

Committee of the Whole (2) Report

DATE: Tuesday, June 8, 2021

WARD(S): ALL

**TITLE: AMENDMENTS TO THE ALECTRA UNANIMOUS
SHAREHOLDERS' AGREEMENT**

FROM:

Wendy Law, Deputy City Manager, Administrative Services and City Solicitor
Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief
Financial Officer

ACTION: DECISION

Purpose

To seek Council's approval of changes to the Alectra Unanimous Shareholders' Agreement, as proposed by Alectra.

Report Highlights

- Alectra has proposed changes to the Unanimous Shareholders' Agreement to align with their Strategy 2.0, make changes to certain delegation of authority to the corporation and administrative amendments to update the agreement.
- In order to implement those changes, Alectra must obtain all the shareholders and the principals' approval. VHI is a shareholder of Alectra, while the City is one of the principals.

Recommendations

1. That the Mayor and the City Clerk be authorized to execute an Amended and Restated Shareholder Agreement with Alectra Inc. and other shareholders and principals, to amend the Unanimous Shareholder Agreement (the "USA") dated January 1, 2019, as reflected in this report, and such other documentation as may be required, in a form satisfactory to Legal Services; and
2. That the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer and the Deputy City Manager, Administrative Services and City

Solicitor be authorized to approve such further non-material revisions to the Amended and Restated Unanimous Shareholders' Agreement as they consider advisable, in the final form of agreement to be executed by the Mayor and the City Clerk.

Background

Similar to other corporations, a Unanimous Shareholders Agreement governs the relationship between Alectra and its shareholders. The USA was first effective as of January 31, 2017 as a result of the merger that created Alectra. It was subsequently amended with minor amendments effective as of January 1, 2019.

VHI has 20.49% equity ownership of Alectra. The City is a Principal to Alectra.

Previous Reports/Authority

N/A

Analysis and Options

The Board of Directors of Alectra is requesting amendments to the Alectra's USA. These amendments are intended to provide greater flexibility to Alectra in pursuing investments and merger and acquisition transactions, increase alignment with its 2.0 strategy, and to remove restrictions related to subsidiaries. There are also other administrative amendments to update the agreement to reflect the current times.

Main changes to the agreement are:

1. The board shall review the terms and conditions of the USA every three (3) years and make recommendations to all shareholders and principals on any changes that may be advisable or desirable in order to align with their then current strategic plan.
2. Remove restrictions related to subsidiaries which in effect will authorize the Alectra Board (rather than unanimous shareholders' approval) to make decisions with respect to their subsidiaries (e.g. changes to articles and bylaws, steps to wind-up, dissolve corporation).
3. Clarifies that subsidiaries cannot do what Alectra's board is not authorized to do without 66.66% shareholders' approval (i.e. same approval limits).

4. Increase delegation of authority to Alectra's board for investments and M&A transactions, and making of loans or advances or giving of security while including an aggregate cap on investments on a three-year rolling basis.
5. Provides that no shareholder capital contribution may be required without 66.66% shareholders' approval.

Alectra has forwarded these changes to all principals and shareholders for their approval. It is our understanding that all principals and shareholders are considering these changes at their respective council and board meetings sometime between now and the end of June. These changes are reviewed by Vaughan Holdings Inc. at its meeting on May 28, 2021.

Financial Impact

There is no direct financial impact to approving these changes to the Unanimous Shareholders' Agreement. Investments and M&A activities will not require capital calls from existing shareholder, but they could have an impact on the overall business performance of Alectra. The VHI Board and Officers will continue to receive updates on investments and M&A transactions as they occur with key performance updates provided through formal communications and presentations from the Alectra Board and Senior Management.

Broader Regional Impacts/Considerations

In order to amend the Unanimous Shareholders' Agreement, agreement from each and every one of the shareholders and principals are required. It is our understanding that each shareholder and principal are taking this matter to their respective board and councils for review and approval. Given that there are a number of parties involved in the approval process, minor non-material changes may be required to put the principles of the amendments into effect. As such, it is recommended that staff be delegated the authority to approve such minor, non-material changes, in the final form of the agreement to be executed by the Mayor and the Clerk.

Conclusion

Alectra's Board of Directors has requested each shareholder and principal to approve amendments to the USA. As a principal to Alectra, Council's approval is required before any changes can be made. These changes to the USA are intended to provide Alectra with greater flexibility in executing their Strategy 2.0 and managing their investment portfolio.

For more information, please contact:

Wendy Law, Deputy City Manager, Administrative Services and City Solicitor.

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer.

Attachments

N/A

Prepared by

Wendy Law, Deputy City Manager, Administrative Services and City Solicitor.

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer.

Approved by



Wendy Law

Deputy City Manager, Administrative Services and City Solicitor

Reviewed by



Jim Harnum, City Manager



Michael Coroneos

Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer