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Ontario Corporation number: 1000278689

*Co-operative Corporations Act, R.S.O. 1990, c. C.35***RECEIPT FOR AN OFFERING STATEMENT****OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

Ottawa Renewable Energy Co-operative Inc. (the "Co-operative"), filed an Offering Statement dated August 29, 2023.

As a condition of the Chief Executive Officer issuing a Receipt under subsection 36(1) of the *Co-operative Corporations Act*, the Co-operative has undertaken in accordance with Section 17 of the Offering Statement that:

- a) the Offering Statement will expire on August 28, 2024 and after that date no further securities will be issued unless a new Offering Statement has been filed and receipted;
- b) a copy of the Offering Statement will be given to each prospective investor before payment for securities is accepted by the Co-operative; and
- c) none of the securities issued by the Co-operative pursuant to this Offering Statement will be in bearer form.

A Receipt for the Offering Statement relating to securities to be issued by the Co-operative is hereby issued under subsection 36(1) of the *Co-operative Corporations Act*.

Dated at Toronto, this 8<sup>th</sup> day of December 2023.

**Huston Loke**Executive Vice President  
Market Conduct Division  
By Delegated Authority from the  
Chief Executive Officer

## Ontario Incorporation No. 1000278689

### 10<sup>th</sup> OFFERING STATEMENT

Ottawa Renewable Energy Co-operative Inc. (the “Co-operative”)

Dated: August 29, 2023

Received: December 8, 2023

#### Summary

The Co-operative is offering to sell Membership Shares and Class E Series 10 Preference Shares. The Co-operative is also looking to borrow capital from members through the issue of debt obligations called Member Investment Notes and from non-members through Non-Member Investment Notes.

This document contains important information about Membership Shares, and Class E Series 10 Preference Shares, and Member and Non-Member Investment Notes offered by the Ottawa Renewable Energy Co-operative Inc. during the offering period. The capital raised through the sale of Preference Shares and Investment Notes will be used for the development and/or purchase of renewable energy projects and building efficiency projects in 2023 and 2024, and for general corporate purposes, as per the Co-operative’s 2023-24 Business Plan described in Section 4 of this Offering Statement.

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

**A prospective member of the Co-operative must be admitted into membership by the Board of the Co-operative and purchase two Membership Shares.** Class E Series 10 Preference Shares may only be purchased by persons who have been admitted as Members of the Co-operative. The Co-operative may only issue Member Investment Notes to persons who have been admitted as Members of the Co-operative. **Purchasing Preference Shares from and lending capital to the Co-operative are not mandatory requirements of membership.**

#### Membership and Preference Shares

Par Value of Membership Share = \$50 (minimum purchase 2 shares [also maximum purchase])

Par Value of Class E Preference Shares (Series 10) = \$500

	Proceeds from sale of Membership Shares	Proceeds from sale of Preference Shares
		Class E Series 10
Minimum Offering	N/A	Nil
Maximum Offering	\$500,000	\$4,500,000

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	Proceeds from sale of Membership Shares	Proceeds from sale of Preference Shares
		Class E Series 10
Minimum Share Purchase for existing Class A, Class B, Class C and Class E (Series 9) shareholders	N/A	\$500
Minimum Share Purchase for new preference shareholders if no part held in RRSP/TFSA*	N/A	\$2,500
Minimum Share Purchase for new preference shareholders if any part held in RRSP/TFSA*	N/A	\$5,000
Aggregate Individual Maximum Holding of Class A, B, C, D, and E Preference Shares (all series) and Member Investment Notes	N/A	\$500,000**

### Investment Notes

**Member Investment Notes** are unsecured promissory notes.

Term: 5 years

Interest Rate: 3.5% per annum and 4.0% per annum

	Proceeds from the issue of Member Investment Notes	
	3.5% Five-Year Notes	4.0% Five-Year Notes
Minimum Offering	Nil	Nil
Maximum Offering	\$500,000	\$500,000
Minimum Individual Purchase	\$5,000	\$5,000
Maximum Individual Holding of Class A, B, C, D, and E Preference Shares (all Series) and Member Investment Notes	\$500,000**	\$500,000**

\*RRSP/TFSA are administered by the Canadian Worker Co-op Federation and registered through Concentra Trust. Membership shares, Class D Preference shares and Member Investment Notes may not be held in an RRSP/TFSA

\*\* Includes Class A, B, C, D and E Preference shares (all series) and Member Investment Notes held currently.

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Note: Only one type of Member Investment Note will be sold through this Offering Statement, if any – either 3.5% Notes or 4.0% Notes, not both. The decision as to which Member Investment Notes to offer will be made by the Co-Operative’s Board of Directors based on prevailing interest rates and market conditions at the time of the offering.

**Non-Member Investment Notes** are unsecured promissory notes.

Term: Variable (between 6 and 12 months)

Interest Rate: Variable (between 6% and 10% per annum)

	Proceeds from the issue of Non-Member Investment Notes
Minimum Offering	Nil
Maximum Offering	\$2,000,000
Minimum Individual Purchase	\$50,000
Maximum Individual Holding	\$750,000

Non-Member Investment Notes may be purchased by individuals or organizations including corporations; they may not be held in an RRSP/TFSA. Non-Member Investment Notes may be purchased by either members or non-members.

**Notwithstanding the maximum amounts specified above, the total amount to be raised by this offering through the sale of Preference Shares and Investment Notes is not to exceed \$5,000,000. The Co-operative may cap the issue of one or more classes or series of Preference Shares and/or Investment Notes through this offering at less than the maximum amounts set forth above depending on availability and final cost of the renewable energy and building efficiency projects included in the Co-operative’s Business Plan.**

Debt financing from financial institutions may also be used to meet capital requirements if needed. More details are provided in Section 4 of this Offering.

**There is no minimum amount to be raised by this offering.**

**Two Membership Shares must be purchased as a condition of membership.** The value of these two Membership shares is \$100. A person who subscribes for Membership Shares does not have to subscribe for Preference Shares or purchase a debt obligation through a Member Investment Note. However, if a Member does subscribe for Preference Share or lend to the Co-operative and be issued a Member Investment Note, the minimum amounts set forth above must be met.

**This Co-operative was incorporated in 2010 and commenced active business operations in 2012. The purchase of Preference Shares and the loaning of capital to the Co-operative involve 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 and Notes. Due to the characteristics of the Shares and Notes offered by this Offering Statement, restrictions on their transfer, and

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the fact that significant resale restrictions may 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 (Ontario)* and are exempt from the prospectus 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 Ministry of Finance nor any other ministry or agency of the Government of Ontario assumes any liability or obligation to anyone who purchases the Membership or Preference Shares or Investment Notes offered under this Offering Statement.

**Investors should not rely on any information other than what is contained in this Offering Statement. This is a high-risk investment as there is no guarantee that there will be any return on your investment or that you will have all or any of your initial investment returned to you.** Potential buyers should pay careful attention to all the Risk Factors noted in the Offering Statement. See Section 5 below for a description of risk factors.

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

**This Offering Statement expires on August 28, 2024.** No further Preference Shares or Investment Notes 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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## **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;

**“Battery Storage”** means the provision of rechargeable battery storage equipment on the premises of an energy customer for the purpose of shifting the time of consumption of grid power wherever there is an economically sound reason for doing so.

**“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 Preference Shares of the Co-operative, and **“Class A Preference Share”** shall mean one of them;

**“Class B Preference Shares”** means the Class B Preference Shares of the Co-operative, and **“Class B Preference Share”** shall mean one of them;

**“Class C Preference Shares”** means the Class C Preference Shares of the Co-operative, , originally issued by CoEnergy as its class A Preference Shares, and **“Class C Preference Share”** shall mean one of them;

**“Class D Preference Shares”** means the Class D Preference Shares of the Co-operative, originally issued by CoEnergy as its Class B Preference Shares, and **“Class D Preference Share”** shall mean one of them;

**“Class E Preference Shares”** means the Class E Preference Shares of the Co-operative, and **“Class E Preference Share”** shall mean one of them;

**“CoEnergy”** refers to CoEnergy Ontario Co-operative Inc., a service co-operative offering comprehensive energy services including renewable energy and energy conservation. CoEnergy was incorporated in October 2018 was incubated by the Ottawa Renewable Energy Co-operative Inc. until December 2020 and amalgamated with Ottawa Renewable Energy Co-operative Inc., effective April 1, 2022;

**“Co-operative”** means Ottawa Renewable Energy Co-operative Inc., the co-operative that resulted from the amalgamation of CoEnergy and the former Ottawa Renewable Energy Co-operative Inc.;

**“Community Net-Metering”** or **“Community Solar Garden”** means a form of virtual net-metering where the solar (or other renewable generation) electricity credits are applied to the home (or business electricity accounts) of subscribers. Although not presently allowed in Ontario, OREC would like to provide this service to its members when and if it is legally allowed in the province.

**“Debt Financing”** means any loans advanced to the Co-operative which may or may not be secured by the assets of the Co-operative;

**“Energy Storage”** means the same as Battery Storage as defined above;

**“Financial Statements”** means the Co-operative’s annual financial statements, a copy of which is attached hereto as Appendix A;

**“FIT”** means Feed-In Tariff, which is the name of the IESO program for the purchase of power and connectivity to the Grid for renewable power generators; the FIT program guarantees a fixed-price for power generated for forty (40) years for micro-hydro generators and twenty (20) years for all other renewable power generators by means of a FIT Contract. The FIT program was administered by the OPA prior to January 1, 2015 when OPA and IESO merged;

**“FIT Contract”** means the contract offered by the IESO for the purchase of power and grid connectivity of a particular renewable power generation Project, and **“FIT Contracts”** means more than one of them;

**“FIT Rules & Regulations”** means the current process that must be followed to maintain a FIT Contract;

**“Grid”** means the electricity transmission or distribution networks’ power lines, controlled by Hydro One Networks Inc. or a Local Distribution Utility (LDC) such as Hydro Ottawa Ltd.;

**“IESO”** means the Independent Electricity System Operator. On January 1, 2015, the IESO merged with the Ontario Power Authority (OPA), the organization that had previously contracted for clean electricity resources. The IESO has assumed the OPA’s responsibilities as a result of the merger.

**“Installation”** means a solar PV, wind turbine 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;

**“kV”** means kilovolts (thousands of volts);

**“kW”** means kilowatts (thousands of watts);

**“kWh”** means kilowatt hours;

**“LDC”** means the Local Distribution Company, such as Hydro Ottawa Ltd., Hydro One Networks Inc. (distribution division), or a local municipality that owns and operates its own electrical distribution network, or an independent utility that owns and operates its own electrical distribution network;

**“Lease Agreement”** means the binding occupancy agreement between the Co-operative and an owner of real property where the Solar Panels or other renewable power generation equipment or energy efficiency or Battery Storage equipment or renovations are installed, as more



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particularly described in Section 3 herein, and **“Lease Agreements”** shall mean more than one of them;

**“Member”** means a holder of issued and outstanding Membership Shares of the Co-operative who has been approved for membership by the Board of OREC and **“Members”** shall mean more than one Member;

**“Membership”** means the Members of the Co-operative;

**“Member Investment Note”** means a promissory note issued to a member of the Co-operative as defined in this Offering Statement

**“Membership Shares”** means the Membership Shares of the Co-operative;

**“Micro-FIT”** means an installation of 10kW or less that is subject to a simplified version of a FIT Contract;

**“MW”** means megawatts (millions of watts);

**“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 Shareholder’s Equity”** means the amount arrived at when subtracting the retained earnings (or deficit) of the Co-operative, if any, from combined value of all the outstanding Class A, B, C, D and E Preference Shares and Membership Shares of the Co-operative;

**“OEM”** means the original equipment manufacturer;

**“OEB”** means the Ontario Energy Board;

**“Offering”** means the offering of Membership and Preference Shares and debt obligations offering to members as Investment Notes contemplated by this Offering Statement;

**“Offering Statement”** means this offering statement;

**“OPA”** means the Ontario Power Authority, which was merged into the IESO in 2015; see IESO;

**“Person”** is to be broadly interpreted and includes an individual, a couple, a partnership, a trust, an unincorporated organization, a government of a country or political subdivision thereof, or any agency or department of any such government and the legal personal representative or representatives of an individual;

**“Portfolio”** means all the Co-operative’s renewable power Installations;

**“Power Purchase Agreement”** is a contract between two parties, one who generates electricity for the purpose (the seller) and one who is looking to purchase electricity (the buyer).

**“Project”** means the activities and tasks comprising individual installation of renewable power systems at a particular location by the Co-operative, and **“Projects”** means more than one of them;

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**“PV”** means photo-voltaic, a technology for converting sunlight directly into electricity;

**“PV Installation”** means the individual Solar Panels and equipment installed on an individual property and **“PV Installations”** shall mean more than one of them;

**“Redemption Amount”** has the meaning ascribed thereto in Section 7 hereof;

**“Renewable Energy”** means energy from natural resources such as sunlight, wind, water flow, tidal action and geothermal heat which are naturally replenished, often continuously or in a matter of hours; also known as sustainable energy;

**“Risk Factor”** means one of the circumstances or events identified as a risk factor in Section 5 hereof and **“Risk Factors”** shall mean more than one of them;

**“Shares”** means the Co-operative’s Membership Shares or Class A, B, C, D or E Preference Shares, and **“Share”** shall mean one of them;

**“Shareholder”** means a holder of Membership or Preference Shares, and **“Shareholders”** 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);

**“Solar Panel”** means the assembly of Solar Cells into a module which becomes the base unit for a PV Installation and **“Solar Panels”** shall mean more than one of them;

**“Virtual Net-Metering”** is a prospective policy framework, sometimes referred to as ‘Community Net-Metering’ / ‘Community Solar Gardens’ / ‘Virtual Power Plants’, which might someday be implemented by the Government of Ontario and that would include a series of regulations and measures determined by the LDC that allows for a billing agreement between said LDC, customers of that LDC, and one or more generators to bill customers on a net-metered basis. The generation facility may be located behind a ‘host’ load customer meter, or directly connected to a distribution system. Credits accrued from electricity conveyed to the distribution system from the generation facility are applied to associated customer accounts to reduce their electricity bills.

## 1. CORPORATE INFORMATION

<b>Name of Co-operative:</b>	Ottawa Renewable Energy Co-operative Inc.
<b>Date of Incorporation:</b>	Articles of Incorporation dated September 3, 2010*
<b>Ontario Incorporation No.</b>	<b>1000278689</b>
<b>Official Address:</b>	L276-323 Coventry Road, Ottawa, ON K1K 3X6
<b>Website:</b>	<a href="http://www.orec.ca">www.orec.ca</a>
<b>Email:</b>	<a href="mailto:info@orec.ca">info@orec.ca</a>
<b>Banking:</b>	Caisse Desjardins Ontario Credit Union Inc.
<b>Insurance:</b>	Royal & Sun Alliance (Equipment and Commercial General Liability) and Victor Insurance Managers (Directors and Officers)
<b>Legal Counsel:</b>	Iler Campbell LLP
<b>Transfer/Register Agent:</b>	The Co-operative will act as its own agent
<b>Auditors:</b>	Welch LLP 123 Slater Street, 3 <sup>rd</sup> floor, Ottawa, ON K1P 5H2
<b>Fiscal Year End:</b>	August 31

\* The Co-operative is the result of an amalgamation, effective April 1, 2022 of the Ottawa Renewable Energy Co-operative Inc. and Co-Energy Ontario Co-operative Inc.. (Amalgamation agreement dated and approved March 24, 2022 and which took effect on April 1, 2022)

## 2. DIRECTORS AND OFFICERS

The Articles of the Co-operative provide that the Co-operative may have a Board of a minimum of five (5) and a maximum of fifteen (15) Board members. There are presently nine Board members. The current directors and officers of the Co-operative are as follows:

Name	Title	Residence Address	Occupation
Nathaniel Preston	President & Director	1150 Whitmore Ave, Ottawa ON, K2C 2N8	Engineer
Susan Tanner	Vice President & Director	235 Powell Ave, Unit 1, Ottawa, ON K1S 2A4	Retired Lawyer
Ronald Benn	Secretary & Director	22 Saddlebrook St., Ottawa, ON, K2G 5N7	Retired Chief Financial Officer, CPA, CA
Brian Mitchell	Treasurer & Director	279 Crichton St., Ottawa, ON, K1M 1W3	Retired Chartered Public Accountant
Theodorus (Dick) Bakker	Director	192 Rodney Crescent, Ottawa, ON, K1H 5J9	Retired Business Owner

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Name	Title	Residence Address	Occupation
Elizabeth Blokker	Director	14 Carriage Hill Cres, London, ON, N5X 3W8	Sustainability Consultant
Graham Findlay	Director	3808 Armitage Ave., Ottawa, ON, K0A 1T0	Engineer
Alain Jegen	Director	484 Gladstone Ave., Ottawa, ON, K1R 5N8	Retired Sustainable Project Reviewer
John Kirkwood	Director	401 Berkley Ave, Ottawa, ON, K2A 2G9	Technology Consultant
Anne Morton	Director	3 Sunnyside Dr. Stittsville, ON, K2S 1J1	Retired Public Servant

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

#### 3.1 Overview and History

The Ottawa Renewable Energy Co-operative Inc. (“OREC” or “the Co-operative”) was originally incorporated on September 3<sup>rd</sup>, 2010 as a *Renewable Energy Co-operative* under the *Co-Operative Corporations Act (Ontario)*. In April 2021, the Co-operative amended its Articles to operate as a *regular co-operative* under the *Co-Operative Corporations Act (Ontario)*. Under the current rules applicable to the energy contracts OREC has with the province, only Ontario residents may be members.

In 2022 OREC amalgamated with CoEnergy, another Ottawa-based co-operative incorporated in 2018 to undertake a wider variety of energy projects. The amalgamation was effective April 1, 2022. As a result of the regulatory and legislative changes outlined below, having two entities was no longer necessary in order to provide the functions and services previously provided by the two co-ops separately.

OREC is a for-profit co-operative created to develop and operate community owned renewable energy projects in Ontario, initially producing electricity to sell to the Ontario grid, now also producing power for individual customers. The Co-operative enables individual residents of Ontario to promote and benefit from the transition to clean energy, including the opportunity to earn a reasonable return from those renewable energy generation projects and receive energy services. The former CoEnergy co-operative was initiated by several OREC members and focused on building efficiency projects. The amalgamated co-operative carries on that business.

Membership allows individuals invest in a portfolio of community power and building efficiency projects larger than they could own individually. As of August 29, 2023, the Co-operative had 893 paid-up active members.

The Co-operative owns, operates and continues to invest in, develop or acquire Renewable Energy Projects and Building Efficiency Projects in Ontario. In some projects, the Co-operative is the sole participant, in other projects the Co-operative may act with other parties. The Co-operative also actively participates in the transition to clean energy in Ontario and identifies energy services that can benefit its members.

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The Co-operative currently owns or is part owner of 22 solar PV projects. Of these, 20 projects are in the City of Ottawa, one is in Alfred-Plantagenet and one is in Hawkesbury. The Co-operative also owns or is part-owner of two wind turbines located in south-western Ontario. In all but three of its projects, including the two wind turbines, the Co-operative produces electricity as a generator and sells this electricity to the grid under 20-year Feed-in Tariff (FIT) contracts at a fixed price. In the other three projects the Co-operative leases the solar PV systems to building owners (under a Solar Equipment Lease Agreement) who have net-metering arrangements with their Local Distribution Company (LDC). All the existing projects were financed through the issue of Preference Shares and Member Investment Notes to members through nine offerings between 2012 and 2023. The Co-operative's most recent project was a wind turbine which it acquired (as an existing turbine with an in-force FIT contract) effective March 2023 and which it financed through its Ninth Offering Statement.

The Co-operative has also financed five building efficiency projects, all of which are lighting retrofit projects entered into in 2019 and 2020 by CoEnergy and financed through offerings to its members in 2019 and 2021. These projects involve equipment leased for periods up to 10 years to the entity that benefits from the efficiency savings, three of which remain in place.

In 2021, the Co-operative amended its Articles of Incorporation to operate as a regular co-operative under the Co-operative Corporations Act (Ontario). The Co-operative took this step for two reasons. Firstly, this removes any restrictions on the kinds of business the Co-operative can undertake. Previously, as a Renewable Energy Co-operative, the Co-operative was restricted to the generation and sale of renewable energy. Secondly, this change also allows the Co-operative to meet the requirements of the Income Tax Act (Canada) in order to continue offering preference shares that can be held within an RRSP or TFSA. OREC took these steps based on discussions and recommendations with its legal counsel and external accountants. These changes were made possible as a result of revisions made to the Co-operative Corporations Act (Ontario) in 2020 that permitted all co-operatives (not just Renewable Energy Co-operatives) to conduct the percentage of their business set out in the bylaws of the co-operative with non-members. The co-operative's bylaws state that this is up to 100%.

The Co-operative's plans for 2023-24 are described in its Business Plan that is summarized in Section 4 of this offering. While up until now the Co-operative has primarily focused on projects located in Eastern Ontario, the co-op has recently acquired projects in other parts of Ontario with the intention of bringing these projects under community ownership and building membership in these areas.

### **3.2 Mission, Vision and Goals**

#### Mission

OREC's mission is to enable development of a clean energy economy in Ontario using a democratic business model that reduces carbon and other greenhouse gas emissions, builds community wealth, generates local jobs, and produces other social and environmental benefits through community ownership and management of energy.

## Vision/Goals

OREC's vision is to achieve the following goals:

1. Financial: Operate at a sustainable scale, provide fair returns annually to members, and increase accessibility to sustainable investments options.
2. Social: Empower people to choose and own the energy generated, stored and used in their community.
3. Economic: Create low carbon jobs and economic development locally while demonstrating how a more democratic local economy enhances wealth generation and distribution, as well as social, and environmental vibrancy and performance.
4. Environmental: Generate renewable energy in the community, while minimizing energy use and greenhouse gas emissions
5. Education and Advocacy: Increase awareness through annual reporting of community impacts, and advocate for supportive policies that foster clean energy.

### **3.3 Operations**

In December 2020 it amended its bylaws to permit the Co-operative to conduct up to 100% of its business with non-members, as is now permitted by the *Co-Operative Corporations Act (Ontario)*. The Co-operative currently only conducts business directly (and indirectly through joint venture entities) with non-members, namely LDCs to whom it sells electricity that it generates through FIT contracts, and building owners with whom it has Solar Equipment Lease Agreements, in connection with Net-Metering arrangements or building efficiency equipment Lease Agreements. In future, when regulations allow it, OREC plans to provide services such as renewable power to members as well.

As a social enterprise, the Co-operative operates on a "co-operative basis" by:

- (a) Providing each Member with only one vote, not allowing voting by proxy, and following co-operative principles.
- (b) Providing the opportunity for members to purchase Preference Shares and investing the proceeds in portfolios of renewable energy electricity generating and building efficiency projects.
- (c) Annually distributing the surplus from the sale of electricity generated by the Co-operative's projects, after paying expenses and debt obligations, and making proper allowance for depreciation, in any or all of the following ways:
  - i- By setting aside reserves to cover future commitments deemed to be conducive to the interests of the Co-operative or its Members;
  - ii- By payment of limited dividends on the Preference Shares used to finance its projects (at a rate per annum not to exceed the sum of the interest rate for Bank of Canada issued bonds of a similar term plus 6%) and returning the capital invested over a long-term period after share issuance;

iii- After allocation to the reserves and dividends outlined in (i) and (ii) above, a portion of the remaining surplus may be distributed to one or more co-operatives or charitable organizations in or near the Ottawa area, either of which are involved in the promotion of renewable energy.

The remaining surplus arising from the business of a Co-operative in each fiscal year, if any, shall be allocated, credited or paid to the members in proportion to the business done by each member, if any, with or through the Co-operative.

The size and type of the Co-operative’s Projects varies depending on demand and the capacity of the Project site. The Co-operative currently focuses primarily on solar PV Installations of 500kW or less in Eastern Ontario, but it also owns 50% of a 2300kW wind turbine in Tiverton, Ontario and 100% of an 800kW turbine in Zurich, Ontario.

As a result of the amalgamation described above, the Co-operative has three active building efficiency projects in Ottawa that involve lighting retrofits on multi-unit housing buildings or other installations such as recreation centres.

### Feed-in Tariff Projects

The *Ontario Green Energy Act (2009)*, and the Feed in Tariff (FIT) program offered under this Act, allowed the Co-operative to become a generator of electricity from solar and other renewable energy sources in Ontario under 20-year FIT contracts. This program was closed to new applications in 2018. The Co-operative may acquire FIT contracts originally awarded to other persons as it did in March 2023 with the Zurich wind turbine.

Figure 1 illustrates the ownership and investment relationships and arrangements involved in the Co-operative’s FIT projects. The Co-operative’s solar power installations with FIT contracts are located on property leased from third parties pursuant to 20-year property or leases, which coincides with the term of the Feed-in Tariff (FIT) Contracts entered into for such Installations.

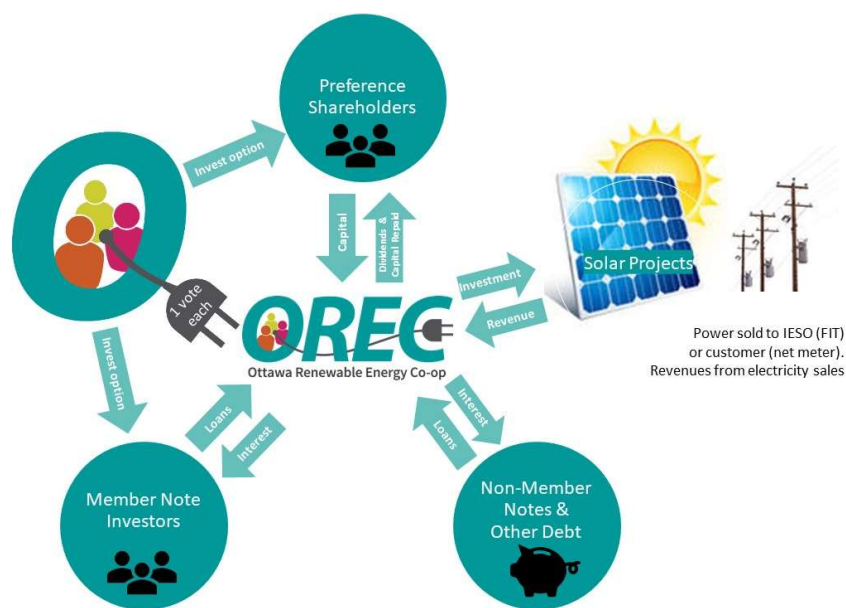


Figure 1: Ownership and Investment Relationships and Arrangements

In some FIT projects, the Co-operative is the sole owner of the FIT Contract and solar energy 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. More details on the structure of these joint arrangements are found below.

All the revenue from the electricity generated on a Project fully owned by the Co-operative accrues to the Co-operative. In cases where ownership is shared through a joint arrangement, revenue is divided in proportion to the percentage of investment after all project costs have been paid. The property owner on which the FIT Project is situated derives their revenue from a property Lease Agreement entered into with the Co-operative or joint arrangement. This property Lease Agreement is discussed in greater detail below. The Co-operative does not offer discounts on property Lease Agreements to Members of the Co-operative. Similarly, the Co-operative does not make it a term or condition of any agreement with a property owner that the property owner be required to purchase an interest in the Projects or become a Member in the Co-operative.

The electricity sold from each solar project with a FIT Contract is sold into the Grid. It is not intended that any of the projects with FIT Contracts will be for off-Grid use.

### **Net-Metering Projects**

In 2017, the Province of Ontario updated regulations allowing customers to generate their own power from renewable energy sources and enter into a Net-Metering arrangement with their Local Distribution Utility. The Co-operative is currently involved in three such Net-Metering arrangements where it provides a 20- to 30-year Solar Equipment Lease with the property owners to provide them with solar PV systems so they may generate on-site net-metered electricity for their building(s). In the future, OREC may consider adding Battery functionality to established and/or new net-metering projects. More information on these Solar Equipment Lease Agreements is provided below.

In the future, the Co-operative may pursue more of these net metering projects and projects that become available under a Virtual Net-Metering (or Community Net-Metering) program and meet the Co-operative's business and financial goals. Under a Virtual Net-Metering program, a generator (e.g., OREC) supplies power to the grid at one physical location and credits this power to other customers (who may be members of the Co-operative), located at different physical locations and whose bills are credited with these purchases.

### **Building (Energy) Efficiency Projects**

In 2019 and 2020 the Co-operative (through CoEnergy) invested in five building efficiency (lighting retrofit) projects. In each case the Co-operative purchased and installed the equipment at the client's premises and has leased the equipment to the clients using a capital lease arrangement. Three of those capital leases remain outstanding. The Co-operative may invest in additional retrofit projects or in fact in new building projects where equipment is required that enhances the carbon efficiency of the building.



## Project Development

The cost of the solar panels and other renewable energy and energy efficient equipment purchased by the Co-operative for all its Projects varies depending on the manufacturer of this equipment. The electricity generated by such equipment is dependent on several factors such as the efficiency or size of the solar equipment, its orientation, required maintenance, and weather factors. The solar panels or other equipment installed at a given Project are designed around site-specific parameters, the objective being to maximize the generation of electricity at a given site in the most cost-effective manner. The Co-operative monitors its Projects to maximize the efficiency of the installations; site maintenance and adjustments are made where appropriate.

Currently there are several companies that sell, install, and service solar PV or other renewable power and efficiency systems in Ontario, who are the suppliers that OREC contracts with for the development and/or maintenance of its projects. The Co-operative undertakes a feasibility or due diligence study for each prospective project, installing reputable high-performance equipment to match the power producing capacity of individual sites and then monitoring production to ensure the electrical energy capture is maximized for each site.

### A) Raising Capital

As of August 29, 2023 893 active members had applied for and been admitted to the Co-operative by the Board. A total of 470 members currently own Class A Series 1-6, Class B Series 1, Class C Series 1, Class D Series 1, and Class E Series 9 Preference Shares; and 42 had invested in Member Investment Notes.

OREC raised the capital for its current projects through the sale of Preference Shares and Member Investment Notes to members. The Co-operative's first preference share offering was receipted by the Financial Services Commission of Ontario (FSCO) at the end of 2011. The Co-operative's previous offerings are detailed in the table below, including those of CoEnergy which was amalgamated with OREC effective April 1, 2022:

Offering #	Timeframe	Amount Raised (Total)	Amount Raised (Preference Shares)	Amount Raised (3% 5-year Investment Notes)
1	June 17, 2012 – Aug. 27, 2012	\$ 976,000	\$976,000	\$ 0
2	Nov. 4, 2013 – April 28, 2014	\$ 1,250,000	\$ 1,250,000	\$ 0
3	Aug. 21, 2014 – Feb. 28, 2015	\$ 1,330,000	\$ 1,330,000	\$ 0
4	May 4, 2015 – Oct. 31, 2015	\$ 1,464,000	\$ 1,096,000	\$ 368,000
5	Jan. 11, 2017 – April 30, 2017	\$ 1,988,500	\$ 1,438,500	\$ 550,000
6	Jan. 8, 2018 – Feb. 25, 2018	\$ 859,500	\$ 859,500	\$ 0
7	2019 <sup>1</sup>	Nil	Nil	Nil
8	May 4, 2021 – May 3, 2022	\$1,526,000	\$1,050,000	\$476,000

<sup>1</sup> Due to a lack of new project opportunities in 2019, the Co-operative decided not to raise any capital through its Seventh Offering Statement and so did not issue any Series 7 Preference Shares or Member Investment Notes

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Offering #	Timeframe	Amount Raised (Total)	Amount Raised (Preference Shares)	Amount Raised (3% 5-year Investment Notes)
9	Aug. 29, 2022 – Aug 28, 2023	\$673,000	\$673,000	\$ 0
1	<i>CoEnergy Offering 2019</i>	<i>\$432,000</i>	<i>\$432,000</i>	<i>Nil</i>
2	<i>CoEnergy Offering 2020-21</i>	<i>\$95,000</i>	<i>\$95,000</i>	<i>Nil</i>

The Co-operative believes that many current members and potential new members will be interested in investing in the securities on offer. The Co-operative has a marketing strategy to attract Members and Member investment. More information on the marketing strategy is provided in Section 4 of this Offering.

**B) Management and contracted services**

The Co-operative currently operates with one permanent staff, its General Manager (Marion Siekierski), and it executes additional day-to-day operations through contracted services, namely: Financial Management Services (provided by Susan Chong), Technical Services [to monitor and manage most of OREC’s 22 solar PV installations] (provided by [EnerGlad Renewables](#)), and Accounting Services [bookkeeping and quarterly financial reporting] (provided by Ottawa Finance & Accounting Solutions). Administration and accounting services for the Co-operative’s co-investment in the Tiverton wind project are provided by [EnerFORGE](#), the other co-investor. [Enercon](#) provides technical services for both the Tiverton and Zurich turbines. These contracts are overseen by a volunteer Board of Directors. The Board is also responsible for all business development activities. When required for new project development, the Board engages a project manager on an employed or contracted basis.

The Directors bring a diverse array of expertise in renewable energy (solar PV, wind, hydro, battery storage and energy conservation), project management, financial management, co-operative development and management, sustainability, business, policy development and social investment. They are:

**Nate Preston, President** – Nate has been passionate about renewable energy since driving a solar car across North America in 2008. He is a co-founder of Apricity Renewables Inc, an engineering firm that works with stakeholders to bring high quality renewable energy assets online faster and with lower costs. Nate has managed construction engineering on many of the largest solar rooftop portfolios in Canada and brings experience with over 150 commercial rooftop PV projects in Ontario alone. He obtained his Master’s degree from the Queen’s Solar Lab where he studied heat-pumps, solar thermal, and solar PV. As a born and raised member of the Ottawa community, he was fortunate to work with Carleton University and Algonquin College to construct a net-zero energy home which competed in the 2013 Solar Decathlon. Nate is inspired by the strides net-zero energy buildings have taken in the marketplace and believes Eastern Ontario will be a national leader in accelerating their adoption in the built environment.

**Susan Tanner, Vice President** – While previously holding positions in both the Federal and Ontario governments Susan has maintained an active role in community organisations as both a board and staff member. Susan was founder of Halton Hills Community Legal Services (1978)

and founding chairperson of LEAF (Women's Legal Education and Action Fund) (1985). She represented Friends of the Earth at the 1992 UNCED in Rio and in 1995, Friends of the Earth Canada accepted a UNEP award for work on the Montreal Protocol done under her leadership. While serving as executive Director (2007-10) Canadian Environmental Network, Susan was honoured as a United Nations Association of Canada "Champion" for her work on human rights and environment. Her federal government positions included: Senior Advisor to the Deputy Minister, Justice Canada, on Gender and Diversity; Senior Manager, Federal participation, Expo 86; Forum Lead, Disaster Management, World Urban Forum, Habitat Jam; Counsellor, Association of Executives (APEX). Her provincial positions included: Member, Ontario Environmental Assessment Board; Vice Chair, Social Assessment Review Board; Mediator, Ontario Grievance Settlement Board, Clinic Education Officer, Ontario Legal Aid Plan. Susan holds a Masters of Environmental Studies and a Masters of Law, is a member of the Ontario Bar, has consulted in the private sector on sustainability and taught as a sessional lecturer at Carleton University.

**Ronald Benn, Secretary** – Ron Benn, a CPA, CA, has a long and varied history as a senior financial officer and director. In addition to being a co-founder and CFO of Vector Wind Energy, he has also been the CFO for three other companies that were listed on publicly traded stock exchanges. He is an Officer, Director and shareholder of Boojum Research Ltd., a privately held company that provides environmental engineering services to companies in the resource industries, with a specific focus on cleaning up active and abandoned mine sites. Over the course of his four-decade career, Ron Benn has played an instrumental role in raising and structuring over C\$1 billion of debt and equity transactions. In addition to his business career, Ron has been an active member of the executive of his local community association for over 30 years, and while his children were younger, coached them in both recreational soccer and hockey.

**Brian Mitchell, Treasurer** – Brian Mitchell, a CPA, CA, is a passionate renewable energy advocate and an active investor in the solar energy sector. A Chartered Accountant since 1987, Brian has spent over twenty-five years working in senior management and financial roles. Prior to opening his own financial management advisory practice, he served as Executive Director of TFO Canada, a business-oriented international development NGO. Previously he worked as a senior financial and international marketing executive of a publicly listed high-growth software firm. Brian's international experience includes a post-graduate degree from the London School of Economics, management of overseas subsidiaries, and extensive international development work in Africa, Asia, Latin America and the Caribbean. Brian has served as a Director with several non-profit organizations in the environmental, community housing and international development sectors.

**Theodorus (Dick) Bakker** – Dick is one of OREC's founders and served as OREC's president from 2013 until 2021. He has been actively involved in the renewable energy industry since 2002 and is 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. Dick has a BA (Politics) and MBA from Queen's University.

**Graham Findlay** – Graham Findlay has enjoyed a career with multiple roles: hydro-electric operations engineer, institutional financier, real estate developer, and for the last 21 years he has been active in Canada’s renewable energy industry. In 2002, Graham co-founded Vector Wind Energy Inc (TSX:VWE) and launched wind energy projects in 10 Canadian provinces, constructed 3 wind projects in Nova Scotia and won competitive energy bids in Nova Scotia, New Brunswick and Newfoundland. In 2007 Vector Wind Energy was purchased by a large Canadian energy company and Mr. Findlay then co-founded 3G Energy Corp, an Ottawa-based energy project advisory company. 3G Energy has designed and permitted wind and solar projects in multiple provinces, undertaken community energy planning assignments for an indigenous community, as well as undertaken land use planning assignments focussing on renewable energy for a large municipality.

**Alain Jegen** – Alain started focusing in 2005 on sustainable development and innovative technologies that address climate change issues after he cofounded two local system engineering companies in aerospace and defense. Between 2005 and 2011 Alain conducted project reviews, due diligence, site visits, technology evaluations and assessed consortium build-ups; budget and business plans for Sustainable Development Technology Canada (SDTC) granting \$130M to over 50 projects. As Expert Reviewer, he provides due diligence to investors and funding organizations in both the public and private sectors. His expertise includes energy efficiency, engineered wood buildings, sensor and monitoring systems, renewable energy, energy storage, Electric Transportation, Smart Grid and Advanced Materials.

**Anne Morton** – Anne began working in real estate over 30 years ago and has extensive experience in real property, client relationship management, leasing, procurement, portfolio planning, change management, mediation and arbitration. After years working in the private sector, Anne joined the public service in 2001 working at Public Works and Government Services Canada (PWGSC) in the Real Property Branch. Prior to joining the Department of National Defence in 2016, Anne worked as a Senior Director, National Capital Area (NCA) Real Estate Services, where she was responsible for the management of approximately 800 leases totaling about 20,000,000 square feet of office and industrial space in the NCA. Currently, Anne is a Director General in the Infrastructure and Environment Group and is part of an executive team responsible for a major transformation of the largest real estate portfolio within the federal government. She developed the Real Property Portfolio Strategy, first in government, the National service management Strategy, the Client Relationship Management Strategy, and the Stakeholder engagement Strategy.

**Elizabeth Blokter** – Elizabeth completed her Master’s degree in Mechanical Engineering with a Collaboration in Environment and Sustainability at Western University with a specific focus on renewable solar power energy. Elizabeth is passionate about environmental sustainability and climate change. Coming from an engineering background, she sees that the technology to address these issues exists, but knows these problems go beyond just implementing technology. Solutions must be focused on improving the lives of people and communities through close collaboration. This has sparked her interest in renewable energy co-ops as a method for building sustainable community-based solutions to climate change.

**John Kirkwood** – John is a Technology Consultant with over 25 years experience now working directly with inspiring small- and medium-sized organizations to identify, plan and deliver IT solutions to ‘help them solve problems with technology’. His areas of expertise include business strategy, digital transformation, and cost optimization. He has worked with a wide range of organizations locally, nationally, and abroad and is interested in working more with environmental organizations. See [johnkirkwood.ca](http://johnkirkwood.ca) for details. John joins us having been a board member of a number of Ottawa-based organisations. He is an electric car (EV) enthusiast and has done many adventurous road trips in his Tesla, including 12,500 KM from Ottawa to Mexico, California and back.

The Directors were all elected at the last AGM in December 2022 (the first one following the Members’ approval of the amalgamation agreement between OREC and Co-Energy in March 2022). The directors are elected for staggered terms, not to exceed three years. Directors may serve a maximum of three consecutive terms.

The Board and its employees and contractors are also assisted from time to time by Member volunteer teams on business planning, communications, and technical assessment.

### **C) Membership**

**Membership Requirements:** To become a Member, an individual must apply for membership to the Board. A Member is not required to purchase Preference Shares from the Co-operative.

a) Membership is open to individuals over the age of 16 who, at the time of their application, reside in Eastern Ontario or in counties or municipalities, or immediately adjacent counties or municipalities, in Ontario where the Co-operative owns (or is pursuing or developing) projects, and have completed the required application form and purchased two Membership shares (\$100 in total).

b) Each Member is entitled to only one vote and to hold only one elected position.

c) A Member in good standing is entitled to all the rights, benefits and privileges of Membership and to stand to serve in as an elected Director of the Co-op. To remain in good standing, a Member must abide by the By-Laws of the Co-op and any other policies the Co-op may establish from time to time pursuant to those By-Laws.

d) A Member may withdraw from the Co-op by giving the Secretary 30 days written notice. The Board may vote to accept any application to withdraw upon shorter notice.

Members who no longer meet the residency requirements for membership, described above, but remain residents of the Province of Ontario, may retain membership unless they elect to withdraw from the Co-operative. FIT Program rules state that members of co-operatives that are given priority as owners of community projects must be individuals and residents of Ontario. Members who leave the Province must therefore withdraw from the Co-op, but the member may, nevertheless, continue to hold any Preference shares or Member Investment Notes issued to them by the Co-operative, and they may invest in new issues of Preference shares or Member Investment Notes if they have previously invested in Preference shares or Member Investment Notes as a Member.

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**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 accepted 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.

**Participation and Services:** Once an individual is a member, they will be eligible to participate in the activities of the Co-operative and receive services provided by the Co-operative to members.

**Purchase of Preference Shares:** Once an individual is a member of the Co-operative, they will also 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. Only Members, as individuals, are eligible to purchase Preference Shares, however they may do so through a corporate or business entity solely owned by the Member or majority-owned by a Member and the Member's immediate family members. Ontario-based cooperatives may also, with Board approval, purchase the Co-operative's preference shares.

**Borrowing from Members:** Once an individual is a member of the Co-operative, they will be notified about potential investment opportunities to loan money to the Co-operative through Member Investment Notes described in this Offering Statement. Lending capital to the Co-operative is not mandatory as a requirement of membership. However, if a Member loans money to the Co-operative, then the minimum amount, as set in the Offering Statement, must be loaned. Only Members, as individuals, are eligible to purchase Member Investment Notes, however they may do so through a corporate or business entity solely owned by the Member or majority-owned by a Member and the Member's immediate family members.

**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. No refund of the value of a membership share is provided upon termination of membership. A member whose membership is terminated, or the member's estate, may, however, continue to hold any Preference shares or Member Investment Notes issued to them by the Co-operative.

**Treatment of Surplus:** The Board, after paying expenses and debt obligations (including those on Member Investment Notes) and making proper allowance for depreciation, shall apportion the surplus arising from the net revenue from the Co-operative's projects in any or all the following ways:

1. 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,

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;

2. Payment of dividends on the Preference Shares of the Co-operative used to finance its project and payments for return of the capital invested by these Preference Shareholders in whole or in part;

3. Reinvestment of any remaining surplus, particularly from existing projects once their contracts have expired, in new renewable energy projects, or acquisitions of existing ones; and

4. After allocation to the reserves and dividends outlined above, a portion of the remaining surplus may be distributed to one or more co-operatives or charitable organizations in or near the Ottawa area, either of which are involved in the promotion of renewable energy.

The remaining surplus arising from the business of a Co-operative in each fiscal year, if any, shall be allocated, credited or paid to the members in proportion to the business done by each member, if any, with or through the Co-operative.

#### **D) Contracts and Compliance**

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

A solar renewable energy generation project of 500 kW or less is required to have a power purchase agreement (either a FIT Contract with the LDC, or a Solar Equipment Lease or Power Purchase Agreement with the property owner), a site Lease Agreement with the property owner (in the case of a FIT Contract), a pre-commissioning safety inspection, a connection impact assessment, an Environmental Activity and Sector Registration (if ground mounted), and a building permit (if rooftop mounted). When other renewable energy projects (wind, small scale hydro, etc.) are acquired or developed, the Board of the Co-operative will ensure that all licenses and permits required for development and operation are in place or obtained.

##### ***ii) Environmental Compliance***

Because the Co-operative's existing solar PV installations are no more than 500 kW AC, no significant environmental assessments have been required. Ground mounted projects on poor agricultural land must undergo appropriate environmental screening and Environmental Activity and Sector Registration. There are no known chemical, radiological or other side effects with any of the equipment used at the Co-operative's renewable power installations that would affect humans, animals, buildings or the environment in general, thus there is no risk of contamination; all the components to be used are inert with respect to toxicity. For the 2300 kW Tiverton wind turbine the Co-operative acquired in 2021 the Co-operative has a process in place with its partner to monitor compliance with the ongoing obligations stipulated in the original environmental assessments prior to this project becoming licensed. No such obligations area attached to the smaller Zurich turbine that the Co-operative acquired in 2023.

##### ***iii) Real Estate***

The Co-operative does not own any real estate but does lease office/storage space of sufficient size to operate the business and leases space to install Solar Panels, as more particularly described under the "Summary of Property Lease Agreement" heading below.

**iv) FIT Contracts**

In 2018 the Ontario government stopped all new Feed-in Tariff Contracts. All of OREC's FIT contracts were obtained before 2018 and continue to their natural 20 year contract end-date. An application for a FIT Contract was submitted when the Co-operative (or project originator) concluded a Lease Agreement with a property owner to lease a building's roof space or land for the installation of a solar PV or another Renewable Energy Project. Once a Notice of Contract was received for the Project from the IESO (formerly the OPA) and a final design prepared and satisfied all grid connection and other requirements, a request for Notice to Proceed was made to the IESO. When this was received, the Project was installed and connected to the grid. At this point, the IESO and the Co-operative (or project originator) signed the FIT Contract itself.

Many of the Co-operative's Projects are the subject of separate FIT Contracts or net-metering contracts. All grid connection costs for Co-operative-owned Installations are borne by the Co-operative. The IESO and the Co-operative (itself or with any collaborator/partner) are the sole parties to a FIT Contract and thus receive revenue from sale of electricity to IESO, except in the case of a project under the Micro-FIT program which requires that the FIT Contract be with the property owner. In that case, the Lease Agreement for the project provides for redirection of revenue from sale of electricity by the property owner to the Co-operative.

**v) Summary of Property Lease Agreement for FIT Projects**

The Property Lease Agreement, summarized below, is used for projects with FIT contracts. The Co-operative generally signs (or co-signs with collaborators) with owners of the properties where the renewable power system will be installed.

The purpose of the Lease Agreement is to permit the Co-operative and/or its collaborators to install Solar Panels or other Renewable Energy systems, including storage systems, on the property owners' roof or land. A separate Lease Agreement is signed for each of the Co-operative's Projects. The Co-operative has developed a template that is used as the basis of negotiation with each property owner.

The FIT Contract for each Project is between the IESO or its delegate and the Co-operative or its project collaborator, and the Lease Agreement for the use of the property where the Co-operative installs each Project is referenced in the FIT Contract.

The Lease Agreement contains conditions that i) a Notice of Contract has been provided for the Project by the IESO, and ii) the final design for the project shows that the property is suitable and financially viable for a renewable power Installation.

The following terms and conditions are normally addressed in the Lease Agreement:

- 1) The term of the Lease Agreement. The Lease Agreement is for twenty (20) years for solar PV energy projects to coincide with the duration of the term of the FIT Contract, plus an estimate of the time taken to apply for the FIT Contract and bring the Project to commercial operation. This additional time could be up to 2 years.
- 2) The location of the Renewable Energy equipment and ancillary equipment on the property owner's property.
- 3) The Co-operative's access to the property for the purposes of installation, maintenance, repair and decommissioning of the Renewable Energy equipment.



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- 4) The base rent to be paid by the Co-operative to the property owner over the term of the contract and any ancillary charges payable by the Co-operative.
- 5) Confirmation of the Co-operative's ability to use the property for renewable power equipment Installations.
- 6) A covenant by the property owner that the property owner will not do any act or thing that will result in any shading or obstruction of the sun, thereby impairing the Renewable Energy equipment's ability to generate electricity.
- 7) The insurance the parties are required to obtain for the Renewable Energy equipment and the property on which the renewable power equipment is situated.
- 8) 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.
- 9) Terms and provisions regarding the transfer by a party of their interest in the Lease Agreement including assignment should there be a change in the property owner.
- 10) Rights of termination. Because the Co-operative's business model depends on revenue from its 20-year FIT Contract, the Lease Agreement has extremely limited rights of termination by the property owner. Termination penalties that the property owner must bear allow the Co-operative to recover its sunken investment and lost revenue.
- 11) 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 site variations and different partnership agreements, and the fact that Lease Agreements must be negotiated separately with each property owner, not all the Lease Agreements are identical to one another.

The Lease Agreement prohibits the property owner from installing their own Renewable Energy equipment at another location on their property if it would interfere with the Co-operative's Renewable Energy equipment or threaten the Co-operative's FIT Contract.

### *vi) Summary of Agreements Used for Net-Metered Projects*

Depending on the evolution of regulations in Ontario, the Co-operative will participate in renewable energy (solar) net-metering arrangements in one of two ways. Until 2021 Regulations did not permit third party generation; therefore, because all Net-Metering contract were negotiated before this date, the Co-operative employs a Solar Equipment Lease Agreement through which it owns and installs renewable energy equipment on a consumer's premises and then leases the equipment to the consumer who will generate the power for their use. From a cash flow perspective this form of agreement behaves similarly to a power purchase agreement. Going forward the Co-operative may include energy storage equipment as part of the renewable energy equipment.

As of April 20, 2022 the province changed net-metering regulations to permit a third party to be involved in generation. The Co-operative, as that third party, will own, install, generate and possibly store renewable energy on a consumer's premises and enter into a power purchase agreement with the consumer, in future contracts.

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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.

Under its existing Solar Equipment Lease Agreement, the Co-operative (Lessor) agrees to lease a solar power system including PV panels, inverter, racking, and required controls to the electricity consumer (Lessee) and install and operate the system on the consumer's property. The Lessee then signs a net-metering agreement with their LDC and connects the system behind the meter.

in the future, the Co-operative intends to use a Power Purchase Agreement in place of a Solar Equipment Lease. This will allow the Co-operative to install, own and operate generation equipment on a consumer's premises and sell energy to the consumer.

Payments to the Co-operative under both forms of net-metering agreements are based on the kWh generated in that year multiplied by an agreed upon price per kWh for that year. The Co-operative normally operates and insures the system as part of the agreement.

The term of the agreement is typically between 20 to 30 years and the price per kWh for each year of the lease are set to provide an expected net savings in total electricity cost over the term for the Lessee, and a reasonable return to the Co-operative. 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:

- the Co-operative's obligation to construct, own, and operate the solar equipment at its cost and in keeping with site access protocol;
- Lessee's obligation to compensate the Co-operative if they vacate the facility before the end of the term;
- Lessee's obligations to keep the site where the solar equipment is installed (e.g. building roof) in proper working condition;
- Lessee's obligation to insure the building against fire and other hazards;
- the Co-operative's obligation to remove the system at the end of the term(s) unless the Lessee wishes to take ownership of the equipment; and
- Lessee's option to purchase the system for "fair market value" after a set time frame

### ***vii) Summary of Building Efficiency Agreements.***

To date all the Co-Operative's Building Efficiency Projects have employed energy efficiency equipment Lease Agreements using fixed monthly payments executed with the owners of property where building energy efficiency equipment is installed.

### ***viii) Insurance***

The Co-operative maintains general liability, blanket accident, and comprehensive directors' and officers' insurance designed specifically for co-operatives with share capital. During project development and construction, the Co-operative requires that contractors carry industry-

standard construction insurance and Workplace Health and Safety Insurance, and the Co-operative carries its own Workplace Health and Safety insurance for its employees. Once a Project reaches Commercial Operation, the Co-operative purchases property, general liability, and business interruption insurance<sup>2</sup> with reputable insurers who are experienced with insuring commercial renewable power Projects in amounts which are customary in the industry. The Co-operative also ensures its contractors maintain general liability insurance as well as Workplace Health and Safety Insurance, where required for their employees' providing services to the Co-operative.

***ix) Co-ownership through Joint Arrangements***

Some of the projects in which the Co-operative invests involve co-ownership through a Joint Agreement, Limited Partnership, or other Joint Arrangement 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, the Co-operative retains voting control and control over assets.

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

One party acts 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.

The FIT contracts for the two projects owned in collaboration with the Conseil des écoles catholiques du Centre-Est (CECCE) school board are in the name of the school board for the purposes of securing a FIT contract. The joint arrangement then assigns the revenues from the project to both parties equally.

***x) Membership in Other Organizations***

While focusing primarily on the production of renewable energy, the Co-operative also works with other organizations in order to promote renewable energy through the Community Energy Network, Sustainable Eastern Ontario, and other like-minded organizations. The Co-operative is also a member of the Ontario Co-operative Association, a resource and common voice for Ontario co-operatives.

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<sup>2</sup> Due to insurance market conditions, the Co-operative does not hold business interruption insurance for its recently acquired Zurich wind turbine.

## 4. BUSINESS PLAN AND FINANCIAL POSITION

### 4.1 2023-24 Business Plan

The Co-operative's strategy is to grow its assets materially within acceptable risk, financial and operational parameters, in order to enhance its impact and, as operating funds permit, to add further permanent and contract staff to help sustain and grow operations.

In summary, the Co-operative's business plan for the 2023-24 fiscal year (to August 31, 2024) is as follows:

1. Operate, monitor and effectively manage the Co-operative's current solar and wind project portfolio, and its building efficiency projects.
2. Acquire existing renewable energy projects where doing so presents strategic advantages to bring them under community ownership and provides financial benefits for the Co-operative.
3. Pursue project opportunities that may arise to develop and install additional net-metering projects, similar to the Co-operative's three existing net-metering projects, but using Power Purchase Agreements and/or (if permitted) Virtual/Community Net-Metering arrangements.
4. Consider building efficiency projects that may become available, either as stand-alone projects, additions to the previous CoEnergy portfolio, or as part of other renewable energy project opportunities.
5. Continue its transition from a volunteer-managed entity to one that is primarily managed and operated by full-time and part-time/contract staff who support growth as well as ongoing operations.
6. Raise capital for new projects through:
  - Offerings of preference shares as needed;
  - Increased debt financing from members, partners, or financial institutions. The Co-operative's debt-to-assets ratio is currently 5% (the Co-operative's preference shares are excluded from this calculation). The Co-operative plans to review expanding the role of debt, while maintaining a prudent capital structure and staying within the maximum board-approved debt-to-assets ratio of 40%.
7. Provide selected services to Members to help them reduce energy use, provide them access to renewable energy, and further ORECs goal of enabling a low carbon economy in Ontario.

The Co-operative will use the marketing associated with capital raising, and selective other outreach events to continue to grow membership and achieve its mission and goals.

#### A) Current Operating Solar PV Project Portfolio

As of August 29, 2023, the Co-operative's operational solar portfolio consists of 20 solar PV rooftop projects within the Ottawa area, and two (2) ground-mounted solar facilities in Alfred and Hawkesbury, each about one hour east of Ottawa. The key aspects of each project are summarized in the table below, while Figure 2 shows the relative contribution of each project to the combined net operating income generated by the Co-operative's current renewable

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energy projects. The Co-operative is responsible for managing all of these projects except for Dunrobin and AP Muni.

On May 31, 2022 the Co-operative completed the acquisition (with an effective date of May 1, 2022) of a 49% interest in Jazz Miigwetch II Limited Partnership which owns and operates a 477kW (AC) rooftop solar PV system with an existing FIT agreement. As a result of an earlier up-front distribution payment to, and agreement with, the majority partner, OREC is entitled to 100% of the remaining cash flows generated by this entity, including any residual value at the conclusion of the FIT agreement. The Miigwetch Limited Partnership was partially financed with a loan provided by a financial institution, but as of August 29, 2023 all of this loan has been repaid through OREC's \$955,000 investment in this Limited Partnership. OREC's investment in the Miigwetch Limited Partnership was financed with a combination of a \$476,000 issue of Member Investment Notes raised in April 2022, a portion of the \$673,000 of raised in 2023 through the issue of Class E (Series 9) preference shares, and uninvested funds originally raised by CoEnergy through an issue of preference shares in 2019 (Class C shares).

<b>System Name</b>	<b>Type</b>	<b>Size (kW AC)</b>	<b>Power Generation Start Date<sup>3</sup></b>	<b>Term (yrs.)</b>	<b>Capital Cost (OREC's share)</b>	<b>Net Operating Income<sup>4</sup></b>
Eileen Tallman	MicroFIT-Hydro Ottawa	10	14-Dec-12	20	\$76,410	\$5,149
Better Living	MicroFIT-Hydro Ottawa	10	27-Dec-12	20	\$86,398	\$5,493
Dunrobin	FIT- Hydro One (50% ownership in direct JV)	250	18-Feb-13	20	\$1,066,709	\$97,114
Lafontaine	MicroFIT-Hydro Ottawa	10	3-Apr-13	20	\$45,000	\$3,379
Presland North	MicroFIT- Hydro Ottawa	10	19-Apr-13	20	\$68,500	\$5,789
Presland South	MicroFIT- Hydro Ottawa	10	22-Apr-13	20	\$80,000	\$8,523
Samuel Genest	FIT- Hydro Ottawa	74	16-Jul-14	20	\$524,584	\$52,111
Franco Cité	FIT- Hydro Ottawa	150	23-Feb-15	20	\$584,582	\$57,230
Franco Ouest	(50% share in direct JV)	100	24-Feb-15	20	\$329,640	\$33,063
Hovey	FIT- Hydro Ottawa	384	2-Jul-15	20	\$933,172	\$96,933
Smith Farm	51% share of Special Purpose Vehicle (SPV): corporation [OREC – Smith Farm JV Inc.]					
	FIT – Hydro One	75	3-Sep-15	20	\$150,570	\$1,195 <sup>5</sup>
Manotick Station	FIT- Hydro One	50	15-Sep-15	20	\$175,432	\$11,170
Maurice Lapointe	FIT- Hydro Ottawa	190	5-Feb-16	20	\$597,832	\$63,985

<sup>3</sup> Earlier of power generation start date or the Milestone Commercial Operational Date in the FIT contract

<sup>4</sup> Forecasted for 2023-24 fiscal year except as noted. Represents power generation and other project-specific income less operating expenses including site lease and insurance, but excluding depreciation and reserves, except as noted.

<sup>5</sup> Dividend expected in 2023-24 plus budgeted management fee income

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<b>System Name</b>	<b>Type</b>	<b>Size (kW AC)</b>	<b>Power Generation Start Date<sup>3</sup></b>	<b>Term (yrs.)</b>	<b>Capital Cost (OREC's share)</b>	<b>Net Operating Income<sup>4</sup></b>
Fenton	FIT- Hydro Ottawa	100	30-Jun-17	20	\$224,622	\$19,806
AP Muni	FIT- Hydro One (49% ownership of SPV: partnership [AP Muni P3 LP]); the Co-operative owns all of the solar PV equipment and leases it to the SPV					
		500	3-Nov-17	20	\$1,932,939	\$170,969 <sup>6</sup>
Twin Elm	FIT- Hydro Ottawa	100	6-Aug-18	20	\$231,123	\$23,592
Kin Vineyard	FIT- Hydro One	30	22-Aug-18	20	\$81,072	\$4,740
Hawkesbury	FIT- Hydro One (50% ownership of SPV: corporation [10671401 Canada Inc.] which the Co-operative capitalized through a non-interest bearing loan with no fixed repayment terms for its 50% share and that owns the solar power generation equipment that is leased to another SPV: partnership [ASM Solar G1 LP] which operates the equipment and holds the FIT contract, and for which the Co-operative is the General Partner, but not an owner and so does not receive partnership income)					
		500	18-Jan-19	20	\$787,511	\$34,092 <sup>7</sup>
Museum	Net-Metering	200	3-Jul-19	30	\$430,514	\$34,155
Renaud	Net-Metering (50% ownership in direct joint venture)	295	5-Nov-20	20	\$288,001	\$33,623 <sup>8</sup>
Abbott		227	24-Nov-20	20	\$251,212	\$26,743 <sup>8</sup>
Miigwetch II	FIT – Hydro One	477	29-Feb-16	20	\$955,000	\$73,011 <sup>9</sup>

Profiles of all current projects are also provided on the Co-operative's web site. The performance of each project is monitored electronically. Reports of performance results are provided to members annually. Over the past three audited fiscal years (2019-22), the Co-operative's installations have, in total, been within the expected variance of 3% of the revenue model determined for each site based on its size, location and other physical attributes. This model is used for preparing the Co-operative's long-term cash flow forecast.

<b>Solar Generation Revenue Performance for the past three completed (and audited) fiscal years</b> <i>(for the Co-operative's 22 directly and indirectly owned and co-owned solar PV projects)</i>			
2019-20	2020-21	2021-22	<b>Total (2019-22)</b>
1.8% below model	2.1% above model	Equal to model	<b>1.2% above model</b>

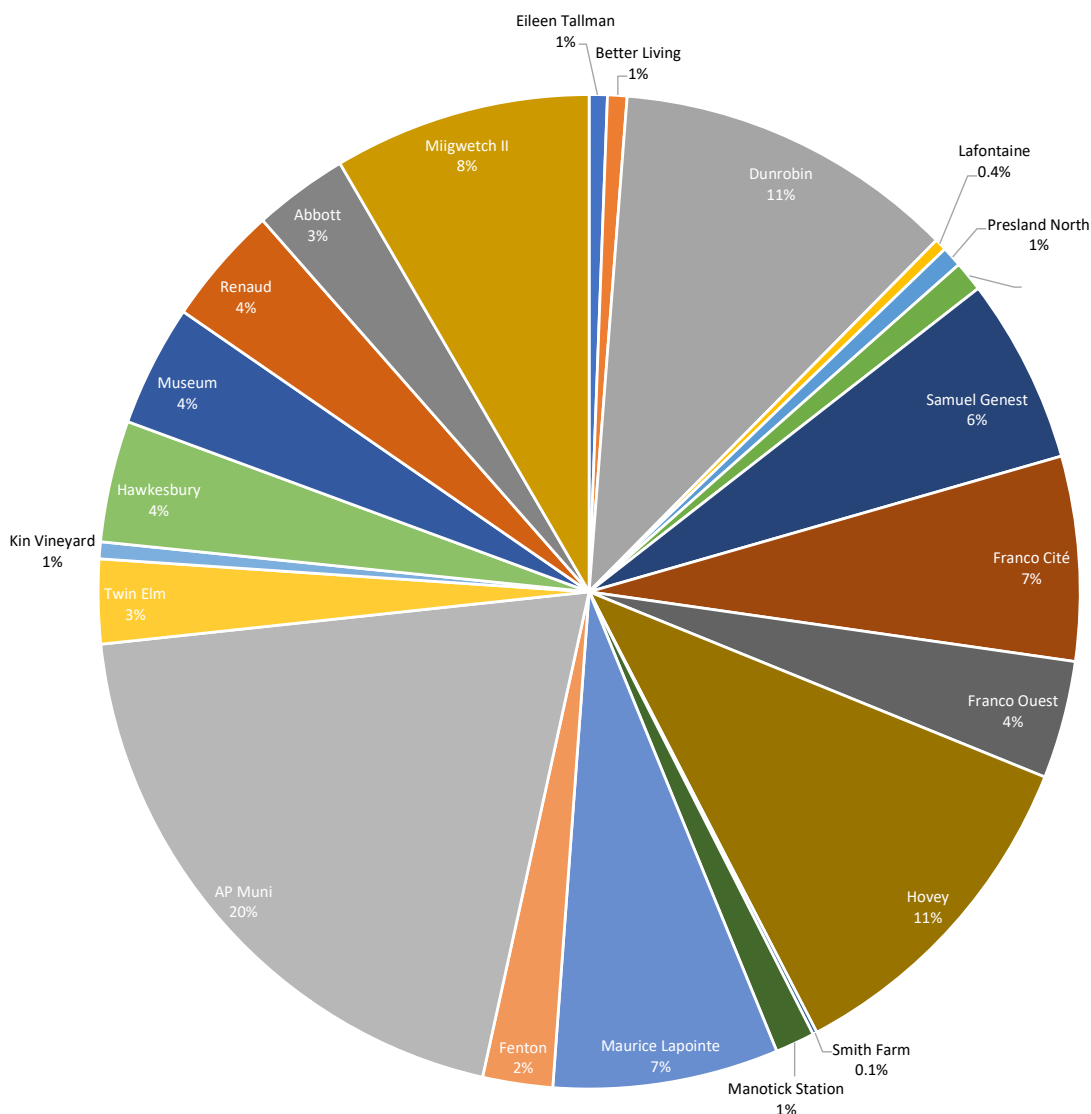
<sup>6</sup> Partnership income distribution expected in 2023-24 plus net budgeted equipment lease and loan interest income

<sup>7</sup> Dividend expected in 2023-24 plus budgeted management fee income

<sup>8</sup> Annual net operating income also includes a fixed annual lease payment from the joint venture (building owner) to purchase the Co-operative's share of the equipment by the end of the 20-year agreement: \$12,000 for Renaud and \$9,000 for Abbott. For accounting purposes this arrangement is treated as a finance lease for which an annual accounting adjustment is required (cumulatively these net to zero over the 20-year lifetime of the project). The adjustment expected in 2023-24 is \$10,312 of additional income for Renaud and \$8,184 additional income for Abbott. Net operating income from these two projects plus the accounting adjustment, and less accounting depreciation of the assets, is presented as Finance Revenue in the Co-operative's audited financial statements.

<sup>9</sup> 2023-24 operating income distributable by the Limited Partnership to the Co-operative

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**Figure 2: Proportionate share of net operating income for the Co-operative’s solar PV projects (2023-24 forecast)**

### **B) Current Operating Wind Turbine Portfolio**

On October 1, 2021, the Co-operative acquired a 50% interest in a single wind turbine generator in partnership with EnerFORGE, a wholly owned subsidiary of Oshawa Power Group Company. The Co-operative is a community investor as required under the FIT regulations for this contract and as such its presence in the ownership structure achieves eligibility for a price adder in the FIT contract. EnerFORGE performs asset management and reporting responsibilities, and ongoing maintenance is outsourced to Enercon, the original manufacturer of the equipment. Since its acquisition the portfolio has been operating as projected with revenues from October 1, 2021 to June 30, 2023, coming in, on average, above the model/budget use to establish the acquisition price. Operating expenses for the project, however, have come in much higher than expected at the time of acquisition due to large inflationary price increases arising in 2022 for annual equipment maintenance as per the long-term contract in place with Enercon, the turbine manufacturer. The Co-operative and its

partner are also unexpectedly required to extend bat mortality studies, required by provincial environmental obligations attached to this turbine and which cost approximately \$50,000 per year. The wind turbine is owned by a jointly held special purpose corporation which is expected to generate for the Co-operative, on average, \$50,000 of share capital repayments each year beginning in 2022 until 2031; the Co-operative received a \$70,000 distribution in December 2022. (N.B Capital distributions may take the form of income dividends which are offset by a write-down in the value of the Co-operative's investment in the turbine.) A final capital distribution to OREC of \$471,000 is expected in 2034. Due to the additional expenses noted above, the Co-operative does not expect to receive actual income dividends from this project until 2028 and these are expected to average \$34,000/year until 2032. The financial model for this project (used to prepare the Cash Flow Statement in Appendix C) conservatively assumes revenues from this turbine will terminate when the project's FIT contract expires in 2034. However, the Co-operative expects there will continue to be revenues generated after that date at prevailing merchant rates although there may also be capital injection requirements at that time to extend the operating life of the turbine. In 2022 the Co-operative raised \$1.05 million in Class B preference shares to finance its 50% equity share of this acquisition. The wind turbine is also financed with \$4.75 million of debt financing provided by a financial institution (balance as of June 30, 2023) at a fixed interest rate of 4.54% and which is being repaid in monthly instalments; it will be fully repaid in 2033.

On April 19, 2023 (with an effective date of March 1, 2023) the Co-operative concluded the acquisition of an 800kW wind turbine located in Zurich, Ontario with an existing FIT contract. The turbine is expected to generate revenues of \$315,000/year for the Co-operative until the end of the current FIT agreement in 2031 (at an average FIT purchase power rate of 16.6¢ per kWh). At the end of the FIT contract, the Co-operative expects there will continue to be revenues generated after that date at prevailing merchant rates. The average anticipated post-FIT merchant rate (from 2031 to 2041) is assumed to be 11.75¢/kWh, and this is reflected in the Cash Flow Forecast presented in Appendix C. Operating expenses for the turbine are expected to be \$140,000/year in 2023-24 and these are expected to increase each year at 3% per annum. These costs already reflect the large inflationary increases for equipment maintenance that arose in 2022 (see discussion above of Tiverton turbine). Unlike the Tiverton turbine, however, the Zurich turbine does not have any ongoing environmental obligations/costs associated with it. The acquisition of the Zurich wind turbine was initially financed in part with a \$280,000 loan at 6% per annum interest, payable by December 31, 2023. All but \$5,130 of this loan has been repaid. Ultimately the \$750,000 purchase price (inclusive of acquisition costs) was financed primarily from the \$673,000 of funds raised in 2023 through Class E preference shares issued under the Co-operative's Ninth Offering Statement.

The Co-operative may acquire additional wind projects using the proceeds of this and/or future offerings, that meet acceptable operational, risk and financial targets.

### **C) Current Building Efficiency Projects**

In 2019 and 2020 the Co-operative (through CoEnergy) invested \$327,000 in five building efficiency (lighting retrofit) projects. In each case the Co-operative purchased and installed the equipment at the client's premises and has leased the equipment to the clients using a capital



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lease arrangement. These investments were financed through CoEnergy's raise of \$427,000 of preference shares (Class C) in 2019. The first two leases concluded in August 2022 and August 2023, respectively. The remaining leases are summarized below:

Name	Type	Start Date	Term (months)	Original Capital Cost
Project 3	Lighting Retrofit	Sept-19	51	\$68,000
Project 4	Lighting Retrofit	Sept-19	84	\$149,000
Project 5	Lighting Retrofit	Nov-19	109	\$35,000

### D) New Projects/Acquisitions to be Financed Through this Offering

The Co-operative has a range of project opportunities that it is pursuing, that it will finance with the proceeds of this offering (Class E Preference Shares and Member Investment Notes). The priority focus is on renewable power generation, with the opportunities including solar, wind and small-scale hydro. The Cooperative is also aware of opportunities to finance building efficiency retrofits and related systems and audits, though that type of project is not expected to be the primary contributor to the Co-operative's growth in the short term.

To achieve the Co-operative's growth strategy objectives, assets acquired are likely to include both acquisitions of existing projects on acceptable terms, and development of new projects and new renewable energy capacity. The co-operative is considering projects in Ontario beyond the immediate Ottawa area, as well as those in Ottawa and Eastern Ontario. The Co-operative may also finance a portion of the capital required through debt raised from financial institutions. Acquisition of projects beyond Ottawa and Eastern Ontario will be accompanied by the addition of new members and investment in these areas to maintain OREC's community ownership mission and goals.

The Co-operative will only contemplate acquisitions or new net-metering projects if they are projected to be financially advantageous to the Co-operative, its preference shareholders, and contribute towards the overhead costs of the organization. To achieve this objective, the Co-operative expects that any acquisitions or new projects financed through this offering statement will provide an internal rate of return of at least 8% per annum for acquisitions and 10% for new builds (before taxes, but after accounting for external debt servicing costs, if applicable). Any acquisitions or new projects financed through this offering statement also need to generate sufficient cash flows to permit repayment of the capital raised through this offering statement, aligned with the repayment periods of the preference shares or member investment notes issued for this purpose. The Co-operative will, however, consider projects that require up to 20 years to repay the capital raised, in which case it will need to issue new shares to refinance the 10-year Class E preference shares and/or 5-year member investment notes that were used to finance the new project or acquisition when they mature.

In considering the acceptability of projects the Co-operative considers among other things: alignment with the Co-operative's Mission, Vision and Goals; the Co-operative's desire for a balance in type/location/new and existing assets; financial, technical and operational risks; various measures of financial returns; and the Co-operative's capacity to oversee the project.

**E) Overhead Costs to be Financed through this Offering**

Proceeds from the sale of Class E Preference shares issued through this offering will also be used to fund operating costs, including staff expenses, as the Co-operative grows and hires full-time and part-time staff. It is expected that additional staff will be required to support and lead project acquisition efforts, oversee contracted service providers, maintain and enhance member relations and increase membership, and enhance investor relations. The Co-operative may also raise funds through this offering of Class E shares to fund business development expenditures to pursue new project development and acquisitions. Not all those business development efforts will prove successful, and costs related to such unsuccessful efforts will be expensed in the year in which they arise; otherwise, they will be capitalized as part of the investment cost for a new project or acquisition.

It is expected that the additional overhead and business development costs partially funded by any Class E share issues through this offering statement and the Co-operative's earlier issue of \$95,000 of Class D shares in 2021 (through CoEnergy) will eventually be fully funded from the overhead contribution generated by acquisitions and new projects financed through this and future offering statements, and by no later than the end of 2026. However, if the Co-operative is not able to achieve its investment and the capital raising objectives outlined in the document, it is likely that the dividend, if any, that can be paid to its preference shareholders (Class A, B, C and E) will be negatively impacted. Proceeds from the issue of membership shares will also be used to fund general operations of the Co-operative.

**F) Raising New Capital**

The Co-operative may raise up to \$5 million in additional funds through this offering by issuing preference shares and/or Member Investment Notes, should it have identified and confirmed additional acquisitions or new renewable energy projects or building efficiency projects to develop, as described above.

The Co-operative declares dividends on preference shares depending on operating and financial performance. Dividends may be paid in cash or in stock, i.e. additional shares of the same Class. Beginning in 2024 (for the 2023-24 fiscal year), the Co-operative expects to pay the same rate of dividend on outstanding Class A, Class B, Class C and Class E Preference Shares, however no dividend is expected to be paid on preference shares issued through this Offering Statement until 2025 unless the shares are issued before January 2024. Dividends are typically declared about three months after the end of the fiscal year, based on the audited financial results of that year, and they are typically paid on shareholdings outstanding as of the last day of the previous fiscal year (August 31). The Cooperative may elect in some years to declare and pay these dividends in two parts (e.g., Fall and Spring).

The Co-operative does not expect to pay dividends on its previously issued Class D preference shares (originally issued as CoEnergy Class C preference shares) until at least five years after their issue (i.e., December 2026). It is possible that when declaring dividends for the Class D shares in particular, the Board of Directors, will declare stock dividends rather than cash dividends, as is presumed for the Class D shares (using a 6% dividend rate) in the cash flow forecast that accompanies this Offering Statement (Appendix C). The 6% rate is not guaranteed.

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Repayment of share capital on Class E (Series 10) Preference Shares is planned to start in December 2025 at which time 1/20<sup>th</sup> (5%) of the original share capital repaid will be repaid each year until the 10<sup>th</sup> year (December 2034) at which point the remaining capital balance outstanding (55%) will be repaid. The following table summarizes the preference shares authorized through this Offering Statement and their key attributes as well as assumptions made regarding their issue in the accompanying cash flow forecast (Appendix C). Refer also to Section 8 (Description of Investment Opportunities Offered).

<b>Preference Shares</b>	<b>Class E</b>
Authorized	\$10,000,000
Issued to date	\$673,000
Remaining	\$9,327,000
Maximum to be issued through this offering statement	\$4,500,000
Term	10 years
Repayment Period	Last 9 years (5% per year; 55% in final year)
First time Dividends expected (not guaranteed)	First December falling 12 months after issue
<b>Assumptions Used in Preparing Cash Flow Statement:</b>	
Amount issued through this offering statement	\$4,500,000
When issued	2024
Repayment Starts	Dec. 2025
Repayment Finishes	Dec. 2034
First time Dividends paid	Dec. 2025
Dividend Rate (indicative only, <u>not guaranteed</u> )	4% (cash dividend)

Interest on Member and Non-Member Investment Notes will be paid annually within 30 days of the anniversary of their issue with the principal repaid at the end of their Term. Both 3.5% interest-bearing Notes and 4.0% interest-bearing Notes are authorized through this Offering Statement. The Co-operative will determine which Notes to offer based on prevailing interest rates and membership interest when it chooses to raise funds from members through that instrument. 4.0% Notes have been presumed in the accompanying cash flow forecast.

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 or certain individuals or organizations who have first received this Offering Statement. The Co-operative also maintains short-term investments with financial institutions, such as guaranteed investment certificates, using the proceeds of offerings not yet invested in projects and of funds being built up to finance redemption of previous share offerings. These funds may also be used to finance, in the short term, project development.

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Net income from the Co-operative's operations will be distributed per the following priorities:

- 1) Payment to service financial institution loan financing, if any;
- 2) Payment to service debt obligations including Member and Non-Member Investment Notes and Promissory Notes;
- 3) Contribution to the Co-operative's reserve fund;
- 4) Payment of declared dividends and to return capital to holders of the Class A, Class B, Class C and Class E Preference Shares;
- 5) Payment of declared dividends and to return capital to Class D Preference Shareholders;
- 6) A portion of the remaining surplus may be distributed to one or more co-operatives or charitable organizations in or near the Ottawa area, which are involved in the promotion of renewable energy; and
- 7) The remaining surplus arising from the business of a Co-operative in each fiscal year, if any, shall be allocated, credited or paid to the members in proportion to the business done by each member, if any, with or through the Co-operative.

### **G) Financial Position**

The Co-operative's Audited Financial Statements for the year ending August 31, 2022 and the Auditors Consent letter for their audit report are attached as Appendices A and B, respectively. Unaudited interim financial statements for the 2022-23 fiscal year to May 31, 2023 are attached as Appendix H.

### **H) Cash Flow Forecast (Appendix C)**

Cash flow is determined by a detailed budgeting process that estimates investments in new projects, net revenue from all operational Co-operative projects over their expected lifetime, annual administrative and operating expenses, business/project development and capital raising costs, the cost of borrowing, annual payment of dividends, and capital repayment.

The estimated revenue from a solar PV or wind turbine project is equal to the energy production for a project multiplied by the power purchase agreement contract price for the project. Prices obtained for power sold by the Co-operative to the IESO under FIT contracts are set by FIT rules depending on project size and type. This price varies by site but ranges from 16.1 cents to 80.2 cents per kWh for existing solar PV and wind turbine projects and is fixed over the 20-year contract term, apart from the two wind turbine FIT contracts in which approximately 25% of the power purchase price is adjusted each year for inflation.

For net-metering projects the revenue is equal to energy production for a project multiplied by the price specified in the Solar Equipment Lease (or power purchase agreement). Prices obtained for power sold by the Co-operative to the host institution for these projects are negotiated between the Co-operative and the respective host. These prices are based on the size of the prospective project, the term of the contract, and other factors. This price varies by site, but ranges from 13.5 to 14 cents per kWh for existing net-metering projects and escalates by a factor that varies by year and by project, of between 1.9% and 3.8% per annum over the 20-30-year contract term.

Net operating income from a project is defined as the production revenue from the sale of power to the grid from the project minus annual project-related costs including monitoring and

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equipment maintenance, site insurance, roof/site lease rent, and project management (if provided by an external party). These costs normally account for approximately 20% of production revenue. An equipment replacement reserve is also provided to ensure funds are set aside to address out-of-warranty equipment replacement costs expected to arise in future years. This reserve typically amounts to 5% of production revenue. The Cooperative is also building up a general contingency reserve to of \$150,000 so that funds are available if necessary for unexpected events such as insurance deductibles in case of property damage or solar PV equipment lift and replacement costs should a roof repair arise as provided for in certain roof top site lease agreements. (The general contingency reserve balance at August 31, 2022 was \$60,000 and the Cooperative expects to have completed setting aside the full \$150,000 by the end of 2028.)

For flexibility, building owners are offered a buyout option in the net-metering agreement which will include a fair market value payment to the Co-operative for the equipment and a reasonable amount of revenue to cover the time required for the capital to be reinvested or returned to investors at no loss. The cash flow forecast conservatively assumes no such buyouts will take place.

Net revenue from all operating projects owned by the Co-operative is used to cover annual administrative expenses of the Co-operative, service and retire debt, pay dividends, and return member capital. The following table summarizes the Co-operative’s projected 2022-23 overhead (administrative) expenses and forecasted overhead costs in 2023-24 used to prepare the cash flow forecast, with an assumed inflationary factor of between 3% to 5% per annum depending upon the type and year of expenditure.

In 2022-23 the Co-operative expanded its overhead budget in order to engage a full time General Manager (who began in September 2022) and a part-time (contract) Finance Manager (who began May 2023). In 2023-24 the Co-operative intends to further expand its overhead budget to support the engagement of a full-time Communications Officer to ensure it is adequately equipped for a significant expansion of its renewable energy investments to be financed through this Offering Statement.

<b>Annual Overhead Budget (Administrative)</b>	<b>2022-23</b>	<b>2023-24</b>
Staff costs (wages, benefits; contracted services)	\$91,000	\$161,000
Accounting Services (contracted)	\$28,000	\$34,000
Communications, member services, outreach	\$18,500	\$20,000
Office costs, information technology, bank fees	\$9,000	\$17,000
Insurance (excluding project-specific costs)	\$10,000	\$11,000
Professional Fees (audit and legal)	\$19,000	\$21,000
Business development costs (legal, consulting/advisory)	\$10,000	\$50,000
<b>Total Administrative Costs</b>	<b>\$185,500<sup>10</sup></b>	<b>\$314,000</b>

<sup>10</sup> There were also \$5300 in one-time professional fees related to the OREC-CoEnergy amalgamation in 2022.

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Approximately \$100,000 of these additional costs (spread over 2023-24 and 2024-25) are presumed to be one-time in nature, to support the development and acquisition of new investments, including project management services, financed through this Offering Statement. A fixed annual expense contingency (not inflation adjusted) of \$10,000 per annum (\$5000, after 2035) is also included in the cash flow projections.

### I) Taxation

The purchase of renewable power production equipment envisioned for the new net metering project(s) to be financed through this Offering Statement is expected to qualify for 50% per annum accelerated capital cost allowance (75% in the year of acquisition for equipment purchased in 2024) under Class 43.1 of Schedule II to the *Income Tax Regulations*. The equipment is also expected to qualify for up to a 30% (minimum 20%) refundable investment tax credit as announced by the federal government in its 2023 Budget. As for the Co-operative's existing assets, these have a projected weighted average capital cost allowance rate of 33% (as of August 31, 2023). Regarding any existing renewable energy assets acquired by the Co-operative through this Offering Statement, an 8% capital cost allowance is assumed (excluding the deemed value of any FIT contract attached to the asset, typically valued at 2/3 of the acquisition price, which will be written off for tax purposes over the remaining term of the contract on a straight-line basis).

With these accelerated capital cost allowance rates, it is not anticipated the Co-operative will be liable for tax until approximately 2030. Future tax provisions (Federal and Ontario) have been calculated using current tax rates, namely 12.2% on the first \$500,000 of taxable income and 26.5% on the balance, based on the assumption that the Co-operative will qualify under tax concessions for active business income for small business corporations. Adjustments to the applicable tax rate required for periods when the Co-operative's taxable capital exceeds \$10 million have been accounted for based on amendments to the Income Tax Act enacted in 2022. A tax rate of 26.5% on all income is assumed for the jointly owned special purpose corporation that owns the Tiverton wind turbine that the Co-operative acquired in 2021.

### J) Other Assumptions

Other financial assumptions used in the 2023-2044 cash flow forecasts are as follows:

Interest rate – short-term bank financing (not required until 2029)	5%
Interest rate – short-term deposit investments for surplus cash-on-hand in excess of \$50,000	1%
Interest rate – bridge financing (through Non-Member Investment Notes or financial institution loans) if required for pre-financing project acquisition or development in the case of new builds	6-10%

The cash flow forecast also assumes that all of the Co-operative's 22 existing solar PV projects and its two wind turbines will be fully depreciated by August 31, 2044. No equipment removal or disposal costs are included in the forecast for the solar PV projects. However, it is expected that each of the Co-operative's renewable energy systems will have significant value at the end of their FIT contract periods as they are expected to operate at approximately 85% of their

## *Ottawa Renewable Energy Co-operative Tenth Offering Statement*

original power generation capacity at that time. It is therefore assumed that future revenue streams from this equipment (either through their sale or ongoing solar production using net-metering arrangements) will significantly exceed any removal and disposal costs. Except for the Zurich wind turbine, this residual value at the end of each project's FIT contract is not included in the cash flow forecast. In the case of the Zurich wind turbine and as detailed earlier in this Offering Statement, ongoing revenues are assumed after the expiry of the FIT contract (2031) until 2041 and are reflected in the cash flow forecast. The site lease agreements for both wind turbines include removal and land reclamation obligations at the end of the lease terms. A provision for these costs (net of any residual/salvage value of the turbine equipment) has been included in the cash flow forecast accompanying this Offering Statement (\$172,500 in the case of the Tiverton turbine in 2034 [at the end of the FIT contract], and \$60,000 in the case of the Zurich turbine in 2041).

An illustrative cash flow forecast for the 2023-24 through to 2043-44 fiscal years is provided in Appendix C. The cash flow forecast includes existing investments in the Co-operative's current projects and estimates of investment requirements and returns for the new project(s) to be financed with this offering. The cash flow statement assumes the maximum amount is raised through this offering (i.e., \$5,000,000). The cash flow forecast also assumes that \$20,000 is raised through new membership subscriptions (200 new members).

Since there are currently no specific projects yet confirmed for which the \$5,000,000 of capital investment would be required, the cash flow statement was prepared based on three "model investments" of the sort that the Co-operative is currently exploring:

- 1) 20-year new net metering solar PV project with a power purchase agreement: \$2,500,000 (funded by Class E shares with revenues starting in August 2024) [n.b. may be multiple net metering projects with a total net capital cost of \$2.5 million (net after reflecting the refundable investment tax credit from the federal government)]
- 2) 15-year existing FIT solar PV project acquisition: \$1,500,000 (funded by \$1,000,000 of Class E shares and \$500,000 of 4.0% 5-year Member Investment Notes [issued in March 2024] with revenues starting in March 2024)
- 3) 10-year existing FIT solar PV project acquisition: \$1,000,000 (funded by Class E shares, with revenues starting in January 2024)

As with all OREC's solar PV projects, an annual 0.5% revenue degradation factor is used. While the purchase price is presumed fixed for the two FIT model investments, a 3.0% annual increase in the power purchase rate is presumed for the net metering project(s).

The net metering project(s)' net operating cash flows are expected to generate at least a 10% pre-tax internal rate of return, after accounting for the 20% federal refundable investment tax credit for which this new project is assumed to be eligible (the equivalent rate of return of the project were there no investment tax credit would be 7.1%). In the case of the two FIT acquisitions, revenues are presumed large enough to generate a minimum 8% pre-tax internal rate of return on the capital raised from members to finance the investment, over the project's indicated lifetime. These rates of return take into account operating expenses (including an equipment replacement reserve), presumed to amount to 25% of annual revenues. Also, as a new project developed by the Co-operative, the net-metering project(s) is presumed to

contribute \$50,000 towards overhead costs in 2023-24 (which are capitalized as part of the investment cost financed by capital raised from members).

For the purposes of preparing the cash flow forecast it is assumed that these new investments are entirely financed through capital raised from members, but it is possible that the Co-operative will decide to partially finance these acquisitions with debt financing from a financial institution. It's also possible, but not incorporated within the cash flow forecast provided, that temporary bridge financing will be required to acquire or implement these projects either from a financial institution or from non-member investment notes issued through this Offering Statement. Such debt financing will only be used provided the Co-operative can earn its desired 8-10% pre-tax internal rate of return on the equity capital raised from members to finance the investment after taking into account debt servicing costs.

For the purposes of preparing the cash flow forecast all investments are assumed to take the form of direct purchase/development of assets by the Co-operative. However, it is possible that investments will be made through special purpose vehicles such as limited partnerships or corporations which may be wholly or jointly owned by the Co-operative.

The cash flow forecast excludes any offerings in future years to finance new projects, although it does assume that there will be temporary line of credit financing between 2029 and 2036 of up to \$145,000. Also, because the term of some of the investments assumed for the purposes of preparing the forecast cash flow exceed the 10-year term of the Class E (Series 10) preference shares that will be issued to finance them, a refinancing issue of \$1,800,000 in preference shares, with similar terms to the Class E (Series 10) shares, is assumed to take place in 2034-35. For cash flow purposes, the forecast also assumes that there will \$400,000 in member investment notes will be raised in 2029, bearing an interest rate of 3.5% and with a term of six years.

Since (for simplicity) no future investments after 2023-24 are assumed for the purposes of the cash flow forecast, overhead expenses are assumed to return to levels similar to those actually incurred in 2021-22, after accounting for inflation) starting in 2030-31. A further tapering-off of overhead costs is assumed in the final three years of the forecast (2042-44).

The cash flow forecast in Appendix C shows the Co-operative will be able to maintain a positive cash position through to August 31, 2044, while building a reserve to cover contingencies, servicing all debt obligations, paying a reasonable dividend to Preference Shareholders, and returning invested capital.

**The dividends projected in these cash flow forecasts are for illustrative purposes only, as the Co-operative can offer no firm guidance or guarantee as to what the actual dividend rate, if any, will be in any particular year in the future.**

#### **4.2 2023-24 Securities Marketing Plan**

OREC's Securities Marketing Plan for capital raises under this proposed 10<sup>th</sup> Offering Statement will build on OREC's past success and experience in raising capital and a detailed analysis of the just-concluded successful raise under the 9<sup>th</sup> Offering Statement.



### **Target Audiences**

The Co-operative's Securities Marketing Plan focuses on several target markets for the sale of shares and investment notes:

- 1) Current members (existing investors): emphasis on efficient reinvestment of dividends and capital repayments & repeat investors (via direct outreach, email campaigns, OREC app, social media, website);
- 2) Current members (new investors);
- 3) Potential new members and investors:
  - a) Communities of interest proximate to projects that OREC is acquiring or building, especially in partnership with project developers with significant brand status;
  - b) New members and investors via joint marketing with both suppliers as well as project partners to reach the staff/suppliers/ownership of these companies;
  - c) Leverage labour union partnerships and other institutional entities such as universities;
  - d) High net worth individuals: one of OREC's target market initiatives will be towards attracting a significant portion of investment from such individuals. OREC will leverage existing professional networks including accounting, legal and wealth advisors.
  - e) Young people: Currently, OREC membership is skewed to retired and near retirement aged individuals. Therefore, we will be focusing outreach to younger investors who can benefit from our RRSP/TFSA eligibility features.

### **Marketing Channels**

In the coming year OREC will be working with several large developers, with the goal of creating minority positions in their energy projects. In these situations, we intend to work with the developer to bring the local community/ies into the project as investors via membership in OREC. We will amplify the developers' community consultation and in so doing attract investment from the community while leveraging the assets and staff of the developers in outreach activities. Where OREC creates partnerships with large energy project developers, OREC's focus will be on participation in the developers' mandatory community consultation processes.

Key to our success in the past has been leveraging our personal contact with members and investors. In the past OREC has successfully used micro targeting of membership drives in targeted neighborhoods as an efficient way to grow as local networks are often our most effective promoters.

Additional promotional activity will occur through increased use of social media, OREC's new app, the Co-operative's website, email campaigns to current members and our large network of contacts and 'followers', outreach to potential new members through various means (see above), attendance at or sponsoring of promotional events and press coverage. Some of this promotional activity will incur costs for the Co-operative, but much of it will be executed through earned (unpaid) advertising/promotion.

### **New membership drive**

OREC will ramp up membership and raise new capital through the sale of Preference Shares and Investment Notes in Eastern Ontario as well as in other regions in Ontario where the Co-

operative has acquired or plans to acquire/develop projects. Periods in-between active capital raises will be utilized for targeted membership drives.

### **Key marketing messages**

- Our past successes and strong reputation support new initiatives and OREC's reputation will be used to promote the Co-operative to potential members.
- Positioning OREC preference shares as a unique offering in Ontario and investment in a growing renewable energy cooperative and proactive community.
- The Co-operative's marketing plan focuses on the impact that members have on reducing Greenhouse Gas emissions by investing in the Co-operative (e.g., rather than in their own solar installations), on building community resiliency and keeping jobs and investment in the community.
- Marketing efforts will emphasize the transparency aspects of the co-operative governance model and the importance of community engagement in creating energy resiliency, amplifying energy conservation, and wide conversations with stakeholders about climate change issues.

### **Marketing Budget & Staffing**

The cash flow forecast (Appendix C) incorporates, as a capitalized cost of each investment, an amount equal to up to 2% of the amount of capital raised for fundraising and legal costs to support preparation and marketing of the offering. The overhead budget provides further support for member outreach and new member acquisition through the services of a new full-time Communications Officer and a modest budget for member events.

OREC also intends to sculpt a tailored marketing program around the effective use of carbon price rebates, and to encourage seniors' investing for their children/grandchildren as an intergenerational transfer.

### **Improved investment tools & user interface**

OREC is in the process of improving its investment tools to offer our existing and new investors an easier, more efficient, and up to date investment experience. This, together with OREC's recently released app, will make our preference shares more accessible and attractive especially to the younger target audiences we are aiming to reach.

### **Improved membership experience**

In order to further improve the membership experience and make membership attractive to potential new members, OREC has begun providing members with information and services that enable them to take personal action towards climate change mitigation in the coming years. These services include:

- Regular information sessions (on various topics, but primarily focused on improving literacy of energy and climate change solutions);
- Building a member community to enable information sharing amongst members on issues related to home retrofits, EVs, and other topics related to the energy transition;
- amplify the messages of social value to those members who have not yet invested in our portfolio, by focusing on the positive outcomes of investments;

- advocacy focussed on community Virtual Net-Metering opportunities (to reduce home cost of electricity – not currently allowed in Ontario);
- participation in government/regulatory advocacy as a knowledgeable stakeholder (to accelerate the transition to a low carbon economy);
- development of an Annual Community Benefit Report; and
- regular member events.

### **Pricing Strategy**

The \$100 non-refundable membership fee (to purchase the required two membership shares) was chosen as it would attract only those who are seriously considering investment through the Co-operative and those who want to help community-owned power to succeed.

The Co-operative has set the minimum investment in the various preference shares and investment notes at a level to keep administrative costs to reasonable levels while at the same time providing opportunities for a wide range of members. The maximum holding requirement described above was chosen to promote wide ownership of the Co-operative.

## **5. RISK FACTORS**

**Investment in Class E Preference Shares and Member and Non-Member Investment Notes involves certain risks. As described below, 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 management will make every effort to prevent or mitigate the factors, before investing, prospective investors should carefully consider, considering their own financial circumstances, the Risk Factors set forth below as well as the other information contained in this Offering Statement.**

- **Long Term Investment:** There is no market into which these securities may be sold. Purchases of the investments offered herein should be considered long term investments which are not suitable for investors who may need to sell their securities quickly in order to raise money. Investors are not entitled to demand the redemption of these Preference Shares or repayment of Investment Notes prior to their maturity date. Any redemption or repayment will occur at the sole discretion of the Board as explained in Section 8 “Description of Investments Offered”. Investors who are looking for short-term returns and liquidity of capital from their investments should not purchase the investments offered herein.
- **Speculative Investment:** The investments being offered under this Offering Statement are speculative and involve a high degree of risk. Investors may lose some, part of, or possibly all of, their investment.
- **Financial Projections:** The Co-operative has prepared income projections for its portfolio of projects up to the year 2044. They are included as part of the Business Plan included as Section 4. 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. Actual results will vary, perhaps in a materially negative way, from these forecasts and projections. The assumptions upon which these forecasts and projections are based may change, whether due to circumstances beyond the control of the Co-operative or otherwise.

- **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.
- **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.
- **Cash Flow:** The Co-operative anticipates receiving positive cash flow over the life of the Cooperative's projects. However, these projections are based on several assumptions about natural forces along with assumptions about business inputs, 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 interest on Investment Notes, the intended dividends and redemption of Preference Shares, and the solvency of the Co-operative.
- **Counterparty Risk:** The Co-operative is subject to risk that counterparties fail to perform under the contracts. The Co-operative mitigates this risk in several ways. It concentrates on negotiating energy projects with municipal, governmental or related institutions, which have a high likelihood of being in operation at their present properties for over 20 years. The Co-operative is diligent in verifying the financial status of all counterparties and potential partners, to ensure that they will be able to meet the financial requirements of negotiated Power Purchase Agreements or Solar Equipment or Building Efficiency Equipment Leases and related agreements. In the same vein, the Co-operative has and will continue to include necessary clauses to protect itself and its investors should counterparties fail to make payments, relocate its operations to another property, or make alterations to current property. For private sector counterparties these clauses may include triggers for additional financial scrutiny and posting of security in the event of various financial covenants not being met. However, there is no guarantee that the Co-operative will not suffer a loss in these arrangements and, in particular, regarding Building Efficiency Equipment Leases with private sector counterparties, it may not be possible to obtain sufficient security to avoid a significant loss should the counterparty fail to fulfill its payment obligations. Such losses could jeopardize the ability of the Co-operative to pay the intended dividends and redemption of Preference Shares

- **Currency Risk:** A portion of the components in the current and 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 for inverters and anticipated maintenance items such as removal and reinstallation of solar equipment for roof top maintenance by the site owner, and is depreciating the value of the system to zero at the end of its 20<sup>th</sup> year of operation or to the end of their FIT or equivalent power purchase or solar lease agreement, whichever is earlier. Solar PV and wind turbine systems have long operating life spans, however, and it is anticipated that after its operational term (20 years for FIT projects and up to 30 years for net-metering), a project will produce between 80% and 90% of its initial rated output and thus be producing energy with some value. These assumptions may prove inaccurate.
- **Domestic Content:** To maintain the validity of some of the Co-operative's FIT contracts, the generation facility must meet the domestic content requirements as outlined by the IESO. The Co-operative must, for the duration of such FIT contracts, maintain records that verify the domestic content requirements were met. The IESO can audit these records at any time and if they deem that the records are insufficient, the FIT contract can be cancelled. The Co-operative has made best efforts to ensure the proper documentation has been maintained but there are no assurances that the IESO will deem this sufficient in the case of an audit.
- **Performance Risk (Solar):** In the event that any of the solar PV installations do not generate the anticipated amount of 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. The financial projections are significantly dependent on the quality of the solar projections for each system site. There is no assurance that the solar panels, when placed in the same general locale as the data utilized to predict solar intensity, will experience the same solar intensity.
- **Performance Risk (Wind):** In the event that any of the wind turbine installations do not generate the anticipated amount of electricity due to insufficient wind, underperformance of the systems or other causes beyond the control of the Co-operative, projected revenues could be adversely affected. The financial projections are significantly dependent on the quality of the wind energy projections for each system site. There is no assurance that the wind turbines will generate the same energy output in the future as has been the case to date.
- **Performance Risk (Building Efficiency):** In the event any of the projects do not generate the anticipated amount of savings, due to underperformance of the systems or other causes beyond the control of the Co-operative, projected revenues could be adversely affected.
- **Rooftop Destruction:** In some of the Co-operative's leases, should the building under one of the Co-operative's rooftop installations be so significantly damaged by fire or another

casualty that its owner decides to demolish it rather than rebuild, the Co-operative's lease for that rooftop may be terminated. The Co-operative's insurance would replace any solar equipment damaged by such casualty and provide some revenue protection under business interruption coverage up to 12 months. However, should the building not be rebuilt, the Co-operative may lose the revenues for the remaining duration of the contract. And the Co-operative would, regardless, suffer some losses due to the deductibles contained in the Co-operative's insurance policies.

- **Equipment Damage:** Severe weather such as tornadoes or derechos, which may become more frequent due to climate change, or other natural disasters such as earthquakes could damage the Co-operative's renewable energy generation equipment and render it inoperable. It is expected that the Co-operative's insurance would replace any solar equipment damaged by such casualties and provide some revenue protection under business interruption coverage up to 12 months. However, the Co-operative may nevertheless incur significant losses in such occurrences, since the insurance coverage may not be adequate, or cover all situations, or it may prove impractical to replace the damaged equipment, and the Co-operative would also suffer losses due to the deductibles contained in the Co-operative's insurance policies.
- **Warranties:** The Co-operative has endeavoured 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 warranties.
- **Availability of Additional Debt Financing:** No assurances can be given that any of the new loan facilities from financial institutions 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. If the loans are obtained but at higher interest rates, then net revenue flow to the Co-operative from IESO or other purchasers of power will be reduced and projections in the Business Plan will not be accurate.
- **Priority of Lenders:** The net proceeds from the Class E Series 10 Preference Shares offered herein will be subordinate to any funds borrowed from Members or from other lenders, who will rank in priority to all Class A, B, C, D and E Preference Shareholders. Holders of Investment Notes will be subordinate to any secured lenders, who will rank in priority to both holders of Investment Notes and Class A, B, C, D and E Preference Shares. 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.

- **Agreement Risk:** Each Site Lease or Solar Equipment Lease or Power Purchase Agreement 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 3. It is also envisioned that many property owners' properties will be subject to a mortgage or mortgages. If a property owner's property were sold under power of sale or were foreclosed upon, then such proceedings may terminate an Agreement prematurely. Whenever possible, the Co-operative will enter into a non-disturbance agreement with such property owners and their mortgagees permitting the Co-operative to remain in possession in the event that a property-owner's property is sold under power of sale or foreclosed upon. However, some property owners and/or mortgagees may be unwilling to enter into such non-disturbance agreements. In this case, if a property owner's property were sold under power of sale or were foreclosed upon, the Co-operative would have to attempt to recover the termination penalties in the Agreement.
- **Insufficient Capital and Strategic Risk:** The Co-operative believes that the amount raised in Preference Shares and Investment Notes plus funds on hand and external debt financing capacity, will be sufficient capital to proceed with the Co-operative's project portfolio strategy, as described above. Nonetheless, a combination of factors such as availability of sufficient projects to meet the business plan, insufficient investor interest/changing return expectations (due to rising interest rates), price increases for the purchase of Renewable Energy equipment, inability to obtain the equipment when contemplated due to short supply, and the cost to comply with regulatory issues, could ultimately result in the number of additional Installations being reduced and/or the Co-operative not being profitable.
- **Failure of Some Equipment:** The solar PV and other Renewable Energy equipment the Co-operative intends to install is expected to be low maintenance and trouble free, except for the power inverters, which are planned to be replaced every 15 years. Solar Panels are covered by performance warranty for twenty-five (25) years and the inverters are covered by warranty for seven (7) to twenty-five (25) years. Manufacturers' warranties have limited scope and their enforceability is subject to the financial condition of the manufacturer. However, should issues with the Solar Panels and/or power inverters develop, there would be a loss of energy production and associated revenues for the period of time that a failure occurs. Some revenue loss is covered by warranty or insurance. Typically, the loss of a single power inverter does not impair a project's performance significantly during the interim until replacement is achieved. The simultaneous loss of multiple power inverters is extremely unusual.
- **Cost, Availability and Operation of Solar Panels:** Because of the tremendous growth expected in Solar Panel installation world-wide, geopolitical events, and the limited number of manufacturers of Solar Panels, there could be fluctuations in panel cost and a potential delay in being able to have the panels of choice delivered for installation according to the Co-operative's construction schedule. The imposition of duties on imported panels in Canada or the United States could result in price increases for Solar Panels. If the Solar Panel delivery time is delayed, or other delays occur in bringing

project on-line, the revenue stream to the Co-operative will be negatively impacted and the Co-operative may be unable to meet its commitments under its various contracts or Solar Equipment Leases.

- **Non-completion:** Should the Co-operative not be successful in raising the required capital or sufficient debt financing, the Co-operative will be unable to complete the acquisition or new project installation as planned.
- **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.
- **Timing:** The timeline for the new project Portfolio is subject to the Co-operative being able to negotiate for and receive the necessary agreements and construct the projects in a timely fashion. There may be a negative impact on the profitability of the Co-operative if the necessary agreements are not received in the time contemplated or the projects experience delays in construction or connection beyond the control of the Co-operative. This could result in lower dividends being paid during the first two years of the term of Class E Series 10 Preference Shares.
- **Political Risk:** The viability of the renewable power industry in Ontario and Canada is dependent upon tax/import tariff policies, government programs, and environmental and other rules and regulations, which provide an incentive to generate electricity from Renewable Energy sources. The further development of the renewable power industry in Canada will require the maintenance (and improvement) of a range of federal, provincial and/or municipal government programs, policies, and/or regulations which are currently in place. Although the Ontario government has cancelled the FIT program (for new projects) and cancelled some FIT contracts that were under development but not yet operating, the Co-operative does not believe that the Ontario government's policies in that regard will have any significant impact upon net-metered projects. Unexpected changes to government policies and programs related to the renewable energy industry, however, could have a material and negative impact on the business plan and its profitability. Regulations favouring different forms of Virtual Net-Metering (as are now available in Alberta, Nova Scotia and much of the USA) are not yet enabled in Ontario.
- **Regulatory Approval and Permits:** The regulatory framework for net-metering is under development and therefore the ability of the Co-operative to develop and operate such projects in a way that meets its profitability and other targets is uncertain. The Co-operative is making several assumptions on how the Government of Ontario and IESO will manage existing FIT contracts and net-metering legislation that are ultimately beyond the control of the Co-operative. Assumptions that ultimately prove to be incorrect may have a material negative effect on the Co-operative's profitability and solvency.
- **Environmental Conditions:** The Co-operative is not aware of any environmental concerns that could halt proceeding with the installation of its portfolio of new projects at this time. The FIT program requires no environmental assessment for connections of 500kW



or less on rooftops. Environmental screening is required for ground-mounted solar projects and for wind turbine projects. There can be no assurances given that the IESO will not review or change these requirements. This could have a negative impact on the Co-operative's Business Plan and its profitability.

- **Market for Shares and Notes:** There is presently no established market for the Preference Shares or Investment Notes being offered nor is a market expected to develop. This is an illiquid security. It is unsuitable for any purchaser who may wish to sell the security. Purchasers may not be able to resell Shares or Investment Notes purchased pursuant to this Offering Statement, if they need to, regardless of the need, or if they want to. Transfers of Membership Shares, Preference Shares, and Investment Notes require Board approval. Management will use its best efforts to match buyers and sellers, but no guarantee is offered that Investors' Shares or Notes will be redeemed upon request.
- **No Sinking Fund or Reserve:** No sinking fund or reserve has been established to redeem the Preference Shares being offered or to pay out Investment Notes before the end of their term. It is the intention of the Co-operative to return capital invested in Preference Shares by way of redemption and to repay principal of Investment Notes 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 or Investment Notes. Any redemption of these securities will occur at the sole discretion of the Board of the Co-operative. In the event that the Co-operative is unable to redeem the securities, holders of such securities might not receive payments of principal and/or interest.
- **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. Interest will be paid on Investment Notes on an annual basis in accordance with their terms.
- **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 10 years of operation of each solar project. These or other income tax regulations, including those enabling the Co-operative's earnings to be taxed at the lower small business rate, may be changed in the future and result in higher taxation for the Co-operative. As the co-operative grows, its income may exceed the threshold for the low small business tax rate and the low tax rate is phased out for small business corporations as their assets grow above \$10 million, and is completely phased out at \$50 million of assets.
- **Interest Rate Fluctuation:** If prevailing market interest rates rise significantly, raising capital to repay the Investment Notes when they are due through other debt financing may prove difficult. In that event, Investment Notes 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.

- **Inflation:** The assumptions made in the cash flow projection accompanying this Offering Statement regarding inflation in the future may prove to be too low if prevailing inflation rates remain high in the medium-long term. In that event, operating costs may be higher than expected resulting in lower surpluses, and thus lower dividends that can be paid to preference shareholders.
- **Refinancing:** There are no assurances that the Co-operative will be able to raise sufficient capital from the proceeds of future Offering Statements to meet refinancing and other capital requirements of its business, including repayment by the Co-operative of preference share redemptions that come due, or that the terms and conditions of that financing will not change in a significantly negative way. If unable to raise additional funds under a future offering statement, the Co-operative would meet its financial obligations by soliciting financing from other sources (for example, private lenders and credit unions), and/or selling parts of its portfolio into the existing market for Ontario FIT projects.
- **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.

## **6. USE OF PROCEEDS OF THE OFFERING**

The Co-operative plans to raise up to \$5,000,000 through the sale to Members of Class E (Series 10) Preference Shares and the issue of Member and Non-Member Investment Notes to invest in Projects described in section 4 of this Offering. The Board may decide to cap the subscriptions of each at lower than the maximum amounts set out in this Offering depending on the final availability and cost of the projects and the Co-operative's financial management needs. If subscriptions are more than the maximum, subscriptions for Preference Shares will be considered in the order in which they were received.

The Co-operative intends to allocate the proceeds raised under this Offering Statement to investment in the capital projects as described in Section 4. Proceeds from the sale of Class E (Series 10) Preference Shares may also be used to cover some of the on-going operating expenses of the Co-operative as described in Section 4, including for hiring of additional staff or for business/project development.

If less than the amount required to finance confirmed projects is raised through this offering and/or a satisfactory debt financing is not secured from financial institutions, the Co-operative may proceed with fewer projects. The Co-operative's preference is to raise the majority of the capital required for its investments through equity and borrowing from members.

None of the proceeds from this offering will be used for, nor are they required to be used for, repayment of existing financial obligations including repayment of previously issued and

outstanding Member Investment Notes or Preference Shares and funds borrowed from financial institution.

The Board of Directors only intends to raise funds to invest in new projects should it be successful in securing new projects. Should the Co-operative be unsuccessful in raising funds to invest in a new project it has identified, it will cancel or reduce its level of investment in the new project (e.g., by partnering with other organizations), or it will seek other means to finance the project from the project vendor or external financial institutions.

Potential subscribers should carefully review the financial projections included in Appendix C 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. CAPITAL STRUCTURE**

### **7.1 Authorized Share Capital**

The Co-operative is incorporated as a co-operative with share capital. In accordance with its Articles of Amalgamation, its authorized capital as of August 29, 2023 is \$60,000,000, divided as follows:

- Membership Shares: \$1,000,000 comprised of 20,000 Membership Shares with a par value of \$50.00 each.
- Class A Preference Shares issued in Series: \$9,000,000 comprised of 18,000 Class A Preference Shares with a par value of \$500.00 each.
- Class B Preference Shares: \$10,000,000 comprised of 20,000 Class B Preference Shares with a par value of \$500.00 each.
- Class C Preference Shares: \$10,000,000 comprised of 20,000 Class E Preference Shares with a par value of \$500.00 each. (Originally issued as CoEnergy Class A Preference Shares)
- Class D Preference Shares: \$10,000,000 comprised of 20,000 Class D Preference Shares with a par value of \$500.00 each. (Originally issued as CoEnergy Class C Preference Shares)
- Class E Preference Shares: \$10,000,000 comprised of 20,000 Class E Preference Shares with a par value of \$500.00 each.
- Class F Preference Shares: \$10,000,000 comprised of 20,000 Class F Preference Shares with a par value of \$500.00 each.

As of August 29, 2023, the Co-operative had 893 approved and active members to whom 2,095 membership shares have been issued, and had issued 18,400 Preference Shares as listed below:

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No. of Shares <sup>11</sup>	Type of Shares	Amount Raised	Amount Outstanding
<b>1,998</b>	<b>Membership Shares</b>	<b>\$101,000</b>	<b>\$99,900</b>
1,952	Class A Preference Shares (Series 1)	\$976,000	\$650,676
2,500	Class A Preference Shares (Series 2)	1,250,000	1,000,000
2,660	Class A Preference Shares (Series 3)	1,330,000	1,152,667
2,192	Class A Preference Shares (Series 4)	1,096,000	949,867
2,877	Class A Preference Shares (Series 5)	1,438,500	1,438,500
1,719	Class A Preference Shares (Series 6)	859,500	859,500
<b>13,900</b>	<b>Total Class A Preference Shares</b>	<b>\$6,950,000</b>	<b>\$6,051,210</b>
2,100	Class B Preference Shares (Series 1)	\$1,050,000	\$1,050,000
864	Class C Preference Shares (Series 1)	\$432,000	\$432,000
190	Class D Preference Shares (Series 1)	\$95,000	\$95,000
1,346	Class E Preference Shares (Series 9)	\$673,000	\$673,000
<b>18,400</b>	<b>TOTAL PREFERENCE SHARES</b>	<b>\$9,200,000</b>	<b>\$8,301,210</b>

The Amount Outstanding in the table above represents the value of the shares still outstanding following partial redemptions of preference shares (Class A Series 1, 2, 3 and 4) that have taken place since the shares were issued, in accordance with the terms of the offering statements under which the shares were issued.

No Series 7 nor Series 8 Preference Shares were ever issued, nor have Class F shares ever been ever issued.

**A) 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 patronage 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; and allocated based on the goods and services they have purchased, if any, from 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, regardless of the number of Membership Shares they own.

Upon dissolution and after payment of all debts and liabilities (including preference shares), the Co-op's remaining property shall be distributed or disposed of to one or more co-operatives or charitable organizations in or near the Ottawa area, either of which are involved in the promotion of renewable energy.

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<sup>11</sup> Number of shares originally issued. The number of Preference shares currently outstanding takes into account redemptions that have taken place in accordance with the Offering Statement under which the shares were issued and is equal to the value of the shares outstanding, as indicated in the table, divided by \$500.

**B) Material Attributes of Class A, B, C, D, E and F Preference Shares**

Class A, B, C, D, E, or F 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. Each series of a particular Class ranks equally with all other series of that Class with respect to dividends or redemption on dissolution.

**1) Redemption Amount for Class A, B, C, D, E and F Preference Shares**

If at any time the Co-operative purchases for cancellation or redeems Preference Shares of the Co-operative, the redemption amount or purchase for cancellation amount for each Class A, B, C, D, E or F Preference Share (herein collectively called the "Redemption Amount") shall be an amount equal to:

- (i) their par value PLUS any dividends declared thereon but unpaid LESS any return of capital paid out in full or in part by the Co-operative to the Class A, B, C, D, E or F Preference Shareholder, or
- (ii) in the event that the par value of all issued and outstanding Class A, B, C, D, E and F Preference Shares is greater than the Net Shareholders' Equity of the Co-operative, and the Board determines it is necessary for the long term financial wellbeing of the Co-operative, the Board of the Co-operative may by resolution resolve that the Redemption Amount shall be an amount equal to the Redemption Amount calculated as per clause (i) multiplied by a fraction that has as its numerator the Net Shareholders' Equity of the Co-operative and has as its denominator the total par value of all Class A, B, C, D, E and F Preference Shares in the capital of the Co-operative, both determined as at the date of the last completed financial year end of the Co-operative immediately prior to the date that the redemption or purchase for cancellation of Class A, B, C, D, E and F Preference Shares is completed.

**2) Dividends on Class A, B, C, D, E and F Preference Shares**

Holders of Class A, B, C, D, E and F Preference Shares are entitled to receive an annual dividend in priority to any dividend being paid on Membership shares. Dividends shall be issued through electronic payment or cheques of the Co-operative payable at par at any branch of the Co-operative's bankers in Canada and the payment thereof shall satisfy such dividends. The Board shall be entitled from time to time to declare part of the said dividends payable for any financial year notwithstanding that such dividends for such financial year shall not be declared in full. If within four months after the expiration of any financial year of the Co-operative the Board in its discretion shall not declare the said dividends or any part thereof in the Class A, B, C, D, E or F Preference Shares for such financial year, then the rights of the holders of these Preference Shares to such dividends or to any undeclared part thereof for such financial year shall be forever extinguished. The holders of the Class A, B, C, D, E and F Preference Shares shall not be entitled to any dividends other than or in excess of the dividends herein provided for.

**3) *Priority of Class A, B, C, D, E and F Preference Shares***

Class A, B, C, D, E or F Preference Shares, all of which rank equally with respect to repayment of capital but not dividends, may be issued in one or more series. Class A, B, C, D, E and F Preference Shares shall rank, both regarding payment of dividends and re-payment of capital, in priority to Membership Shares of the Co-operative, and shall not confer any further right to participate in profits or assets. Under the Act, all series within any Class of Preference shares rank equally with other series in that Class with respect to payment of dividends or redemption on dissolution. All Class A, B, C, D, E and F Preference Shares are subordinate to the debt obligations of the Co-operative.

**4) *Redemption of Class A, B, C, D, E and F Preference Shares by the Co-operative***

The Co-operative may upon giving six months written notice to the holders of the Class A, B, C, D, E or F Preference Shares, redeem at any time or from time to time the whole or any part of their then outstanding Preference Shares. Upon redemption, the Co-operative shall pay to the holders of the Class A, B, C, D, E or F Preference Shares to be redeemed, in respect of each Class A, B, C, D, E or F Preference Share to be redeemed, an amount equal to the Redemption Amount. If notices of any redemption are given by the Co-operative and if amounts sufficient to redeem the Class A, B, C, D, E or F Preference Shares are deposited with any chartered bank or trust company in Canada, as specified in the notice, in trust for the holders of the Class A, B, C, D, E or F Preference Shares to be redeemed on or before the date fixed for redemption, dividends on the Class A, B, C, D, E or F Preference Shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Co-operative in respect thereof except, upon surrender to the Co-operative of certificates representing such Class A, B, C, D, E or F Preference Shares, to receive payment therefore out of the monies so deposited.

In case only part of the then-outstanding Class A, B, C, D, E or F Preference Shares are at any time to be redeemed, the Class A, B, C, D, E or F Preference Shares so to be redeemed shall be in proportion to the number of Class A, B, C, D, E or F Preference Shares registered in the name of each holder of Class A, B, C, D, E or F Preference Shares

**5) *Participation of Class A, B, C, D, E and F 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, C, D, E and F Preference Shares shall be entitled to receive, after payment to satisfy any debt obligations of the Co-operative and before any distribution of any part of the assets of the Co-operative, the Redemption Amount including all dividends declared thereon and unpaid. After payment to the holders of the Class A, B, C, D, E and F Preference Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the property or assets of the Co-operative.

**6) *Voting Rights of Class A, B, C, D, E and F Preference Shares***

Holders of Class A, B, C, D, E and F Preference Shares have the right under the Act to vote at all meetings of holders of Class A, B, C, D, E or F Preference Shares called for the purpose of

amending any of the terms of the said Preference Shares. Holders of such shares will have only one (1) vote at such meetings irrespective of the number of Preference Shares they hold.

**7) *RRSP/TFSA Eligibility of Class A, B, C, E and F Preference Shares***

The Co-operative considers all its Class A, B, C, E and F Preference Shares as eligible to be held in an RRSP or TFSA account. This is based on the Co-operative's ongoing status as a "specified cooperative corporation" as defined in the Income Tax Act of Canada. The Co-operative meets this eligibility criteria because (1) its bylaws provide for the distribution of surplus to members on a patronage basis; (2) none of its members have more than one vote; and (3) all its members are individuals (and all its membership shares are owned by members). Furthermore, the Co-operative's Class A, B, C, E and F Preference Shares meet the "qualified investment" criteria of the Income Tax Act for holdings within an RRSP or TFSA, because the Co-operative ensures that no one investor holds more than 10% of the voting rights of the Co-operative. This is achieved by ensuring all classes and series of securities issued by the Co-operative are issued, in each instance, to no fewer than 11 persons and because all of OREC's securities convey only one vote to the holder, regardless of the number of shares (or notes) held, in concurrence with the Ontario Co-operative Corporations Act. The Co-operative has chosen to exclude Class D Preference Shares and Member (and Non-Member) Investment Notes from inclusion within an RRSP or TFSA.

The Canadian Workers Cooperative Federation (CWCF), who serve as the administrator of the self-directed RRSP and TFSA accounts where the Co-operative's eligible Preference Shares may be held, have obtained a comfort letter from the Co-operative's external accountants regarding the eligibility of OREC's Preference Shares to be held within an RRSP or TFSA account, including the Class E (Series 10) Preference Shares that may be sold through this Offering Statement. A copy of this letter is found in Appendix G.

**7.2 *Debt Financing***

The Co-operative based on a resolution of its Board, can use debt to finance up to 40% of Net Shareholder's Equity. The Board may amend this percentage at any time, but at present has no intention to do so.

As of August 29, 2023, the Co-operative's Board of Directors has authorized the following debt financing:

1. \$250,000 of secured short-term bridge and cash flow line of credit financing from a financial institution at negotiated rates (no fixed term, currently at 8.7% variable), none of which has been used as of August 29, 2023;
2. \$476,000 in outstanding Member Investment Notes (5-year term at 3%, fixed) sold through Offering 8 and maturing in 2027, and up to \$500,000 of new 5-year 3.5% or up to \$500,000 of new 5-year 4.0% Member Investment Notes as described in this Offering;
3. Up to \$2,000,000 in Non-Member Investment Notes (6-12 month term at between 6%-10%, fixed) as described in this Offering.

4. \$280,000 of bridge financing (at 6%, fixed and due by December 31, 2023) obtained in April 2023 to complete the Zurich wind turbine acquisition. All but \$5,130 of this bridge loan (plus approximately \$3,000 of accumulated interest) has been repaid.

One of the Co-operative's joint venture investments held in separate legal entities is partially financed with debt financing as described above (i.e., the Tiverton wind turbine joint venture acquired in October 2022). The only security pledged for this loan are the assets of the joint venture entity itself. The Co-operative has not provided a guarantee or pledge of recourse to the lender with respect to the Co-operative's other assets.

The Co-operative has never defaulted nor been in breach of any of its debt or covenants. The Co-operative does not need the funds that it is raising through this Offering Statement to satisfy its debt obligations outstanding as of August 29, 2023.

The Material Attributes of Investment Notes are described in Section 8 of this Offering.

## **8. DESCRIPTION OF INVESTMENT OPPORTUNITIES OFFERED**

The Co-operative is offering to sell Membership Shares and Class E (Series 10) Preference Shares and to issue promissory notes for loans to the Co-operative made by members called Member Investment Notes, with attributes as described below.

It also intends to borrow money from financial institutions, and from individuals and organizations through the issuance of Non-Member Investments Notes described in this Offering Statement, and as set out in Section 7, or on terms that are appropriate for the Co-operative at the time.

Securities issued by the Co-operative are not available for sale to residents of provinces other than Ontario with the exception of former holders of Membership Shares who are no longer residents of Ontario, as described below.

### **8.1 Membership Shares**

<u>Minimum Offering:</u>	none
<u>Maximum Offering:</u>	\$500,000
<u>Minimum Individual Subscription:</u>	\$100
<u>Maximum Individual Subscription:</u>	\$100

Prospective Members of the Co-operative are required to purchase two (2) Membership Shares with a par value of \$50.00 each<sup>12</sup>. 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.

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<sup>12</sup> The \$50 par value per membership share is a legacy of the amalgamation with CoEnergy. CoEnergy always had \$50 par value membership shares and this value had to be maintained when the two organizations amalgamated, in order to comply with the Income Tax Act. Prior to the amalgamation, however, OREC had \$100 par value membership shares. So going forward the members agreed that following the amalgamation two membership shares would be required for new members, to maintain the \$100 "fee" to become a member of the Co-operative.



<b>Par Value</b>	\$50.00
<b>Issue</b>	Membership Shares shall be issued to anyone eligible for membership in the Co-operative, and who has been admitted into membership by the Board.
<b>Dividends</b>	At the discretion of the Board, to the maximum amount permitted under the Act.
<b>Rank</b>	Junior, with respect to the payment of dividends, to Preference Shares. Junior, upon dissolution, to Preference Shares.
<b>Transfer</b>	Subject to the consent of the Board and to the provisions of the Act regarding the transfer of Shares.

Membership shares must be cancelled if the Member ceases to be a resident of Ontario. FIT Program rules state that members of co-operatives that are given priority as owners of community projects must be residents of Ontario. Membership shares are also cancelled upon the resignation of the Member from the Co-operative, on the death of the Member, or on the expulsion of the Member from the Co-operative by a resolution passed by the Board. No refund of the par value of the Membership Share is issued in the event of a cancellation.

Upon dissolution and after the payment of all debts and liabilities, the Co-op's remaining property shall be distributed or disposed of to one or more co-operatives or charitable organizations in or near the Ottawa area, either of which are involved in the promotion of renewable energy.

## **8.2 Class E (Series 10) Preference Shares**

Minimum Offering: nil

Maximum Offering: \$4,500,000

Minimum Individual Subscription for:

Existing Class A, Class B, Class C and Class E (Series 9) shareholders : \$500

New Preference Shareholders:

- Minimum Individual Subscription with any part held in an RRSP/TFSA: \$5,000

- Minimum Individual Subscription without any part held in an RRSP/TFSA: \$2,500

Maximum Individual Subscription: \$500,000 less the amount of any Class A (Series 1, 2, 3, 4, 5, 6, 7 or 8) or Class B (Series 1) or Class C (Series 1) or Class D (Series 1 and 9) or Class E (Series 9) Preference Shares already held or purchased through this offering, and less holdings of Member Investment Notes issued under the eighth offering or purchased through this offering.

**Par Value:** \$500

**Term:** Class E (Series 10) Ten (10) years

**Issue:** Class E Preference Shares (Series 10) shall not be allotted or issued without the prior consent of the Board. Except as described below, only holders of Membership Shares of the Co-operative can subscribe for Class E Preference Shares (Series 10) and these shares must be owned by individuals directly or through a corporate or business entity solely owned by the Member or majority-owned by a Member and the Member's immediate family members.

Ontario-based cooperatives may also, with Board approval, purchase the Co-operative's preference shares.

Former holders of Membership Shares who are no longer members of the Co-operative because they no longer reside in Ontario, and who are individuals resident in Canada, may subscribe for Class E Preference Shares (Series 10), provided an appropriate filing (where required) has been made by the Co-operative in their province of residence pursuant to the securities laws of that province.

**Dividends:** The Co-operative intends to declare and pay an annual non-cumulative dividend on the par value of each outstanding Class E Preference Share (Series 10) beginning a year after their issue. Dividends can be paid more than once a year if the Board decides to do so. Dividends may be paid in cash or in stock.

**Voting Rights:** Under the Act, the holders of Class E Preference Shares have a right to vote only at meetings of holders of Class E Preference Shares called for the purpose of amending any of the terms of the said Class E Preference Shares. A holder is entitled to only one vote at such meetings regardless of the number of Class E Preference Shares held.

**Self-Directed RRSP Option:**

Class E Preference Shares can be purchased inside of a self-directed RRSP Plan. This plan is administered through the Canadian Workers Co-operative Federation (CWCF) self-directed RRSP plan, which is registered through Concentra Trust. The Co-operative's accountants have provided a comfort letter to CWCF concerning the eligibility of the Cooperative's preference shares to be held within an RRSP account (Appendix G). In-kind contributions are allowed, which means currently-owned shares of the Co-operative can be rolled into the self-directed RRSP. Class E Preference Shares (Series 10) may also be purchased through a 'Transfer In' from another existing RRSP account. **Investors wishing to transfer in funds from another RRSP 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 RRSP contributions generally apply to this self-directed RRSP. The individual plan-holder owes an annual account fee of \$55 to CWCF, which is managed by the Co-operative 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.

**The Co-operative's Class E Preference Shares (Series 10) are not eligible to be held within a registered retirement income fund (RRIF).** If an investor is

holding Class E Preference Shares (Series 10) within a self-directed RRSP account when they turn 71, they will be required to transfer the shares out of their RRSP and hold them as non-registered securities, which may have negative tax consequences. Alternatively they may be able to, with the Co-operative's approval, transfer the shares to another member for cash which can then be transferred to an RRIF. However there can be no guarantee that such a transfer will be possible at that time. Investors who will be turning 71 during the term of these preference shares should consult with an investment or tax advisor before purchasing these shares.

**Self-Directed TFSA Option:**

Class E Preference Shares (Series 10) can be purchased inside of a self-directed TFSA Plan. This plan is administered through the Canadian Workers Co-operative Federation (CWCF) self-directed TFSA plan, which is registered through Concentra Trust. The Co-operative's accountants have provided a comfort letter to CWCF concerning the eligibility of the Cooperative's preference shares to be held within a TFSA account (Appendix G). Contributions in-kind are allowed, which means currently-owned shares of the Co-operative can be rolled into the self-directed TFSA. Class E Preference Shares (Series 10) may also be purchased through a 'Transfer In' from another existing TFSA account. **Investors wishing to transfer in funds from another TFSA account must ensure that their transfer is completed no later than the closing date of the offering in order 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 TFSA contributions generally apply to this self-directed TFSA. The individual plan-holder owes an annual account fee of \$55 to CWCF, which is managed by the Co-operative 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 E Preference Shares (Series 10), each December commencing in the first year after issuance at a rate of 5% of the original capital value per year, up until the tenth year following their issue, at which time the remaining capital balance outstanding (55% of the original capital value) will be returned.

**Redemption:** The Co-operative may redeem Class E Preference Shares (Series 10) in accordance with the provisions of its Articles. Members may request to redeem Preference Shares by giving six (6) weeks written notice. As noted above, the Board of Directors of the Co-operative has no obligation to redeem

Preference Shares. The Co-operative is also under no obligation to redeem any of the Preference Shares offered under this Offering Statement upon the withdrawal of a Member. No reserve or sinking fund is being established for the redemption of the Preference Shares being issued. This is identified as a Risk Factor in Section 5.

**Transfer:** Class E Preference Shares (Series 10) may only be transferred to another member with the consent of the Board of the Co-operative, and the transfer must take place at the par value of the shares.

**Dissolution:** In the event of the dissolution or liquidation of the Co-operative, the holders of Class E Preference Shares (Series 10) 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 7 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 also Section 7 entitled “Material Attributes of Authorized Capital” for further details on the Shares offered pursuant to this Offering.

### **8.3 3.5% Five-Year Member Investment Notes**

Member Investment Notes are unsecured promissory notes. A sample of the Promissory Note that will be issued for Member Investment Notes is attached in Appendix D.

Minimum Offering: nil

Maximum Offering: \$500,000

Minimum Individual subscription: \$5,000

Maximum Individual Subscription: \$500,000 less the amount of any Class A (Series 1, 2, 3, 4, 5, 6, 7 or 8) or Class B (Series 1) or Class C (Series 1) or Class D (Series 1) or Class E (Series 9 or 10) Preference Shares already held or purchased through this offering and less holdings of Member Investment Notes issued under the eighth offering or of 4.0% Member Investment Notes purchased through this offering.

**Term:** Five (5) years

**Issue:** Except as described below, only holders of Membership Shares of the Co-operative can lend to the Co-operative and be issued Member Investment Notes which must be owned by individuals directly or through a corporate or business entity solely owned by the Member or majority-owned by a Member and the Member’s immediate family members.

Former holders of Membership Shares who are no longer members of the Co-operative because they no longer reside in Ontario, and who are individuals resident in Canada, may lend to the Co-operative and be issued Member Investment Notes, provided an appropriate filing (where required) has been made by the Co-operative in their province of residence pursuant to the securities laws of that province.

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- Interest:** The Co-operative will pay interest of 3.5% per annum on the value of Member Investment Notes held by each member. Interest will be paid within 30 days of the anniversary date of the issue of the Member Investment Note
- Security:** Member Investment Notes are unsecured.
- Voting Rights:** Holders of Member Investment Notes have no voting rights.
- Return of Capital:** Capital invested in Member Investment Notes will be repaid in full within 30 days of the end of the five (5) year term.
- Prepayment:** The Co-operative may prepay the whole or any amount of the Member Investment Note at any time, plus accrued interest, without notice, penalty or bonus.
- Transfer:** Member Investment Notes may only be transferred to another member with the consent of the Board of the Co-operative.
- Priority:** Member Investment Notes shall rank, in both interest and return of principal, subordinate to Non-Member Investment Notes, and to debt financing obligations to financial institutions.
- Dissolution:** In the event of the dissolution or liquidation of the Co-operative, the holders of Member Investment Notes described below shall be entitled to receive full payment of the capital invested and accrued interest, before any distribution of any part of the assets of the Co-operative to Preference Shareholders or members, but after retirement of other debt financing. Upon payment of the above amount, the holders of Member Investment Notes shall not be entitled to any further payment from the assets of the Co-operative.

Note: Only one type of Investment Note will be sold through this Offering Statement, if any – either 3.5% Notes or 4.0% Notes, not both. The decision as to which Member Investment Notes to offer will be made by the Co-Operative’s Board of Directors based on prevailing interest rates and market conditions at the time of the offering.

### **8.4 4.0% Five-Year Member Investment Notes**

Member Investment Notes are unsecured promissory notes. The Co-operative’s projected 20-year cash flow is included in the Business Plan summary in Section 4. The Promissory Note that will be issued for 4.0% Member Investment Notes will be like the one used for 3.5% Member Investment Notes (Appendix D).

Minimum Offering: nil

Maximum Offering: \$500,000

Minimum Individual subscription: \$5,000

Maximum Individual Subscription: \$500,000 less the amount of any Class A (Series 1, 2, 3, 4, 5, 6, 7 or 8) or Class B (Series 1) or Class C (Series 1) or Class D (Series 1) or Class E (Series 9 or 10) Preference Shares already held or purchased through this offering and less holdings of Member Investment Notes issued under the eighth offering or of 3.5% Member Investment Notes purchased through this offering.

*Ottawa Renewable Energy Co-operative Tenth Offering Statement*

- Term:** Five (5) years
- Issue:** Except as described below, only holders of Membership Shares of the Co-operative can lend to the Co-operative and be issued Member Investment Notes which must be owned by individuals directly or through a corporate or business entity solely owned by the Member or majority-owned by a Member and the Member's immediate family members
- Former holders of Membership Shares who are no longer members of the Co-operative because they no longer reside in Ontario, and who are individuals resident in Canada, may lend to the Co-operative and be issued Member Investment Notes, provided an appropriate filing (where required) has been made by the Co-operative in their province of residence pursuant to the securities laws of that province.
- Interest:** The Co-operative will pay interest of 4.0% per annum on the value of Member Investment Notes held by each member. Interest will be paid within 30 days of the anniversary date of the issue of the Member Investment Note
- Security:** Member Investment Notes are unsecured.
- Voting Rights:** Holders of Member Investment Notes have no voting rights.
- Return of Capital:** Capital invested in Member Investment Notes will be repaid in full within 30 days of the end of the five (5) year term.
- Prepayment:** The Co-operative may prepay the whole or any amount of the Member Investment Note, plus accrued interest, at any time without notice, penalty or bonus.
- Transfer:** Member Investment Notes may only be transferred to another member with the consent of the Board of the Co-operative.
- Priority:** Member Investment Notes shall rank, in both interest and return of principal, subordinate to Non-Member Investment Notes, and to debt financing obligations to financial institutions.
- Dissolution:** In the event of the dissolution or liquidation of the Co-operative, the holders of Member Investment Notes described below shall be entitled to receive full payment of the capital invested and accrued interest, before any distribution of any part of the assets of the Co-operative to Preference Shareholders or members, but after retirement of other debt financing. Upon payment of the above amount, the holders of Member Investment Notes shall not be entitled to any further payment from the assets of the Co-operative.

Note: Only one type of Investment Note will be sold through this Offering Statement, if any – either 3.5% Notes or 4.0% Notes, not both. The decision as to which Member Investment Notes to offer will be made by the Co-Operative's Board of Directors based on prevailing interest rates and market conditions at the time of the offering.

## 8.5 Non-Member Investment Notes

Non-Member Investment Notes are short-term unsecured promissory notes. Either individuals or organizations may purchase non-member investment notes.

Minimum Offering: nil

Maximum Offering: \$2,000,000

Minimum Individual Subscription: \$50,000

Maximum Individual Subscription: \$750,000

- Term:** Six (6) to twelve (12) months to be determined separately with each lender.
- Issue:** May be issued to any individual or organization, including incorporated entities, resident in Canada, subject to approval by the Co-operative's Board of Directors.
- Interest:** The annualized interest on these notes will vary between 6% and 10%, and will be determined separately with each lender. Interest will be paid upon maturity of the Non-Member Investment Note or when the Note is repaid in full, if earlier.
- Security:** Non-Member Investment Notes are unsecured.
- Voting Rights:** Holders of Non-Member Investment Notes have no voting rights.
- Return of Capital:** Capital invested in Non-Member Investment Notes will be repaid in full within 10 days of the end of their term.
- Prepayment:** The Co-operative may prepay the whole or any amount of the Non-Member Investment Note, plus accrued interest, at any time without notice, penalty or bonus.
- Transfer:** Non-Member Investment Notes may only be transferred to another party with the consent of the Board of the Co-operative.
- Priority:** Non-Member Investment Notes shall rank, in both interest and return of principal, subordinate to debt financing obligations to financial institutions.
- Dissolution:** In the event of the dissolution or liquidation of the Co-operative, the holders of Non-Member Investment Notes described below shall be entitled to receive full payment of the capital invested, before any distribution of any part of the assets of the Co-operative to holders of Member Investment Notes, to Preference Shareholders or to members, but after retirement of other debt financing (e.g., from financial institutions). Upon payment of the above amount, the holders of Non-Member Investment Notes shall not be entitled to any further share in the distribution of the assets of the Co-operative.

## **8.6 Other Loan or Debt financing**

Under the legislation and regulations applying to the Co-operative it may enter into loans or obtain debt financing at any time from financial institutions specified in the legislation and regulations.

Entering loan agreements with or issuing debt to entities that are not financial institutions or qualified lenders under the legislation and regulations can only be done pursuant to an offering statement.

The Co-operative may access up to \$250,000 in financing from its financial institution through an existing line of credit facility as described in Section 7 of this Offering Statement.

## **9. METHOD OF SALE OF INVESTMENTS**

All Class E (Series 10) Preference Shares and Member and Non-Member Investment Notes issued pursuant to this Offering Statement will be issued exclusively by Board members or officers of the Co-operative or through agents engaged by the Co-operative for this purpose. There are no commissions payable or discounts allowed. All prospective purchasers of Preference Shares, recipients of Member and Non-Member Investment Notes, 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 Notes or entering into loan or debt financing.

Subscription Forms for the purchase of Preference Shares and the issue of Member Investment Notes are attached as Appendix E (Class E Preference Shares), and Appendix F (Member Investment Notes [for 3.5% Notes; a similar form will be used for the 4.0% Notes]). The promissory note instruments used for Non-Member Investment Notes will be determined separately with each lender.

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

There is no market through which the Membership Shares, Preference Shares, or Investment Notes 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 or Notes 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 whether the Co-operative will remain profitable.

Subject to the Act and upon the approval of the Board, Class E Preference Shares (Series 10) and 3.5% or 4.0% Member Investment Notes may be transferred, subject to Board approval, to other Members of the Co-operative, as set out in the Co-operative's Articles. However, there can be no assurance that Members interested in the purchase of such Preference Shares will be available if and when a Member wishes to transfer their Shares.



## 11. STATEMENT OF MINIMUM AND MAXIMUM AMOUNTS

### 11.1 *Minimum and Maximum Aggregate Amounts*

Minimum Aggregate Offering Class E (Series 10) Preference Shares: nil

Maximum Aggregate Offering Class E (Series 10) Preference Shares: \$4,500,000

Minimum Aggregate Offering Member 3.5% Investment Notes: nil

Maximum Aggregate Offering Member 3.5% Investment Notes: \$500,000

Minimum Aggregate Offering Member 4.0% Investment Notes: nil

Maximum Aggregate Offering Member 4.0% Investment Notes: \$500,000

Minimum Aggregate Offering Non-Member Investment Notes: nil

Maximum Aggregate Offering Non-Member Investment Notes: \$2,000,000

Notwithstanding the maximums specified above, the Board of the Co-operative has set a maximum amount of \$5,000,000 to be raised under this Offering Statement and may cap the sale or issue of any or all Class E Preference Shares (Series 10) and Member and Non-Member Investment Notes at less than maximums set forth above, 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 and Investment Notes will be allocated to purchasers based on the date on which subscription orders were received. As described above, only one type of Investment Note will be sold through this Offering Statement, if any – either 3.5% Notes or 4.0% Notes, not both.

### 11.2 *Minimum and Maximum Amount by Individual Member*

All new Members must purchase two (2) Membership Shares. A maximum of two (2) Membership Shares may be purchased through this Offering and Membership Shares are only available to new Members. **Regardless of the number of Membership Shares held, a member only has one vote at member meetings.**

Class E Preference Shares may only be purchased by persons who have been admitted as Members into the Co-operative, or through a corporate or business entity solely owned by the Member or majority-owned by the Member and the Member's immediate family members. Ontario-based cooperatives may also, with Board approval, purchase the Co-operative's preference shares. **The purchase of Preference Shares is optional and is not a requirement of membership.** Members who already hold other series of Class A, Class B, Class C, Class D or Class E Preference Shares may purchase 1 or more Class E Preference Shares (\$500 each). Members who have not previously purchased Preference Shares must purchase a minimum of \$5,000 of Preference Shares (i.e., ten [10] shares) if any part is held in an eligible RRSP/TFSA, or a minimum of \$2,500 of Preference Shares (i.e. five [5] shares) if none are held in an RRSP/TFSA.

Member Investment Notes may only be purchased by persons who have been admitted as Members into the Co-operative. **The purchase of Member Investment Notes is optional and is not a requirement of membership.** The minimum amount for a Member Investment Note is \$5,000. Member Investment Notes may not be held in an RRSP/TFSA.

A maximum of \$500,000 of Preference Shares (inclusive of all Classes and Series) plus Member Investment Notes per Member is permitted. Members who already own Preference Shares or Member Investment Notes need to take these into account in determining how many Preference Shares and Member Investment Notes they are eligible to apply to purchase.

## **12. SECURITIES, MORTGAGES, BONDS, DEBENTURES OR OTHER DEBT OBLIGATIONS**

The Co-operative has the securities listed in Section 7 outstanding as of August 29, 2023.

Return of capital on Class A Preference Shares (Series 1 through 9), pursuant to the terms of the share offering documents, has or is scheduled to occur in equal annual amounts over 15 years beginning in 2018 (Series 1), 2020 (Series 2), 2021 (Series 3 and 4), 2023 (Series 5) and 2024 (Series 6). No Class A Series 7 through 9 shares were ever issued.

Return of capital on Class B Preference Shares (Series 1), pursuant to the terms of the share offering documents, is scheduled to occur in equal annual amounts over 13 years beginning in 2024. No Class B Series 2 through 9 shares were ever issued.

Return of capital on Class C Preference Shares (Series 1), pursuant to the terms of the share offering documents, is scheduled to occur at the end of their term in 2029. No Class C Series 2 through 9 shares were ever issued.

Return of capital on Class D Preference Shares (Series 1), pursuant to the terms of the share offering documents, is scheduled to occur at the end of their term in 2036. No Class D Series 2 through 9 shares were ever issued.

Return of capital on Class E Preference Shares (Series 9 and 10), pursuant to the terms of the share offering documents, is scheduled to occur via annual instalments equal to 5% of the original capital value beginning in 2024 (Series 9) and 2025 (Series 10), with the remaining outstanding balance (55% of the original capital value) paid at the end of their term in 2033 (Series 9) and 2034 (Series 10). No Class E Series 1 through 8 shares were ever issued.

Return of capital on Series 8 Member Investment Notes, pursuant to the terms of the offering document, is scheduled to occur at the end of their term in 2027. Series 4 and Series 5 Member Investment Notes were previously repaid. No Series 1 through 3, nor Series 6 through 7, nor Series 9 Member Investment Notes were ever issued.

As of August 29, 2023, the Co-operative had no other outstanding debt obligations.

The Co-operative also may use all or a portion of its \$250,000 line of credit with its financial institution prior to or during the offering period to meet its short-term cash-flow obligations and/or to temporarily and partially finance acquisitions envisioned in the business plan described in Section 4.

## *Ottawa Renewable Energy Co-operative Tenth Offering Statement*

The Co-operative's debt and preference share obligations arising over the next five fiscal years are currently:

2023-24:	\$406,033 in previously issued Class A Preference Shares \$5,130 plus accumulated interest (approx. \$3,000) for Zurich bridge loan
2024-25:	\$463,333 in previously issued Class A Preference Shares \$80,769 in previously issued Class B Preference Shares \$33,650 in previously issued Class E Preference Shares
2025-26:	\$463,333 in previously issued Class A Preference Shares \$80,769 in previously issued Class B Preference Shares \$33,650 in previously issued Class E Preference Shares
2026-27:	\$463,333 in previously issued Class A Preference Shares \$80,769 in previously issued Class B Preference Shares \$33,650 in previously issued Class E Preference Shares \$476,000 in previously issued Member Investment Notes
2027-28:	\$463,333 in previously issued Class A Preference Shares \$80,769 in previously issued Class B Preference Shares \$33,650 in previously issued Class E Preference Shares

The Co-operative's debts from financial institutions would rank first in any insolvency or bankruptcy proceeding, and then if there are funds remaining, followed by any outstanding Non-Member Investment Notes, and then if there are funds remaining, followed by any outstanding Member Investment Notes and then, if there are funds remaining, by any outstanding Preference Shares. All Series and Classes of the Co-operative's Preference Shares would rank equally in terms of repayment priority in the case of an insolvency or bankruptcy proceeding. Upon dissolution and after payment of all debts and liabilities, the Co-operative's remaining property shall be distributed or disposed of equally among its members at that time.

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

The Co-operative has no known material legal proceedings to which it is a party.

### **14. MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES**

#### **In the Co-operative**

All Directors of the Board of the Co-operative are Members of the Co-operative and own at least 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, none of which constitute a material interest. The nature and value of such contracts are described in the Co-operative's annual audited financial statements.

The Co-operative has nine board members, six of whom have purchased one or more Preference shares or Member Investment Notes for an aggregate investment of \$440,500 currently outstanding.

One board member co-owns the property on which the Manotick Station solar PV project resides.

#### **In the Shares Offered Herein**

The Board members, officers, and employees will be offered the Class E Preference Shares (Series 10) and Member Investment Notes to be issued under this Offering Statement on the same terms as are available to all other persons.

### **15. MATERIAL CONTRACTS ENTERED IN THE PAST TWO YEARS**

Each of the Co-operative's current renewable energy projects involves 20-year roof lease agreement contracts with building/structure owners as described in Section 3 of this Offering Statement. Some of these projects involve joint lease agreements or partnership or shareholder agreements with other parties through joint arrangements.

Each of the projects also involves a FIT Contract with IESO or a Solar Equipment Lease with the building owner. In some projects the Co-operative is the sole party to the FIT Contract. In other projects, the FIT Contract is shared by the Co-operative and its collaborator. Five projects operate under Micro-FIT Program rules. In these projects, the Micro-FIT Contract is between the IESO and the building owner and the lease agreement with the Co-operative includes a provision to redirect revenue to the Co-operative.

Each of the Co-operative's building efficiency contracts involves an agreement as described in Section 3.

The Co-operative maintains property and business revenue replacement insurance for each renewable energy installation except for the Zurich wind turbine where it maintains only property insurance. The Co-operative also has a general liability, blanket accident, cyber, and Directors and Officers insurance coverage.

From time to time the Co-operative applies for and receives grants related to its activities, however it currently has no such agreements.

The Co-operative maintains service contracts as defined in the Co-operative's Business Plan (see Section 4 and also Section 3).

In 2021 the Co-operative entered into a share purchase and shareholders agreement with respect to the Tiverton wind turbine acquisition described in Section 4. It also entered into a unit purchase agreement in May 2022 with respect to the acquisition of an existing solar rooftop project (Jazz Miigwetch II LP).

In July 2022 the Co-operative executed an employment agreement with Marion Siekierski who began full-time General Manager for the Co-operative beginning in September 2022.

In April 2023 the Co-operative entered into an asset purchase agreement with respect to the Zurich wind turbine acquisition described in Section 4.

Potential investors can view these contracts, as well as the Amalgamation Agreement between Ottawa Renewable Energy Cooperative Inc. and CoEnergy Ontario Cooperative Inc., at the Co-operative's office at 323 Coventry Road, Ottawa, Ontario.

## **16. DECLARED, OR ACCUMULATED BUT UNPAID DIVIDENDS**

The Co-operative declared an annual dividend of 2% to Class A Series 1 shareholders on October 16, 2013 and an interim 2014 dividend of 1.75% on February 4, 2014.

The Co-operative declared an annual dividend of 2% to Class A Series 1 and 2 shareholders on November 24, 2014 and an interim 2015 dividend of 2% on February 10, 2015.

The Co-operative declared an annual dividend of 2.25% in October 2015 to Class A Series 1 and 2 shareholders.

The board of directors declared a dividend of 4.0% on Class A Series 1, 2, 3 and 4 Shares in November 2016. It declared an interim dividend of 2.5% in February 2017.

The Co-operative declared an annual dividend of 3% on Class A Series 1, 2, 3, 4, and 5 Shares in August 2018.

The Co-operative declared an annual dividend of 2.25% on Class A Series 1, 2, 3, 4, 5 and 6 Shares in November 2019 payable to shareholders on record at August 31, 2019

The Co-operative declared an annual dividend of 2.25% on Class A Series 1, 2, 3, 4, 5 and 6 Shares in November 2020 payable to shareholders on record at August 31, 2020

The Co-operative declared an annual dividend of 3.85% on Class A Series 1, 2, 3, 4, 5 and 6 Shares in November 2021 payable to shareholders on record at August 31, 2021.

The Co-operative declared an annual dividend of 3.85% on Class A Series 1, 2, 3, 4, 5 and 6, and on Class B and Class C Shares, in November 2022 payable to shareholders on record at August 31, 2022.

The Co-operative has never to date declared a dividend on its Class D shares.

All of these declared dividends have been paid.

## **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.

The Offering Statement will expire on August 28, 2024, and after that date no further securities will be issued unless a new Offering Statement has been filed and receipted.

## **18. CERTIFICATE OF DISCLOSURE**

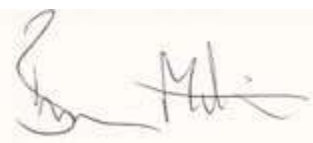
THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SECURITIES OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE ACT.

**DATED** this 29<sup>th</sup> day of August, 2023.



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Chairman of the Board and President: Nate Preston



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Treasurer: Brian Mitchell

### **LIST OF APPENDICES**

- Appendix A: Audited Financial Statements - August 31, 2022
- Appendix B: Auditor Consent Form
- Appendix C: Cash Flow Forecast
- Appendix D: Sample Member Investment Promissory Note and Term Sheet (3.5% Note)  
[same template will be used for 4.0% Note]
- Appendix E: Subscription Form for Class E Preference Shares
- Appendix F: Subscription Form for 3.5% Member Investment Notes  
[same template will be used for 4.0% Note]
- Appendix G: Accountant's Comfort Letter regarding RRSP/TFSA eligibility
- Appendix H: Interim Financial Statements for the nine months ended May 31, 2023

# APPENDIX A

**FINANCIAL STATEMENTS**  
**For**  
**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
**For year ended**  
**AUGUST 31, 2022**

**INDEPENDENT AUDITOR'S REPORT**

To the members of

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

*Opinion*

We have audited the financial statements of Ottawa Renewable Energy Co-operative Inc. (the "Corporation"), which comprise the balance sheet as at August 31, 2022, the statement of income and retained earnings and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter*

The comparative information comprise the financial statements of CoEnergy Ontario Co-operative Inc. and Ottawa Renewable Energy Co-operative Inc., which were amalgamated on April 1, 2022, as described in Note 1. Our opinion is not modified in respect of this matter.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Welch LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Ontario  
November 26, 2022.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**BALANCE SHEET**

**AUGUST 31, 2022**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 438,833	\$ 1,442,507
Accounts receivable (notes 3 and 4)	396,699	379,484
Prepaid expenses	27,536	29,060
Government remittances receivable	-	145,422
Current portion of loans to related parties (notes 3 and 5)	10,809	10,131
Current portion of net investment in lease (note 6)	<u>67,457</u>	<u>38,505</u>
	941,334	2,045,109
<b>LONG-TERM INVESTMENTS</b> (note 7)	1,338,241	763,716
<b>LOANS TO RELATED PARTIES</b> (notes 3 and 5)	1,315,851	1,026,936
<b>NET INVESTMENT IN LEASE</b> (note 6)	642,325	709,782
<b>PROPERTY AND EQUIPMENT</b> (notes 4 and 8)	<u>4,771,397</u>	<u>5,130,683</u>
	<u>\$ 9,009,148</u>	<u>\$ 9,676,226</u>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 67,744	\$ 112,536
Current portion of loans payable (note 9)	-	1,096,457
Government remittances payable	<u>24,774</u>	<u>3,496</u>
	92,518	1,212,489
<b>LOANS PAYABLE</b> (note 9)	476,000	60,000
<b>REDEEMABLE PREFERENCE SHARES</b> (note 10)	<u>7,938,350</u>	<u>8,037,486</u>
	<u>8,506,868</u>	<u>9,309,975</u>
<b>MEMBERS' EQUITY</b>		
Membership shares (note 10)	96,400	92,250
Restricted reserve (note 14)	169,798	120,435
Retained earnings	<u>236,082</u>	<u>153,566</u>
	<u>502,280</u>	<u>366,251</u>
	<u>\$ 9,009,148</u>	<u>\$ 9,676,226</u>

Approved on behalf of the Board:

*Brian Mitchell*

..... Director



..... Director

(See accompanying notes)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**YEAR ENDED AUGUST 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Solar power generation	\$ 656,079	\$ 669,624
Equipment lease (note 4)	150,000	150,000
Finance revenue	68,796	62,588
Consulting fees	61,614	14,019
Partnership income (note 4)	51,988	25,956
Dividend revenue (note 4)	22,500	21,500
Management fees (note 4)	17,064	16,208
Interest revenue (note 4)	<u>14,907</u>	<u>28,623</u>
	<u>1,042,948</u>	<u>988,518</u>
<b>Operating expenses</b>		
Solar project expenses	119,656	117,231
Other project expenses	<u>60,522</u>	<u>23,788</u>
	<u>180,178</u>	<u>141,019</u>
<b>Net operating income</b>	<u>862,770</u>	<u>847,499</u>
<b>Other expenses</b>		
Contracted services (note 4)	52,011	35,262
Salaries and benefits	25,917	39,901
Professional fees	26,901	25,746
Interest	12,858	18,428
Office costs	10,198	10,862
Insurance	8,368	7,539
Bad debts (recovery)	-	(5,099)
Non-recoverable HST	<u>-</u>	<u>924</u>
	<u>136,253</u>	<u>133,563</u>
<b>Amortization</b>	<u>359,286</u>	<u>359,262</u>
<b>Net income before items below</b>	367,231	354,674
<b>Other revenue - grant revenue (note 9)</b>	36,500	17,720
<b>Loss from insurance costs</b>	<u>(15,000)</u>	<u>-</u>
<b>Net income</b>	388,731	372,394
<b>Retained earnings at beginning of year</b>	<u>153,566</u>	<u>44,054</u>
	542,297	416,448
<b>Dividends</b>	(256,852)	(153,447)
<b>Transfer to restricted reserve (note 14)</b>	<u>(49,363)</u>	<u>(109,435)</u>
<b>Retained earnings at end of year</b>	<u>\$ 236,082</u>	<u>\$ 153,566</u>

(See accompanying notes)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED AUGUST 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 388,731	\$ 372,394
Adjustment for:		
Amortization	<u>359,286</u>	<u>359,262</u>
	748,017	731,656
Changes in level of:		
Accounts receivable	(17,215)	(68,841)
Prepaid expenses	1,524	44,601
Government remittances receivable	145,422	(6,112)
Accounts payable and accrued liabilities	(44,792)	(33,840)
Government remittances payable	21,278	3,496
Purchase of equipment for leasing	-	(523,117)
Proceeds from investment in lease	<u>38,503</u>	<u>52,988</u>
	<u>892,737</u>	<u>200,831</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of long-term investments - net	<u>(574,525)</u>	<u>(628,894)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance of loans	476,000	560,000
Repayment of loans payable	(1,156,457)	(285,649)
Repayment (advances) on loans to related parties	(289,593)	122,108
Repayment of return on capital on preference shares	(310,134)	(148,394)
Issuance of preference shares	211,000	934,000
Issuance of membership shares	4,150	4,500
Dividends paid	<u>(256,852)</u>	<u>(153,447)</u>
	<u>(1,321,886)</u>	<u>1,033,118</u>
<b>INCREASE (DECREASE) IN CASH</b>	(1,003,674)	605,055
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,442,507</u>	<u>837,452</u>
<b>CASH AT END OF YEAR</b>	\$ <u>438,833</u>	\$ <u>1,442,507</u>

(See accompanying notes)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2022**

**1. NATURE OF OPERATIONS**

The Corporation is a for-profit corporation incorporated under subsection 6(1) of the Ontario Co-operative Corporations Act on September 3, 2010. Ottawa Renewable Energy Co-operative Inc. ("OREC") generates electricity from renewable energy sources and sells the electricity as generator. OREC also generates revenue through energy efficiency and solar power generation equipment purchased and installed by the Corporation and leased to local businesses and institutions. The Corporation also provides consulting services on energy saving opportunities available through equipment retrofits.

On April 1, 2022, the Corporation amalgamated with CoEnergy Ontario Co-operative Inc., an entity with a consistent membership base. The amalgamated Corporation is continuing operations under the name Ottawa Renewable Energy Co-operative Inc. The financial statements for the year ended August 31, 2022 have been prepared on the basis that both corporations had always been combined.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

*Amalgamation*

The financial statements have been prepared based on the continuity of interests principle with respect to CoEnergy Ontario Co-operative Inc. and Ottawa Renewable Energy Co-operative Inc. This principle requires the continuing entity, OREC, to report the current and comparative financial statements as if the two entities had been combined since inception. All assets and liabilities of CoEnergy Ontario Co-operative Inc. were transferred to OREC on amalgamation.

*Revenue recognition*

Solar power generation revenue, which includes solar revenue sold to the grid or directly to project hosts, and related equipment lease and management fees, is recognized when services are performed and collection is reasonably assured.

Interest revenue is recognized on an accrual basis.

Partnership income is recognized quarterly based on the statements produced at the partnership level net of any reserves held back by the partnership.

Dividend income is recognized as revenue when dividends are declared.

Finance income related to direct financing leases is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received for projects and future services are deferred until the service is provided and related expenses are incurred.

Consulting fees are recognized when the services have been provided and collection is reasonably assured.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED AUGUST 31, 2022**

**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Joint controlled assets*

The Corporation owns interests in jointly controlled assets. The Corporation records its proportionate interest in assets and liabilities on the balance sheet as well as its share of revenue and expenses incurred by the joint arrangement on the statement of income.

*Long-term investments*

Long-term investments include investments in other companies and partnerships subject to significant influence. The Corporation applies the cost method of accounting for these long-term investments. The investments are carried at cost and the net earnings of the investments are reflected in the determination of the net earnings of the Corporation only to the extent of income received or receivable.

*Financial instruments*

The Corporation's cash is measured at fair value. All other financial instruments are initially recognized at fair value and are subsequently measured at amortized cost at the balance sheet date. Transaction costs associated with items measured at fair value at the financial statement date are expensed as incurred.

*Income tax*

The Corporation uses the taxes payable method of accounting for income taxes. Under this method, a provision is only made for taxes payable in the current period in accordance with the rules by taxation authorities. No amount is recorded for the effects of future income tax assets and liabilities.

*Property, equipment and amortization*

Equipment is recorded at cost less accumulated amortization. The cost of equipment, including carrying costs directly attributable to the acquisition such as interest costs, less the estimated residual value (if any) is amortized straight-line over its estimated useful life of 20 years.

*Use of estimates*

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Management makes accounting estimates when determining the net realizable value of accounts receivable and loans receivable, the estimated useful life of equipment, any impairment of net investment in leases and the amount of accrued liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements for changes in these estimates in future periods could be material.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED AUGUST 31, 2022**

**3. FINANCIAL INSTRUMENTS**

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risks exposure and concentrations. There have been no significant changes in the Corporation's risk exposures from the prior year.

*Credit risk*

Credit risk is the risk that parties will cause financial loss by failing to discharge their obligations. The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Corporation's cash, accounts receivable, loans to related parties and net investment in lease give rise to credit risk.

The Corporation's cash is held with reputable financial institutions and as a result, management believes the risk of loss on this item to be unlikely. The Corporation's management believes the credit risk with respect to accounts receivable, loans receivable and net investment in lease is limited. The Corporation mitigates credit risk with vigilant collection practices for its small customer base, having well established lending policies in place and by limiting its exposure to any one entity to which it extends credit. Management also monitors operations of related parties.

Management believes that its accounts and loans receivable are secure and therefore will be collected. The Corporation has not provided for any other uncollectable amounts. The Corporation's exposure to credit risk for its net investment in lease is represented by its value on the balance sheet. The Corporation mitigates this risk by having well established lending policies in place and by limiting its exposure to any one lessee.

*Liquidity risk*

Liquidity risk is the risk that the Corporation is unable to meet financial obligations as they become due by not being able to liquidate assets in a timely manner. The Corporation manages this risk by establishing budgets and cash estimates to ensure it has funds available to fulfil its obligations.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation is not subject to market risk.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. Substantially all of the Corporation's transactions are denominated in Canadian dollars and as a result, the Corporation is not subject to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Corporation does not hold any investments subject to interest at market rates, nor does it carry any debt financial instruments that bear interest at variable rates. As such, the Corporation is not exposed to significant interest rate risk.

iii) *Other price risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market. As the Corporation does not have financial instruments that are quoted in an active market, management does not believe the Corporation is exposed to significant other price risk.

OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2022

4. RELATED PARTY TRANSACTIONS

Certain management, directors and members of their immediate family are owners of preference shares of the Corporation. During the year, dividends were paid on these preference shares at fair market value, which is the same rate as the amounts paid to non-related party preference shareholders.

*Apricity Renewables*

The Corporation is related to Apricity Renewables by virtue of having a common director. During the fiscal year, the Corporation hired Apricity Renewables as a third party engineer for various projects in construction for a total of \$500 plus HST (2021 - \$1,524 plus HST). These transactions were recorded at the exchange amount.

*AP Muni P3 Limited Partnership*

The Corporation has an agreement with AP Muni P3 Limited Partnership (the "Partnership"), of which the Corporation owns 5,100 of a total 10,004 Class A units and 4,900 of a total 10,000 Class B units. The Corporation's proportionate share of the Partnership's income, net of reserves held by the partnership, during the 2022 fiscal year was \$7,308 (2021 - \$25,956).

The Corporation leases equipment to the Partnership at a rate of \$12,500 per month, for a total of \$150,000 in the fiscal year (2021 - \$150,000).

On April 12, 2017 the Corporation entered into a loan agreement with the Partnership. The loan bears interest at a rate of 6.5% interest per annum, payable in blended monthly payments of \$2,044. Total interest earned as a result of this loan in the fiscal year was \$14,309 (2021 - \$15,035). At year end, the balance of the loan receivable from the Partnership was \$215,900 (2021 - \$226,121).

All transactions with the Partnership were recorded at the exchange amount agreed upon by the related parties.

*10671401 Canada Inc.*

The Corporation is related to 10671401 Canada Inc. through share ownership. Under the shareholders' agreement, the Corporation is entitled to management fees which totalled \$6,296 in the year (2021 - \$6,143) and which were recorded at the exchange amount. The Corporation also received dividends of \$22,500 in the year (2021 - \$21,500) from 10671401 Canada Inc.

As of August 31, 2022, there is a loan receivable from 10671401 Canada Inc. in the amount of \$649,860 (2021 - \$692,360). This loan has no specified repayment terms and is non-interest bearing.

*907418 Ontario Inc*

The Corporation is related to 907418 Ontario Inc. by virtue of the fact that a director is also a co-owner of 907418 Ontario Inc. The Corporation has a lease agreement with 907418 Ontario Inc. for the use of a rooftop where the Corporation has installed solar panels used to produce solar power generation revenue. The lease agreement obligates the Corporation to share a proportion of those revenues with 907418 Ontario Inc. During the 2022 fiscal year, 907418 Ontario Inc.'s share of solar income derived from this agreement was \$1,546 (2021 - \$1,515). These transactions are in the normal course of operations and are recorded at the exchange amount.



**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED AUGUST 31, 2022**

**4. RELATED PARTY TRANSACTIONS - Cont'd.**

*ASM Solar G1 LP*

The Corporation is related to ASM Solar G1 LP through their role as General Partner. Through the partnership agreement, the Corporation is entitled to management fees, which totalled \$5,247 in the year (2021 - \$5,119) and which were recorded at the exchange amount.

*OREC-Smith Solar JV Inc.*

The Corporation is a shareholder of OREC-Smith Solar JV Inc. ("Smith JV"). The Corporation has a loan receivable from Smith JV in the amount of \$105,836 (2021 - \$118,586). This loan has no specified repayment terms and is non-interest bearing.

During the year, the Corporation received management fees in the amount of \$500 (2021 - \$500) which were recorded at the exchange amount.

*Jazz Miigwetch II LP*

The Corporation is related to Jazz Miigwetch II LP through their role as General Partner. The Corporation has a loan receivable from Jazz Miigwetch II LP in the amount of \$355,064 (2021 - \$nil). This loan has no specified repayment terms and is non-interest bearing. The Corporation's proportionate share of the Partnership's income, net of reserves held by the partnership, during the 2022 fiscal year was \$44,680 (2021 - \$nil).

*2825411 Ontario Inc.*

The Corporation is related to 2825411 Ontario Inc. through share ownership. During the year, 2825411 Ontario Inc. declared a return of capital of \$70,000 (2021 - \$nil) to the Corporation, which is included in accounts receivable at year-end.

**5. LOANS TO RELATED PARTIES**

The issued loans to related parties are as follows (please refer to note 4 for further information for each relationship):

	<u>2022</u>	<u>2021</u>
AP Muni P3 Limited Partnership - bears interest at 6.5%, repayable in blended monthly payments of \$2,044	\$ 215,900	\$ 226,121
10671401 Canada Inc. - non-interest bearing, no specified repayment terms	649,860	692,360
OREC-Smith Joint Venture Inc. - non-interest bearing, no specified repayment terms	105,836	118,586
Jazz Miigwetch II LP - non-interest bearing, no specified repayment terms	<u>355,064</u> 1,326,660	<u>-</u> 1,037,067
	<u>(10,809)</u>	<u>(10,131)</u>
Less: current portion	<u>\$ 1,315,851</u>	<u>\$ 1,026,936</u>

OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2022

6. NET INVESTMENT IN LEASE

The Corporation has entered into several direct finance lease agreements as a lessor of energy efficiency and solar power generation equipment on a lease-to-own basis with rates of return of between 7.5% and 9.74%.

	<u>2022</u>	<u>2021</u>
2022	\$ -	\$ 77,886
2023	118,597	118,597
2024	94,700	94,700
2025	90,977	90,977
2026	94,507	94,507
2027	68,995	68,995
2028	66,843	66,843
2029	68,295	68,295
2030	69,738	69,738
2031	71,174	71,174
2032	68,742	68,742
2033	55,030	55,030
2034	56,330	56,330
2035	57,826	57,826
2036	59,102	59,102
2037	74,874	74,874
2038	76,302	76,302
2039	77,915	77,915
2040	79,531	79,531
2040	<u>9,535</u>	<u>9,535</u>
Total minimum lease payments receivable	1,359,013	1,436,899
Unearned income	<u>(649,231)</u>	<u>(688,612)</u>
Net investment in lease	709,782	748,287
Less: current portion net investment in lease	<u>(67,457)</u>	<u>(38,505)</u>
Long-term portion net investment in lease	<u>\$ 642,325</u>	<u>\$ 709,782</u>

The Corporation has assessed that there were no deficient balances in the year and therefore has not recorded any writedowns or allowances to the net investment in leases.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED AUGUST 31, 2022**

**7. LONG-TERM INVESTMENTS**

The Corporation owns interests in the following long-term investments:

	<u>2022</u>	<u>2021</u>
OREC-Smith Joint Venture Inc., 49 of 100 Class A voting shares, 51 of 100 Class B non-voting shares	\$ 100	\$ 100
AP Muni P3 Limited Partnership, 5,100 of 10,004 Class A Units and 4,900 of 10,000 Class B Units	38,000	38,000
10671401 Canada Inc., 100 of 200 Common shares and 50 of 100 Class A shares	150	150
ASM Solar G1 Limited Partnership, 4 of 10,004 Class A Units	1	1
2825411 Ontario Inc., 940,695 of 1,881,390 Common shares	975,633	-
Jazz Miigwetch II LP, 2,550 of 5,000 Class A Units and 2,450 of 5,000 Class B Units	<u>324,357</u>	<u>-</u>
	1,338,241	38,251
Deposit on investment in 2825411 Ontario Inc.	<u>-</u>	<u>725,465</u>
	<u>\$ 1,338,241</u>	<u>\$ 763,716</u>

Management does not estimate there to be any impairment on the above investments and as such has not recognized an impairment allowance.

**8. PROPERTY AND EQUIPMENT**

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Solar equipment	\$ 5,188,574	\$ 1,559,052	\$ 5,188,574	\$ 1,299,949
Solar equipment - CECCE*	910,535	338,299	910,535	292,488
Solar equipment - CSE*	<u>1,066,709</u>	<u>497,070</u>	<u>1,066,709</u>	<u>442,698</u>
	7,165,818	<u>\$ 2,394,421</u>	7,165,818	<u>\$ 2,035,135</u>
Accumulated amortization		<u>2,394,421</u>		<u>2,035,135</u>
		<u>\$ 4,771,397</u>		<u>\$ 5,130,683</u>

\* The Corporation holds a 50% interest in these assets through joint arrangements with Conseil des écoles catholiques du Centre-Est ("CECCE") and Clearly Solar Energy Inc. ("CSE").

OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED AUGUST 31, 2022

9. LOANS PAYABLE

	<u>2022</u>	<u>2021</u>
Canada Emergency Business Account (CEBA) Loan	\$ -	\$ 100,000
Various five-year notes payable to members with annual interest payments at a rate of 3% maturing on April 30, 2027 to be settled in a lump sum payment on that date	476,000	-
Various five-year notes payable to members with annual interest payments at a rate of 3% and various maturity dates ranging from January to April 2022	-	550,000
Two promissory notes payable of \$250,000, bearing interest at 10%, with principal and interest due in June 2022	-	500,000
Alterna Savings loan - matures on May 16, 2022; bears interest at 5.45%, payable in 9 blended monthly payments of \$772	-	6,457
	<u>476,000</u>	<u>1,156,457</u>
Less: current portion	<u>-</u>	<u>(1,096,457)</u>
	<u>\$ 476,000</u>	<u>\$ 60,000</u>

*Canada Emergency Business Account (CEBA) Loan*

The CEBA program was launched by the Government of Canada to provide financing to qualifying small business and not-for-profit organizations to ease the financial strain experienced as a result of the COVID-19 pandemic.

Loans of \$100,000 which were non-interest bearing, unsecured and guaranteed by the Government of Canada loan were provided by Desjardins. A balance of \$20,000 was forgiven as the loans were fully repaid by December 31, 2022. Included in grant revenue is the \$20,000 forgivable portion of the loan that was recognized during the year.

*Credit facilities*

The Corporation has an operating line of credit with Caisse Desjardins Ontario Enterprises, authorized to a maximum of \$250,000 at a rate of 6.20%, none of which was used at year end (2021 - \$nil). The line of credit is secured by a first ranking general security agreement over the assets of the Corporation.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED AUGUST 31, 2022**

**10. PREFERENCE AND MEMBERSHIP SHARES**

*Authorized:*

- 20,000 Membership Shares at a par value of \$50 each - voting
- 18,000 Class A Preference Shares at a par value of \$500 each - non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors
- 20,000 Class B Preference Shares at a par value of \$500 each- non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors
- 20,000 Class C Preference Shares at a par value of \$500 each- non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors
- 20,000 Class D Preference Shares at a par value of \$500 each- non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors
- 20,000 Class E Preference Shares at a par value of \$500 each- non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors
- 20,000 Class F Preference Shares at a par value of \$500 each- non-voting, redeemable at the option of the holder and redeemable by the Corporation at their par value plus any accrued unpaid dividends less any return of capital paid out, non-cumulative dividends as and when declared by Directors

	<u>2022</u>	<u>2021</u>
<i>Membership Shares issued and reported as equity:</i>		
1,928 Membership Shares (2021 - 1,049 shares)	\$ <u>96,400</u>	\$ <u>92,250</u>
<i>Preference Shares issued and reported as debt:</i>		
1,431.50 Class A Series 1 Preference Shares (2021 - 1,561.64)	\$ 715,751	\$ 780,819
2,166.67 Class A Series 2 Preference Shares (2021 - 2,333.33)	1,083,333	1,166,667
2,482.67 Class A Series 3 Preference Shares (2021 - 2,660.00)	1,241,333	1,330,000
2,045.87 Class A Series 4 Preference Shares (2021 - 2,192.00)	1,022,933	1,096,000
2,877.00 Class A Series 5 Preference Shares (2021 - 2,877.00)	1,438,500	1,438,500
1,719.00 Class A Series 6 Preference Shares (2021 - 1,719.00)	859,500	859,500
2,100.00 Class B Series 1 Preference Shares (2021 - 1,678.00)	1,050,000	839,000
864.00 Class C Series 1 Preference Shares (2021 - 864.00)	432,000	432,000
190.00 Class D Series 1 Preference Shares (2021 - 190.00)	<u>95,000</u>	<u>95,000</u>
	\$ <u>7,938,350</u>	\$ <u>8,037,486</u>

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED AUGUST 31, 2022**

**10. PREFERENCE AND MEMBERSHIP SHARES - Cont'd.**

*Return of capital*

The following amounts were paid as return of capital:

	<u>2022</u>	<u>2021</u>
Class A Series 1	\$ 65,067	\$ 65,061
Class A Series 2	83,333	83,333
Class A Series 3	88,667	-
Class A Series 4	<u>73,067</u>	<u>-</u>
	<u>\$ 310,134</u>	<u>\$ 148,394</u>

Additional return of capital scheduled to be paid in the next five years is as follows:

2023	\$ 310,133
2024	406,033
2025	544,103
2026	544,103
2027	544,103

**11. COMMITMENTS**

The Corporation is committed under several lease agreements relating to the use of roofs for the installation of solar panels for which the annual minimum lease payments vary from \$800 to \$15,000. For certain contracts, the minimum lease payment is calculated as a percentage of revenue for that project, ranging from 5% to 9% of revenues for the year.

The terms of the leases vary from a minimum of 20 years to a maximum of 20 years and 6 months, with the earliest commencing on November 15th, 2012 and the latest expiring on July 31, 2037. The minimum lease payments due in the next five years, not including variable payments based on solar generation revenues, are \$41,625 per year.

**12. INCOME TAXES PAYABLE**

A reconciliation of the combined federal and provincial income tax rate with the effective income tax rate is outlined below:

	<u>2022</u>	<u>2021</u>
Net income	\$ 388,731	\$ 372,394
Statutory tax rate	<u>12.2%</u>	<u>12.2%</u>
Expected income tax cost (recovery)	47,425	45,432
Capital cost allowance in excess of amortization	(41,835)	(38,897)
Lease payments in excess of income recognized	12,737	4,926
Non-capital losses applied	-	(5,703)
Deduction for taxable dividends received	(2,745)	(2,623)
Partnership income differences	(4,629)	(3,167)
Forgiveness of debt differences	(7,381)	-
Other items	<u>(3,572)</u>	<u>32</u>
Income tax payable	<u>\$ -</u>	<u>\$ -</u>

13. **SUBSEQUENT EVENTS**

*Declaration of dividends*

The Board declared a 3.85% dividend to be paid to Class A, Class B and Class C preference shareholders subsequent to year end. The aggregate amount of dividends to be paid is \$301,969.

14. **RESTRICTED RESERVE**

In accordance with the OREC Dividend and Reserve Policy established in November 2020, a contingency reserve has been set up for equipment removal and replacement cost commitments provided for in some of the Corporation's site lease agreements. This reserve is also being built up over time for the purpose of covering the replacement of inverters used in the Corporation's solar projects, which management has estimated will likely need to be replaced during the course of each project's 20-year contract. In the current fiscal year, management allocated \$49,363 into the restricted reserve (2021 - \$109,435).

15. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

**AUDITOR'S CONSENT**

We consent to the use of our audit report dated November 26, 2022 to the members of Ottawa Renewable Energy Co-operative Inc. (the "Co-operative") on the financial statements of the Co-operative as at August 31, 2022.

Collectively, these financial statements comprise the balance sheet as at August 31, 2022, the statement of income and retained earnings, statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

Our consent is limited to the use of these reports in the offering document of the Co-operative dated August 29, 2023 relating to the planned issuance of shares and promissory notes of the Co-operative.

*Welch LLP*

**Welch LLP**  
August 29, 2023



# APPENDIX C

Appendix C - OREC Cash Flow Forecast (with \$5,000,000 additional capital raised and invested)																		
Item	200F	201F	202F	203F	204F	205F	206F	207F	208F	209F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	
Actual	Actual	Actual	Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>Solar PV Revenues (18 directly owned/co-owned sites)</b>	\$681,886	\$704,421	\$699,210	\$772,425	\$1,001,935	\$1,000,593	\$999,417	\$998,435	\$997,666	\$996,852	\$996,288	\$985,561	\$858,754	\$757,689	\$712,449	\$667,872	\$399,718	\$383,027
Dividends (from 3 sites co-owned via separate entities)	24,050	21,500	22,500	22,900	21,983	21,601	20,535	19,153	17,741	16,496	15,455	14,298	12,987	11,638	10,292	8,915	8,530	7,859
<b>Net Partnership Income (from 2 sites co-owned via separate entities)</b>	16,719	25,956	51,988	38,446	84,572	92,399	90,385	88,352	66,131	59,015	56,918	54,797	72,818	75,688	73,488	73,381	41,566	26,052
<b>Management Income (6 co-owned sites managed by OREC)</b>	13,341	16,207	17,063	17,818	18,548	19,094	19,613	20,147	20,697	21,263	21,845	22,443	23,058	23,692	24,344	22,503	21,106	21,734
<b>Lease Income (solar equipment leased to three co-owned sites)</b>	150,000	157,932	164,765	164,413	162,595	160,718	158,749	156,379	153,744	150,888	147,784	144,407	140,498	130,546	147,254	143,447	139,487	95,646
<b>Interest Income - Solar (loan to co-owned entity)</b>	14,566	15,035	14,309	13,221	12,997	12,225	11,401	10,521	9,585	8,582	7,514	6,375	5,159	3,861	2,477	1,000	16	0
<b>Interest Income - Capital Leases (building efficiency capital, Corenergy)</b>	22,340	23,207	17,048	12,281	8,306	5,811	3,250	1,414	1,128	852	555	235	6	0	0	0	0	0
<b>Other Interest Income: 1.00%</b>	4,823	1,401	598	6,334	-	2,641	4,616	6,135	2,949	3,449	-	-	195	1,335	-	-	-	753
<b>Other Income (including government grants, nonbuilding energy government)</b>	39,346	43,937	88,114	1,100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUES (current investments)</b>	\$966,991	\$1,009,586	\$1,008,596	\$1,048,638	\$1,310,827	\$1,315,082	\$1,307,966	\$1,300,531	\$1,269,931	\$1,285,397	\$1,285,739	\$1,148,116	\$1,130,077	\$1,022,449	\$969,404	\$817,118	\$610,424	\$394,647
<b>REVENUES Generated by New Investments (Contingency included)</b>	\$966,991	\$1,009,586	\$1,008,596	\$1,048,638	\$1,310,827	\$1,315,082	\$1,307,966	\$1,300,531	\$1,269,931	\$1,285,397	\$1,285,739	\$1,148,116	\$1,130,077	\$1,022,449	\$969,404	\$817,118	\$610,424	\$394,647
<b>OPERATING EXPENSES (Directly owned/co-owned/renovatable energy sites)</b>	\$29,821	\$21,529	\$25,410	\$68,048	\$111,238	\$114,575	\$118,013	\$125,199	\$128,955	\$132,824	\$132,824	\$116,749	\$120,251	\$119,855	\$119,184	\$115,297	\$107,346	\$107,560
OMM	17,619	15,890	14,684	25,474	37,829	38,964	41,337	42,577	43,854	45,170	46,525	47,920	47,817	47,815	47,815	46,652	40,084	39,933
Metering	32,715	32,207	34,646	41,734	59,811	56,503	59,327	62,294	68,678	72,112	75,719	79,504	76,012	76,012	76,012	76,012	76,012	76,012
Insurance	50,241	49,901	49,876	59,475	59,427	59,359	59,340	59,340	59,340	59,340	59,340	59,340	59,340	59,340	59,340	59,340	59,340	59,340
Site Lease	1,041	1,052	1,189	1,052	1,287	1,361	1,406	1,482	1,571	1,650	1,615	1,615	1,615	1,615	1,615	1,615	1,615	1,615
Admin.	\$131,439	\$120,579	\$125,079	\$190,171	\$275,619	\$283,130	\$290,921	\$299,006	\$307,394	\$316,098	\$325,134	\$310,547	\$319,478	\$311,493	\$303,224	\$278,078	\$229,851	\$226,821
<b>OPERATING EXPENSES (current invest)</b>	\$885,452	\$889,007	\$899,791	\$888,667	\$1,035,257	\$1,031,953	\$1,017,045	\$969,437	\$969,299	\$962,137	\$960,605	\$877,570	\$810,599	\$710,956	\$666,080	\$539,040	\$380,372	\$307,826
<b>NET OP. INCOME (current investments)</b>	\$837,539	\$120,579	\$108,517	\$159,971	\$283,570	\$283,107	\$290,921	\$338,434	\$318,692	\$318,260	\$325,104	\$277,546	\$319,478	\$311,493	\$303,224	\$278,078	\$229,851	\$226,821
<b>OPERATING EXPENSES from New Investments (replace reserves)</b>	\$837,539	\$120,579	\$108,517	\$159,971	\$283,570	\$283,107	\$290,921	\$338,434	\$318,692	\$318,260	\$325,104	\$277,546	\$319,478	\$311,493	\$303,224	\$278,078	\$229,851	\$226,821
<b>TOTAL NET OPERATING INCOME</b>	\$837,539	\$120,579	\$108,517	\$159,971	\$283,570	\$283,107	\$290,921	\$338,434	\$318,692	\$318,260	\$325,104	\$277,546	\$319,478	\$311,493	\$303,224	\$278,078	\$229,851	\$226,821
<b>Overheads</b>	\$50,713	19,461	20,028	90,844	161,270	166,108	171,092	176,224	181,511	186,956	192,555	161,678	163,528	165,434	167,397	169,419	171,502	173,647
Wages & Benefits	39,936	35,500	32,124	28,336	34,003	40,804	42,289	43,289	44,587	45,925	47,308	42,027	42,414	42,656	42,936	43,254	43,611	44,010
Accounting	12,000	15,000	11,330	12,700	13,937	15,311	15,791	16,264	16,732	17,255	17,772	18,306	18,855	19,420	20,003	20,603	21,221	21,858
Legal	5,920	5,426	8,817	6,468	7,115	7,826	8,061	8,303	8,552	8,808	9,073	8,273	8,273	8,273	8,273	8,273	8,273	8,273
Insurance	5,016	7,539	8,368	9,819	11,742	11,279	11,843	12,436	13,057	13,710	14,396	15,116	15,871	16,665	17,498	18,373	19,292	20,256
Communications and Outreach	2,641	933	930	930	20,600	20,600	21,218	21,818	22,428	23,040	23,654	24,280	24,920	25,565	26,215	26,870	27,530	28,200
Office and IT Costs (including banking)	17,310	9,139	9,546	9,580	18,819	13,204	13,600	14,008	14,428	14,851	15,277	15,766	16,239	16,726	17,228	17,745	18,277	18,826
Interest (Bank: 5.0% Notes: 3.0-3.5%)	27,692	16,377	11,134	13,980	24,280	34,280	44,280	54,280	64,280	74,280	84,280	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Business Development	27	0	2,713	5,280	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	924	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Less Capitalized portion Overheads</b>	43,686	52,011	86,785	2,322	(50,000)	2,711	2,847	1,414	1,128	852	555	0	0	0	0	0	0	0
<b>Additional Contingency Expenses</b>	\$504,940	\$162,449	\$196,774	\$207,267	\$290,719	\$362,743	\$347,977	\$311,458	\$306,166	\$309,672	\$316,434	\$178,973	\$184,225	\$194,649	\$196,251	\$221,622	\$199,268	\$199,194
<b>TOTAL OVERHEAD EXPENSES</b>	\$46,743	(5,099)	15,000	2,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Expense Contingency</b>	\$358,871	\$359,262	\$359,286	\$380,390	\$561,762	\$726,345	\$726,345	\$726,345	\$726,345	\$726,345	\$726,345	\$565,501	\$565,501	\$565,501	\$565,501	\$565,501	\$565,501	\$565,501
<b>Write-down of Investments (end-of-life)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>INCOME TAXES</b>	589,976	739,222	746,271	664,282	956,978	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840	1,288,840
<b>Income Tax (12.2%, 26.5% &gt; \$500,000)</b>	7,000	73,435	29,363	11,790	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943	52,943
<b>Replacement Reserve Addition</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Replacement Reserve Used</b>	2,000	38,000	20,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
<b>Additional Revenues</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0



# APPENDIX D

## OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.

### 3.5% FIVE-YEAR MEMBER INVESTMENT NOTE

FOR VALUE RECEIVED, Ottawa Renewable Energy Co-operative Inc. (the "Borrower"), promises to pay or cause to be paid to \_\_\_\_\_ (the "Lender") the principal sum of \$\_\_\_\_\_.00 plus interest of 3.5% per annum calculated and paid at the end of each year (the "Principal Sum + Interest) as outlined in the attached Term Sheet.

The principal amount plus any outstanding Interest shall be due and payable on the fifth anniversary of this Note.

The Borrower may prepay the whole or any part of the amount payable under this Investment Note at any time and from time to time, without notice, penalty, or bonus.

Notwithstanding anything to the contrary in this Note, if the Borrower defaults in the performance of any obligation under this Note, then the Lender may declare the principal amount owing and interest due under this Note at that time to be immediately due and payable.

If any term, covenant, condition or provision of this Note is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Note will in no way be affected, impaired or invalidated as a result.

Time is of the essence of this Member Investment Note

This Member Investment Note shall be governed by and construed in accordance with the laws of the province of Ontario and the laws of Canada applicable therein.

IN WITNESS, this Member/Non-Member Investment Note has been made and delivered as of the \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

SIGNED, SEALED AND DELIVERED

Ottawa Renewable Energy Co-operative

In the presence of:

\_\_\_\_\_  
President

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Treasurer

## Member Investment Note Term Sheet

### **Payment schedule for interest and principal sum:**

- **Term Commencement Date:**

Last day of the month in which the Lender pays the Principal Sum to, and it is received by, the Ottawa Renewable Energy Co-operative.

- **Annual Anniversaries:**

Ottawa Renewable Energy Co-operative pays Lender annual interest of 3.5% within two (2) weeks of the annual anniversary of Term Commencement Date for the subsequent five years.

- **Principal Sum repayment:**

Ottawa Renewable Energy Co-operative pays Lender the Principal Sum within two (2) weeks of the fifth annual anniversary, unless a subsequent agreement is made between the Parties waiving the Principal Sum return.



# APPENDIX E

## Local Solar Investment – Series 10 SUBSCRIPTION FORM – CLASS E

**For office use only:**

PS    PS RRSP    PS TFSA

PS RESP    MIN    NON-MIN

To: Ottawa Renewable Energy Co-operative (the 'Co-operative')

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

The undersigned is a member of the Ottawa Renewable Energy Co-operative who wishes to support the Co-operative's investments in renewable energy generation and building energy efficiency. In support of that, the undersigned subscribes:

Share Price	Number of Shares (Minimum 5)	Total Purchase Amount	Make Payment Payable to:
\$500		\$	Ottawa Renewable Energy Co-operative

**SECTION B – CLASS E PREFERENCE SHARE (REGISTERED – RRSP OR TFSA)**

The undersigned is a member of the Ottawa Renewable Energy Co-operative who wishes to support the Co-operative's investments in renewable energy generation and building energy efficiency. In support of that, the undersigned subscribes:

Share Price	Number of Shares (Minimum 10)	Total Purchase Amount	Registered Account	Make Payment Payable to:
\$500		\$	<input type="checkbox"/> RRSP <input type="checkbox"/> RRSP Spousal <input type="checkbox"/> TFSA	Canadian Worker's Co-operative Federation

**SECTION C – PLEASE READ**

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

- is aware that the Shares or Notes are being sold under an Offering Statement and acknowledges that the undersigned is not acquiring the Shares or Notes as a result of any information about the affairs of the Co-operative that is not generally known to the public;
- 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 Notes and further acknowledges that the undersigned is aware of and understands its contents including the "Risk Factors" section contained therein;
- 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;
- 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;
- understands that, if Preference Shares are purchased through an RRSP, currently there is no RRIF option available to convert the shares when members turn 71; therefore, the par value of the shares and any dividends accrued in the RRSP will need to be declared as income that year; and
- understands that, if the Preference Shares are purchased through an RRSP, currently the shares are not eligible for the First Time Homebuyers Program.

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

- the undersigned is purchasing the Shares or Note as principal;
- the undersigned is a resident of Canada;
- the undersigned is a member of the Co-operative;
- 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;
- 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 D – INVESTOR INFORMATION**

The said Shares or Notes are to be registered as follows:

<b>Name:</b> <i>(please print)</i>	_____	<b>Social Insurance Number:</b>	_____
<b>Address:</b>	_____	<b>Date of Birth:</b> <i>(YYYY-MM-DD)</i>	_____
<b>Postal Code:</b>	_____		
<b>City:</b>	_____	<b>Email Address:</b>	_____
<b>Province:</b>	_____	<b>Phone (Home):</b>	_____
<b>Country:</b>	_____	<b>Phone (Cell):</b>	_____

**SECTION E – EMERGENCY/SECONDARY CONTACT**

<b>Name:</b> <i>(please print)</i>	_____	<b>Email:</b>	_____
		<b>Phone Number:</b>	_____
<b>Address:</b>	_____	<b>Relation:</b>	_____

**SECTION F - AUTHORIZATION**

<b>Signature of Subscriber</b>	_____	<b>Signature of Witness</b>	_____
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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

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 Notes 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.*



# APPENDIX F

## Local Solar Investment – Series 10

### SUBSCRIPTION FORM

#### 3.5% 5-YEAR MEMBER INVESTMENT NOTES

**For office use only:**

PS    PS RRSP    PS TFSA

PS RESP    MIN    NON-MIN

To: Ottawa Renewable Energy Co-operative (the 'Co-operative')

#### SECTION A – 3.5% 5-YEAR MEMBER INVESTMENT NOTES

The undersigned is a member of the Ottawa Renewable Energy Co-operative who wishes to support the Co-operative investments in renewable energy generation. In support of that, the undersigned subscribes:

Note Price	Total Purchase Amount <i>(Minimum \$5000)</i>	Make Cheque Payable to:
\$500	\$	Ottawa Renewable Energy Co-operative

#### SECTION B – PLEASE READ

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

- a) is aware that the Shares or Notes are being sold under an Offering Statement and acknowledges that the undersigned is not acquiring the Shares or Notes 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 Notes 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 no RRIF option available to convert the shares when members turn 71; therefore, the par value of the shares and any dividends accrued in the RRSP will need to be declared as income that year; and
- f) understands that, if the Preference Shares are purchased through an RRSP, currently the shares are not eligible for the First Time Homebuyers Program.

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

- a) the undersigned is purchasing the Shares or Notes as principal;
- b) the undersigned is a resident of Canada;
- c) the undersigned 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;
- 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 C – INVESTOR INFORMATION**

The said Shares or Notes are to be registered as follows:

<b>Name:</b> <i>(please print)</i>	_____	<b>Social Insurance Number:</b>	_____
<b>Address:</b>	_____	<b>Date of Birth:</b> <i>(YYYY-MM-DD)</i>	_____
<b>Postal Code:</b>	_____		
<b>City:</b>	_____	<b>Email Address:</b>	_____
<b>Province:</b>	_____	<b>Phone (Home):</b>	_____
<b>Country:</b>	_____	<b>Phone (Cell):</b>	_____

**SECTION D – EMERGENCY/SECONDARY CONTACT**

<b>Name:</b> <i>(please print)</i>	_____	<b>Email:</b>	_____
		<b>Phone Number:</b>	_____
<b>Address:</b>	_____	<b>Relation:</b>	_____

**SECTION E - AUTHORIZATION**

<b>Signature of Subscriber</b>	_____	<b>Signature of Witness</b>	_____
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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

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 Notes 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.*



Ottawa Renewable Energy Co-Operative Inc.  
L276-323 Coventry Road  
Ottawa, Ontario

August 29, 2023

Dear Sir/Madam:

**RE: Request for information from Canadian Worker Co-Op Federation**

Background

We are providing this letter in connection with a request made to you by Canadian Worker Co-Op Federation (“CWCF”) in respect of the status of preference shares issued by Ottawa Renewable Energy Co-Operative Inc. (“OREC” or the “Corporation”) as contemplated under certain sections of the *Income Tax Act* and its *Regulations*. We acknowledge that you have made certain representations to us supporting the assertions made in this letter.

The sections referred to by CWCF are:

- **4901 (2) of the *Regulations to the Income Tax Act*** – which defines the meaning of a specified co-operative corporation
- **4900 (14) (a) (iii) and (b) of the *Regulations to the Income Tax Act*** – which outlines characteristics for qualifying investments and prohibited investments
- By reference, **136(2) of the *Income Tax Act***, which defines the meaning of a co-operative corporation.
- **207.01(1) of the *Income Tax Act*** defines the meaning of prohibited investments
- **207.01(1) of the *Income Tax Act*** defines the meaning of excluded property

Our understanding is that CWCF is attempting to understand whether or not the Preference Shares, as issued by OREC, are eligible to be held in registered investment plans as “qualified investments”, specifically RRSPs, RRIFs and TFSAs, by reference to the Corporation as a “specified co-operative corporation”. We also understand that CWCF is attempting to confirm whether or not shares of the corporation are considered “prohibited investments”.

OREC has asserted that the Preference Shares are qualified investments and that OREC is currently a specified cooperative corporation and have asserted to us that, in their view, the Preference Shares have remained qualified investments since their issuance.

Our role is to provide an assessment against applicable provisions under the Act, based on assertions provided by the Corporation to us about the nature of the Corporation and various procedures agreed to in the terms of our engagement, such that CWCF can develop that understanding and meet its requirements, including its responsibilities to Concentra Trust, which acts as trustee of the CWCF Self-Directed Retirement Savings Plan.

We have not planned or performed an audit in respect of this assessment and accordingly provide no audit opinion. We offer no legal opinion or advice as to the legal status of the Corporation either under the *Income Tax Act* or under its governing legislation in the Province of Ontario. This letter does not constitute tax advice to the Corporation.

This letter is provided solely for the purposes of your assistance to CWCF in CWCF's establishment of whether preference shares of OREC are considered qualified investments for purposes of registered retirement investment plans as defined under the *Income Tax Act* of Canada. Our assessment is provided as of the date of this letter and should not be considered an opinion or assessment as to eligibility over a period of time.

This letter also does not constitute investment advice to any individual investor. It is the responsibility of the individual investor, and OREC representatives, to the extent that OREC advertises an investment as being a "qualifying investment", to make the appropriate determination at the time of the investment, and from time to time as necessary, as to whether the investment is considered a "prohibited investment" as contemplated under the *Income Tax Act* and its *Regulations*. OREC recognizes and acknowledges that any advertisement or representation to any external party that we have provided investment, tax, legal or other independent advice with the with respect to the status of shares in OREC is strictly prohibited under the terms of our engagement.

Relevant sections of the *Income Tax Act* and its *Regulations*

4901(2) of the Regulations to the Income Tax Act states:

***"specified cooperative corporation*** means

(a) a cooperative corporation within the meaning assigned by subsection 136(2) of the Act, or

(b) a corporation that would be a cooperative corporation within the meaning assigned by subsection 136(2) of the Act if the purpose described in that subsection were the purpose of providing employment to the corporation's members or customers; (*coopérative déterminée*)"

4900(14)(a)(iii) of the Regulations to the Income Tax Act states:

**"(14)** For the purposes of paragraph (d) of the definition *qualified investment* in subsection 146(1) of the Act, paragraph (e) of the definition *qualified investment* in subsection 146.1(1) of the Act, paragraph (c) of the definition *qualified investment* in subsection 146.3(1) of the Act and paragraph (c) of the definition *qualified investment* in subsection 207.01(1) of the Act, a property is prescribed as a qualified investment for a trust governed by a RESP, RRIF, RRSP or TFSA at any time if, at the time the property was acquired by the trust, the property

(a) was

(i) a share of the capital stock of a specified small business corporation,

(ii) a share of the capital stock of a venture capital corporation described in any of sections 6700 to 6700.2, or

(iii) a qualifying share in respect of a specified cooperative corporation and the RESP, RRIF, RRSP or TFSA; and

(b) was not a prohibited investment for the trust."

Section 136(2) of the Income Tax Act defines a co-operative corporation and states:

“(2) In this section, **cooperative corporation** means a corporation that was incorporated or continued by or under the provisions of a law, of Canada or of a province, that provide for the establishment of the corporation as a cooperative corporation or that provide for the establishment of cooperative corporations, for the purpose of marketing (including processing incident to or connected to the marketing) natural products belonging to or acquired from its members or customers, of purchasing supplies, equipment or household necessities for or to be sold to its members or customers or of performing services for its members or customers, if

(a) the statute by or under which it was incorporated, its charter, articles of association or by-laws or its contracts with its members or its members and customers held out the prospect that payments would be made to them in proportion to patronage;

(b) none of its members (except other cooperative corporations) have more than one vote in the conduct of the affairs of the corporation;

(c) at least 90% of its members are individuals, other cooperative corporations, or corporations or partnerships that carry on the business of farming; and

(d) at least 90% of its shares, if any, are held by members described in paragraph (c) or by trusts governed by registered retirement savings plans, registered retirement income funds, TFSAs or registered education savings plans, the annuitants, holders or subscribers under which are members described in that paragraph.”

Section 207.01(1) of the Income Tax Act defines a prohibited investment and states:

“**prohibited investment**, at any time for a trust governed by a registered plan, means property (other than excluded property for the trust) that is at that time

(a) a debt of the controlling individual of the registered plan;

(b) a share of the capital stock of, an interest in, or a debt of

- (i) a corporation, partnership or trust in which the controlling individual has a significant interest, or
- (ii) a person or partnership that does not deal at arm’s length with the controlling individual;

(c) an interest (or, for civil law, a right) in, or a right to acquire, a share, interest or debt described in paragraph (a) or (b); or

(d) prescribed property. (*placement interdite*)”

Section 207.01(1) of the Income Tax describes excluded property from the application of the prohibited investment rules and states:

**“excluded property**, at any time for a trust governed by a registered plan, means

- (c) equity of a corporation, partnership or trust (in this paragraph referred to as the “investment entity”) if at that time
- (i) the fair market value of the equity (in this paragraph referred to as the “arm’s length equity”) of the investment entity that is owned by persons who deal at arm’s length with the controlling individual of the registered plan is at least 90% of the fair market value of all the equity of the investment entity,
  - (ii) the total fair market value of the arm’s length equity and the debt of the investment entity that is owned by persons who deal at arm’s length with the controlling individual is at least 90% of the total fair market value of all the equity and debt of the investment entity,
  - (iii) the controlling individual, either alone or together with persons with whom the controlling individual does not deal at arm’s length, does not have the right to cast at least 10% of the votes, if any, that could be cast regarding the governance of the investment entity,
  - (iv) the specific terms and conditions of each share or unit of equity of the investment entity held by the trust governed by the registered plan are the same as, or substantially similar to, the terms and conditions of particular equity that is included in the arm’s length equity,
  - (v) the fair market value of the particular equity referred to in subparagraph (iv) is equal to at least 10% of the total fair market value of all equity of the investment entity having the specific terms and conditions referred to in subparagraph (iv) or terms and conditions that are substantially similar to those terms and conditions,
  - (vi) the controlling individual deals at arm’s length with the investment entity, and
  - (vii) it is reasonable to conclude that none of the main purposes of the structure of the investment entity, or of the terms and conditions of the equity, is to accommodate transactions or events that could affect the fair market value of the property held by the trust governed by the registered plan in a manner that would not occur in a normal commercial or investment context in which parties deal with each other at arm’s length and act prudently, knowledgeably and willingly. (*bien exclu*)”

## Assessment

The following table summarizes our assessment. Our assessment was made based on the accuracy and completeness of information stated herein, and specifically on the accuracy and completeness of representations made by management:

Income Tax Act Reference	Method of confirmation		Explanation or observations
	Management assertion	Welch LLP assessment	
<b>136(2)(a)</b> - the statute by or under which it was incorporated, its charter, articles of association or by-laws or its contracts with its members or its members and customers held out the prospect that payments would be made to them in proportion to patronage;	X	n/a	Management asserts that the corporate by-laws require the distribution of any remaining surplus arising from the business of the co-operative in each fiscal year, be allocated, credited or paid to the members in proportion to the business done by each member with or through the co-operative.
<b>136(2)(b)</b> - none of its members (except other cooperative corporations) have more than one vote in the conduct of the affairs of the corporation;	X	X	Management asserts that no member has more than one vote in the conduct of the affairs of the corporation. Our review of the corporate by-laws provided to us by management confirmed that no member has the right to more than one vote.
<b>136(2)(c)</b> - at least 90% of its members are individuals, other cooperative corporations, or corporations or partnerships that carry on the business of farming;	X	X	Management asserts that at least 90% of current members are individuals or other co-operative corporations. Our review of the membership list issued by the corporation, as provided to us by management, confirmed that at least 90% of current members were individuals or other co-operatives.
<b>136(2)(d)</b> - at least 90% of its shares, if any, are held by members described in paragraph (c) or by trusts governed by registered retirement savings plans, registered retirement income funds, TFSAs or registered education savings plans, the annuitants, holders or subscribers under which are members described in that paragraph	X	X	Management asserts that at least 90% of shares are held by members described in 136(2)(c). Our review of the outstanding Preference Shares did not indicate that more than 10% of members were not individuals or other co-operatives.

Income Tax Act Reference	Method of confirmation		Explanation or observations
	Management assertion	Welch LLP assessment	
<b>207.01(1)(a)</b> - a debt of the controlling individual of the registered plan	X	n/a	Management asserts that no shares represent a debt of the controlling individual or registered plan.
<b>207.01(1)(b)(i)</b> - a corporation, partnership or trust in which the controlling individual has a significant interest	X	X	Management asserts that no individual has a significant interest. Our review indicates that no individual owns more than 10% of the issued shares.
<b>207.01(1)(c)(iii)</b> - a corporation, partnership or trust in which the investment entity is excluded from the application of the prohibited investment rules	X	X	Management asserts that OREC's preferred shares meet the definition of excluded property for the application of the prohibited investment rules. Our review indicates that only membership shares are assigned voting rights related to the governance of the investment entity.
<b>207.01(1)(b)(ii)</b> - a person or partnership that does not deal at arm's length with the controlling individual;	X	n/a	Management asserts that no shareholder is considered to dealing on a non-arm's length basis with OREC.
<b>207.01(1)(c)</b> - an interest (or, for civil law, a right) in, or a right to acquire, a share, interest or debt described in paragraph (a) or (b);	X	n/a	Management asserts that no shareholder is considered to dealing on a non-arm's length basis with OREC and that no individual has a significant interest. In addition, there are no interest in or rights to acquire a share.

In addition to the above review, management and the Board of Directors has signed representations to us certifying to us that the Preference Shares currently meet all requirements for the purposes of being considered qualified investments.

**Assessment outcome**

Subject to reliance on the assertions provided by management in addition to our own specified procedures reflected above, we have assessed that the shares should meet the requirements of a “qualified investment” for purposes of an RRSP, RRIF, or TFSA, if determined by an appropriate authority to be correct interpretations under the Income Tax Act. This assessment is applicable as at the date of this letter and does not reflect an assessment of the status of the corporation historically, or at a future date or any representations made thereto.

Yours truly,

A handwritten signature in cursive script, appearing to read 'Chris', written in black ink.

Chris Meyers, CPA, CA  
Welch LLP

# APPENDIX H

## Ottawa Renewable Energy Co-operative

### Interim Financial Statements

#### Balance Sheet as of:

	<u>Unaudited</u> 2023-05-31	<u>Unaudited</u> 2022-05-31	<u>Audited</u> 2022-08-31	<u>Audited</u> 2021-08-31
<b>UNINVESTED ASSETS</b>				
Bank - current	55,412	615,900	147,891	1,441,347
Bank - savings	406,542	1,161	290,942	1,159
Accounts Receivable	183,388	183,961	253,538	354,791
Accrued Receivables	82,158	2,079	141,799	24,550
Prepaid Expenses	27,454	32,524	26,425	29,060
Supplies Inventory	1,111	1,111	1,111	
Prepaid member distributions	-	0	0	140
HST Claim Receivable	-	-	-	170,208
	<u>756,065</u>	<u>836,736</u>	<u>861,706</u>	<u>2,021,255</u>
<b>INVESTED ASSETS</b>				
AP Muni	1,418,809	1,510,637	1,487,692	1,579,157
Smith Farm	93,176	107,121	105,936	118,686
Hawkesbury	620,011	660,371	650,011	692,511
Jazz Miigwetch II LP	679,421	313,477	680,784	
JV Solar PV Assets	1,066,739	1,166,921	1,141,876	1,242,058
Wholly owned Energy Prod. Assets	3,471,586	2,399,237	2,887,762	2,553,395
Solar PV Assets Under Construction	0	539,213	-	513,363
Adj. for CECCE NM Lease Acctg.	33,127		33,127	12,402
Net Investment In Leases	139,544	200,678	184,624	242,717
Tiverton Wind Turbine Investment	975,632	1,045,632	975,632	725,902
	<u>8,498,046</u>	<u>7,943,287</u>	<u>8,147,443</u>	<u>7,680,192</u>
	<b><u>9,254,111</u></b>	<b><u>8,780,023</u></b>	<b><u>9,009,149</u></b>	<b><u>9,701,448</u></b>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	(12,829)	(10,006)	(8,143)	(18,626)
Accrued Liabilities	(35,820)	(27,989)	(51,765)	(78,989)
Bank loan payable	-	-	-	(106,457)
Accrued interest payable	(4,760)	-	(4,760)	(6,425)
Due to shareholders	(193)	(87,030)	(3,072)	-
HST Payable	(25,259)	(8,919)	(24,774)	(28,282)
	<u>(78,860)</u>	<u>(133,945)</u>	<u>(92,513)</u>	<u>(238,779)</u>
<b>NOTES PAYABLE</b>				
Short-Term Note Payable	(216,130)	-	-	(508,931)
Member	(476,000)	(476,000)	(476,000)	(550,000)
	<u>(692,130)</u>	<u>(476,000)</u>	<u>(476,000)</u>	<u>(1,058,931)</u>
<b>PREFERENCE SHARES</b>				
Class A Series 1	(650,666)	(715,751)	(715,751)	(780,819)
Class A Series 2	(1,000,000)	(1,083,333)	(1,083,333)	(1,166,667)
Class A Series 3	(1,152,667)	(1,241,333)	(1,241,333)	(1,330,000)
Class A Series 4	(949,867)	(1,022,933)	(1,022,933)	(1,096,000)
Class A Series 5	(1,438,500)	(1,438,500)	(1,438,500)	(1,438,500)
Class A Series 6	(859,500)	(859,500)	(859,500)	(859,500)
Class B Series 1	(1,050,000)	(1,050,000)	(1,050,000)	(839,000)
Class C Series 1 (CoEnergy A)	(432,000)	(432,000)	(432,000)	(432,000)
Class D Series 1 (CoEnergy C)	(95,000)	(95,000)	(95,000)	(95,000)
Class E Series 1	(510,000)			
	<u>(8,138,199)</u>	<u>(7,938,351)</u>	<u>(7,938,351)</u>	<u>(8,037,486)</u>
<b>EQUITY</b>				
Member shares	(99,900)	(95,850)	(96,400)	(92,250)
<b>RESTRICTED RESERVE</b>	<u>(169,798)</u>	<u>(120,435)</u>	<u>(169,798)</u>	<u>(120,435)</u>
Accumulated deficit (surplus)	(236,087)	(141,165)	(236,087)	(153,567)
Current year deficit (surplus)	(141,104)	(131,130)		
Dividends Paid	301,968	256,852		
<b>UNRESTRICTED RESERVE</b>	<u>(75,223)</u>	<u>(15,442)</u>	<u>(236,087)</u>	<u>(153,567)</u>
	<u>(344,921)</u>	<u>(231,727)</u>	<u>(502,285)</u>	<u>(366,252)</u>
	<b><u>(9,254,111)</u></b>	<b><u>(8,780,023)</u></b>	<b><u>(9,009,149)</u></b>	<b><u>(9,701,448)</u></b>



Ottawa Renewable Energy Co-operative

<b><u>Interim Income</u></b> <b><u>Statement</u></b> (unaudited)	<b><u>For Nine Months Ended:</u></b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
<b><u>REVENUES</u></b>		
Energy Gen. Revenues	\$486,492	\$413,164
AP Muni	124,699	127,718
Smith Farm Dividend	0	0
Hawkesbury Dividend	22,500	22,500
Tiverton Dividend	0	0
MIIG II Surplus	0	0
Management Fees	10,972	10,439
CECCE Renaud/Abbott	5,250	5,250
Interest Income	5,599	1
CoEnergy Leases (interest)	9,659	13,249
Other	0	96,114
	<b>\$665,171</b>	<b>\$688,435</b>
<b><u>SOLAR EXPENSES</u></b>		
OMM	15,499	17,902
Metering	11,657	11,386
Insurance	37,397	34,646
Site Lease	41,600	38,800
Admin.	83	375
Replace. Reserve Used	0	0
<b>OPERATING EXPENSES</b>	<b>\$106,236</b>	<b>\$103,109</b>
<b>NET ENERGY GEN INCOME</b>	<b>\$548,086</b>	<b>\$483,961</b>
<b><u>OVERHEAD EXPENSES</u></b>		
Wages & Benefits (train.)	57,993	36,073
Accounting	20,950	28,309
Audit	0	1,000
Legal	5,073	8,931
Insurance	7,371	6,141
Banking	1,798	1,333
Office costs	1,825	-1,179
IT costs	2,774	3,532
Comms. & Outreach	8,781	841
Interest	13,980	10,059
Other	5,280	55,103
Business Development	0	2,713
CoEnergy Leases (insur.)	2,322	6,113
<b>Expense contingency</b>	<b>0</b>	<b>5,000</b>
	<b>\$128,146</b>	<b>\$163,968</b>
<b><u>DEPRECIATION</u></b>	<b>289,685</b>	<b>290,228</b>
<b>NET INCOME</b>	<b>\$141,104</b>	<b>\$131,130</b>

Ottawa Renewable Energy Co-operative

**Interim Cash Flow Statement**

(unaudited)

<b>For Nine Months Ended:</b>	
<b>May 31, 2023</b>	<b>May 31, 2022</b>

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$141,104	\$134,981
<u>Adjustment for:</u>		
Amortization	289,685	290,228
<u>Changes in level of:</u>		
Accounts receivable	129,792	193,301
Prepaid expenses and inventories	(1,030)	(4,575)
Purchase of net investment in leases	0	0
Repayment of net investment in leases	45,079	42,039
Government remittances receivable/payable	485	150,846
Accounts payable and accrued liabilities	(14,138)	17,274
	<u>590,978</u>	<u>824,093</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of long-term investments	0	(633,207)
Purchase of renewable energy equipment	(737,439)	(25,850)
Recovery of loans receivable	52,072	51,293
	<u>(685,367)</u>	<u>(607,763)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance of loans	216,130	0
Repayment of loans payable	0	(615,388)
Issue of new member notes	0	476,000
Repayment of member notes	0	(550,000)
Payment of dividends	(301,968)	(256,852)
Repayment of return on capital on preference shares	(310,151)	(310,135)
Issuance of preference shares	510,000	211,000
Issuance of membership shares	3,500	3,600
	<u>117,511</u>	<u>(1,041,775)</u>
<b>INCREASE IN CASH</b>	<b>23,121</b>	<b>(825,445)</b>
CASH AT BEGINNING OF PERIOD	438,833	1,442,507
<b>CASH AT END OF PERIOD</b>	<b>\$461,954</b>	<b>\$617,061</b>