention of the Corporation that certain matters in the corporate records require clarification, approval and confirmation.

Confirmation of Proceedings

RESOLVED THAT all acts, proceedings, resolutions, contracts, elections, appointments and payments taken, enacted, made or done by past or present directors, officers and/or shareholder of the Corporation since the date of incorporation, including minutes of meetings and resolutions of the board of directors and shareholder, notwithstanding the non-execution of and other discrepancies pertaining to such documents as recorded in the records of the Corporation, are approved, ratified and confirmed effective as of the date when the relevant acts, proceedings, resolutions, contracts, elections, appointments and payments were first taken, enacted, made or done and, without limiting the generality of the foregoing, the following:

Confirmation of Number of Directors

RESOLVED THAT the number of directors of the Corporation and the number of directors to be elected at the annual meeting of the shareholders is fixed at nine (9).

Election of Directors

RESOLVED THAT:

1. The following persons are confirmed the current directors of the Corporation as of the date hereof:

Mario Ferri

Michael Di Biase

Tony Carella

Sandra Yeung Racco

Alan Shefman

Gino Rosati

Maurizio Bevilacqua

Marilyn Iafrate

Rosanna DeFrancesca
2. The Corporation has received the written consents of the directors to hold office as directors.

Appointment of Officers

RESOLVED THAT the following persons were appointed to the offices set opposite their names below, to hold those offices for the ensuing year or until their respective successors are appointed, subject to the Corporation's by-laws:

<u>Person</u>	<u>Title</u>	<u>Date Appointed</u>
Marilyn Iafrate	Chair	January 29, 2015
Tony Carella	Vice-Chair	January 29, 2015
Alan Shefman	Second Vice-Chair	January 29, 2015
Daniel Kostopoulos	President and CEO	June 27, 2016
Laura Mirabella-Siddall	Vice President, Finance and Treasurer	December 15, 2015
Jeffrey A. Abrams	Secretary	May 27, 2010
Heather Wilson	Legal Counsel	May 19, 2015

Issuance of Shares and Promissory Note Pursuant to Transfer By-law 434-2000

CONTEXT:

- A. Pursuant to Transfer By-law 434-2000 (the "**Transfer By-law**") the Corporation of the City of Vaughan ("**City of Vaughan**") in consideration for the transfer of assets and liabilities to the Corporation was to receive common shares and a promissory note from the Corporation which amount was to be determined by the City Treasurer and approved by the City Council.
- B. According to the corporate records, the City of Vaughan was issued 999 common shares in the capital of the Corporation and a promissory note on November 1, 2000 as consideration for the transferred property.
- C. In a letter from the Corporation's accountants KPMG LLP dated September 8, 2003, in which it is noted that it is an amended letter to replace the letter of August 25, 2003, KPMG LLP suggest that, pursuant to the transfer by-law but at an unspecified date, 999 common shares of the Corporation were issued for \$37,571,740 in cash, and that, at some time after that but before December 31, 2002 ("in fiscal 2001") it was determined instead to allocate the entire consideration to a promissory note. The letter suggests, but doesn't expressly state, that the 999 common shares were then cancelled as a consequence of that re-allocation and as at November 1, 2000, the total issued and outstanding shares in the capital of the Corporation was 1 common share.

RESOLVED THAT:

- 1. The determination to allocate the consideration for the transferred property received from the City of Vaughan from 999 common shares of the Corporation into a note receivable with interest thereon, commencing October 24, 2000 at an annual rate of approximately 5.7% as set out in **Attachment '1' - KPMG LLP Auditor's Report to the Shareholder dated April 19, 2002** is hereby approved, ratified and confirmed.

2. Effective October 24, 2000, the adjustment to the share capital of the Corporation cancelling the 999 common shares issued in the capital of the Corporation to the City of Vaughan, is hereby approved, ratified and confirmed.

Confirmation of Issued Shares

CONTEXT:

- A. The City of Vaughan transferred all the Common Shares (being 15,007,768 Common Shares) it held in the capital of Vaughan Holdings Inc. (corporation number 1621211) ("**Old VHI Shares**") to the Corporation on or about August 27, 2013 for consideration of an equal number of common shares issued in the capital of the Corporation to the City of Vaughan.
- B. The City of Vaughan has subscribed for common shares of the Corporation in various tranches for which the subscription forms are not in the minute book.

RESOLVED THAT:

1. The issuance of 15,007,768 common shares in the capital of the Corporation to the City of Vaughan in consideration of the transfer of the Old VHI Shares to the Corporation on or about August 27, 2013 is approved ratified and confirmed.
2. The subscription for shares by the City of Vaughan and the issuance of shares by the Corporation to the City of Vaughan in the various tranches, as set out in the shareholder register and as evidenced by the consideration received by the Corporation from the City of Vaughan, are approved ratified and confirmed.

Confirmation of Declaration of Dividends on Common Shares

CONTEXT:

- A. The directors of the Corporation have declared dividends to its sole shareholder, the holder of all the issued and outstanding common shares in the capital of the Corporation and have inadvertently in minutes of meetings of the directors, referred to the class of shares as Class A Common Shares.
- B. The authorized share capital of the Corporation consists of an unlimited number of common shares and there are no Class A Common Shares issued or authorized to be issued.

RESOLVED THAT:

1. The Corporation wishes to confirm that the declaration and payment of all dividends whether declared payable on the Class A Common Shares, have been declared and paid on the issued and outstanding shares held by the sole shareholder of the Corporation, being the City of Vaughan.
2. The sole shareholder wishes to confirm receipt of payment of all dividends declared on the issued and outstanding shares of the Corporation that have been inadvertently declared payable on the Class A Common Shares.

Annual Proceedings

RESOLVED THAT:

1. The financial statements of the Corporation for the financial years ended December 31, 2003, December 31, 2010 and December 31, 2011 are approved by the directors of the Corporation.
2. Receipt of the financial statements of the Corporation for the financial years ended December 31, 2003 to December 31, 2014, inclusive, as approved by the directors, accompanied by the report of the auditors of the Corporation, is acknowledged by the shareholder.
3. KPMG LLP are appointed auditors of the Corporation, to hold office until the close of the next annual meeting of shareholders and the directors of the Corporation be authorized to fix their remuneration.

General

Any director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to execute and to deliver all documents, instruments and other writings and to perform and do all acts and things as that director or officer considers necessary or desirable to give effect to these resolutions.

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These resolutions are consented to by all of the directors and the sole shareholder of the Corporation, pursuant to Sections 129 and 104 of the *Business Corporations Act* (Ontario), as evidenced by the signatures below.

DATED the 28th day of June, 2016.

Maurizio Bevilacqua

Michael Di Biase

Mario Ferri

Gino Rosati

Marilyn Iafrate

Tony Carella

Rosanna DeFrancesca

Sandra Yeung Racco

Alan Shefman

**THE CORPORATION OF THE CITY OF
VAUGHAN**

Per: _____
Mayor Maurizio Bevilacqua

Per: _____
Jeffrey A. Abrams, City Clerk



Attachment '1'
KPMG LLP Auditor's Report to the
Shareholder dated April 19, 2002

KPMG LLP
Chartered Accountants
3700 Steeles Avenue West
Suite 600
Vaughan ON L4L 8K8

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Telefax (905) 856-2160
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www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Hydro Vaughan Holdings Inc. as at December 31, 2001 and the statements of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vaughan, Canada

April 19, 2002



HYDRO VAUGHAN HOLDINGS INC.

Balance Sheet

December 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Cash	\$ 1	\$ 1
Due from Hydro Vaughan Distribution Inc. (note 1)	37,571,740	37,571,740
Accrued interest on due from Hydro Vaughan Distribution Inc.	2,589,789	300,000
	<u>\$ 40,161,530</u>	<u>\$ 37,871,741</u>
Liabilities and Shareholder's Equity		
Liabilities:		
Due to City of Vaughan	\$ 40,081,724	—
Due to Hydro Vaughan Distribution Inc.	24,500	—
	<u>40,106,224</u>	<u>—</u>
Shareholder's equity:		
Share capital (note 3)	1	37,571,741
Retained earnings	55,305	300,000
Restructuring	55,306	37,871,741
	<u>\$ 40,161,530</u>	<u>\$ 37,871,741</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

HYDRO VAUGHAN HOLDINGS INC.

Statement of Earnings and Retained Earnings

Year ended December 31, 2001, with comparative figures for the period from incorporation on October 24, 2000 to December 31, 2000

	2001	2000
Revenue:		
Interest income	\$ 2,289,789	\$ 300,000
Expenses:		
Professional fees	13,395	—
Directors remuneration	24,500	—
Interest	2,496,589	—
	2,534,484	—
Net earnings (loss) for the period	(244,695)	300,000
Retained earnings, beginning of period	300,000	—
Retained earnings, end of period	\$ 55,305	\$ 300,000

See accompanying notes to financial statements.

HYDRO VAUGHAN HOLDINGS INC.

Statement of Cash Flows

Year ended December 31, 2001, with comparative figures for the period from incorporation on October 24, 2000 to December 31, 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the period	\$ (244,695)	\$ 300,000
Accrued interest on due from Hydro Vaughan Distribution Inc.	(2,289,789)	(300,000)
Due to Hydro Vaughan Distribution Inc.	24,500	—
	<u>2,509,984</u>	<u>—</u>
Financing:		
Due to City of Vaughan, (net of reallocation of share capital of \$37,571,740)	2,509,984	—
Issue of share capital upon incorporation	—	1
	<u>2,509,984</u>	<u>1</u>
Net cash flow	—	1
Cash, beginning of period being	1	—
Cash, end of period	<u>\$ 1</u>	<u>\$ 1</u>
Supplemental cash flow information:		
Cash received for interest	\$ —	\$ —
Cash paid for interest	—	—

See accompanying notes to financial statements.

HYDRO VAUGHAN HOLDINGS INC.

Notes to Financial Statements

Year ended December 31, 2001

Hydro Vaughan Holdings Inc. (the "Corporation"), incorporated on October 24, 2000 under the Ontario Business Corporations Act, was formed to act as a holding company related to the transition to the competitive electricity market in Ontario. At December 31, 2001, it is 100% owned by the Corporation of the City of Vaughan (the "City").

1. Restructuring:

Hydro Vaughan Holdings Inc. and its affiliated corporations (the "Corporations") are the successors to the former Vaughan Hydro-Electric Commission (the "Commission"). Under authority of a City of Vaughan by-law effective November 1, 2000 substantially all of the operating assets and liabilities of the Commission were transferred to the Corporations. This transfer has been accounted for on a continuity of interests basis, with the assets and liabilities transferred by the former Commission recorded at their net book values immediately prior to transfer.

Cash in the amount of \$37,571,740 is to be transferred to the Corporation and is recorded as an amount due from Hydro Vaughan Distribution Inc. on the balance sheet.

2. Significant accounting policies:

(a) Corporate income and capital taxes:

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Corporation provides for payments in lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provision are made for future income taxes as a result of temporary differences between the tax bases of assets and liabilities and their carrying amounts of accounting purposes.

HYDRO VAUGHAN HOLDINGS INC.

Notes to Financial Statements (continued)

Year ended December 31, 2001

2. Significant accounting policies (continued):

(b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during reporting periods. Actual results could differ from those estimates.

3. Shareholder's equity:

(a) Background:

On incorporation, on October 24, 2000, one common share was issued for cash consideration of \$1. Vaughan City Council (the "Council") approved a by-law effective November 1, 2000 (the "Transfer By-Law") transferring in aggregate cash of approximately \$37,571,740 of the Commission to the Corporation.

The Transfer By-Law indicated that the City, as approved by Council, would receive consideration consisting of a note receivable and/or common shares of the Corporation in exchange for the cash of the Commission to be transferred to the Corporation (the "transfer"). In fiscal 2000 Council approved that all of the consideration be provisionally allocated to the 999 common shares issued by the Corporation on the transfer. In fiscal 2001, it was determined to allocate all of the consideration to a note receivable with interest thereon commencing October 24, 2000 at an annual rate of approximately 5.7%. The share capital has been adjusted for the allocation.

HYDRO VAUGHAN HOLDINGS INC.

Notes to Financial Statements (continued)

Year ended December 31, 2001

3. Shareholder's equity (continued):

(b) Equity:

The authorized and issued share capital is as follows:

	2001	2000
Authorized:		
Unlimited common shares		
Issued:		
1 common share on incorporation	\$ 1	\$ 1
999 common shares on transfer of assets and liabilities from the Commission (note 1)	37,571,740	37,571,740
Deduct portion allocated to note receivable (note 3(a))	(37,571,740)	—
	\$ 1	\$ 37,571,741