

January 14, 2017

Dear CPN Members,

CPN is issuing Member Loans

Community Power Northumberland (CPN) is developing its fourth rooftop solar project on the Keeler Centre in Colborne, Ontario. To help fund this project, the CPN Board is issuing **Member Loans**. The Board is inviting CPN Members to invest in these loans.

Information document for these Member Loans is attached

Background information on these Member Loans is included in the attached document entitled **INFORMATION FOR MEMBER LOANS, KEELER CENTRE SOLAR PROJECT**.

Saturday, January 28th Information Meeting, 10 AM

In addition to sending you this Information document, the Board is holding a Members Meeting to provide you with information regarding these Member Loans. Members will be invited to ask the Board any questions they may have regarding these loans.

Meeting Location:

739 D'Arcy St., Cobourg, Ontario (red brick building across from the Cobourg Community Centre)

Process for investing in Member Loans

Members will be able to invest in these Member Loans by following these steps:

1. Members should read the attached Information document.
2. Members Meeting: Members are invited to attend the question/answer Members Meeting on Saturday, January 28, 2017, 10 AM. This meeting is optional. You are not required to attend.
3. Signing of Agreement to Lend: Members are asked to indicate their commitment to provide CPN Member Loans by signing an **Agreement to Lend** and returning this document to CPN by **Feb. 11, 2017**. Copies of the Agreement to Lend form will be mailed to members and will also be available at the January 28th Members Meeting. Once completed it can be handed in at the Members Meeting, returned by mail, or in person to a Board member.
4. Members will be asked to come to the CPN office (739 D'Arcy St., Cobourg) on either Friday, April 28, 2017 (between 10 AM and 2 PM) or Saturday, April 29, 2017 (between 10 AM and 2 PM) to submit their cheque or money order and to obtain their signed Promissory Note and Member Loan Agreement. A reminder of this meeting will be sent out the week before.

Questions

If you have any questions, or if you have an interest in investing in CPN Member Loans but have difficulty meeting the steps above, please call or email Richard Tyssen, 905-377-1713, tyssen-communitypower@bell.net .

Regards
Richard Tyssen
Secretary

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January 14, 2017

INFORMATION FOR MEMBER LOANS KEELER CENTRE SOLAR PROJECT

BACKGROUND FOR CPN MEMBERS MEETING, to be held January 28, 2017

Community Power Northumberland Co-operative Inc. (CPN) is offering Member Loans
CPN is asking its Members to consider investing in Member Loans to be used to fund the construction of the Keeler Centre solar project (minimum investment of \$5,000).

This document is intended to assist CPN Members in considering this investment. It provides some background information on the Keeler Centre project, as well as information on the resources that will be needed to develop the **Keeler Centre solar project**, and risks that will be faced in its development.

Members are invited to a meeting scheduled for January 28th to provide an opportunity for Members to have their individual questions answered and also provide an opportunity for CPN to assess the Membership's level of support for the project.

Meeting Time and Location:

Saturday, January 28, 2017, 10:00 AM

739 D'Arcy St., Cobourg, Ontario (red brick building across from the Cobourg Community Centre)

INFORMATION FOR MAKING A DECISION TO INVEST IN CPN MEMBER LOANS

What is the Keeler Centre solar project?

The Keeler Centre solar project is a new rooftop solar project wholly owned by Community Power Northumberland Co-operative (CPN). CPN has a FIT 4 contract under the Independent Electricity System Operator's (IESO) Feed-in Tariff (FIT) Program for the development of a 250 kW rooftop solar project at the Keeler Centre in Colborne Ontario.

How does this project compare to our three earlier solar projects?

Two of our three current projects, the Cobourg 90 Princess St. site and the Baltimore Recreation Centre site, are also 250 kW projects.

What is the timeline for completion of the project?

The current timeline estimates the start of construction for mid May 2017. Ten weeks have been scheduled for completion of construction and connecting the site to the grid.

What is the estimated cost for the development of the Keeler Centre solar project?

The estimated current cost of the project is **\$488,401**

What funding is required to complete the project?

CPN has approximately \$353,000 in equity. (This equity is a combination of revenue generated from our three FIT 2 projects, as well as over-borrowing for our FIT 2 projects).

Thus CPN will need approximately \$135,000 in Member Loans to complete the project.

We are asking that Members lend a minimum of \$5,000 to minimize loan administration costs.

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What type of member loans will be available?

CPN Member Loans

Member Loans will be issued with three separate terms: 1 year, 2 years, and 3 years. Members can choose any of these terms.

The annual interest rate on these Member Loans will be set as follows:

- 1 year term: 2.75%
- 2 year term: 3.25%
- 3 year term: 3.75%

Terms and Conditions

Member Loans will have the following terms and conditions:

Term of Member Loan: The fixed term of CPN Member Loans will be 1, 2, or 3 years.

Interest payment: Interest will be paid semi-annually on the outstanding principal.

Scheduled principal repayments: The principal will be repaid at the end of the term.

Amount to be Sold of Each Term

CPN will sell an approximate equal amount of each of the 1 year, 2 year, and 3 year terms up to the combined overall limit of the Member Loan offering of approximately \$135,000.

CPN Member Loans are secured by a **Promissory Note** issued by CPN (see Appendix B) along with a **Member Loan Agreement** (see Appendix C)

RRSP/RRIF Eligibility of CPN Member Loans

Member Loans are not RRSP/RRIF eligible.

What are the key dates for a member who is considering providing a Member Loan?

1. **Members Meeting:** CPN will hold a question/answer Members Meeting on Saturday, January 28, 2017, 10:00 AM.
2. **Signing of Agreement to Lend:** Members will be asked to indicate their commitment to provide CPN Member Loans by signing an Agreement to Lend (see Appendix A) and returning this document to CPN by **Feb. 11, 2017**. The **Agreement to Lend** form will be available at the January 28th Members Meeting and will also be mailed and emailed to Members. Once completed it can be returned by mail, or in person to a Board member.
3. Member Loans, as committed by the Agreement to Lend, will be provided to CPN by cheque or money order dated May 1, 2017.
4. Members will be asked to come to the CPN office (739 D'Arcy St., Cobourg) on either Friday, April 28, 2017 or Saturday, April 29, 2017 to provide their cheque or money order and to obtain their signed Promissory Note and Member Loan Agreement (see these forms in Appendix B and C).

RISKS TO THE CO-OP AND ITS MEMBERS

What are the development stages of the Keeler Centre solar project?

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The Board and CPN's engineering and construction consultants have done a great deal of work to confirm the feasibility of the proposed Keeler Centre solar project. This work includes oversight to manage the risks in all four stages of the project:

Stage 1 (completed): Application Process

- structural and electrical engineering analysis conducted for the FIT 4 application process
- detailed financial analysis similar to those used in our first three projects
- FIT 4 application to the IESO
- approval by the IESO of a FIT 4 Contract for the Keeler Centre solar project

Stage 2 (underway): Technical Review

- more detailed technical and engineering work

Stage 3: Obtaining IESO approval of Notice to Proceed (allows construction to begin)

Stage 4: Construction and Commercial Operation approval

- solar installation
- commissioning of solar installation by engineer and inspection by Independent Engineer
- application for and approval of Commercial Operation by IESO

It is possible, though unlikely, that the engineering work now being conducted by our engineering consultants will reveal a problem that cannot be feasibly solved. The Board will attempt to identify any such problem prior to construction to minimize any additional expenditure.

The funds raised from Member Loans will not be spent until construction begins (i.e. after obtaining the Notice to Proceed from the IESO, Stage 3 above), currently estimated to be mid May, 2017. Funds spent before construction begins will come from CPN's equity.

What are the risks during construction and obtaining IESO approval of Commercial Operation?

It is possible that the Board's cost estimates contained in the project budgets are too low and thus the projects may not be financially feasible. It is also possible that the engineering design will have flaws which will require funds to correct. There is also risk that the project will not be constructed properly. The Board will manage these risks through the following:

- both the engineers and the solar contractor are highly experienced with a long track record of successful projects
- the construction contract will be a fixed price contract and will be signed before any funds from Member Loans are spent
- the solar panels will be supplied by CPN and have already been purchased and paid for.
- equipment will be purchased from reputable suppliers
- the design will be reviewed and approved by both the local distribution company (Lakefront Utilities) and the Electrical Safety Authority before construction begins
- the construction will be inspected by an Independent Engineer
- the solar project will go through a detailed and rigorous commissioning process before final payments are made to the contractor

What are the risks during operations?

The actual operating costs cannot be known until ongoing operations occurs. There are also risks from accident, fire, weather, and theft. There are also risks of equipment failure and faulty installation. The Board will manage these risks through the following:

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- the project equipment will have warranties from reputable manufacturers, and the installation will have a warranty under the construction contract
- the operation of the project will be monitored for both production and for equipment failure
- an Operations and Maintenance contract will be signed with an experienced contractor
- the operating budget for the project is based on CPN's experience with its existing three rooftop solar projects
- CPN will retain and contribute annually to a replacement reserve to fund the costs of future equipment failure not covered by manufacturers warranties
- CPN will retain insurance for liability, property damage, theft, and loss of income.

What is the risk of cancellation by the Government of the FIT Program after Member Loans are provided?

There is no risk for Member Loans in this regard. Once CPN projects reach Stage 3 (Notice to Proceed, allowing construction to begin), the FIT contract includes provisions which do not allow the contract to be unilaterally cancelled by the IESO if the FIT Program is cancelled. Regardless of whether the FIT Program is cancelled after this point, the IESO would not be able to terminate the Keeler Centre FIT contract with CPN that it has signed.

Are the members liable for the debts of the Co-operative?

The liability of the members of a co-operative in Ontario is limited. The Ontario Co-operative Corporation's Act says:

"Member's liability limited

"73. A member of a co-operative as such is not answerable or responsible for any act, default, obligation or liability of the co-operative or for any engagement, claim, payment, loss, injury, transaction, matter or thing relating to or connected with the co-operative. R.S.O. 1990, c. C.35, s. 73."

However, the Directors of the Board are liable, in cases of negligence. To address this scenario, the Board has \$2 million of Director and Officers Insurance and General Liability Insurance.

Is there value in developing the proposed project beyond producing renewable energy?

CPN members will need to answer this question. However, some benefits which come to mind include:

- building CPN membership will likely also build community and contacts for other projects.
- successfully completing our rooftop solar projects will create a great deal of credibility in the community.
- surplus operating funds generated from CPN's solar projects will be available for sustainability projects in the community.
- developing these projects contributes to building a local green economy.
- these projects offer an opportunity for people to invest in the local economy and for interest earned from these projects to be returned to the local community.
- these projects allow County residents who are unable to install solar on their own home to invest in solar co-operatively.

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**APPENDIX A
AGREEMENT TO LEND**

Date _____

From:

Name _____

Address _____

RE: Agreement to lend money to Community Power Northumberland Co-operative Inc. (CPN)

To Community Power Northumberland Co-operative Inc.:

Subject to the provisions of this letter, I agree to lend \$_____ (the "Member Loan") to Community Power Northumberland Co-operative Inc. (hereafter referred to as "CPN") to fund the development of CPN's Keeler Centre solar project at 80 Division St., Colborne, Ontario KOK 1S0 (hereafter referred to as the "Project")

The term of this Member Loan will be _____ year(s).

This Member Loan is being made to fund the development of the Project, as described in the document provided to me by CPN entitled **INFORMATION FOR MEMBER LOANS, KEELER CENTRE SOLAR PROJECT** dated January 14, 2017, which I hereby acknowledge having received and read.

This Member Loan will be secured by a Promissory Note issued to me by CPN .

I agree to provide a cheque or money order dated May 1, 2017 in the amount of this Member Loan made out to **Community Power Northumberland Co-operative Inc.**, subject to CPN providing to me a signed Promissory Note as described above and a Loan Agreement:

The date of the Promissory Note shall be May 1, 2017.

Signed,

Name (please print): _____

Signature Date _____

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**APPENDIX B
PROMISSORY NOTE**

PROMISSORY NOTE

AMOUNT: \$ _____ [amount of principal] Due: March 1, 20____

FOR VALUE RECEIVED, the undersigned promises to pay to the order of _____ [name of lender] at _____ [insert address] the principal amount of \$ _____, in lawful money of Canada, payable on the Maturity Date set out above, and to pay interest semi-annually commencing on the first day of _____ [date of first payment] at a rate of _____ per annum, calculated semi-annually, on the principal amount from time to time remaining unpaid.

Upon default in payment of any payment when due hereunder, or an Event of Default as more particularly defined in the Loan Agreement dated _____ [insert date], the entire unpaid balance of the principal amount and accrued interest shall become immediately due and payable without notice or demand and the undersigned covenants to pay interest thereon and on subsequent overdue interest at the rate aforesaid, both before and after judgment, until paid in full. The covenants to pay interest shall not merge on the taking of a judgment or judgments with respect to any of the obligations herein stipulated for.

The borrower hereby waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonour, bringing of suit and diligence in taking any action.

Dated at _____, Ontario, this _____ day of _____, _____.

COMMUNITY POWER NORTHUMBERLAND
CO-OPERATIVE INC

Per: _____
NAME:
Authorized Signing Officer

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**APPENDIX C
MEMBER LOAN AGREEMENT**

LOAN AGREEMENT

THIS AGREEMENT made this 1st day of May 2017,
BETWEEN:

<insert name of lender>
the **Lender**)
- and -
COMMUNITY POWER NORTHUMBERLAND CO-OPERATIVE INC.
(the **Co-operative**)

BACKGROUND:

- A. The Co-operative is a co-operative without share capital incorporated under the *Co-operative Corporations Act* (Ontario).
- B. The Co-operative has applied for Feed-in-Tariff (**FIT**) Contract(s) from the Independent Electricity System Operator (**IESO**) in order to establish and operate various solar renewable energy facilities in Ontario (the **Facilities**).
- C. The Co-operative currently seeks temporary financing to cover the development costs related to the Facilities.
- D. The Lender is a member of the Co-operative and wishes to make a loan to the Co-operative.

IN CONSIDERATION OF the Background and the mutual covenants below, the parties agree as follows:

LOAN

The Lender agrees to lend the Co-operative, and the Co-operative promises to repay, a principal amount of _____ (the **Loan**) on the terms set out in this Agreement.

ADVANCE

The Loan shall be made in one advance by way of bank draft or cheque of immediately available funds payable to or to the order of the Co-operative or such other entity as the Co-operative may direct.

TERM

The principal amount of the Loan, together with any outstanding interest accrued, shall become due and payable _____ year(s) from the date of this Agreement (the **Maturity Date**).

INTEREST

The principal amount advanced on account of the Loan shall bear interest at a rate of _____% per annum, calculated semi-annually, commencing on the date the Loan is advanced, and ending on the date of actual payment of all outstanding principal, interest, costs and/or charges payable by the Co-operative to the Lender pursuant to this Agreement. Interest shall be paid throughout the term on May 1 and November 1.

PROMISSORY NOTE

On the date of the initial advance of the Loan, the Co-operative will execute and deliver to the Lender a promissory note (the **Note**), in the form contained in Schedule A to this Agreement.

REPAYMENT

The Co-operative may repay any amount advanced and outstanding under the Loan at any time during the term, without penalty. On the Maturity Date, the principal amount of the Loan that is outstanding, together with any interest accrued and outstanding, shall be repaid forthwith.

REPRESENTATIONS AND WARRANTIES OF THE CO-OPERATIVE

The Co-operative represents and warrants to the Lender that:

It is a co-operative corporation legally incorporated, duly organized and validly existing, in good standing under the laws of the jurisdiction of its incorporation and is qualified to carry on its business in all jurisdictions where the nature of its business or the character of its properties make such qualification necessary;

The borrowing of money by the Co-operative and the execution, delivery and performance of this Agreement are within the corporate powers and capacities of the Co-operative and have been duly authorized by proper corporate proceedings;

The execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the covenants, terms, provisions and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constating documents or by-laws of the Co-operative, any resolution of the directors of the Co-operative, any laws of Canada, or the Province of Ontario, governing the Co-operative, or any agreement or instrument to which the Co-operative is now a party or which purports to be binding on the Co-operative or its property and assets;

This Agreement and all other deeds, documents or instruments to be delivered pursuant to this Agreement will, when executed and delivered, constitute valid and binding obligations of the Co-operative enforceable against it in accordance with their respective terms, except as may be limited by other deeds, documents or instruments delivered pursuant to this Agreement, or by applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights; and

The borrowing of money under this Agreement and the execution and delivery of this Agreement do not require the consent or approval of any other party, including members of the Co-operative.

EVENTS OF DEFAULT

The principal of the Loan advanced and all interest payable, together with all of the moneys payable pursuant to this Agreement, and all legal and other collection costs incurred by the Lender in enforcing its rights under this Agreement shall, at the option of the Lender, become immediately due and payable in each and every of the following events (each of which is considered an "**Event of Default**"):

- if the Co-operative makes default in the repayment of any instalment of principal or interest under the Loan when it becomes due and payable;
- if any representation, warranty, certificate, statement or report made in connection with this Agreement or in connection with advances under the Loan is false or erroneous in any material respect;
- if the Co-operative should consolidate, amalgamate or merge with any other corporation or acquire the shares or assets of any corporation, firm or partnership, or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets;
- if the Co-operative becomes insolvent or bankrupt or subject to the *Bankruptcy and Insolvency Act (Canada)* or the *Companies Creditors Arrangement Act (Canada)*, or goes into winding-up or liquidation, either voluntarily or under an order of a court of competent jurisdiction, or makes a general assignment for the benefit of its creditors or otherwise acknowledges itself insolvent; or
- if any execution, sequestration, extent, or any other process of any court becomes enforceable against the Co-operative or if a distress or analogous process is levied on the property and assets of the Co-operative, and the execution, sequestration, extent, distress or process, remains unsatisfied for a period as would permit the property or a part of it to be sold.

GENERAL

1. Further Assurances: The Co-operative will execute or cause to be made, done or executed, all further and lawful acts, deeds, things, devices, conveyances and assurances whatsoever for effecting the purposes and intent of this Agreement as counsel for the Lender shall reasonably advise or request.
2. Notices: Any notice, payment or other document to be given under this Agreement, shall, save as otherwise specifically provided, be in writing addressed to the party for whom it is intended and shall not be deemed received until actual receipt by the other party except if sent by email (with confirmation of transmission), in which case it shall be deemed received on the business day next following the date of transmission. The delivery, mailing and email addresses of the parties are set out below or any other delivery, mailing or email addresses as the parties from time to time may notify the other.

The Co-operative:

Community Power Northumberland Co-operative Inc.
154 Stuart Street

Cobourg Ontario K9A 2Y2

Attention: Richard Tyssen

Email/Facsimile: rtyssen-communitypower@bell.net

The Lender:

Attention:

3. Relationship of Parties: It is acknowledged that nothing in this Agreement shall be deemed to constitute the Co-operative an agent, partner or joint venturer with the Lender or to give the Co-operative the authority to bind the Lender or otherwise make

the Lender liable to any third party.

4. Applicable Law: This Agreement and all other agreements and documents to be delivered in connection with this Agreement shall be governed by and construed in accordance with the applicable laws of the Province of Ontario and of Canada and the parties attorn to the jurisdiction of the courts of the Province of Ontario.
5. Successors and Assigns: This Agreement shall be binding on and enure to the benefit of the Co-operative, the Lender and their respective successors and assigns, except that the Co-operative shall not, without the prior written consent of the Lender, assign any rights or obligations with respect to this Agreement. The Lender shall have the right at any time to assign this Agreement and the benefit of all covenants and payments under it to any third party and the Co-operative shall, on receipt of notice of such assignment, make any and all future payments due under this Agreement to the assignee or as The Co-operative may otherwise be directed in writing.
6. Severability: Any provision of this Agreement which is or becomes prohibited or unenforceable in any jurisdiction shall not invalidate or impair the remaining provisions of this Agreement which shall be deemed severable from the prohibited or unenforceable provision and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable that provision in any other jurisdiction.
7. Amendment: No amendment supplement or waiver of any provision of this Agreement or any other agreements provided for or contemplated, and no forgiveness of all or any portion of the Loan or any accrued or future interest, shall in any event be effective unless it shall be in writing and signed by the Lender and then the waiver, consent or forgiveness shall be effective only in the specific instance and for the specific purpose for which it has been given.
8. No Waiver: No waiver or act or omission of the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent event of default or breach by the Co-operative of any provision of this Agreement or the results or the rights resulting from it.
9. Time: Time shall be of the essence of this Agreement.
10. Termination: This Agreement shall remain in full force and effect until the payment and performance in full of all of the Co-operative's obligations under this Agreement.
11. Entire Agreement: This Agreement constitutes the entire agreement among the parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal in respect of it.
12. Survival or Non-Merger of Agreement: Notwithstanding the advance, in whole or in part, of the Loan provided for in this Agreement, and the execution and delivery by any party of any document or the taking of any act contemplated by this Agreement, the terms, conditions, representations, warranties, covenants and agreements contained in this Agreement will not merge, but will survive closing, for the benefit of the party or parties entitled thereto, respectively. If there is any conflict between the terms, conditions, covenants or agreements contained in this Agreement or in any document delivered in connection with this Agreement or the Loan, the terms, conditions, covenants or agreements contained in this Agreement shall prevail unless otherwise specifically stated in writing to the contrary.

