

ZooShare AGM 2022
22 June 2022 6pm-8pm

Online: [webinar recording](#)

Rob Grand welcomes everyone to the meeting at 6:04pm providing housekeeping rules.

1. Call to Order

The 2022 ZooShare Annual General Meeting for the 2022 calendar year is called to order by General Manager, Rob Grand at 6:08 p.m.

Rob acknowledges the board of directors, staff, and members.

Rob acknowledges the land we are hosting this meeting on and who it originally belonged to.

2. Review of the AGM Process

Rob conducts a review of the AGM Process.

3. Approval of the 2022 Agenda

*Newton Chan motions to approve the 2022 Agenda, seconded by Daniel Bida.
The motion carries. No abstentions.*

4. Approval of the 2021 AGM Minutes

*Chris Beneditti motions to approve the 2021 AGM minutes, seconded by Vicki Hilborn.
The motion carries. No abstentions.*

5. Review and Approval of the 2021 audited financial statements

The financial statements are presented by auditor, Ignatius Jeffrey from Kriens~LaRose LLP. See slides for details.

Statement by Dorothy Andy-Wilson (in the chat): The financial statements should be being displayed as he talks about them for people who haven't got the financial statements in front of them.

Gareth Williams replies in the chat: The financial statement is available on our web page at <https://zooshare.ca/2022-agm-documents/>

Newton Chan motions to approve the audited 2021 financial statements as drafted and prepared by Kriens~LaRose LLP, seconded by Chris Beneditti.

The motion carries. No abstentions.

Q: Are there any concerns about being in a deficit position? (asked by David Abel)

A: From our own experience as auditors, in the first year of being operational, it is pretty common for organisations to have a deficit because most of the items that are being invested are something for the long term. So, if you scroll down to page 8, we put a note about the economic dependence of the co-operative itself. It says that the co-operative is economically dependent on this financing.

Although our expectation was to see cash flowing right out of the gate, as Jeff mentioned, it's not uncommon for new businesses to be in a deficit position as they are starting up. (from Jeff and Rob)

Vicki Hilborn motions to use Kriens~LsRose LLP as auditors for ZooShare's 2022 financials, seconded by Barry Green.

The motion carries. No abstentions.

6. Management Update

Rob Grand provides an update on the ZooShare Biogas Plant, please refer to the webinar recording.

Hired Community Investment Coordinator:

Result: more responsive, efficient, and secure member service

Hired Part-time Bookkeeper:

Result: more detailed and timely accounting

Implemented New Technologies:

Result: Faster and more fluid communication; increased security; streamlined processes

New Signage around the Biogas Plant:

Result: Improved engagement from Rouge Urban National Park users; greater visibility for Biogas Plant

Member Surveys:

Result: more focused communications; improved member service

ZooShare Video:

Result: media engagement; education; partnership acknowledgements

Member Tours of the Biogas Plant:

Result: Development of weekly public tours of the biogas plant; supports Education mandate; improves knowledge and acceptance of biogas/renewable energy

Financial Challenges:

Result: Co-op has not received distributions from the Biogas Plant resulting in deferral of 2021 accrued interest

Barry Green, Board Chair, provides an update from the ZooShare Board of Directors, please refer to the webinar recording.

Organizationally in good shape:

Rob and Gareth comfortably into job and we are becoming very reliant on their growing expertise and organizational familiarity

A reorganization of the Board structure

- VP-Vicki Hilborn; Treasurer-Amy Zhang

- Implemented Committee structure with Finance, Future Projects and Education, chaired by Amy, Daniel and myself, respectively

- Appointed Executive Committee, should the Board wish to delegate specific work assignments to it.

Encouraged Members to get involved with the Co-op; there are openings on the ZooShare Board of Directors

Operations:

Biogas plant began operations April 1, 2021

It has been operating at approx 65% capacity factor since then---quite disappointing

Some production losses were due to:

- o Completion of final construction tweaks after the official i/s date
- o Some replacement of poor quality parts and labour used by our general contractor
- o Some poor operator practices by an inexperienced operating team

Some of this poor operation will be recouped through a Performance Guarantee included in our Operating Agreement

- o The operator is required to compensate the partners for production below 85% capacity factor
- o We're currently negotiating what the payment will be for 2021

Going forward:

- o There has been a significant turnover of Plant Operating staff

- o More recently they seem to be taking a more professional approach but there is still some catch up to do on this front with inadequate maintenance planning being done and a limited spare parts inventory on hand
- o We are hopeful that we will see the results of this more professional approach by our operator but we are still waiting for this to be demonstrated
- o Still some discomfort with the relationship amongst the Board members and with our Operator. Clearly half the Board is in a conflict of interest position with respect to our Operating Agreement with an Oshawa Power subsidiary
- o To deal with these issues:
 - We are trying to get agreement at the Board to appoint a fifth “independent” member
 - We are wanting the Board to hire, at least temporarily, an independent experienced operations consultant to provide operating advice and oversee the work of our contractor
 - We have retained legal counsel who is advising us on steps we need to take to preserve our rights to formally challenge actions by the Operator in the future

I wish I could paint a rosy picture going forward. I think the best I can say is that there are hopeful signs and in the meantime, in case they do not materialize we are getting on-going legal advice on the necessary actions to take to protect our interests.

Q: When do you anticipate net positive income? (Paul Cassel)

A: The plant generated operating losses given the capacity closer to 65% than 85%. Right now, the underperformance is coming with added expenditures. If the operator is able to turn the ship around, then I think as soon as they’re able to pass that 85% threshold we’ll see a net positive income.

Q: When do you expect to pay the deferred interest payments?

A: I wish I could give you a date. I think we will communicate that soon, it will be on the first board meeting agenda. It is dependent on the performance of the biogas plant. As Daniel said, we are hoping to see improved performance and get back on track with the interest payments.

Statement: We agree that Gareth is a dramatic improvement in member support.

Q: What are the expected revenues and deficit for the first half of 2022 and year 2022?

A: We did receive some distributions from the biogas plant and LP earlier this year (March and April). We received a number of distributions but at this point those distributions aren’t consistent. Until we see thing ironed out at the plant level and consistently in the power production it’s difficult to predict what the revenue will be.

Q: What is the reason for the underperformance?

A: Through the summer and fall of last year, there were a number of issues as the the plant was ramping up. We had problems that were seeded with the general contractors who finished the construction of the project. They used poor quality parts that had to be replaced. Enerforce has never maintained a biogas plant, and in the for the past 2 months they basically overturned their operating staff. This has all contributed to their underperformance. They have assured us that it will all be turned around, and as seen in June performance it has gotten better, but we still have not gotten to 85%, which I believe should be the minimum.

Based on industry averages, 85% is achievable, but with strong operations we should be able to hit 95%. This was Enerforce's first biogas plant and we expected that their staff would go through training, however what we saw was poor industry practice and higher staff overturn. Holding Enerforce accountable, we have zoo material incoming and everything else is coming from food waste. We built the digester to handle contamination, a floating layer and a sinking layer. In the early days of the operation last year, the feedstock was highly contaminated and more contaminated than the equipment could handle. The plastics started to build up in the pumps, had to be cleaned out, and replaced. We also had problems with skipping plant maintenance events and inevitably the equipment broke down and had to be restored. The operators don't know how to get the zoo manure through the system, dumping it in one scoop at a time which is overloading the same pumps that struggled with plastic. The zoo material hasn't changed and has improved—therefore what we want to see from the operators is that they are handling the materials appropriately and keeping the efficiency higher than 85%. It requires the energy from the operator. On the turnover point that Barry raised, the operator there from day one was giving it his all. November/December 2021 exceeded 85% with less feedstock. The first 3 months hit 83% rate, showing that things were going in the wrong direction. April/May were the worst months.

In June the new operating manager got on board, but still fell short for the month. Having someone that isn't opposed to Enerforce and who is independent and an industry expert is necessary for the board. We are diligently calling them out everytime they have a meeting, recording it in the minutes. We have legitimate reasons to terminate Enerforce and the operating contract. We do have to pull the trigger and have an alternate operator, but our main focus is to encourage the current operator to get to the 90% level our peers in the biogas space are able to achieve.

Q: Note 16. to the 2021 Statements referred to two contingent liabilities related to claims. What is the status of those claims?

A: There were two claims, one was much smaller. The individual completed all the milestones after the payments we made. He claimed that sufficient time was made and the other payments were needed. There was a legal battle with the individual but haven't heard back. The other claim was from a general contractor. We made payments for work done, but the contractor was looking for full payment although the

contract was not fully done. It never went anywhere. The party has a mediation in August that we will attend. Our general understanding is that these legal disputes favour the lawyers. Although we won't agree to a number that is comfortable, we are hoping that the mediation process is frugal and we can settle that claim in August.

When Barry and I raised issues, the CEO of Enerforge claimed that legal force must be discussed. We need the arbitrator to rule in our favour that our other board members aren't acting well in accordance with the LP. Once we get that confirmation, we will look to pull that lever. Our goal is for the plant performance to improve. If they continue to underperform and say at the board level that everything is fine, then we can terminate. If things are moving, then we need to give them a chance.

Much of the progress we have made in plant performance can be attributed to the position we have taken of documenting and are now seriously in the place to take legal action.

Q: Who hired the operator contractor?

A: We always contemplated in the discussion with Oshawa Power about their investment in the project, that they'd always be operators. It was always the deal. We thought it was a good choice because they were already managing Oshawa generation assets. Since they were co-owners, we thought that it would keep them in line with the progress of the plant. We have to work through that.

Q: Could you explain why we had to declare income from Zooshare interest (that we didn't receive) in our 2021 taxes? It certainly doesn't seem right.

A: We are required to report income in the year in which it was earned, which is consistent with how ZooShare issued tax slips prior to the beginning of commercial operation but did not issue interest payments until the beginning of 2021.

Q: Gareth, in response to your answer, as the bond holders have to pay tax on income we aren't receiving, shouldn't the board change the structure so we don't have to?

A: It is possible with upcoming bond rounds in a way that principal and interest payments are due at maturity rather than on an annual basis. When we talk about this at the board, we could potentially consider converting our co-operative from a non-profit to a for-profit, which would cause many legal changes.. This would create a share/dividend structure when they are received, rather than having the challenges we have now.

Statement: Daniel we appreciate all of your efforts and hard work. This project has always been a challenge.

Statement: Thank you for sticking with us Daniel.

Statement: Thanks for a great AGM. Best wishes from Next Generation Energy

Alternatives.

Statement: Keep being very specific about the Gas Unit's operational requirements.

7. Election of Directors

Newton Chan has been appointed as the CRO for the election of directors. He will be overseeing the election process for this evening.

Nominees for re-election: Vicki Hilborn and Amy Zhang

Nominees from the floor: 0

The motion carries. No abstentions.

Nominees from the floor: 0

Nominees closed.

The 2 nominees for 2 board seats deliver presentations:
Please refer to the webinar recording.

- Vicki Hilborn (returning)
- Amy Zhang (returning)

Since there are no nominees from the floor, there is no need for an election.

8. Other items

9. Q&A

Statement: We're fortunate to have such strong candidates and board members.

10. Adjournment

Rob Grand moves to adjourn the ZooShare AGM 2022.

The motion carries. No abstentions.