

FLECS

Freshford & Limpley Stoke Energy Community Shares Ltd

COMMUNITY-OWNED SOLAR POWER



COMMUNITY SHARE OFFER

Offer opens Monday 14th November and closes Monday 5th December 2011

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SHARE OFFERING

Freshford & Limpley Stoke Energy Community Shares Limited (FLECS) is pleased to invite you to invest in community-owned solar power generation, the first project of its kind within the parishes of Freshford and Limpley Stoke.

For the sale of membership in:

Freshford and Limpley Stoke Energy Community Shares Limited

Share issue offer:

Offer opens: Monday 14th November 2011

Offer closes: Monday 5th December 2011

FLECS Ltd is an Industrial and Provident Society developing renewable energy resources for the benefit of the community. FLECS is registered with the Financial Services Authority in England and Wales under the Industrial and Provident Societies Act 1965.



SUMMARY

This share offering describes your opportunity to become a member of FLECS by subscribing for FLECS shares. As a community-owned enterprise, FLECS represents an exciting new vision for ownership of renewable energy supplies whilst offering a significant financial benefit to investors.

It is vital that you give this offer serious consideration given the need to deal with the twin challenges of a dwindling fossil fuel resource and ever increasing fossil fuel emissions contributing to global warming.

It is also critical that we act fast since the financial incentive offered by the Government in the form of the Feed-in Tariff (FIT) for investing in solar power schemes is to be significantly reduced for systems installed after 12th December of this year.

By purchasing shares, you will:

- ◆ Gain an equal vote along with every other member in how FLECS is managed
- ◆ Participate in the ownership of a local renewable energy resource and benefit from the Government incentive
- ◆ Be eligible for interest paid to members at 5%, in addition to capital repayment
- ◆ Help protect The Galleries Shop and Café against fluctuations in energy supply and costs
- ◆ Contribute to the creation of additional funds for use by Freshford and Limpley Stoke Community Association (FLISCA) in its community activities
- ◆ Support a model that can act as an example to our community and others in responsible and sustainable energy production

Shares in FLECS are valued at **£1 each** and investors may invest a **minimum of £750**. Each investor will receive one vote regardless of the amount of investment. We expect to give you interest on your investment into the project within the first year of operation and capital repayment of your initial investment from the third year. Table 1 below shows the key figures summary for a cautious, base case return and a more optimistic, "high" case return. In either case, we anticipate a 5% return on investment for our members.

Metric	Base Case	High Case
Investor rate of return	5.0%	5.0%
Galleries saving plus FLISCA return	£38,000	£55,000
Energy output	12,500kWh pa	13,300kWh pa
CO2 Saving	119,000kg	127,000kg
Income generated over 25 years	£161,000	£170,000
Inflation	2.5%	2.5%

Table 1: FLECS' Key Figures Summary

ABOUT FLECS

It is believed by many that energy prices will rise significantly in the UK over the next decade as a result of several factors including the rising global demand for energy and the decline in reserves of oil and natural gas.

The UK Government has set the ambitious target for electricity generation from renewable energy at 30% by the year 2020, yet currently has one of the lowest renewably energy contributions within the European Union.

The Directors of FLECS believe that developing local, decentralised electricity generation from alternative energy sources such as solar offers a positive and responsible step towards a solution to the looming energy crisis.

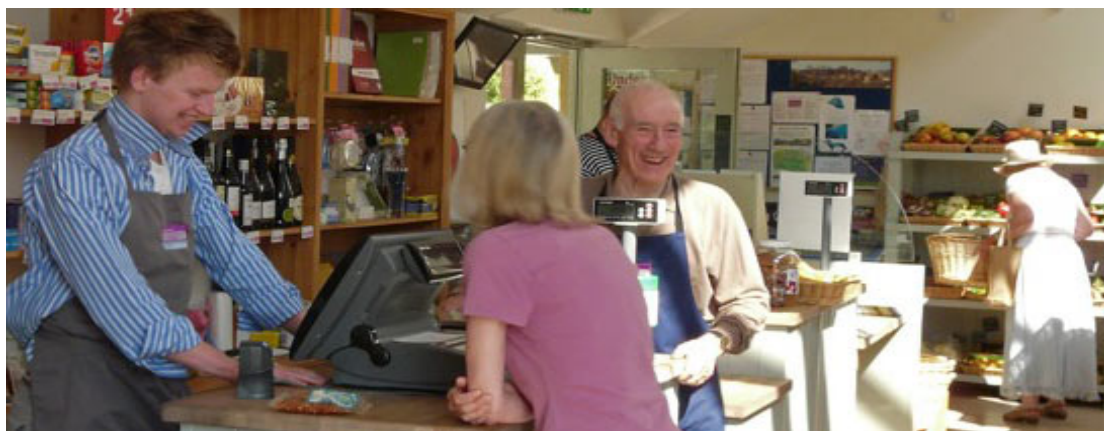
The vision of FLECS is to create a community-owned and financially sustainable enterprise that will make a significant contribution to renewable energy targets.

The principal aims of the project are to:

- ◆ **Provide a renewable source of electricity to The Galleries Shop**
- ◆ **Supply excess renewable energy to the National Grid**
- ◆ **Generate income from the Feed-in Tariff (FIT) scheme**
- ◆ **Contribute to funding of FLISCA (Freshford & Limpley Stoke Community Association) community projects**
- ◆ **Provide a fair return on our members' investments**

FLECS' directors have the experience and expertise to build a viable business model and have illustrated that the business model is robust, profitable and sustainable.

FLECS is owned by its members whose liability is limited under the Industrial and Provident Societies Act 1965. Our constitution is in the form of "The Rules" registered and approved by the Financial Services Authority.



How the scheme works

The number of sunshine hours in Freshford and Limpley Stoke is just over 4 hours per day on average¹. Whilst the greatest volume of electricity is generated during these hours, photovoltaic (PV) panels will continue to generate power at lower levels, even under overcast skies. The project will therefore harvest this readily available source of power.

FLECS has entered into a contract with the site owners who will provide the land required to house the PV installation in a highly suitable location along the top of the Galleries Field to maximise the sun's output.

Gitte and Stephen Dawson have agreed to provide this site for the 25-year duration of the project. Subject to the sum raised through our investors, the site will house 72 PV panels situated in a recess or "ha-ha" within the hillside so as not to cause any negative visual impact upon the countryside. Planning permission for the installation has been granted.

The expected output of the PV array is approximately 12,500 kiloWatt hours (kWh) of electricity each year², saving up to 119 tonnes of CO₂ over the lifetime of the project³, a weight of gas equivalent to 85 medium-sized cars⁴. In addition, the project has been calculated to generate approximately £161,000⁵ over its lifetime from the inflation-linked feed-in tariff (FIT) and export tariff that the Government has committed to for the next 25 years **if we can commission the installation by the 12 December 2011** i.e. prior to the Government's proposed FIT reduction.



The electricity generated will be used by The Galleries Shop, saving it nearly £32,000 over 25 years, and excess energy production will be exported to the National Grid. In each case, the Government will guarantee a feed-in tariff (FIT) of **32.9p/kWh** regardless of who consumes the electricity, and a further **3p/kWh** for any electricity exported. **Both of these amounts are inflation-linked.**

The FIT will provide income to repay capital and make interest payments to its investors with the surplus going directly to support the activities of FLISCA.

¹ Source: <http://www.metoffice.gov.uk/climate/uk/averages/19712000/>

² Calculation source: PVsyst Software V5.31

³ Calculation source: Renewables UK CO₂ recommended savings and Advertising Standards Authority adoption of 0.43kg of CO₂/kWh

⁴ Based on approximate curb weight of a Toyota Prius (1400kg)

⁵ Figure based on inflation at 2.5%. FIT is index-linked, therefore actual income generated may be higher if inflation rate is greater and vice versa.

Our Collaborators

The viability of this community enterprise is in part dependent upon strategic relationships with key stakeholders. Below is a list of those with whom we have entered into, or intend to enter into, a contractual agreement or who have provided us with time and expertise to allow FLECS to develop from concept to reality.

The Galleries Shop and Café



The Galleries Shop and Café is a community shop, built, owned and run by members of the Freshford and Limpley Stoke community. The FLECS project will supply a renewable source of energy to the shop during daylight hours and an electricity meter, along with educational materials, will be on display inside the building to show visitors the effectiveness of the scheme.

Freshford and Limpley Stoke Community Association (FLISCA)

This project was initiated, and is endorsed by, FLISCA. It is expected that surplus funds will be generated after covering the running costs of the installation and after repaying investors their capital and making attractive interest payments to them. This surplus will be donated to FLISCA to contribute towards community projects.

Gitte and Stephen Dawson

Gitte and Stephen have provided FLECS with the plot of land upon which the PV panels will be situated. The agreement to house the solar installation is for the 25-year lifetime of the project.

Philip Challinor and Christian Bamber

Philip has been instrumental in the design of the installation in order to minimise its visual impact. It was his idea to have a "haha" which was the key to resolving this issue and therefore obtaining planning permission. Philip also has considerable knowledge of the solar energy market and has been extremely helpful in the process of obtaining cost-effective tenders for the system.

Christian has become engaged in the project more recently but has worked extremely hard on a wide range of tasks, from the legal registration process, to the energy output and financial calculations and production of this Offer Document.

In recognition of the enormous contribution they have both made, they will be paid a fee out of the proceeds of the offer, estimated at £5,000. Particularly in Philip's case this is a massive discount on the value of their input at normal fee rates.

SEH Commercial



SEH Commercial specialise in solar installations and have been chosen to undertake the installation work for FLECS.

EcoPeople



EcoPeople is an organisation working to facilitate and promote the deployment of renewable energy systems to businesses and homes across the UK. EcoPeople have advised us on the design and build process of the solar panel installation including equipment selection and system design.

Wessex Community Assets



Wessex Community Assets offer support and advice to organisations wishing to obtain community investment and have acted as our sponsor for Financial Services Authority registration purposes.



Our Board

We have a highly experienced and diverse Board with a track record of successful management and community involvement which places us in a strong position to spearhead this enterprise.



STEPHEN DAWSON – CHAIRMAN & COMPANY SECRETARY

One of the first venture capitalists in the UK, Stephen has been involved for 25 years with ECI which specialises in mid-market buy-outs; he is now non-executive chairman. He was named Personality of the Year at the Private Equity Awards in 2007 and awarded an OBE in 2010. Stephen is also co-founder and former chairman of Impetus Trust, which has pioneered venture philanthropy in the UK, and co-founder and chairman of Jacana Venture Partnership, which is tackling poverty in Africa through investment in small businesses. Closer to home, Stephen is a trustee of Freshford and Limpley Stoke Community Association (FLISCA) and director of Galleries Limited.



CHRISTIAN BAMBER – DIRECTOR

Christian is founder and principal consultant of Approach Strategy, a consulting company specialising in strategy services to the service industry and not-for-profits. Prior to this, Christian worked for The Blue Cross animal welfare charity for three years as Director of Operations and was instrumental in turning the charity around and redesigning its corporate strategy. He is a Certified Management Consultant, a Fellow of the Institute of Directors and a Fellow of the Strategic Planning Society.



PHILIP CHALLINOR – DIRECTOR

After qualifying as an architect and chartered surveyor, Philip Challinor established a development consultancy practice focusing on sensitive planning issues. Philip obtained consent for the National Trust at Cliveden and the University of Bath's Sports Village. Philip also has a string of interests in technology and the environment and helped establish the RICS Sustainability Commission. Philip is a past President of FIABCI - the International Real Estate Federation based in Paris.



ANDY BARRS – PROPOSED DIRECTOR*

Andrew is a Fellow of the Royal Institution of Chartered Surveyors with over 30 years experience in the property investment market advising high net worth individuals. He is a founder and trustee of Wherever the Need, a registered charity dedicated to sanitation, water and livelihood programmes in India and Africa. In addition, within his home community Andrew is a Trustee of FLISCA.

Our reasons for doing this

We are passionate about looking after our environment and feel that as a community we have a responsibility to do what we can to contribute to its health and sustainability. Renewable energy generation is a step towards reducing our community's dependence on unsustainable energy sources and lowering our carbon emissions, whilst also contributing to the nation's renewable energy productivity and targets.

The project has been calculated to produce a highly reliable income stream from which interest and capital repayments can be paid to investors in addition to realising the community benefits. The offer has been designed to balance such community benefits with the need for members to receive a reasonable financial return.

It is expected that a surplus will be generated after covering the running costs of the installation and after repaying investors their capital and making attractive interest payments to them. This surplus will be donated to FLISCA to contribute towards community projects.

The project also provides a number of further, less tangible, benefits which are nonetheless of great significance to those who care about energy security, environmental damage and the future of younger generations:

- ◆ It helps protect against insecurity of energy supply
- ◆ It creates an example for future generations to care for the environment; we would expect to display energy production and other data in the Galleries Shop and arrange for visits from Freshford School
- ◆ It helps meet local, regional and national targets for CO2 reduction
- ◆ Local electricity generation is more efficient than electricity from the Grid⁶
- ◆ Provides a model for community-owned renewable energy production
- ◆ If you invest, you will be taking part in an important and innovative approach to energy security and renewable generation, whilst at the same time drawing a financial benefit.

THE OFFER

FLECS Limited is an organisation set up as an Industrial Provident Society (IPS) for community benefit to enable community investment. It provides an opportunity

*Proposed directors will be nominated at the first FLECS Board Meeting

for individuals from the local community to contribute financially to the community with the expectation of social environmental and financial return.

Such schemes are also known as Community Shares schemes.

Individuals may invest a **minimum of £750** and your investment will make you a full voting member of FLEC Limited. We expect to be able to pay **interest of 5%**

⁶ www.nationalgrid.com

from the first year in which the PV array starts to generate electricity (ie 2012) Your initial capital investment will also begin to be repaid after the third year of operation and will be repaid in full by the end of the 25-year project unless you have withdrawn it before then.

Required Investment

We need to raise approximately £50,000 for the project to go ahead. If we raise more than this sum from community investment, we will reduce the upper limit of individual investment and return the difference to those individuals affected until we have achieved the total investment required.

The money invested will be used to pay for the PV installation including purchase of the PV panels, installation costs, management costs, and insurance and warranties.

The income generated will be used for four primary purposes:

- ◆ To cover the cost of maintaining the installation and administering the project
- ◆ To pay interest to members
- ◆ To repay members' capital investment (starting in the third year of operation)
- ◆ To help fund community activities overseen by FLISCA.

A detailed financial spreadsheet has been prepared by FLECS' Board. It demonstrates the viability of the project and an increasing income over time sufficient to pay the required interest and capital payments to its members. This spreadsheet may be viewed on request.

We are working to ensure that the shares are eligible for Enterprise Investment Scheme (EIS) tax relief which allows investors who do not withdraw their investment for three years from the start of trading to set up to 30% of their investment against income tax liability⁷. EIS also has capital gains opportunities. Please note that EIS is arranged between the investor and HMRC: **FLECS cannot guarantee your individual entitlement to EIS tax relief, although we would provide a certificate of eligibility if EIS relief is obtained.**

Membership

To take part in this exciting community project, a minimum investment of £750 is required. As a member of FLECS, your investment entitles you to one vote regardless of the amount you invest. You will be investing in FLECS Limited which is registered with the Financial Services Authority, Registered Number 31405R.

FLECS Limited uses the rules for an IPS created by Wessex Community Assets⁸, specialists in community investments, who have advised us on the preparation and launch of this share offer. Our governing document, "The Rules", explains members' rights as well as details of the nature of the shares, and the

⁷ For more information on the EIS, go to <http://www.hmrc.gov.uk/eis/>

⁸ www.wessexca.co.uk

management and constitution of the society. The Rules may be examined by contacting FLECS Limited directly.

Summary of Membership

The key membership points are laid out below:

- ◆ There is a single class of share with a nominal value of £1
- ◆ A member of FLECS must subscribe for a minimum of 750 shares
- ◆ All members of FLECS have one vote each regardless of amount of shareholding
- ◆ Members may withdraw their share capital after a period of three years subject to Board approval
- ◆ Shares are not transferable as per FLECS' rules which prevent the sale of shares to third parties but there are provisions covering transfers in the event of the death of a member
- ◆ The Board is elected by the members by rotation, at the Annual General Meeting save for two executive directors who may be co-opted by the Board
- ◆ Only members are eligible to serve on the Board.

We will keep members up-to-date on any developments through emails (where you give us permission), occasional newsletters, the Annual Report and the Annual General Meeting.



"I just sit in the café and watch it make money"

RISKS OF INVESTMENT

No form of investment is entirely without risk. This is a long-term commitment and the value you will receive includes the contribution you will be making to community benefit.

Risk Factors

The Directors consider that this project is more risk-free than many forms of investment because it will create what is expected to be a secure income stream over 25 years and the calculation of the investment needed includes the costs of administering the project and maintaining the installation. Any cost arising from damage to the PV array, apart from Acts of God, the result of terrorist activity or any other standard exclusions, will be fully covered by our insurance policy.

However, the Directors have identified the following risks:

- ◆ The Government has announced a significant reduction to the FIT for installations commissioned after the 12th December 2011. Therefore, returns may be considerably reduced should our installation miss the deadline. If we expect the future return to drop below 5% on your investment, we will not proceed with the scheme and will return all monies to you.
- ◆ The price of electricity may go down as well as up
- ◆ Changes in legislation, especially to the value of FIT, would affect the project
- ◆ The amount of electricity produced may fluctuate due to abnormal weather patterns
- ◆ The project may be delayed for technical, financial or legal reasons
- ◆ There may be interruptions to electricity generation because of financial or legal matters
- ◆ There may be damage to the site that interrupts generation of electricity
- ◆ The capital costs are based on calculations carried out before this share issue. Any subsequent increase in capital costs will have to be met by funds raised in this share offer and any other sources of funding (gifts, grants and loans)
- ◆ Legislative changes to the role and function of the Financial Services Authority or to those of other regulatory bodies may change the way in which FLECS Limited is regulated
- ◆ Although we have planning permission, this is subject to certain conditions, mainly concerned with ensuring that the panels are not visible from sensitive locations. Although we are confident that our designs will fulfill these conditions, there is a risk that they will not, causing the project to be delayed or changed in order to conform.
- ◆ FLECS may cease to qualify for EIS relief. If this were to happen within three years of your investment, it could result in you having to repay any income tax relief you have received.

This list is not exhaustive.

Our share offer is exempt from the Financial Services Authority and Markets Act 2000 or subsidiary regulations which means that you will have no right of complaint to an ombudsman. A community benefit society is registered with but not authorised by the Financial Services Authority and so any money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. Please consider your investment carefully in the context of the complete share offer document and seek independent advice if you are unsure about anything.

TERMS AND CONDITIONS FOR APPLICATION

Offer timetable

The initial offer period is from Monday 14th November to Monday 5th December but may be extended further at the sole discretion of the Directors.

If applications are received for an aggregate amount that exceeds the expected maximum capital sum of £50,000, the Board reserves the right to reduce the individual upper shareholding limit and return the difference to those individuals affected.

Sale, transfer or withdrawal of shares

The value of a share in FLECS Limited cannot increase beyond the nominal value of £1 and can be reduced if liabilities exceed assets.

Shares can only be sold back to FLECS Limited; to get back the sum you initially invested (or any reduced value sum), you will need to give 180 days' notice to the Board. This can only be done after three years have elapsed from the date when the PV array begins generating electricity.

Withdrawal of capital will be at the discretion of the Directors who will assess whether FLECS Limited has adequate cash reserves to fund withdrawal at the requested time. We will always consider sympathetically any request to withdraw money.

FLECS can pay interest on shares and intends to do so but the Directors must exercise their discretion to take particular account of the fact that FLECS Limited provides an opportunity for individuals to contribute to the community with the expectation of a community benefit, as well as for financial reward.

Nomination option

In the event of the death of a member, the repaid value of the shares will normally be added to the estate for probate purposes. You may, if you wish, elect to nominate a recipient for the value of the shares. The value of the shares cannot exceed £5,000 under current legislation and therefore a maximum of 5,000 shares can be removed from your estate for probate purposes. These shares will pass to the nominee outside the will of the deceased. The nominated property will however form part of the deceased's estate for Inheritance Tax purposes unless the estate is an excepted state.

Your payment

This offer is primarily intended for individuals living and/or working within the parishes of Freshford and Limpley Stoke and their environs. We will also consider investments from groups of private individuals and we will make those payments due to "the group"; the distribution of capital and interest payments to specific individuals comprising the group is not the responsibility of FLECS.

We will acknowledge receipt of your application and corresponding cheque. We may cash your cheque as soon as it is received. FLECS will hold your money on trust in a separate account (this will be the FLISCA account) until the Directors have considered your application which will be after the offer has closed.



"It's the new Freshford currency, ma'am"

Should the directors decide not to issue shares to you, your money will be returned to you within 28 days of the first Board of Directors meeting at which all applications will be considered. If we decide to issue fewer shares to you than applied for, we will return the balance to you at the same time. If we receive more money from this offer than we need before we receive your cheque, we will close the offer prematurely and cheques received after this date will be returned.

If we do not receive the required capital investment by the closing date of the offer to pay in full for the installation, the Board of Directors will consider alternative installation options requiring a smaller capital investment. Your anticipated return on investment should not be affected. However, you will be informed of this eventuality within 28 days following the first Board of Directors meeting.

At the end of the 28 days following the Board meeting, any monies not required to be returned to you will be transferred to FLECS' bank account and will become the property of FLECS.

FLECS will not pay any interest on monies returned to you.

Your promise to us

In order for the project to be successful, you will need to promise us that:

- ◆ Your cheque will be honoured on presentation
- ◆ Individual investors are at least 16 years of age
- ◆ You have authority to sign the application form. If you are signing on behalf of another applicant, you must show the Directors proof of authority to do so
- ◆ You must provide us with proof of your identity and address if the Directors request this information. We may need to do this to comply with Money Laundering regulations 2003.
- ◆ You reside in the United Kingdom.

Demutualisation

Your attention is drawn to rules 14.2 and 32.5 of The Rules of FLECS which state that members are not to benefit financially if the society converts, or transfers its business or is wound up. FLECS makes it a condition of membership that members give up any personal financial benefit from conversion, or transfer, or winding up.

Miscellaneous

This offer and any agreement entered into for the purchase and sale of shares in FLECS is governed by the law of England and Wales. The courts of England and Wales have exclusive jurisdiction. You will be bound by **The Rules of FLECS** at all times.

Further Information

To become a member, please complete the share Application form on the previous page and return it with a cheque made payable to FLECS Ltd to:

The Secretary
FLECS Ltd
Hillside Farm
Church Lane
Freshford
Bath BA2 7WD

Important

Before completing the application form you must ensure that you have:

- ◆ Read the Community Share Offer document in its entirety
- ◆ Paid special attention to the section on Risks of Investment
- ◆ Considered taking financial or other advice in relation to The Rules and the Terms and Conditions of this share offer.

SHARE APPLICATION

Applicant details:

Title (Mr/Mrs/Ms/Other):

Forenames:

Surname:

Address:

Town:

Postcode:

Daytime tel. no:

If you are happy to receive future communication from FLECS by e-mail, please provide us with your email address:

Group Investment

For a group of private investors, please provide details of ALL members of the group separately. Please nominate one individual to whom all correspondence and payments will be made on behalf of the group.

Amount to invest (minimum investment £750)

I/We wish to invest a total amount of

£

in FLECS Ltd according to The Rules and the Terms and Conditions of the share

Declaration

I/We confirm my/our understanding that:

- ◆ This application, if and when accepted by FLECS, forms a contract subject to English law on the Terms and Conditions of the Community Share Offer document
- ◆ If insufficient funds are raised by the Offer, application monies will be returned.
- ◆ If we receive more than the required investment, investments may be scaled back and the difference returned to those individuals.

I/We confirm that:

- ◆ I/We have read the Community Share Offer document including the risk factors
- ◆ I/We am/are over 16 years of age
- ◆ I/We will give proof of my/our identity and address if the Directors should ask for this. They may need to do this for anti-money laundering purposes. The Directors may have to hold my/our shares until this information is presented.
- ◆ I/We am/are not relying on any information which is not included on the Community Share Offer document.

SIGNATURE