# Ontario Incorporation No. 1907899

## 1st OFFERING STATEMENT

**CoEnergy Ontario Co-operative Inc. (CoEnergy, the “Co-operative” or “Co-op”)**

**Dated November 30, 2018**

AN OFFERING STATEMENT IS A LEGAL DOCUMENT THAT PROVIDES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATED TO PURCHASING THE COENERGY MEMBERSHIP AND PREFERENCE SHARES. PLEASE READ THIS DOCUMENT TO ENSURE YOU CAN MAKE AN INFORMED DECISION ABOUT WHETHER TO INVEST.

## SUMMARY

**The Co-operative is offering to sell Membership and Preference Shares.** CoEnergy is a multi-class co-op with two classes of membership - Consumer and Community Members.

This document contains important information about Preference Shares offered by the CoEnergy Ontario Co-operative Inc. during the offering period. The capital raised through sale of Preference Shares will be used to allow CoEnergy to develop, install and manage Building Efficiency and Net Metering projects, and other renewable energy projects, as detailed in CoEnergy’s Business Plan described in Section 5 of this Offering Statement. Co-Energy is an initiative started by the Ottawa Renewable Energy Co-operative (OREC) and CoEnergy expects to have an ongoing relationship with OREC as explained in Section 4(G) below.

All prospective purchasers must receive and read the entirety of this Offering Statement before completing their investment.

It is the intention of CoEnergy to focus its activities and member recruitment for the foreseeable future within Eastern Ontario and Western Quebec.

**A prospective member of the Co-operative must be admitted into membership by the Board of the Co-operative and purchase one Membership Share.** Preference Shares may only be purchased by active Members of the Co-operative.

**Purchasing Preference Shares from the Co-operative are not mandatory requirements of membership**. However, if a Member does subscribe for Preference Shares or lend to the Co-operative, the minimum amounts set forth below must be met.

Par Value of Member Share - $50

Par Value of Preference Shares - $1

| Source of Funds | Member Shares | Class A (Series 1) Preference Shares | Aggregate Offering |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Minimum Offering | $250 | $50,000 | $50,250 |
| Maximum Offering | $500,000 | $2,500,000 | $3,000,000 |
| Minimum Individual Purchase | | $5,000 | $5,000 |
| Minimum Purchase if any part held in RRSP, TFSA, RRIF, LIRA, or RESP[1] | | $5,000 | NA |
| Aggregate Individual Maximum Holding | 1 share | The lesser of $250,000 or 10% of the co-op's equity raise | The lesser of $250,000 or 10% of the co-op's equity raise |

**The Total amount to be raised by this offering through the sale of Preference Shares is not to exceed $2,500,000. The Co-operative may cap the issue of Preference Shares through this offering at less than the maximum amounts set forth above depending on availability and final cost of the building efficiency and net metering projects included in the Co-operative's Business Plan.**

**The minimum amount of Preference Shares to be raised by this offering is $50,000.**

Debt financing from financial institutions (which does not require an offering statement) or from other entities under this offering will be used to meet capital requirements if needed. This debt financing will be in the form of short term (2-5 year) loans or long term (10-15 year) loans. More details are provided in Section 5 of this Offering.

**This Co-operative was incorporated on October 24, 2018. It is in the early development stage. The purchase of Preference Shares from the Co-operative involves a high degree of risk and investors should view this investment as speculative.**

**There is no established market through which these investments may be sold.** The Board of the Co-operative has determined the price of the Shares. Due to the characteristics of the Shares offered by this Offering Statement, restrictions on their transfer, and the fact that significant resale restrictions may

[1] Registered shares are administered by either Caldwell Securities or the Canadian Worker Co-op Federation.

apply, no such market is likely to develop, other than through a Board-approved transfer to other members.

The securities offered are issued under the *Co-operative Corporations Act* and are exempt from the requirements of the *Securities Act* (Ontario). The persons selling these securities are exempt from the registration requirement of the *Securities Act* (Ontario) and are not required to be licensed by any Government agency.

**No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this Offering Statement.** Neither the Financial Services Commission of Ontario nor any other ministry or agency of the Government of Ontario assumes any liability or obligation to anyone who purchases the Preference Shares offered under this Offering Statement.

**Investors should not rely on any information other than what is contained in this Offering Statement.** Potential buyers should pay careful attention to all the Risk Factors noted in the Offering Statement. See Section 7 below for a description of risk factors.

**The information in any financial projections or *pro forma* statements contained in this Offering Statement may vary materially from actual results.**

**This Offering Statement expires on November 30, 2019.** No further Preference Shares may be issued after this date other than any exempt issues permitted under the *Co-operative Corporations Act (Ontario)*, unless a new Offering Statement is filed and receipted.

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# 1. GLOSSARY

The following terms and phrases used in this Offering Statement have the meanings set out below:

**"Act"** means the Ontario *Co-operative Corporations Act*;

**"Articles"** means the Co-operative's Articles of Incorporation, as amended by any Articles of Amendment;

**"Board"** means the Board of Directors of the Co-operative;

**"Building Efficiency"** means using less energy or water to achieve the same level of service to the building's occupants.

**"Building Efficiency Project"** means the renovations required and/or equipment installed to improve efficiency or lower utility costs in an individual property and **"Building Efficiency Projects"** shall mean more than one of them;

**"Business Plan"** means the Co-operative's business plan summarized in this Offering Statement;

**"Class A Preference Shares"** means the Class A (Series 1) Preference Shares of the Co-operative, and **"Class A Preference Share"** shall mean one of them;

**"Debt Financing"** means any loans advanced to the Co-operative which may be secured by the assets of the Co-operative;

**"Equipment Lease Agreement"** means the binding agreement between the Co-operative and an owner of property where the efficiency equipment or renovations are installed, and **"Equipment Lease Agreements"** shall mean more one of them;

**"Installation"** means a solar PV or other renewable power Project owned by the Co-operative and installed on a leased building or land, and "**Installations**" means more than one installation;

**"Member"** means a holder of issued and outstanding Membership Shares of the Co-operative and "**Members**" shall mean more than one Member;

**"Membership"** means the Members of the Co-operative;

**"Membership Shares"** means the Membership Shares of the Co-operative;

**"Net Metering"** is a policy framework, set at the provincial level in Ontario, and series of regulations and measures determined by the local distribution company (LDC) that allows for the generation and self-consumption of electricity on a property or associated properties. Any form of grid connected renewable electricity generation can be net metered to offset electricity consumption.

**"Net Metering Project"** means a renewable electricity generation facility designed to offset grid electricity consumption on the site where it is generated.

**"Net Shareholder's Equity"** means the amount arrived at when subtracting the retained earnings deficit of the Co-operative, if any, from value of all the Class A, B and C Preference Shares of the Co-operative;

**"Offering"** means the offering of Preference Shares contemplated by this Offering Statement;

**"OREC"** means the Ottawa Renewable Energy Co-operative;

**"Portfolio"** means all the Co-operative's Installations;

**"Redemption Amount"** has the meaning ascribed thereto in Section 8 hereof;

**"Risk Factor"** means one of the circumstances or events identified as a risk factor in Section 7 hereof and **"Risk Factors"** shall mean more than one of them;

**"Solar Equipment Lease Agreement"** is a contract between two parties, one who owns and operates solar electricity generation equipment (the lessor) and one who is looking to offset their electricity bill with the leased solar generation equipment (the lessee).

## 2. CORPORATE INFORMATION

| | |
|---|---|
| **Name of Co-operative:** | CoEnergy Ontario Co-operative Inc. |
| **Date of Incorporation:** | Articles of Incorporation dated Oct 24, 2018 |
| **Ontario Incorporation No.** | 1907899 |
| **Official Address:** | 969 Wellington Street West, Suite 200, Ottawa, ON K1Y 2X7 |
| **Website**: | coenergy.coop |
| **Email**: | info@coenergy.coop |
| **Office Address:** | 969 Wellington Street West, Suite 200, Ottawa, ON K1Y 2X7 |
| **Banking:** | Caisse Populaire Rideau-Vision d'Ottawa Inc. |
| **Insurance:** | Royal & Sun Alliance (Commercial General Liability) and<br>Berkley Insurance Company (Directors and Officers) |
| **Legal Counsel:** | Iler Campbell LLP |
| **Transfer/Register Agent:** | The Co-operative will act as its own agent |
| **Auditors:** | Frouin Group, 2301 Carling Ave, Suite 101, Ottawa, Ontario, K2B 7G3 |
| **Fiscal Year End:** | August 31 |
| **Members:** | 6 |
| **Employees:** | 0 |
| **Contracted Management Team:** | 4 |

## 3. DIRECTORS AND OFFICERS

The Articles of the Co-operative provide that the Co-operative may have a Board of a minimum of three (3) and a maximum of fifteen (15) Board members. The current directors and officers of the Co-operative are as follows:

| Full names | Full residential address |
|---|---|
| Roger Peters | 90 Cameron Avenue, Ottawa, Ontario, K1S 0X1 |
| Nicholas LePan | 1-275 Mcleod St., Ottawa, ON, K2P 1A1 |
| Susan Tanner | 1-235 Powell Ave., Ottawa, ON, K1S 2A4 |
| Angela Keller-Herzog | 166 Glebe Ave, Ottawa, ON, K1S 2C5 |
| Theodorus Bakker | 192 Rodney Cres., Ottawa, ON K1H 5J9 |
| Wesley Johnston | 39 Séguin Street, Gloucester, ON K1J 6P2 |

# 4. DESCRIPTION OF THE BUSINESS OF THE CO-OPERATIVE

## *A. Overview, Mission, Vision, and Goals*

CoEnergy Ontario Co-operative Inc. (CoEnergy) provides low carbon and other clean energy products and services to its members while at the same time allowing them to own and operate the business. CoEnergy is an example of how cooperatives can both generate and distribute wealth in a democratically-owned economy.  CoEnergy is a multi-class co-op with two classes of membership – Consumer and Community members. Both types of members may use the Co-op's energy services and own and manage the Co-op's assets.

The focus of CoEnergy will be to expand the adoption of sustainable low carbon energy technologies and services in Eastern Ontario and Western Quebec, and to foster local economic development and energy democracy.  Members in the region will have more choice and control over the energy they use and all members will be able to participate in the financing and ownership of energy generation, energy distribution, and energy saving projects in the commercial, institutional, and residential sectors.

CoEnergy's mission is to enable development of a low carbon economy in Eastern Ontario and West Quebec using a democratic business model that generates wealth, jobs, and other social and environmental benefits through the ownership and management of energy.

CoEnergy's vision is the following:

- Residents, institutions, and businesses in Eastern Ontario and West Quebec have more choice and control over the energy they use;
- Property owners in the region reduce operating costs, improve occupant well-being, and reduce greenhouse gas emissions;
- Climate change and environmental impacts in the region are mitigated through energy conservation and clean energy generation;
- More low carbon jobs are created in the region resulting in local economic development;
- CoEnergy's co-operative financing and ownership business model demonstrates how a more democratic local economy enhances wealth generation and distribution, as well as social, and environmental vibrancy and performance; and

- Individuals in the region and elsewhere have the opportunity to democratically influence, own and manage clean energy generation and use.

The Co-op's goals include the following:

1. Social: Empower people to choose and own the energy used in their community.
2. Economic: Create low carbon jobs and economic development locally.
3. Environmental: Minimize energy use, GHG emissions and pollution in the community through efficiency and conservation while meeting the residual energy demand in the most environmentally sustainable way.
4. Financial: Provide fair returns annually to members. Increase accessibility to sustainable investments options.
5. Education and Advocacy: Increase awareness and supportive policy climates regarding sustainable energy infrastructure.

## *B. Management and Administration*

The cooperative shall be governed by an elected Board of Directors composed of at least five directors and no more than 15 directors. The Board shall provide management oversight and retain all final decision-making related to material changes in the annual budget, business plan and ownership of assets. The Board may be assisted by committees made up of Board and non-Board members of the co-op. The Board is currently made up of the individuals listed in Section 3. Details about the Board selection, composition and expertise may be found in Section 5.

Initially, CoEnergy will contract with the personnel employed by the Ottawa Renewable Energy Co-operative (OREC) for its day-to-day management and staffing, under and agreement with OREC. Over time, it is expected that CoEnergy staffing will increase and the staffing needs of OREC will be reduced. The relationship between the co-operative and OREC is further described in Section 4(G).

Key staff positions will include General Manager, Engineering Manager, Technical Services, and Communications Manager. CoEnergy will also work closely with one or more Design-Build engineering firms for technical expertise. The expertise of the anticipated staff is further described in Section 5.

## *C. Restrictions*

The Articles of Incorporation place no restrictions on the business activities of the Co-op. As an Ontario Cooperative Corporation, CoEnergy must currently do at least 50% of its business with its members.

## *D. Membership*

The focus of CoEnergy will be to expand the adoption of sustainable low carbon energy technologies and services in the Eastern Ontario and West Quebec and to foster local economic development and energy democracy. Members in the region will have more choice and control over the energy they use and all members will be able to participate in the financing and ownership of energy generation and energy saving projects in both the commercial and residential sectors. Co-Energy will offer its members the opportunity to collectively identify, improve, own and manage projects that reduce greenhouse gases and provide environmental, economic or social benefits to the region.

CoEnergy

CoEnergy is a multi-class co-op with two classes of membership - consumer and community members, described below. Neither class of Members are required to purchase Securities from the cooperative. **Each Member is entitled to only one vote and to hold only one elected position. Members that are not natural persons shall appoint a single individual as their delegated representative.**

A Member in good standing is entitled to all the rights, benefits and privileges of Membership and to stand for any elected office in the Co-op. This membership entitles the individual to voting rights and possible election to the Board. Members can also be involved in the Co-op by working on committees, promoting the work of the Co-op and through other community activities. To remain in good standing, a Member must abide by the By-Laws of the Coop and any other policies the Co-op may establish from time to time.

A Member may withdraw from the Co-op by giving an officer of the board 30 days written notice. The Board may vote to accept any application to withdraw upon shorter notice. Membership in the cooperative is not transferable unless authorized by the Board.

Membership in the cooperative shall terminate upon the resignation of the Member from the cooperative, on the death or dissolution of the Member, or on the expulsion of the Member from the cooperative by a resolution passed by the Board.

*i.* *Consumer Members*

Consumer Members must use the co-op's services and be one of the following: (1) a corporation or partnership legally incorporated and based in Eastern Ontario and West Quebec; or (2) an institution based in Eastern Ontario or West Quebec on the date of application. All applicants for Consumer membership must have signed an agreement to purchase services from CoEnergy, complete the required application form, and purchase a Membership share.

Consumer members shall make up no more than 10% of the total membership. They are entitled to elect, and remove, at least one and no more than one-third of the Board of Directors, in the manner set out in the Bylaws of the Co-operative, from time to time. Consumer Members may form committees or working groups to address issues of specific interest and will be invited to participate in all Member discussions.

*ii.* *Community Member*

Community Members are individuals over the age of 18 who reside in Canada and co-operatives incorporated in Eastern Ontario or Western Quebec. They engage and benefit from the Co-op through: (1) receiving energy services from the Co-op and discounts on energy-related products; (2) supporting economic development, low-carbon jobs, and greenhouse gas reductions in the region; (3) improving knowledge of sustainability in the region; (4) participating in Member discussions about key directions for the Co-op; (5) participating in working groups or committees; and (6) by electing representatives to the Board of Directors. It is anticipated that Community Members will make a significant contribution to the Co-op by identifying and engaging Consumer Members that will assist the Co-op in meeting its goals.

All applicants for Consumer membership must complete the required application form and purchase a Membership share. Community Members will elect representatives to the Co-op's Board of Directors (minimum of 2/3 of total) so they maintain majority control of the Board.

*iii.* *Requirements and Attributes*

**Requirements:** All applicants for membership must complete the required application form and pay the membership share attributed to their class of membership. Each Member is entitled to only one vote and to hold only one elected position. Members that are not individuals shall appoint a single individual as their delegated representative.

**Rights:** A Member in good standing is entitled to all the rights, benefits and privileges of Membership and to stand for any elected office in the Co-op. This membership entitles the individual to voting rights, possible election to the Board. Members are entitled to a patronage dividend based on the profitability of the operation and the approval of the Board. Members can also be involved in the Co-op by working on committees, promoting the work of the Co-op and through other community activities. To remain in good standing, a Member must abide by the By-Laws of the Coop and any other policies the Co-op may establish from time to time.

**Admission:** Membership in the Co-operative shall consist of all persons who are accepted as Members in the manner prescribed below and whose membership has not been terminated pursuant to the provisions of the Act.

**Acceptance:** No individual shall become a Member until an individual's application for membership has been approved by the Board. If the application is not approved by the Board, any payment forwarded with the application shall be refunded without interest to the applicant.

**Purchase of Preference Shares:** Once an individual is a Member of the Co-operative, they will be notified about potential investment opportunities through this or other Preference Share Offering Statements. The purchase of Preference Shares is not mandatory as a requirement of membership. However, if a Member does purchase Preference Shares, then the minimum number, as set in the offering statement, must be purchased.

**Transfer of Membership:** Membership in the Co-operative shall not be transferable unless authorized by the Board.

**Termination of Membership:** Membership in the Co-operative shall terminate upon the resignation of the Member from the Co-operative, on the death of the Member, if the member ceases to reside in Ontario, or on the expulsion of the Member from the Co-operative by a resolution passed by the Board pursuant to the Act or as may also be prescribed from time to time by the Act.

CoEnergy intends to approach all OREC members (approximately 750) to invite them to become members of CoEnergy. CoEnergy will cover the membership share for any members of OREC who wish to become members of CoEnergy.

As of November, 2018, 6 members had applied for and been admitted to the Co-operative by the Board.

## *E. Use of Surplus*

The Board, after paying expenses and making proper allowance for depreciation, shall apportion any surplus arising from the yearly business of the Co-operative in any or all of the following ways:

a) By setting aside reserves in such amount as the Board deems advisable for such purpose or purposes that are deemed to be conducive to the interests of the Co-operative or its Members, including maintaining a positive cash flow and meeting future obligations, which sum may be invested, dealt with and disposed of for the benefit of the Co-operative as the Board determines from time to time;

b) After allocation to the reserves outlined in (i) above, by payment of dividends on the Preference Shares of the Co-operative held by Members, returning the capital invested through the purchase of these Preference Shares, and patronage returns to Members using the Co-op's services.

## *F. Contracts and Compliance*

### *i. Authorizations, Licenses & Permits*

CoEnergy will ensure that all projects obtain all authorizations, licenses and permits as necessary. This will include, at a minimum: site permitting; environmental compliance, building permits, electrical safety authority compliance, grid connection authorization, and structural assessments.

### *ii. Real Estate*

The Co-operative does not currently own any real estate. It will lease office and storage space of sufficient size to operate the business.

### *iii. Summary of Service Agreements with Clients*

Various contractual arrangements will be used with Members or other clients including Energy Service Performance Agreements, equipment leases, or short-term loans. The Co-operative, and any collaborators if they are involved, may execute an agreement with the owners of property where efficiency improvements or renewable or other clean energy equipment will be installed. The following terms and conditions are normally addressed in a service agreement:

a. The term;
b. The financial arrangements for purchasing any improvements and allocating savings;
c. The ownership of assets;
d. The location of the efficiency equipment and ancillary equipment on the property owner's property;
e. The Co-operative's access to the property for the purposes of installation, maintenance, monitoring and repair;
f. The anticipated energy performance and savings;
g. The insurance the parties are required to obtain;
h. Any performance guarantees and the process for measuring and verification of performance;
i. Rights and responsibilities of each respective party to the agreement;
j. General indemnification provisions between the Co-operative and the property owner whereby one party agrees to indemnify the other for damages suffered by the other party as a result of the conduct of the one party;
k. Terms and provisions regarding the transfer by a party of their interest in the Agreement; and

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l. Dispute resolution provisions; It is intended that the parties would initially proceed to non-binding mediation followed by binding arbitration in the event the non-binding mediation did not result in a resolution of the issue.

Given variations in projects including site and technology variations, and the fact that energy agreements must be negotiated separately with each property owner, not all the agreements are identical to one another.

### *iv. <u>Summary of Net Metering Arrangements</u>*

Depending on the evolution of regulations in Ontario, CoEnergy will participate in renewable energy (solar) net metering arrangements in one of two ways. As regulations do not permit third party generation, (which is the case as of November 2018), CoEnergy will own and install renewable energy equipment on a consumer's premises and lease the equipment to the consumer who will generate the power for their use.

If and when the net metering regulations permit a third party to be involved in generation, CoEnergy, as that third party, will own, install and generate renewable energy on a consumer's premises and enter into a Power Purchase Agreement with the consumer.

In either case, a Solar Equipment Lease or Power Purchase Agreement will be signed between the Co-operative and the consumer of the electricity when the Co-operative enters into a net metering arrangement. Provincial policies to date require that this consumer be located on the same property as the power generation facility. Most commonly, the Co-operative will use these agreements for solar electricity generation installations.

Under a Solar Equipment Lease, CoEnergy (Lessor) agrees to lease an electricity generation system, which may include solar PV panels, inverter, racking and required controls to an electricity customer (Lessee) and install the system on the customer's property. The Lessee then signs a net metering agreement with their local electrical distribution company and connects the system behind the meter. The Purchaser's Solar Equipment Lease payments to CoEnergy are based on the kWh generated in that year multiplied by an agreed upon price per kWh for that year. CoEnergy maintains and insures the system as part of the agreement.

If permitted, a power purchase agreement would be similar to the equipment lease arrangement described above. However, instead of leasing the equipment to the consumer, CoEnergy would be the legal generator of the power and sell the power to the consumer ("Buyer"). The payments to CoEnergy for power would be based on the kWh generated multiplied by the agreed upon price per kWh.

These agreements are typically for 20 to 30 years and the price per kWh for each year are set to provide a net savings in total electricity purchased over the term for the consumer and a reasonable return to CoEnergy. The Agreement also covers matters such as system design, responsibility for monitoring and maintenance, insurance, and what happens if either party fails to meet their obligations.

Some of the important obligations include:

a. the Seller's obligation to construct, own, and operate the solar equipment at its cost and in keeping with site access protocol;

b. Buyer's obligation to compensate the Seller if they vacate the facility before the end of the term;
c. Seller's obligation to remove the system at the end of the term(s) unless the Buyer wishes to take ownership of the equipment; and
d. Buyer's first option to purchase the system for "fair market value."

### v. *Insurance*

The Co-operative maintains Workplace Health and Safety Insurance, general liability, blanket accident, and comprehensive directors' and officers' insurance designed specifically for co-operatives with share capital. During construction, the Co-operative requires that contractors carry industry-standard construction insurance and Workplace Health and Safety Insurance. Once a building efficiency or net metering project has been installed, the Co-operative works with the property owner to make certain that the installation and the Co-op are protected by relevant insurance, which may include property, general liability, and business interruption insurance, with reputable insurers in amounts which are customary in the industry. In some cases, the Co-op secures the insurance; in others, they are listed as an additional insured by the building owner.

### vi. *Co-ownership through Joint Arrangements*

Some of the projects in which the Co-operative invests may involve co-ownership through a joint arrangement such as Limited Partnerships or Joint Ventures with another party. Under these agreements, the Co-operative generally has majority or equal control of the project and its management with the other party, irrespective of the Co-op's financial stake. All project expenses (insurance, maintenance, management, etc.) and revenue are shared according to the ownership percentage. On dissolution, all assets are shared according to the ownership percentage. In the Co-operative's major limited partnership projects, CoEnergy retains voting control and control over assets.

Each of CoEnergy's joint arrangements will clearly set out the obligations, liabilities, benefits, and costs assumed by each party. The agreements will also contain a dispute mechanism that uses arbitration if necessary and remedies that protect each party's investment.

One party will act as project manager under the authority provided to it by the joint arrangement and each party assumes the same level of risk and equally shares legal and accounting responsibilities. In limited partnership arrangements, there is a general partner responsible for day-to-day decision making.

### vii. *Review of Documents*

All agreements related to this Offering, including the Articles of Incorporation, By-Laws, and major contracts may be reviewed by members at the CoEnergy office upon request.

## *G. Relationship with Ottawa Renewable Energy Co-operative Inc.*

CoEnergy was initiated by the Ottawa Renewable Energy Co-operative Inc. (OREC) to offer sustainable energy services to its community. OREC is limited by legislation to the generation of electricity from renewable energy sources. The intention is for CoEnergy to take on a wider range of clean energy project development (renewable electricity and other sustainable energy installations including energy efficiency projects) that OREC is not eligible to undertake, and in doing so provide energy services to its members. Consumers are looking for comprehensive energy services rather than only energy generation services. A comprehensive approach increases business opportunities as well as the sustainability outcomes. CoEnergy is targeting mid-size institutional and commercial consumers.

It is intended that members of OREC will be offered the opportunity to also become members of CoEnergy and invest in its securities. For at least its first year of operation, CoEnergy and OREC will have substantially the same board and staff.

CoEnergy and OREC have entered into an agreement covering their relationship and cost sharing, provide for equitable treatment, avoid conflict of interest for directors, and ensure protection of the co-ops' respective members' interests. Under the agreement outlined below, staff of OREC will also be contracted with CoEnergy on a part time basis. In the start-up phase, OREC may loan short-term surplus funds to CoEnergy at market rates that reflect the riskiness of any such lending. The following is a summary of the guiding principles.

1. Marketing
    a. Parallel marketing strategies and joint marketing efforts.
    b. shared costs to be split according to proxy indicators.
2. Existing Contracts/Project Development
    a. OREC to hold all existing and any future FIT contracts until their full maturity.
    b. OREC will hold negotiated and initiated net metering contracts.
    c. CoEnergy will hold future net metering contracts unless otherwise agreed.
3. Staffing
    a. Staff will be employed by one entity and contracted to the other.
    b. Costs for shared staff will be apportioned on a basis reflecting their relative engagement in the business of the two entities, based on proxy indicators.
4. Other costs
    a. OREC and CoEnergy pay their own insurance, professional services, and travel.
    b. OREC and CoEnergy share costs of office operations based on proxy indicators.
5. Financial Collaboration
    a. OREC will not treat CoEnergy Ontario any less favourably than it would other entities when negotiating terms of financial collaboration (i.e. loans).
    b. OREC has a right of first refusal to lend to CoEnergy
    c. Material financial collaboration will be conducted at market terms and conditions.
    d. Where OREC and CoEnergy enter into material financial collaboration, such transactions will be witnessed by at least one director of each entity who is not an officer of the other entity.
6. Governance
    a. The directors of OREC and CoEnergy will be the same until CoEnergy's first AGM.
7. Sharing of information.
    a. OREC and CoEnergy will ensure handling and sharing of information meets privacy requirements.

## 5. BUSINESS PLAN SUMMARY

### A. Business Objectives

Specific business objectives for the period from 2018-2021 include the following milestones:

| Milestone | Timeframe |
|---|---|
| 1. Commence attracting members | Oct-Dec 2018 |
| 2. Identify and engage with consumers/members who have expressed interested in projects | Continuous |
| 3. First AGM – Target of 150 members (at least 5% Consumer) | By September 2019 |
| 4. Issue Offering Statement for Class A Preference Shares - Series 1 | By December 2018 |
| 5. Implement Building Efficiency Project # 1+2 | By April 2019 |
| 6. Implement Building Efficiency Project # 3-5 | By December 2019 |
| 7. Issue Offering Statement for Class A Preference Shares - Series 2 | By December 2019 |
| 8. Increase membership to 500 (at least 5% Consumer) | By December 2019 |
| 9. Implement Project # 6-11 | By December 2020 |
| 10. Issue Offering Statement for Class A Preference Shares - Series 3 | By December 2020 |
| 11. Increase membership to 750 (at least 5% Consumer) | By December 2020 |
| 12. Implement Project # 12-17 | By December 2021 |

### B. Co-op Administration and Management

The Co-op is governed by an elected, volunteer Board of Directors who provide management oversight and retain all final decision-making related to material changes in the annual budget, business plan, capital raising and ownership of assets. The Directors bring a diverse array of expertise in sustainable energy, project management, co-operative development and management, business, policy development and social investment. The Board is assisted by committees made up of Board and non-Board members of the co-op. The Board employs or contracts with staff to manage day-to-day operations of the Co-op.

Initially, CoEnergy will contract with the personnel employed by OREC for its management. Over time, it is expected that CoEnergy staffing needs will increase and the staffing needs of OREC will be reduced. Key management positions will include General Manager, Communications Manager, Engineering Manager, and Technical Services. CoEnergy will also work closely with a Design-Build engineering firm for technical expertise.

#### i. Board of Directors

The Board expertise is detailed below:

**Theodorus (Dick) Bakker, President** - Dick is one of OREC's founders and has served as OREC's president since 2013. He has been actively involved in the renewable energy Industry since 2002 and a vocal advocate of all renewable energy options. He has been operating a microFIT solar system since June

2010 at his property in Manotick Station. Dick has 20 years of sales and management experience in the telecommunications industry with companies such as Telesat Canada, Cisco and several smaller firms. He now operates the Third World Bazaar, a seasonal event retail store. Dick has a BA (Politics) and MBA from Queen's University.

**Nicholas LePan, Treasurer** - Nick has extensive experience in financial services regulatory matters and in governance. He is a member of the Board of CIBC, a major Canadian chartered bank, chaired its risk committee and has been a member of its governance committee and compensation committee. He also chairs the Board of Directors of CPAB, the independent Canadian regulator of audit firms of reporting issuers. He was the Superintendent of Financial Institutions for Canada from 2001 – 2006. Prior to that held various positions in Canada responsible for supervision of banks and insurers and for policy development in the federal Ministry of Finance. He has volunteered at OREC for several years, helped to develop CoEnergy, and assisted in preparation of this offering statement. He holds a BA from Carleton University and an MA(Econ) from University of Toronto.

**Wesley Johnston -** Wes provides leadership for strategic initiatives, business strategy and operations at Canadian Solar Industries Association (CanSIA), the solar energy industry national trade association. He is also President and CEO of Financial Freedom Real Estate Investments. In his role at CanSIA, Wes has developed significant expertise in solar energy markets, policy development and regulatory affairs and strong relationships with industry, stakeholders and all levels of government. He holds a BBA, (University of PEI), MAES (University of Waterloo) and MBA (Queen's University). Wes is an avid golfer who tries to spend at least a couple of weeks per year on the fairways of his native Prince Edward Island.

**Angela Keller-Herzog, Secretary -** Angela is active in her community as a community organizer, environmental advocate and active citizen observer of municipal affairs. She co-chairs the Environment Committee of the Glebe Community Association, is the GCA liaison at the Federation of Citizens Associations of Ottawa, and a focal point for renewable energy and climate change with Community Associations for Environmental Sustainability. Angela runs an eco-friendly B&B in the Glebe neighbourhood of Ottawa. Angela is also a trained economist and has over two decades of experience in consulting, program management, policy development, risk management and international development.

**Roger Peters**, **Vice President -** Roger is a founder of OREC and served as its first President from 2010 to 2013. He is a professional engineer with over 30 years' experience in energy efficiency and renewable energy as a consultant, researcher, writer and advocate in Canada and around the world. Roger's previous experience includes Director of Renewable Energy and Efficiency with the Pembina Institute and solar commercialization officer at the National Research Council.

**Susan Tanner -** Susan has a lifelong commitment to environmental sustainability and social justice as reflected in her career as lawyer/mediator; educator/community organizer and public servant. Now retired, her Government positions included that of Senior Advisor to the Deputy Minister of Justice on Gender Equality and Diversity; Forum Lead, WUF Habitat Jam; Member of the Ontario Environmental Assessment Board; Vice Chair, Social Assessment Review Board; and mediator for the Ontario Grievance Settlement Board. In the 1980's Susan participated in the Ad Hoc Committee on the Constitution, and the organizing committee of the Symposium on Equality Rights. In 1985, she became the founding chairperson of the Women's Legal Education and Action Fund (LEAF), designed to promote the rights of women under the Charter of Rights and Freedoms. Susan represented WEED (Women and Environment Education and Development) at UNCED in Rio (1992). In 1995, Friends of the Earth Canada accepted a UN Environmental Prize for work on ozone depletion under her leadership and she continues to be actively involved in environment issues with organizations such as Canadian Association for the Club of Rome and Learning for a Sustainable Future.

*ii. Management Team Expertise*

Under arrangement with OREC described in section 4(G), the management team below, all employees of OREC, have been contracted to manage CoEnergy on a part-time basis. The expertise of the management team is further described below.

**General Manager, Janice Ashworth** has been managing OREC since 2011 and has over 10 years of experience in wind and solar energy. At OREC and CoEnergy, she is responsible for business development, project management, and financing. Janice is a member of the Sustainability Committee of the Ottawa Chamber of Commerce and sits on the Energy Evolution Steering Committee with the City of Ottawa. She coordinated the Nova Scotia Sustainable Electricity Alliance and worked in wind energy with the community-owned. She has a background in community organizing with Ecology Ottawa and Ecology Action Centre. Janice has a Master's in Environmental Studies from Dalhousie University with a focus on community energy. In her time as General Manager of OREC, Janice has been named as a 40 Under 40 business leader by the Ottawa Business Journal and was awarded the 2017 Solar Woman of Distinction by Women in Renewable Energy.

**Communications Manager, Aaron Thornell,** has been with OREC for over one year. He is committed to supporting and expanding the growth of sustainable energy infrastructure in the Ottawa region where he grew up. He is a firm believer in grassroots approaches to achieving positive social and environmental change, reaffirmed through his studies of Community Development and History at St. Francis Xavier University. He is a former OceanPath Fellow, and currently volunteers with various community organizations towards social and ecological justice.

**Engineering Manager**, **Vadim Belotserkovsky** is a mechanical engineer by training with over 16 years experience in the field of renewable energy. His expertise includes project management, wind and solar resource assessment, feasibility studies and early-stage project development, energy and financial analysis, market studies, training and business development. Vadim is currently providing project management and technical services for the construction of a 500kW(DC) ground-mount solar energy project, part of the FIT program, near Arnprior, Ontario. Vadim has a broad range of experience in solar energy. He led a Solar Resource Assessment project for a utility-scale PV project in Ontario, performed energy and financial modeling for PV projects and installed monitoring equipment for PV systems in remote communities. He also assisted Natural Resource Canada in the development of the RETScreen International energy analysis software, including providing training on PV and solar thermal modules to energy professionals across Canada and abroad. Vadim has done extensive volunteer work on solar projects abroad and owns a 5kW micro-FIT PV system on his house in Ottawa.

**Technical Services, Eric Gladu** has worked for numerous renewable energy companies and has run his own summer business. Through his work experiences, Eric has been involved with ground mount, solar tracker and rooftop photovoltaic systems. He has expertise in quality control, development of quality assurance processes, and safe work practices. In 2014, Eric obtained an Advanced Diploma in Energy Systems Technology out of Cambrian College, Sudbury. Eric is responsible for solar project monitoring and maintenance, assisting in management of projects under construction, performing production analysis and solar layout design for net metered applications using 3D modelling software. Eric is completing his Bachelor of Engineering Degree in Sustainable and Renewable Energy at Carleton University. Eric has long been passionate about renewable energy and is excited to be part of Eastern Ontario's transition to clean, renewable power generation.

### *iii. <u>Contracted Services</u>*

In addition to the above management team, the following firms are expected to be the CoEnergy's primary contractors:

- Design Build Engineering Firms to date: EcoSystem Energy and JL Richards
- Legal counsel: Iler Campbell
- Bookkeeping: Karen Foubert
- Accounting Firm: Frouin Group

## *C. Business Model and Operation*

The Co-op intends to build upon the success and reputation of the Ottawa Renewable Energy Co-op and use an Opportunity Development Co-op (ODC) model that has evolved in rural towns and urban centres across Canada and the United States. The ODC model is quite simple and similar to OREC – members seek to achieve meaningful and measurable social, economic and environmental outcomes for their community while making decisions democratically. ODC members pool their funds to purchase and finance assets in a designated community; they then recover their costs through leases or other revenue streams, paid by property users or occupants, who may or may not be members of the ODC.

OREC, which has initiated and incubated the development of CoEnergy, brings a committed membership base, skill in project management, commissioning, operations and monitoring, credibility with community members and building owners, and expertise with financing sustainable energy improvements.

### *i. <u>Products and Services</u>*

CoEnergy intends to invest in and/or own the following types of revenue-producing products and systems that improve the quality of life of residents of Ontario and Western Quebec by providing local economic development, reducing greenhouse gas emissions and/or mitigating the impacts of climate change to its members.

- Purchasing, owning and managing the assets required to implement building efficiency retrofits in member-owned buildings and leasing them to the members;
- Providing purchasing advice and acquisition assistance for members for assets required to implement energy and water efficiency retrofits, net zero energy building components and systems or integrated energy systems, including heat pumps.

- Purchasing, owning and managing or financing, leasing and managing net zero energy building components and systems to be installed in member-owned buildings and leased to the members;
- Purchasing, owning and managing or financing, leasing and managing clean and integrated energy systems including heat pumps and renewable energy systems that will be installed in member-owned properties and leased to the members;
- Purchasing, owning and managing revenue-producing assets that reduce or replace the use of fossil fuels in the transportation sector.

The Co-op will employ the following services to carry out its activities

- Energy audit and project feasibility assessments;
- Construction management services;
- Technical assistance in selecting and commissioning energy systems;
- Energy service contracts;
- Financing and leasing.

Revenue will be generated through the sale of services from the Co-op to its members. These services include renewable energy generation, energy savings, the provision of technical advice and equipment leasing to generate renewable energy or to generate energy efficiency, and financing.

CoEnergy's building efficiency projects may involve equipment leases or energy performance agreements of up to 20 years. For net metered projects, the Co-operative intends to sign 20 to 30-year net metering agreements with the property owners to provide electricity to the on-site building(s). For net metering, CoEnergy is focusing on solar photovoltaic (PV) power systems but may also consider other renewable power systems in the future, if the opportunity arises.

The size and type of the Co-operative's projects will vary depending on energy use and the energy savings potential of the project site. The Co-operative expects to initially focus on efficiency enhancement projects costing $250,000 to $2,000,000.

In some projects, the Co-operative is the sole owner of the energy service agreement, net metering agreement, or the efficiency equipment; it leases space for the installation of the equipment from the owner of the property. In other projects, the Co-operative acts in collaboration with the owner of the property or with other parties through various joint arrangements.

## *D. Target Market*

Energy service agreements will typically have terms of 10 to 20-years with a minimum $250,000 retrofit value resulting in a 30% to 40% cost savings on utility bills (gas, electricity and water). These agreements are structured so that the total costs to the building owner, utility bills plus agreement payments, are the same or slightly reduced, compared to before the retrofit.

CoEnergy expects to initially focus its efforts on mid to large-scale energy retrofits. The agreements for these retrofits are designed to not cost building owners up front. Instead, the work is financed entirely by money generated from the subsequent energy savings. Buildings of focus are those over $10,000ft^2$ that are Class B electricity consumers. These buildings are well suited to benefit from solar net meter projects as well. They are of an appropriate size to have significant energy saving opportunities. Other eligibility criteria will include owner-occupancy, significant energy and/or water consumers, have not implemented energy efficiency measures, and are at least 15 years old. Examples include multiple unit residential buildings such as apartments or condos, recreational buildings, and institutional buildings. Those with long term future plans and a healthy financial history are top candidates for both net metering and energy efficiency. For solar net metering projects, the structure and age of the roof, solar access, and the electric grid capacity are also criteria.

A market segment that will be the initial focus for CoEnergy includes non-profit facilities. Non-profits often do not have the expertise or ready cash to undertake a retrofit. Because of CoEnergy's local connections and community benefit, the Co-op expects to tap into grant programs to support the audit costs for these facilities. This has opened doors for relationship building. There are over 30 non-profit-owned facilities in Ottawa of the age and size to be of interest for the program including recreation and housing facilities, among others.

Another market segment of interest to CoEnergy is the condominium market. Condominiums have been a perennial challenge for energy retrofit companies. Condo board members rarely have expertise in energy, thus have limited confidence in the savings. In addition, the long-term paybacks pose a challenge for the board, which can rarely borrow funds to make an efficiency investment. They must therefore convince all the condo's residents of the value of the savings to raise the requisite cash reserves to pay for the work well before any savings are realized. This provides a great opportunity for the CoEnergy either to (i) both own the improvements and enter into a shared savings agreement or (ii) provide off-balance sheet financing through and Energy Service Performance Agreement. The Ottawa market has approximately 200 condominium buildings that are at least 10 years old. Of these, 50% are over 70 units, making them eligible potential clients.

CoEnergy will also benefit from the relationships developed by OREC through its solar projects. Many of these facilities that are ideal solar candidates also match the criteria for energy efficiency retrofits.

## *E. Market Analysis*

Research shows that, on average, buildings are wasting 30% of the energy they use, and that inefficiency means there are opportunities to save money. The Co-op estimates that the market potential for cost-effective retrofits in Ottawa is $150 million.[2]

Nonetheless, experience shows that when building owners must obtain the cash for efficiency upgrades, they are more likely to cherry-pick the cheapest and easiest measures – such as replacing lights – that generate quick, but modest, savings and insignificant carbon reductions. Many building owners will perform retrofits on a reactionary basis, without a comprehensive plan or an understanding how one activity will affect another. When properly assessed and approached in parallel, buildings can achieve deeper cost-effective energy savings.

[2] Based upon an extrapolation of a market estimate by the Toronto Atmospheric Fund of $1 billion in the Greater Toronto Area and $10 billion Canada-wide.

To take advantage of the many opportunities available today for energy retrofits from the utilities and the provincial and federal governments, building owners and facility managers need support. They also need access to financing from those who understand energy saving opportunities. A turn-key, 100% financed retrofit solution, along with a knowledgeable project manager, can save these buildings significant time, carbon emissions, and money.

## *F. Current Projects*

As of November, 2018, CoEnergy does not own or manage any building efficiency or net metering projects.

## *G. Pending Projects and Capital Needs*

The pending and probable projects, as of November, 2018, are listed below along with their expected capital needs (the "Projects"), listed in order of cost and execution simplicity:

- Lighting retrofits at multiple multi-unit residential facilities including condominium(s) and housing co-operative(s), each costing $30,000 to $50,000, totalling $250,000;
- Immediate retrofit measures at a recreation facility including internal and external lighting, Building Automation System upgrade, and a partial re-roofing with insulation totalling $750,000; and
- Chiller replacement at an arena with associated heat recovery options totalling $1,500,000.

To complete the capitalization of the Projects described above, the Co-operative is planning to raise up to $2,500,000 through the sale of Preference Shares. In addition, the Cooperative may borrow from financial institutions or other entities under this offering to fund project development. It may also borrow from OREC. This borrowing from OREC may occur outside of a receipted offering provided CoEnergy has fewer than 35 members. The Agreement between CoEnergy and OREC (detailed in Section 4G) defines the interest rate on any such loan to be market rates.

Any capital not raised through this offering required for these Projects will be raised through other debt financing from financial institution(s). CoEnergy intends to keep debt leverage ratio below 40% but may exceed this in the start up period.

CoEnergy will declare dividends on preference shares depending on operating and financial performance. Repayment of share capital on Class A (Series 1) Preference Shares is planned to occur as Full repayment on the invested amount on the tenth anniversary of issuance of the share certificate.

To ensure that the Co-operative has sufficient capital to take advantage of any new project opportunities that present themselves, the Co-operative obtains short-term debt financing, as necessary, from traditional financial institutions.

## *H. Financial Information*

The Co-operative has been operational for less than a year therefore does not yet have Audited Financial Statements as per section (3)(b) of the Co-operative Corporations Act, Reg 178. An unaudited Financial Statement is included in Appendix C.

Cash flow projections in Appendix A are determined by a budgeting process that estimates investments in new projects, net revenue from all operational CoEnergy projects, annual administrative and operation expenses, project development and capital raising costs, the cost of borrowing, annual payment of dividends and capital repayment, and expected grants.

CoEnergy will earn revenues from:

- Payment for consulting services related to providing technical services, management or maintenance of energy efficiency and other resiliency projects;
- Finder's fees for delivering viable resiliency projects to energy service companies (ESCO) and other partners;
- Shared savings arrangements;
- Leases for equipment related to energy retrofits or other resiliency projects; and
- Fees and interest payments for financing energy retrofits or other resiliency projects.

CoEnergy will incur costs for managing its projects, paying members returns and costs related to issuing and reporting on various investment offerings.

Key assumptions about the Co-op's operations include the following:

| | |
|---|---:|
| Average Cost of energy efficiency project | $500,000 |
| Repayment Period | 10 years |
| Portion of energy savings returned to building owner | 5% |
| Approximate cost of issuing an offering | $20,000 |
| Portion of project financed by CoEnergy | 100% |
| Corporate Tax Rate | 12.5% |

Energy savings may be guaranteed by a third-party insurance provider or design-build firm, thereby backing up the revenues to CoEnergy. Where insurance on the performance is not determined to be of benefit, the Co-op plans to implement a regular verification protocol to ensure the operations of the installed equipment is achieving the potential savings.

The amount of the declared dividend will depend on the Co-op's Preference Shares will be based on performance and cash flow. Initial projections indicate annual dividends of 4-5%. Key factors impacting CoEnergy's ability to pay dividends include:

- any interest obligation on debt;
- the number of viable projects that can be implemented per year;
- the number of years the co-op intends to continue to source new energy efficiency projects; and
- contracting for competent management services at the projected prices.

### I. Marketing Plan

CoEnergy's Marketing Plan is focused on the following:

1) Attracting new Consumer Members;
2) Attracting new Community Members;
3) Attracting Preference Share investors.

CoEnergy's promotional strategy is designed to both recruit new Consumer and Community members and sell securities when an offering statement is approved and active. Key strategies include:

- Position CoEnergy as the best energy savings partner in the region;
- Position CoEnergy as an innovative impact investment opportunity in Ontario;
- Promote the high social, environmental, and monetary impact CoEnergy brings to Ontario;
- Collect names and contact info for parties that may have an interest in joining the Co-op;
- Phone call drive to members and others who have expressed an interest; and
- Profile through speaking events and tours successful Member projects.

CoEnergy will promote its message through a wide variety of media channels including owned, earned, shared, and paid. CoEnergy will maintain a web site and a social media presence. It will also issue press releases, secure promotional stories in local media and offer regular communication through an e-mail newsletter with its members.

The $50 non-refundable membership fee was chosen as it would attract only those who are seriously considering investment through CoEnergy and those who want to help community-owned power to succeed.

CoEnergy has set the minimum investment for a Member in new Preference Share Offerings at $5,000. This amount was chosen to keep administrative costs to reasonable levels while at the same time providing opportunities for a wide range of members. A Member investment maximum of $250,000 was chosen to promote wide ownership of the Co-operative.

## 6. USE OF PROCEEDS OF THE OFFERING

The Co-operative plans to raise up to $2,500,000 through the sale to Members of Class A (Series 1) Preference Shares to complete investment in a portfolio of Projects described in general in Section 5(G) of this Offering. There, the projects are listed in order of readiness and capital requirements, which is the same order that they are expected to be built. If only the minimum offering is raised, the Co-op will pursue only a lighting retrofit project of an equivalent value.

The Board may decide to cap the subscriptions of preference shares at lower than the maximum amounts set out in this Offering depending on the final availability and cost of the Projects and the Co-op's financial management needs. If subscriptions are more than the maximum, subscriptions for Preference Shares, they will be considered in the order in which they were received.

It is the intention of the board to use short term loans and membership shares to cover on-going operating expenses of the Co-operative until the point that they are covered from project revenues.

If less than the target is raised through this offering and/or a satisfactory debt financing is not secured from financial institutions or other entities, the Co-operative may proceed with fewer proposed Projects. The Projects pursued will be determined after the close of the offering when the capital available is known. Small, simple Projects include the LED lighting retrofits in multi-unit residential buildings, which will be easier to finance with smaller amounts of member capital. If capital is limited, the co-op will aim to leverage available capital with debt financing to at least complete all of the LED projects, as these projects can be completed quickly and may open the door to further projects with the same property owner. The Co-operative's preference is to raise the majority of its investments through equity from members.

If more capital is raised than is required for the Projects listed here, the Co-operative will pursue other project opportunities, although the Board of Directors may decide to cap the amount raised at the lower amount if no new opportunities are available.

Potential subscribers should carefully review the financial projections included in Appendix A to determine to their satisfaction that the net amount to be raised by this offering is sufficient to meet the objectives of the plans as expressed by the Co-operative.

# 7. **RISK FACTORS**

**CoEnergy will be subject to numerous risks common to start-up ventures as well as specific risks associated with equipment installations, construction and energy savings. Investment in the Co-op's Preference Shares involves certain risks described below (in alphabetical order.) Several factors (the "Risk Factors") could adversely affect the value of these investments and could jeopardize investors' capital in the Co-operative and/or their financial returns.**

**While the Co-operative's board and management will make every effort to prevent or mitigate the factors, prospective investors should carefully consider their own financial circumstances and the Risk Factors set forth below as well as the other information contained in this Offering Statement.**

**Agreement Risk: Each Energy Savings Agreement or net metering arrangement must be negotiated on a property by property basis and the final form of the Agreements to be entered into with each property owner will vary, perhaps materially, from one another, and from the general description of Agreement terms set out in Section 4.**

**Availability of Additional Debt Financing: No assurances can be given that any of the new loan facilities from financial institutions or other entities referred to in this Offering will be obtained or will be obtained on acceptable terms. If the loans or bridge financing are not obtained by the Co-operative on terms acceptable to the Co-operative's Board, the Co-operative may not be able to proceed on all project opportunities. As well, if the loans are obtained but at higher interest rates, then the net income flow to the Co-operative from purchasers or consumers of power will be reduced and the projections in the Business Plan will not be accurate.**

**Cash Flow: The Co-operative anticipates receiving positive cash flow over the life of the Co-operative's projects. However, these projections are based on several assumptions, which are outlined in this Offering Statement. If any one or more of these assumptions are incorrect, then the Co-operative**

**may be unable to manage its cash flow requirements. This could jeopardize the ability of the Co-operative to pay patronage dividends and pay the intended dividends and redemption of Preference Shares, and the solvency of the Co-operative.**

**Counterparty risk: Under energy efficiency financing agreements and net metering arrangements agreements will be targeted to be with institutional or commercial entities, which will pose heightened counterparty risk of performance under the contracts, which are long term in duration. CoEnergy intends to mitigate this risk through choice of counterparties, and various redress arrangements under the contracts. However, there is no guarantee that CoEnergy will not suffer a loss because of counterparties failure to perform under the contracts.**

**Currency Risk: A portion of the components and equipment in the future Installations are imported and are paid in a foreign currency, therefore changes to the value of the Canadian dollar could potentially have a material impact and adverse effect on the cost of future projects or on the component costs for maintenance and replacement.**

**Depreciation of Assets: Investors are advised that the Co-operative is not establishing any reserve for the replacement of equipment, other than ordinary maintenance items and is depreciating the value of any assets to zero at the end of the Co-op's involvement.**

**Dividends are Non-Cumulative: It is the sole discretion of the Board whether to declare a dividend on Preference Shares in any year. If an annual dividend is not declared, the Board may declare bonus dividends in future years, but holders of these securities do not have a right to any make-up payment in years subsequent to the year for which dividends were not declared.**

**Failure of Some Equipment: The equipment the Co-operative intends to install is expected to be low maintenance and trouble free. Manufacturers' warranties have limited scope and their enforceability is subject to the financial condition of the manufacturer. However, should issues with the equipment develop, there would be a loss of revenues for the period of time that a failure occurs. Some revenue loss is covered by warranty or insurance. There is also a risk that equipment does not perform as planned.**

**Failure to Raise Sufficient Equity and Impact on Financing: In the event that the net proceeds received under this Offering Statement, together with the other resources of the Co-operative, are insufficient to meet the equity requirements of the new project portfolio, the Co-operative's project portfolio will be scaled down in size accordingly. There can be no assurance given that raising the amounts provided in this Offering Statement, together with existing equity, will give prospective lenders the confidence required to provide financing to the Co-operative.**

**Financial Projections: The Co-operative has prepared income projections for its portfolio of projects for 15 years. They are included in Appendix A. These projections are based upon assumptions and hypotheses, which the Board of the Co-operative believes to be reasonable. There can be no assurance that these forecasts and projections will be achieved. The assumptions may change, whether due to circumstances beyond the control of the Co-operative or otherwise. Actual results will vary, perhaps in a materially negative way.**

**Insufficient Capital: The Co-operative believes that the amount raised through this Offering will be sufficient to proceed with the Co-operative's project portfolio as described above. Nonetheless, a**

**combination of factors such as price increases for the purchase of equipment, inability to obtain the equipment when contemplated due to short supply, unanticipated tariffs and the cost to comply with regulatory issues, could result in an insufficient amount of capital raised, which could ultimately result in the number of additional Installations being reduced and/or the Co-operative not being profitable.**

**Interest Rate Fluctuation: If prevailing market interest rates rise significantly, raising capital to repay the securities when they are due through other debt financing may prove difficult. In that event, securities may not be repaid in full or when due. Repayment will be subject to the availability of replacement funds provided by new members and surpluses from the projects. This risk diminishes over time as cash surpluses build up over the years.**

**Long Term Investment: Purchases of the investments offered herein should be considered long term investments which may not be suitable for investors who may need to liquidate their securities quickly. Investors are not entitled to demand the redemption of these Preference Shares prior to their maturity date. Any redemption or repayment will occur at the sole discretion of the Board as explained in Section 8. Investors who are looking for short-term returns and liquidity of capital from their investments should not purchase the investments offered herein.**

**Market for Shares: There is presently no established market for the Preference Shares being offered nor is a market expected to develop. Purchasers may not be able to resell Preference Shares purchased pursuant to this Offering Statement. Transfers of Membership Shares and Preference Shares require Board approval. Management will use its best efforts to match buyers and sellers, but no guarantee is offered that Investors will be redeemed upon request.**

**New Venture Risk: CoEnergy is a new, start-up venture and there is no assurance it will be able to carry out its plans as described in this Offering Statement.**

**No Sinking Fund or Reserve: No sinking fund or reserve has been established to redeem the Preference Shares being offered before the end of their term. It is the intention of the Co-operative to return capital invested in Preference Shares as per the conditions stated upon their Offering. However, there can be no guarantee that the Co-operative will be able to honour these intentions. Investors are not entitled to demand the redemption of Preference Shares. Any early redemption of these securities will occur at the sole discretion of the Board of the Co-operative.**

**Performance Risk: In the event that any of the projects do not generate the anticipated amount of savings or electricity due to insufficient sunlight, underperformance of the systems or other causes beyond the control of the Co-operative, projected revenues could be adversely affected.**

**Political and Regulatory Risk: The Cooperative is subject to legislation and regulation under various statutes that govern matters such as how and by whom electricity can be generated in Ontario. CoEnergy is not a renewable energy cooperative subject to rules applying to those entities under the Co-operative Corporations Act; however, changes in legislation and regulation could affect the viability of the co-operative's business plan.**

**Priority of Lenders: The net proceeds from the Preference Shares offered herein will be subordinate to any funds borrowed from financial institutions and other entities including OREC, who will rank in priority to all Preference Shareholders. It is anticipated these lenders will place certain conditions and restrictions upon the Co-operative's ability to meet debt obligations to investors and make distributions to its Shareholders. These conditions could require the Co-operative to allocate all or**

**part of any excess cash flow generated by the Co-operative's operations to the pre-payment of its indebtedness, thereby eliminating or reducing the amount of cash, which could otherwise be available for distribution. The ability of the Co-operative to pay interest and dividends, and to repay capital, will depend both on the success of the Co-operative, its Projects, and on the terms and conditions imposed by the Co-operative's lenders.**

**Profitability and Solvency: There is no certainty that CoEnergy will be profitable and that CoEnergy will be able to pay Dividends or redeem its Preference Shares. There can be no assurance CoEnergy will be able to redeem Preference Shares at the redemption date or when membership ceases.**

**Projections and Forward-Looking Information: This Offering Statement and the Business Plan contain forward-looking statements and projections which involve numerous assumptions, hypotheses, risks and uncertainties including, among others, those set out herein as Risk Factors. Actual results of operations will vary, perhaps materially and adversely, from the projections contained in this Offering Statement and the Business Plan. No representations or warranties are given that these projections will be achieved. The assumptions and hypotheses upon which these projections are based may change because circumstances beyond the control of the Co-operative.**

**Regulatory Approval and Permits: There is no guarantee that the stakeholders and regulatory authorities will issue the required permits and approvals in the timelines expected in the project schedules. Delays in the project schedules can have an impact on the financial returns projected. Regulatory bodies may change the permitting and approval requirements, which could affect the financial viability of the projects.**

**Repayment of Preference Shares: There is no assurance that the Co-op will be able to repay Preference Shares offered under thus Offering Statement. Investors who require guaranteed returns from their investments with no risk should not purchase the securities offered herein.**

**Structural Damage upon Installation: If a structure is damaged during installation, the cost could increase if the cost to repair is higher than the amount that will be covered by insurance. This will have a negative impact on the profitability of the Co-operative, as will any increase in insurance costs owing to insurance claims made.**

**Taxation: Financial projections assume that renewable energy generation assets owned by the Co-operative are eligible for accelerated capital cost allowance under Canada Revenue Agency Class 43.1 provisions. Previously Class 43.2 applied to solar investments. These provisions limit the tax paid by the Co-operative for the first years of operation of each project. These provisions may be changed in the future and result in higher taxation for the Co-operative.**

**Timing: Project timing can be affected by a number of factors including, among other things, contract negotiations, financial capabilities, building usage, approvals, permits, and technology availability. Timing of the project revenue streams may affect the Co-op's financial projections.**

**Unknown Risk Factors: The Co-operative may also be subject to other unknown Risk Factors that could potentially affect its profitability and solvency. Some of these Risk Factors could include, but not be limited to, failure to comply with governing statutes and increased competition. Potential adverse changes in these areas may limit the Co-operative's solvency and/or its ability to pay dividends and interest and repay capital.**

**Warranties: The Co-operative will endeavour to choose products and technologies with solid warranties from reputable companies with a track record of performance and that are in good financial health, however, there is no assurance that the Co-operative's suppliers will not go out of business and thus be unable to honour their warrantees.**

# 8. CAPITAL STRUCTURE

## *A. Authorized Share Capital*

The Co-operative is incorporated as a for-profit co-operative with share capital. In accordance with its Articles of Incorporation, its authorized capital as of November, 2018 is $50,500,000, divided as follows:

2. $500,000 in Membership Shares at a par value of $50 each, for a total of 10,000 Membership Shares;
3. $20,000,000 in Class A Preference Shares at a par value of $1 each, for a total of 20,000,000 shares.
4. $20,000,000 in Class B Preference Shares at a par value of $1 each, for a total of 20,000,000 shares.
5. $10,000,000 in Class C Preference Shares at a par value of $1 each, for a total of 10,000,000 shares.

## *B. Material Attributes of Membership Shares*

Holders of Membership Shares are entitled to attend and vote at all meetings of Members of the Co-operative and to receive such dividends (subject always to the prior rights of holders of Preference Shares) on Membership Shares as may be declared from time to time at the sole discretion of the Board of the Co-operative.

Holders of Membership Shares have equal ownership of all assets of the Co-operative and each has one (1) vote at all meetings of Members of the Co-operative.

Consumer Members are entitled to elect, and remove, at least one, and no more than one-third of the Board of Directors, in the manner set out in the Bylaws of the Co-operative, from time to time.

All other classes of members are entitled to elect, and remove, the balance of the Board of Directors, in the manner set out in the Bylaws of the Co-operative, from time to time. Members are entitled to receive patronage dividends, if and when they are declared by the Board of Directors.

Upon dissolution and after payment of all debts and liabilities, the Co-op's remaining property shall be distributed or disposed of equally among its members at that time.

## *C. Material Attributes of Class A, B and C Preference Shares*

Class A, B or C Preference Shares, all of which rank equally, may be issued in one or more series. The Board of Directors determines by resolution the designation, rights, privileges, restrictions, and conditions attaching to each series of Preference shares as well as the number to be issued. The terms determined by the Board of Directors include dividend payments, conversion features, redemption features, return of capital, and transfer restrictions. Different *series* of preference shares shall not be construed to constitute different *classes* of shares.

### i. *Dividends on Class A, B and C Preference Shares*

Holders of Class A, B or C Preference Shares are eligible to receive non-cumulative dividends in an amount determined, and as and when declared, by the Directors. Dividends on Class A, B or C Preference Shares shall be paid independently of and always in priority to dividends paid on Memberships Shares. The Board of Directors may, in its sole discretion, pay dividends owed to Class A, B or C Preference shareholders in Preference Shares instead of cash. Dividends on Class A, B or C Preference Shares shall be calculated in accordance with the Co-operative's fiscal year, and such calculation shall be prorated on a daily basis in the first and final years of a Shareholders ownership of the share on which the dividend is being calculated.

### ii. *Redemption Amount for Class A, B and C Preference Shares*

The redemption price of Class A, B or C Preference Shares is equal to their par value PLUS any declared and unpaid dividends

### iii. *Redemption of Class A Preference Shares by Shareholders*

Holders of Class A Preference Shares may request that the board of the Co-operative redeem their shares by giving the Co-operative six weeks written notice. Requests for redemption of Class A Preference Shares by Members may be repaid over a period of 5 years at the discretion of the Board.

### iv. *Redemption of Class A, B and C Preference Shares by the Co-op*

The co-operative may redeem all or any part of the Class A, B or C Preference shares without the consent of the holders. If the redemption of any series of Class A, B or C Preference Shares is less than all of the issued shares of that series, the shares that are to be redeemed shall be selected in one of the following ways:

- By lot, within the series, in a manner determined by the Directors
- As nearly as may be in proportion to the number of preference shares of the series that are registered in the name of each holder of shares in that series.

The directors shall determine, subject to this provision, the manner of selection.

In the event of purchase for cancellation of Class A, B or C Preference Shares by the co-operative, the board of directors may at the time of the purchase cancel the shares in which case the authorized and issued capital of the co-operative are thereby decreased and the articles are amended accordingly.

### v. *Participation of Class A, B and C Preference Shares on Dissolution*

In the event of the liquidation, dissolution or winding up of the Co-operative or other distribution of assets of the Co-operative among its Members for winding up its affairs, the holders of the Class A, B or C Preference shareholders are entitled to receive, in priority to holders of Membership Shares, an amount equal to the redemption price of the respective Class A, B or C Preference Shares. Holders of Class A, B or C Preference shares have no further right to the co-operative's property.

*vi.* *Voting Rights of Class A, B, and C Preference Shares*

Holders of Class A, B and C Preference Shares have the right under the Act to vote at all meetings of holders of Class A, B or C Preference Shares called for the purpose of amending any of the terms of the said Preference Shares.

### *D. Debt Financing*

The Co-operative through its By Laws can use debt to finance up to 40% of its projects. As of November, 2018, the Co-op has an outstanding debt obligation of $20,000 with OREC that will rank ahead of securities being offered in this offering statement. Other details of the current financial position are in Appendix C.

## 9. DESCRIPTION OF INVESTMENT OPPORTUNITIES OFFERED

The Co-operative is offering to sell Membership Shares and Class A (Series 1) Preference Shares.

It also intends to borrow money from financial institutions or other entities on the terms set out above or on terms that are appropriate for the Co-operative at the time.

The following is an outline of the minimum and maximum number of Membership Shares, Class A (Series 1) Preference Shares offered pursuant to this Offering Statement and the attributes of each such class of Shares:

### *A. Membership Shares*

| | |
|---|---|
| Minimum Offering | $250 |
| Maximum Offering | $500,000 |
| Minimum Individual Subscription | $50 |
| Maximum Individual Subscription | $50 |

Prospective Members of the Co-operative are required to purchase one (1) Membership Share with a par value of $50.00 each. Holders of Membership Shares are entitled to attend and vote at all meetings of Members of the Co-operative in accordance with the terms and provisions of the Act.

| | |
|---|---|
| **Par Value** | $50.00 |
| **Issue** | Membership Shares shall be issued to anyone eligible for membership in the Co-operative, and who has been admitted into membership by the Board. |
| **Dividends** | At the discretion of the Board, to the maximum amount permitted under the Act. |
| **Rank** | Junior, with respect to the payment of dividends, to Preference Shares. Junior, upon dissolution, to Preference Shares. Upon dissolution and after the payment of all debts and liabilities, the Co-op's remaining property will be distributed or disposed equally to the Members of the Co-operative. |

**Transfer** Subject to the consent of the Board and to the provisions of the Act regarding the transfer of Shares.

## *B. Class A (Series 1) Preference Shares*

Minimum Offering: $50,000

Maximum Offering: Class A (Series 1) Preference Shares: $2,500,000

Minimum Individual Subscription: $5,000

Maximum Individual Subscription: $250,000

**Par Value:** $1

**Term:** Ten (10) years

**Issue:** Shall not be allotted or issued without the prior consent of the Board. Only holders of Membership Shares of the Co-operative can subscribe for Class A Preference Shares (Series 1) and these shares must be owned by individuals.

**Dividends:** The Co-operative intends to declare and pay a non-cumulative dividend on the current value of each Class A (Series 1) Preference Share (par value less return of capital). Dividends can be paid once per year but may be paid in increments if the Board decides.

**Voting Rights:** Under the Act, the holders of Class A (Series 1) Preference Shares have a right to vote only at meetings of holders of Class A (Series 1) Preference Shares called for the purpose of amending any of the terms of the said Class A (Series 1) Preference Shares.

**Self-Directed RRSP/TFSA/RESP/RRIF/LIRA Option:** Class A (Series 1) Preference Shares can be purchased inside of a self-directed RRSP/TFSA/RESP/RRIF/LIRA Plan. These plans are administered through either Caldwell Securities (which offers all registered account options) or the Canadian Workers Co-operative Federation (which offers only RRSP and TFSA accounts) self-directed plans, which is registered through Concentra Trust. It is possible to use these options only where the individual plan-holder and their relatives hold less than 10% of the value of each class of shares in the co-operative. Contributions in-kind are allowed, which means currently-owned shares of the Co-operative can be rolled into the self-directed plan. Class A (Series 1) Preference Shares may also be purchased through a ‘Transfer In’ from another existing registered account. **Investors wishing to transfer in funds from another registered account must ensure that their transfer is completed no later than the closing date of the offering for their purchase of Preference Shares under this offering to be affected. Transfers can take 4 to 8 weeks.** Dividends on shares are paid in cash and remain in the account. Preference shares from other eligible co-operatives may also be held in the account. The same limits that apply to registered contributions generally apply to this self-directed plan. The individual plan-holder owes an annual account fee (currently $55 for CWCF or $65 for Caldwell), which is managed by

CoEnergy

CoEnergy through the dividend payments unless otherwise notified. Although the minimum purchase has been set at $5,000, prospective purchasers should be aware that an invested amount of $10,000 or more is recommended to offset the cost of these fees.

**Return of Capital:** In addition to paying an annual dividend, it is the intention of the Co-operative to return the full capital value of a Member's Class A (Series 1) Preference Shares in one lump sum ten years after the share issuance.

**Transfer:** Class A (Series 1) Preference Shares only be transferred to another member with the consent of the Board of the Co-operative.

**Dissolution:** In the event of the dissolution or liquidation of the Co-operative, the holders of Class A (Series 1) Preference Shares shall be entitled to receive, before any distribution of any part of the assets of the Co-operative, the Redemption Amount (as defined in Section 8 hereof), including any dividends declared but unpaid. Upon payment of the above amount, the holders of Preference Shares shall not be entitled to any further share in the distribution of the assets of the Co-operative.

Please see Section 8(C) for further details on the Shares offered pursuant to this Offering.

### *C. Other Loan or Debt Financing*

Under the legislation and regulations applying to the Co-operative it may obtain debt financing at any time from financial institutions as specified in the legislation and regulations. Obtaining debt from entities that are not financial institutions can only be done pursuant to an offering statement.

Together with this Offering Statement, the Co-operative may seek out alternative loan or debt financing from other entities who are not financial institutions, on terms and conditions agreed by the Board, all within the overall limit on debt financing set out above. The Co-operative may seek debt financing from OREC. This will occur when the alternative financing is more attractive than that available from financial institutions, or otherwise promotes the goals of the Co-operative.

## 10. **METHOD OF SALE OF INVESTMENTS**

All Membership and Preference Shares sold pursuant to this Offering Statement will be sold and issued exclusively by Board members, officers, and staff or contractors of the Co-operative. There are no commissions payable or discounts allowed. Preference Shares may be issued only to Members of the Co-operative. All prospective purchasers of Membership Shares, Preference Shares, or other loans or debt financing pursuant to this Offering Statement will have received a copy of this Offering Statement as part of the process of subscribing for such Shares or entering into loan or debt financing.

A Subscription Form for the purchase of Preference Shares is attached as Appendix B.

## 11. **THE MARKET ON WHICH THE INVESTMENTS MAY BE SOLD**

There is no market through which the Membership Shares or Preference Shares may be sold and none is expected to develop. Purchasers may not be able to resell investments purchased pursuant to this

Offering Statement. No Shares of the Co-operative may be transferred without the express consent of the Board.

The Act prohibits the redemption of Preference Shares if the Co-operative is or would be, as a result of such redemption, insolvent or if such repurchase would, in the opinion of the Board, be detrimental to the financial stability of the Co-operative. There can be no assurance given as to when or whether the Co-operative may be profitable.

Subject to the Act and upon the approval of the Board, Preference Shares may be transferred to other Members or prospective Members of the Co-operative, as set out in the Co-operative's Articles, By-Laws and Policies. However, there can be no assurance that Members interested in the purchase of such Preference Shares (Series 1) will be available if and when a Member wishes to transfer their Shares.

## 12. STATEMENT OF MINIMUM AND MAXIMUM AMOUNTS

### *A. Minimum and Maximum Aggregate Amounts of this Offering*

Minimum Aggregate Offering: $50,250

Maximum Aggregate Offering: $3,000,000.

The Board of the Co-operative has set a maximum amount of $3,000,000 to be raised under this offering statement but may cap the sale or issue of Class A (Series 1) Preference Shares depending on available project investments. If the Board of the Co-operative decides to cap the offering at the target amount, and demand exceeds that target, or if subscriptions exceed the maximum aggregate offering, the Shares will be allocated to purchasers based on date on which subscription orders were received.

### *B. Minimum and Maximum Amount by Individual Member*

All Members must purchase one (1) Membership Share. Only one (1) Membership Share may be held by each Member.

The minimum purchase of Class A (Series 1) Preference Shares is $5,000.

A maximum of $250,000 of Class A (Series 1) Preference Shares per Member is permitted.

## 13. SECURITIES, MORTGAGES, BONDS, DEBENTURES OR OTHER DEBT OBLIGATIONS

The Co-operative is not currently a party to any securities, mortgages, bonds, debentures or other debt obligations

The Co-operative may enter into an agreement for a line of credit with a financial institution to ensure a positive cash flow during the construction phase of the Projects to be financed through this offering.

## 14. MATERIAL LEGAL PROCEEDINGS TO WHICH THE CO-OPERATIVE IS A PARTY

The Co-operative is not party to any legal proceedings.

## 15. MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES

### *A. In the Co-operative*

Each of the Directors of the Board of the Co-operative is a Member of the Co-operative and owns the required one Membership Share.

No Board member, officer, or employee has a material interest in the business or operations of the Co-operative other than disclosed herein. From time to time, the Co-operative hires directors for contract work that is outside of their obligations as a volunteer director, none of which constitute a material interest.

### *B. In the Projects Described Herein*

None.

### *C. In the Shares Offered Herein*

The Board members, officers, and employees will be offered the Preference Shares to be issued under this Offering Statement on the same terms as are available to all other persons.

## 16. MATERIAL CONTRACTS ENTERED IN THE PAST TWO YEARS

CoEnergy has signed a few agreements to date, the first being with OREC as described in Section 4(G). CoEnergy has also signed a short-term contract with a communications consultant to launch the online presence and brand of the Co-op. The Co-op has signed a letter of intent with a recreation facility and an engineering firm to perform an energy audit with the intention of extending that relationship into a financed energy retrofit project. The Co-op has be awarded a $20,000 grant from the Fuel Injection Program. With OREC, it has signed a $20,000 loan agreement as well as a contribution agreement for a flow through of a $10,000 grant that was awarded to OREC for this audit work.

## 17. ANY OTHER MATERIAL FACTS

A copy of this Offering Statement must be given to each investor before any payment is legally accepted by the Co-operative.

None of the Shares issued by the Co-operative pursuant to this Offering Statement will be in bearer form.

This Offering Statement will expire 12 months from its submission, after which date no further sale of the Shares or debt facilities offered hereunder shall occur, unless a new Offering Statement has been filed and receipted.

## 18. CERTIFICATE OF DISCLOSURE

THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SECURITIES OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE ACT.

**DATED** this 30th of November, 2018.

Th. C. Bakker

Chairman of the Board and President: Theodorus Bakker

Treasurer: Nicholas LePan

**APPENDX A PROJECTED CO-OP FINANCIALS AND CASH FLOW FORECAST**

## CoEnergy
**CASH FLOW PROJECTION**

| **Year** | | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New Projects Added | | 5 | 6 | 5 | | | | | | | - | - | - | |
| Projects in portfolio | 0 | 5 | 11 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 11 | 5 | - |
| | | | | | | | | | | | | | | |
| **New Investment $$ Needed** | - | | | | | | | | | | | | | |
| Portion from Pref Share | | 100% | 100% | 100% | 100% | 50% | 50% | 50% | 50% | 50% | 100% | | | |
| New Pref Share | | 2,500,000 | 3,000,000 | 2,500,000 | - | - | - | - | - | - | - | - | - | - |
| New Investor Notes | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| New Pref Share Investors | | 250 | 300 | 250 | - | - | - | - | - | - | - | - | - | - |
| umulative Pref Share investors | 0 | 250 | 550 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 550 | 250 | - |
| New Notes Investors | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cumulative Notes Investors | 0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| ***CASH FLOW*** | | | | | | | | | | | | | | |
| ***Cash In*** | | | | | | | | | | | | | | |
| Finder's Fee | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Revenue from Projects | | 182,107 | 582,744 | 983,380 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 983,380 | 582,744 | 182,107 |
| sub-total | | 182,107 | 582,744 | 983,380 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 1,165,487 | 983,380 | 582,744 | 182,107 |
| Investments | | 2,500,000 | 3,000,000 | 2,500,000 | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| **TOTAL CASH IN** | | **2,682,107** | **3,582,744** | **3,483,380** | **1,165,487** | **1,165,487** | **1,165,487** | **1,165,487** | **1,165,487** | **1,165,487** | **1,165,487** | **983,380** | **582,744** | **182,107** |
| | | | | | | | | | | | | | | |
| ***Cash Out*** | | | | | | | | | | | | | | |
| Cash to projects | | 2,500,000 | 3,000,000 | 2,500,000 | - | - | - | - | - | - | - | - | - | - |
| Co-op Costs for New Project Development | | 22,900 | 27,480 | 22,900 | - | - | - | - | - | - | - | - | - | - |
| Co-op Costs for Security Sales $ | 78 | 19,533 | 42,973 | 62,506 | 62,506 | 62,506 | 62,506 | 62,506 | 62,506 | 62,506 | 62,506 | 42,973 | 19,533 | - |
| | | | | | | | | | | | | | | |
| Interest on Notes | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend on Pref. Shares | | - | 125,000 | 262,500 | 360,000 | 320,000 | 280,000 | 240,000 | 200,000 | 160,000 | 120,000 | 80,000 | 40,000 | 12,500 |
| Reserve fund for Pref Share Repayment | | - | 250,000 | 550,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 550,000 | 250,000 |
| Repayments - Notes | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| **TOTAL CASH OUT** | | **2,542,433** | **3,445,453** | **3,397,906** | **1,222,506** | **1,182,506** | **1,142,506** | **1,102,506** | **1,062,506** | **1,022,506** | **982,506** | **922,973** | **609,533** | **262,500** |
| **NET CASH** | | **139674** | **137291** | **85474** | **-57018** | **-17018** | **22982** | **62982** | **102982** | **142982** | **182982** | **60407** | **-26789** | **-80393** |
| **CUMULATIVE CASH** | | **139,674** | **276,966** | **362,440** | **305,422** | **288,404** | **311,386** | **374,368** | **477,350** | **620,331** | **803,313** | **863,721** | **836,931** | **756,539** |

| **Year** | **2032** | **2033** | **2034** | **2035** | **2036** | **2037** | **2038** | **2039** | **2040** |
|---|---|---|---|---|---|---|---|---|---|
| New Projects Added | | | | | | | | | |
| Projects in portfolio | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **New Investment $$ Needed** | | | | | | | | | |
| Portion from Pref Share | | | | | | | | | |
| New Pref Share | - | - | - | - | - | - | - | - | - |
| New Investor Notes | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| New Pref Share Investors | - | - | - | - | - | - | - | - | - |
| umulative Pref Share investors | - | - | - | - | - | - | - | - | - |
| New Notes Investors | - | - | - | - | - | - | - | - | - |
| Cumulative Notes Investors | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| ***CASH FLOW*** | | | | | | | | | |
| ***Cash In*** | | | | | | | | | |
| Finder's Fee | - | - | - | - | - | - | - | - | - |
| Revenue from Projects | - | - | - | - | - | - | - | - | - |
| sub-total | - | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **TOTAL CASH IN** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | | | | | | | | | |
| ***Cash Out*** | | | | | | | | | |
| Cash to projects | - | - | - | - | - | - | - | - | - |
| Co-op Costs for New Project Development | - | - | - | - | - | - | - | - | - |
| Co-op Costs for Security Sales $ | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| Interest on Notes | - | - | - | - | - | - | - | - | - |
| Dividend on Pref. Shares | - | - | - | - | - | - | - | - | - |
| Reserve fund for Pref Share Repayment | - | - | - | - | - | - | - | - | - |
| Repayments - Notes | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **TOTAL CASH OUT** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **NET CASH** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **CUMULATIVE CASH** | **756,539** | **756,539** | **756,539** | **756,539** | **756,539** | **756,539** | **756,539** | **756,539** | **756,539** |

| **Investment Info - Repayments** | | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PREF SHARES | Amount | | | | | | | | | | | | | |
| 2019 | 2,500,000 | - | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | - | - |
| 2020 | 3,000,000 | - | - | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | - |
| 2021 | 2,500,000 | - | - | - | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| INVESTMENT NOTES | | | | | | | | | | | | | | |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| # investors repaid | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | | |
| TOTAL OUTSTANDING | | | | | | | | | | | | | | |
| Pref Shares | | 2,500,000 | 5,250,000 | 7,200,000 | 6,400,000 | 5,600,000 | 4,800,000 | 4,000,000 | 3,200,000 | 2,400,000 | 1,600,000 | 800,000 | 250,000 | - |
| Investment Notes | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Estimated # of investments | | 250 | 525 | 720 | 640 | 560 | 480 | 400 | 320 | 240 | 160 | 80 | 25 | - |

| **Investment Info - Repayments** | **2032** | **2033** | **2034** | **2035** | **2036** | **2037** | **2038** | **2039** | **2040** |
|---|---|---|---|---|---|---|---|---|---|
| PREF SHARES | | | | | | | | | |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| INVESTMENT NOTES | | | | | | | | | |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - |
| # investors repaid | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| TOTAL OUTSTANDING | | | | | | | | | |
| Pref Shares | - | - | - | - | - | - | - | - | - |
| Investment Notes | - | - | - | - | - | - | - | - | - |
| Estimated # of investments | - | - | - | - | - | - | - | - | - |

### Input Assumptions
**Project Costs**

| | | |
|---|---|---|
| Average project cost (includes soft costs) | $500,000 | |
| Portion of savings to building | 5% | of potential savings |
| Annual Maintenance & Verification | 1.5% | of capital cost |
| Depreciation Period | 10 | years |
| Repayment Period | 10 | years |
| Tax Rate | 12.5% | |
| No inflation of revenues or expenses | | |

**Admin Costs**

Fixed Cost/Offering

| | | |
|---|---|---|
| Prep Offering | 40 | hours |
| Market the Offering | 80 | hours |
| One-time Fixed Hours/Offering | 120 | hours |

Variable Cost/Offering

| | | |
|---|---|---|
| Time/Investor at inception | 1.5 | hours |
| Time/Year/investor on Admin | 2 | hours |
| Avg. Investment Size | $ 10,000 | |

| **Investment Options** | **term (yrs)** | **rate** | **type** |
|---|---|---|---|
| Notes | 5 | 3% | Int only |
| Preference Shares | 10 | 5.00% | amort |

CoEnergy

## APPENDIX B SUBSCRIPTION FORM FOR CLASS A (SERIES 1) PREFERENCE SHARES

# Sustainable Local Investing – Series 1
## SUBSCRIPTION FORM

CoEnergy

**For office use only:**

☐ PS ☐ PS RRSP

☐ PS TFSA ☐ PS RESP

**To: CoEnergy Ontario Co-operative Inc. (the 'Co-operative')**

**SECTION A – CLASS A PREFERENCE SHARE SELECTION (NON-REGISTERED)**

The undersigned is a member of the CoEnergy Ontario Co-operative who wishes to support the Co-operative investments in renewable energy generation and energy efficiency. In support of that, the undersigned subscribes:

| Share Price | Number of Shares *(Minimum 2500)* | Total Purchase Amount | Make Cheque Payable to: | Invest Online via Pre-Authorized Debit: |
|---|---|---|---|---|
| $1 | | $ | CoEnergy Ontario Co-operative | Visit **coenergy.coop/invest** |

**SECTION B – CLASS A PREFERENCE SHARE (REGISTERED – RRSP, TFSA, RESP)**

The undersigned is a member of the CoEnergy Ontario Co-operative who wishes to support the Co-operative investments in renewable energy generation and energy efficiency. In support of that, the undersigned subscribes:

| Share Price | Number of Shares *(Minimum 5000)* | Total Purchase Amount | Registered Account | Make Cheque Payable to: |
|---|---|---|---|---|
| $1 | | $ | ☐ RRSP<br>☐ TFSA<br>☐ RESP | Canadian Worker's Co-operative Federation **OR** Caldwell Securities Inc. |

**SECTION E – PLEASE READ**

**1. The undersigned acknowledges that the undersigned:**

a) is aware that the Shares are being sold under an Offering Statement and acknowledges that the undersigned is not acquiring the Shares as a result of any information about the affairs of the Co-operative that is not generally known to the public;

b) has received a copy of the Co-operative's Offering Statement as prepared in accordance with the provisions of the *Co-operative Corporations Act*, R.S.O. 1990, CHAPTER C.35 with regard to the sale of the Shares and further acknowledges that the undersigned is aware of and understands its contents including the "Risk Factors" section contained therein;

c) has received and obtained all of the information regarding the Co-operative that the undersigned requires prior to making this subscription and that the undersigned's subscription has not been solicited in any way contrary to the provisions of the *Co-operative Corporations Act* and the regulations thereto;

d) understands that this subscription is given for valuable consideration and shall not be withdrawn or revoked by the undersigned after midnight of the second day after acceptance. The acceptance of this subscription shall be effective upon delivery to the Co-operative and the tender of the full subscription price by cheque or money order;

e) understands that, if Preference Shares are purchased through an RRSP, currently there is only a RRIF option available for those holding their Shares with Caldwell Securities unless otherwise arranged by the member;

f) understands that, if the Preference Shares are purchased through an RRSP, currently the shares are not eligible for the First Time Homebuyers Program.

**SECTION E – PLEASE READ (CONTINUED)**

**2. The undersigned hereby declares, represents and warrants that:**

a) the undersigned is purchasing the Shares as principal;
b) the undersigned has attained the age of 19 years;
c) the undersigned is a resident of Canada and is a member of the Co-operative;
d) by virtue of the undersigned's investment experience or by virtue of the undersigned's consultation with or advice from professional advisors, the undersigned is in a position to evaluate the prospective investment on the basis of the Offering Statement and has determined that the investment in the Shares is compatible with the undersigned's investment objectives; and
e) the undersigned is not a resident of the United States of America or any place subject to the jurisdiction thereof and is not acting directly or indirectly for any person who is resident of the United States of America or any place subject to the jurisdiction thereof.

**SECTION F – INVESTOR INFORMATION**

The said Shares are to be registered as follows:

**Name:** ______________________
*(please print)*

**Social Insurance Number:** ______________________

**Address:** ______________________

**Date of Birth:** ______________________
*(YYYY-MM-DD)*

**Postal Code:** ______________________

**City:** ______________________

**Email Address:** ______________________

**Province:** ______________________

**Phone (Home):** ______________________

**Country:** ______________________

**Phone (Cell):** ______________________

**SECTION G – DESIGNATION OF BENEFICIARY**

**Name:** ______________________
*(please print)*

**Social Insurance Number:** ______________________

**Address:** ______________________

______________________

**Relation:** ______________________

**SECTION H - AUTHORIZATION**

**Signature of Subscriber** ______________________

**Signature of Witness** ______________________

**Dated this __________ day of ____________, 201__.**

Note: The accepted subscription, Share certificate and other documentation will be mailed or emailed to the subscriber at the contact details above. Shares will be registered and shall be issued in the manner in which the subscriber's name appears above. Any change in the subscriber's address will only be effective on receipt of written notice thereof by the Co-operative.

Receipt and acceptance of the foregoing subscription and payment of the subscription price is acknowledged

**Per:** ______________________________
*This will be filled out by a representative of the Co-operative.*

CoEnergy

## APPENDIX C

## UNAUDITED FINANCIAL STATEMENTS

**For the Period from Incorporation until November 30, 2018**

### Assets

| | |
|---|---|
| **Current Assets** | |
| Cash | $100 |
| Accounts Receivable (Note 1) | $40,000 |
| **Total Assets** | **$40,100** |

### Liabilities and Member Equity

| | |
|---|---|
| **Current Liabilities** | |
| Accounts payable and accrued liabilities (Note 2) | $6,700 |
| **Long Term Liabilities** | |
| Loan Payable (Note 3) | $20,000 |
| **Total Liabilities** | **$26,700** |
| | |
| **Members Equity** | |
| Membership Shares (Note 4) | $300 |
| Retained Earnings | $13,100 |
| **Total Liabilities and Members Equity.** | **$40,100** |

**Revenues**

| | |
|---|---|
| Grant Revenue Earned (Note 1) | $20,000 |

**Expenses**

| | |
|---|---|
| Salaries, Office Costs and Professional Fees (Note 5) | $6,700 |
| Marketing Expenses (Note 6) | $200 |
| **Net Income** | **$13,100** |

**Note 1. Accounts receivable consist of approved grants from the City of Ottawa and the Fuel Injection Program totalling $20,000, receivable as at November 30, and advances on a loan from OREC of $20,000. CoEnergy will earn an additional $10,000 of the grant from the Fuel Injection Program on completion of specified milestones later in 2019.**

**Note 2. Accounts payable and accrued liabilities include payments due OREC for shared staff and office-related expenses under an agreement with OREC, and certain legal and administrative expenses related to initial incorporation of CoEnergy that have been incurred but not paid as at the date of this statement of financial position.**

**Note 3. CoEnergy has entered into a loan agreement with OREC, and the amount advanced under the loan as at November 30 is $20,000.**

**Note 4. This the membership shares of the founding directors, who were the only members of CoEnergy as at November 30, 2018.**

**Note 5. CoEnergy and The Ottawa Renewable Energy Cooperative (OREC), a related party to CoEnergy, have entered into an agreement whereby certain office, promotion, and administrative services and staff time will be shared, with CoEnergy paying OREC for these according to various cost allocations.**

**Note 6. CoEnergy has decided to pay the membership fee for all OREC members who decide to join CoEnergy. This amount represents fees for membership shares issued and paid for by CoEnergy pursuant to this policy as at the end of November 2018.**