BY-LAW NO 3

Of

**Oxford Community Energy Co-operative Inc.**

Class A Preference Share Redemptions

November 30, 2019

BE IT ENACTED as a By-law of Oxford Community Energy Co-operative Inc. (hereinafter, the “Co-operative”), a renewable energy co-operative under the *Co-operative Corporations Act* (Ontario), as follows:

PREAMBLE

To protect the interests of the Class A Shareholders of the Oxford Community Energy Co-op (OCEC), it is our goal to create a process which allows us to return capital to the Class A investors prior to the end of the Gunn’s Hill wind energy contract in November 2036 in a manner that is understandable, fair, equitable, and administratively manageable. Capital returns are made in the form of Class A Share Redemptions.

DEFINITIONS

**Share Redemption:** the process of buying back Class A Preference Shares from the investors at their par value, for the purpose of returning the original investment capital to the investors

**Board:** the board of directors of the OCEC at any given time

**Senior Lender:** the holder of the 17-year credit agreement - holding the senior debt for the project

**Bondholders:** are collectively the owners of 705 wind bonds with a value of $ 705,000. These are 10-year bonds, maturing in 2026 carrying an annual interest rate of 5.5%

**Shareholders:** are collectively theholders of 8,257 Class A Preference Shares with a par value of $ 8,257,000

**Class A Preference Shares (Shares):** are the Shares held by investors reflecting their ownership in the OCEC portion of ownership of the Gunn’s Hill windfarm. Class A Preference Shares have a par value of $ 1,000 each

**Outstanding Class A Shares:** are the number of Class A Preference Shares that were issued to the Shareholders minus all Shares redeemed through the OCEC Share Redemption process. The number of Outstanding Shares can be found in the Shareholder equity section of the balance sheet in the corporation’s financial statements.

RULES AND PROCESS

1. **Proportional Share Redemption**
   1. Share Redemptions will be made in proportion to each investor’s ownership level, i.e. Class A Preference Shares will be redeemed on a pro rata basis and will not impact an investor’s ownership fraction.
   2. For example, an investor who holds 1% of the Outstanding Shares prior to a Redemption, will hold 1% of the Outstanding Shares immediately after the Share Redemption.
   3. This By-law No 3 only applies in the case of a pro rata Share Redemption where Shares are redeemed proportionately from all Shareholders. Share Redemption requests from individual Shareholder are handled outside of By-law No 3 and may have a different impact on the proportionate Share holdings of individual Shareholders.
2. **Shares Extinguished**
   1. All Shares redeemed by the OCEC under this by-law will be extinguished immediately
   2. This reduces the number of Outstanding Shares by the number of Shares bought back from the investors during that Share Redemption
3. **Share Redemption Limitations**
   1. The maximum number of Shares that can be redeemed from the investors by OCEC under this policy is 99% of the Outstanding Shares at the time this policy is executed
      1. Outstanding Shares on May 30, 2019: 8,257
      2. Subject to section 3.1.4. the maximum Share Redemption under this By-law No 3 is 8,174.43 Shares
      3. Subject to section 3.1.4. the minimum number of Outstanding Shares on November 16, 2036 is 82.57
      4. The same principles of proportionate and maximum Share Redemption apply if the board of directors propose a Share split in the future. For clarity if the number of shares were increased due to a share split than no more than 99% of the revised number of Outstanding Shares could be redeemed under this policy.

# **Residual Value of the Gunn’s Hill Windfarm**

4.1 The calculation of the residual value of the Gunn’s Hill assets and the Share Redemption of the remaining Outstanding Shares will be governed by By-law No 2“Distribution of Gunn’s Hill Terminal Value to Class A Preference Shareholders”

# **Timing**

## Share Redemptions will be determined on an annual basis by the then active Board and will be made in the 4th quarter of the calendar year

# **Capital Reserves**

## The Board makes Share Redemptions based on the available cash balances from the operation of the Gunn’s Hill windfarm

### The available cash balances amount is dependent on the following factors

#### Income from the production of energy

#### Cost to service the wind operations budget

#### Minimum amount of operational reserves

#### Interest paid on outstanding wind bonds

#### Capital repayment on loans

#### Dividend declared during the operations year

#### Amount of reserves to be maintained for operations of the wind project and OCEC requirements

# **Financial Stability**

## It is the Board’s obligation to preserve the financial health of OCEC. Share Redemptions can only be contemplated to the extent that the accumulated capital reserves are sufficient of that required to secure the stable financial operation of the OCEC.

### Factors that can impact the financial operations are:

#### The debt obligations to the LP Senior Lenders

#### The debt obligations under the LP Shareholder Loan till 2022

#### The debt obligations to our Bond Holders till 2026

#### Operational defects on the wind farm not covered under warranty or by insurance

#### Tax obligations

#### Reserves required to withstand unforeseen events

# **Share Redemption Calculation**

## Share Redemption will be made as a percentage of the original Outstanding Shares

### For instance, in 2019 we may announce a Share Redemption of 5% which means OCEC is buying back 5% of the original 8,257 Shares (412.85) reducing the number of Outstanding Shares to 7,844.15. If in 2020 the Board makes another 5% Share Redemption, that would be 5% of the original 8,257 Shares (412.85) reducing the total Outstanding Shares to 7,431.30.

### In completing Share Redemptions, fractional Shares will be issued and redeemed. In order to minimize future administrative burden and to maximize clarity, the Board may limit the number of digits for fractional Shares but will ensure that the numbers of shares held by each investor is carried to at least 4 (four) decimal places.

# **Documentation**

## The Board will issue annual Share ownership statements indicating clearly the number of Outstanding Shares and the percent ownership for the individual investor

## Every 5 years or as requested by the investors, the Board will issue a replacement Share certificate for the number of Shares owned by each investor

1. **Binding By-law**
   1. This By-law No 3, once approved by the members, cannot be revoked or changed by this or any future Board without a Special Resolution by the Class A Preference Shareholders
   2. Force Majeure

The OCEC Board will be free of liability to the Class A Preference Shareholders where the Board is prevented from executing its obligations under this Agreement in whole or in part due to force majeure where the Board has communicated the circumstance of said event to any and all Shareholders, has taken any and all appropriate action to mitigate said event and has implemented the policy as closely as possible despite the force majeure. Force majeure will include, but not be limited to, a change of any current or future provincial or federal laws and or any other event beyond the reasonable control of the Board.

1. **Joint Members or Shareholders**

All notices with respect to any joint members or Shareholders shall be given to whichever of the persons is named first in the books of the Co-operative and the notice so given shall constitute sufficient notice to all such joint members or Shareholders.

1. **Undelivered Notices**

If any notice given to a Shareholder is returned on three (3) consecutive occasions because he cannot be found, the Co-operative is not required to send any further notices to such Shareholder until he informs the Co-operative in writing of his new address.

1. **Omissions and Errors**

The accidental omission to give any notice to any Shareholder, or the non-receipt of any notice by any such person, or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice.

1. **Waiver of Notice**

Where a notice is required to be given by the Act, the regulations under the Act, the articles, the By-laws, or otherwise, the giving of the notice may be waived or the time for the notice may be waived or abridged with the consent in writing of such person, whether before or after the time prescribed.

ENACTED AND PASSED by the board of the Co-operative on this 30th day of June 2019

WITNESS the seal of the Corporation.

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Chair

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Secretary

The foregoing By-Laws were confirmed by and consented to by a Special Resolution passed by the Class A Preference Shareholders of the Co-operative at a Shareholder meeting and by the members of the Co-operative at the AGM held on the 30th day of November 2019.

WITNESS the seal of the Corporation.

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Chair

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Secretary

Version History

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| --- | --- | --- | --- |
| Date | Version | Change | Authorized |
| 11/30/2019 | Original | New | Meeting 11/30/19 |
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