

**HYDRO VAUGHAN DISTRIBUTION INC. TAX REPORTING ISSUE**

**Recommendation**

The Commissioner of Legal and Administrative Services recommends:

- 1) That the request from Vaughan Holdings Inc. at its cost to establish a subsidiary for the sole purpose of finalizing a Vaughan Hydro/PowerStream tax reporting matter be approved;
- 2) That the subsidiary be dissolved once the matter is finalized; and
- 3) That the Mayor and City Clerk be authorized to execute Vaughan Holdings Inc. Resolutions of the Shareholder accordingly.

**Economic Impact**

Not applicable.

**Purpose**

The purpose of this report is to obtain the necessary shareholder approval.

**Background - Analysis and Options**

The establishment of a subsidiary is to assist in the resolution of a Vaughan Hydro/PowerStream reporting matter. Vaughan Holdings inc. is facilitating the resolution of the issue by creating this sole purpose subsidiary. PowerStream was successful in resolving the matter with Revenue Canada and will be covering the associated costs.

While the solution to the tax reporting matter was agreed to relatively quickly, determining a method of implementing the solution has been problematic. Hydro Vaughan Distribution Inc. is no longer in existence and its successor, PowerStream Inc. is a tax exempt corporation under the Income Tax Act and cannot be issued tax assessments. Consequently, staff have negotiated an arrangement with Revenue Canada to create a single purpose taxable corporation for the sole purpose of receiving the tax assessment and resolving the issue. Once resolved the single purpose entity would then be wound up after the Certificate of Waiver is received from Revenue Canada.

Vaughan Holdings Inc. is also a tax exempt corporation under the Income Tax Act. PowerStream has requested that this single purpose entity be established as a subsidiary of Vaughan Holdings Inc. To establish the same subsidiary under PowerStream Inc. would require the approval of both shareholders and potentially delay resolution of the issue. PowerStream advised that at the time of closing the merger transaction, adequate provision was made to address this issue.

**Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

**Conclusion**

Staff recommend shareholder approval.

Respectfully submitted,

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Robert Swayze  
Commissioner of Legal and Administrative Services