ZooShare Biogas 2023 AGM Minutes
Wednesday, June 21st, 2023
6:01 P.M. - 8:37 P.M. EST
Virtual meeting via Zoom

Rob Grand welcomes everyone to the meeting at 6:01 P.M. and provides housekeeping rules (including Zoom etiquette and a review of the voting process).

1. Call to Order

The 2023 ZooShare Annual General Meeting for the 2023 calendar year is called to order by General Manager, Rob Grand at 6:05 P.M.

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

Rob provides a land acknowledgment for the land in which this meeting is being hosted on.

2. Review of the AGM Process

Rob conducts a review of the AGM process.

3. Review and Approval of the 2023 Agenda

Daniel Bida motions to approve the 2023 Agenda, seconded by Vicki Hilborn.
The motion carries. No abstentions.

4. Review and Approval of the 2022 AGM Minutes

Newton Chan motions to approve the 2022 AGM minutes, seconded by Leona Mitchell.
The motion carries. No abstentions.

5. Financial Review

Rob welcomes and introduces Thomas Kriens, founder and partner at Kriens LaRose LLP.

The financial statements are presented by Thomas Kriens of Kriens LaRose LLP. See Financial Statements document for details.

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Question (from Dave Roewade): Can we just go back to the cash-flow from [indiscernible]? So the power revenue actually increased?

Response (from Thomas Kriens): So you're looking at the cash-flow where there's actually an increase… this is compared to the previous year, that you're looking at?

(Dave): Yeah, just in comparison to 2021… I was just trying to get some further insight into what the big change was in the cash-flow– it's not a revenue issue, it seems like some of the other operating expenses, cash expenses, is what really brought down that cash-flow.

(Thomas): What the cash-flow is, is it's showing, for instance, the power revenue on the income statement $304,000, last year it was $209,000. What that is showing is that the cash-flow is the revenue plus how much receivables were from the previous year and the current year. So you could have revenue of $300,000, and if you had half of it not received, the cash-flow would show $150,000. So that's why there's a variance. So, in 2009, the power revenue was higher than the cash-flow because of the change in doing that… But looking at the cash-flow, you're right that what brings that down to a negative is realistically the expenses– or realistically, the losses during the year.

Question (from Lesley Boughton): the bonds payable– are you saying at this precise time, the bonds payable are just the amount of interest you owe the people at this time? Is that what it means? It says "cash and finance activities".

Response (from Thomas): So that is the cash that has gone out in relation to the bonds payable during the year. So you see the year before was a positive amount because bonds payable are coming in, that's the cash that went out based on the cash-flow. The $56,000. The important part is the financial statement showing those bonds, showing the full liability of those bonds, on the statement of financial position.

Question (from Vibhor): Can we receive this statement? Are you going to share them, and how are we going to access them?

Response (from Rob): The audited financials that we're looking at right now were posted on our website. There was a link which was provided to all members.

Leona Mitchell motions to approve the 2022 audited financial statements, seconded by Daniel Bida.
The motion carries. No abstentions.

Vicki Hilborn motions to appoint Kriens LaRose LLP as auditors for ZooShare's 2023 financials, seconded by Newton Chan.
The motion carries. No abstentions.

6. Management Update

Rob Grand provides an update on the ZooShare biogas plant and co-op. Please refer to the webinar recording.

● Projected distributions from the biogas plant have been significantly delayed ● Co-op did not receive any of the projected distributions that were predicted in 2022 ● Co-op is operated remotely, eliminating expenses such as rent, utilities, and travel ● Rob is in the process of negotiating with insurance providers to lower the co-op's premium without compromising the extent of its coverage. Staff have agreed to defer their wages

- In an effort to pay of maturing debt, the co-op filed and offering statement with the Financial Services and Regulatory Authority (FSRA) of Ontario in September of 2022, requesting approval to raise more debt to pay down maturing bonds, pay off short term debt, invest in potential expansion of the biogas plant, and to fund education programming
- Without any revenue to show, FSRA would not approve the Offering Statement; the co-op is not permitted to raise new capital through the sale of community bonds without an Offering Statement
- Co-op is making great progress with education programming: in the summer of 2022, two students were hired through the Canada Summer Jobs Program to develop and lead tours of the biogas plant
- The co-op led public tours of the biogas plant every weekend throughout the summer of 2022
- Requests for private tours have continued to come in from the Toronto Zoo, the Rouge Urban National Park staff, nonprofit groups, community groups, schools, and private businesses
- ZooShare participated in Doors Open Toronto during May 2023; very successful turn out with over 450 guests touring the plant. ZooShare has been asked to participate in Doors Open Toronto again next year
- Continued outreach efforts will take place this summer with the help of two newly hired students from the Canada Summer Jobs Program
    - One of the positions will focus on organizing, administering, and leading tours of the biogas plant, as well as researching and developing curriculum tied education programming for grade school students, and reaching out to school boards and teachers to promote and market biogas education and plant tours.
    - The other position will focus on communication outreach and sponsorship development. Role includes the development of an outreach plan to help the co-op raise awareness of the biogas plant through social media, newsletters, and traditional and online media, as well as surveying the members/partners/tour attendees to gather data and develop a sponsorship plan in order to raise funds

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

Board has proposed to change the terms of our bonds to 0% interest

Operational Issues

Since start up there have been a number of operational issues

- EnerFORGE started with inexperienced operating staff
- They had significant turnover of operating staff shortly after in-service
- Their management staff also experienced significant staff turnover
- The Joint Board needed to exert a more "hands-on" operational role

    This Board was not well equipped to perform that function

Turn Around Initiatives

A number of changes have been initiated

- EnerFORGE's Operating Staff have stabilized
- Back ups have been trained
- They are on track to meet the target generation levels in 2023, after Liquidated Damages payments were made for 2021 and 2022
- New Senior Management staff have been hired
- The Board has brought on a 5th Independent Board member with business expertise ● The Board has hired EnerFORGE as a Managing Director/CEO to more directly manage the plant
- For this service they are receiving a nominal annual fee plus performance bonuses related to the plant's revenue and cost control performance

Approval Process

- Each bondholder will receive one email for each series of bonds they hold
- The email will request bondholder consent
- For the change to any series of bonds to be approved requires:
- Consent from 75% of the bondholders of that series (one consent form for each bond held)
- Consent from bondholders representing 75% of the value of the outstanding bonds ● An abstention is equivalent to a "no" vote

Bond Transfers

- The co-op board has the authority to approve transfer of bonds
- Members who would like to ash out of their existing bonds will be allowed the opportunity to transfer ownership where there is a willing buyer for those bonds
- ZooShare cannot take ownership of the bonds
- The price of the transfer would be negotiated between the buyer and the seller

Newton Chan speaks on his experience in transferring ownership of bonds in a different co-op

Q&A session begins, please refer to the webinar recording.

Question (from Denice): Why didn't you get the anticipated income in 2022?

Response (from Rob): The income that the co-op receives is basically revenue from electricity generation and feedstock revenues that the biogas plant receives. I can’t really speak in detail about the expenses of the limited partnership or the biogas plant, but essentially the projected revenues that the co-op was looking for did not materialize.

Response (from Barry Green): the income of the co-op is almost exclusively from the operations of the biogas plant. There’s virtually no independent income, so it's really the performance of the plant, which was much less than anticipated during 2022– that is really what has affected the co-op income.

Question (from Vibhor): Rob mentioned that FSRA did not approve new debt financing for Zooshare and this was unfortunate. However, what would have been the plan had more community bonds been approved given that Zooshare is currently incapable of paying its current debt obligations?

Response (from Rob): If the offering statement had been approved, we would have sold more bonds, incurred more debt, but used that debt to pay down a lot of what we're going to be trying to pay down within the next few years. Our series 1 maturities, our series 2 maturities, and the accrued interest. Essentially, we were looking to raise money to pay down more expensive debt as well as shorter term debt. And there was some money allocated to investigating the expansion of the biogas plant, as well as a small amount to help finance our education initiatives

Response (from Barry): Part of what I was addressing was some of the initiatives we have taken that we're anticipating improved performance from the plant, and really, the sale of the bonds that we were hoping FSRA would approve was really a way we were hoping to buy some time, and to get us over the hump to where we are still hoping we can see better income from the plant. Given that that option has been taken away, this is really what's driving the initiative to go to a 0% interest and that's a different way– a little more painful way– of buying time to improve performance.

Question (from Lars Boggild): What was the average production "uptime" (you mentioned for example the 94% best month) for the past year 2022? I'm trying to get a sense of whether ceasing to accrue interest on the community bonds together with performance improvements actually provides a pathway to the surpluses needed to be able to repay bonds from operations vs. attempted refinancing. Thank you.

Response (from Barry): Daniel, do you remember the number for 2022? It was 87% for the first four months of 2023, I think we were somewhere south of 85 during 2022. Do you remember that number?

Response (from Daniel Bida): yeah, the 2022 average was about 75%. They were still short of the 85% performance guarantee. The other thing to keep in mind regarding performance is that it's not just about the generator uptime, which is how we calculate the performance guarantee, but it is also about the feedstock received at the plant and the tipping fee associated with that feedstock. And so, part of the reason why the project level finances have been under expectations are not just the 75-76 percent generator uptime, but has also been because not the full permitted capacity of feedstock has been received at the plant, which means that we're not getting that full value times 35-40 dollars per ton for each of those tons. So those kinds of revenue shortfalls will start to accrue when the plant's not operating, so that's a big part of the reason why we had less distribution to the partners in 2022.

Question (from Eric Praetzel): In terms of taxes paid, will there be a submission to the government so that we do not pay taxes on income not earned?

Response (from Barry): If we change to 0%, there will be no interest earned, so there will be no T5's issued. Now for 2023, we've been advised that we can't backdate the conversion to 0%. I was hoping that we would be able to move to 0% as of January 1st of this year, so that there wouldn't have to be T5's issued, but I'm told that we can't do that. So as soon as we have the appropriate consent from the bondholders, we will make the conversion– the conversion to 0% will be effective on that date– so, assuming we get the consent, there will be T5's issued for approximately half the year for 2023. So there will be that exercise again that you will have to declare that interest… that interest remains an obligation on ZooShare. So when we are in a position to start paying out money owed, we will be paying that interest that you will already have had to pay tax on. So we're still hopeful and anticipate that that income will come to you, and at the time it comes to you, you will have already paid the tax on it. So at that point it will come tax free.

Question (from Gideon Sheps): Please explain why zero interest rather than continuing to defer payment of the interest? If performance improves, as expected by the described changes in management, permission to issue new bonds may be forthcoming. It does not look good, and could impact future funding attempts.

Response (from Barry): If those things happen, then yes we may go back to interest payments, back to face interest on the bond. In the meantime, we really don't think we're in a position at this point to continue to take on new obligations for interest. There's an old expression that says "when you find yourself in a hole, the first thing to do is to stop digging". Paying out these incremental… this additional interest is really constituting a digging a bigger hole. We're hoping to be able to backfill that hole by improved performance at the plant, and that would ultimately get us out of the hole where we can start paying interest again. But it's the opinion of the board that at this point in time, we can't… we're not in a position to count on that. The anticipated income at this point is roughly equivalent to the ongoing interest obligation. So if we continue to accrue interest on the obligations, we'll have very little cash leftover to pay back the past interest and to pay the bonds that come due. So that's really the rationale for moving to the 0% interest.

Question (from Graham): What is the likely outcome if we don't make the change to zero interest?

Response (from Barry): Well, we will continue incurring additional obligations in the form of the interest. We will make whatever payments we are able. I would anticipate that the board in January, when the 2023 interest comes due, there will be a decision of the board at that time, but I would anticipate that we would again defer 2023 interest. We will use whatever cash we do have available, we'll begin to pay off the series 1 bonds and back interest. Certainly the balance sheet will look pretty bad if we continue to incur additional interest obligations.

Question (from Laura): I think I heard you say that gross revenue forecasted for this year is only *slightly* more than the 2023 interest payments to bondholders. Is that just for 2023 interest payments, or does that include back payments for 2021 and 2022 as well?

Response (from Barry): No, unfortunately that's just 2023. And that's really the situation we face, that if we continue to incur interest obligations on the outstanding debt, the cash that we will have leftover to pay back bonds that have already been shored, interest that is already owing for 2021 and 2022, it'll be a very slow process. Our new obligations are going to roughly match what we are going to be able to pay out from past obligations

Question (from Graham): Why zero interest, has financial modeling been done for other rates lower than the current bond rates?

Response (from Barry): No, there wasn't specific modeling done, but I guess it would kinda like slowly taking off the bandaid if we went to… instead of 5 or 5.5% we went to 2 or 3%... we would have some ability to pay off more quickly than we can today, but I think it's the opinion of the board that we really need to clean things up as quickly as possible by going to 0%.

Question (from Brvan Ho-Yan): What is the plan if bondholders vote 'no' to zero interest bonds?
Response (from Barry): It’s not something we can do on our own, it’s something we have the interest obligations in the bonds, so we will continue to incur those obligations if interest is still owing. We will use whatever cash we have to pay off the existing debts which are the series 1 bonds and the back interests which we have withheld. That will continue, but at the same time we will be incurring additional interest obligations for 2023 and going forward.

Question (from Anton Markov): If some, but not all series of bonds approve this change, will you go through with the change for those series that approve it? It seems unfair that some series would give up their interest payments so others can get paid. This creates an incentive to vote NO, so that one doesn't end up in the “losing" series. Similarly, if you were to get approval to issue more bonds in the future, would those new series receive interest? It seems fair to NOT offer interest until all outstanding obligations are paid.

Response (from Barry): That would be an unfortunate outcome, we can’t do anything about that, the obligation is for each series to vote separately and to make the change to that series, we require the approval or the consent of the bondholders in that series. Our obligation is still to series 1 first, so I think… may get legal advice on this, at some point the board is going to have to address the priority for repaying the various debts that we have. But I think our obligations will be to series 1 first, including principal plus interest. So we would just be working our way through the series. I would anticipate that if one series did not accept the zero interest– say for example, it’s series 4 that doesn't, we would have to continue to incur interest on series 4 bonds, but that would go behind our repayments for series 1 and 2.

Question (from Jonathan): If I understood correctly, if a bondholder decides to transfer or sell their bonds to another bondholder, any money exchanges would be between the two bondholders with no Zoospore participation, except for providing the required legal documentation for facilitating the sale/transfer. Is that correct?

Response (from Barry): That is correct. We will have no part in doing the actual… other than doing the paperwork… it is a transaction between a buyer and a seller, and any terms and conditions that they choose– I mean, they can’t modify the terms of the bond– but anything those two parties agree to around the transfer would be between them

Question (from Gideon): As a follow up to the answer to Denice's question– can the co-op (membership) get a more detailed financial statement from the other parts of the whole operation?
Response (from Rob): Yes, definitely we can share… We do quarterly financial reports that the board reviews. I have no issues sharing those with the membership. As mentioned, in Thomas’ financial report, what he was reporting on and the numbers you saw in the financial statements are consolidated statements, so they include both the co-op and their 51% ownership of the limited partnership. So the financial statements that the co-op generates on its own are different from the consolidated financials. So if anyone is interested, I would be happy to share.

Question (from Nuala Doherty): Are we voting to suspend interest on all series bonds? What is the optimal or target performance you're aiming for?

Response (from Barry): We see 85% as kinda the minimum, I think officially the numbers that have been adopted by the joint board, I believe show 85% as what is referred to as the threshold… 87 as target, and 90 I believe is kind of a stretch target. We haven't worked out all of the numbers yet with EnerFORGE in its management director role, but the baseline I would guess would be something north of 85. So revenues at that level will go strictly to the partners, revenues beyond that level they would get a share of. So that's the incentive mechanism for them as the managing director of the plant.

Question (from Lesley): Just so I'm clear on this, you're not getting enough money revenue from the plant because there's not enough raw product going in? Is that the bottom line? Is that why you're not getting enough money generated?

Response (from Barry): No, it's the performance of the plant. There has been enough feedstock to generate the energy, the plan has not performed as well as we had hoped it would. Also, the companies who provide us the feedstock pay us a tipping fee, and those fees have not been quite as high as we had budgeted for originally. So it's really a combination of those things, and all of those are going to be covered in the performance contract for the managing director. As tipping fees go up, they will share a percentage of it. As the generation goes up, they will get a share of the incremental generation.

Question (from Lesley): OK and the 0%, if the 0% is approved, are you planning to pay the interest whatever it should have been up to the date of the 0%? So if I have a bond that comes due in 2026, up until the day you go, it's still gonna get that interest the day it's voted, then after that, there's no interest… is that the bottom line?

Response (from Barry): That's correct. This is not changing any of the obligations that we already incurred for interest up to the date that the proposal is adopted.

Question (from Ines): were the tipping fees less than expected, or more expensive than expected? And what is the timeframe we're looking at to increase the amount of feedstock the plant is taking on?

Response (from Daniel): they were less than expected, and that was combined with receiving less than expected volumes of tipping fee material. We have the capacity to receive 15,000 tons of tip fee material each year, and we assumed that we would get $40/ton for that material. On average we have been receiving closer to $35-36/ton, and instead of 15,000 tons, we have been receiving closer to 12,000-13,000 tons over the first two operating years.

Question (from Roger Morier): What discussions have occurred about increasing feedstock flows (from other zoos, or elsewhere) to maximize the plant's operating efficiency?

Response (from Daniel): there has been no discussion of increasing feedstock flows from other zoos, since taking on more manure wouldn't be very valuable for the project. What we're seeking is more food waste in order to get us to the full permitted capacity of feedstock and increase our tipping fee revenues and ensure we have more than enough gas to run the combined heat and power unit.

Question (from Beverley): If you don't get the required bondholder approval to change interest to zero, what is the worst case scenario? Could the co-op become bankrupt and the plant closed?

Response (from Barry): Probably no implications for the plant itself, but control of the plant may be taken over by someone other than the ZooShare board (that would be the worst case scenario from the co-op's point of view)

7. Election of Directors

Leona Mitchell has been appointed the CRO for the election of directors. She will be overseeing the election process for this evening.
Nominees for re-election:
- Chris Benedetti
- Daniel Bida
- Newton Chan
- Barry Green

Nominees who have expressed interested in running:
- Matt Colautti

Nominees from the floor:
- Gideon Sheps

Gareth Williams has been appointed as scrutineer by Leona Mitchell

With 6 nominees and 6 positions available on the board, an election is not necessary and all nominees are appointed.

Chris Benedetti, Daniel Bida, Newton Chan, Barry Green, Matt Colautti, and Gideon Sheps have been appointed to the ZooShare Board of Directors

8. Other items

Nothing was added to this section upon approving the agenda.

9. Q & A

Final Q&A session begins, please refer to the webinar recording.

Question: regarding tipping fees, what is the barrier to securing projected tipping fees– is there less supply of feedstock than expected, or is it a matter of recruiting more people to sell feedstock to us?
Response (from Daniel): with EnerFORGE staff taking on more of a management role, them working the phones to get more material and higher priced material will help. Also relates to market forces, it is an ever evolving market dynamic

Question (from Dave): Barry, can you please clarify the statement "on track to meet target generation after liquidated damages payments were made"?

Response (from Barry): In the operators contract, if they don't meet 85% capacity factor– and that's on an annual basis– they are subject to a payment of liquidated damages

Question (from Dave): As an alternative to no interest bonds, is it possible to offer interest as preferred shares to be redeemed no earlier than 5 years from this date?
Response (form Barry): We are not at this point, as a not for profit co-op, able to issue shares.

(Question from Paul): what has been the effect of the lower revenues on management and consulting fees over these years in which you have not met your financial objectives?
Response (from Rob): the co-op only has one employee (Gareth) and two contractors (Rob, part time), and the bookkeeper. We don't use any consultants other than occasionally a lawyer and of course our auditor.

Question: Are there government of environmental groups that may give us donations to help us with running costs, or others who are encouraging the use of electricity rather than other fuels

Response (from Barry): We did get some government assistance during the construction phase of the project, but I don't believe there are a lot of grants out there for an operating plant.

Question (from Denice): Can we claim 0% interest as a tax loss?
Response (from Barry): No, it's income that you didn't get, it's not really a loss, so it wouldn't be tax deductible.

Question: if the co-op loses control and someone else takes over, where does that leave the bondholders?
Response (from Barry): the bonds are still an obligation on the co-op, so as long as the co-op is operational (whether it is controlled by the current board or not), and they will be dealt with however the trustee deals with all the obligations on the co-op

Written responses will be sent out to everyone who asked a question that was not answered.

10. Adjournment

Daniel Bida moves to adjourn the ZooShare AGM 2023.
The motion carries. No abstentions.

Meeting ends at 8:37 P.M.