

Disclosure Statement:

A distributing co-operative under the Co-operative
National Law (NSW)

NAME OF CO-OPERATIVE:

Haystacks Solar Garden Co-operative Limited

NSWC32926

DATE OF APPROVAL: 4th of August, 2022

DATE OF REGISTRATION: 8 August 2022

This Disclosure Statement has not been reviewed or approved by NSW Fair Trading. NSW
Fair Trading cannot give any guarantee as to its accuracy.

REGISTERED
8 Aug 2022

C Rogers

Contents

1. Introduction	1
1.1. Name of co-operative	1
1.2. Registered office	1
2. Background and Demand for Services	1
2.1. Background to forming the co-operative	1
2.2. Objectives	3
2.3. Demand for services/business plan/feasibility study	4
3. Membership	5
3.1. Who can be a member	5
3.2. Application for membership and shares	5
3.3. Rights and liabilities attaching to membership and shareholding	Error!
3.4. Voting rights of members	6
3.5. Ceasing membership and forfeiture of shares	7
4. Primary Activity and Active Membership	7
4.1. Primary activities	7
4.2. Active membership	8
5. Establishment and Operation of the Co-operative Business	9
5.1. Foundations for business establishment	9
5.2. Establishing the business	9
5.3. Operating the business	13
5.4. Detail any contracts members will have to enter into with the Co-op	15
5.5. Contracts with promoters or other parties	16
5.6. Interest of directors or members in any contract	16
6. Management of the Co-operative	17
6.1. Board of directors	17
6.2. Election of directors	17
6.3. First directors and officers	18
6.4. Day to day management	19
7. Financial Information	20
7.1. Start up funds	21

7.2. Formation expenses	22
7.3. Returns to members	23
7.4. Accounting and auditing	24
8. Risks	24
8.1. Introduction	24
8.2. Risks specific to an investment in the Co-op	25
9. Reference material	Error! Bookmark not defined.

Important Information

This Disclosure Statement (DS) in respect of the Haystacks Solar Garden Limited has been prepared by the Haystacks Solar Garden Co-operative Limited ABN 86 451 344 615 (Co-op)

This DS is intended solely for the use of the person to whom it has been delivered (Recipient) to allow them to evaluate a possible membership in the Co-op. This DS is not to be reproduced or distributed to any other person without the Co-op 's prior consent (other than the Recipient's professional advisers on a need-to-know basis).

The information in this DS is general information only and is not a recommendation to join. It does not take into account your individual objectives, tax and financial situation or particular needs or circumstances. Prospective members should read and understand this DS in its entirety, rely upon their own enquiries and take their own financial and taxation advice in deciding whether to join. This Disclosure Statement should be read in conjunction with the accompanying relevant Offer Information & Disclosure Statement.

No person is authorised to give any information or to make any representations in connection with the Co-op that are not contained in this DS. Any information or representation not so contained may not be relied upon as having been authorised in connection with the Co-op.

To become a member in this Co-op a member must also purchase a minimum of 1 share and a non-refundable \$50 administration fee. The Co-op may also from time to time offer other forms of products or offers to its members. An investment or purchase of any of these products or offers carries risk, including possible delays in repayment and loss of income and principal delays in repayment and loss of income and principal invested. Co-op cannot guarantee the performance of the Co-op.

Any forward-looking statements, projections, or expectations made in this DS are based on certain assumptions made at the date of this DS and may change at any time. Due to various risks and uncertainties, including those risks set out in section 8 of this DS, actual events or results of the actual performance of the Co-op may differ materially from those reflected or contemplated in such forward-looking statements. The forward-looking statements in this DS involve subjective judgement and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of and are unknown to, the Co-op. Actual future events may vary materially from the forward-looking statements and the assumptions on which those statements are based. Given these uncertainties, investors are cautioned to not place undue reliance on such forward-looking statements., Any estimate, forecast, projection, feasibility, cash flow or words of a similar nature or meaning in this DS are forward looking statements and subject to this disclaimer.

This DS and all of the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of the Co-op. Any images, charts and diagrams in this DS are for illustrative purposes only and may not represent any current or proposed investments of the Co-op.

1. Introduction

Explanation of this Disclosure Statement

Section 68 of the Co-operatives National Law (NSW) (the CNL) requires that a disclosure statement for a proposed distributing co-operative is to be presented to 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 when considering joining.

1.1. Name of co-operative

Haystacks Solar Garden Co-operative Limited

1.2. Registered office

27 Inkerman Avenue, Blackwall NSW 2256

2. Background and Demand for Services

2.1. Background to forming the co-operative

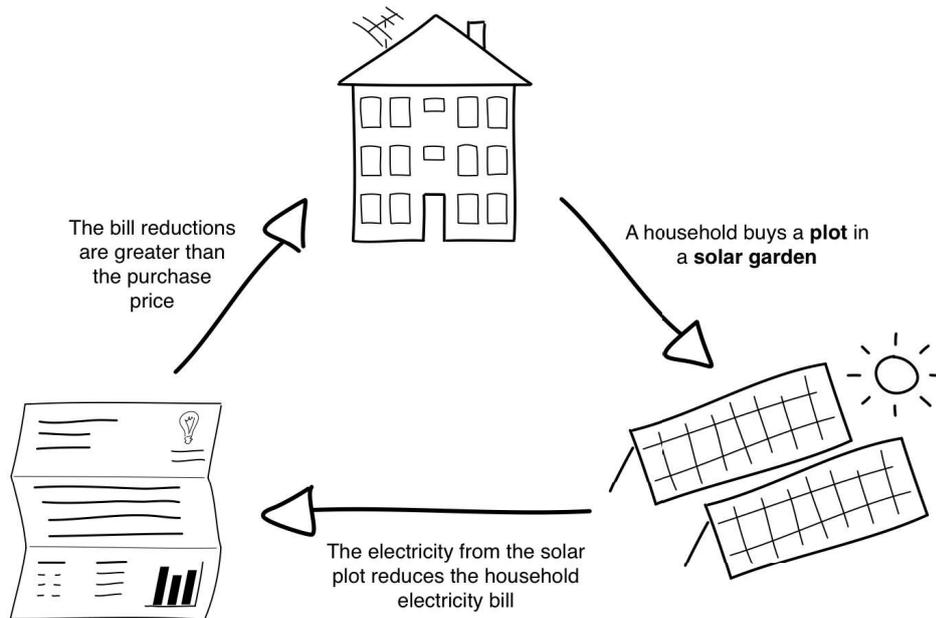
In Australia, over 2.2 million households now enjoy the benefits of clean, cheap energy produced from solar photovoltaic panels (solar panels) installed onsite at their home. However, over 30% of Australian households are excluded from this energy revolution. These customers are 'locked out' because they live in apartments, they rent, don't have suitable roofs, or they simply can't afford the investment.

The Haystacks Solar Garden Co-operative (the **Co-op**) will allow many 'locked out' households to share in a large array of solar panels, known as a **solar garden**. The members of The Co-op become **solar gardeners** when they pay for a **plot** - their allocated portion of the solar garden. The objective is to give similar benefits to households with 'offsite' solar as received by those who own 'onsite' solar.

What is a solar garden?

With a solar garden, any electricity customer can participate in and benefit from owning solar. The solar panels are located off-site but the household receives a similar outcome as having solar on their own roof. Solar gardens work by installing a large array of solar panels in a central location (also called a solar garden) and inviting electricity customers to pay for a 'plot' for their own use. The electricity from their plot reduces the household's electricity bill.

Figure 1. What is a solar garden



This bill reduction is what distinguishes solar gardens from current forms of community solar and is important as it creates a situation where the *offsite* solar product behaves in a similar way to *onsite* solar.

Promoters supporting the creation of the Co-operative

Pingala and *Community Power Agency* are the promoters supporting the creation of the Haystacks Solar Garden Co-operative.

- **Pingala Community Energy Incorporated (“Pingala”)** is a non-profit community group whose purpose is to create fairer energy for consumers in Australia.
- **Community Power Agency Co-operative Limited (CPA)** are Australia’s leading experts in community-led energy projects.

These promoters co-developed the business model for the new Co-operative and they co-designed the project that will create the Co-op. Pingala and CPA are recruiting the Co-op members, and Pingala secured financial support for the project by successfully applying for a grant from the NSW Government’s Regional Community Energy Fund (RCEF).

A genuine co-operative business model

The International Co-operative Alliance (ICA) defines a co-operative¹ as follows:

¹ <https://www.ica.coop/en/cooperatives/what-is-a-cooperative> (emphasis is from the source)

“Cooperatives are **people-centred enterprises** jointly owned and democratically controlled by and for their members to realise their common socio-economic needs and aspirations.”

The Australian households who are ‘locked-out’ of owning ‘onsite’ rooftop solar have a common socio-economic need and a shared, but unfulfilled, aspiration to reduce their electricity bills.

The ICA definition continues:

“Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the ‘one member, one vote’ rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

Cooperatives allow people to take control of their economic future and, because **they are not owned by shareholders**, the economic and social benefits of their activity stay in the communities where they are established. Profits generated are either reinvested in the enterprise or returned to the members.”

The Haystacks Solar Garden Co-op brings together many households to each pay for an equal sized plot in the solar garden. The members are equal *users* of the services the Co-op provides and, as such, the co-operative model of equal democratic control is perfectly suited to the business model.

The Haystacks Solar Garden Co-op seeks to achieve a similar benefit for ‘offsite’ solar gardeners as is currently enjoyed by ‘onsite’ solar owners. It is therefore relevant that the prime beneficiaries of the business are not shareholders, but the members themselves.

2.2. Objectives

The objective of the Haystacks Solar Garden Co-operative is:

To unlock the benefits of solar photovoltaic (PV) systems for those who are locked out, unable to install solar panels on the roof over their heads.

There are many reasons why this ‘locked out’ problem exists. In the residential housing context, it may be because the household is renting and the landlord won’t agree to install solar panels. Many households are in apartment buildings where it would be impossible or impractical for each apartment to have solar on the roof. There are numerous other reasons including heritage issues or unsuitability due to

the roof being shaded or otherwise not viable for installing solar PV, or there may be other reasons.

Rooftop solar is a proven method for electricity consumers to take control of some of their energy needs. For example, it helps them save money, have control over where their electricity comes from and reduces their impact on the environment.

Energy users who are 'locked out' of rooftop solar don't have access to these benefits. The purpose of the Co-op is to unlock these, or similar, benefits for those who are otherwise locked out.

2.3. Demand for services/business plan/feasibility study

The formation of the Co-op was informed by research conducted over several years, culminating in the 2018 Social Access Solar Gardens collaboration led by the Institute for Sustainable Futures at UTS. This research produced a feasibility study, legal report and two phases of market research, all of which are referenced at [Section 9](#).

The key lessons learnt from both market research phases showed that solar gardens are desirable to customers, but there are caveats; primarily that the return should be comparable to rooftop PV. Hence, the objective of the business model is to give similar benefits to households who own *offsite* solar as received by those who own *onsite* solar.

Although the Social Access Solar Gardens project did not provide or procure any specific legal advice on a particular model, some options for structuring a solar garden business were identified. The use of the co-operative legal form was identified as the most appropriate model for the membership vehicle. Furthermore, the study found no substantive legal or regulatory barriers to solar gardens. Solar gardens are feasible from a broad and generic legal/regulatory perspective.

The promoters believe the Haystacks Solar Garden is both feasible and desirable for consumers, provided the outcomes are comparable to rooftop solar. The co-operative structure will deliver social as well as economic benefits, creating an active community of Co-op members.

To help ensure the benefits are comparable, a private tax ruling from the ATO is being sought. This would mean similar treatment when compared with rooftop solar owners, namely that the bill reduction is not counted as part of the household taxable income.

3. Membership

3.1. Who can be a member

Membership is open to anybody who can use the services of the Co-op subject to the conditions listed below.

You must be:

- A resident of New South Wales
- Responsible for paying the electricity bill at your normal place of residence (at your home)
- Committed to paying for a plot in a solar garden
- Willing to change to an electricity retailer offering an approved solar garden product

You should only apply for membership if you can meet the requirements for active membership.

3.2. Application for membership and shares

To apply for membership, you must complete the membership application form and make payment for your \$50 joining fee (non-refundable). You must also purchase the stipulated minimum number of shares, which is a single \$1 share. There are no plans to increase this nominal shareholding, as the key source of capital funding for the co-op is through members' paying for plots.

The Disclosure Statement and the Rules (constitution) will accompany any membership form and you should only apply for membership if you have read and understood these important documents.

The board of directors of the Co-op will consider your application to determine if you will be able to use the services of the Co-op as an active member. The membership form asks questions to assist the board of directors in making this determination.

Your details will be entered into the Register of Members within 28 days of the board approving your application. You will then be informed of your membership, at which point you hold the rights and liabilities of membership.

If your application for membership is rejected, you will be refunded your \$50 and you will not become a member of the Co-op. The administration fee is non refundable for approved members.

3.3. Rights and liabilities attaching to membership and shareholding

The Co-op is an active collaboration between the members. When you join the Haystacks Solar Garden Co-operative you are making a serious commitment. You will also gain certain rights and you may have limited liability in the event the Co-op winds up. As a member, you will be expected to be an active participant in the activities of the Co-op. This means you must pay for a plot in the solar garden and purchase electricity from an approved electricity retailer. Only members of the Co-op get to enjoy the services of the Co-op and the benefits these bring. However, members must use these services or their membership will be cancelled.

To become a member of the Co-op you must pay the non refundable member joining fee of \$50 and you must purchase your single \$1 ownership share.

No member is able to hold more than 20% of the issued share capital of the Co-op.

There are no ongoing fees required to maintain your membership. So long as you remain as an active member of the Co-op, your membership will be renewed each year without charge.

Liability of members

The liability of members is set out in rule 2.10 of the Rules of the Co-operative.

Rule 2.10 Liability of Members

1. A member is liable to the co-operative for the amount, if any, unpaid on the shares held by the member, together with any charges, including entry fees and regular subscriptions, payable by the member to the co-operative under these rules.

2. Joint members are jointly and severally liable for any amount unpaid on shares and to any such charges mentioned in paragraph 1 of this rule.

IMPORTANT: At formation, each member will be issued with a single fully paid \$1 share and the joining fee must be fully paid.

3.4. Voting rights of members

The Co-op is a democratically controlled business, owned by its members. Once your name is entered in the register of members, and so long as you remain as an active member, you can exercise voting rights.

In a co-operative your right to vote is attached to your membership, not the number of shares you hold. Your vote is equal to the vote of any other member.

Voting generally takes place at member meetings and at least one general meeting of the members must take place each year: the Annual General Meeting.

The Rules of the Co-operative set out your full rights. In particular, Category 5 of the Rules describes voting at member meetings.

3.5. Ceasing membership and forfeiture of shares

The circumstances in which membership ceases are set out in rule 2.3 of the Rules of the Co-op, as well as at sections [117](#) and [118](#) of the Co-operatives National Law.

The Co-op only offers a single \$1 share to the members. There are no plans to increase this nominal shareholding. This is because the principal method of raising capital for development of solar gardens is the collection of payment for plots from members.

4. Primary Activity and Active Membership

4.1. Primary activities

The primary activities of the Haystacks Solar Gardens Co-op are defined in the Rules.

Rule 1.3 Primary Activities

The primary activities of the Co-operative are:

1. To establish and operate one or more solar gardens, where a solar garden is defined as a solar PV electricity generator connected to the National Energy Market which is shared by multiple electricity customers who each receive a credit on their electricity bill for the value of electricity produced by their plot, and
2. To provide plots in the solar garden to members who are electricity consumers, and
3. To establish and maintain contractual relationships with one or more electricity retailers on behalf of the members. The purpose of those contractual relationships is to achieve an outcome whereby the value of electricity produced by each members' plot is received at regular intervals as a credit on their electricity bill.

4.2. Active membership

It is important that members are active participants in the activities of the Co-op. Section [112](#) of the Co-operatives National Law states that a person is not qualified to be admitted to membership of a co-operative unless there are reasonable grounds for believing the person will be an active member of the Co-op.

Active membership in a distributing co-operative, such as the Haystacks Solar Garden Co-operative, must map directly to the primary activities of the Co-op as listed above. In summary, active membership involves; paying for a plot in the solar garden and purchasing electricity from an approved electricity retailer.

Active membership rule

The Rules of the Co-op specify what members must do in order to remain as active members of the Co-op

Rule 1.3B Active Membership

In order to establish and maintain active membership of the co-operative, a member must:

1. Participate in at least one meeting in relation to a proposed solar garden each financial year, or
2. Purchase electricity from a retailer approved by the Co-op.

Consequences of inactivity

Rule 1.4 sets out a requirement for the board to cancel the membership of inactive members.

Rule 1.4 Cancellation of membership for inactivity

The board must declare the membership of a member cancelled if:

1. the whereabouts of the member are not presently known to the co-operative and have not been known to the co-operative for a continuous period of at least 3 years; or
2. the member is not presently active and has not been active within the meaning of rule 1.3B in the past 3 years.

You will become inactive if you no longer meet the active membership requirements under rule 1.3B. Scenarios could include:

- You become a member but do not pay for a plot in a solar garden when it is offered to you

- You cease to be responsible for paying the electricity bill for your primary residence
- Your primary residence is not in NSW
- You do not purchase electricity from a retailer who has an approved solar garden product
- You sell your plot to someone else.

5. Establishment and Operation of the Co-operative Business

This section describes the main activity of the Co-op which is to find, develop and implement the solar garden business model. The general process is described below and information on specific projects can be found in the relevant appendix.

5.1. Foundations for business establishment

The promoters, Pingala and Community Power Agency, have taken steps to ensure appropriate foundations are in place from which the establishment of the Co-op took place.

5.2. Establishing the business

There are three development stages in the journey to commencing the operational activities of the Co-op. Each of these stages concludes with achievement of milestones:

Milestone 1. Growth and Recruitment

Milestone 2.a. Identification of solar development

Milestone 2.b. Financial close

Milestone 3. Construction

Each of the development stages will be described below, with particular attention being paid to the **activities** to be undertaken, the **resources** required by the Co-op for each stage and the **preconditions** required for accomplishing each milestone.

Stage 1: Growth and Recruitment

Activities

By definition, the activities required for the Co-op to grow and recruit new members interested in creating a new Solar Garden. This stage will be the responsibility of Co-

op governance and administration team made up of the Co-op Board and Pingala (under the services agreement) and/or consultants such as Community Power Agency. Activities include:

- Developing/Updating documents, chiefly this Disclosure Statement
- Engaging with community members and recruiting new members of the board of directors as needed
- Ensuring the required legal agreements are in place or ready to be executed once the Co-op has identified a new project
- Promoting membership in the Co-op and communicating with existing members

Resources

These activities will be paid for by a combination of grants and membership fees of members being recruited for the new project. The funds are received by the Co-op but then flow through to the relevant organisation - Pingala or Community Power Agency - to pay for their services in delivering this work.

Conditions to stage completion: Minimum number of members

The Haystacks Co-op Board will set membership milestones at which they consider interest amongst members in a new Solar Garden project is high enough to give relative certainty that enough members will purchase available plots in a new project. This membership target will be no less than 120% of the number of new Solar Garden plots estimated for a new project.

Until this condition is fulfilled, the Haystacks Co-operative will be unable to move to the next stage with confidence and the new project will be abandoned or postponed. A risk mitigation plan has been developed for the possibility that the Haystacks Co-operative may have insufficient membership. (see section 8.2.3 Failure to recruit sufficient number of members).

Stages 2 a&b: Identifying a solar development and financial close

Activities

Once the Co-op has been formed, the focus of activity shifts to the first and second primary activities of the Co-op. These are to, in summary, “*establish and operate one or more solar gardens*” and “*provide plots in the solar garden to members*”.

In other words, the activities during Stage 2 are about raising enough capital to fund the construction of a solar garden being developed by Komo Energy.

Activities include:

- Identifying and negotiating the funding of a solar development with a developer.

- Creating the Offer Information & Disclosure statement pertaining to the new project and offering new Solar Garden Plots to members.
- Collecting payment from members and funding a solar development.

There are two milestones that conclude this stage in the process: Milestone 2.a. Identification of solar development, and Milestone 2.b. Financial Close.

A major part of this stage is to identify the solar development in order to provide Co-op members with a clear understanding of the offer regarding a Solar Garden Plot. This includes the cost of the plot, likely on-bill credits, risks and any other pertinent information. The purchase of Solar Garden Plots won't be offered to members until this information is known and presented to members in an offer information statement.

The Co-op may raise funds by offering Co-operative Capital Units (CCUs)

- CCUs will have specific terms and conditions and allow members to 'purchase a solar garden plot'. The benefit of CCUs will be access to a credit on a designated electricity bill via an agreement with an electricity Retailer. For CCU terms, please refer to the relevant project Offer Information & Disclosure statement.

A requirement of Financial Close will be that the solar developer can demonstrate through contracts, or other agreements, the ongoing asset management, risk management and operations and maintenance of the solar installation for the life of the Solar Garden project.

Once the Plot purchase has been made and funds are collected and passed on to developers under the relevant agreements, the sequence of activities that comprise financial close can take place.

Resources

The funds raised during this stage may come from three sources:

- The pooled contributions (in the form of CCUs) from members funding plots in the solar garden, and/or
- bridge funding supplied by short term investors or credit institutions as required.
- Grants from government and non-government sources that may be available at the time to promote a specific outcome.

These financial resources will not only allow the purchase and financial close to take place, they will also pay for the costs associated with bringing the development to financial close, such as legal drafting or cost of consultants .

Conditions to stage completion:

In order to complete this stage the Co-op needs to achieve financial close on the project. Financial close is made up of the following:

- An agreement to acquire or fund a solar development.
- Funds to achieve the conditions of this agreement.
- A due diligence report provided to the Co-op members that includes contracts and approvals for the solar development.
- Approval from the Co-op membership to acquire or fund the solar development.

Stage 3: Construction

Activities

At the end of Stage 2, the Co-op has raised enough capital and achieved financial close. The Stage 3: Construction activities encompass the remaining work to build the solar garden and establish the business operations.

The agreements on funding a solar development will have included all the required approvals, design and engineering to proceed to construction of the solar garden. There will also be in place an engineering, procurement and construction (EPC) contract or equivalent separate contracts. At which point, a notice to proceed (NTP) construction will be given under the EPC contract.

It is preferred that the solar developer will remain involved as construction manager throughout the construction of the solar garden.

At the same time as the construction is taking place, the Co-op will be required to induct new members, update administrative processes and provide updates on the progress of the construction. This will be assisted by third party promoters, as needed.

With Stage 3, there will also be a new focus on the third primary activity of the Co-op: “to establish and maintain contractual relationships with one or more electricity retailers on behalf of the members”. The Co-op (via its promoters) will have started identifying potential electricity retailers and testing their interest in forming a partnership with the Co-op. However it is not until this stage of development that the collective bargaining power of the Co-op membership will be available. This valuable but intangible resource will help ensure those negotiations achieve an outcome whereby the solar garden product offered by the retailer is attractive and beneficial to members.

Resources

Financial resources for this stage will come from the capital raised during the previous stage.

A key non-financial resource becomes available at this stage, namely a cohort of members who are willing to switch to an electricity retailer. This enables the collective bargaining activity of the Co-op, helping ensure a fair deal with the retailer can be successfully negotiated.

Condition for stage completion

Before the Co-op can commence operations, several elements must be in place, the most significant of these being:

- Successful energisation of the solar garden, with electricity being exported to the grid
- Financially responsible market participant (FRMP) engaged to act in the National Energy Market on behalf of the Co-op
- Agreement with a retailer to provide the bill reductions to Co-op members
- Signing of Asset Management and/or Operations and Maintenance Agreements (if applicable)
- Signing of Services Agreement (Section 5.5; contract 1)

5.3. Operating the business

The successful conclusion of the establishment activities outlined in [Section 5.2](#) mean that the fourth and final milestone in establishing the Co-op has been successfully achieved. The Co-op has been formed, financial close has been achieved and the physical solar garden has been constructed with the required operational agreements in place to allow the business of the Co-op to commence.

This section describes the *operation* of the business of the Co-op.

Carrying on primary and other activities

Services the Co-op provides for the members

The Haystacks Solar Gardens Co-op enables the members to collectively benefit from a large array of solar photovoltaic panels (a **solar garden**). The solar garden generates electricity which is sold on the National Energy Market. Through contracts relevant to the individual solar garden, the Co-op divides the output of the solar garden into portions (each of these portions is a plot in the solar garden).

The allocation of these proportions will be delivered to the participating retailer in the project and added as credits to the electricity bill of the solar gardeners.

The Co-op performs two main services for the members:

- managing the collective stake in the physical solar garden, including ensuring the 10 year operation of the solar garden , and
- establishing and maintaining the required contractual and operational relationships with electricity retailers on behalf of the members.
-

Resources required by the Co-op

To effectively operate, the Co-op primarily requires financial resources which it can use to pay for any service delivery contracts to deliver operations or asset management (section 5.5 below).

The financial resources required to fulfil these contracts and other operational expenses will be deducted from the 'output' of the solar garden before bill credits are provided to members. This will mean that there will be no ongoing payments required by solar gardeners.

Non-financial resources required by the Co-op are minimal as the business is virtual in its nature, meaning most of the activities of the Co-op are back-office administration. No office space will be required by the Co-op, however a registered office is needed for official purposes. Administrative systems and processes for the effective operation of the business will be provided as part of the services agreement.

Members role in the operation of the Co-op

The members are *users* of the services of the Co-op, but they are not customers of the co-op since they do not pay for any product or service that the Co-op provides. This distinction is important because it is through the act of participation in the activities of the Co-op that the members animate the Co-op, making it possible for the Co-op to achieve its objective.

The members have two primary roles to play in the operation of the Co-op, both of which are defined by the active membership rule (see [section 4.2](#) for the exact wording of the active membership rule):

- **Active membership Rule 1.3B (1)** Each member must participate in at least one meeting in relation to a proposed solar garden each financial year, *Without the members being involved in the process of finding and vetting prospective farms, as well as showing interest in funding the construction of these farms, it would not be possible for the Co-op to achieve its first activity of establishing the shared solar garden asset.*
- **Active membership Rule 1.3B (2)** Each member must agree to purchase a solar gardens product from an approved electricity retailer. *The only way the Co-op can deliver its third activity of negotiating with an*

electricity retailer on behalf of the members is if the members agree to become customers of the electricity retailer.

5.4. Detail any contracts members will have to enter into with the Co-op

The members of the Co-op form a collective who use the services of the Co-op. These members not only use the services of the Co-op, they are also the owners of the Co-op itself. As a result, members of the Co-op may need to enter into contracts individually or collectively as part of Co-op's activities. While it is not required for members to enter into any contracts, they are the main purpose of the Co-op and the means by which members can access the most benefits.

This relationship of being a member of the Co-op is described by the Rules of the Co-op. The Disclosure Statement (this document) also explains the nature of membership in terms of rights, liabilities and responsibilities.

The purpose of becoming a member of the Co-op is to participate in a solar garden as a solar gardener by funding a plot and receiving the value created by that plot as a reduction of an electricity bill. This relationship of being a solar gardener is described by the terms of the Haystacks Solar Garden Co-operative Capital Units (CCU) issue.

Co-operative Capital Units (CCUs)

CCUs are special units of debenture in a co-operative that are sold for a specific function. In the case of the Haystacks Co-operative, CCUs will be the arrangement that allows Solar Gardeners to fund a solar garden plot and to have access to on-bill credits. CCUs have specific terms of issue that you can find in the appendix or in the Offer Information & Disclosure Statement for the relevant project.

The purpose of CCUs is to finance the cost of development and construction of the solar garden.

The Co-op will hold no liability for the redemption of CCU nor will it guarantee on-bill credits. CCUs will be however transferable and the Co-op will act reasonably to aid members who wish to transfer their CCUs to an eligible member.

Plot size

Each plot in the solar garden has a set size, measured in kilowatts (kW). The intention is to provide plot sizes of 3kW to each solar gardener. The size designation is important because it determines a universal and consistent output from the plot in the coming years.

This is similar to the way in which the size of a rooftop solar system determines how much electricity it will produce in the future and the use of kW is a relatable metric for

members to judge scale. It is able to provide members with a scale to use when assessing how much of an impact a plot might have on their personal electricity bill.

Plots and plot output may vary from project to project and members will have the opportunity to review an offer information and disclosure statement prior to purchasing a plot.

Selling a plot

Plots will be fully transferable and a member should consult the specific CCU terms and offer information and disclosure statements for a full understanding of their rights in this matter.

5.5. Contracts with promoters or other parties

At formation, the Co-op did not assume responsibility for any liabilities, guarantees, contingent liabilities or unresolved or pending lawsuits.

The Co-op has the option of entering into contracts as needed, each of which would be a contract between the Co-op and one or more of the promoters supporting the activities of the Co-op.

-

Contract 1: On-bill Credit Agreement

A Participating Electricity Retailer *provides on-bill credits to Solar Garden customers.*

The On-bill Credit agreement designates a retailer as the approved and participating retailer in the Solar Garden. This is the retailer that Solar Gardeners will be required to join once they take up the option of their plots in the Solar Garden in order to receive their on bill credits. The participating electricity retailer will pass on the funds provided by the Co-operative onto the bills of the Solar Gardeners, along with a premium credit for being members of the Solar Garden. This agreement will remain exclusive for a set period in order to better negotiate a higher premium with the retailer, at the end of which a new agreement will need to be negotiated.

An on-bill credit is only available to members participating in the solar garden project. Being a member of the Co-op does not automatically qualify you to receive an on-bill credit.

5.6. Interest of directors or members in any contract

Nigel Hancock is an employee and a member of the governing Committee for Pingala Association and a board member of this Co-op. He will benefit directly through the increased work provided to Pingala from this project.

Kristy Walters is an employee of Community Power Agency and board member of this Co-op. She will benefit directly through the increased work provided to Community Power Agency from this project. Community Power Agency is a registered non-profit organisation.

In order to manage any actual, potential or perceived conflict of interest or duty arising from this situation, a robust process will be employed around the definition of duties and how they relate to the various roles being filled. An efficient document management system will be used to promote record-keeping and conflict of interest will remain on the Co-op Board's agenda so that as circumstances change, this can continue to be fully disclosed.

6. Management of the Co-operative

6.1. Board of directors

The business of the Co-op is to be managed by or under the direction of the board of directors, and for that purpose the board has and may exercise all the powers of the Co-op that are not required to be exercised by the Co-op in general meeting.

The board must have at least 3 directors.

A person is not qualified to be a director of the co-operative unless the person is an individual over the age of 18 years and is either:

- an active member of the co-operative; or
- not an active member but in possession of special skills in management or other technical areas of benefit to the co-operative as specified by the board from time to time.

The board of directors must have a majority of member directors.

Directors will not be remunerated unless approved by Special Resolution at a general meeting of the members of the Co-op².

6.2. Election of directors

The first directors are elected by poll at the formation meeting of the Co-op. The term of office of the first directors is decided at the formation meeting, but not more than 3

² Co-operatives National Law - Section [203 Directors' remuneration](#)

years ending on the day of the third annual general meeting after the formation meeting.

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

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

6.3. Directors and officers

The names and experience of those who have been elected as directors are:

Karin Stark

Karin Stark's international and professional history combines 18 years of engagement with communities around contemporary environmental issues. She was a NSW-ACT Agriculture's Rural Women's Award Finalist in 2019 for her work convening the National Renewables in Agriculture Conference. She is Director of Farm Renewables Consulting, is also a mum and works part time for ReAqua, with previous roles within the NSW State Government and in Landcare. Karin lives on a cotton farm that installed a 500kW solar diesel hybrid pumping system in 2018, the biggest in the country.

Kristy Walters

Kristy is Community Power Agency's Community Engagement Manager and brings extensive experience in nonprofit management, facilitation, digital tools and community engagement.

Kristy has worked on campaigns involving renewable energy, food sovereignty, climate change and protecting prime agricultural farmland in Queensland. Kristy's passion for fostering community engagement and supporting volunteers is evident in her past roles leading an education program at a permaculture farm and facilitating activist education programs for students. She holds a Bachelor of Environmental Management with honours and lives in Sydney where she enjoys cycling to the beach as often as possible.

Nigel Hancock

Nigel has voluntarily dedicated much of his time since 2016 to the rewarding role as Treasurer and Financial Officer of Pingala Community Energy, to help this start-up organisation achieve its goals. This has included managing budgets and accounts,

preparing financial models and forecasts as well as decision making on overall financial strategy for the organisation. Nigel is experienced in communication and liaison with other organisations, including government bodies, companies and stakeholders. He holds a bachelor degree with post-graduate studies in Commerce. Nigel is currently employed as the project manager of the Haystacks Solar Garden project.

6.4. Day to day management

As part of the RCEF grant project, day to day administration is being conducted by various organisations in order to reach financial close of the Grong Grong solar array.

The Pingala Association

Pingala Association is the not-for-profit group that offers administrative, engagement and management services to co-operatives, business and NFP groups in community energy projects. Other clients include community solar organisations such as the Pingala Co-operative and Ultimo Solar Project; past clients include ShineHub.

During the RCEF project, Pingala is funded by the project grant to aid The Co-op in day to day administration and The Co-op's role in the grant.

This includes, but is not limited to, filing/data entry, bookkeeping, responding to requests, contacting suppliers and customers, developing marketing material and reporting to the Co-op board.

The association has 6 committee members, 10-15 active volunteers and 1 employee.

Nigel Hancock has been employed by the Pingala Association to provide these full time services. Nigel has been a volunteer in the Association in the role of Treasurer for the last 4 years, managing the day to day financial operations of the Association and the various clients of the Association. Since January 2020, Nigel has been employed as the project manager of the Haystacks Solar Garden project in part funded by a grant from the NSW Government Regional Community Energy Fund and a contributor to the development of the Haystacks Solar Garden business plan.

Nigel holds a Bachelor of Arts from Sydney University and a Postgraduate Certificate in Commerce from University of New South Wales.

Community Power Agency

Community Power Agency are a non-profit organisation that provide training, expertise and support to community groups, industry and government on community engagement, benefit sharing and community energy project design. They have

worked with the state governments of Tasmania, Victoria, ACT and NSW, several renewable energy developers and over 50 community energy groups in the last decade.

During the RCEF project, Community Power Agency are funded to perform the community engagement activities for the whole project, support the Co-op set-up and provide oversight to the project.

Kim Mallee has been employed by Community Power Agency as a project manager/director for the Haystacks Solar Garden project. Kim holds a Bachelor of Environmental Engineering and Diploma of Agriculture.

Komo Energy

Komo Energy is responsible for the development of the physical solar garden and also provides the Co-op with operational and maintenance services for the physical solar garden.

Jonathan Prendergast of Komo Energy is managing the design and construction of the physical solar garden. Jonathan has a Bachelor of Engineering & Commerce from the University of Melbourne, and has built expertise in the area of clean energy project management and investment over 12 years. Johnathan's experienced management will ensure the project is a viable and thriving entity characterised by excellence in design and construction.

Gerald Arends of Komo Energy is in the solar garden team managing project development and the contracting process for engineering, procurement and construction as well as operation and maintenance services.

7. Financial Information

7.1. Current funds and projections

To date the Haystacks Co-operative has collected membership payments from 348 members, including a membership fee (\$50 incl. GST) and a single member share (\$1). Below is a current and projected Profit and Loss summary comparing the different stages should the Haystacks Solar Garden project be implemented and includes all the expenses of the Co-operative during this time, for a cash flow projection on that project only please see appendix 1.

Table 1. Profit and Loss summary for Haystacks Co-op

P&L Summary		by formation	by purchase of assets	by commence of operations	by First year of operation
Income					
	Membership	\$2,500	\$ 19,950	\$ 19,950	\$ -
	Interest income			\$ 5,594	\$ 21,600
	Loan fee income			\$ 3,500	\$ 14,000
	CCU amortisation income			\$ 32,312	\$ 130,026
	Total income	\$ 2,500	\$ 22,450	\$ 63,856	\$ 165,626
Expenses					
	On-bill credit fee				\$ 151,626
	Insurance			\$ 8,000	\$ 7,500
	General Administration	\$ 2,500	\$ 7,500	\$ 10,000	\$ 4,000
	Reporting				\$ 1,000
	Other overheads				\$ 1,100
	Total expenses	\$ 2,500	\$ 7,500	\$ 18,000	\$ 165,226
	Total	\$ -	\$ 12,450	\$ 43,356	\$ 400

The balance sheet of the Co-op will change dramatically during the course of the first year while the Co-op begins its activities.

The below pro forma Balance Sheet represents the formation and development of the Co-op at different stages.

Table 2. Pro Forma Balance Sheet for Haystacks Co-op

Assets	at formation	Financial close	at commence of operations	after First year of operation
Bank				
Transaction account	\$ 2,800	\$ 12,849	\$ 43,755	\$ 799
Current assets				
Non-current assets				
Grong Grong Solar Farm Pty Ltd Loan		\$ 1,516,260	\$ 1,478,353	\$ 1,364,634
Total assets	\$ 2,800	\$ 1,529,109	\$ 1,522,109	\$ 1,365,433
Liabilities				
Current liabilities				
Accounts payable	\$ 2,500			
GST liability	\$ 250			
Non-current liabilities				
Solar Garden credits		\$ 1,398,600	\$ 1,366,288	\$ 1,268,574
Unearned financial income		\$ 117,660	\$ 112,065	\$ 96,060
Members' shares	\$ 50	\$ 399	\$ 399	\$ 399
Total liabilities	\$ 2,800	\$ 1,516,659	\$ 1,478,752	\$ 1,365,033
Net assets	\$ -	\$ 12,450	\$ 43,356	\$ 400
Equity				
Current earnings	\$ -	\$ 12,450	\$ 43,356	\$ 400
Retained earnings				
Total equity	\$ -	\$ 12,450	\$ 43,356	\$ 400

7.2. Current cash flow projections

Below is a demonstration of the cash flows should the Haystacks Co-op implement the Haystacks Solar Garden project. Table 3 below shows the cash flow at different stages as well as the projected cash flow for the total implementation. This cash flow includes all the activities of the Haystacks Co-operative, for a cash flow for the Haystacks Solar Garden project only, please see appendix 1

Table 3. Cash flow summary for Haystacks Co-op

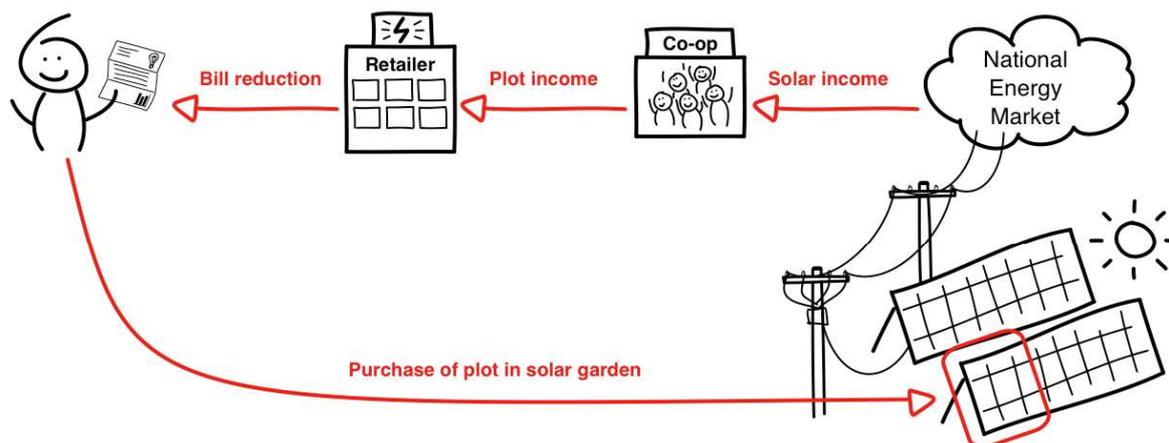
Cash flow Summary					
		at formation	Financial close	at commence of operations	after First year of operation
Month opening cash position		\$0	\$50	\$15,399	\$46,805
Receipts					
	Membership	\$2,500	\$19,950		
	Shares	\$50	\$399		
	CCU Plot Sales		\$1,398,600		
	Loan repayments			\$37,906	\$151,626
	Loan fee			\$3,500	\$14,000
Total Receipts		\$2,550	\$1,418,949	\$41,406	\$165,626
Outgoings					
	Administration costs	\$2,500	\$5,000	\$2,500	\$4,000
	Insurance			\$7,500	\$7,500
	Reporting				\$1,000
	Retailer admin fee				\$1,100
	Provision of loan facility		\$1,398,600		
	Credits to Solar Gardeners				\$151,626
Total Outgoings		\$2,500	\$1,403,600	\$10,000	\$165,226
Gross cash movements		\$50	\$15,349	\$31,406	\$400

7.3. Benefits to members

For Solar Gardeners

Members see returns/benefits by participating in the solar garden. Only members can purchase a solar garden plot, thereby taking advantage of the service the Co-op provides. The members of the Haystacks Solar Garden Co-operative who fund a plot in a solar garden receive a reduction in their household electricity bill paid for by the Co-op, through their electricity retailer.

Figure 6. Benefits to Solar Gardener



7.4. Accounting and auditing

Pingala will manage financial management as part of its duties under the RCEF project. Accountants will be subcontracted where required, however day-to-day financial management duties will be undertaken by Pingala who are experienced at delivering this as a service.

there is no intention to appoint an auditor or have financial reports audited.

The Co-op will be a *small co-operative* under the Co-operatives National Regulations section [1.4](#) and is not required to appoint an auditor unless instructed to do so by the Registrar or if the members direct the Co-op to prepare audited financial reports as per Section [271](#) of the Co-operatives National Law.

8. Risks

Please note that these are general risks for the Co-operative, any specific risks at a project level will be included in the project offer information and disclosure statement and in the relevant appendix for that project.

8.1. Introduction

There are a number of risks and threats which may either individually, or in combination, materially and adversely affect the future operating and financial performance of the Co-op and the value of its assets. Many of these risks are partially or completely outside the control of Haystacks Solar Garden Co-op, its directors and management. There can be no guarantee that the Co-op will deliver on its business strategy, or that any forecasts contained in this Disclosure Statement will be achieved or realised. Prospective members should note that past performance is not a reliable indicator of future performance.

This Section describes the areas the Co-op believes to be the key risks associated with becoming a member of the Co-op and the purchasing of its products. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it were to occur. The assessment is based on information as at the date of this Disclosure Statement. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Prospective members should note that this is not an exhaustive list of the risks associated with becoming a member and customer of the Co-op and should be considered in conjunction with other information disclosed in this Disclosure Statement. Before applying for membership, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether the product is suitable for you, having regard to your own objectives, financial circumstances and taxation position. Prospective members should consider seeking professional guidance from their accountant, stockbroker or other independent professional advisor before deciding whether to purchase a product.

8.2. Risks specific to an investment in the Co-op

8.2.1. Haystacks Solar Garden Co-operative is a start-up entity

The Co-op has the same risks associated with any start-up entity and there are no assurances that the Co-op will be successful in its implementation of the proposed business model.

Mitigation

The formation of the Co-op builds on the work undertaken with the Social Access Solar Garden project, which sought to 'de-risk' future solar gardens business implementations by testing key hypotheses in the areas of desirability, feasibility and viability.

The proposed operational arrangements would result in experienced and capable organisations managing the two key dimensions of the business of the Co-op.

By attracting experienced and professional board members who have diverse skills, the Co-op will build its institutional knowledge and reduce this risk significantly.

8.2.2. Plots in the Solar Garden are not guaranteed to members

The Co-op will form with the intention of acquiring a solar garden and making plots available to members. If no suitable solar garden can be found, no plots will be available to members. Additionally, if there are more members than available plots,

some members will need to wait for a future acquisition of an additional solar garden to have access to a plot.

Mitigation

By setting cancellation of membership for inactivity at three years, the Co-op has ample time to develop additional solar gardens. Networks within the renewable energy sector will also be actively maintained to assist with creating a pipeline of future potential solar gardens. The Co-op will determine a fair and/or equitable way to distribute plots if there is an over subscription of membership.

8.2.3. Failure to recruit sufficient number of members

Should the Co-op fail to recruit enough members to be sufficiently confident of raising the funds necessary to acquire or fund a solar garden then it will likely be unable to continue to develop the solar garden model and won't be able to supply existing members with solar garden plots.

Mitigation

The Co-op will undertake best practice community engagement that inspires participation in the project. This includes the development and implementation of a clearly defined community engagement plan which will include the objective, communication channels, frequency and constant evaluation.

A key mitigation strategy is the development of a metrics framework that will track the level of engagement. This framework will serve to predict whether our engagement activities to find members are meeting our monthly goals and therefore whether we need to increase our efforts or widen our reach.

8.2.4. Pre-operational risks

The Co-op may wish to fund a pre-operational project which has not yet been built and this in itself may expose the Co-op to additional risks, including potential delays in the necessary project development approvals and contracts. This may in turn influence cash flows, repayments, on-bill credits and the project timeline. These approvals/ contracts and associated risks include:

- **Grid connection application**

The grid connection application requires assessment by Essential Energy and can be delayed due to requests for clarification or by changes requested due to the dynamics of the local grid. In order for this to be processed timely, the application was submitted in April 2020. The relatively modest size of the

proposed solar garden also limits the chances of amendments due to grid constraints.

- **EPC contract**

A request for quotation (RFQ) is required before Komo, the solar developer, can assist the project in selecting an EPC contractor. This RFQ is being drafted by Komo and local and/or indigenous contractors will be invited to quote.

- **Financially Responsible Market Participant (FRMP) contract**

This arrangement is required for the sale of electricity into the NEM. While the retailer discussed in the previous point may also be the FRMP, the requirements are different to the requirements under the retailer agreement. If no FRMP can be found, Grong Grong Solar Farm Pty Ltd will be unable to sell the electricity from the solar garden on the NEM.

Mitigation

The project team has started these tasks early to allow for the tight timeline of the project and to allow for information gathering and socialisation of the contracts and agreements. The project team is made up of professional managers from both Pingala and the Community Power Agency who are experienced and capable, with proven track records.

More generally, these pre-operational risks are largely the responsibility of the solar developer. However, delays may still affect the activities and finances of the Co-op. .

8.2.5. Delays in construction and energisation of solar system

Assets under construction are exposed to risks associated with the project not being completed on time, on budget, in accordance with specifications, or at all, which could impact the applicable retailer and solar garden solar plot (CCU) terms. A significant delay to the delivery and construction could therefore cause a delay in the receipt of revenue required to pay for development costs and may adversely affect the yield of the asset and consequently impact the Co-op's operating and financial performance.

Mitigation

The Engineering Procurement and Construction Contract (EPC) will aim to mitigate the risk of delays in a way that balances both cost and time implications for the project. A date for practical completion will, if possible, be set that is earlier than needed. Financial incentives to achieve construction on-time will be explored, however such requirements may result in an increase in construction costs and may make such an approach less desirable as a risk mitigation approach. Other flexible mitigation strategies will be explored with the EPC contractor prior to signing the Contract.

Ongoing, active management and monitoring of the construction process will also be a key mitigation strategy. Led by Komo Energy, this will involve matching actual progress against planned activities and identifying issues as they emerge, so that appropriate responses can be developed when needed.

8.2.6. Default risks

The Co-op's stake in the solar asset is via a loan agreement that requires regular payment. It is acknowledged that the solar asset provides the revenue required to service the loan and major reductions in capacity, revenue or generation could result in default by the borrower. Whilst the liability to repay the loan remains with the borrower as with any product or service, there is always the risk that the system will fail, malfunction or otherwise underperform which could result in default.

Mitigation

The Co-op will conduct extensive due diligence on the solar asset and the entity operating it to insure that no initial risks are present or left unmitigated. Agreements will also include conditions that insurances, warranties, O&M contracts and asset management agreements be maintained.

While these risks are deemed unlikely, in the event of failure the Co-op may need to delay payment to solar gardeners. In the case of large disruptions that can't be absorbed through warranties, insurances and margins the Co-op board may need to enact a business continuity plan and appoint experienced and qualified members to enact default provisions under the loan agreement.

8.2.7. Licensing

The Co-op must hold and comply with certain licence conditions to undertake its businesses. Any failure to maintain the licence or changes in eligibility could adversely impact the Co-op's ability to offer services or products to customers or manage its risks commercially. The Co-op is aware of requirements and the business systems and processes will be built to ensure compliance.

Mitigation

Professional systems and processes are to be developed on formation by the Co-op Board and Pingala under the Services Agreement.

8.2.8. Breach of RCEF Funding Agreement

Under the RCEF Funding Agreement the Co-op has responsibilities to deliver certain outcomes in order for the recipient to request future milestones. If the 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:

- Have adequate membership in the Co-op,
- Raise the required funds to create the solar garden,
- Finalise relevant agreements for the solar garden to deliver on-bill credits,
- Support the full installing the solar system, and
- Expending all funds by 31 June 2023 (unless otherwise extended).

Mitigation

The Haystacks Solar Garden Co-op project will be managed by professional managers from both Pingala and the Community Power Agency who are experienced and capable, with proven track records. Fortnightly project meetings and monthly meetings with the NSW Government Department will help ensure a flexible response to challenges in meeting the obligations.

8.2.9. Allocation of pre purchases in the case of insolvency

In the case of the Co-op becoming insolvent, the members who have purchased a plot (i.e. the solar gardeners), will become unsecured creditors of the Co-op. Debts will be recoverable upon liquidation in accordance with the Corporations Act (2001) and all solar gardeners will be considered equally unless otherwise identified by the courts.

Mitigation

The any services agreements will specify regular and accurate reporting requirements which deliver comprehensive financial updates to the Co-op Board. The Co-op shall not enter into debt arrangements that expose the members to risk.

8.2.10. Insolvency or winding up of the retailer

In the event that an electricity retailer with whom the Co-op has a solar garden product ceases operations, the Co-op will be responsible for negotiating/allocating a new retailer for the members. If a new retailer cannot be identified in time, the regular bill credit may be withheld until such a time as there is a suitable retailer or the situation will be treated as in [Section 8.2.4](#).

Mitigation

The Co-op will only choose to negotiate with established and profitable retail partners and will regularly review the financial and economic standing of its chosen retailer/s in order to identify and mitigate any potential risk as early as possible

8.2.11. Change in the long-term wholesale electricity price

Upon expiry of the initial agreement with the retailer, lower wholesale electricity prices could impact the Co-op's ability to maintain contracts with retailers on favourable terms. Lower wholesale electricity prices may negatively impact the Co-op's financial position and performance.

Mitigation

The Co-op has conducted financial modelling that includes the forecasted energy pricing into the future and will seek to engage with retailers to ensure variations in electricity prices are gradual, giving time for the Co-op to respond and adapt.

8.2.12. Regulatory risk

The Co-op is subject to a range of laws and regulations. These laws and regulations include those relating to electricity generation, financial services, employment, and renewable investments. Changes to laws and regulations in these areas may adversely affect the Co-op.

There is no guarantee that existing or future laws, regulations, licences, government subsidies and economic incentives from which renewable energy generation operations benefit, will remain. The current solar energy sector is supported by certain initiatives including Large-scale Generation Certificates and renewable energy targets. A change in government policies or a reduction, elimination or expiration of those initiatives and incentives may have a negative impact on the financial position and performance of the Co-op. A change in energy regulatory laws could also impact the pricing or term of future agreements with a retailer.

Mitigation

The Co-op will maintain its strong political networks and advocacy links through its Board and membership. It will also continue to support its partnership with the Community Power Agency and other advocacy organisations.

9. Disclaimer

Due to the nature of the project and the funding from the NSW Government, please be aware of the following disclaimer.

- a. The views expressed herein are not necessarily the views of the NSW Government. The NSW Government does not accept responsibility for any information or advice contained herein.

10. Reference material

[Co-operatives National Law](https://bit.ly/36tC28l) https://bit.ly/36tC28l

[Co-operatives National Regulations](https://bit.ly/3d7zmjh) https://bit.ly/3d7zmjh

[Haystacks Solar Garden Co-operative Rules](https://bit.ly/2VPZJDx) https://bit.ly/2VPZJDx

[Haystacks Co-operative membership application form](https://bit.ly/2BgyFpz) https://bit.ly/2BgyFpz

[Social Access Solar Gardens Legal Report](https://bit.ly/3gp0BYo) https://bit.ly/3gp0BYo

[Social Access Solar Gardens Phase 1 Market Research Report](https://bit.ly/2B2ffoq) https://bit.ly/2B2ffoq

[Social Access Solar Gardens Phase 2 Market Research Report](https://bit.ly/3c73b1L) https://bit.ly/3c73b1L

[Social Access Solar Gardens Summary Report](https://bit.ly/2XxoXqa) https://bit.ly/2XxoXqa

Appendix

1. Haystacks Solar Garden Project

The purpose of this section is to allow prospective members in the Haystacks Co-op to understand the current activities of the Co-op. Members interested in purchasing a plot should consult the Offer Information and Disclosure Statement for this project and the relevant CCU Terms of Issue. Both of which can be found on the Co-op's website or on request at haystacks@solargarden.org.au

Introducing the Haystacks Solar Garden project

The Haystacks Solar Garden project will deliver Australia's first large-scale solar garden, opening a new pathway for households to own a slice of solar and demonstrating the benefits this model of solar development can bring to regional Australia.

There are two major components to the project

- A member owned solar garden co-operative
- A one megawatt solar garden installed on a farm property

In 2020, the NSW Government announced their support for the project, with the awarding of a grant from the Regional Community Energy Fund (RCEF) to help deliver the project.

The promoters have been developing the solar garden idea for some time. They recognise that working with the local community is an essential part of the project and have the expertise to make the project a success.

For more information about the Haystacks Solar Garden project and the offer for CCUs, members should consult the 'Haystacks Offer Information Statement'.

Promoters and Partners

Pingala and Community Power Agency are the promoters supporting the activities of the new Co-operative.

- Pingala Community Energy Incorporated ("Pingala") is a non-profit community group whose purpose is to create fairer energy for consumers in Australia.
- Community Power Agency Co-operative Limited (CPA) are Australia's leading experts in community-led energy projects.

These promoters co-developed the business model for the new Co-operative and they co-designed the project that will create the Co-op.

A partner on the project is Komo Energy, who is the developer of the physical solar garden.

Pingala secured a grant from the NSW Government's Regional Community Energy Fund supporting these activities. For compliance reasons, the funding agreement underpinning this grant funding has been transferred to Grong Grong Solar Farm Pty Ltd reducing the cost of development on the project..

Special purpose vehicle (SPV)

Developing the physical solar garden is a process of securing the required land rights, network connection, development approval and electricity licences and procuring an engineering, procurement and construction (EPC) contract and an operation & maintenance (O&M) contract.

These assets are owned by a special purpose vehicle (SPV) structured as a private company. Grong Grong Solar Farm Pty Ltd is currently a wholly owned subsidiary of Komo Energy. As mentioned above, the SPV is the funding recipient under the RCEF grant.

Offer of Co-operative Capital Units (CCUs)

The Haystacks Co-operative offers members the opportunity to purchase CCU to fund a plot in the solar array. CCU holders will be known as 'Solar Gardeners' and will have the rights and responsibilities assigned to them by the terms of issue.

For more information about becoming a Solar Gardener, please see the 'Haystacks Offer Information and Disclosure Statement' and Solar Garden Plot CCU Terms of Issue.

Developing the business model

As described in the main body of this Disclosure Statement (section 5.2), there are 3 main stages to the development of a Solar Garden project. Stage 1 in this project has been completed with the formation of the Co-operative and the growth of membership to a point the Board has deemed high enough to engage a developer. Below are the planned activities in the stages.

- Stage 1. Growth and Recruitment
- Stage 2.a. Identification of solar development
- Stage 2.b. Financial close
- Stage 3. Construction

Stage 1: Formation and growth

This stage has been completed and the Haystacks Co-op is in the beginnings of stage 2 “Capital Raising”

Stage 2: Capital raising

Activities

Since the Co-op has established a sufficient membership, the focus of activity shifts to the first and second primary activities of the Co-op. These are to, in summary, “establish and operate one or more solar gardens” and “provide plots in the solar garden to members”. Since Komo Energy are partners in this project the Co-op isn’t required to seek a development and is currently working with Komo Energy to bring the solar asset to a point in development when Solar Garden plots can be offered.

Once this has taken place, the activities during Stage 2 are about raising enough capital to fund the construction of the solar array that has been developed by Komo Energy.

Activities include:

- Collecting payment from members for their plots in the solar garden
- Collecting payment from the RCEF grant

There are two milestones that conclude this stage in the process: Milestone 2.a. Identification of a solar development, and Milestone 2.b. Financial Close.

A major part payment from the RCEF grant will not be received until the Co-op has entered into a debt finance agreement with Grong Grong Solar 1 Pty Ltd.

Once the agreement has been signed and after the RCEF payment has been received, the sequence of activities that comprise financial close can take place.

Resources

The funds raised during this stage will come from two sources:

- The pooled contributions from members paying for plots in the solar garden, totalling approximately \$1.4 million and
- A significant milestone payment from the RCEF grant, totalling \$55,000

These financial resources will not only allow the purchase and financial close to take place, they will also pay for Pingala and Community Power Agency’s time in managing and supporting this process for the Co-op.

Precondition to purchasing Grong Grong Solar 1 Pty Ltd: Minimum number plots purchased by members

To enable the Co-op to proceed with the debt finance agreement with Grong Grong Solar 1 Pty Ltd, the members must purchase their individual plots in the solar garden totalling \$1.4 million. This will require 333 of the members to each pay for a 3kW plot.

If insufficient solar garden plots are sold to allow the funding of the asset, the Co-op will have the choice of either winding down or continuing its first primary activity of identifying and acquiring a different solar asset. An implication of this is that outstanding payments from the RCEF grant will not be available to assist in this.

Precondition to Financial Close: Receipt of RCEF payment

Under the RCEF Funding Agreement with the NSW Government, a major payment is dependent on providing proof that several “deliverables” have been achieved.

Stage 3: Build

Activities

At the end of Stage 2, the Co-op has raised enough capital to fund the debit facility to be provided to Grong Grong Solar 1 Pty Ltd and achieve financial close. The Stage 3: Build activities encompass the remaining work to build the solar garden and establish the business operations.

As a condition of the debt funding agreement Grong Grong Solar 1 Pty Ltd will have included all the required approvals, design and engineering to proceed to construction of the solar garden. There will also be in place an engineering, procurement and construction (EPC) contract. Upon purchase of Grong Grong Solar 1 Pty Ltd and achievement of the financial close milestone under the Funding Agreement, notice to commence construction will be given under the EPC contract.

Komo Energy will remain involved as construction manager throughout the construction of the solar garden.

At the time of financial close, Grong Grong Solar 1 Pty Ltd, through Komo Energy, will also have put in place an operation and maintenance contract as well as an asset management agreement for the technical and commercial management of the physical solar garden through a third party. Both of these agreements will become effective only once practical completion is achieved under the EPC contract.

At the same time as the construction is taking place, Pingala and Community Power Agency will assist the new Co-op in establishing the operational activities and systems and processes required to effectively run the administration and finance side of the business of the Co-op.

Resources

Financial resources for this stage will come from the capital raised during the previous stage.

Precondition to commencing operations

Before the Co-op can commence operations, several elements must be in place, the most significant of these being:

- Successful energisation of the solar garden, with electricity being exported to the grid
- Financially responsible market participant (FRMP) engaged to act in the National Energy Market on behalf of the Co-op
- Signing of Asset Management Agreement with Komo
- Signing of Services Agreement with Pingala (see section 5.5)

Resources required by the Co-op

To effectively operate, the Co-op primarily requires financial resources which it can use to pay for service delivery contracts held with Pingala to provide organisational and administrative support (see figure 4 above).

The members are sharing the output from the solar garden loan to the solar farm, which represents only the portion of the output that would match a static solar system in an east coast location. The reality however is the physical solar garden will have single-axis tracking and is situated in an exceptionally sunny location. This means that the Co-op can have confidence that the solar farm will be producing ample energy to pay its financial obligations and manage overheads of the solar array.

The loan agreement will also include a fee charged to the solar array, with the money used to pay for the ongoing operating costs of the Co-op.

Non-financial resources required by the Co-op are minimal as the business is virtual in its nature, meaning most of the activities of the Co-op are back-office administration. No office space will be required by the Co-op, however a registered office is needed for official purposes. Pingala, as the administration services provider for the Co-op, will provide the required administrative systems and processes for the effective operation of the business.

Komo Energy

Komo Energy is responsible for the development of the physical solar garden and also provides the Co-op with operational and maintenance services for the physical solar garden.

Jonathan Prendergast of Komo Energy is managing the design and construction of the physical solar garden. Jonathan has a Bachelor of Engineering & Commerce

from the University of Melbourne, and has built expertise in the area of clean energy project management and investment over 12 years. Johnathan's experienced management will ensure the project is a viable and thriving entity characterised by excellence in design and construction.

Gerald Arends of Komo Energy is in the solar garden team managing project development and the contracting process for engineering, procurement and construction as well as operation and maintenance services.

NSW Government Grant

On acquisition of Grong Grong Solar 1 Pty Ltd, the Co-op becomes the effective recipient of the NSW Government Regional Community Energy Fund (RCEF) grant income, as reflected in Table 1. The income from this grant totals \$1,320,565 and is to be paid in six milestone payments. The bulk of these funds will only become available after the Co-op can demonstrate its ability to raise sufficient funds and development has reached a stage where construction can begin. Risks of not completing this requirement are laid out in section 8 below.

The payment of Milestones 3 and 4 are relevant to the beginning of operations as they will, in part, fund the construction of the solar asset. The Co-op will receive through the grant a payment of \$550,000 at the beginning of construction and a follow up payment of \$270,565 on the completion of construction and commissioning.

Below are the cash flows specific to the agreements of the Haystacks Solar Garden project (please see the offer information statement for more details). The remaining net cash flows will be used by the Haystacks Co-operative to pay for administrative expenses (see section 7 of this disclosure statement).

Pro forma cash flows for the Haystacks Solar Garden project

	Year	0	1	2	3	4	5	6	7	8	9	10
Receipts												
Loan repayments		\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626	\$151,626
Loan admin fee		\$14,000	\$14,280	\$14,566	\$14,857	\$15,154	\$15,457	\$15,766	\$16,082	\$16,403	\$16,731	
Sale of CCUs		\$1,398,600										
Gross cash flow		\$1,398,600	\$165,906	\$166,192	\$166,483	\$166,780	\$167,083	\$167,392	\$167,708	\$168,029	\$168,357	
Outgoings												
On-bill credit agreement		\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515
Supply of loan facility		\$1,398,600										
Outflows before Taxes		\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515	\$151,515
Net cash flows before Taxes		\$0	\$14,111	\$14,391	\$14,677	\$14,968	\$15,265	\$15,568	\$15,877	\$16,193	\$16,514	\$16,842

