ced co-op

community energy development co-operative

2018 Annual General Meeting

Report Booklet

Community Energy Development Co-operative

Annual General Meeting Report Booklet

Contents

2018 ANNUAL GENERAL MEETING OF THE MEMBERS OF COMMUNITY ENERGY DEVELOPMENT CO-OPERATIVE LTD.

Date: Tuesday, May 29, 2018

Meeting: 7:00pm

Location: MCC Ontario, 50 Kent Avenue, Kitchener, Ontario

Agenda

7:00pm	Welcome and Call to Order Attendance and Verification of Quorum Introduction of Board Members and Special Guests	Al Doerksen
7:10pm	Approval of the Agenda Previous Year's Minutes Report from the Board	Al Doerksen
7:20pm	President's Report: 2017 Year in Review	Brian Unrau
7:40pm	Presentation of 2017 Audited Financial Statements	Ron Kielstra
7:50pm	Approval of Audited Financial Statements	Jason Patterson
7:55pm	Appointment of Auditors for 2018	Jason Patterson
8:00pm	Election of Board Members	Dale Brubacher-Cressman
	Compensation of Board Members	Al Doerksen
Adjourn the business portion of the meeting		
8:05pm	Community Energy Investment Strategy	Dave Roewade
8:20pm	Further Question and Discussion	Brian Unrau
8:30pm	Adjournment of Meeting	

While the AGM is intended for members of CED Co-op, we would welcome people who are interested in becoming members to attend as well. We will have the necessary application forms on hand for people to join, if they choose. As per the legislation for co-operatives, voting by proxy is not allowed. Only members in attendance are able to vote.

2017 ANNUAL GENERAL MEETING OF THE MEMBERS OF COMMUNITY ENERGY DEVELOPMENT CO-OPERATIVE LTD.

Date: Tuesday, May 30, 2017

Time: 6:30pm

Location: MCC Ontario, 50 Kent Avenue, Kitchener, Ontario

Minutes

1. Welcome and Plug'n Drive

Al Doerksen started the meeting and introduced Ron Groves from Plug'n Drive (plugndrive.ca) who shared some words about the organization. He made special mention of the new Electric Vehicle Discovery Centre in North York where people can visit and test drive vehicles and learn more about them. More information can be found online at https://plugndrive.ca/electric-vehicle-discovery-centre.

2. Call to Order Attendance and Verification of Quorum Introduction of Board Members and Special Guests

Al called the meeting to order and confirmed that a quorum of members was present. The board of directors was introduced. Al also introduced Ron Kielstra from Grant Thornton, the co-op's auditor.

3. Approval of last year's minutes

Al gave a quick overview of the minutes from last year's AGM.

M/S/C to approve the minutes from last year's AGM.

4. Report from the Board

Al presented the Report from the Board, a copy of which was distributed to members in the AGM report package.

5. President's Report: 2016 Year in Review

Brian then presented the President's Report, a copy of which was distributed to members in the AGM report package.

6. Presentation of 2016 Audited Financial Statements

Al then introduced Ron Kielstra who presented the audited financial statements. He highlighted and presented an overview of the Independent Auditor's Report, defining the role of management and the role of the auditor regarding the financial statements of the organization. He then highlighted the Statement of Operations, noting that 2016 showed the first income for the co-op from the solar generating projects. He pointed out that there was limited share capital activity in the year, as evidenced in the statement of members' equity. In the statement of financial position, Ron noted that $27.1M of generating assets were acquired or developed in the year. Additionally, he noted $17M of accounts payable, primarily the long term debt to CWB Maxium and funds owed to Vigor Clean Tech. He then presented highlights from the statement of cash flows, then finished by drawing attention to the notes and schedules to the financial statements.

7. Approval of Audited Financial Statements

Al provided an opportunity for questions regarding the financial statements. One question was asked and answered.

M/S/C to approve the audited financial statements.

8. Appointment of Auditors for 2017

M/S/C to appoint Grant Thornton LLP as auditors for 2017.

9. Election of Board Members

Dale drew the attention of members to page 13 of the report booklet on Election of Directors. He highlighted that Brian Unrau, Al Doerksen and Anton Lamers are standing for re-election for another 3 year term. He indicated that no additional nominations were made prior to the meeting, and then called for any nominations from the floor. No such nominations were made. Given that there are more vacancies than applicants for the board, the applicants (Brian, Al and Anton) were acclaimed. Dale explained that the board will work to fill the remaining vacancy during the course of the coming year.

10. Compensation for Board Members

M/S/C to approve a $2,000 honorarium for directors for the coming year.

Al then indicated the conclusion of the official business portion of the meeting, and move into the information session.

11. Member Zone

Taylor Weber presented a demonstration and explanation of the online member zone.

12. Project Update

Ryan Parton gave an overview of the projects that were completed in 2016. He then provided some highlights from some of those projects, including some of the challenges and unique characteristics of the projects. He then highlighted some project work from 2017.

13. Future Offering Statement

Brian then presented an overview of plans for a new investment offering for 2017. He highlighted the use of funds, and the current thinking on the types of securities and rate of return that might be offered. He confirmed that TFSA investments will be supported for the new offering. He finished by presenting the planned timeline for the new offering, including an expectation that the co-op will start selling investments in September 2017.

14. Questions and Answers

Al opened the floor for questions. Questions were asked about:

- interest fees in the 2017 budget.
- Interest rates on long term lending for the co-op portfolio (in aggregate, the rate is about 5.4%)
- If the current N1-5 $1,000 bond is still being offered: Brian responded that this is being terminated at the end of May 2017. Interested investors can plan to invest in the new offering in September 2017.

15. Adjournment

Al then called for the adjournment of the meeting at 8:02pm.

Board Report

CED Co-op Board Report for 2018 AGM

The following were members of the CED Co-op board for the 2017/18 year.

David Agocs, John Brubacher, Dale Brubacher-Cressman (Secretary), Al Doerksen (Chair), Blair Groff, Anton Lamers, Jason Patterson (Treasurer), Dan Ulrich, Brian Unrau (President), Art Bast, Elizabeth Klassen

The board met 8 times since the last AGM; the officers met several times in addition to this. Business routinely transacted at these meetings included:

- Approval of new members
- Approval of new investments into the Co-op
- Review / approval of potential new investments / projects by the Co-op
- Review of financial statements
- Review / approval of proposed financing arrangements for projects – loans etc.
- Declaring dividends

Particular actions of the board during the year

- Appointed officers Al Doerksen, Chair, Jason Patterson, Treasurer, Dale Brubacher-Cressman, Brian Unrau, President;
- Negotiated with Vigor Clean Tech re outstanding interest amounts on projects for which the latter provided bridge financing;
- Met with Grant Thorton re the most recent audit;
- Considered a cost model vs an asset revaluation model for annual financial statements;
- Approved $3000 and annual honorariums for officers (in addition to their regular board fees).
- Considered a plan to acquire a group of projects from Azgaard;
- Declared four quarterly dividends
- Approved the budget FY 2018
- Agreed to proceed with plan to raise $7m with a public offering

As board chair, I wish to express my gratitude to my board colleagues for their service to CED Co-op. At times there is a lot of material to process, and at times, meetings become lengthy. As a board, we wish to thank Vigor Clean Tech staff for their outstanding work on behalf of the Coop, in particular, Brian Unrau, President (of both Vigor Clean Tech and CED Co-op).

Al Doerksen, Board Chair, Community Energy Development Co-operative

President's Report

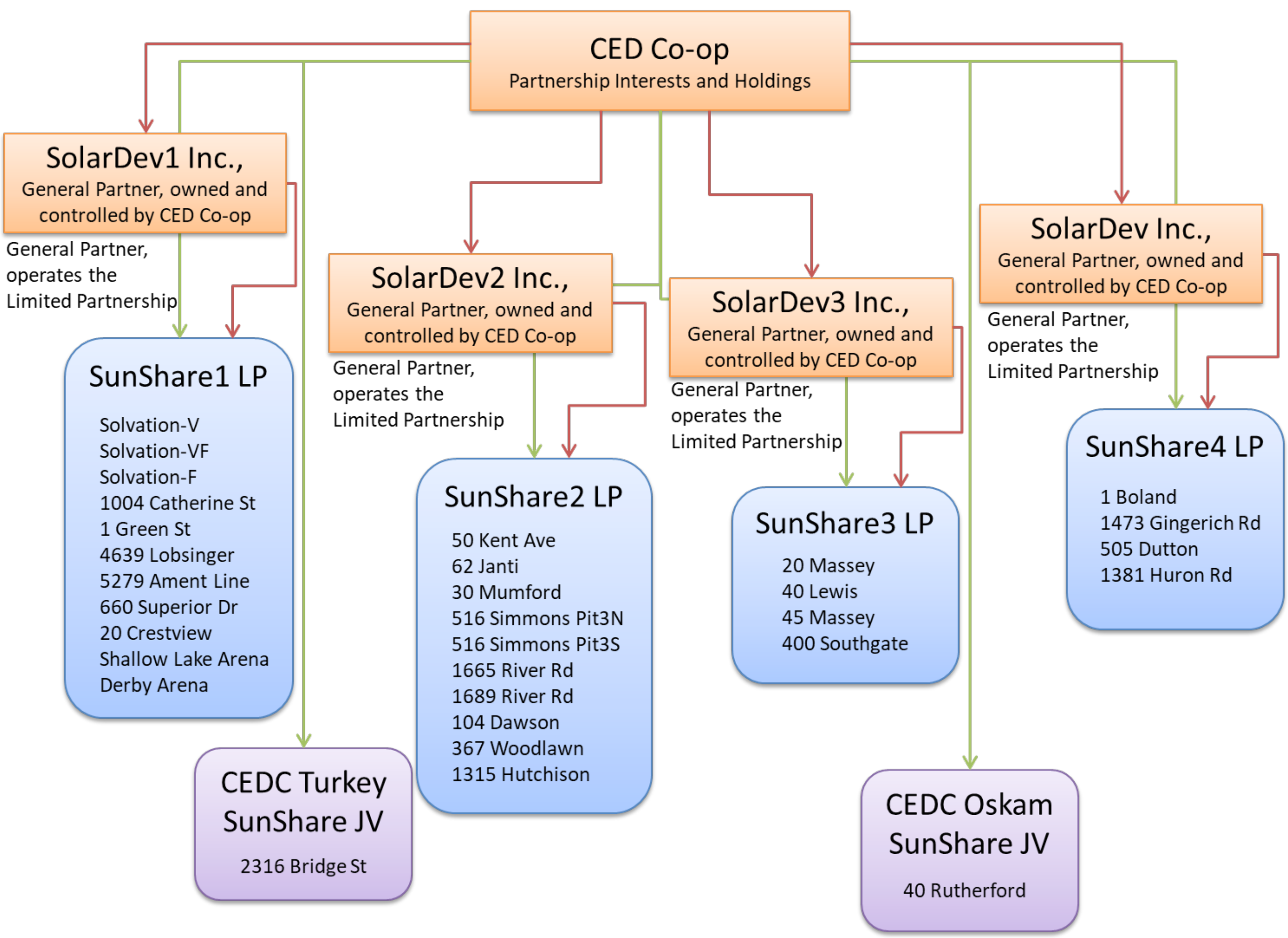
2017 – The Year in Review

Our priorities for 2017 were as follows:

- Completing project transitions to limited partnerships and closing financing
- Completing FIT 3 contract construction and advancing FIT 4 contracts
- Launching another Investment Offering
- Enhancements to MemberZone to assist in managing payments and member information

Project Transitions and Financing:

Throughout 2017 we were able to complete the transition of projects into their anticipated long term resting places. The structure of the project ownerships is as follows. This graphic does not show the various other entities that are partners in the projects who also hold an investment interest in the various entities. Full details of those entities and holdings is available in our Offering Statement.



While this may seem like a straightforward process, there were many steps involved in completing the transactions, and this was no small task;

1. Generate the legal and accounting paperwork required to document a sale of projects from joint ventures to limited partnerships in order to enable an ownership structure that can be financed by the lender.

2. Engage independent engineers to perform due diligence to qualify the projects and satisfy the lender that the projects are well designed, well built and will perform as expected over the lifespan of the contracts.

3. Review all insurance policies on the equipment and operations to ensure appropriate coverage is in place.

4. Review all properties and titles to the properties, obtaining title insurance, to be sure that no other registrations or activities represent risks to the projects and their finances.

5. Perform legal due diligence to be sure all of the appropriate agreements and contracts have been structured appropriately, executed correctly, and under the proper authorities.

6. Negotiate and develop the loan agreements and all supporting security documents and registrations.

7. Gather all the signatures required to complete all agreements, authorizations and documents.

Following are some statistics on the work involved in completing these transactions for the 25 projects that were moved into SunShares 1 2 and 3:

- More than 500 technical documents were gathered or produced by the project developers and reviewed by the Independent Engineers, some of which included engineered electrical drawings, engineered structural drawings, product specifications, construction drawings, technical product reports, climate data and production forecasts.
- More than 500 legal documents were gathered and reviewed relating to ownership of projects, some of which included lease agreements for roofs and lands, connection agreements with the LDC's, non-disturbance agreements, authorizations to generate power, commercial operation confirmations, building permits, electrical permits, FIT contracts, warranty agreements and O&M agreements.
- More than 400 new legal documents representing more than 5,000 pages had to be negotiated and created, some of which included loan agreements (more than 80 pages for each), security agreements, guarantees, assignment agreements, debenture agreements, officer's certificates, subordination agreements, landlord consents, legal opinions and directions.
- Overall, around 1,000 signatures from nearly 50 different parties were required and 13 different legal firms were involved across the documents in order to see all of the funds advance.

Category	**Expense**	
Independent Engineers	$	147,451
Insurance	$	30,752
Lender Fees	$	327,444
Legal Firm Expenses	$	559,963
Total Closing Costs	**$**	**1,065,610**
Total Loan Proceeds	**$**	**21,444,355**
Closing Costs as %		**4.97%**

The loans were advanced in 5 separate tranches, with the last advance occurring in the 2018 period. These closing costs exceeded our initial estimates by a significant margin, largely due to underestimating the amount of work and time involved in completing the processes with as many different "moving parts" as ended up needing to be involved in the process. From an accounting perspective, these costs are not shown as a direct expense, but are rather subtracted from the loan proceeds, and amortized over the lifespan of the loan, being included as an interest cost.

Project Completions

During the course of 2017, we had 5 projects hit Commercial Operation. The construction of the projects located at 30 Mumford Rd in Sudbury and 45 Massey in Guelph was completed in 2016, but the final paperwork did not settle until early 2017. Overall, we constructed 3 projects for the Co-op, 40 Rutherford Court, and the 2 projects in a retired gravel pit at 516 Simmons Rd in Dowling, ON.

The 40 Rutherford Court project was completed at a cost of $280,000 on a fixed price basis, slightly higher than the $275,000 originally budgeted. This project was delayed due to the timing of replacing the roof surface, a fixed price basis was chosen as construction ended up occurring during the winter months and the developer took on the completion risk for construction of the project within contract deadlines. From the first date the roof was made available until the achievement of Commercial Operation was just over 4 weeks, an impressive accomplishment, with just 17 days remaining thereafter until contract expiry.

The 2 projects in Dowling were built on a ‘cost of construction’ basis. The initial combined budget for the two projects was approved at $2,500,000, and the final cost was $2,388,000, bringing the projects in $112,000 below budget. These were the first projects constructed using the larger Sonnen Systems 5_131 dual axis trackers which stand an impressive 12m high. These projects achieved Commercial Operation on July 13 and July 17 of 2017, ahead of their milestone dates of August 28, 2017.

FIT 4 project updates

We had eight FIT 4 contracts that we were pursuing throughout 2017. We had been looking for equipment prices – mainly solar panels – to continue decreasing in price to help the economics of some of these projects. Unfortunately, solar panel prices have remained very steady over the past 18 months, and we did not see overall project development cost decreases that we had hoped for. As a result, we are preparing to forgo the contracts on two of the projects that have very high connection costs from Hydro One. Another two projects have seen the building owner partner decide against performing full roof replacements prior to installation due to roofing costs. As a result, two more of these projects will not be constructed and added into the portfolio. It is unfortunate that we will not be able to make use of those precious FIT contracts. Of the remaining four FIT 4 projects, construction began late in 2017 for some, others began in 2018. Three of the projects (1381 Huron Rd, 1 Boland and 505 Dutton) are completed, and the final project (1473 Gingerich) is currently under construction.

Communications and Engagement

2017 saw us continue to develop our communications initiatives. Through the MemberZone member portal of the website, investors now have the ability to enter and manage their direct deposit information. We have already received banking information and void cheque images from almost 200 members to enable direct deposits of payments for our shares and bonds straight into their bank accounts. The benefits that are realized from this include receiving payments more quickly, reduced administration with no lost cheques and reduced transaction costs for the Co-operative. Whereas previously I was signing more than 300 cheques each quarter with our dividend payments, we now have this down to a little over 100. If we can get everyone shifted to direct payments, this will save the Co-op about $3,000 per year in banking fees while improving our service to our investors.

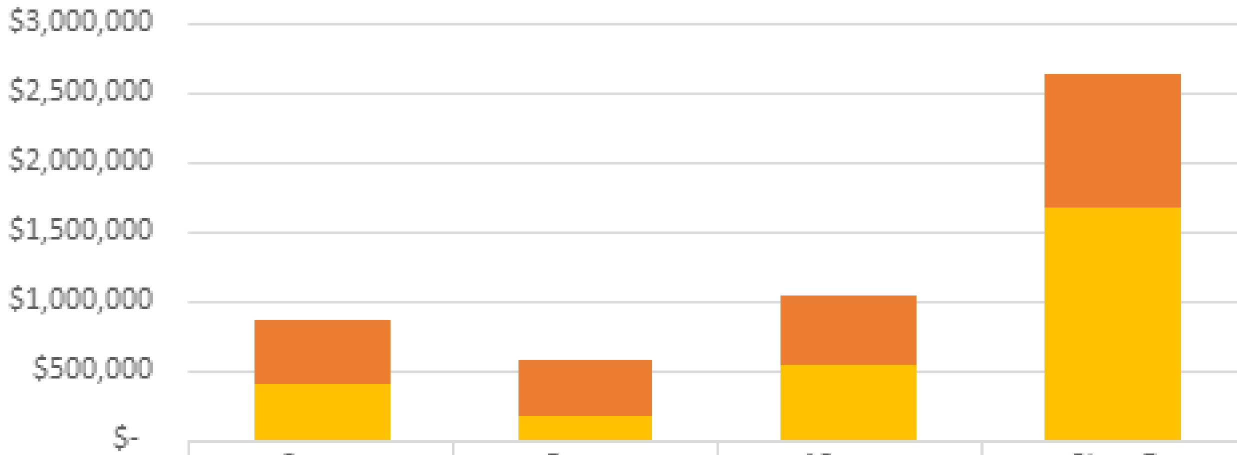
Second Offering Statement

2017 also saw CED Co-op develop and launch its second major offering. The Offering Statement was dated July 28, 2017 and receipted by the Financial Services Commission of Ontario on October 12, 2017. Once again, CED Co-op has again seen a very strong response to the investment opportunity, having received more than $5 million in investments to date. The breakdown of the investment securities and the sizes of subscriptions is as follows. For the investment subscriptions, there are a number of individuals who have made multiple subscriptions for different securities. Where more than one subscription for the same type of security has been made, they show a combined total. At this time, we have completed 148 subscriptions from 123 investors.

Based on the projects with which the Co-op is proceeding, we would like to raise another $2.5 million of investments before the Offering closes at the end of the day on July 27, 2018. It is likely that the next Offering will not open until May or June of 2019, so please take this opportunity to make your investment now.

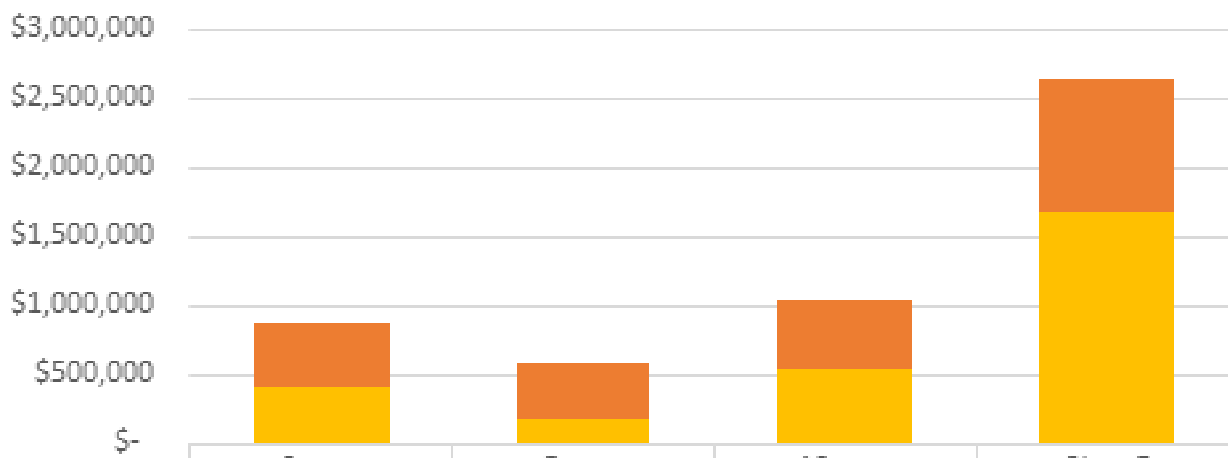
We are pleased to report that our securities have been approved for listing with Questrade. We are putting together the paperwork processes at this time and expect to be able to have investors complete subscriptions with Questrade in the coming weeks. In addition to RRSP and TFSA options that currently also exist with CWCF, Questrade also opens up RRIF and RESP opportunities.

2017-18 Investment Securities



	3 year	5 year	10 year	Class B
Total	$879,420	$586,498	$1,055,889	$2,648,565
Registered	$459,420	$411,498	$502,889	$960,505
Non-Registered	$420,000	$175,000	$553,000	$1,688,060

2017-18 Investment Securities



	3 year	5 year	10 year	Class B
Total	$879,420	$586,498	$1,055,889	$2,648,565
Registered	$459,420	$411,498	$502,889	$960,505
Non-Registered	$420,000	$175,000	$553,000	$1,688,060

Project Performance

We had a number of technical issues at several of our project sites, most of them the types of things that we expect to experience in operating the portfolio such as inverter and optimizer failures. These are items that are covered under manufacturers warranties, and our operations and maintenance expenses were right in line with expectations for the year. Events of note are as follows:

At 30 Mumford, the awning portion of the system installed on the building was directing snow and ice to fall onto vehicles creating a liability. We had to reduce the angle of the awning to be vertically mounted to the wall of the building in order to avoid future issues. We recently also experienced a significant number of inverter failures on the site in 2018, have since reworked much of the site and have installed new inverters. The site is back up to 100% functionality again.

At 550 Princess, the Shallow Lake Arena, we had more significant soiling issues than previously expected. This was partially due a significant amount of dirt from neighbouring farm fields accumulating on the panels as well as carnivorous birds hunting in the area and leaving significant amounts of debris (carcass bits and other) distributed across the panels. The panels are clean again now, and we are keeping a close eye on the system to see how this summer develops.

The design of our high voltage breakers and lightning arrestors at the Solvations caused some minor issues. On several occasions, birds ended up bridging wires and causing fuses to blow. We were generally able to replace the fuses within a few hours, and have now reworked the connection configuration so this should not be an issue in the future.

The weather was our biggest nemesis in 2017. Though sun hours is the most direct determinant of performance, temperature, humidity, rain fall, snow fall, wind speed, wind direction and various combinations of these factors, play a role in the overall energy production of an installation. In the Sudbury area, the first 4 months of the year saw very icy snowfalls and much lower levels of sunshine than in previous years. According to NASA data, insolation levels were 8% below long-term averages for the first 4 months of 2017 in the Sudbury area. The summer months through the remainder of the year were about average for sunshine in the Sudbury area, being within 0.6% of average. Conversely, the weather in the Waterloo and Guelph region was much rainier through May, June and July than is typical, and according to NASA data, we saw 3% fewer hours of direct sun than average during this time period. Overall, we expected total revenues across the projects of about $3.95 million for the period the systems were operating. We were about $270,000 short of this number, or approximately 7% below expected revenues for 2017. This compares with 2016 when we saw sunnier conditions at most locations and we were about 3% above expected revenues. As mentioned above, this largely ties into the weather we experienced with $220,000 of the total shortfall being attributed to the Solvation projects in Blind River during the January to April timeframe. The Solvation projects were $20,000 above plan for the remaining 8 months of 2017. The experience of the 25 systems in the CED Co-op portfolio very much mirrors the performance of the other 170+ systems that are monitored and maintained by Vigor Clean Tech across Ontario. For the systems with 6 or more years of operating history, energy production in 2017 was about 6% below the average of the previous 5 years – 2012 through 2016 – for the systems managed by Vigor Clean Tech.

Adjusting our revenue expectations for the actual weather we experienced puts us on par for performance of the overall portfolio in 2017. Already we are seeing a much stronger start to 2018 across the portfolio.

Project Acquisition

As was outlined in the Offering Statement, we have continued to pursue the acquisition of the fleet of microFIT projects from Azgard Corporation. As we were negotiating the purchase price and terms, a technical problem arose with the manufacturing of the solar panels where the backsheet of the panel is peeling away from the back of the panels. We took additional time to analyze the effects of this problem on the production of the systems, develop a plan to mitigate the issue as well as have the issue fully recognized in the purchase price and terms. We are comfortable with the revised terms at which we have arrived, and we signed the letter of intent on April 24th of this year. We are currently finalizing the drafting of the purchase agreement. We are targeting a closing in July for this purchase.

Financial Performance

As noted in our review of project performance, our revenues across the portfolio were about $270,000, or 7%, below forecast, though in line with expectations given the weather we experienced. Also noted above, our financial closings were much more involved than originally anticipated, as a result, we did not see the funds from the loans advance on the timetable we originally anticipated. At the end of the previous year, 2016, our financial statements showed $17.5 million of accounts payable, and we continued to construct projects in 2017 in order to meet contract deadlines. While we saved ourselves the interest costs on loans that had not yet advanced and paying returns on investments we had not yet received, we did experience carrying costs on the projects as the holders of the receivables charged interest on the amounts owing, effectively providing bridge financing to the Co-op. The Co-op negotiated rates on these various amounts at rates of 6% to 8% which is below expected project returns. Across all of the investments and loans that the Co-op had received to the end of 2017, the average cost of capital is approximately 6.35%. Using this rate as a comparison, the delays in receiving our financing cost the Co-op an additional $125,900 of interest, approximately $92,000 higher than originally budgeted. These interest-bearing payables were completely repaid by the end of 2017, so we expect our interest costs to be in line with future forecasts in the coming years. Operating expenses were very much in line with expectations. Project expenses were lower as some of the projects were later in hitting Commercial Operation that originally forecast. Following is a comparison of actual expenses against the last year's budget.

2017 CED Co-op Operating Expense Budget

	Budget	Actual	Variance	Variance
Lease Payments	145,763	153,256	7,493	5.1%
Insurance - Projects	70,224	50,468	(19,756)	-28.1%
Repairs and Maintenance	236,543	215,350	(21,193)	-9.0%
Utility & Internet Expenses	32,969	43,073	10,104	30.6%
Project Operating Expense	**485,499**	**462,147**	**(23,352)**	**-4.8%**
Communications	17,052	11,323	(5,729)	-33.6%
Board	34,000	33,997	(3)	0.0%
Insurance - Organization	9,135	11,247	2,112	23.1%
Bank/Financing	2,436	(245)	(2,681)	-110.1%
Office	159,934	159,437	(497)	-0.3%
Dues and Subscriptions	6,090	8,544	2,454	40.3%
Professional Fees	64,335	77,203	12,868	20.0%
Additional Interest	870,000	962,143	92,143	10.6%
Administration Expense	**1,162,982**	**1,263,649**	**100,667**	**8.7%**
Totals	**1,648,481**	**1,725,796**	**77,315**	**4.7%**

Despite the items discussed above, we did see strong cash flows from operations in the year. In 2017 we began the share repurchase of our Class A Preference shares, as was planned and outlined in the Offering. We continued to pay out bonds as per their terms and we continued our payments of dividends on our Class A shares. Our Class B Shares are supported by our acquisition of the microFIT portfolio, so the board expects dividend announcements on our Class B shares to coincide with receiving the revenues from those projects.

Comments on Statements and Financial Results

In reading our financial statements, there are two structural items to highlight. For the joint ventures, during the time they operated or continue to operate, the income and expenses are run in a separate income statement and balance sheet as shown as Schedule 1 in the financial statements. Only the Co-op's portion of the results of these projects are brought to the consolidated statement of operations (income statement) and statement of financial position (balance sheet) as a single line item on each under the name Investment in Associates. The reason for this is that the joint ventures are not controlled by the Co-op, and therefore meet the definition of an investment rather than operations. As at year end, only two projects remain in this joint venture structure, 2316 Bridge St and 40 Rutherford Crt.

For the projects that are held in Limited Partnerships, the Co-op controls those entities, and the full amount of the revenue and expenses are reported in the financial statements. This includes the share of revenue that belongs to the other partners in the partnership. The adjustment for the amount that relates to the other partners' share is noted as non-controlling interest within the financial statements.

Losses again? What gives?

For an organization like ours, we actually expect our financial statements to show losses in net income in our early years. This is mainly due to the difference between cash flow and net income as measured using traditional accounting models. For the Co-op, we have, between our loans, bonds and shares, essentially financed 100% of our assets. As such, when we pay off these amounts, we pay more interest (and dividends) in our early years than we pay towards the principal (and shares). Financial statements are prepared using depreciation as a means of spreading the expense of an asset over its useful life rather than reflecting principal repayment, though they include all of the interest expenses. The following is a very high level example that is similar (though much simplified) to our Co-operative.

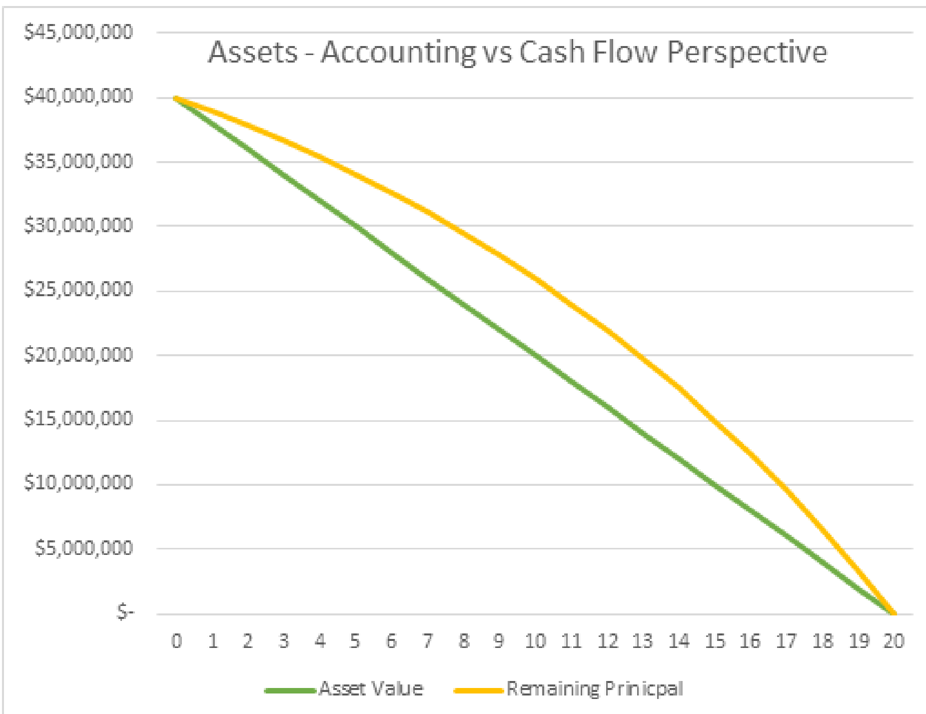
Assuming:

- $40,000,000 value of our portfolio of projects
- 20 year useful life of the assets (depreciate 5% per year straight line over 20 years)
- 6.35% average cost of capital, a loan repaid over 20 years
- 10.5% revenue on assets over 20 years (gross revenue before any expenses)

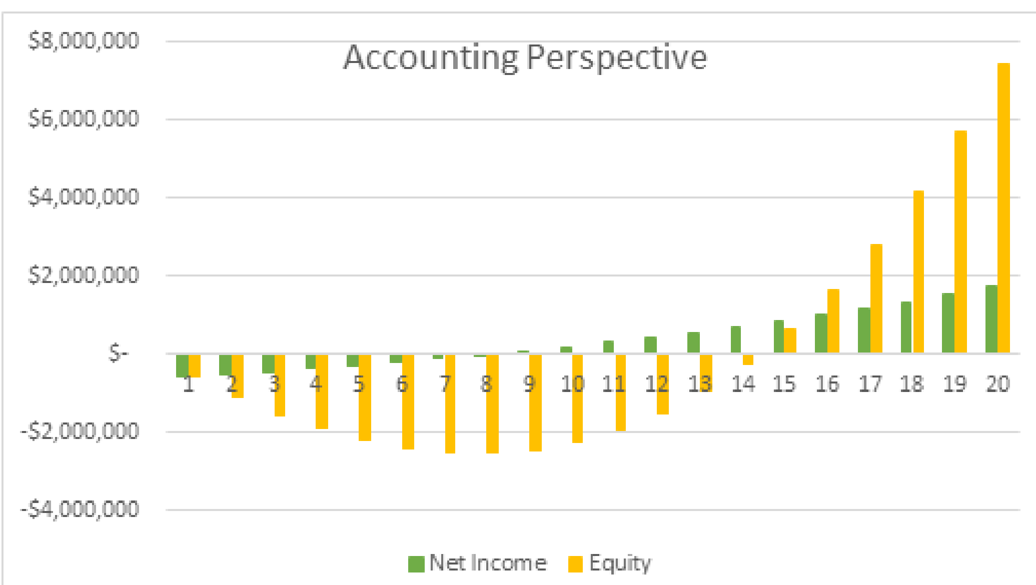
With these numbers above, and sticking in some rough operating expenses, we end up with the following scenario:

	Accounting	**Cash Flow**
Revenue	4,859,731	4,859,731
Project Costs	(650,000)	(650,000)
Organization Expenses	(250,000)	(250,000)
Interest	(2,540,000)	(2,540,000)
Proceeds	1,419,731	1,419,731
Depreciation	(2,000,000)	
Principal Repayment		(1,047,119)
Net Income	(580,269)	
Available for Distribution		372,612

There is almost a $1 million difference between Depreciation and Principal Repayment in the first year. Over time, this difference narrows and eventually reverses as the portion of principal repayment increases while interest decreases. The cumulative Depreciation and cumulative Principal Repayment finally equalize at the end of the life of the asset, as outlined in the following graph.



Over time, these accounting losses add up, significantly decreasing our equity within our financial statements before the reversal begins and we start climbing our way out of the hole as shown in the following graph.



For this reason, it is the Cash Flows of the Co-operative outlined in the Financial Statements that we look to in order to get a true sense of how operations are progressing. In taking the relevant numbers from the statement of cashflows, we see that, after payments of interest and repayment of principal, funds still remain for distributions to shareholders.

Cash from Operations	1,821,883
Repayment of LTD	(477,259)
Repayment of Note	(66,793)
Repayment of Bonds	(424,767)
Repurchase of Shares	(129,855)
Principal Repayment	**(1,098,674)**
Available for Distribution	**723,209**

Within International Financial Reporting Standards, an option exists for us to revalue our assets to market value at the end of each year. This would result in financial statement adjustments that potentially increase the holding value of our assets, and could effectively have the value of our assets mirror the remaining principal outstanding, improving our equity position and eliminating these accounting losses. The board is currently reviewing this process and may look to implement this practice in future years.

Looking forward to 2018

For 2018 we look forward to the following priorities:

- Completing the Acquisition of the Azgard portfolio
- Completing Construction of our FIT 4 Projects
- MemberZone enhancements including transaction statements
- Greater analysis of production performance on our portfolio
- Searching out more acquisition opportunities

In addition to these items, we are exploring new business models beyond FIT in the net-metering realm. This will potentially involve negotiating private power purchase agreements and the development of other business structures. We look forward to sharing more details as these opportunities are developed.

The budget that has been established for 2018 as well as the anticipated operating cash flows is as follows:

2018 Consolidated Budget

Electricity Revenue	5,079,775
Gross Revenue	5,079,775
Lease	232,417
Utility & Internet	63,170
Insurance - Projects	90,107
Warranty & Service	347,791
Project Operating Expense	733,485
Operating Income	4,346,290
Professional Fees	36,605
Bank/Financing	1,838
Insurance - Organization	9,284
Communications	14,012
Dues and Subscriptions	3,031
Board	34,000
Office	160,004
Administration Expense	258,773
Interest on Term Loans	1,465,853
Interest on Bonds	279,429
Total Interest Expense	1,745,282
Depreciation	1,921,959
Interest Income	19,501
Other Income	19,501
Net Income	439,778
Non-Controlling Interest/Associates	250,252
Net Income of the Parent	189,526

From our operations, we anticipate the cash flows for 2018 to be as follows:

2018 Consolidated Cash Flows

Gross Revenue	5,079,775
Project Operating Expense	733,485
Operating Income	4,346,290
Administration Expense	258,773
EBITDA	4,087,517
Total Interest Payments	1,519,476
Interest Income	19,501
Cash Flow from Operations	2,587,542
Non-Controlling Interest	545,409
Cash Flows for the Parent	2,042,133

Election of Directors

The board of CED Co-op is comprised of up to 11 directors elected by the membership. Directors serve terms of 3 years at a time. Those completing a term can choose to let their names stand for re-election. There is currently no limit on the number of consecutive terms a director can serve.

Hearty thanks go out to all directors who contributed their time, energy, and expertise on behalf of CED Co-op since the May 2017 AGM. These are:

- David Agocs
- Art Bast
- John Brubacher
- Dale Brubacher-Cressman
- Al Doerksen
- Blair Groff
- Elizabeth Klassen
- Anton Lamers
- Jason Patterson
- Dan Ulrich
- Brian Unrau

Term Ending This Year	1 Year Remaining	2 Years Remaining
Art Bast	John Brubacher	Al Doerksen
Dan Ulrich	Dale Brubacher-Cressman	Elizabeth Klassen
Jason Patterson	David Agocs	Anton Lamers
Blair Groff		Brian Unrau

As of writing, the following is the list of candidates for the board:

- Art Bast, standing for re-election
- Dan Ulrich, standing for re-election
- Jason Patterson, standing for re-election
- Blair Groff, standing for re-election

Any nominees submitted subsequent to the writing of this document, including possible nominees submitted from the floor, will be presented at the meeting prior to the member vote. According to the bylaws, when the number of candidates is equal to or less than the number of positions to be filled, candidates are acclaimed. If, however, there are more candidates than available positions approval of directors will be by written ballot.

Profiles of the candidates for the board are presented in Appendix A: 2018 Board of Directors Candidates.

Director Compensation

According to the bylaws of CED Co-op, “The Directors shall be paid such remuneration for their services as Directors as the Members may from time to time authorize at the annual meeting or at any other Meeting of the Members called for that purpose.”

The current board,

- having experienced the responsibility and time required to properly serve as a director of CED Co-op,
- recognizing the significance of the fiscal responsibility inherent in managing financial assets exceeding $30 million on behalf of the members and investors of CED Co-op, and
- in order to create a binding sense of responsibility to directors to perform their duties with diligence and care,

is recommending to the membership that director compensation be introduced this year. To that end, they are proposing the following motion to be voted on by the membership.

Motion:

In recognition of the time, commitment, responsibility, skills and expertise required of directors in managing the affairs of CED Co-op on behalf of the members, each director shall be paid an annual honorarium of $2,000 for their services to CED Co-op for the period beginning January 1, 2018 and continuing until the 2019 AGM, with the annual amount to be pro-rated for any portion of a year of service that is either less than or in excess of a full year.

Appendix A: 2018 Board of Directors Candidates

Current Directors available for election

Art Bast

Art is a self-employed carpenter / contractor in the Sudbury area. Previously, he founded and ran a successful cabinet-making business. Art brings a northern perspective in helping to plan the development and construction of projects, as well as a strong interest in environmental issues and prior board experience.

Dan Ulrich

Dan holds a certificate in Mechanical Engineering Technology from Conestoga College. He spent 10 years working on energy generation and power plant facility design at Babcock and Wilcox. He served as Vice Chair for the union, and is active in facilities management for a local charity, working on sustainability and energy efficiency retrofits.

Jason Patterson

Jason is an accomplished finance and investment professional with expertise in credit and financial risk analysis. His experience includes Senior Managing Director of Structured Finance at Pacific & Western Bank Canada, Senior Analyst of Market Development at Sun Life Financial, and Senior VP of Risk and Compliance at Securcor Financial Group.

Blair Groff

Blair is a practicing lawyer who also holds an economics degree. and has worked in the financial services industry for 20 years as in house counsel. With experience in strategic direction, consensus building, and understanding regulatory requirements, Blair has learned to think outside the box to reach business objectives.

ced co-op
community energy development co-operative

community minded, professional investment









Thanks for your continued support,

Sunny Skies,

Brian Unrau
President
Community Energy Development Co-operative