



## **Watts Wind Energy signs Power Purchase Agreement with Nova Scotia Power**

PRESS RELEASE: For Immediate Release

Halifax, Nova Scotia, February 22, 2010

Watts Wind Energy Inc., a joint venture between experienced renewable energy operators Seaforth Engineering and Eon WindElectric, is pleased to announce that it has signed a 20 year power purchase agreement with Nova Scotia Power Inc. Watts plans to install a single 1.5 MW Vensys V77 wind turbine at Watt Section, Nova Scotia. The company has measured wind data at the site since October, 2008 and is looking forward to implementing the project this year. Seaforth Energy Inc. has been contracted to manage Watts Wind Energy and Eon WindElectric, a wind farm installation and servicing firm, will be providing wind consulting and project management services.

In addition to cash investment from the principals, the Watts project will also be financed with a mix of secured debt and equity capital. The current intent of Watts is to annually distribute most of its net profits to shareholders by way of dividends after paying all expenses and contributing to a capital reserve account, rather than reinvesting any profits into Watts Wind Energy which could be used for future wind development, to purchase more wind turbines or for other purposes. Although the current intent is that Watts will own the entire wind project, it may choose to sell a portion of the project, partner or joint venture with another company to develop the project, spin off the project into a new entity which could be partially owned by Watts or otherwise take actions whereby it would only own a portion of the project.

Watts Wind Energy is being organized as a special purpose Community Economic Development Investment Fund ("CEDIF"), which is RRSP eligible and provides the potential for up to 65% in tax benefits to eligible Nova Scotia investors, subject to various conditions.

"We are very excited about using the CEDIF structure for Watts Wind Energy in conjunction with the goal of aiming to distribute most of its net profits," said Stan Mason, CEO, Seaforth Energy. "We believe that investors want to see an annual yield on their investment in wind projects, and that this structure is designed to provide such returns."

This structure aims to provide Nova Scotia investors with the tax benefits of the CEDIF structure and tax deferrals of RRSPs while aiming to provide an annual return to

investors from the net profits of Watts Wind Energy, rather than using net profits for other purposes.

As new opportunities for wind projects arise, new special purpose CEDIFs can be created along the same model as Watts Wind Energy. “One of the aims is to separate the higher development risk associated with finding and developing projects from the lower risk of owning and operating projects,” explained Paul Pynn, President of Eon WindElectric Inc.. “With a 20 year power purchase agreement and very good wind, we believe that the revenues of Watts will be relatively consistent and we hope to be able to return net profits to investors.”

Watts Wind Energy has an experienced team which has a board of directors that includes five engineers, a tax accountant and a lawyer. The board includes principals of companies in the renewable energy business, including project management and operations and maintenance for large wind farms, independent power production and distribution to a utility, wind turbine manufacturing as well as renewable energy systems integration for homes and businesses.

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## **About The Seaforth Engineering Group of Companies**

Seaforth Engineering Group Inc. is part of the Seaforth Engineering Group of Companies, which includes Seaforth Geosurveys Inc., Seaforth Wind Energy Inc., Seaforth Energy Inc. and Morgan Falls Power Corporation.

## **About Seaforth Energy Inc.**

Seaforth Energy Inc. (which was formerly named MaManna Renewable Energy Corporation, and which is still using the MaManna Renewable Energy brand) is a Dartmouth, Nova Scotia based firm, operating within the renewable energy sector. The company is Nova Scotia's only manufacturer of wind turbines and Atlantic Canada's leading renewable energy systems integrator for residential, commercial and industrial clients. Seaforth Energy Inc. provides design, engineering, construction, installation and maintenance services for renewable energy solutions to residential, commercial and institutional clients, domestically as well as internationally. Seaforth Energy Inc. also manufactures the AOC 15/50, a leading 50 kW Wind Turbine, and is performing research and development on a residential scale wind turbine. The AOC 15/50 can be used for businesses, commercial and industrial facilities, big box stores, institutions, (hospitals, schools, government agencies), agriculture and farms, municipalities and community centers. The AOC 15/50 has been installed worldwide including in Canada, the United States, the Caribbean, Ireland, Scotland, Russia, and India. This turbine is the evolution of a design that has been field-tested around the world for more than 20 years and it has undergone the United States government National Renewable Energy Laboratory (NREL) testing.

## **About Eon WindElectric Inc.**

Eon WindElectric Inc. is a Canadian wind energy services company with a specialized group of engineers and technicians offering project management and development services as well as operations and maintenance services to wind developers for utility-scale wind farms. With offices in Nova Scotia and Newfoundland, Eon WindElectric has proven wind farm installation experience. Eon WindElectric's recent large wind projects include:

### **27 MW Fermeuse Wind Farm - Newfoundland**

#### **Client—Skypower Corp.**

Eon was contracted to act as Owners Engineers for construction of wind farm and substation.

### **6 MW Wind Farm— Maryvale, Nova Scotia**

#### **Client - Maryvale Wind Inc.**

Eon was contracted to manage project development and construction.

**34 MW Phase 2 West Cape Wind Farm - 17 - Vestas V80 turbines**

**Client - Ventus Energy**

Eon was contracted to manage construction of roads, foundations and crane pads to prepare for turbine installation spring 2008.

**9 MW Norway Wind Farm - 3 - Vestas V90 turbines**

**Client - Ventus Energy**

Eon was contracted as construction manager to supervise erection of the turbines and completion of the substation.

**22 MW Phase 1 West Cape Wind Farm - 11 - Vestas V80 turbines**

**Client - Ventus Energy**

Eon was contracted as construction manager to supervise erection of the turbines and completion of the substation and 34.5 kV collection system.

**20 MW Gifforn Wind Farm—8—2.5MW Fuhrlander turbines**

**Client - Fuhrlander North America**

Eon was contracted for technical support wind farm installation in Gifforn, Germany.

**3.6 MW Phase 1 Higgins Mountain Wind Farm - 3 - 1.2 MW Vensys turbines**

**Client - Springhill Riverhurst Windpower Ltd.**

Eon was contracted to manage development, construction and commissioning.

**900kW AWE Turbine installation - Springhill Nova Scotia**

**Client - Springhill Riverhurst Windpower Ltd.**

Eon was contracted to manage the installation, interconnection and commissioning of the turbine.

**Seaforth Geosurveys Inc.**

Seaforth Geosurveys Inc. provides a full range of marine engineering solutions to clients in North and South America, India, Africa, the Middle East and numerous other global locations, with a primary focus is the provision of precise navigation and positioning and ocean mapping services. Seaforth Geosurveys Inc. has a team of highly trained and dedicated professionals that includes geologists, geophysicists, hydrographers, land surveyors, project managers, electronic technologists and GIS (geographic information systems) and CAD (computer aided design) technicians. Seaforth Geosurveys Inc. provides consulting engineering and project management services in the fields of marine geo-surveys, and surveying, mechanical, and electrical engineering including:

- Consulting engineering and project management services in the fields of mechanical, electrical and surveying engineering.
- Precise navigation and ocean mapping services including Project Management, Quality Assurance / Quality Control, Differential GPS, integrated navigation

- systems, integrated swath bathymetry/imagery and marine geophysical systems, data acquisition and processing, feasibility and desk top study services.
- Marine engineering services including ship sub-component design & engineering.
  - Veripos Differential GPS services.
  - CARIS LOTS (Law Of The Sea) solutions provider. ([www.caris.com](http://www.caris.com))

### **About Morgan Falls Power**

The Morgan Falls Power owns and operates an 850-kW run-of-river hydroelectric facility in New Germany, Nova Scotia. A Seaforth subsidiary and significant contributor to renewable energy technology in Nova Scotia, Morgan Falls is an economically and environmentally sustainable renewable energy project that provides immediate greenhouse gas (GHG) emission reductions. Morgan Falls utilizes innovative turbine and advanced environmental mitigation technology. It has signed a 33-year power purchase contract with Nova Scotia Power Incorporated. Located at Morgan Falls, Lunenburg County, the facility is powered by Canadian manufactured small hydro technology that results in increased GHG reduction. Adding to the facility's uniqueness is the development, enhancement and showcase of innovative downstream fish by-pass technology that prevents the entrapment of fish in the hydro turbine. This fish passage system allows for previously unavailable fish assessment capabilities for Fisheries and Oceans Canada. Morgan Falls will produce approximately 3.5 million kilowatt-hours of electricity, resulting in an immediate reduction of an estimated 2,700 tonnes of carbon dioxide. Replication efforts are expected to increase GHG reduction to 23,000 tonnes of CO<sub>2</sub> per annum within the first five years, further increasing to 95,000 tonnes per annum during the subsequent five years of replication. Registered with the Voluntary Challenge and Registry (VCR) since 1997, Morgan Falls has also received EcoLogo certification and is actively participating in the Nova Scotia Strategy on Climate Change.

### **About CEDIFs**

Watts is being organized as a special purpose CEDIF, which also utilizes the Nova Scotia Equity Tax Credit (ETC) benefits and which has RRSP eligibility.

#### Nova Scotia Equity Tax Credit

The Nova Scotia ETC provides potentially substantial tax benefits to eligible Nova Scotia residents that make an eligible investment:

- 35 per cent of the investment made by an individual to a maximum annual investment of \$50,000 (maximum annual credit of \$17,500).
- Investment may be made within the calendar year or within 60 days of the taxation year end.
- Credit is not refundable but may be carried forward for 7 years or carried back 3 years.

- Credit that can be claimed in a single taxation year (including current year and the carry forward or back amounts) cannot exceed \$17,500.
- Tax credit receipt will be issued by the Nova Scotia Department of Finance and must be submitted with the individual's T1 Income Tax return for the tax year.
- Credit is available to residents of Nova Scotia who are over 19 years of age and who have valid reasons for making the investment. Each eligible share issue of must have at least 3 eligible investors.
- The investor hold period is 5 years. If an investment is disposed within 5-year period the investor may be required to repay the tax credits earned.

### CEDIF

In addition to the 35 per cent tax credit available under the Nova Scotia ETC, investments in CEDIF corporations may be:

- Eligible for an additional 20 per cent credit for holding their shares for 5 years, provided all other conditions are satisfied.
- Eligible for a further 10 per cent credit for holding their shares for 10 years, provided all other conditions are satisfied.
- Pre-approved holdings for a self-directed RRSP.

### RRSP Eligibility

- Typically it is difficult to find trust companies or brokerages to hold shares of a private company in an RRSP.
- Concentra Trust has a special program designed to hold and administer self-directed RRSPs for CEDIFs. This presents a unique opportunity to obtain and hold shares of Watts in an RRSP and obtain the applicable tax deferrals.
- Concentra Trust is a Credit Union company with \$15 billion in assets under administration.

Using an example of a \$50,000 investment:

|                 |  |
|-----------------|--|
| <b>\$50,000</b> | <b>Investment</b> ( <i>non-RRSP</i> )  |
| - \$17,500      | (35%) Nova Scotia Equity Tax Credit  |
| <b>\$32,500</b> | <b>Net Cost</b> ( <i>non-RRSP</i> )  |
| - \$15,000      | If new money to RRSP a deferral at the marginal tax rate*  |
| <b>\$17,500</b> | <b>Total Immediate Cost</b> " <i>out of pocket</i> "   |
| - \$10,000      | If held for ten years (less discount for time value of money)  |
| - \$5,000       | If held for fifteen years (less discount for time value of money)  |
| <b>\$2,500</b>  | <b>Total cost of investment if held for fifteen years</b> (less discount for time value of money and provided Shares maintain their value) |

*\* For illustration, a 30% marginal rate is used and the assumption is that there is sufficient RRSP room available*