

Oxford Community Energy Co-operative Inc.

Executive Summary¹

Version 1.3, May 20, 2014

Corporate Information

Name of Co-operative:	Oxford Community Energy Co-operative Inc. (OCEC)
Date of Incorporation:	Incorporated by Articles of Incorporation dated September 17, 2013
Ontario Corporation No.:	1851942
Head Office Address:	476 Peel Street, 3 rd Floor Woodstock, Ontario N4S 1K1
Phone:	647-497-5480
Email:	info@oxford-cec.ca
Auditors:	BDO Woodstock Accounting 94 Graham Street, Woodstock, Ontario N4S 6J7 Mr. Dwayne De Vries, CA

¹ This Executive Summary is not an offering or solicitation for the sale of securities. It is based on Oxford Community Energy Co-operative's directors' current best knowledge of all facts and circumstances influencing the organization's development. It contains assumptions and forward-looking statements that are necessary to project the organization's future development. Potential investors must receive and consult OCEC's Offering Statement prior to being able to purchase the securities that OCEC intends to sell.

About the Oxford Community Energy Co-op

VISION AND MISSION

Oxford Community Energy Co-operative Inc. (OCEC) is a renewable energy cooperative to which residents of Oxford County and all of Ontario are invited to become members and investors. We jointly strive to create a more environmentally sustainable community without a need to compromise our investment objective for a good profit potential.

OCEC will serve the communities it operates in by predominantly keeping the ownership, the profits, and the business it conducts, local.

It is OCEC's mission to become the nucleus for the development of a sustainable energy landscape in Oxford County in partnership with residents, commercial and public entities, jointly working towards this common goal.

HISTORY & MILESTONES

The OCEC was initially conceived as a partnership project between Prowind Canada, Ontario Sustainability Services and IPC Energy in August of 2013. On September 17 it was incorporated as a 'For-Profit Co-operative with Share Capital' and established its head office in Woodstock, ON. A Board of Directors was inaugurated on September 19, 2013 and the co-op became fully operational.

The milestones achieved by the project partners include:

- FIT 1.5 contract secured in July 2011.
- Renewable Energy Approval submitted and deemed complete.
- OCEC incorporated and Board of Directors established.
- ~ 60 members from Oxford County and beyond recruited.
- Gunn's Hill Windfarm Limited Partnership agreement between OCEC and Prowind Canada Inc. signed.
- Turbine supply and maintenance agreements signed with proven manufacturer.
- Offering Statement receipted by Financial Services Commission for the sales of preference shares and bonds on May 15, 2014.

BUSINESS MODEL

OCEC is a limited partner in the Gunn's Hill Windfarm Limited Partnership (LP). The LP will hold a FIT version 1.5 contract for 18 MW of Class 4 wind energy generation to own and operate the Gunn's Hill Windfarm. Under this contract the LP will feed-in and sell the electricity produced from 10 wind turbines to the Ontario Power Authority (OPA) for a fixed price per kWh and a term of 20 years.

OCEC aims to hold up to 49% of the LP's units and a minimum of 10%. OCEC will receive dividend payment on these units as per the LP agreement.

PARTNERSHIP

OCEC has entered into a Limited Partnership with Gunn's Hill Windfarm Inc. (GHWI), the present owner of the project and a corporation based in Ontario. GHWI is 100% owned by its German parent company Prowind GmbH.

Prowind Canada acts as the General Partner in the LP and the Limited Partners presently are OCEC and Prowind Canada. Recently the Six Nations of the Grand River has given its approval to enter the LP as a third Limited Partner and, provided negotiations are successful, may take a 10% equity stake in the LP.

The Limited Partners are procuring the Gunn's Hill Wind Farm project under a turnkey project contract for a total cost of ~ \$73 million.

MANAGEMENT

A Board of Directors is managed by nine experienced and competent individuals, all of whom are highly committed and motivated to lead OCEC to become a successful and sustainable business. The current board members are:

Helmut Schneider, **President and Director**, earned an MBA from the Richard Ivey School of Business with a focus on strategy, operations, and corporate governance. He has 25 years of work experience in quality assurance, project management, and staff leadership.

James Gary Zavitz, **Vice President and Director**, is the energetic co-founder and advocate of Friends of Wind Ontario, a board member of WindShare, and a board member of London District Renewable Energy Co-operative. Gary is an experienced technology training/development professional with a background in finance, automotive, information technology, and renewable energy.

Rochelle Rumney, Treasurer and Director, has an Environmental Studies, Honours Planning degree specializing in Environmental Planning and Management and a diploma in Environmental Assessment. She currently oversees Prowind's environmental permitting and REA processes. She has over 6 years of experience in the wind energy industry.

Dr. Christine Koenig, PhD, Secretary and Director, has extensive work experience in academic research and as founder, Chief Executive Officer, and consultant in the biotechnology, renewable energy, and community energy sector. She is Managing Partner of Koenig & Consultants Inc. and Director at Ontario Sustainability Services Inc.

Juan Anderson, Director, holds a degree in Aerospace Engineering and has worked on small and large-scale wind projects from coast to coast over the past 9 years. He is Vice President of Prowind Canada Inc. and project manager for the Gunn's Hill Wind Farm project.

John Andrews, Director, received his Honours Economics degree from York University and is a chartered accountant with 8 years of experience in the renewable energy sector developing wind energy projects. He brings 20 years of project management experience in the information technology field to OCEC.

Harry French, Director, has a Masters Degree in Interdisciplinary Resource Planning and a second graduate degree in Human Systems Intervention. As head of the Community Power Services Group at Ontario Sustainable Energy Association (OSEA) he has developed and managed over 25 community power projects. He continues to carry on this work as President and Chief Executive Officer of Ontario Sustainability Services Inc.

Daniel Andres, P. Eng, Director, holds an MSc in Electrical Engineering. He has decades of experience in Systems Engineering, Product Development and Team Leadership in urban transit and military vehicles. He is also a director of a not-for-profit Ontario Corporation.

Alan Dale, Director, has a BA in political science and a diploma in Farm Business Management. He was a councillor for the Township of Norwich for 12 years and served on the Grand River Conservation Authority's board. Alan currently works in the local food industry, farms part-time, and is an advocate of conservation and green energy production.

ABOUT WIND ENERGY

Electricity generated from wind turbines is price competitive when compared with other forms of electrical energy generation. Today it is competitive to fossil fuel based energy production and nuclear power generation when all costs of generation, from extraction to decommissioning, are factored in. The costs for wind turbines and the systems' maintenance continue to decrease worldwide while the costs for conventional energy generation increase steadily.

Wind is a readily available and free source of energy. It is quickly dispatchable and it does not pollute the soil, air or water.

COMMUNITY BENEFIT

The Ontario Green Energy Act's Feed-in-Tariff (FIT) program has created an opportunity for all citizens to participate actively and economically in the development of renewable energy. Widespread participation of Ontarians will be achieved through their membership and investment into renewable energy co-operatives, which are a new type of co-operative, created for this specific purpose.

As a result, communities with co-operatively owned renewable energy projects benefit from retaining more profits and taxes in their communities and creating growth opportunities for service providers, construction, and new jobs in a growing industry sector.

ABOUT RENEWABLE ENERGY CO-OPERATIVES

- A renewable energy co-operative's primary role is to serve its members and its broader community.
- Renewable energy co-ops are member owned. Members make decisions on projects and investments, and how to best serve the community.
- Renewable energy co-ops own and operate renewable energy generation facilities, such as wind, solar, biogas, and small hydro, throughout all of Ontario.
- There are just fewer than 100 renewable energy co-operatives that have recently been established in Ontario communities.
- Renewable energy co-ops have been initiated by grass-roots movements, municipalities, and project developers.
- They create local jobs and opportunities for local people and businesses to participate in competitive and sustainable investments.

About the Gunn’s Hill Wind Farm Project

PROJECT TECHNOLOGY

The 10 turbines, producing 18 MW, will be located on lands within the Township of Norwich in the County of Oxford.

The procured turbines, the Senvion MM92, have a proven history of product quality, energy yield performance, and maintenance performance. Senvion, has been in business for 25 years and has installed over 5,000 wind turbines or 9.5 GW of renewable energy globally.

PROJECT SITE

Option and Lease Agreements are in place with the respective landowners. All of the proposed turbine sites meet the required 550 metre setback from non-participating homes, as established by the Ministry of the Environment. A detailed map of the project is available and can be provided upon request.

A third party independent wind resource assessment for the sites has indicated average wind speeds of 7.2 metres/second at a 100 m height, resulting in an estimated capacity factor of 38.2%..

This average wind resource would yield approximately 60,300 MWh of electricity per year produced from the ten turbines, enough electricity to power ~ 6,800 homes in Oxford County.

CONNECTION

The project will be distribution line connected in accordance with the Connection Impact Assessment undertaken. Hydro One, has indicated plans to upgrade conductors and expand connections to a location directly adjacent to the project’s switching station.

An overview of permits and approvals is provided below.

Permitting Item	Status	Est. Date of Completion
Grid Connection Approvals	CIA received Sept 2013 CIA updated March 2014 SIA pending	September 2013
Municipal Permits and Agreements	Ongoing	August 2014
Renewable Energy Approval (REA)	Submitted June 2013 Deemed Complete Feb 2014	August 2014
Notice to Proceed (NTP)		September 2014
Start of Construction		Q3 2014 or Q2 2015
Estimated Commercial Operation Date (COD)		Q3 2015
Project Contract Period		20 years

Table 1 Overview of permitting process timeline

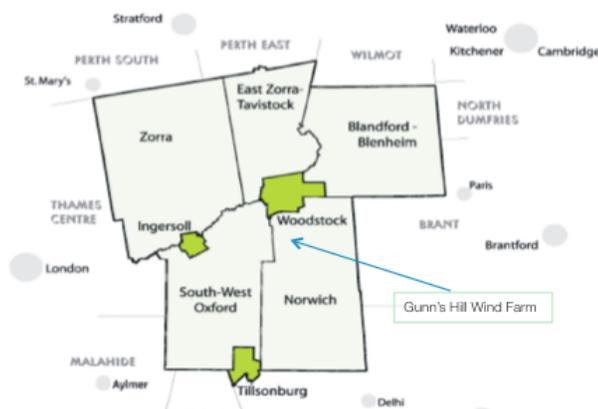


Figure 1 Location of the Gunn's Hill Wind Farm in Oxford County

About the Investment Opportunity

FINANCING STRUCTURE

Project Turnkey Price	\$72,620,000
Debt/Equity Ratio	75% / 25%
Finance Interest	5% for 17 years
Power Production	60.3 GW / year at a capacity factor of 38.2% and a P50 probability factor
FIT Contract Price	\$0.148 / kWh including the Community Price Adder and estimated CPI adjustment
Effective Tax Rate	15.5% on Net profit < \$250,000 26.5% on Net profit > \$250,000 for OCEC
Project Management Cost	3% of gross electricity sales revenue to Prowind 1% of gross electricity sales revenue to OCEC (assuming 49% OCEC equity)
Lease Agreements	fixed contract cost
Maintenance/Repair	fixed 15 year contract cost, integrated service package
Loan Amortization	17 years
OCEC Equity Ownership	49%, minimum 10%
Net IRR to OCEC	11.11% (at 49% equity)

Table 2 Overview of the project's financial structure

Under the terms of the LP Agreement, the Gunn's Hill Wind Farm Project will be sold to the LP for a turnkey price of approximately \$73 million. The final turnkey price may be adjusted according to the LP Agreement to ensure a projected net Internal Rate of Return (IRR) to OCEC between 10.00% and 11.11%.

The general partner on behalf of the LP will secure 75% financing of the project from Senior Lenders as a long term loan (17 years) at ~ 5% interest rate and 25% equity investment from the Limited Partners.

OCEC as a Limited Partner will endeavour to raise up to 49%, (~ \$9 million) of the equity portion of the project and a minimum of 10%, (~ \$2 million).

OCEC FINANCIAL PLANNING

The start-up costs for OCEC are expected to be in the range of \$120,000 and will be incurred in 2014. These costs will be covered by a loan from Prowind to the co-op, grants, member loans and member shares.

The sale of the securities, community engagement work and co-op marketing are contracted to consultants, and these costs are covered by Prowind.

Operational costs incurred after Commercial Operation Date (COD) will be covered by the dividends distributed to OCEC on its LP units and an annual operational costs fee distributed to the co-op of 1% of the LP's gross revenue from electricity sales.

OCEC expects to be able to stay cash flow positive once COD has been reached and to accumulate retained earnings throughout the 20 year contract period. The accumulated retained earnings at dissolution and after redemption of all share capital are expected to be in the range of \$350,000, provided the Co-op reaches and maintains a 49% ownership in the LP.

OCEC expects an IRR from the investment into the LP of 11.11% over the 20 year FIT contract period.

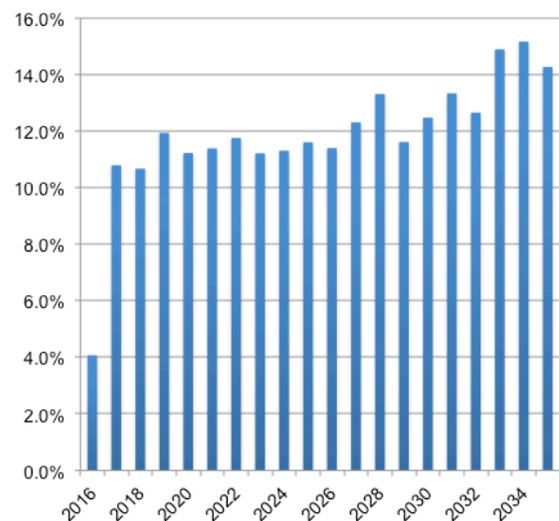


Figure 2 ROI on OCEC's investment into the Gunn's Hill Windfarm LP at 49% equity participation

OCEC'S OFFERING

OCEC has developed a simple investment structure, which is proposed to include one class of shares, that are expected to yield dividends in the range of 10% annually and one class of bonds with a maturity date of 10 years and a fixed interest rate of 5.5%.

An overview of the securities that will be offered by OCEC is provided in Table 3. Shares and bonds are described below and are described in more detail in the Offering Statement.

The proceeds from the sale of bonds and 95% of the proceeds from the sale of Class A Preference Shares will be held in Escrow until the conditions set for the release of the funds to OCEC have been met. Details on the terms of the Escrow Agreement will be available upon request.

Proceeds raised that are not held in Escrow, e.g. proceeds from Membership Shares and 5% of proceeds from Class A Preference Share, will be used as working capital to cover the cost of OCEC operations.

	Class A Preference Shares	Bonds
Minimum Offering	\$2,000,000	n/a
Maximum Offering	\$10,000,000	\$2,000,000
Min. individual Purchase	\$5,000	\$1,000
Max. individual Purchase	\$1,000,000	\$500,000

Table 3 Overview of securities offered by OCEC

PREFERENCE SHARES

Class A Preference Shares will have a par value of \$1,000 and the minimum individual investment is five Class A Preference Shares for a \$5,000 investment. The maximum individual investment in Class A Preference Shares is proposed to be 1,000 Class A Preference Shares for a par value of \$1,000,000 unless the Board specifically approves a larger investment. The aggregate investment in Class A Preference Shares will be approximately \$7,200,000.

Shareholders will receive declared dividends after the interest rate on bonds has been paid. The Board of Directors does not plan to declare any dividends on Class A Preference Shares unless and until the OCEC is able to generate enough operating cash surplus to set aside adequate annual contribution to a reserve fund for the repayment of the principle bond investments after 10 years and the repayment of share investment by means of a share redemption plan after 20 years.

Class A Preference Shares are not expected to yield dividends before 2016. Based on the assumption that OCEC will be able to achieve its desired equity position of 49%, shareholders may be able to see average returns slightly above 10% per year. Dividends in the years shortly after commissioning of the windfarm are expected to be on the lower side, whereas the later years are expected to be on the higher side of this estimate.

OCEC Board plans to redeem Class A Preference Share capital to the shareholders in full using excess cash flows from project operations after 20 years of operation.

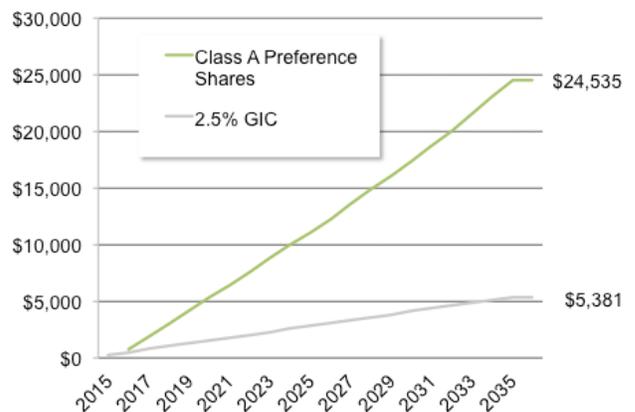


Figure 3 Projected accumulation of dividends on a \$10,000 share investment over 20 years

BONDS

OCEC Bonds are proposed to have a par value of \$1,000 each and the minimum individual investment is one Bond. The maximum individual investment shall be 500 Bonds for a par value of \$500,000, unless the Board specifically approves a larger investment.

The aggregate investment in Bonds will be approximately \$1,800,000. Bondholders receive a fixed interest rate prior to any distribution of declared dividends. Bondholders will receive a first 5.5% interest rate payment one year from the date of Commercial Operation (COD) and nine additional interest rate payments over the first 10 years of production.

An investor that invests \$10,000 in Bonds in 2014 will likely receive their first interest rate payment of \$550 in 2016 and every year thereafter until 2025 for a total of ten equal payments.

At the maturity date (ten years) the plan is to pay the bondholder the outstanding principle balance of \$10,000 from reserves OCEC will have accumulated for this purpose over the 10 year time period.

ELIGIBILITY REQUIREMENTS

It is proposed that each prospective investor of OCEC will be a member of the co-op and purchases one Membership Share at a par value of \$100. The Board of Directors of OCEC must approve the membership application. Membership is open to all persons resident in Ontario, including corporations.

INVESTMENT RISKS

OCEC is a start-up established for the purpose of investing into the Gunn's Hill Wind Farm project. OCEC currently does not have any assets or other financial resources. The successful completion of the project depends on the timely execution of all key aspects of the project by the Gunn's Hill Windfarm LP.

The OCEC anticipates facing cash flow constraints over the next 15 months due to start-up losses associated with organizational costs. The failure to manage the cash flow requirements could endanger the viability of the OCEC.

To support OCEC in the pre-operation phase, grant applications have been submitted and the co-op has entered into a loan agreement with Prowind. OCEC further intends to request member loans to mitigate this risk, but there is no guarantee that these funds in the anticipated amounts will become available.

If a threshold of \$2 million minimum offering is not raised through the sale of shares and bonds OCEC will cease to be a Limited Partner in the Gunn's Hill Windfarm LP. In this case all share and loan contributions collected in Escrow will be refunded to the contributors.

Based on the project schedule, it is anticipated that COD will be reached the by Q3 2015, prior to which the OCEC will incur ongoing losses. We anticipate that no dividends will be paid for at least 1 year after COD.

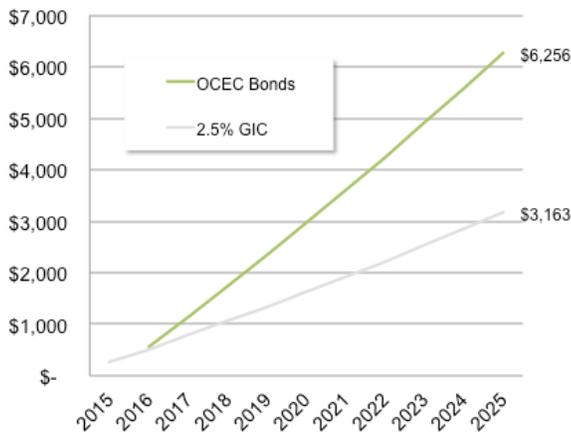


Figure 4 Projected interest payments on a \$10,000 bond, accumulated over ten years.