



Ontario Corporation number: 1613588

*Co-operative Corporations Act*, R.S.O. 1990, c. C.35

**RECEIPT FOR AN OFFERING STATEMENT  
ZOOSHARE BIOGAS CO-OPERATIVE INC.**

ZooShare Biogas Co-operative Inc. (the "Co-operative"), filed an Offering Statement dated September 30, 2015.

As a condition of the Superintendent of Financial Services issuing a Receipt under Subsection 36(1) of the *Co-operative Corporations Act*, the Co-operative has undertaken in accordance with Section 19 of the Offering Statement that:

- a) the Offering Statement dated September 30, 2015 will expire on September 30, 2016 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 17<sup>th</sup> day of November, 2015.

A handwritten signature in blue ink, appearing to read "Anatol Monid", written over a horizontal line.

**Anatol Monid**  
Executive Director  
Licensing and Market Conduct Division  
By Delegated Authority from the  
Superintendent of Financial Services

**All prospective purchasers of these bonds must receive this Offering Statement before completing their purchase. This document contains important information about the Community Bonds offered for sale by the Co-operative named below. You should read the entire Offering Statement before deciding whether or not to buy these bonds.**

OFFERING STATEMENT

ZooShare Biogas Co-operative Inc. (**ZooShare**)

Dated: September 30<sup>th</sup> 2015

**ZooShare is offering to sell Community Bonds.** Prospective individual purchasers must first pay the \$10 membership fee and be admitted into membership by the Board of Directors of ZooShare. Corporations may purchase Community Bonds, but may not be members of ZooShare, in order that ZooShare may qualify for FIT 2.0 projects

Community Bonds	Community Bonds Series 2	Community Bonds Series 3	Aggregate Offering
Minimum Offering	Nil	Nil	Nil
Maximum Offering	\$620,000	\$2,200,000	\$2,820,000
Minimum Individual Purchase	\$500	\$500	n/a

Amount to be raised by this offering is not to exceed \$2,820,000.00.

Each purchaser of Community Bonds must offer to purchase Community Bonds in the minimum principal amount of \$500.00. The securities offered are issued under the Co-operative Corporations Act and are exempt from the requirements of the Securities Act (Ontario). The persons selling these securities are exempt from the registration requirement of the Securities Act (Ontario) and are not required to be licensed by any Government agency.

**ZooShare is in the development stage.** Purchase of bonds in such start-up ventures involves a potentially high degree of risk compared to traditional corporate or government issued bonds, and subscribers should view this subscription as speculative. Investors may lose their investment.

**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 securities offered under this Offering Statement.

**There is no established public market through which these securities may be sold.** Due to the characteristics of the securities offered by this Offering Statement, restrictions on their transfer, and the fact that resale restrictions may apply, no such market is likely to develop. In the event that investors should need to sell securities prior to maturity, ZooShare will reasonably make its best efforts to assist in the transfer of bonds to another member, if possible.

**Investors should not rely on any information other than what is contained in this Offering Statement.** Potential buyers should pay careful attention to all the risk factors noted in the Offering Statement. See Section 9 below (**Risk Factors**) for a description of risk factors.

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

**This Offering Statement expires on September 30<sup>th</sup> 2016. No further securities may be issued after this date unless a new Offering Statement is filed and receipted.**

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## 1. Glossary

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

**Act** means the *Co-operative Corporations Act* (Ontario) and the Regulations made pursuant to it.

**Board** means the board of directors of ZooShare.

**CFIA** means Canadian Food Inspection Agency

**Escrow Agent** means the escrow agent under the Escrow Agreement.

**Escrow Agreement** means the agreement entered into between ZooShare and the Escrow Agent to hold proceeds of Bond sales until the release criteria referred to in Section 16.10 are complied with.

**FIT** means the IESO's Feed-in-Tariff.

**FIT Contract** means the contract offered by the IESO under the FIT Program for a particular Project.

**FIT Program** means the IESO's FIT program for electricity purchase and connectivity to the Grid for green electricity generators as legislated by the Ontario Green Energy and Economy Act.

**Founders' Club** means the group of investors describe in Section 7.7.

**Grid** means the Ontario electricity transmission and distribution system.

**IESO** means the Independent Electricity System Operator (formerly the Ontario Power Authority)

**Insiders** refer to individuals and organizations that contributed to ZooShare's development, as described in Section 7.7.

**kW** means kilowatt (one thousand watts).

**kWh** means kilowatt hour (one thousand watt hours).

**MW** means megawatt (one million watts or one thousand kilowatts).

**Project** means the biogas installation of ZooShare for the generation of electricity at the Toronto Zoo.

**Renewable Energy** means energy from natural resources such as sunlight, wind, organic waste, water flow, tidal action and geothermal heat which are naturally replenished, often continuously or in a matter of hours; type of energy being promoted by the *Ontario Green Energy and Economy Act*.

**TREC** means Toronto Renewable Energy Co-operative Inc., a non-profit co-operative established to promote renewable energy through its project development and educational activities. TREC provides co-op administration and member management services to other renewable energy co-operatives, and is assigned any surplus generated by the project to be managed and invested in other community-owned biogas projects.

**Trust Agreement** means the agreements entered into between ZooShare and Brian Iler who is acting as Trustee for the security holders.

**2. Corporate Information**

**Name of Co-operative:** ZooShare Biogas Co-operative Inc.

**Date of Incorporation:** April 26, 2011

**Ontario Corporation No:** 1613588

**Head office address:** 42 Heintzman St.  
Toronto, Ontario  
M6P 2J6

**Auditors:** Prentice Yates & Clark, Chartered Accountants  
15 Toronto Street, Suite 700  
  
Toronto, ON M5C 2E3

**Registrar/Transfer Agent:** ZooShare will act as its own registrar and transfer agent in respect of the securities offered for sale.

**Escrow Agent:** Iler Campbell LLP

**Lawyers:** Iler Campbell LLP  
Barristers & Solicitors  
150 John Street, 7th Floor  
Toronto, ON M5V 3E3

**Fiscal Year End:** December 31

**3. Directors and Officers**

The articles of incorporation of ZooShare provide that it have a minimum of three and a maximum of five directors. There are presently seven directors. The directors are:

NAME	ROLE	TITLE	RESIDENCE ADDRESS	OCCUPATION
Paul Ungerman	Director	Chair	483 Rushton Rd. Toronto, Ontario, M6C2Y4	Manager of Government Affairs, Union Gas Limited
Tom Ferencevic	Director	n/a	67 Erin Crescent, Welland, Ontario, L3C 6B8	VP Technical Services at Yield Energy Inc.
John Vellone	Director	Vice Chair and Secretary	252A Bain Avenue, Toronto, Ontario, M4K	Lawyer, Partner at Borden Ladner Gervais LLP



			1G3	
Chris Benedetti	Director	n/a	29 Dacre Crescent Toronto, Ontario, M6S 2W2	Principal and Head, Energy and Environment Practice at Sussex Strategy Group
Peter Roles	Director	Treasurer	36 Washington Ave., Oakville, Ontario L6K 1W6	Business Development Consultant at Peter Roles Associates
John Tracogna	Director	n/a	361A Old Finch Avenue, Toronto, Ontario M1B 5K7	CEO of the Toronto Zoo
Angela Wallace	Director	n/a	51 Lower Simcoe Street, Suite 807 Toronto, Ontario, M5J 3A2	H Project Ambassador at Holt Renfrew
Daniel Bida, CFA	Officer	Executive Director	42 Heintzman St. Toronto, Ontario M6P 2J6	President of ReGenerate Biogas Inc.

#### 4. Description of the Business or Undertaking of ZooShare

##### 4.1 Overview and History

ZooShare Biogas Co-operative Inc. is a non-profit renewable energy co-operative incorporated under the *Act*. ZooShare was incorporated on April 26, 2011, to develop a biogas plant at the Toronto Zoo to process the Zoo's annual manure output and grocery store waste from around the City, and turning it into power, heat, and fertilizer.

Biogas refers to the methane and carbon dioxide produced when organic material breaks down in an oxygen-free environment – a process called anaerobic digestion. That biogas, in turn, can be used to fuel an engine for power generation, among other potential uses.

The electricity generated will be sold to the Ontario Power Authority under the FIT program. It is anticipated that a substantial portion of the capital needed to build the project will be raised from local citizens who support ZooShare's mission, through the purchase of Community Bonds.

##### 4.2 Management and Administration

###### a. Development Phase

Until the Board decides otherwise, ZooShare will have 1-3 employees, including the Executive Director. The Board has elected to outsource a number of administrative and organizational tasks to TREC, while handling marketing, sales, contracting and financing internally. The general terms of the management agreement with TREC are described in Section 17.6.

The Board is currently made up of seven individuals listed in Section 3.

## **b. Operations and Maintenance Phase**

After the successful commissioning of the project, the staff and organizational requirements will change. An Executive Director (part time) may be needed to ensure the ongoing management and administration of the plant and co-op, while the day-to-day operations of the plant will be fulfilled by 1-2 employees, whose roles and responsibilities will include:

- Monitoring the performance of the biogas plant
- Coordinating maintenance visits
- Controlling key performance indicators and error reports
- Educating the general public about biogas and giving tours of the facility

### **4.3 Restrictions**

The Articles of Incorporation restrict the business of ZooShare to:

- a. generating, within the meaning of the *Electricity Act, 1998*, electricity produced from one or more sources that are renewable energy sources for the purposes of that *Act*, and
- b. selling, as a generator within the meaning of that *Act*, electricity it produces from one or more renewable energy sources.”

These restrictions mean ZooShare is a “renewable energy cooperative” as defined in the *Act*, and is therefore exempt from the normal obligation on co-operatives to do at least 50% of their business with their members.

### **4.4 Membership and Voting**

Membership is open to any Ontario resident over the age of 18. Only members, and non-member corporations, are eligible to purchase Community Bonds.

Each member in a co-operative is entitled to one vote at meetings of members, giving them a stake and say in shaping ZooShare’s future. No proxies are permitted.

All proceeds of this offering will be applied to pay the capital costs of the biogas plant to be built at the Zoo.

As of September 15, 2015, ZooShare had 484 members.

### **4.5 Membership Requirements**

**Admission** – Membership in ZooShare shall consist of all persons who are accepted as members by the Board. All members must be residents of Ontario.

**Membership Requirements** – To become a member, a person must submit an application for membership to the Board and pay the \$10 membership fee.

**Transfer of Membership** – Membership in ZooShare shall not be transferable unless authorized by the Board.

**Termination of Membership** – Membership in ZooShare shall terminate upon the withdrawal of the member from ZooShare, on the death of the member, or on the termination of the member from ZooShare by a resolution passed by the Board pursuant to the procedures outlined in the *Act* or otherwise in accordance with the *Act*.

**Treatment of Surplus** – Members of ZooShare are entitled to repayment of their Community Bonds with interest, and are not entitled to any distribution of ZooShare’s surplus during its existence, or on dissolution. On dissolution, any surplus remaining after payment of all debts and liabilities shall be distributed or disposed of to non-profit co-operatives with similar objectives. Any surpluses generated by ZooShare (after sufficient funds, in the opinion of the Board, are retained to meet ZooShare’s obligations, including those under the Community Bonds) are assigned to the TREC Renewable Energy Fund, to be invested in other community power projects.

#### **4.6 Authorizations, Licenses & Permits**

ZooShare will ensure that the Project obtains all authorizations, licenses and permits as necessary. These will include at a minimum:

- **Electrical Safety Authority approval:** This approval will be obtained in the detailed design stage of the project prior to connection.

**Renewable Energy Approval:** The Ministry of the Environment and Climate Change issued a Renewable Energy Approval to ZooShare on August 28th 2015. The reports listed below can be found on the ZooShare website, as per the requirements of the Ministry of the Environment and Climate Change:

- Archaeological assessment
- Natural heritage assessment
- Ground and surface water studies
- Air quality, odour, dust studies
- Land use study
- Environmental impact assessment
- Impact on provincial policy assessment
- Public health and safety assessment
- Hydro geological assessment
- Noise study
- Property Line Setback assessment
- Surface Water Assessment

- Construction, Operation and Decommissioning Report
- **Connection Impact Assessment:** Toronto Hydro issued a Connection Impact Assessment to ZooShare on March 27<sup>th</sup> 2015. The Connection Impact Assessment (CIA) reserves electrical transmission and distribution networks on the grid for the electricity ZooShare will generate.
- **Building Permits:** Before construction can begin the project requires a building permit from the City of Toronto as well as a permit from the Toronto Region Conservation Authority.
- **Federal Approvals:** No federal government approvals are required.

#### 4.7 Real Estate

ZooShare owns no real estate and leases its premises from the Toronto Zoo on the material terms found in section 16 - Material Contracts.

#### 4.8 Insurance

During the development phase of the project, ZooShare will hold the following insurance coverage:

- Commercial General Liability
- Directors and Officers Liability

During construction, insurance coverage will be secured from the Engineering, Procurement and Construction contractor, covering Builders' Risk and Commercial General Liability.

Before commissioning of the biogas plant, ZooShare will acquire property, general liability, and casualty insurance from insurers with experience in commercial biogas projects.

During operations, ZooShare will hold the following insurance coverage:

- Business Interruption
- Directors and Officers Liability
- Commercial General Liability
- Property and Equipment Breakdown
- Pollution and Environmental Liability
- Standard Owner's Automobile Liability

#### 4.9 Review of Documents

All agreements related to this Offering Statement, including the Articles of Incorporation, By-laws, and major contracts may be reviewed at the ZooShare office upon request.

### 5. Business Model

ZooShare is planning to invest \$4.8 million to build a biogas plant across from the Zoo. The plant will recycle manure and food waste into biogas and fertilizer. The biogas will be burned in a

generator to produce approximately 500 kW of electrical power, which will then be sold to the IESO.

Revenue comes from three different sources:

- 1) Electricity sold to the IESO;
- 2) Tipping fees for accepting food waste; and
- 3) Sale of solid digestate (fertilizer).

Operating expenses include a salary for a full-time plant operator, insurance coverage, digester and engine maintenance, lease, administration and overhead.

Trucks carrying Zoo manure and food waste will each arrive at the Biogas Plant 2 to 7 times per week, respectively, where the manure and food waste will be placed into separate input tanks. From there, the processing and digestion of the waste streams will be automated. The plant operator will monitor all activities and the performance of the plant on a regular basis via computer, in conjunction with the technology supplier, who will be connected to the system via the internet.

Electricity will be put onto the Grid at ZooShare's connection point, 150 meters north of the biogas plant, and revenues will be received monthly for the power sold.

Liquid digestate will be sold to a local area farmer twice per year for the approximate cost of transportation. Solid digestate will be sold in bulk to the public (in accordance with CFIA guidelines).

## **5.1 Vision, Mission and Strategy**

### **Vision**

ZooShare strives to encourage investment in community-owned biogas plants, in order to significantly reduce emissions, improve local economies and shift the way people see their waste.

### **Mission**

ZooShare's mission is to be a catalyst, through education and investment, for the growth of community-owned biogas plants.

### **Strategy**

ZooShare's longer term strategy is to expand the Toronto Zoo facility to 1 MW in size, and then use any accumulated surplus funds to invest (equity or debt) in the development of other community-owned biogas plants (through the TREC Renewable Energy Fund). This includes the potential to develop zoo-biogas plants at other North American zoos.

A constant throughout ZooShare's lifetime will be educational programming, which will include in-class biogas workshops, regular tours of the facility, and information about biogas and community power available onsite and online.

The combination of educating the public at a readily accessible, high-profile location and constantly re-investing in the growth of the biogas sector will help ZooShare realize its mission.

## **5.2 Emission Reductions**

ZooShare's biogas plant will offset the need for fossil fuelled electricity on the Grid, capture the methane emissions from organic waste that would otherwise go into the atmosphere and reduce the amount of diesel used by heavy-duty trucks transporting waste to sites around Ontario or beyond. **The direct emission reductions from ZooShare's operations will be approximately 12,000 tonnes per year CO<sub>2</sub>e** (Carbon dioxide equivalent).

## **5.3 Project Stages**

### **a. Pre-feasibility**

In this phase of project, ZooShare presented its plans to the Toronto Zoo, applied for grants and confirmed project feasibility.

Completed:

- Project initiation and acceptance, Memorandum of Understanding with the Toronto Zoo
- Conceptual project design
- Receipt of Community Energy Partnership Program grant
- 3<sup>rd</sup> party verification of project feasibility
- Insiders' Loans financing

### **b. Permitting and Approvals**

During this phase of the project, all the necessary permits will be obtained and contracts signed. See Section 4.6 for a list of permits and Section 16 for a list of material contracts.

Completed:

- FIT contract with the IESO
- Co-op Incorporated
- Official approval by the Board of Management of the Toronto Zoo including execution of Lease Agreement and Operating Agreement
- Execution of Feedstock Agreement with major grocery retailer
- Connection Impact Assessment
- Renewable Energy Approval

In process:

- FIT Notice to Proceed

- Connection Cost Agreement
- Electrical Safety Authority approval

**c. Building Permits Sales, Marketing and Financing**

During this phase, debt financing, Founders' Club Bond financing and Community Bond financing will be put in place.

Completed:

- Founders' Club Bonds issued
- \$2.2 million Community Bonds issued

In process:

- Construction and Long Term Debt financing secured
- Additional Community Bond sales

**d. Engineering and Procurement**

Completed:

- Preliminary engineering and request for quotes from technology suppliers

To be completed:

- Selection of technology supplier
- Detailed Procurement of equipment

**e. Construction and Commissioning**

All to be completed.

i. Construction

Construction of the project is scheduled to commence in the Spring of 2016 and will likely be completed by the end of 2016. Start up and commissioning will require an additional two months and full power is expected shortly after that.

The first construction activity on site will be the excavation for building footings and the vessels.

**No excavated materials will be transported off site. All materials will be stored and used as part of the final grading. A silt fence will be installed around the entire construction site to minimize siltation.**

Construction of the building will be commenced first. The intent is to complete the building so that it can be used as the construction office and lay down area.

The concrete for the vessels will be poured immediately after the foundations of the building are completed. The digester will then be completed with its wooden deck, mixers, insulation and

cladding. Electrical and piping work will be undertaken in the next step and the interior equipment in the building will be installed.

The Grid connection will be constructed as soon as the building is completed.

Final grading, cleanup, topsoil and seeding will be delayed until suitable weather is available.

ii. Start-up and commissioning

All of the Biogas plant components will be tested to ensure that they work according to specification. The digester will initially be filled with liquid dairy manure from a nearby farm and heated with a portable boiler over a period of time, to start the biological process. Solid zoo manure will be added slowly, eventually followed by the grocery store waste.

Unsuitable gas will be flared (i.e. burned) until it meets engine specifications. When the gas quantity and quality is suitable, the engine will be started and commissioned.

**f. Commercial Operations**

Organic waste arrives from two sources:

- Solid manure used in the digester will arrive by zoo truck, 2-3 times per week (approximately 3,000 tonnes per year)
- Food waste will arrive by delivery truck, 5-7 times per week (approximately 14,000 tonnes per year).

The waste will be dumped into a receiving tank. The food waste will be pumped into a tank for pasteurization. Pasteurization is a process using heat to reduce the number of viable pathogens to the point that they are unlikely to cause disease.

Following pasteurization, food waste is fed into a digester, and mixed with the Zoo manure, at a pre-determined rate controlled by the computer system.

The organic materials will remain in the digester for approximately 50 days, where it will be heated to 38 degrees C and stirred constantly, producing biogas. The gas will be approximately 65% methane, with the remainder being carbon dioxide and traces of hydrogen sulphide.

**Biogas.** The biogas will be used to fuel two engines, which each drives an electricity generator. Between the digester and the engine the gas will flow through a cooling field installed in the ground, which cools the gas and removes moisture. The moisture that is removed is collected and pumped back into the manure input tank for recycling into the digester.

**Power.** The electrical power generated will be fed to the Grid at a connection point located at the northeast corner of Meadowvale Road and the parking lot entrance approximately 150 meters north of the digester.

**Heat and Carbon dioxide.** The engines produce approximately 500kW of thermal energy and about 10 tonnes of carbon dioxide per year. Between 100kW and 150kW is needed to heat the digester and pasteurizer, while the remainder will be made available to a future greenhouse, which may be built by the Zoo or another organization.



**Solid Digestate.** As the organic waste continuously leaves the digester (now called digestate) it passes through a solid separator unit (a screw press). The solid material will pile up in a concrete bunker, awaiting sale to consumers.

**Liquid Digestate.** After separation, the liquid fraction will be stored in storage vessels. Twice per year (in the spring and fall) the vessels will be emptied and the material delivered to local farmers for field application.

**g. Ongoing Maintenance**

The operation of the entire biogas plant will be checked by staff on a daily basis. Gas quality and quantity is recorded daily. Lab samples of the materials in the digester are taken regularly. All equipment is checked and serviced on a predetermined schedule. All inputs, temperatures, pump cycles, holding times, mixer timing etc. are recorded in the control system and can be adjusted as required.

Engine lubricating oil is regularly tested and a maintenance schedule developed on the basis of the test results. The engine supplier will be contracted to carry out regularly scheduled maintenance as well as major overhauls and repairs as required.

**5.4 Co-op Administration**

ZooShare’s administrative duties include regular bookkeeping, account payables and receivables, interest payments on Insiders Loans, Founders’ Club Bonds and Community Bonds, member management and communications. Some of these activities are, and will be, outsourced to third party service organizations, while the rest will be carried out by ZooShare.

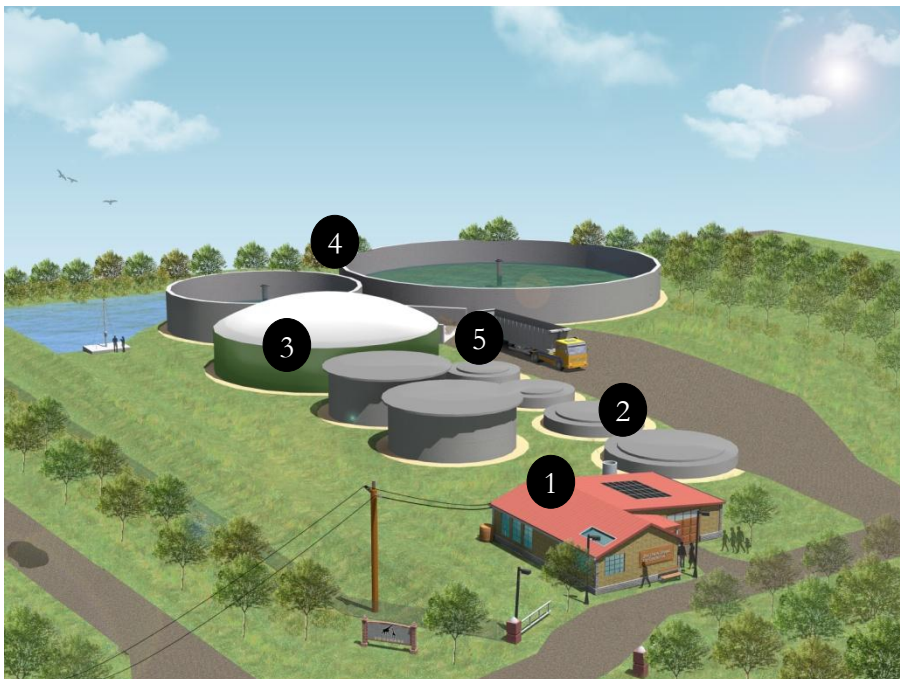
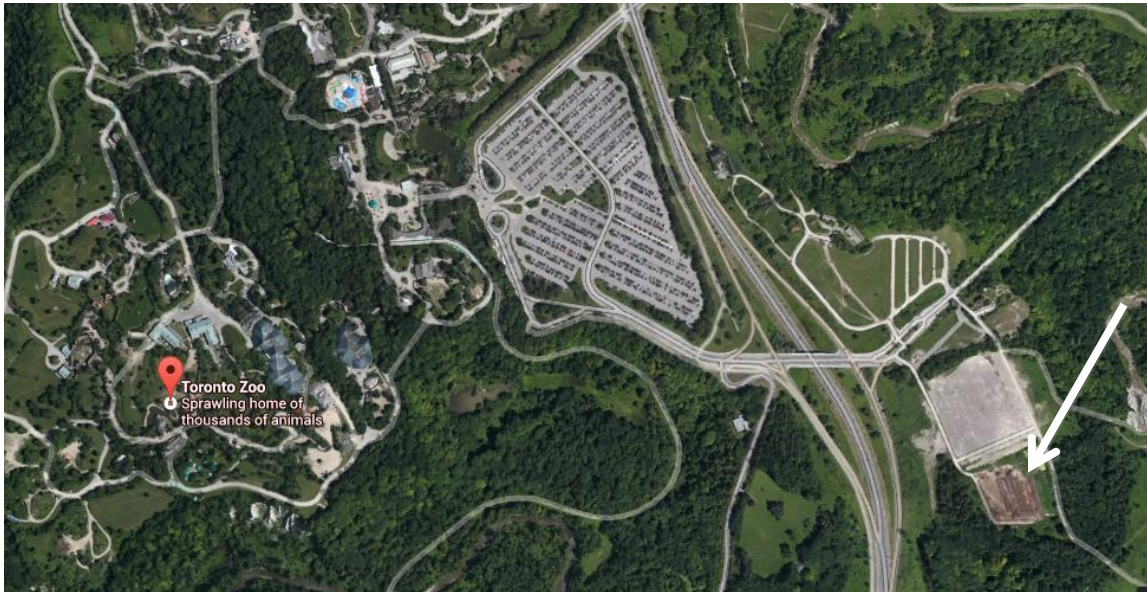


*Figure 1 - Sample anaerobic digester*

## 5.5 Project location

The location of the biogas plant and an illustration of what it will look like upon completion are shown in the figures below. The site is the location of the Zoo's current composting operation.

It is located in the City of Toronto on the east side of Meadowvale Road, south of Zoo Road and is described as part of Lot 4, Concession 3 in the former Township of Scarborough.



*Figure 2 - Site location and illustration*

## 5.6 Technology

The components of the biogas plant, as shown in Figure 2, above are:

**Building (#1 on Figure 2).** The Building houses the engines, the control system, the switchgear and the Information Centre.

**Engines.** The engines will produce approximately 500 kW of thermal energy in addition to the electrical energy produced. In order to utilize the heat produced, the engine will be equipped with a heat recovery system. The engine room will contain a heat recovery manifold to distribute the hot water. A 20 kW diesel powered generator with an Automatic Transfer Switch is also included in the building. This will keep the essential pumps, sensors, flare and control system powered in the event of a power outage.

**Control system.** The digester system is electronically controlled and monitored to ensure optimal digester health. A computer controls and records all aspects of the operation of the system. The system is also capable of being remotely controlled over the Internet or by smart phone.

**Switchgear.** Electrical switchgear controls the quality of the power exported to the Grid.

A transformer is located outside of the building.

**Information Centre.** This part of the building will host tour groups and other visitors to the plant, providing them live operating statistics from the plant and an up-close look at how biogas works in practice.

**Receiving Tanks (#2 on Figure 2)** Pasteurization tank, and Hydrolysis tanks to receive Zoo manure (dry) and Food Waste (wet). The Zoo truck will dump the manure into one receiving tank, while liquefied, contaminant-free food waste is dumped into another. The food waste is pasteurized before being mixed with the Zoo manure and pumped into the hydrolysis tank.

**Complete Mix Anaerobic Digester (#3 on Figure 2)**. The digester is constructed of reinforced concrete and has a centre column. It is likely to be 21 meters in diameter and 6 meters high, with a total capacity of 2,077 m<sup>3</sup> and an operating capacity is 1,731 m<sup>3</sup>. It is insulated and metal clad, and the floor is 1.2m to 2m below grade. The digester will be equipped with three submersible mixers and also contain a hydrogen sulphide removal system (it is corrosive to the generator). The interior will be lit and monitored by a camera, which will relay pictures for educational purposes and for monitoring by control staff. Over/under pressure valves will ensure safety. All equipment will be explosion proof.

**Automatic flare.** The flare is designed with a blower, flame arrester and an automatic start with the capacity to burn 150% (400 cubic meters per hour) of the biogas expected from the plant. The flare is used only if both engines are down and the gas storage is full.

**Concrete Liquid Digestate Storage Vessels (#4 on Figure 2).** Two vessels totaling 4,150 m<sup>3</sup> will be used to store liquid digestate after the solids have been separated. Both vessels are constructed of reinforced concrete and equipped with piping so that they can be filled and emptied. Liquid digestate storage volume is sufficient for approximately 180 days of production.

**Bunker for Solid Digestate Storage (#5 on Figure 2).** The bunker is designed to accommodate up to 12 months production of solid digestate produced by the plant. Each year, ZooShare will sell

this material in bulk to the general public. The bunker is constructed of reinforced concrete with walls that are 2 m high. Drainage, in accordance with applicable regulations, will be provided.

## **5.7 Customers, Competitors, Markets**

ZooShare's customers include the IESO for the power and a major Canadian grocery retailer for tipping fees and fertilizer sales.

The market opportunity in Ontario and across North America is quite large as for the most part, all organic waste produced is sent to landfills or compost facilities, and almost all livestock manure is being scattered on fields without processing. Production of biogas is still relatively new to North America, but it is moving into the 'late adopters' phase of its growth cycle as there are now around 35 operational digesters in Ontario and over 300 across North America. For every tonne of waste processed in an anaerobic digester, greenhouse gas emissions are reduced, groundwater contamination risk is reduced and renewable energy is produced. Therefore there are significant environmental and societal benefits of biogas over other waste disposal methods.

Based on recent projections from the Ontario Ministry of Agriculture, Food and Rural Affairs and the Biogas Association (made up of various stakeholders from across the Ontario biogas industry) – there is approximately 250 MW of potential biogas power that could be produced from livestock manure and commercial food waste in Ontario. When household organic waste and energy crops are included the potential total increases to around 1,000 MW.

The Ontario biogas market has thus far been largely based on farms, co-digesting animal manure and food waste. Based on the above projections, it is expected that the demand and competition for food waste (a high energy value feedstock) will increase as the number of plants increases. This increasing demand estimate is the reason for the projected declines to tipping fee revenues in ZooShare's business plan.

Biogas is the kind of business where the proximity to feedstock sources is of material importance. As a result of ZooShare's location in the east end of Toronto, ZooShare holds a key geographic advantage over other biogas and waste processing facilities – potentially saving waste haulers up to 4 hours of driving time in some cases. Furthermore, by partnering with the Toronto Zoo, ZooShare offers its waste producers a positive branding opportunity, increasing its competitive advantage over other biogas plants.

## **5.8 Marketing and Sales**

ZooShare's Sales and Marketing Plan includes:

1. Web-based social media campaign – the ZooShare website will be the first contact point with potential and current members where they can learn about ZooShare, its project, and subscribe to this offering.
2. Community engagement and awareness raising – ZooShare will offer the investment opportunity to the local community and will create awareness through a local media campaign.
3. Local events – Wherever possible and appropriate, ZooShare be selling Community Bonds at local

events, shows and exhibitions.

4. Leveraging the reach and marketing power of key project partners, like the Toronto Zoo, Canada's largest grocery retailer and Bullfrog Power, among others.

Details of the ZooShare's marketing plan is not shown or described in detail in this Offering Statement for confidential competitive reasons.

## **5.9 Communications**

ZooShare will communicate with various stakeholders around different topics throughout its development. Its communication needs extend beyond the selling of bonds and co-op memberships, and also includes sharing updates and information with key stakeholders at the Zoo, City of Toronto, TRCA, residents living nearby, and the general public.

## **6. Capital Structure**

ZooShare is incorporated as a non-profit renewable energy co-operative without share capital. Its capital at December 31, 2014 is as follows:

Contributed Surplus:	\$17,153
Total:	\$17,153

ZooShare is in the start-up phase and has no accumulated retained earnings. ZooShare has in its Bylaws, a strong asset lock, so that the income and net assets of ZooShare after payment of its liabilities (including the Community Bonds) are applied solely to pursue the objectives of educating the public about biogas and investing in additional community-owned biogas projects. As a result, there is no allocation, crediting or payment to the members of ZooShare out of the surplus of ZooShare beyond the amounts they are entitled to pursuant to the terms of the Community Bonds described in section 7.7. All surpluses generated by ZooShare will be assigned to the TREC Renewable Energy Fund under the terms of the Renewable Energy Fund Agreement and thus it is not expected the co-operative will accumulate any material amount of retained earnings in consequence. A summary of this agreement can be found in Section 16.7.

## **7. Financial Assumptions, Capital Costs and Revenue Projections**

### **7.1 Summary**

A summary of the primary financial assumptions and projections can be found below.

All forecasts have been prepared in accordance with Canadian generally accepted accounting principles.

These projections are based upon assumptions and hypotheses which the Board believe to be reasonable and which are consistent with the business plan. Actual results may vary, perhaps materially, from these projections. The assumptions upon which these projections are based may change owing to circumstances beyond ZooShare's control. There can, as a result, be no assurance that ZooShare will be able to pay interest and/or repay principal on the Community Bonds.

At the end of 20 years, when the lease and FIT contract expire and the plant's cost has been fully depreciated, there will still be value remaining in the biogas plant, as it has a potential lifespan of 30-40 years. Any option to renew that may be negotiated could have value to ZooShare, which is unknown at this time.

## 7.2 Project Assumptions

<b><u>Revenue</u></b>	
System size	500kW: nameplate capacity of the biogas project.
FIT price	The price per kWh of biogas power sold to the Grid - \$0.16 + \$0.01 (Community Adder) = \$0.17/kWh.
Solid digestate amount	2,500 tonnes per year: the solid fraction of digestate produced by the biogas plant, which will be bagged and distributed as fertilizer to garden centres.
Solid digestate price	\$100 per tonne. Based on the experience selling 'zoo poo' direct to consumers at other North American zoos.
Tipping materials	14,000 tonnes per year: the amount of food waste and fats, oils and greases coming from the major Canadian retailer.
Tipping fees	The price paid per tonne of food waste received by ZooShare from a grocery retailer. The price paid per tonne will be re-negotiated every 5 years based on market rates, however it is assumed that it will drop as the biogas industry grows.
<b><u>Capital Expenditures</u></b>	
Site development	The approximate cost of improvements for the road from Zoo Road to the biogas plant.
Grid connection	The approximate cost to connect to the Grid.
Permits and Approvals	Includes all studies, application fees and consulting costs related to completing the Renewable Energy Approval, Connection Impact Assessment and Building Permit Application.
Turnkey system price	The installed cost, including equipment procurement, engineering and construction, but excluding development costs.
Financing interest expense	Interest expense from bridge loans or other debt required to complete the project.
Marketing	The cost of marketing and sales of Community Bonds.

Legal & professional expenses	Fees for legal and other professional services including administration, member management and co-op development
Other costs (incl. project management)	Includes fees related to the development of ZooShare's business plan, feedstock testing, application the FIT program, 3rd party verification report and project management.
<b><i>Operating Expenses</i></b>	
Land lease	Annual payments to the Toronto Zoo, equal to 10% of ZooShare earnings before interest, tax, depreciation and amortization or \$50,000, whichever is greater.
Labour	Annual salary of biogas plant operator/tour guide. Approximately \$45,000.
Payroll burden	20% of labour cost and includes benefits, employment insurance and CPP contributions.
Consumables	Materials needed to keep generating equipment running well - oil, filters, spark plugs, testing equipment, fuel.
Engine fund	Annual contributions to a reserve fund to pay for major engine overhauls necessary after 60,000 hours of operating time.
Parasitic power	The amount of power consumed by the biogas plant for its own operations - 3% x 8760 hrs x 500kW.
Cost of power	The cost of power consumed by the biogas plant - \$0.15/kWh.
Digester maintenance	Maintenance on the digester tanks and equipment (pumps and mixers) - equal to 0.5% of capital cost annually.
Engine maintenance	As quoted by an engine manufacturer, \$9.76 per hour of operations
Unforeseen	10 % of Operating & Maintenance expenses are set aside for unforeseen maintenance.
Monitoring	Cost of an online monitoring system - initially \$600.
Insurance	\$50,000/yr for insurance coverage for equipment, general commercial liability, business interruption, directors and officers, pollution.
LDC fee	The account fees charged by the local distribution company, which delivers electricity to consumers – in Toronto, Toronto Hydro.
Property taxes	\$30,000 per year based on the current industrial rate of 3.1% of assessed

	value.
Co-op Admin	Annual admin costs including audit fees, bookkeeping and general co-op administration - initially \$30,000/yr.

### 7.3 Taxation

As ZooShare Co-op is a non-profit co-operative, it is the opinion of ZooShare that no income taxes are payable by it. However, in the event that ZooShare is obliged to pay income tax, payment would be made from the surplus otherwise payable to the TREC Renewable Energy Fund pursuant to the Renewable Energy Fund Agreement described in Section 16.7, and the impact on ZooShare's ability to pay interest and principal on the Community Bonds would be minimal.

ZooShare is a registrant for Harmonized Sales Tax purposes, and the impact of HST on its finances will therefore be neutral.

### 7.4 Financial Statements

The members of ZooShare have a right under the *Act* to receive audited financial statements annually at the annual general meeting.

A copy of the 2014 Audited Financial Statements can be found in Appendix A.

### 7.5 Financial Projections

ZooShare has prepared financial projections for its first 20 years of operations, in Appendix B. These projections are based upon the assumptions set out above.

All projections are prepared in accordance with generally accepted accounting principles.

ZooShare's revenues from the Project are based on current industry standards for operating time and digestate value, and the agreement with our grocery partner for tipping fees and volumes. ZooShare has endeavoured to use conservative estimates when modeling the financial performance of the project. These estimates represent ZooShare's best efforts to estimate accurately and conservatively.

Revenue projections will depend primarily on the amount of electricity produced, the amount of organic waste processed, and tipping fees received for processing the waste.

### 7.6 Capital Cost Estimates

Estimated capital costs for this biogas project and start-up costs associated with it are:

Biogas tanks, equipment, generators, engineering and contingency funds*	\$4,400,000
Grid connection	\$300,000



equipment	
Road improvements	\$100,000
Capital Cost	\$4,800,000

\* Biogas tanks, equipment, and generators are anticipated to be supplied as a turnkey contract. This is intended to cover all engineering, labour, machinery, construction and commissioning costs.

### 7.7 Financing

ZooShare’s project at the Zoo will be entirely debt financed through Construction & Vendor Financing, Insiders loans, Founders’ Club Bonds, Community Bonds, and/or long-term debt from a credit union or other commercial lender. A summary of the project financing can be found below.

The amount to be borrowed from the commercial lender, with respect to the long-term debt and construction financing, will ultimately depend on the demand for Community Bonds from the public. If ZooShare is unsuccessful in raising funds through this Community Bond offering, it will mean that a greater amount is borrowed from a commercial lender. If ZooShare is unsuccessful in raising sufficient funds to cover the Capital Cost Estimates in Section 7.6 through this Community Bond offering, from commercial lenders or from other sources, it will not be able to proceed with the project.

<b><i>Financing Assumptions</i></b>	
Inflation	2%. Expenses each year will increase by this amount.
Discount rate	7% - The discount rate used to calculate the Net Present Value.
Asset life	Used to set depreciation. 20 years to match the length of the FIT contract.
Bank rate	2%
Founders Club Bond rate	11.5-12.5%
Founders Club term	3 years after receipt of FIT contract offer.
Insiders financing rate	12%
Insiders term	12 months after reaching Commercial Operation Date.
Construction financing interest rate	10%

Construction financing amortization period	1 year
Long Term Debt financing rate	6.8%
Long Term Debt term	10 years
Community Bond Series 1 rate	7%
Community Bond Series 1 term	7 years from the purchase date
Community Bond Series 2 rate	6%
Community Bond Series 2 term	6 years from the purchase date
Community Bond Series 3 rate	5% (0.5% from the purchase date while held in escrow, pursuant to the terms of the Escrow Agreement described in Section 16.10)
Community Bond Series 3 term	5 years from Commercial Operation Date (expected to be in December 2016)

**a. Community Bonds Series 1:**

Community Bonds Series 1 pay a 7% annual interest rate and mature 7 years after the purchase date. They are secured by a fixed and floating charge over all of ZooShare's assets and contracts. Funds will start earning and accruing interest on date of purchase at 7%. As of September 15, 2015, \$2,184,165 had been raised through the sale of Community Bonds Series 1.

**b. Community Bonds Series 2:**

Community Bonds Series 2 available through this offering pay a 6% annual interest rate and mature 6 years after the purchase date. They are secured by a fixed and floating charge over all of ZooShare's assets and contracts. Funds will start earning and accruing interest on the date of purchase at 6%. The equivalent of \$620,000 will be issued.

**c. Community Bonds Series 3:**

Community Bonds Series 3 available through this offering pay a 5% annual interest rate and mature 5 years after ZooShare reaches its Commercial Operation Date, which is expected to occur in December 2016. They are secured by a fixed and floating charge over all of

ZooShare's assets and contracts, and are subordinate to Community Bonds Series 1 and Series 2. Funds will start earning and accruing interest on the date of purchase at a nominal rate of 0.5%, and will start earning interest at 5% on the date that ZooShare reaches its Commercial Operation Date. The equivalent of \$2,200,000 will be issued.

**d. Insiders' loans:**

Some of ZooShare's primary suppliers have agreed to be partially compensated through Promissory Notes in lieu of cash payment. These loans accrue interest annually at a rate of 12%, and mature 12 months after the Project reaches the Commercial Operation Date. The principal and accrued interest on the loans will be paid on maturity. They are secured by a fixed and floating charge over all of ZooShare's assets and contracts, and rank ahead of the Community Bonds. The equivalent of \$200,000.00 has been or will be issued.

**e. Founders' Club Bonds:**

The bonds were issued upon receipt of the FIT contract offer from the IESO to 27 individuals and corporations who committed to purchase bonds for the purpose of investing in the project during the development phase. These bonds accrue interest annually at a rate of 11.5-12.5% and have a 3-year maturity period. The principal and accrued interest on these bonds will be paid on maturity. They are secured by a fixed and floating charge over all of ZooShare's assets and contracts and rank ahead of the Community Bonds. The equivalent of \$506,000 has been issued.

**f. Construction financing:**

A loan to ZooShare with an amortization period of 1 year, used to pay any portion of construction and equipment financing not covered through the sale of Community Bonds, and ranking ahead of the Community Bonds. Details on the terms and conditions of this loan are not yet known, but will be provided to members once they are.

**g. Long Term debt financing:**

A loan to ZooShare with an amortization period of 10 years, used to repay Construction financing and the cost of interest accrued during construction (which is not anticipated to exceed \$825,000) and ranking ahead of the Community Bonds. ZooShare may require some additional financing at Community Bond maturity to cover any shortfall in its reserve account. Details on the size, terms and conditions of these loans are not yet known, but will be provided to members once they are.

**7.8 Project Development Costs and Grants:**

Since its inception in late 2010 ZooShare has been working to develop the project, incurring costs for business plan development, legal, accounting and administration, marketing, conceptual design and engineering, feedstock testing, permitting applications, staff and project management.

To date, ZooShare has received \$236,416 of \$375,726 from 3 grants made by the IESO's Community Energy Partnership Program, and \$40,000 from the Toronto Community Foundation, which together with Founders Club investments; cover the above list of expenses. ZooShare intends to apply for additional grants from other organizations in order to help fund ZooShare's educational programming and other needs.

## **8. Use of Proceeds of the Offering**

ZooShare will use the proceeds from Community Bonds Series 2 to contribute to the capital costs as set out in Section 7.6 “Capital Cost Estimates”.

ZooShare will use the proceeds from Community Bonds Series 3 to repay construction financing received from a commercial lender. The total amount of Long Term Debt needed from a commercial lender at this time will then be reduced by the amount of Community Bonds Series 3 funds raised.

## **9. Risk Factors**

Community Bonds are structured to be low-risk investments, however, there are still risks, as described in this section. The risks are listed in alphabetical order.

ZooShare will be subject to a number of risks common to start-up ventures in general, as well as specific risks associated with electrical generation and anaerobic digestion.

The failure to prevent, minimize or mitigate any of the following risks could jeopardize investor’s financial returns and possible their investment in ZooShare.

### **9.1 Cash Flow Projections**

**ZooShare anticipates positive cash flow over the life of its project. These projections are based on a number of assumptions, which can be found in Section 7. If any one or more of these assumptions turns out to be significantly in error then ZooShare could be unable to manage its cash flow requirements. This could jeopardize the viability of the Project and/or its expected returns.**

### **9.2 Equipment Failure**

**The equipment ZooShare intends to install is expected to be low maintenance and reasonably trouble-free. In addition to maintenance shutdowns which are accounted for in ZooShare’s business plan, all major equipment will be covered by warranty from technology suppliers. However, should issues with the digester, generators or other major equipment develop, there could be a loss of energy production and associated revenues for the period of downtime. This loss may not be covered by warranty or insurance, depending on the cause.**

### **9.3 Failure to Raise Sufficient Capital**

**There are no assurances that ZooShare will be raise sufficient capital, either through Debt Financing and/or from the proceeds of this offering, to meet the financial requirements to complete the project contemplated in the business plan or that the terms and conditions of that financing will not change in a significant way impacting the viability of the Project.**

#### 9.4 Inability to Secure Feedstock supply

The supply of food waste is integral to the project's success as it is the primary source of energy. If ZooShare is not able to secure food waste for the duration of the project, it will not be able to generate the projected amount of biogas, electricity and revenues, severely impacting its ability to operate. If tipping fees are lower than expected, it will have a direct impact on revenues and net income, but will not affect ZooShare's ability to repay bondholders.

#### 9.5 Failure to Secure Financing

There is a risk that commercial lenders may not be interested in the Biogas Project because of a lack of biogas lending experience or because of the relatively small size of the transaction. There is a risk that ZooShare's finances are materially different than projected at the time of maturity of Community Bonds and reserve funds are not sufficient to cover the full repayment obligations.

#### 9.6 Financial Projections

This Offering Statement contains forward-looking statements and projections that involve numerous assumptions, hypotheses, risks and uncertainties including, among others, those set out in this Section as "Risk Factors". These projections are based upon assumptions and hypotheses that the Board of ZooShare believes to be reasonable and which are consistent with the forecasts and projections prepared by ZooShare. No representations or warranties are given that these projections will actually be achieved. Actual results may 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 ZooShare or otherwise. Investors are advised not to rely solely upon these projections in making their investment decision.

#### 9.7 Inability to Connect to the Grid

Connection to the Grid is a challenge for all renewable projects in Ontario as a result of capacity constraints in certain areas. If connection to the Grid cannot be secured, the Project will not proceed. Grid access has been secured with Toronto Hydro.

#### 9.8 Income Tax Risk

In Canada, income tax exemption for a non-profit organization is obtained by structuring and operating the organization in accordance with the requirements of the *Income Tax Act*, but may be challenged if the requirements for that exemption, as interpreted by Canada Revenue Agency, are not complied with.

#### 9.9 Major Contracts

ZooShare has entered or will enter into material contracts to operate its business. The strength of these contracts and the availability of the remedies sought in the case of default could materially affect ZooShare's financial projections. An inability to negotiate and execute these material contracts could materially affect ZooShare's projected timelines for completion.

#### 9.10 Market for Securities

There is currently no market for the Community Bonds offered and the development of such a market cannot be assumed. No Membership may be transferred without the express consent of the Board of Directors of ZooShare. ZooShare will use its best efforts to match buyers and sellers, but offers no guarantee that holders of the Securities will be able to sell them. Purchases of the Community Bonds offered herein should be considered long-term investments and may not be suitable for investors who may need to sell their securities quickly in order to raise money. This investment is for a term of seven years.

#### 9.11 Negative Public Perception or NIMBYism (Not in my backyard)

Negative public opinion towards the planned development could delay or stop the project from being built.

#### 9.12 New Venture Risk

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

#### 9.13 Operating Risk – Biological and Mechanical

Anaerobic digestion is largely a biological process – microbes and bacteria consume organic waste to produce biogas. If their health is threatened due to a substantial change in acidity or temperature, biogas production will slow down considerably or stop altogether. This would cause the plant to shut down for a period of 2-8 weeks, impacting revenues and net income. These types of issues are normally caused by a sudden change in the feedstock recipe being fed to the digester, or a mechanical failure of the heating equipment. Mechanical breakdown is also possible. If this were to happen, it would negatively affect ZooShare's ability to process new waste and produce biogas.

#### 9.14 Priority of Lenders

The net proceeds from the securities offered herein will be subordinate to Debt Financing lenders. In event of a default or bankruptcy, these lenders have a priority with respect to payment of interest and principal.

#### 9.15 Profitability and Solvency

There is no certainty that ZooShare will be profitable and that ZooShare will be able to pay interest or redeem its Community Bonds. In addition, there can be no guarantee ZooShare will be able to meet the solvency tests mandated by the *Act* when a request is made by a member to redeem their Community Bonds or when membership ceases. As such, there can be no assurance ZooShare will be able to redeem Community Bonds when so requested or when membership ceases.

#### 9.16 Repayment of Bonds

There is no assurance that ZooShare will be able to repay any of the Community Bonds offered under this Offering Statement. Investors who require guaranteed returns from their investments with no risk should not purchase the securities offered herein.

### 9.17 Safety and Liability Risk

As producing biogas is a process that produces methane gas and burns it in a generator, there is the potential for injury from gas inhalation, which could result in liability claims against the co-op. There is also the potential for other kinds of injuries to occur as a result of all the moving parts involved in biogas production.

### 9.18 Failure to Reach Commercial Operation

If the Project fails to reach Commercial Operation as set out in the FIT Contract, after receiving the necessary permits and initiating construction, ZooShare may be unable to redeem the Community Bonds.

### 9.19 Speculative Investment

ZooShare is a start-up venture and the Community Bonds being offering under this Offering Statement are speculative and involve a higher degree of risk.

### 9.20 Timing

The timelines for the project is subject to ZooShare receiving all necessary permissions and licenses, obtaining timely delivery of major equipment, completing construction, and completing requirements for a FIT contract with the IESO. There may be a negative impact on ZooShare if the timing set forth in the timelines is not met.

### 9.21 Unknown Risk Factors

ZooShare may also be subject to other unknown or unforeseen risk factors that could potentially affect its profitability and solvency. Some of these risk factors could include, but are not limited to failure to comply with new or revised governing statutes. Any adverse unforeseen risk factors that materialize may negatively affect ZooShare's profitability and solvency.

## 10. Description of the Securities Offered

ZooShare is offering to sell Community Bonds Series 2 and Series 3 to its members and to corporations (corporations may purchase Community Bonds, but may not be members of ZooShare, in order that ZooShare may maintain eligibility for its FIT 2.0 contract).

**Maximum Aggregate Offering:** \$2,820,000

After operating expenses and financing expenses are paid, ZooShare will pay interest annually to its members from operating income:

#### **Community Bonds Series 2**

**Rate:** 6%, paid annually to members through electronic fund transfers, or paid annually to members who wish to receive a cheque by mail.

**Term:** Six years.

**Rank:** Community Bonds Series 2 will be direct obligations of ZooShare, hold a charge over all the assets and contracts of ZooShare, will rank equally with each

other and Community Bonds Series 1 previously issued by ZooShare, but behind Founders Club Bonds, Insiders loans, construction financing and any long term debt financing that may be received.

**Dissolution:** In the event of the dissolution or liquidation of ZooShare, the holders of Community Bonds Series 2 shall be entitled to be paid, after the retirement of debt financing, Founders' Club Bonds and Insiders loans, the amount of principal outstanding, plus any interest unpaid. Upon payment of the above amount, the holders of Community Bonds Series 2, as members, shall not be entitled to any further share in the distribution of the assets of ZooShare. Net assets of ZooShare on dissolution after payment of all liabilities, are to be paid in accordance with the terms of the TREC Renewable Energy Fund Agreement (see Section 16.7.)

### Community Bonds Series 3

**Rate:** 5%, paid annually to members through electronic fund transfers, or paid annually to members who wish to receive a cheque by mail.

**Term:** 5 years from Commercial Operation Date.

**Rank:** Community Bonds Series 3 will be direct obligations of ZooShare, hold a charge over all the assets and contracts of ZooShare, will rank equally with each other, but behind Community Bonds Series 1 and Series 2, Founders Club Bonds, Insiders loans, construction financing and any long term debt financing that may be received.

**Dissolution:** In the event of the dissolution or liquidation of ZooShare, the holders of Community Bonds Series 3 shall be entitled to be paid, after the retirement of debt financing, Founders' Club Bonds, Insiders loans, and Community Bonds Series 1 and Series 2, the amount of principal outstanding, plus any interest unpaid. Upon payment of the above amount, the holders of Community Bonds Series 3, as members, shall not be entitled to any further share in the distribution of the assets of ZooShare. Net assets of ZooShare on dissolution after payment of all liabilities, are to be paid in accordance with the terms of the TREC Renewable Energy Fund Agreement (see Section 16.7.)

**Repayment on Maturity:** Upon maturity, the original face value of the Community Bonds Series 2 and Series 3 shall be repaid to the member. Funds will be set aside in a reserve fund over the course of the respective terms to repay all bondholders upon maturity, in addition to any necessary bank financing which may be needed to repay principal on Community Bonds.

To address concerns that lenders may raise in light of possible future market interest rate fluctuations, principal repayment on maturity may not occur until replacement capital is obtained. Such decision would be made by the Board. The rights of the Bondholders are not otherwise affected by such a postponement and their outstanding bonds would continue to accrue interest at the indicated rate.



**Transfer:** Community Bonds Series 2 and Series 3 may be transferred with the consent of the Board of Directors to another member of ZooShare.

**Voting Rights:** No voting rights attach to the Community Bonds. The members of ZooShare have a right to vote at all meetings of members.

In addition to Community Bonds Series 2 raised from this offering, and Community Bonds Series 1, ZooShare will need to borrow the remainder of the costs set out in Section 7.4 “Capital Cost Estimates” as Construction Financing. This debt is not offered to members but to a specific lender, namely the technology provider to be chosen by ZooShare to build the Project. Following project completion (COD), this debt is to be refinanced with Community Bonds Series 3 and Long-Term Debt.

**11. Method of Sales of Bonds**

All securities sold pursuant to this Offering Statement will be sold by directors, officers, employees and agents of ZooShare.

There are no commissions payable for bond sales.

**12. Description of the Market on which the Community Bonds May be Sold**

There is no market through which the Community Bonds may be sold and none is expected to develop. Purchasers may not be able to resell Securities purchased pursuant to this Offering Statement. No Community Bonds of ZooShare may be transferred without the express consent of the Board. Management will use its best efforts to match buyers and sellers but there can be no guarantee that holders of the Community Bonds will be able to sell them.

The Community Bonds, except where prohibited by law, shall be repurchased upon the withdrawal, death or expulsion of a member or when a member exercises the rights of a dissenting member pursuant to the *Act*. The *Act* prohibits the repurchase of the Community Bonds if ZooShare is, or would be, as a result of such repurchase, insolvent, or if such repurchase would, in the opinion of the board of directors, be detrimental to the financial stability of ZooShare. There can be no assurances as to when or whether ZooShare may be profitable.

**13. Statement of Minimum and Maximum Amount of the Offering and Minimum and Maximum Amount of any Individual Subscription**

**Minimum Aggregate Offering:** Nil

**Maximum Aggregate Offering:** \$2,820,000, however no more than \$620,000 in Community Bonds Series 2 and no more than \$2,200,000 in Community Bonds Series 3 may be raised pursuant to this offering.

**Minimum and maximum amount by individual:** The minimum Community Bond purchase is \$500. There is no limit to the maximum amount of bonds purchased by a member.

14. **Amount and Particulars of Any Securities, Mortgages, Bonds, Debentures or Other Debt Obligations**

The \$1,334,507 in Community Bonds Series 1 outstanding at December 31, 2014 have the following terms:

**Rate:** 7% per annum

**Maturity:** 7 years from date of purchase

**Rank:** Community Bonds Series 1 are direct obligations of ZooShare, rank equal to Community Bonds Series 2, but rank behind Founders Club Bonds, Insiders Loans, and any long term debt financing.

**Voting Rights:** No voting rights attach to the Community Bonds. The members of ZooShare have a right to vote at all meetings of members.

The \$201,179 Insiders Loans outstanding (which includes accrued interest) at December 31, 2014 have the following terms:

**Rate:** 12% per annum

**Maturity:** 12 months after reaching Commercial Operation Date

**Rank:** Insiders' Loans are direct obligations of ZooShare, rank ahead of Community Bonds and Founders Club Bonds, but behind any long term debt financing.

**Voting Rights:** No voting rights attach to the Insiders Loans. The members of ZooShare have a right to vote at all meetings of members.

The \$506,000 in Founders Club bonds issued at December 31, 2014 have the following terms:

**Rate:** 11.5-12.5% per annum

**Maturity:** August 2016

**Rank:** Founders' Club Bonds are direct obligations of ZooShare, rank ahead of Community Bonds, but behind any long term debt financing.

**Voting Rights:** No voting rights attach to the Founders Club Bonds. The members of ZooShare have a right to vote at all meetings of members.

Further information about existing obligations is described in Section 7.7.

**15. Material Interests of Directors, Officers and Employees of ZooShare or its Subsidiaries**

**15.1 In the Operation of ZooShare**

Each of the Directors of ZooShare is a member of ZooShare. No individual director, officer or employee has a material interest in the business or operations of ZooShare other than what is disclosed in this Section 15.

As of December 31<sup>st</sup>2014, the following members and/or suppliers have also issued Insiders' Loans totaling \$201,179 (including accrued interest):

- Angus Power
  
- Kathrin Ohle
  
- ReGenerate Biogas Inc.
  
- Riepma Consultants
  
- Robert Wakulat
  
- TREC

**15.2 In the Securities Offered Herein**

The directors, officers and employees of ZooShare will be offered the securities to be issued under this Offering Statement on the same terms as are available to all other Members. It is anticipated that no individual director of ZooShare will hold more than five percent, and the combined holdings of all directors will total no more than ten percent, of the outstanding securities of ZooShare.

**16. Material Contracts**

This section describes all material contracts entered into during the two years preceding this Offering Statement.

**16.1 Toronto Zoo Ground Lease**

The property on which the Biogas plant is to be constructed is owned by the Toronto Region Conservation Authority (TRCA) and is leased to the City of Toronto for the purpose of operating a Zoo. This arrangement is governed by a tri-partite agreement between the Zoo, the TRCA and the City of Toronto.

The Board of Management of the Toronto Zoo unanimously approved ZooShare's development plans on June 9, 2011. The TRCA, Rouge Valley Alliance and City of Toronto have all approved the project. ZooShare subsequently entered into a Ground Lease with these material provisions:

The term extends to the end of the term of the FIT Contract, with an option for the Zoo to extend the term for two additional five-year terms.

1. The base rent is set out in the Operating Agreement (see below).
2. All costs and taxes relating to the leased property are for ZooShare to pay.
3. A default under the Operating Agreement is a default under the Lease.
4. The Zoo shall approve the projects plans.
5. Use is restricted to the operation of the biogas project.
6. Assignment or transfer by ZooShare of its leasehold interest requires the Zoo's consent.
7. At the end of the term, ZooShare has the right to remove its equipment, chattels, furnishings, fixtures and trade fixtures, and other things which are not of a structural nature, and an obligation, at the Zoo's option, to require removal of the balance of the biogas facility.

### **16.2 Toronto Zoo Operating Agreement**

This agreement has the same term and options to extend the term as the Ground Lease. It contains these additional material terms:

1. ZooShare shall construct and operate the project in accordance with the plans approved by the Zoo.
2. ZooShare shall commission the Project no later than the 31st day of March 2017.
3. The Zoo may supply such quantity of manure to the project as is available.
4. ZooShare shall supply thermal energy and CO<sub>2</sub> from the biogas plant to the Zoo at no cost upon construction of a recipient facility by the Zoo, if it chooses to do so.
5. ZooShare shall construct and operate a visitor station at the Site containing an interpretive exhibit in relation to the Facility that will be constructed at an approximate cost of \$50,000.00.
6. ZooShare may reject manure received if it does not meet ZooShare's standards.
7. ZooShare is to provide performance bonds to the Zoo for the construction of the project.
8. ZooShare is to pay the Zoo a minimum amount of ten percent (10%) of earnings from its operations (before interest, taxes, depreciation and amortization), or \$50,000 per year, whichever is greater.

### **16.3 Feed-in Tariff (FIT) contract with the Independent Electricity System Operator**

The FIT contract with the IESO is a 20-year contract to sell power to the Grid at a fixed price for every kilowatt hour (kWh) that is put onto the Grid.

ZooShare received an executed contract offer from the IESO on July 23, 2013.

The standard FIT contract has the following material provisions:

1. A fixed price for all electricity produced, for 20 years from Commercial Operation Date.
2. No changes to the project may occur without IESO approval.
3. Requirements to achieve Commercial Operation Date are stipulated.
4. The Contract may be terminated upon default.
5. Upon request, the IESO will enter into an agreement with a lender, giving it the right to remedy any breach of the FIT contract prior to its termination.

The current FIT price is 17¢ per kWh; 16¢ for the power plus an extra 1¢ because ZooShare is a 100% community-owned power project. The price for power will increase every year by 50% of the rate of increase of the Consumer Price Index.

#### **16.4 Feedstock Supply Agreement with a major Canadian grocery retailer**

ZooShare has entered into a Feedstock Supply Agreement with a major Canadian grocery retailer for 4,000 tonnes per year of food waste (rotten produce and fats, oils and grease from grease traps) to be provided from its GTA-based grocery stores. ZooShare is in the process of securing contracts with additional franchisees and affiliates of the same retailer for the remaining tonnage that is required.

Waste producers and haulers typically pay facilities like ZooShare's biogas plant a tipping fee to compensate for the cost of processing their waste. The volume of waste and tipping fees ZooShare will receive will be governed by a 10-year contract with a 10-year option to extend. Tipping fees will be renegotiated every 5 years to reflect market rates; however we expect that these rates will decline over the course of the contract as demand for high-quality waste streams increases. A price floor is in place for the second 5-year period, ensuring some price certainty for the first 10 years of the project.

#### **16.5 Engineering, Procurement and Construction contract**

ZooShare will enter into an engineering, procurement and construction agreement with biogas company with experience building and commissioning biogas plants around North America. This will be a turnkey contract for a fixed price to deliver the biogas plant, and all of its components including generator, connection equipment and roads to ZooShare, ready for operations. ZooShare will receive support in negotiating and managing this agreement from a reputable and experienced firm acting as Owners' Consultant.

#### **16.6 TREC Agency Agreement**

Commencing May 1, 2012, ZooShare retained TREC to assist in and carry out certain functions and services on ZooShare's behalf including:

- Administration
- Member Management

- Marketing and Sales
- Co-op Development Services

The contract is for a three-year term and requires TREC to perform the services outlined in the Agency Agreement in an efficient manner and exercise reasonable care, skill and diligence in the performance thereof. The Agency Agreement may be terminated by either party if there is a default under the agreement that, upon 45 days written notice, has not been remedied.

TREC is required to indemnify ZooShare from all claims, actions, losses, expenses, costs or damages which ZooShare may suffer as a result of TREC's negligence, and TREC must carry insurance to this effect.

ZooShare agrees to pay TREC's fees and disbursements in the amounts and at such times as are outlined in the Agency Agreement. For confidentiality reasons the fees are not disclosed, however, the fees are reflected in the financial projections in Schedule A of this offering statement and ZooShare believes they are at or below fair market value for such services.

### **16.7 Renewable Energy Fund Agreement**

ZooShare entered into an agreement with TREC to create a fund, managed by TREC that is dedicated to investing in community-owned renewable energy projects. A Renewable Energy Fund has been established to receive and apply monies received from ZooShare for the purpose of assisting in financing the development of other community-owned biogas projects, and to use for educational programming.

The material provisions of the Renewable Energy Fund Agreement include:

1. If required as a result of ZooShare's default and to the extent resources in the Renewable Energy Fund permit, TREC shall honour ZooShare's obligation to pay any arrears of interest, and to repay matured Community Bonds, Founders' Club Bonds, and Insider loans.
2. ZooShare will have at least one permanent seat on the Renewable Energy Fund Investment Committee, and up to 50% of the seats on the Investment Committee if and when ZooShare's contribution to the fund is 50% or greater than the total fund amount. Committee seats will be redistributed annually, based on the proportion of investment from the participating co-operatives.
3. ZooShare must remain a non-profit incorporated under the *Act* whose membership is comprised primarily of those persons who have purchased Community Bonds from the co-operative.
4. ZooShare must record its accounting surplus annually as a liability to the Renewable Energy Fund. However, while there is an obligation to assign any surpluses to TREC's Renewable Energy Fund, ZooShare is entitled to keep sufficient funds to meet its obligations, which include interest payments on the bonds and repayment of the bonds on their maturity.

### **16.8 Trust Agreement date July 11, 2013**

ZooShare entered into an agreement with Brian Iler, as trustee, to hold a floating charge over the assets of the Biogas Project in trust for the benefit of the holders of Founder's Club Bonds, Insiders

Loans, and Community Bonds (the **Security Holders**), which will rank subsequent to any first charge over the Lease between ZooShare and the Toronto Zoo to a maximum amount \$4.32 million.

The assets behind the charge securing Founder's Club Bonds, Insiders Loans, and Community Bonds include all the equipment and contracts related to the Project.

Security Holders may by a vote instruct the trustee to realize on the mortgage security in the event of a default by ZooShare on its obligations. The trustee is obliged to implement the decision of the Security Holders.

Each type of Security Holder, upon consent in writing, or at a meeting of the holders of seventy five percent in value of the same type of issued and outstanding Securities, plus seventy-five percent of the total number of Security Holders of the same kind, shall have the following powers:

5. Power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Agreement or the Securities any manner specified or to refrain from exercising any such power, right, remedy or authority; and
6. Power to waive, and direct the Trustee to waive, any default on the part of the Co-operative in complying with the provisions of this Trust Agreement or the Securities, including an Event of Default.

At a meeting of the Security Holders, the Security Holders have the power to remove a Trustee, and to appoint one or more replacement trustees.

#### **16.9 Trust Agreement date September 30, 2015**

ZooShare entered into an agreement with Brian Iler, as trustee, to hold a floating charge over the assets of the Biogas Project in trust for the benefit of the holders of Series 3 Community Bonds (the **Series 3 Bondholders**), which will rank subsequent all other security issued by ZooShare.

The assets behind the charge securing the Series 3 Bonds include all the equipment and contracts related to the Project.

Series 3 Bondholders may by a vote instruct the trustee to realize on the mortgage security in the event of a default by ZooShare on its obligations. The trustee is obliged to implement the decision of the Series 3 Bondholders.

Each type of Series 3 Bondholders, upon consent in writing, or at a meeting of the holders of seventy five percent in value of the same type of issued and outstanding Series 3 Bonds, plus seventy-five percent of the total number of Series 3 Bondholders of the same kind, shall have the following powers:

1. Power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Agreement or the Series 3 Bonds in any manner specified or to refrain from exercising any such power, right, remedy or authority; and
2. Power to waive, and direct the Trustee to waive, any default on the part of the Co-operative in complying with the provisions of this Trust Agreement or the Series 3 Bonds, including an Event of Default.

At a meeting of the Series 3 Bondholders, the Series 3 Bondholders have the power to remove a Trustee, and to appoint one or more replacement trustees.

#### **16.10 Escrow Agreement**

ZooShare entered into an agreement with Iler Campbell LLP, acting as Escrow Agents, to hold the deposits for the purchase of Series 3 Community Bonds in escrow until they can be released to ZooShare under the Escrow Agreement.

Funds in the escrow account, together with all earnings thereon, will be delivered to ZooShare upon the receipt of a written certificate signed by an officer or director of the ZooShare stating the following:

1. ZooShare has received a receipt for its offering statement from the Financial Services Commission of Ontario;
2. ZooShare has delivered a copy of the receipted offering statement to each prospective member for whom the Escrow Agent holds funds;
3. ZooShare has not within ten days after delivery of the receipted offering statement received a notice from a prospective member that he/she wishes to be repaid his/her funds; and
4. The IESO has confirmed in writing that the Project has achieved commercial operation pursuant to the FIT Contract. .

The Escrow Agreement also sets out that in the event that the deposits held in escrow are not released pursuant to the above noted requirements within 36 months of the date of the Agreement, the Escrow Agent shall, as soon as reasonably possible thereafter, pay the amount received from each purchaser of a Community Bond to the purchaser, together with any accrued interest.

#### **16.11 Community Energy Partnership Program Funding Agreement**

In order to receive the \$375,726 in grants ZooShare was awarded by the CEPP, it needed to enter into multiple funding agreements. The key requirements under these agreements include:

1. ZooShare must maintain its eligibility for the CEPP program at all times during the term of the Funding Agreement;
2. ZooShare must submit quarterly Check-In reports to the CEPP Program Manager;
3. Lack of economic viability and failure to obtain a FIT contract are considered funding termination events under the Program Rules; and
4. A material breach of the Funding Agreement or the Program Rules by ZooShare will trigger a “review event” where CEPP may be entitled to demand the return of funding granted to ZooShare pursuant to the Funding Agreement.



17. **Patronage Returns, Or Other Distributions Paid, Declared, or Accumulated But Unpaid During the Five Years Preceding This Offering Statement**

ZooShare is a non-share, non-profit co-operative, and does not pay patronage returns.

18. **Material Legal Proceedings to Which ZooShare or Its Subsidiary Is A Party**

Neither Zooshare, or any subsidiary, is a party to any material legal proceeding.

19. **Any Other Material Facts**

None.

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

None of the bonds issued by ZooShare pursuant to this Offering Statement will be in bearer form.

This Offering Statement will expire on September 30, 2016 after which date no further sale of the securities offered hereunder shall occur, unless a new Offering Statement has been filed and receipted.

**20. Certificate**

WE CERTIFY THAT THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE COMMUNITY BONDS OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE *CO-OPERATIVE CORPORATIONS ACT*.

**DATED**

\_\_\_\_\_

Chair of the Board

\_\_\_\_\_

Executive Director

\_\_\_\_\_

Treasurer

O:\Client Files\w-x-y-z\ZooShare\Offering Statement\September 2015\ZS Offering Statement v8 Final September 30 2015.docx

**APPENDIX A**  
**MEMBERSHIP APPLICATION**

(attached)

**CO-OPERATIVE MEMBERSHIP AGREEMENT**

ZOOSHARE BIOGAS CO-OPERATIVE INC. (Operating as ZooShare)



ZOOSHARE  
an investment with  
potential

- 1) Please fill out this Membership form.
- 2) Pay by cheque; **OR** Pay by the "Payor's Pre-Authorized Debit Agreement" (next page).

Section 1: You									
<b>Member</b>		Surname			First name			Initial	
<b>Bondholder *</b> (If different from above)		Surname			First name			Initial	
<b>Joint Member **</b> (If desired. Must be 18+.)		Surname			First name			Initial	
Street Address					City				
Province	Ontario	Postal Code					Member Date of Birth	DD/MM/YYYY	
Bondholder SIN Number							Bondholder DOB (If different from above)	DD/MM/YYYY	
Phone					Email		By writing your email above, you agree to receive your T5 by secure electronic file.		
Preferred form of contact					If applicable, please include the name of the ZooShare member who referred you:				
Email <input type="checkbox"/>					Phone <input type="checkbox"/>				
					Mail <input type="checkbox"/>				

Please note that we send out a monthly update by email only. Otherwise, please call us for updates.

- \* The bondholder name could be a family member or friend, if you choose to gift the bond.
- \*\* A joint member can vote in your absence at ZooShare's Annual General Meeting, and/or inherit the bond:
- Ticking this box confirms that the ownership of the ZooShare Bond is joint, with right of survivorship, meaning that on the death of the member, ownership automatically transfers to the joint member.

Section 2: Invest ***		
Desired Bond Investment (\$500 minimum)		
Co-op Membership	\$10	
<b>Total (Bond+Membership)</b>		
<b>Deposit my earnings...</b>	Into the same account I am paying from <input type="checkbox"/>	Into a different account.**** (Please see below) <input type="checkbox"/>

- \*\*\* As an investor in ZooShare, you are entitled to one vote at ZooShare's Annual General Meeting
- \*\*\*\* Please be aware that we process and deposit all cheques received at our office once a month (paying via PAD is faster).
- \*\*\*\*\* If you would prefer your interest payments be deposited into a separate account, please include a void cheque for said account, or obtain a "pre-authorized payment form" from your bank. We will call you to confirm your instructions.

Section 3: Welcome	
By signing below, I agree that I have read and accepted the terms of the Offering Statement, and ZooShare's General By-laws.	
DATE (DD/MM/YYYY)	SIGNATURE

Section 4: Pay by cheque or PAD	
<ol style="list-style-type: none"> <li>1. Attach a cheque to this page <b>OR</b></li> <li>2. Fill out the Payor's Pre-Authorized Debit (PAD) form on the next page and attach a blank cheque.</li> </ol>	The PAD is a legal agreement that allows us to take the total amount in Section 2 from your account. We will also use this information to deposit your interest and principal payments. Include a void cheque (or a "pre-authorized payment form" from your local branch).

Section 5: Submit	
BY MAIL: Please print, sign & send to:	BY E-MAIL: Please print, sign, scan & email to:
ZooShare Biogas Co-operative 240-401 Richmond St. West Toronto, Ontario, M5V 3A8	info@zooshare.ca

If you need assistance, please call our direct toll-free line 1-888-990-9095 or email info@zooshare.ca

**APPENDIX B**

**CONSENT AND 2014 AUDITED FINANCIAL STATEMENTS**

(attached)

**PRENTICE  
YATES &  
CLARK**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

15 Toronto St., Suite 700  
Toronto, Canada  
M5C 2E3

(416) 366-9236  
1 (800) 265-7818  
Fax: (416) 366-9171  
Web : [www.pyc.net](http://www.pyc.net)

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since 1944*

**Auditors' Consent Addressed to a Canadian Securities  
Regulator Related to a Prospectus**

Licensing & Enforcement Division  
Financial Services Commission of Ontario  
Box 85  
5160 Yonge Street  
North York, ON  
M2N 6L9

Dear Sirs;

**Re: ZooShare Biogas Co-operative Inc.**

We refer to the Offering Statement of ZooShare Biogas Co-operative Inc., dated September 30, 2015 relating to the sale and issue of Community Bonds.

We consent to being named and to the use in the above-mentioned Offering Statement, of our report dated May 19, 2015, to the members of the Co-operative on the following financial statements:

Statements of financial position as at December 31, 2014;

Statements of cash flows for the year ended December 31, 2014 and a summary of significant accounting policies and other explanatory information.

We report that we have read the Offering Statement and all information therein and have no reason to believe that there are any misrepresentations in the information contained therein that are derived from the financial statements upon which we have reported or that are within our knowledge as a result of our audit of such financial statements. We have complied with Canadian generally accepted standards for an auditor's consent to the use of a report of the auditor included in an offering document, (Sec 7150 CICA Handbook) which does not constitute an audit or review of the prospectus as these terms are described in the CICA Handbook – Assurance.

Toronto, Ontario  
September 30, 2015

Chartered Professional Accountants, Licensed Public Accountants

**Financial Statements**

**ZooShare Biogas Co-operative Inc.**

Toronto, Ontario

*December 31, 2014*

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## **Independent Auditors' Report**

### **To the Members of ZooShare Biogas Co-operative Inc.:**

We have audited the accompanying financial statements of ZooShare Biogas Co-operative Inc., which comprise the statement of financial position as at December 31, 2014 and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting requirements of Canadian accounting standards for not-for-profit organizations, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operative's preparation and fair presentation of the financial statements 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 Co-operative's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

continued...

**Independent Auditors' Report - continued**

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of ZooShare Biogas Co-operative Inc. as at December 31, 2014 and the results of its cash flows for the year then ended in accordance with the financial reporting requirements of Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario  
May 19, 2015



Chartered Professional Accountants Licensed Public Accountants

**ZooShare Biogas Co-operative Inc.**

December 31, 2014

<b>Statement of Financial Position</b>	2014	2013
<b>Current Assets</b>		
Cash and temporary investments	\$ 319,516	\$ 184,926
Accounts receivable	45,935	14,115
HST receivable	8,264	53
Deposits	7,520	3,500
Other	0	940
<b>Total Current</b>	381,235	203,534
<b>Funds Held in Escrow, Note 3</b>	1,090,080	560,317
<b>Capital Assets, Note 4</b>	1,405,403	894,173
	<hr/>	<hr/>
	2,876,718	1,658,024

**Approved by The Board**

Paul Ungerman  
\_\_\_\_\_  
Director

John Nicholson  
\_\_\_\_\_  
Director

**ZooShare Biogas Co-operative Inc.**

December 31, 2014

<b>Statement of Financial Position</b>	2014	2013
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 64,705	\$ 50,791
Due to related parties, Note 8	40,625	87,569
Alterna Catapult Micro Loan, Note 5	25,000	0
Accrued interest	220,188	68,565
<b>Total Current</b>	350,518	206,925
<b>Deferred Contributions Related to Capital Assets</b>	367,361	194,399
<b>Long-Term Debt, Note 6</b>		
Bonds	1,840,507	1,066,100
Promissory notes	201,179	175,979
Due to Community Power Capital Co-operative Inc.	100,000	0
<b>Total Long-Term Debt</b>	2,141,686	1,242,079
<b>Total Liabilities</b>	2,859,565	1,643,403
<b>Net Assets</b>		
<i>Unrestricted</i>		
Contributed surplus, membership fees	17,153	14,621
	2,876,718	1,658,024

The notes on pages 8 through 11 form an integral part of these financial statements.

**ZooShare Biogas Co-operative Inc.***Year ended December 31, 2014*

<b>Statement of Cash Flows</b>	2014	2013
<b>Operating Activities</b>		
Cash receipts	\$ 146,125	\$ 711,987
Cash disbursements	(43,111)	(739,624)
<b><i>Cash Provided By (Used In) Operating Activities</i></b>	<b>103,014</b>	<b>(27,637)</b>
<b>Financing Activities</b>		
Cash in escrow	(529,763)	(560,317)
Contributions related to capital assets	172,962	49,473
Project costs	(511,230)	(331,173)
Increase in long term debt	899,607	1,049,937
<b><i>Cash Provided By Financing Activities</i></b>	<b>31,576</b>	<b>207,920</b>
Net cash increase during the year	134,590	180,283
Cash position beginning of year	184,926	4,643
<b><i>Cash Position End of Year</i></b>	<b>319,516</b>	<b>184,926</b>

**Notes to Financial Statements**

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**Status and Nature of Activities**

The Co-operative was incorporated under the Ontario Co-operative Corporations Act on April 26, 2011, as a corporation without share capital.

Zooshare's objective is to promote the development of renewable energy resources in the Province of Ontario.

**Note 1**

**Significant Accounting Policies**

**Basis of Accounting**

The Co-operative has elected to apply the Canadian accounting standards for Not-For-Profit organizations.

**Revenue Recognition**

Energy revenue is recognized based on energy produced and delivered to the grid. Revenue is recognized based on energy acknowledged by Toronto Hydro as determined by the Toronto Hydro meters at periodic dates through the year. Once Commercial Operation Date (COD) is reached, energy revenue will commence. The estimated COD is December 2015.

**Capital Assets**

The Co-operative capitalizes all project related costs incurred up to COD. Those costs include equipment costs, soft costs and related financing charges for each project. Interest costs capitalized during the year were \$151,684.

**Use of Estimates**

The preparation of financial statements requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**ZooShare Biogas Co-operative Inc.**

December 31, 2014

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**Note 2 Financial Instruments**

**Interest Rate Risk**

The Co-operative has no investments that earn interest income. Notes and bonds payable carry interest rates at the following:

Promissory notes	12%
Founders club bonds	11.5-12.5%
Community bonds	7%

**Note 3 Funds Held in Escrow**

Community bonds in the amount of \$1,334,507 have been issued to date, funds amounting to \$1,090,080 are being held in escrow earning a nominal rate of interest up to the COD, at which point interest will begin to accrue on all community bonds at 7%.

**Note 4 Capital Assets**

At cost	2014	2013
Office furniture	\$ 440	\$ 0
Project under development	1,404,963	894,173
	<u>1,405,403</u>	<u>894,173</u>

All project related costs incurred up to the COD are capitalized and amortized once operations commence.

**Note 5 Short Term Debt**

A low-interest loan was received from Alterna Catapult Micro Loan Program to provide early-stage entrepreneurs and innovators with capital and support.

Balance at December 31	\$25,000
Interest rate	Prime plus 2%
Repayment terms	\$749 monthly, beginning January 12, 2015

**Note 6 Long Term Debt**

**A. Promissory Notes**

The notes were issued for services rendered and include the following attributes:

Balance at December 31	\$201,179
Effective date	July 2011 - December 2014
Interest rate	12% annually
Repayment terms	12 months after project commissioning
Security	Floating charge against all assets and contracts of the Co-operative; rank ahead of Community Bonds

**B. Founders Club Bonds**

The bonds were issued for the purpose of investing in the project during the developmental stage and include the following attributes:

Balance at December 31	\$506,000
Effective date	August 2013
Interest rate	11.5 - 12.5% annually
Repayment terms	3 years after receipt of FIT contract offer
Security	Floating charge against all assets and contracts of the Co-operative; rank ahead of Community Bonds

**C. Community Bonds**

The bonds, held in escrow, were issued to the general public and include the following attributes:

Balance at December 31	\$1,334,507
Effective date	September 2013 - December 2014
Interest rate	7% annually, after 7-year maturity period
Security	Floating charge against all assets and contracts of the Co-operative

**D. Grid Note**

The limited recourse grid note was issued by Community Power Capital Co-operative Inc. and includes the following attributes:

Balance at December 31	\$100,000
Due date	November 20, 2017
Interest rate	12.5% annually
Conversion option	Upon maturity, may be converted to a Community Bond, 7% annually, after 7-year maturity period



**ZooShare Biogas Co-operative Inc.**

December 31, 2014

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**Note 7      Community Energy Partnerships Program**

The Co-operative entered into a contractual agreement for funding with Community Energy Partnerships Program (CEPP) for \$248,250. Funding is restricted to renewable generating energy projects in the Province of Ontario.

**Note 8      Related Party Transactions**

The Co-operative is related to Kathrin Ohle, Robert Wakulat, Koenig & Consultants Inc., ReGenerate Biogas Inc., Riepma Consultants Inc. and Angus Power, by virtue of them being members of the Co-operative. Amounts due from the Co-operative are non-interest bearing and have no scheduled repayment terms, with the exception of promissory notes.

Activity during the year:

	Cash payment	Promissory note issued
Project Management	\$ 58,800	\$ 25,200
Engineering	120,556	0
Marketing, development and business planning	9,375	0
	<u>188,731</u>	<u>25,200</u>

**APPENDIX C**  
**INTERIM FINANCIAL STATEMENTS 2015**

(attached)

**ZooShare Biogas Co-operative Inc.  
Balance Sheet As at Jun 30, 2015**

**ASSET**

**Current Assets**

Petty Cash	159.95	
Alterna Bank Account	13,217.20	
TD Bank Account	<u>4,140.47</u>	
Total Cash		17,517.62
Alterna Member Share		15.00
Accounts Receivable	<u>146,581.72</u>	
Total Receivable		146,581.72
Deposit on FIT Security		2,500.00
Prepaid Expenses		<u>1,250.00</u>
<b>Total Current Assets</b>		<u><u>167,864.34</u></u>

**Capital Assets**

Office Furniture	<u>440.00</u>	
Net - Furniture & Equipment		440.00
Term Deposits - PENDING	59,169.91	
Alterna -Term Deposit	<u>2,124,995.09</u>	
Total Term Deposit - Bonds		<u>2,184,165.00</u>
<b>Total Capital Assets</b>		<u><u>2,184,605.00</u></u>

**Projects Under Development**

Projects Under Development		<u>1,404,962.96</u>
<b>Total Projects Under Development</b>		<u><u>1,404,962.96</u></u>

**TOTAL ASSET** 3,757,432.30

**LIABILITY**

**Current Liabilities**

Accounts Payable		43,872.87
Transfer to Alterna - Term Deposit	52,805.61	
Alterna Deposits to be invested	<u>6,364.30</u>	
Subtotal - Term Deposit Pending		59,169.91
TD Credit Card		798.07
Accrued Liabilities		7,711.36
Accrued Promissory Note Interest	86,159.38	
Accrued Founders Club Interest	113,689.50	
Accrued Community Bond Interest	130,060.13	
Accrued CPC Interest	<u>6,739.72</u>	
Total Interest Payable		336,648.73

HST/GST Charged on Sales	0.00
HST/GST Paid on Purchases	<u>0.00</u>
HST Owing (Refund)	0.00
Alterna Catapult Micro Loan	<u>21,074.62</u>
<b>Total Current Liabilities</b>	<u><b>469,275.56</b></u>

**Long Term Liabilities**

Founders Club Bonds	506,000.00
Community Bonds	2,184,165.00
Due to CPC	175,000.00
Deferred Contributions	<u>367,360.88</u>
<b>Total Long Term Liabilities</b>	<u><b>3,232,525.88</b></u>

<b>TOTAL LIABILITY</b>	<u><b>3,701,801.44</b></u>
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**EQUITY**

**Partners' Equity**

Bonds: Angus Power	22,500.00
Bonds: TREC	12,051.29
Bonds: Robert Wakulat	5,000.00
Bonds: ReGenerate Biogas	141,728.00
Bonds: Riepma Consultants	22,500.00
Bonds: Kathrin Ohle	<u>10,000.00</u>
Total Bonds: Insider Group	213,779.29
Contributed Surplus	17,153.37
Retained Earnings - Previous Year	0.00
Current Earnings	<u>-175,301.80</u>
<b>Total Partners' Equity</b>	<u><b>55,630.86</b></u>

<b>TOTAL EQUITY</b>	<u><b>55,630.86</b></u>
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<b>LIABILITIES AND EQUITY</b>	<u><u><b>3,757,432.30</b></u></u>
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Generated On: Sep 22, 2015

**ZooShare Biogas Co-operative Inc.**  
**Income Statement Jan 01, 2015 to Jun 30, 2015**

**REVENUE**

**Sales Revenue**

Grant Funding	101,940.70
Memberships	380.00
Interest Revenue	8,120.57
Sponsorship	3,236.56
Miscellaneous & Interest Earned	351.09
<b>Net Funding</b>	<u>114,028.92</u>

**TOTAL REVENUE**

114,028.92

**EXPENSE**

**General & Administrative Expenses**

Project Management	42,000.00
Payroll Expenses	45,829.25
Professional fees	39,581.79
Engineering	0.00
Accounting & Legal	9,951.97
Advertising & Promotions	8,192.23
Business Fees & Licenses	550.00
Conferences and Meetings	70.58
Courier & Postage	92.70
Board Expenses	133.82
Insurance	2,041.44
EFT expenses	6.25
Bank Charges	864.02
Promissory Note Interest Expense	16,198.81
Founders Club Interest Expense	29,624.49
Community Bond Interest Expense	65,435.67
Catapult Loan Interest Expense	-179.03
CPC Interest Expense	5,950.68
Office Supplies/Admin	72.80
Website	4,537.50
Admin Management - TREC	6,712.35
Member Management -TREC	6,210.00
Motor Vehicle Expenses	379.60
Miscellaneous Expenses	124.10
Rent	4,550.00
Telephone	209.60
Meals & Entertainment	<u>190.10</u>

**Total General & Admin. Expenses**

289,330.72

**TOTAL EXPENSE**

289,330.72

**NET INCOME**

-175,301.80

**Generated On: Sep 22, 2015**

**ZooShare Biogas Co-operative Inc.**  
**Statement of Cash Flows Jan 01, 2015 to Jun 30, 2015**

**Cash Flows from (used in) Operating Activities**

Net Income (Loss)	-175,301.80
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Decrease (Increase) in Operating Assets	
Deposits Pending	4,020.00
Term Deposits - PENDING	194,030.09
Escrow - Community Bonds - Iler	1,080,306.64
Escrow - Interest Earnered - Iler	7,293.46
Escrow - Memberships Due from Iler	2,480.02
Alterna -Term Deposit	-2,124,995.09
Accounts Receivable	-100,646.70
Prepaid Expenses	-250.00
Increase (Decrease) in Operating Liabilities	
Alterna Deposits to be invested	6,364.30
Accrued Promissory Note Interest	16,198.81
Accrued Founders Club Interest	29,624.49
Accrued Community Bond Interest	65,435.67
Accrued Catapult Loan Interest	-749.27
Accrued CPC Interest	5,950.68
Alterna Catapult Micro Loan	-3,925.38
Community Bonds	849,658.36
Due to CPC	75,000.00
Accounts Payable	-53,189.52
Transfer to Alterna - Term Deposit	-200,394.39
HST/GST Charged on Sales	-2,807.99
HST/GST Paid on Purchases	11,071.98
<b>Net Cash provided by (used in) Operating Activities</b>	<b><u>-314,825.64</u></b>

**Cash Flows from (used in) Investing Activities**

<b>Net Cash provided by (used in) Investing Activities</b>	<b><u>0.00</u></b>
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**Cash Flows from (used in) Financing Activities**

Increase in Credit Card Payable	
TD Credit Card	7,978.58
(Decrease) in Credit Card Payable	
TD Credit Card	-7,736.33
Increase in Owner/Partner Contributions	
Bonds: ReGenerate Biogas	12,600.00
<b>Net Cash provided by (used in) Financing Activities</b>	<b><u>12,842.25</u></b>

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>-301,983.39</u></b>
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**Cash and Cash Equivalents at Beginning of Period**

319,501.01

**Cash and Cash Equivalents at End of Period**

17,517.62

**Generated On: Sep 22, 2015**



**APPENDIX D**  
**20-YEAR FINANCIAL PROJECTIONS**

(attached)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	
(in thousands of dollars)																					
<b>Balance Sheet</b>																					
<b>Assets</b>																					
Cash	15	15	15	15	15	15	15	15	15	23	542	723	751	537	641	1,565	2,507	3,468	4,449	5,448	
Reserve	43	85	128	170	213	255	0	43	85	128	170	213	255	0	43	85	128	170	213	255	
Engine Fund	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48
Unscheduled Maintenance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
P&I Reserve	694	942	1,098	1,255	1,204	1,444	1,689	1,948	2,264	0	0	0	0	0	0	0	0	0	0	0	0
Community Bond Reserve Fund	2,302	2,006	2,710	5,414	5,118	5,822	5,853	5,485	5,347	4,808	4,470	4,131	3,793	3,752	3,413	3,075	2,736	2,398	2,059	1,721	
Capital Assets	61,801	60,895	7,999	7,902	7,598	7,284	7,175	7,538	7,259	5,007	3,250	4,131	4,846	4,337	4,145	4,773	5,419	6,084	6,769	7,472	
<b>Total Assets</b>																					
<b>Liabilities</b>																					
Catsaput Microban	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Founders Bonds	125	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Community Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vendor Finance	5,926	5,650	5,599	5,524	5,196	5,190	5,162	5,107	5,020	2,727	2,297	1,958	1,300	409	0	0	0	0	0	0	0
LTD	2,475	2,366	2,249	2,125	1,931	1,849	1,697	1,535	1,362	1,177	979	768	542	302	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>8,125</b>	<b>8,016</b>	<b>7,849</b>	<b>7,648</b>	<b>7,189</b>	<b>7,047</b>	<b>6,859</b>	<b>6,642</b>	<b>6,388</b>	<b>3,403</b>	<b>3,206</b>	<b>2,626</b>	<b>1,846</b>	<b>798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Retained Earnings open	-21	80	79	150	253	408	537	717	897	1,171	1,603	2,025	2,489	3,001	3,541	4,145	4,773	5,419	6,084	6,769	7,472
plus Net Earnings																					
<b>Retained Earnings close</b>	<b>-24</b>	<b>79</b>	<b>150</b>	<b>283</b>	<b>408</b>	<b>537</b>	<b>717</b>	<b>897</b>	<b>1,171</b>	<b>1,603</b>	<b>2,025</b>	<b>2,489</b>	<b>3,001</b>	<b>3,541</b>	<b>4,145</b>	<b>4,773</b>	<b>5,419</b>	<b>6,084</b>	<b>6,769</b>	<b>7,472</b>	

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<b>Cash Flow Statement</b>																				
Net Income	-24	104	70	103	155	129	180	180	274	433	421	464	512	541	604	628	646	665	684	703
Depreciation	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296
Operating reserves	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43	-43
Cash from Operations	229	357	324	357	408	382	433	433	527	586	675	718	765	794	857	881	900	919	938	957
<b>Capital Expenditures</b>																				
Financial reserve contributions	0	0	0	0	0	0	-288	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued maintenance fund	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash received	-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in accrued interest expense payable	-1,038	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in cash from Insider	-253	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in cash from Founder	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in cash from Construction	-2,413	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in cash from Loans	120	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in LTD - 10 Year	2,472	-310	-117	-178	-133	-140	-187	-152	-173	-2,850	-188	-260	-333	-809	-484	0	0	0	0	0
Cash from Financing	1,002	16	-157	-200	-439	-142	-188	-217	-253	-2,853	-188	-579	-760	-1,055	-796	0	0	0	0	0
Net change in cash position	1,122	248	157	157	-51	240	245	259	317	-2,256	519	181	27	-213	104	924	942	961	980	999
Beginning cash	-688	994	1,142	1,098	1,255	1,204	1,444	1,689	1,948	2,264	8	527	708	736	522	626	1,550	2,492	3,453	4,434
Ending cash	694	994	1,098	1,255	1,204	1,444	1,689	1,948	2,264	8	527	708	736	522	626	1,550	2,492	3,453	4,434	5,433

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	
<b>Income Statement</b>																					
Power Revenue	633	639	646	652	659	665	641	679	685	692	699	706	713	687	728	735	742	750	757	765	
Tippling Fee revenue	270	270	270	270	270	230	230	230	230	230	210	210	210	210	210	210	210	210	210	210	
Fertilizer revenue	145	289	289	289	289	289	348	348	426	426	426	426	426	426	426	426	426	426	426	426	
Interest income	52	20	22	26	30	30	35	35	41	48	53	55	60	62	64	65	66	67	69	70	
<b>Total Revenue</b>	<b>1,070</b>	<b>1,219</b>	<b>1,226</b>	<b>1,237</b>	<b>1,247</b>	<b>1,214</b>	<b>1,234</b>	<b>1,231</b>	<b>1,262</b>	<b>1,286</b>	<b>1,339</b>	<b>1,257</b>	<b>1,268</b>	<b>1,344</b>	<b>1,375</b>	<b>1,383</b>	<b>1,412</b>	<b>1,439</b>	<b>1,456</b>	<b>1,484</b>	
<b>Operating Expenses</b>																					
Labour	48	49	50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	67	69	70	
Admin	30	31	31	32	32	33	34	34	35	36	36	37	37	37	37	37	37	37	37	37	
Maintenance	101	103	105	107	109	111	113	115	118	120	122	124	126	128	130	132	134	136	138	140	
Property taxes	30	31	31	32	32	33	34	34	35	36	37	37	38	39	40	40	41	42	43	44	
Miscellaneous	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	
Zoo lease	50	50	51	51	52	53	54	54	55	56	57	58	59	60	61	62	63	64	65	66	
Depreciation	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	296	
<b>Interest Expense</b>	<b>494</b>	<b>510</b>	<b>492</b>	<b>464</b>	<b>417</b>	<b>408</b>	<b>368</b>	<b>373</b>	<b>356</b>	<b>204</b>	<b>191</b>	<b>159</b>	<b>117</b>	<b>62</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net Income</b>	<b>-24</b>	<b>104</b>	<b>70</b>	<b>103</b>	<b>155</b>	<b>129</b>	<b>180</b>	<b>180</b>	<b>274</b>	<b>433</b>	<b>421</b>	<b>464</b>	<b>512</b>	<b>541</b>	<b>604</b>	<b>628</b>	<b>646</b>	<b>655</b>	<b>684</b>	<b>703</b>	



**APPENDIX E**  
**PROJECT TIMELINE**

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	
<b><i>Project-phases</i></b>																											
<b>Pre-Feasibility</b>																											
<b>Design and Development</b>																											
<b>Sales, Marketing and Financing</b>																											
<b>Engineering and Procurement</b>																											
<b>Construction and Commissioning</b>																											
<b>Commercial Operation</b>																											