



DISCLOSURE STATEMENT

FOR A DISTRIBUTING CO-OPERATIVE UNDER THE
CO-OPERATIVES NATIONAL LAW (NSW)

THIS IS NOT A PROSPECTUS.

NAME OF CO-OPERATIVE:

ENERGY DEMOCRACY

CENTRAL WEST NEW SOUTH WALES CO-OPERATIVE LIMITED

REVISED DECEMBER 2021

DISCLOSURE STATEMENT UNDER THE CO-OPERATIVES NATIONAL LAW

A copy of this Disclosure Statement has been lodged with the Registrar of Co-operatives (NSW) (“the **Registrar**”) pursuant to the *Co-operatives National Law* contained in the Appendix to the *Co-operatives (Adoption of National Law) Act 2012* (NSW). The Registrar takes no responsibility for the content of this Disclosure Statement. No securities will be issued on the basis of this Disclosure Statement after the expiry date of six (6) months from the date of approval by the Registrar.

As a Disclosure Statement is not a prospectus and has a lower level of disclosure requirements than a prospectus, investors should obtain professional investment advice before accepting the offer.

This Disclosure Statement is issued by Energy Democracy Central West New South Wales Co-operative Limited A.B.N. 15 648 097 988, a distributing co-operative based in Orange, New South Wales, registered in New South Wales under the *Co-operatives National Law* registration number NSWC32910.

Section 68 of the *Co-operatives National Law* requires that a distributing co-operative take all reasonable steps to ensure a current Disclosure Statement is registered with the Registrar and is made available to current and prospective members. The Disclosure Statement sets out information necessary to ensure eligible members are informed of the nature and extent of their financial involvement or liability as a member of the Co-operative.

Disclaimer: Any person who receives or reads this document should not consider it as a recommendation to become a member of Energy Democracy Central West New South Wales Co-operative Limited (“the **Co-operative**”) or to purchase shares. It is not possible for a Disclosure Statement to include all material relevant to each Cooperative’s circumstances. Each member should make his or her own enquiries, including taking professional advice as required.

To the maximum extent permitted by law, the Co-operative, its directors, officers, advisers and consultants and their associated companies, businesses, partners, directors, officers and employees accept no liability or responsibility for any loss or damage (however caused including without limitation for negligence) arising from reliance placed on the information contained in this document.

The views expressed herein are not necessarily the views of the New South Wales Government. The New South Wales Government does not accept responsibility for any information or advice contained herein.

Obtaining a copy of this Disclosure Statement: A copy of this Disclosure Statement and the Rules of the Co-operative are available free of charge on our web site or by requesting a copy via email from members@energydemocracy.com.au.

Application for membership and shares: Any person interested in applying for membership and shares in the Co-operative must complete the application forms accompanying this Disclosure Statement and available on the Energy Democracy web site. By completing and submitting an application, you declare that you have read this Disclosure Statement in its entirety. Applications must be made electronically, through the web site, by post, or delivered to:

***Energy Democracy Central West New South Wales Co-operative
60 Hill Street
ORANGE NSW 2800***

Final acceptance of any membership application resulting from this Disclosure Statement is subject to the satisfactory completion of membership acceptance procedures outlined below.

Rules: The Rules of the Co-operative have the effect of a contract between the Co-operative and each member, and between the members of the Co-operative. By becoming a member, a person becomes bound by and agrees to observe and perform the provisions of the Rules in so far as they apply to that person. In particular, the Rules set out the requirements that each member must satisfy in order to be an active member of the Co-operative. The Rules are available for download at www.energydemocracy.net.

LETTER FROM THE CHAIR

GRANTON SMITH

Chair

Energy Democracy, Central West New South Wales Co-operative

On behalf of the board of Energy Democracy Central West New South Wales Co-operative Ltd (The Co-operative), it is my great pleasure to be able to invite you to become a member and invest in this community owned renewable energy Co-operative.

The recent release of the newest report by the Intergovernmental Panel on Climate Change (IPCC) has highlighted the need for urgent action to prevent serious climate breakdown. The effects of climate change will be felt by all of us, and it's up to individuals to contribute. Membership in the Co-operative provides a tangible opportunity to participate in the renewable energy transition that is currently underway to offset emissions in a carbon-intense electricity grid.

Energy Democracy's vision is to support ongoing conversations with the community to inform them on how they can contribute to our transition towards a clean energy future. The Co-operative model supports a

local approach while collaborating with others to leverage initiatives that can deliver cheaper power for all and reduce our impact on the environment.

Co-operatives play a critical role in uniting strong healthy communities: purchasing power is enhanced; and connecting diverse communities to strengthen social networks and community cohesion. Anyone can be a member, be they a household, small business or an ethical investor for their self-managed super fund. Collectively, members look for ways to overcome barriers to participation.

This offer relates to the development of the Orange Community Renewable Energy Park, a 4.99MW solar installation with a 5.2MWh battery energy storage system. Thanks to a grant from the New South Wales Government's Regional Community Energy Fund, the Co-operative has an opportunity to purchase 44% of the park.

Shares are being sold in parcels equivalent to 0.5kWh of solar panels and 0.5 kWh of energy storage, available for \$1,000.00 each. Anyone in Australia can purchase one or more parcels of shares.

The life of the park, and therefore the investment, is expected to be at least 25 years. A member's payback on their investment is via dividend payments and sharing in cash surpluses generated by the park. More information can be found in this disclosure statement and on Energy Democracy's website: www.energydemocracy.net

The development will still go ahead if the Co-operative does not fully subscribe this offer; an external underwriter will have the right to subscribe for the unsubscribed shares of the Orange Community Renewable Energy Park. However, we hope the community will take full advantage of this opportunity to participate in reducing the impact of climate change.

We strongly encourage you to read this offer carefully and take note of the risks of investing, which are detailed in Section 8. RISKS of the Disclosure Statement, before making your decision to become a member of the Co-operative.

Sincerely,



Granton Smith

CONTENTS

| | |
|---|----|
| DISCLOSURE STATEMENT UNDER THE CO-OPERATIVES NATIONAL LAW | 2 |
| 1. INTRODUCTION..... | 6 |
| 1.1 Name..... | 6 |
| 1.2 Registered Office | 6 |
| 2. BACKGROUND AND HISTORY..... | 6 |
| 2.1 Background | 6 |
| 2.2 Why a Co-operative? | 7 |
| 2.3 Objects..... | 7 |
| 2.4 Pre-conditions..... | 7 |
| 2.5 Demand for Services | 7 |
| 2.6 The Project..... | 8 |
| 3. MEMBERSHIP AND SHARES | 8 |
| 3.1 Who can become a member?..... | 8 |
| 3.2 Application for Membership and Shares | 8 |
| 3.3 Summary of Rights and Liabilities Attaching to Shares | 9 |
| 3.3.1 Rights and liabilities | 9 |
| 3.3.2 Shares | 10 |
| 3.3.3 Transfer of shares | 10 |
| 3.3.4 General meeting and notices..... | 11 |
| 3.3.5 Winding up and reductions in capital..... | 11 |
| 3.4 Voting Rights of Members | 11 |
| 3.5 Ceasing Membership and Forfeiture of Shares | 11 |
| 4. PRIMARY ACTIVITY AND ACTIVE MEMBERSHIP | 12 |
| 4.1 Primary Activities..... | 12 |
| 4.2 Active Members..... | 12 |
| 5. OPERATION OF THE CO-OPERATIVE | 13 |
| 5.1 How the Co-operative is carrying out the Primary and Other Activities | 13 |
| 5.2 Contracts entered into by the Co-operative..... | 14 |
| 5.2.1 Management Services | 14 |
| 5.2.2 Shareholder Agreement | 14 |
| 5.2.3 Operating Agreement..... | 14 |
| 5.2.4 Funding Agreement | 14 |
| 5.3 Details of any interest of Directors or members in any contract | 14 |
| 6. MANAGEMENT OF THE CO-OPERATIVE..... | 15 |
| 6.1 Board of Directors..... | 15 |
| 6.2 Election of Directors | 15 |

| | | |
|-------|---|----|
| 6.3 | Members of the Board of Directors..... | 15 |
| 6.4 | Day to day Management | 17 |
| 6.5 | Conflicts of Interest or Duty..... | 17 |
| 7. | FINANCIAL INFORMATION | 17 |
| 7.1 | Member Funds..... | 17 |
| 7.2 | Property and Assets..... | 17 |
| 7.3 | Returns to Members..... | 17 |
| 7.4 | Accounting..... | 17 |
| 7.5 | Auditing..... | 18 |
| 8. | RISKS | 18 |
| 8.1 | Introduction | 18 |
| 8.2 | Risks specific to an investment in Energy Democracy Central West New South Wales Co-operative..... | 18 |
| 8.2.1 | Uptake of shares..... | 18 |
| 8.2.2 | Cost escalation..... | 19 |
| 8.2.3 | Construction and engineering risks | 19 |
| 8.2.4 | Planning and regulatory approvals..... | 19 |
| 8.2.6 | Catastrophic event causing irreparable damage to solar system, battery or balance of plant (e.g. fire)..... | 20 |
| 8.2.7 | Unaudited financial models..... | 20 |
| 8.2.8 | Central West New South Wales Co-operative shares not listed and may be difficult to sell..... | 20 |
| 9. | FURTHER INVESTIGATION..... | 20 |
| 10. | AUTHORISATION AND CONSENTS | 20 |
| | ANNEXURE 1 | 21 |
| | ANNEXURE 2 | 22 |
| | ANNEXURE 3 | 24 |
| | ANNEXURE 4 | 25 |
| | ANNEXURE 5 | 26 |
| | ANNEXURE 6 | 27 |

1. INTRODUCTION

1.1 Name

Energy Democracy Central West New South Wales Co-operative Limited A.B.N. 15 648 097 988

1.2 Registered Office

60 Hill Street, Orange, New South Wales 2800

2. BACKGROUND AND HISTORY

2.1 Background

This is the Disclosure Statement of the Energy Democracy Central West New South Wales Co-Operative (*“the Co-operative”*), a group of concerned citizens who are passionate about mitigating the impact of climate change and whose members contribute volunteer time to support the endeavours of the Co-operative, as well as being the owners of the organisation and investors in renewable energy parks.

During 2019 an opportunity arose for the Co-operative to invest in a new Community Renewable Energy Park with a contribution from a New South Wales Government initiative, the Regional Community Energy Fund (*“the RCEF”*). The RCEF is providing a \$3.5 million grant to contribute to the development of the Orange Community Renewable Energy Park as part of its support for projects that create innovative and/or dispatchable renewable energy capacity and that benefit the local community.

The Co-operative is issuing up to 4,534,000 million new shares. The sale of the shares is to fund working capital and a maximum 44% investment in the Orange Community Renewable Energy Park – a Special Purpose Vehicle (*“the SPV”*) that owns a 4.99MW solar PV and 5.2MWh Battery Energy Storage System (*“the BESS”*) project being built on the northern outskirts of Orange.

A fund managed by an external underwriter will initially own the majority of shares in the SPV. If the Co-operative is unable to subscribe the shares issued to fund the purchase of 44% of the Orange Community Renewable Energy Park at the end of the subscription period, the underwriter will have the right to subscribe for the unsubscribed amount of shares in the Orange Community Renewable Energy Park.

Each member of the Co-operative is expected to actively support the primary activities of the Co-operative as set out in the *Co-operatives National Law*, the Rules of the Co-operative (*“the Rules”*), and below in this Disclosure Statement in **Section 4. PRIMARY ACTIVITY AND ACTIVE MEMBERSHIP**.

The Orange Community Renewable Energy Park sells generated electricity and Large-Scale Generation Certificates. Shared ownership of the solar PV system, the BESS and Co-operative-led energy efficiency programs will provide benefits to members and the region. More information can be found in **Section 5. OPERATION OF THE CO-OPERATIVE**.

The Co-operative is governed by a Board of Directors, as set out in **Section 6. MANAGEMENT OF THE CO-OPERATIVE**. The Rules establish the governing rules of the Co-operative and are, in effect, a contract between the member and the Co-operative.

Members receive a return on their investment to the extent that they own parcels of shares in the Orange Community Renewable Energy Park:

- through their share ownership in the Co-operative; and
- if the Co-operative has a surplus available to distribute after it has paid its expenses.

This is described in more detail in **Section 7. FINANCIAL INFORMATION**.

2.2 Why a Co-operative?

The Co-operative is a constitutional commitment to generating community, environmental and economic member benefits and supports the creation of energy-resilient communities. Shared ownership allows the Co-operative to provide:

- direct benefits to members;
- democratic control; and
- a financially sustainable trading enterprise.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Information on the identity, values and principles of a co-operative is included in this Disclosure Statement at **ANNEXURE 6**.

2.3 Objects

The objects of the Co-operative are:

- (a) to own in part or in full, renewable energy generators, battery energy storage systems and associated infrastructure;
- (b) to engage in a range of commercial activities that support the development of renewable energy;
- (c) to facilitate and advocate for the generation and uptake of electricity from renewable energy sources; and
- (d) to provide funding to educate stakeholders and for selected community projects for the benefit of communities in the Central and West regions of New South Wales.

2.4 Pre-conditions

Members participating in this share offer are invited to purchase a parcel, or parcels, of 1,000 shares per parcel. Each share has a nominal value of \$1.00. Parcels are available at \$1,000.00 each. Each parcel of shares is the equivalent to a combined 0.5kW of energy generation (in this case solar PV panels) and 0.5kWh of energy storage in the Orange Community Renewable Energy Park.

If the Co-operative is unable to fully subscribe the shares issued to fund a 44% investment in the Orange Community Renewable Energy Park at the end of the subscription period, the Co-operative will cancel the unsubscribed shares, reduce its investment in the Orange Community Renewable Energy Park by the amount not subscribed, and the majority shareholder will increase its ownership of the Orange Community Renewable Energy Park proportionately. See **ANNEXURE 4** of this Disclosure Statement for a summary of the investment terms.

2.5 Demand for Services

Solar self-generation represents a rapidly increasing proportion of Australia's energy supply. As of June 2021, there were over 2.86 million solar PV installations in Australia, with a combined capacity of over 22.3 gigawatts¹. Solar PV is regarded as a 'disruptive technology' as it challenges the traditional model of how electricity is owned and delivered. Along with other disruptive technologies (such as advanced metering, smart devices, battery energy storage systems, etc), self-generation with solar PV is bringing about changes in energy market design, energy policy and pricing structures.

Members in the Co-operative access the benefits of solar energy and battery energy storage through the shared ownership of solar PV panels and battery energy storage. Additional income received from the Orange Community Renewable Energy Park, energy efficiency programs, Demand Response and potential future programs, is distributed to members in proportion to their participation and the number of shares they own, after expenses.

Members may receive a limited dividend from the Co-operative to the extent the Co-operative has a surplus after it has paid its expenses.

¹ <http://pv-map.apvi.org.au/analyses>

2.6 The Project

Over the next six months, the Co-operative will:

- invest in the Orange Community Renewable Energy Park; and
- raise awareness, educate and foster support for emissions reductions in the community.

Orange Community Renewable Energy Park

The Orange Community Renewable Energy Park (“*the Park*”) is being built on rocky farmland at 643 Mitchell Highway on the northern outskirts of the city of Orange. It is an undulating site and the mounting systems is being designed to accommodate a dry watercourse running through the site.

The grid connection point is a 11kV distribution line that is adjacent to the site. Entry to the Park is via an old stock access point on the eastern edge of the project. Work to improve the intersection with Mitchell Highway will conform to Transport for NSW regulations.

Once constructed, the Park will supply approximately 12GWh of electricity per year into Essential Energy’s distribution network. The electricity generated in the Park will reduce greenhouse emissions from mains grid electricity by approximately 4,980 tonnes per year.

Project Development

The anticipated development of, and investment in the Orange Community Renewable Energy Park, is as follows:

| Approximate Duration | Phase |
|---------------------------|---|
| Completed | Pre-construction (project planning, contracts negotiation and finalisation) |
| 3 months starting Q1 2022 | Procurement |
| 2 months | Construction of the Orange Community Renewable Energy Park project |
| 3 weeks | Commissioning (partly overlapping construction) |
| 25 years | Operation |
| Periodic and as required | Maintenance and asset replacement |
| 3 months during 2045 | Decommissioning or replacement at end of asset life (after 25 years) |

3. MEMBERSHIP AND SHARES

3.1 Who can become a member?

Anyone residing within Australia qualifies for membership of the Energy Democracy Central West New South Wales Co-operative if they are a natural person over 18 years of age, a company, a self-managed superannuation fund (“*SMSF*”), or other legal entity, and are able to maintain the active membership requirements of the Co-operative as defined in **Clause 4.2 Active Members**. Members of the Co-operative are required to actively support the primary activities of the Co-operative.

The Co-operative may consider inclusion of a group of members (such as a community or housing co-op). If the number of shares owned by one member was to exceed more than 20% of the issued capital of the Co-operative, the Co-operative’s Board will need to seek the approval of members by special postal ballot. That resolution will need to be approved by the Registrar who may impose conditions.

3.2 Application for Membership and Shares

Any person, company, SMSF or co-operative may apply for membership in the Co-operative by accessing and completing an application form (Rule 8 of the Rules). The application form is available on the Co-operative website at www.energydemocracy.net/join.

Each member is required to hold a minimum number of shares in the Co-operative of 150 shares (Rule 16(2) of the Rules). However, under this offer, the minimum subscription is 1,000 shares at a price of \$1,000.00.

There is a one-off membership fee of \$55.00 (inclusive of GST) for the minimum parcel of 1,000 shares which is payable upon application for membership in the Co-operative (Rule 7 of the Rules). This membership fee:

- is proportionate to the number of parcels purchased;
- capped at \$275.00 (inclusive of GST) for members purchasing parcels of more than 5,000 shares; and
- includes a new membership fee discount of \$1.00 per parcel.

The Co-operative must hold in trust for the applicants all application money received from people applying for shares and all other money paid by them on account of the shares under this Disclosure Statement until:

- the shares are issued; or
- the money is returned to the applicants.

Every application for membership will need to be considered by the Board and, if approved, the member's details will be entered into the register of Co-operative members and the applicant will be notified in writing. The Board may, in its discretion, refuse an application for membership on any grounds (Rule 8 of the Rules).

In this share offer each member of the Co-operative purchasing shares will be asked to purchase a parcel, or parcels, of 1,000 shares with an "issue price" at \$1.00 per share.

No shares will be allotted to a member unless at least fifty percent (50%) of the cost to purchase a share parcel has been paid to the Co-operative.

Details of the rights and obligations attached to shares and their risk is found at **Section 3.3 Summary of Rights and Liabilities Attaching to Shares.**

Under the business plans outlined below, should they proceed, each parcel of 1,000 shares is the equivalent to 0.5kW of energy generation (in this case solar PV panels) and 0.5kWh of energy storage in the Orange Community Renewable Energy Park. Each 0.5kW parcel of solar panels should generate approximately 1,039kWh of electricity in the first year.

To apply for shares, members (or potential members) must complete the Share Application Form specifying the number of shares being applied for. A Share Application Form is available on the Co-operative website at www.energydemocracy.net/join. The member must also make payment for the shares in the manner specified in the Share Application Form.

No share is allotted unless:

- a) the person is admitted as a member of the Co-operative in accordance with the Rules; and
- b) 50% of the nominal value of the shares has been paid.

The subscription price is \$1,000.00 for each parcel of shares being offered by the Co-operative in this offer, or 1,000 shares each with a nominal value of \$1.00 per Share.

A member is not allowed to hold or have a relevant interest in more than 20% of the nominal value of issued share capital of the Co-operative unless permitted to do so under the *Co-operatives National Law* (see **Section 3.1 Who can become a member?** above).

For avoidance of doubt, individuals submitting an application and paying the entry fee do not automatically become shareholders or members of the Co-operative.

3.3 Summary of Rights and Liabilities Attaching to Shares

3.3.1 Rights and liabilities

The rights and liabilities attached to ownership of the shares are detailed in the Rules of the Co-operative and regulated by the *Co-operative National Law* and in general law.

A summary of the significant rights, liabilities and obligations attached to the shares and a description of other material provisions of the Rules are set out below. This summary is not intended to be exhaustive and is qualified by the fuller

terms of the Rules. This summary does not constitute a definitive statement of the rights and liabilities of the Co-operative member shareholders.

In a co-operative, shareholders' rights are attached to shares (issued under the Rules) and members' rights are sourced from the Rules; the rights attached to "shares" in a co-operative are not the same as rights attached to shares in a company². In this respect, you are urged to read the Rules.

A member is entitled to the following benefits:

- to attend and vote at all general meetings of the Co-operative;
- to be a candidate for election to the Board of Directors of the Co-operative;
- to vote for Board members;
- to obtain a copy of the Co-operative documents; and
- to receive such dividends or rebates allowed for in section 357 of the *Co-operative National Law* when it is financially viable for the Co-operative to make such distributions³.

The right to vote attaches to membership and not shareholding, and in order to vote, members must satisfy the Active Membership obligations in the Rules.

A shareholder of the Co-operative:

- is exposed to having their shares cancelled if they resign or otherwise cease to be eligible to remain a "member" (see Rule 12). Cancellation of shares entitles the shareholder to a return of paid-up capital (Rule 12(4)), but less any amount owing by the former member to the Co-operative. If the Co-operative has a capital deficiency (the capital behind the share is less than the paid-up capital) then the deficiency is deducted from the amount of capital paid up on the shares of the expelled or resigning member:
- who ceases to be a member may not receive a return of capital, if any is due, on their cancelled share for as much as 12 months from their date of cessation (see section 128 of the *Co-operatives National Law* and Rule 12(6)).
- may request to have their shares held in excess of the minimum required to be held repurchased by the co-operative (see Rule 20), the terms to be set by agreement only.

Benefits of shareholding are derived and distributed equitably based on the size of the member's shareholding and use of the Co-operative services as set out in **Section 5. OPERATION OF THE CO-OPERATIVE**. This is to protect the smaller shareholders in the Co-operative.

3.3.2 Shares

A share in the Co-operative is personal property.

The Board of the Co-operative will control the allotment and issue of shares subject to the *Co-operatives National Law* and the Rules of the Co-operative.

Under the Rules, a member must hold a minimum of 150 shares in the Co-operative at all times. The minimum subscription for shares is presently set by the Board at 1,000 shares. By the Rules, a transfer of shares requires the prior consent of the Board and a transfer may only be made to a person who is a member⁴.

3.3.3 Transfer of shares

Subject to the Rules, the *Co-operatives National Law*, and the rights or restrictions attached to any shares or class of shares, holders of shares will be entitled to sell their shares to other members by a transfer document in writing or in any other form required by the Board. Transfers to non-members are not permitted, however in practice, a non-member can apply for membership and then have shares transferred to them once their membership is approved. A

² For example, shares in a co-operative do not carry a right to vote at meetings of members.

³ There is no current or forecast policy for regular dividends to be paid on shares.

⁴ See Rule 21.

person ceases to be a member of the Co-operative if their total shareholding is transferred to another person and the other person is registered as the holder of the shareholding.

The Board may decline to register a transfer of shares for reasons including where the transfer is not in an approved form, where the potential transferee does not fulfil the requirements of members set out in the Rules, or where the refusal to register the transfer is otherwise permitted.

3.3.4 General meeting and notices

In accordance with the Rules and the *Co-operatives National Law*, each member will be entitled to receive notice of and to attend and vote at all general meetings of the Co-operative. The right to vote at meetings attaches to membership and not shareholding.

3.3.5 Winding up and reductions in capital

In the event of a winding up or a reduction of capital, in accordance with the *Co-operatives National Law*, the Rules, and the terms of the reduction (if any), shareholders will have the right to participate in a distribution of surplus capital in proportion to the member's shareholdings; members are not eligible to participate in a distribution of property in their own right (participation only occurs through shareholding).

On winding up of the Co-operative, a member of the Co-operative will be liable for the amount (if any) not paid on the shares held by the member together with any charges payable by the member as required by the Rules.

A member will be required to:

- hold the minimum number of shares as defined in the Rules; and
- agree to be bound by the Rules; and
- maintain active membership of the Co-operative as defined in the Rules (see **Section 4.2 Active Members** for an explanation of the requirements of "active membership").

Member liability may also arise under section 450 of the *Co-operatives National Law* in the period within two (2) years before the start of the winding up of the co-operative for the:

- nominal value of shares forfeited under a cancellation under Part 2.6 of the *Co-operative National Law*; and
- price of shares bought or redeemed by the co-operative, in both cases limited to the amount paid by the co-operative to the member.

3.4 Voting Rights of Members

Every member is entitled to one vote only – with the right to vote attaching to the membership of that member in the Co-operative and not the number of shares held.

3.5 Ceasing Membership and Forfeiture of Shares

A member may resign from the Co-operative by giving three (3) days' notice in writing (Rule 11). Failure to maintain active membership may lead to cancellation of membership (Rule 23).

Any share purchased or repaid by the Co-operative will be cancelled and disclosed in the Co-operative's Annual Report.

The Co-operative must repay the amount due in relation to the cancellation within 12 months of the date of cancellation. In accordance with section 163 of the *Co-operatives National Law*, the amount to be repaid is the paid-up value of the shares. However, where the board considers that repayment would adversely affect the financial position of the Co-operative, the Co-operative may retain the money until such time as repayment would not adversely affect the financial position of the Co-operative. This amount must be paid within 10 years of the cancellation of the membership.

A member will cease to be a member of the Cooperative in each of the following circumstances and as otherwise provided by the *Co-operatives National Law*:

- If the member's membership is cancelled in accordance with the Rules or the *Co-operatives National Law*;
- If the member is expelled or resigns under the Rules;
- If the member's total shareholding is transferred or sold to another person and the name of the transferee is entered in the register of members in respect of the shareholding;
- If the member's total shareholding is forfeited under the *Co-operatives National Law* or the Rules;
- If the member's total shareholding is purchased by the Co-operative under the *Co-operatives National Law*;
- or,
- If the amount paid up on the member's share is repaid to the member under the Rules.

Forfeiture occurs if a member fails to pay a call or instalment of a call by the day appointed for payment. The Board may at any time that any part of the call or instalment remains unpaid, serve a notice on the member requiring payment of so much of the call or instalment as is unpaid together with any interest that may accrue. The notice must name a further day (not earlier than fourteen (14) days after the date of notice) on or before which payment required by the notice is to be made and must state that in the event of non-payment, at or before the time appointed, the shares for which the call was made will be liable to be forfeited.

Forfeited shares must be cancelled. A person whose shares are forfeit under the Rules remains liable to pay to the Co-operative all amounts that are (as at the date of forfeiture) payable to the Co-operative for the shares.

4. PRIMARY ACTIVITY AND ACTIVE MEMBERSHIP

4.1 Primary Activities

For the purposes of Part 2.6 of the *Co-operative National Law*, the primary activities of the Energy Democracy Central West New South Wales Co-operative are stated in the Rules at Rule 5, and are as follows:

- Invest in, own, operate and maintain renewable energy generators, BESS, energy efficiency and other associated infrastructure suitable for facilitating the objects of the Co-operative as defined in **Section 2.3 Objects**;
- Generate and sell renewable energy and Large-Scale Generation Certificates to offset emissions in a carbon-intensive grid; and
- Research, educate, produce and disseminate information on a regular basis to promote renewable energy generation and environmentally favourable energy cost reductions.

In practice, for the purpose of this disclosure, the Co-operative's pursuit of those activities is via an investment in the Orange Community Renewable Energy Park.

The Co-operative will use this opportunity to generate renewable energy for sale and to invest in programs to achieve local uptake of renewable energy and energy efficiency. How this is to be achieved is set out in **Section 5. OPERATION OF THE CO-OPERATIVE**.

If the decision is made not to continue with the investment in the Orange Community Renewable Energy Park before the end of 2021, then the directors of the Co-operative may call a meeting to decide what to do and this may involve returning any capital that has not been used in the intervening period back to members, or if the money can continue to be used to serve the purpose of the Co-operative.

4.2 Active Members

Each member of the Co-operative is required to actively support the primary activities of the Co-operative. To maintain active membership in the Co-operative, a member must comply with the following requirements:

- a) maintain subscription to the Co-operative's newsletter; or
- b) in a calendar month sell or purchase at least 0.01 kilowatt hour of energy generated by Co-operative-owned assets for every share a member owns in the co-operative; or
- c) participate in at least one program each financial year that supports the local uptake of renewable energy and energy efficiency.

Energy generated by the Co-operative-owned assets is automatically sold on your behalf.

Participation in a program under Clause 4.2 Active Members(c) can include attendance at events held by Energy Democracy, webinars or Annual General Meetings.

Failure to maintain active membership will lead to cancellation of membership (see Rule 23).

5. OPERATION OF THE CO-OPERATIVE

5.1 How the Co-operative is carrying out the Primary and Other Activities

The Energy Democracy Central West New South Wales Co-operative is raising new capital to invest into the Orange Community Renewable Energy Park in the Central West of New South Wales, and for working capital.

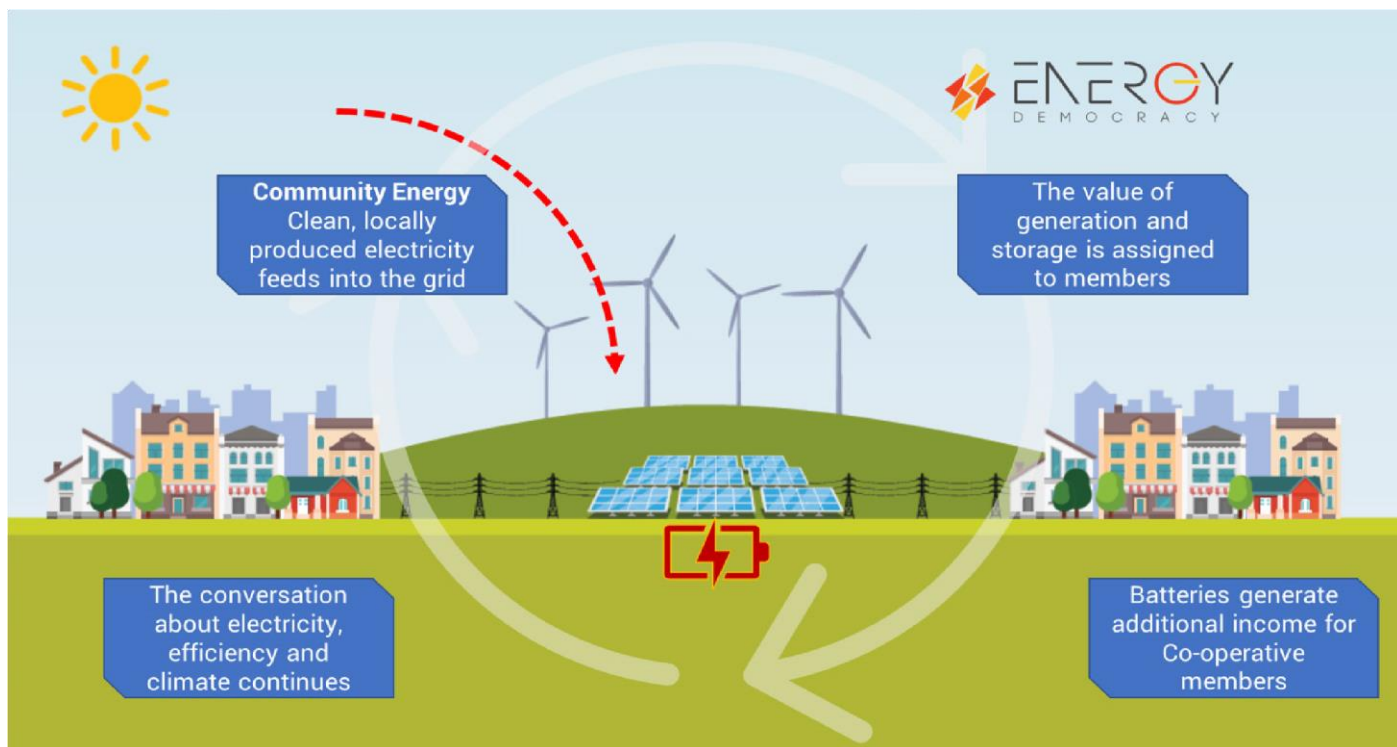
If the Co-operative is unable to subscribe the shares issued to fund a 44% ownership of the Orange Community Renewable Energy Park at the end of the subscription period, the Co-operative will:

- cancel any unsubscribed shares;
- reduce its investment in the Orange Community Renewable Energy Park by the amount not subscribed; and
- the majority shareholder (see **Section 5.2.2 Shareholder Agreement** and **Section 8.2.1 Uptake of shares** below), has the right to subscribe for the unsubscribed shares of the Orange Community Renewable Energy Park.

The Orange Community Renewable Energy Park is supported by a \$3.5m grant from the Regional Community Energy Fund, a New South Wales Government initiative. The grant is used to subsidise the cost of engineering, procurement, construction and commissioning of the solar PV and battery energy systems. The grant is not paid to the Co-operative.

Investment in the Orange Community Renewable Energy Park enables financial returns to be provided to all members arising from the sale of energy generation, the sale of Large-Scale Generation Certificates, prudent use of storage technologies and associated activities from the operation of the Orange Community Renewable Energy Park.

Additional income received by the Co-operative through its shareholding in the Orange Community Renewable Energy Park, energy efficiency programs, Demand Response programs and other activities is distributed to members in proportion to the number of shares they own, after expenses. Again, this is distributed through the shares held in the Orange Community Renewable Energy Park, and through the shares issued in the Co-operative, net of costs in operating the Co-operative, as shown below.



Expenses incurred during the operations of the Co-operative are paid from revenues derived by it (including that derived from dividends paid by Orange Community Renewable Energy Park) as approved by the Board during the annual budgeting process. Management expenses, including premises, staff, and the general administration of the Co-operative are included in the management fee paid to Energy Democracy (see **Section 5.2.1 Management Services** below).

5.2 Contracts entered into by the Co-operative

The Co-operative is entering or has entered into the following material contracts:

5.2.1 Management Services

The Directors of the Co-operative have engaged Energy Democracy Pty Ltd A.B.N. 30 130 526 966 ("**Energy Democracy**") to provide management services under a Co-operative Management Agreement. Energy Democracy is performing duties that might otherwise be performed by a Chief Executive Officer and other staff, including the development and operation of the Co-operative's projects, administration of the membership and more generally, the pursuit of the Co-operative's primary activities.

A summary of the Management Agreement terms can be found at **ANNEXURE 4** of this Disclosure Statement.

5.2.2 Shareholder Agreement

The Co-operative is acquiring up to a 44% stake in the Orange Community Renewable Energy Park located at 643 Mitchell Highway, Orange in the State of New South Wales. The Renewable Energy Park is a community-scale solar PV system with energy storage.

The project is owned by a Special Purpose Vehicle ("**SPV**"), and the Co-operative is purchasing up to 44% of shares in the SPV.

A summary of the Share Purchase Agreement terms is at **ANNEXURE 4** of this Disclosure Statement.

5.2.3 Operating Agreement

The Co-operative is entering into an Operating Agreement with the SPV that owns the Orange Community Renewable Energy Park to ensure Co-operative members receive an entitlement of electricity depending on how many shares in the Co-operative they purchase. A summary of the Operating Agreement terms is at **ANNEXURE 4** of this Disclosure Statement.

5.2.4 Funding Agreement

The Co-operative is named in a funding agreement with the Crown in Right of the State of New South Wales, acting through the Department of Planning, Industry and Environment, for funding under the Regional Community Energy Fund. Grant funding is released subject to achievement of agreed milestones in the construction and commissioning of the Orange Community Renewable Energy Park, finishing with knowledge-sharing activities during 2022. The role of the Co-operative is to raise community investment in the Orange Community Renewable Energy Park.

5.3 Details of any interest of Directors or members in any contract

The Chief Executive Officer of the Co-operative is a non-member director of the Board (see Rule 48). The Chief Executive Officer will not be present or vote at a meeting of directors on a motion concerning the conditions of the appointment, conditions of service or termination of the Management Agreement. A summary of the Management Agreement terms can be viewed in **ANNEXURE 4**.

6. MANAGEMENT OF THE CO-OPERATIVE

6.1 Board of Directors

The business of the Energy Democracy Central West New South Wales Co-operative is managed under the direction of the Board of Directors and, for that purpose, the Board has and may exercise all the powers of the Co-operative that are not required to be exercised by the Co-operative in general meeting.

The Board comprises five (5) Directors. The Board is elected as set out in the Co-operative's Rules. A person is qualified to be a director of the Co-operative if the person is an individual over the age of 18 years and is either:

- an active member of the Co-operative or a representative of a body (e.g. a company or a co-operative) that is an active member of the Cooperative ("**Member Director**"); or
- not an active member but who possesses special skills in management or other technical areas of benefit to the Co-operative as specified by the Board from time to time ("**Non-Member Director**").

The Board of Directors must have a majority of Member Directors.

The directors of the Co-operative do not receive any remuneration for their services as directors. Directors may, at the discretion of the Board, be reimbursed for travelling and other expenses that the director properly incurs in attending meetings of the Board of Directors (or any committee) and in attending any general meetings of the Co-operative.

6.2 Election of Directors

The first directors were elected by poll at the formation meeting of the Co-operative held on 10 June 2020. The term of office of Member Directors is 3 years and they are eligible for re-election.

If there is a vacancy, then at least six (6) weeks before an annual general meeting, the Board must notify all members of the number of directors retiring and invite nominations. If the number of nominees equals the number of vacancies, the nominees must be declared elected at the annual general meeting.

Non-Member Directors may be nominated under Rule 47(1)(b) for a maximum three (3) one-year terms. The Co-operative may elect another Non-Member Director nominated to the Board if there is a vacancy in the office of the Co-operative manager.

The Rules of the Co-operative set out the process of nomination and election of directors of the Co-operative

6.3 Members of the Board of Directors



The Board of Directors are listed below along with their background:

| Name | Status | Background |
|---------------|-----------|---|
| Granton Smith | Chair | Granton is a sustainability and e-mobility advocate and is passionate about making our corner of the world a better place to live. He has two young children who make a point of telling Dad to ensure they inherit a planet that they can survive and thrive on. Granton feels strongly about the need for a rapid shift away from fossil fuels, and to ensure fairness in the energy market for customers and businesses. Granton is a tech enthusiast with interests in home automation, solar power, computing and energy-efficient living. |
| Mishka Talent | Secretary | <p>Mishka is a Solar Farm Portfolio Manager in Canberra, Australia with over 10 years of experience in Australia's energy industry. His expertise is in renewable energy development and deployment from landholder engagement, project financing, system design, planning and electrical connection approvals, to deal negotiation.</p> <p>Mishka has built a portfolio of more than 25 solar farms in Australia that are funded from development to construction through a combination of local and international equity and debt. In addition to a 1GW pipeline of solar farms, he has also secured funding for two battery projects in the 5–10MW size which are currently under development for hybrid PV systems.</p> |
| Dave Manning | Treasurer | Dave is a professional electrical engineer with 42 years of experience in the supply and transmission of electricity in NSW. He was the General Manager Systems Operations with TransGrid prior to retirement. He has lived in Orange for the last 30 years and is a member and past President of Rotary Club of Orange. Dave is married and has two daughters and five grandchildren. |
| Kate Hook | Director | Kate was the Co-op's inaugural Chairperson. Kate lives in the Carbonne Shire and is very active in the community including Futuring Orange and Voices 4 Calare. Kate plans to stand as an Independent at next year's Federal elections. A small business owner and mother of four, Kate has a Bachelor of Commerce. Her Tesla X is a feature in her ride share/car hire business Eco Luxe Transfers. |
| Doug Palmer | Director | Doug is a Sustainable House assessor and qualified in that area at Swinburne University. He also is passionate about reducing energy use either at home or via efficient transport modes. He is on a Sustainability Advisory Committee for his local Council, which includes advocacy and community work on Australia's largest micro-grid and Virtual Power Plant system. He is an advocate for natural environments and eco-systems, for facilitating cohesive and connected communities, and for sunny blue skies. Interests and other passions include sailing, music festivals, and riding an e-bike. |
| Monica Engel | Director | <p>Monica who bravely nominated herself, has an interest in environmental issues since her teenage years. Monica was a committed volunteer for the Robertson Environment Protection Society, where she lived for a number of years. At that time she was also a Board member of the Community Technology Centres Association. Since moving to Orange she involves herself with the ELF Community Garden group and enjoys paddling with the local Dragon Boat team.</p> <p>Monica's qualifications include the Advanced Diploma in Accounting and a Certificate IV in Training and Assessment. Her diverse work history includes many years in hospitality and in taxation for a small accounting firm.</p> |

6.4 Day to day Management

The Co-operative's day-to-day activities are undertaken by the Co-operative Chief Executive Officer and staff, and by members and locals volunteering their time.

Energy Democracy is providing management support to the Co-operative to achieve the aims and objectives through the Chief Executive Officer and other staff via the Co-operative Management Agreement (see **Section 5.2.1 Management Services** of this Disclosure Statement and the Co-operative Management Agreement summarised in **ANNEXURE 4**).

6.5 Conflicts of Interest or Duty

Should a conflict arise then the conflict will be managed in accordance with the *Co-operative National Law* which requires, amongst other things, for a director to declare their direct or indirect interests in a contract. If considered appropriate, the Board of Directors of the Co-operative will form a committee of independent directors (those not associated with the relevant member) to consider any issues where a conflict arises.

7. FINANCIAL INFORMATION

7.1 Member Funds

The entry fee for an application for membership in the Energy Democracy Central West New South Wales Co-operative is put into a marketing pool to promote the primary activities of the Co-operative.

Equity raised from shares purchased by members will be used to purchase a minority share in the Orange Community Renewable Energy Park, and to provide working capital for the Co-operative.

The budget operating statement and projected cash flow are attached below at **ANNEXURE 2** and **ANNEXURE 3**.

7.2 Property and Assets

The Co-operative is purchasing up to a 44% share in the Orange Community Renewable Energy Park which will own solar generation equipment, battery energy systems and ancillary equipment.

7.3 Returns to Members

The Cooperative is a distributing Co-operative which allows the Board to declare dividends and issue rebates from time to time if the business has sufficient surpluses and has the cash flow to support payment without detriment to the financial position of the business.

Benefits to the membership are derived and distributed equitably based on the size of the member's shareholding and use of the Co-operative's services (i.e. acceptance of electricity supply and ancillary services).

The Special Purpose Vehicle (*"the SPV"*) that owns the Orange Community Renewable Energy Park will sell electricity generated by the facility at the best price achievable in the wholesale market or under a power purchase agreement. The SPV uses the income from the sale of electricity and also Large-Scale Generation Certificates and income from the battery energy storage system to cover its operating costs. The revenue is shared between the SPV shareholders in proportion to their shareholding. The Co-operative members receive their share of the SPV's revenue in proportion to the number of shares each member owns.

Additional income received from the SPV, energy efficiency, Demand Response and other programs is distributed to members in proportion to the number of shares they own, after expenses.

The returns to members will be on an ongoing basis as determined by the Board of Directors of the Co-operative when preparing annual budgets or as amended.

7.4 Accounting

Energy Democracy is providing the Co-operative with a suite of management services under the Co-operative Management Agreement, including the duties that might otherwise be performed by a financial controller, and other staff in the administration of the membership and pursuit of the Co-operative's primary activities.

7.5 Auditing

The Co-operative will eventually meet the definition of a large Co-operative as defined by the *Co-operative National Law* and has appointed Craig Silvester from Mazars as the Auditor.

8. RISKS

8.1 Introduction

Energy Democracy Central West New South Wales Cooperative is embarking on a new business enterprise. All new businesses face the risk of failure. There are a number of risks and threats, both specific to the Co-operative and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of the Co-operative.

Many of these risks are partially or completely outside the control of the Co-operative, its directors and management. There can be no guarantee that the Cooperative will deliver on its business strategy, or that any forecasts contained in this Disclosure Statement will be achieved or realised. If circumstances prevent the Co-operative from delivering on its business strategy, then the directors of the Co-operative may call a meeting to decide what to do. This may involve returning any capital that has not been used to members or determining if the money can continue to be used to serve the purpose of the Co-operative.

The Co-operative is incorporated as a co-operative under the *Co-operative National Law* as a separate legal entity with limited liability. This means that as a member, the most that you may lose if the enterprise fails is the share capital that you have invested in the Co-operative. If members have only purchased the minimum number of shares, then this is the amount they may lose if the Co-operative fails as an enterprise. Likewise, if a member chooses to invest more than the minimum number of shares, they may lose the sum of any additional investment in its entirety.

The Board of Directors of the Co-operative are required to perform their duties in full accordance with the *Co-operatives National Law*.

Before applying for shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. Prospective investors should consider seeking professional guidance from their accountant, stockbroker or other independent professional adviser before deciding whether to invest.

The Co-operative considers that a consequence of some of the risks below is a delay in the construction or commissioning of the Orange Community Renewable Energy Park which will lead to delay in the Co-operative providing services to members or members receiving dividends or rebates from the Orange Community Renewable Energy Park.

If after the Offer Closing Date, the Co-operative believes on reasonable grounds that, after assessing the factors as set out in this Disclosure Statement and any other factors that the Board considers relevant, that the Co-operative may not proceed with the investment into the Orange Community Renewable Energy Park, no shares will be issued and all share application money will be returned. No interest will accrue on any subscriptions that are returned to applicants.

8.2 Risks specific to an investment in Energy Democracy Central West New South Wales Co-operative

8.2.1 Uptake of shares

If shares are not sold in sufficient numbers, most projects do not proceed as there is insufficient capital for the investment.

Mitigation Strategies: The Orange Community Renewable Energy Park will be owned by a Special Purpose Vehicle (“SPV”). A third-party underwriter is taking a majority ownership of the SPV and will absorb any shares not subscribed by the Cooperative – see the summary in **ANNEXURE 4**.

8.2.2 Cost escalation

Costs could exceed those estimated by the Co-operative for the construction and commissioning of the Orange Community Renewable Energy Park. The project is exposed to exchange rate variations due to plant and equipment being sourced from overseas.

Mitigation Strategies: The Orange Community Renewable Energy Park is being constructed and commissioned for a fixed cost. The SPV that owns the Orange Community Renewable Energy Park will be provided with warranties and performance guarantees for key infrastructure.

Professional advisors are verifying the construction, operating, maintenance and financing outcomes of the Orange Community Renewable Energy Park.

8.2.3 Construction and engineering risks

The risks include:

- time delay risk in completing the works in accordance with the work program;
- cost risk in ensuring the Renewable Energy Park is completed within budget;
- engineering risks and design risks relating to the design of the infrastructure and the performance of the works undertaken both during and post-construction.

There is a risk to members that electricity generated by the Orange Community Renewable Energy Park could be delayed or a reduced level of service experienced if the project is not completed in accordance with the work program or there are performance/design issues with the infrastructure.

Mitigation Strategies: In assessing an investment into the Orange Community Renewable Energy Park, the Co-operative has used reasonable endeavours to procure appropriate warranties and performance guarantees for key infrastructure in the Orange Community Renewable Energy Park under supply contracts to ensure construction and operational forecasts are met. The Co-operative is focused on Return on Asset, where each solar PV panel should generate at maximum capacity; the use of the battery energy storage system should be maximised for the benefit of the members and, overall, each aspect of the Orange Community Renewable Energy Park should operate at, or close to, peak performance.

8.2.4 Planning and regulatory approvals

The construction of the Orange Community Renewable Energy Park is dependent on obtaining suitable planning and regulatory approvals. There is a risk that conditions attached to approvals can materially increase the compliance costs for the Co-operative, have a material impact on the operation of the Renewable Energy Park and/or impose restrictions on the use of the infrastructure.

The SPV that owns the Orange Community Renewable Energy Park must hold and comply with certain licence conditions to undertake its businesses. Any failure to maintain the licence or changes in eligibility would adversely impact the Co-operative's ability to offer services or products to members and customers or manage its risks commercially.

Mitigation Strategies: If conditions imposed in planning or regulatory approvals are deemed too onerous for the successful operation of the Orange Community Renewable Energy Park, the Co-operative will cease its involvement in the project and may seek to develop an alternative site. If circumstances prevent the Co-operative from delivering on its business strategy, then the directors of the Co-operative may call a meeting to decide what to do and this may involve returning any capital that has not been used to members. Once operating, the Co-operative has strategies in place to mitigate risks associated with compliance and monitoring of the Orange Community Renewable Energy Park.

8.2.5 Breach of RCEF funding agreement

Under the RCEF funding agreement, if the funding recipient is unable to satisfy its obligations, the NSW Government has the right to terminate the agreement and recover all unspent grant funding. These obligations include, but are not limited to:

- Completing the project in a timely and expeditious manner while keeping the NSW Government informed of the status of any delays;
- Implementing and complying with the RCEF knowledge sharing plan;
- Applying RCEF funds in accordance with the provisions of the funding agreement; and
- Providing reports and plans to the NSW Government in the form and timeframe as reasonably required by them.

Mitigation Strategies: The Co-operative has board members who are experienced and capable, and who will conduct regular meetings with the NSW Government to help ensure a flexible response to any challenges that may arise in meeting the obligations under the funding agreement.

8.2.6 Catastrophic event causing irreparable damage to solar system, battery or balance of plant (e.g. fire)

Mitigation Strategies: In accordance with best practice, the SPV that owns the Orange Community Energy Park will maintain comprehensive insurance coverage of the Orange Community Renewable Energy Park such that in the event of a Total Loss, the loss can be recovered and/ or the value returned to the investors.

8.2.7 Unaudited financial models

The Co-operative is proceeding with an investment in the Orange Community Renewable Energy Park with the input of a financial model and assumptions to support the business model. However, other inputs, outputs and assumptions relating to the investment or tax were not audited or audited by tax professionals. Investors are advised to undertake their own due diligence prior to making an investment decision.

8.2.8 Central West New South Wales Co-operative shares not listed and may be difficult to sell

The Co-operative shares are not listed on any securities exchange. There is no guarantee that a market for the trading of shares will develop, nor is there any guarantee that the price of the shares will be maintained or increase. There may be relatively few or even no potential buyers or sellers of the shares at any given time. This may prevent members from acquiring more shares or easily disposing of the shares they have acquired.

Mitigation Strategies: Demand for shares is unknown so, in line with its Objects, the Co-operative will actively promote the Co-operative and advocate for the generation and uptake of electricity from renewable energy sources to reduce members' energy costs. Upon application in the appropriate form the Board may, with the appropriate approvals and in line with the Rules and *Co-operatives National Law*, repurchase a members' shares.

9. FURTHER INVESTIGATION

Prospective members and investors should note that this is not an exhaustive list of the risks associated with an investment in the Energy Democracy Central West New South Wales Co-operative and should be considered in conjunction with other information disclosed in this Disclosure Statement. Before applying for shares, prospective members should satisfy themselves that they have a sufficient understanding of these matters and should consider whether shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances and taxation position. Prospective investors should consider seeking professional guidance from their accountant, stockbroker or other independent professional adviser before deciding whether to join and invest.

10. AUTHORISATION AND CONSENTS

The following persons are named in this Disclosure Statement and each have consented to having been named in the context in which they are mentioned:

- Granton Smith;
- Kate Hook;
- Dave Manning;
- Doug Palmer;
- Mishka Talent; and
- Energy Democracy Pty Ltd A.B.N. 30 130 526 966.

ANNEXURE 1

GLOSSARY

Ancillary Services: Electricity network companies procure ancillary services to support the reliable operation of the power system and assist to meet obligations specified in the Electricity Industry Participation Code. The ancillary services in the future that may be procured from Energy Democracy Central West New South Wales Co-operative include: Frequency Keeping; Instantaneous Reserve; Over-frequency Reserve; and, Voltage Support – all provided by the Battery Energy Storage System (BESS) in the Orange Community Renewable Energy Park, and Demand Response programs which involve member participation.

Battery Energy Storage System (BESS): A battery energy storage system is a system that stores energy via the use of battery technology for it to be used at a later time. Battery energy storage systems are utilised for numerous applications including support for intermittent renewable energy sources, grid balancing and load levelling, reliability and resiliency. Meanwhile, solar energy that is stored can also be sold when electricity prices are highest, to deliver competitive financial returns.

There are a large range of battery technologies that form the generic term BESS. The Orange Community Renewable Energy Park will include a Lithium-Ion battery. This is the type of battery that is commonly found in modern consumer electronics such as a smartphone. They have a high energy density with the potential for even higher capacities as the technology continues to improve.

Community: A community is a group of people with diverse backgrounds who are linked by social ties, share common perspectives, and engage in joint action. Communities may share a sense of place in a given geographical area (e.g. a country, village, town, or neighbourhood) or in virtual space through communication platforms. A sustainable community manages its human, natural, and financial capital to meet current needs while ensuring that adequate resources are available for future generations.

Distribution Network Service Provider (DNSP): A business that owns an electricity distribution network and has a franchise to distribute electricity to the majority of consumers in a particular geographic area. They are the organisation in control of the hardware of the energy distribution network, the poles and wires, and substations, etc. In central New South Wales there is one regional DNSP.

Engineering, Procurement and Construction (EPC): A common form of contract used for infrastructure projects. The EPC contractor carries out the detailed engineering design of the project, procures all the equipment and materials necessary, and then constructs to deliver a functioning facility or asset to their client. Under an EPC Contract, the contractor is required to deliver a complete facility for an agreed price by an agreed date and it must perform to a specified outcome.

Large-scale generation certificates (LGCs): LGCs are administered by the Commonwealth Government as part of the Renewable Energy Target. Large-scale projects are classified as any solar installation over 100kW, wind installations over 10kW and Hydro installation over 6.4kW. Every one-Megawatt Hour (MWh) of renewable electricity generated by the renewable power station is entitled to one LGC. Liable Entities (usually electricity retailers) are bound to purchase LGCs based on their energy consumption and sales.

Special Purpose Vehicle (SPV): A special purpose vehicle is a separate formal corporate structure (either a company or a trust) that brings together separate parties, such as a developer and an investor, for the purpose of a development. The development usually exists for a defined time period. At the completion of the project life, each party then goes their own way.

ANNEXURE 2

PROJECTED INCOME AND EXPENDITURE STATEMENT FOR THE PERIOD OF 1 JULY 2022 TO 30 JUNE 2025

| | Year 1 | Year 2 | Year 3 |
|------------------------------|------------------|------------------|------------------|
| INCOME | | | |
| Membership application | 55,000 | 0 | 0 |
| Share of profit from SPV (1) | 601,509 | 522,941 | 578,431 |
| Total | 656,509 | 522,941 | 578,431 |
| EXPENSES | | | |
| ED management fee | (50,000) | (51,000) | (52,020) |
| Co-op overhead costs | (25,000) | (25,500) | (26,010) |
| Depreciation (straight line) | (125,409) | (125,409) | (125,409) |
| Total | (200,409) | (201,909) | (203,439) |
| NET PROFIT | 456,099 | 321,032 | 374,992 |
| FREE CASHFLOW | 581,509 | 446,441 | 500,401 |

Assumptions:

(1) Before tax

PROJECTED BALANCE SHEET FOR THE PERIOD OF 1 JULY 2022 TO 30 JUNE 2025

| | Year 1 | Year 2 | Year 3 |
|-------------------------------|--------------------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash | 581,509 | 446,441 | 500,401 |
| Total | 581,509 | 446,441 | 500,401 |
| FIXED ASSETS | | | |
| Shares and Units in SPV (1) | 4,389,323 | 4,263,914 | 4,138,505 |
| Total | 4,389,323 | 4,263,914 | 4,138,505 |
| TOTAL ASSETS | 4,970,832 | 4,710,355 | 4,638,906 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 0 | 0 | 0 |
| Total | 0 | 0 | 0 |
| LONG-TERM LIABILITIES | | | |
| Share Capital (2) | (4,389,323) | (4,263,914) | (4,138,505) |
| Total | (4,389,323) | (4,263,914) | (4,138,505) |
| TOTAL LIABILITIES | (4,389,323) | (4,263,914) | (4,138,505) |
| NET ASSETS (NET WORTH) | 581,509 | 446,441 | 500,401 |
| EQUITY | | | |
| Capital | 0 | 0 | 0 |
| Dividends paid | 526,509 | 446,441 | 500,401 |
| Retained earnings (3) | 55,000 | 0 | 0 |
| TOTAL EQUITY | 581,509 | 446,441 | 500,401 |

Assumptions:

- (1) Total share of profit from SPV considers 44% ownership of the Orange Community Renewable Energy Park
- (2) Co-op share capital can be called on by members in limited circumstances
- (3) Retained earnings from membership application

ANNEXURE 3

PROJECTED STATEMENT OF CASH FLOW FOR THE PERIOD OF 1 JULY 2021 TO 30 JUNE 2024

| | Year 0 | Year 1 | Year 2 |
|------------------------------|--------------------|------------------|------------------|
| OPENING BALANCE | 0 | 55,000 | 55,000 |
| CASH INCOMING | | | |
| Membership application | 55,000 | 0 | 0 |
| Share of profit from SPV (1) | 0 | 601,509 | 522,941 |
| Proceeds from share sales | 4,389,323 | 0 | 0 |
| Interest | 0 | 0 | 0 |
| Total | 4,444,323 | 601,509 | 522,941 |
| CASH OUTGOING | | | |
| ED management fee | 0 | (50,000) | (51,000) |
| Co-op overhead | 0 | (25,000) | (25,500) |
| Dividends paid | 0 | (526,509) | (446,441) |
| Investment in SPV | (4,389,323) | 0 | 0 |
| Total | (4,389,323) | (601,509) | (522,941) |
| YEARLY CASH BALANCE | 55,000 | 0 | 0 |
| CLOSING BALANCE | 55,000 | 55,000 | 55,000 |

Assumptions:

Values based on full subscription and 440 members

(1) Before tax

ANNEXURE 4

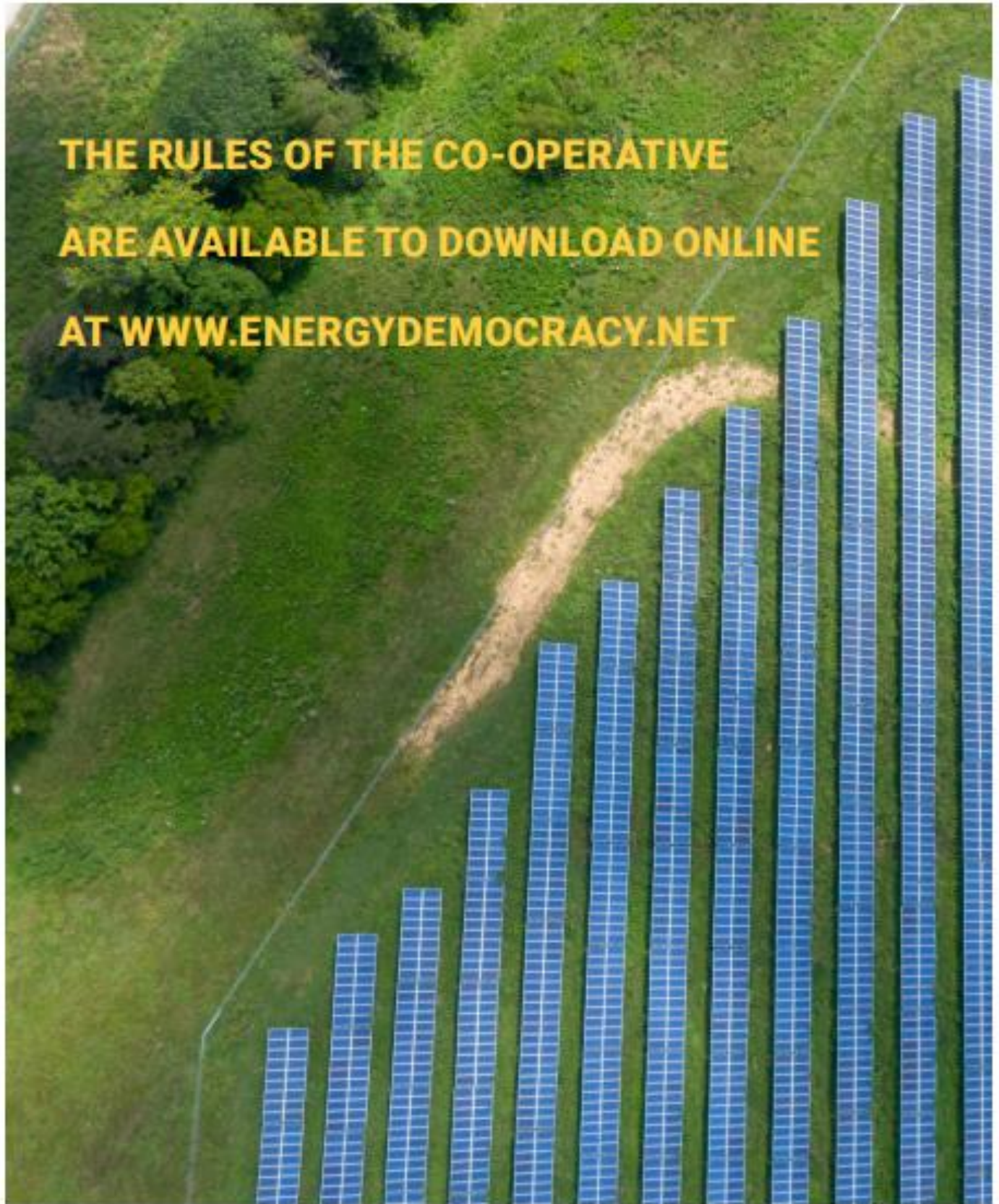
SUMMARY OF THE AGREEMENTS AND CONTRACTS

A summary of the agreements and contracts that the Co-operative is a party to include:

| Agreement | Key Terms | Particulars |
|-----------------------------------|------------------------------------|---|
| Funding Agreement | Commercial arrangement | The SPV is jointly owned by a fund managed by an external underwriter and the Co-operative. The Co-operative is designated to raise capital funds from the community. |
| Multi-Party Agreement | Roles and responsibilities | Pertains to the project with multiple project partners |
| | Co-operative ownership | The Co-operative will raise capital funds from the community for the purpose of purchasing up to 44% of shares in the SPV. |
| | Underwriting | The underwriter's managed fund(s) acquire the SPV and underwrite any funding gap between the capital expenditure required for the project and the capital funds raised by the local community. |
| | Timetable for community investment | Starting: January 2021 Closing: Date of Commissioning 2022 |
| | Warranties | Business warranties are to be provided by the seller. Plant and equipment warranties are to be provided by the suppliers and assigned to the SPV. |
| | Operating agreement | An Operating Agreement is an agreed as an outcome of the OCREP share sale and purchase agreement. |
| Co-operative Management Agreement | Management Services | To provide management services to the Co-operative, <i>Energy Democracy</i> shall perform duties commonly performed by a Chief Executive Officer and staff. |
| | Term | 10 years with rights of renewal for one 10-year term followed by one 5-year term. |
| | Fees | Management services: % of consolidated revenue. Membership acquisition: % of member application fee. Project management: % of Co-op share of capex. Retail services: cost recovery. |
| | Termination Rights | By the Co-op: in the event of a material breach by Energy Democracy of its obligations under the Agreement; <ul style="list-style-type: none"> for voluntary or involuntary bankruptcy by Energy Democracy, or; dishonest or fraudulent actions by Energy Democracy. By Energy Democracy: <ul style="list-style-type: none"> in the event that the Co-operative does not fulfil its payment obligations, or in the reasonable opinion of Energy Democracy, the Co-operative is not functioning effectively; or for voluntary or involuntary bankruptcy by the Co-operative. |

ANNEXURE 5

RULES OF ENERGY DEMOCRACY CENTRAL WEST NEW SOUTH WALES CO-OPERATIVE



ANNEXURE 6

CO-OPERATIVE IDENTITY, VALUES AND PRINCIPLES



Noun: A Co-operative is an autonomous association of persons (corporations/individuals) united voluntarily to meet their common economic, social or cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Co-operative values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Self-help, expressed through mutual action as a group, provides the motivation for self-reliance and assuming responsibility for taking control of one's own affairs. Democracy and equity sustain the solidarity of the co-operative by ensuring that no individual member can secure power or gain advantage to the detriment of other members.

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operative principles

Seven internationally recognised co-operative principles outlined below act as guidelines by which co-operatives put the above values into practice:

1. *Voluntary and Open Membership*

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. *Democratic Member Control*

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Anyone serving as elected representatives are accountable to the membership. Co-operative members have equal voting rights (one member, one vote).

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training & Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operatives.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for the Community

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.