

Share Invitation

Invest in **Community Energy** in **Brighton & Hove**

BRIGHTON ENERGY
CO-OPERATIVE 

To join visit
brightonenergy.org.uk/product/join

INTRODUCTION

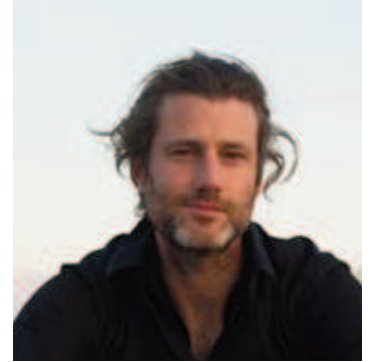
In 2011 we started off on an adventure: community-funded renewable energy in Brighton and Hove. A few people scoffed at the idea (“a co-operative?”) but it resonated with many more. At our first meeting 60 people crammed into a local hall to show their support for this simple idea. Brighton Energy Coop was born.

Four years later I'm pleased to welcome you to our most recent fundraising offer. Since our humble beginnings we've raised £680,000 from people in Brighton and beyond. We've installed and run five large PV arrays - and this is your opportunity to get involved and help up on our mission to grow renewable energy in Brighton.

Over the last few years we've amassed a wide range of experience - from contracting installers to maintaining and operating functioning solar PV systems. This latest stage in our evolution, therefore, builds on what we've achieved so far - and is aimed at helping us grow.

Our many hundreds of members have supported us along the way. It's been an incredible journey, and it's such an inspiration to have so many people as part of what we are doing. You can join them by becoming a member and adding your voice to the community energy revolution that's building in Brighton - and beyond.

Will Cottrell
Chairman
Brighton Energy Coop



£680,000

Invested to date

550kWp

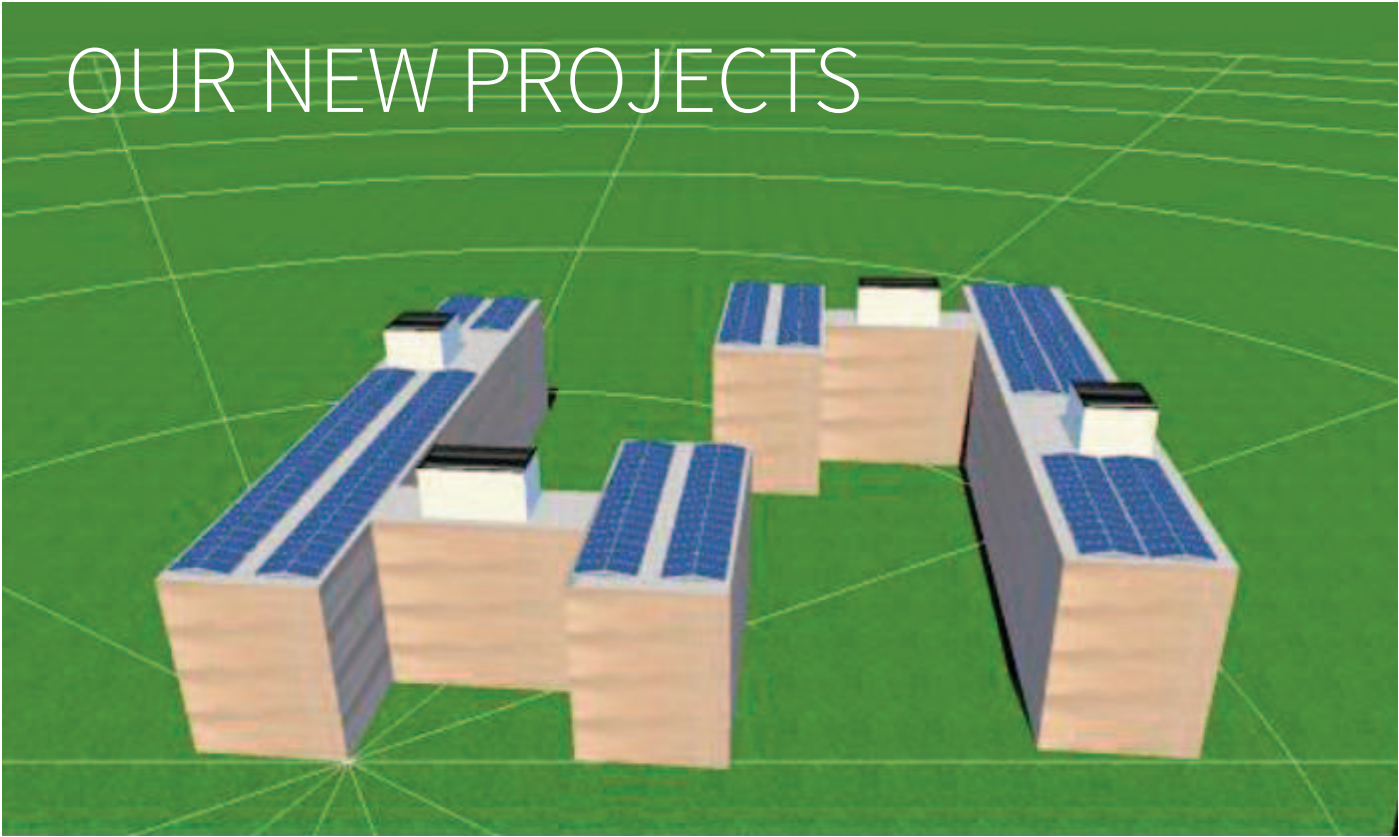
Solar PV developed,
funded, and run

200+

Members

From Brighton and
beyond

OUR NEW PROJECTS



Our 2015 project aims to capitalise on the success of our previous solar installs - over the next year we aim to install a minimum of **1MWp of solar PV** on buildings around the area.

This will require a **capital investment of more than £1,000,000**.

Our first installation will be at **Park Gate**, a residential block on Somerhill Road in Hove. Here we aim to install up to 100kWp of solar PV, saving residents considerable amounts on their communal energy bills.

In addition we have a **further 100kWp system at an advanced stage of negotiation, with up to another 750kWp to be confirmed in August**. We have several other systems with which we are in discussions and a strong pipeline of new prospects.

This share invitation, therefore, invites you to purchase a new class of ordinary share in our Community Benefit Society: Brighton Energy Ltd (BEL) and thus help us raise the money to finance the development, marketing and capital costs of our new projects.

You may purchase up to 100,000 shares, the minimum being 300. Each share is worth £1.

About Park Gate

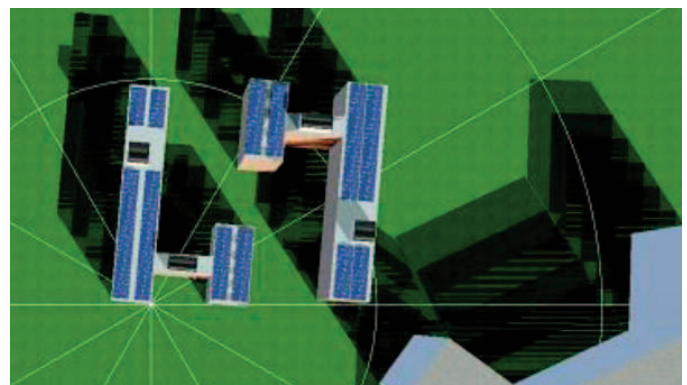
Our Park Gate array will cost £110,000 and will be BEL's first partnership with a residential building. With 400 panels generating electricity, we will supply Park Gate's communal supply; any excess will be fed into the national grid.

We have a **6-month exclusivity agreement and Heads of Terms** signed with Park Gate, giving us the right to install a solar array there. Based on figures from DECC, we expect this will save around 225 tonnes of CO₂ a year, typically the amount consumed by 150 domestic homes.

For the Profit and Loss calculations at Park Gate visit www.brightonenergy.org.uk/documents

Subsequent projects

We are at advanced stages of discussions with other landlords who represent a further 850kWp of solar PV. Each project is assessed by the BEC team to ensure they are suitable to deliver a return sufficient to cover operations, maintenance as well as 5% capital costs and a 5% dividend. If these projects do not materialise we will return members' monies, only issuing share certificates and investing capital in solar arrays that meet our investment criteria.



BY PURCHASING SHARES YOU WILL:

- Gain an equal vote with every other member in how the Society is managed and how your local energy resources are used
- Ensure that you participate in the ownership of local renewable energy resources and benefit from the Government incentives
- Be eligible for any interest paid to members. As set out below, we are aiming to pay members an annual return on their shares
- Contribute to developing a local energy supply, which aims to offer protection against fluctuations in energy supply and costs
- Contribute to the provision of renewable energy supplies for our area that, in turn, aims to retain benefits locally and strengthen the local economy
- Support a scalable model that can be replicated in other communities
- Help fight climate change and fossil fuel depletion
- Contribute to saving more than 225 tonnes of CO2 per year

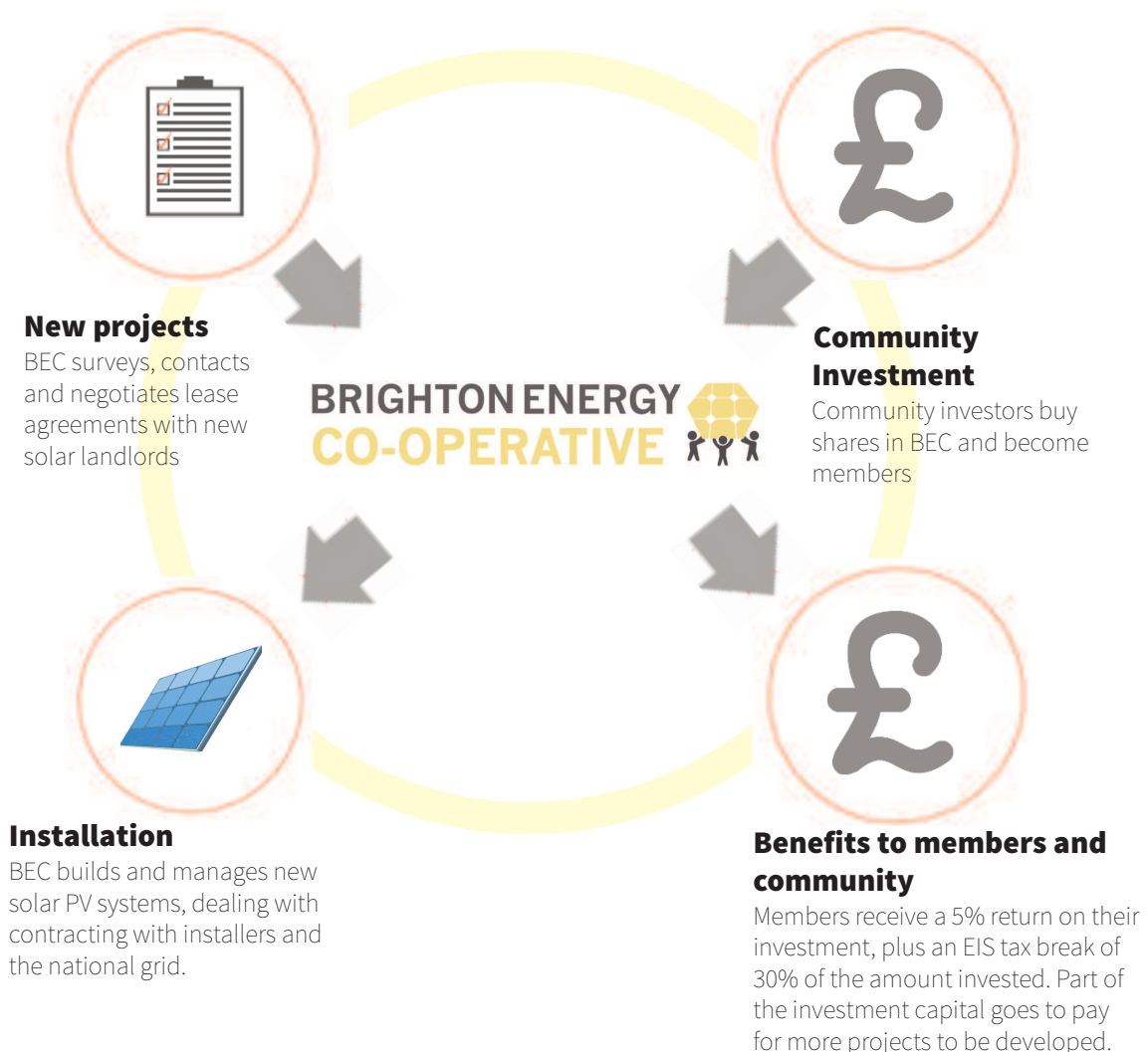
Risks

All investments and commercial activities carry risk. By buying shares members should weigh up financial risk and reward as they would with any other investment opportunity.

Those considering an investment should do so only after reading this document in full (including the section on risks below), you should also regard this Share Invitation as a long-term investment and should consult a financial advisor before investing.

To join visit
brightonenergy.org.uk/product/join

HOW IT WORKS



FINANCIAL PROJECTIONS & ASSUMPTIONS

We expect that all investments will receive a return of **5% interest** plus benefit from a year 1 **tax allowance** of **30% of the amount invested** (see **Enterprise Investment Scheme** below). The first interest payment will be at a minimum of 12 months after installation.

Please note that our figures are provisional. There remain several key risks around our assumptions, so it's important to read the risk factors below.

You can see BEL's yearly profit and loss figures at www.brightonenergy.org.uk/documents. The offer period is open until further notice at the discretion of the Board.

Income

We expect to generate and sell electricity that will be produced by solar PV renewable technology. This means there will be two income streams: one based on FIT (index-linked to the Retail Price Index) and one based on income through electricity sales to our host sites (also linked to RPI) or exporting to the national grid.

Outgoings

The greatest costs will be interest payments and capital repayment to members. The projections are based on the assumption that capital is returned to members as the assets are gradually written off.

Other costs include maintenance, insurance, inverter replacement fund and BEL running expenses.

Assumptions

In our projections we have made the following assumptions:

- Performance degradation 1% pa. This is a normal degradation rate for solar PV.
- Retail Price Index (RPI) 2.5%. This is based on recent experience, but may during the life of the project be much higher if medium-to long-term historic trends are followed
- Interest payments to members start at 5%. This is based on a projection of profit and reserves in our bank account
- Insurance figures are based on the quotes from our existing insurer
- Administration costs and running costs are estimates, again based on BEL's experience but with an increase to approximately 1000 members
- Projections are based on the project securing Feed in Tariffs appropriate to the different sizes of systems.
- Projections are also based on the production efficiency of our existing systems.

Enterprise Investment Scheme

Investors in BEL may qualify for the Enterprise Investment Scheme (EIS) which provides tax payers with tax incentives when they invest in EIS Qualifying Companies (such as BEL).

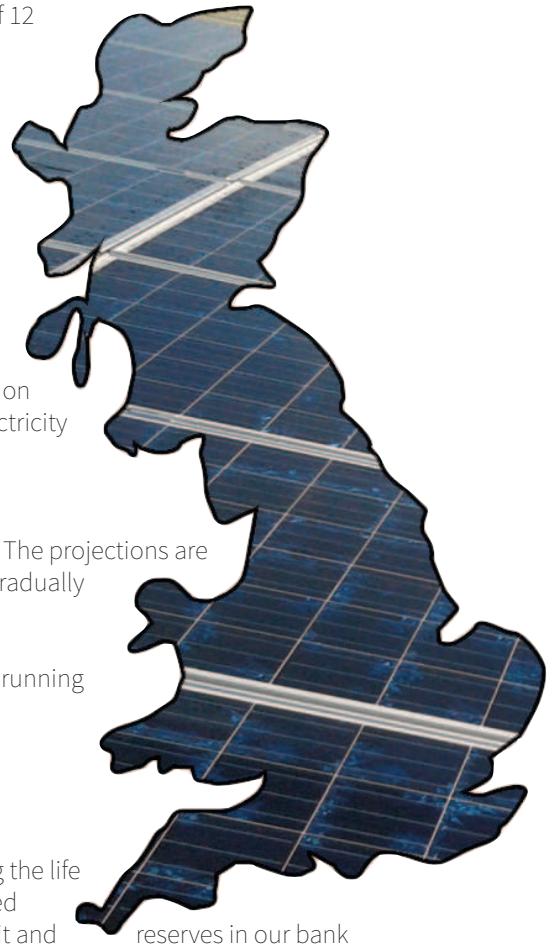
Income Tax Relief

By investing in BEC an individual can benefit from 30% income tax relief. The minimum investment to qualify for EIS is £500, and those qualifying must retain their shares for at least 3 years.

Inheritance Tax Relief

Shares would generally be expected to attract Business Property Relief at rates of up to 100% for IHT purposes, provided the shares have been held for at least 2 years.

This share offer has been given acceptance of EIS Qualifying Company status. Full details of the EIS scheme can be found at: <http://www.hmrc.gov.uk/eis/>



ABOUT BRIGHTON ENERGY COOP

Brighton Energy Co-op is the trading name of Brighton Energy Limited (BEL), a Community Benefit Society (CBS) formed in 2010. See www.brightonenergy.org.uk/documents for our latest accounts and current financial position.

Brighton Energy Limited Structure

As a CBS, Brighton Energy Co-op is democratically owned. Each member has one vote, regardless of the number of shares they hold. Unlike a limited company, which is designed to benefit shareholders, a CBS is designed to benefit the community whether they are members or not.

BEL is bound by its Rules, and the powers of members and Directors are set out within those Rules. The Directors run BEL in line with the Objects set out in the rules on behalf of the members. The members have the right to elect and remove Directors. A copy of our rules is available for download via our website.

Board practices

Directors serve in accordance with the rules of Brighton Energy Ltd. Currently there are no service contracts between directors and BEL, although this will change in Summer 2015 (see 'Disclosure' below). BEL manages the day-to-day operations under the supervision of the Board. The Board will bear ultimate responsibility towards the members.

As an Industrial and Provident Society, Brighton Energy Ltd complies with statutory requirements and the regulation of the Financial Conduct Authority. As its shares will not be listed on any exchange. BEL is not obliged to comply with the Combined Code on Corporate Governance.

Will Cottrell

Will founded BEC in 2010 and has been Chairman since. He was Community Energy Fund-raiser of the year 2014, and has authored several pieces on developing community energy schemes. Will oversaw the development, fund-raising and installation of BEC's £480,000 2014 projects at Shoreham Port. He's also part of Coops UK community energy mentoring programme, mentoring a community energy group in London.

Damian Tow

Damian joined BEC in summer 2010 and was part of the team that subsequently raised BEC's £18,000 start up capital and £180,000 initial share launch. He oversaw negotiations with BEC's existing sites, dealing with 50 prospects between 2011-12 and installation of the first set of arrays. He is a director of Brighton's Eco Technology Show, a freelance sustainability consultant and previously spent 15 years in corporate programme management.

John Smith

John is the Director of Cityzen which specialises in Architectural Technology, Low Carbon Consultancy and Sustainability. As a CIBSE-accredited Consultant he advises on the design of renewables and carbon modelling.

Terry Walker

Terry Walker joined BEL after retiring as Head of Governance and Company Secretary for Radian Group - a Hampshire-based housing association. He also spent many years working as Head of Policy at Citizens Advice and as Corporate Secretary to the Pensions Regulator. He's a member of the Green Party and a past director of Brighton Jazz Festival and more recently Brighton Housing Trust.

Danni Craker, BEL Accountant

Danni spent nearly 8 years working with PricewaterhouseCoopers and now runs Craker Business Solutions, a Hove-based environmentally- conscious accountancy practice. She started working with Brighton Energy Limited in August 2010.

BEC's HISTORY

2011

Raised £18,000 from six Brighton investors to develop concept.

2012

150 people invest £240,000; BEC installs 1st solar project across three sites.

2013

Added a further £225,000 of solar to BEC's renewables portfolio.

2014

Amidst two ministerial visits we raised a further £220,000 for a new solar array at Shoreham Port.



DISCLOSURE

None of the Directors of Brighton Energy Ltd have, for at least the past five years, received any convictions (for any fraudulent offence or otherwise), or been involved in any bankruptcies or receiverships, or received any public recrimination or sanction by a statutory or regulatory authority or designated professional body, or been disqualified from any function by any court.

Conflicts of interest

In the summer of 2015 Will and Damian intend to set up a limited company to provide project development and operations and maintenance services to BEL . They intend to also remain directors of BEL. This means they will not be present in any discussion of matters relating to the limited company and shall not vote in respect of such contract relating to it.

The rules of BEL include provisions relating to potential conflicts

of interest; related party activities are disclosed and dealt with according to the rules. For further information see our website: www.brightonenergy.org.uk/documents.

Remuneration

BEL pays remuneration to Will and Damian for administering BEL, up to a maximum of £10,000 combined per year. BEL also pays Will to develop new projects. Between March 2014 and June 2015 Will was paid £15,062 to develop new BEC projects.

We cost these payments at a market rate similar to that which has been paid by comparable organisations, either via paid directorships or independent consultancies.

The directors are elected each year at our AGM.

Team Experience

Financial Reliability

BEC dividend payments to existing members expected in August 2015 (subject to our accounts being completed and approved at our AGM): on time & as predicted . All BEC debt facilities repaid early since 2011; BEC now has no debt.

Fundraising capability

Raised £680,000 from 200+ community investors 2012-15

Technical Experience

Developed, installed and run 5 large solar installations.

RISKS

Not securing sites

The completion of Phase 3 (above) depends upon obtaining contracts with several further sites. Without contracts we are obviously unable to proceed further. It is therefore a risk that the money we spend on developing these projects may be spent without a result.

Mitigation:

We anticipate being able to offer investors a 5% return, including a fund for developing these future sites. Any future installation will not proceed unless they are able to deliver this 5%. We will also only invest members' funds in new arrays and issues shares once we are confident that the array will deliver our target returns.

Raising insufficient funds

It is possible that, once our share launch is under way, not all the required capital can be raised.

Mitigation:

The Board is confident that all subscription targets set are realistic and achievable, however, and considers it unlikely that there will be any significant deficit 12 months after commissioning. If the fundraising target for each phase is not achieved then we will refund all shareholder capital for that phase.

Feed in Tariff Reductions

Previously changes in government policy have provided an insecure foothold for start-up solar schemes.

Mitigation:

DECC allows community energy projects to lock in a feed in tariff rate for up to 12 months. This allows project delivery based on a given tariff. Community lock in of tariffs is available up to the change of tariff date, announcements of tariff changes generally come 2 months prior to the change date. We intend to lock in FIT rates as soon as we have secured new sites.

General investment risks

The value of shares can fluctuate according to the value of the underlying business. The Offer shares will never rise in value but may fall. Offer shares will not be transferable or traded on a recognised stock exchange, but only buyable back by BEL.

Risks associated with the assumptions

The RPI and cost increase rates are variable and unpredictable. FIT is linked to the RPI but so directly and indirectly are some of the costs, therefore variance within recent RPI ranges will not have a major impact on profit.

Energy cost inflation may prove to be more volatile; it is expected to rise ahead of inflation on average but will probably do so in an irregular fashion. Revenue may surge ahead of projections in the short term but fall back to trend later, or vice

versa; alternative energy sources might in the long run reduce energy cost in real terms and so reverse recent inflationary trends and erode profit. The Board will need to review actual revenue and developing trends before making interest payments or allocating funds to the grant fund.

Risks specific to Brighton Energy Ltd

Warranties and insurance will be in place in the event of mechanical breakdown of the equipment. Complete failure and loss of revenue through mechanical breakdown is reduced through the use of multiple inverters and the system will be monitored and managed to minimise interruptions to supply.

Accidental and malicious damage will also be covered under insurance and public liability insurance of up to £10m. BEL's equipment is presently insured via Lycetts Brokers.

Renewable energy industry risks

Government policy towards renewable energy may change, although long-term commitments relating to the FIT make this unlikely, since FITs are part of primary legislation and thus difficult to change. Throughout the operation of the FIT the Government has maintained the commitment to the process of 'grandfathering' which ensures that whatever tariff a project is registered for at the commencement of operation, the tariff will remain the same for the duration of the FIT period, (20 years in the case of this project). This payment is also linked to the Retail Price Index.

Projections are based on current FIT rates on the assumption that we are able to comply with preliminary registration through Ofgem ROO-FIT regulations. The Board is unable to guarantee that this will be possible so a lower FIT rate may apply.

Any changes to the FIT that occur before the end of the share issue could result in the Co-operative returning funds received from prospective members at the end of the Share Offer Period.

FINANCIAL INFORMATION

Investing for Children

Parents and grandparents can invest in BEL for their children and grandchildren, or can invest on their own behalf now and give their investment to their children and grandchildren in their will. Interest earned will be paid to the beneficiary named by the investor in their membership application. Shares passed on this way are exempt from inheritance tax.

Share Withdrawals

Shares are withdrawable up to a maximum of 5% per annum of issued share capital in issue at the start of the financial year. The Board may resolve to require any proportion of its share capital to be withdrawn, in which case it shall treat as agreed to be withdrawn on behalf of every member (and not some only) that proportion of the shares held by them (with such rounding to the nearest whole number of that Proportion which is a fraction as the Board may determine). All members are deemed to give any consents required to the withdrawal of their shares in this manner.

The withdrawal of shares is currently suspended for 3 years, which aligns with the period to benefit from EIS. The scope for being able to withdraw shares in the future will be dependent upon the Society developing a successful business and hence cash flows to pay out share withdrawals or contingent on the Society raising additional capital for the purpose of paying out share withdrawals.

In the case of joint investments, all investors concerned must agree to a withdrawal. Shares will be repaid at the original price (subject to comments hereafter).

The Directors of the Society have the right to change the withdrawal facility, or to suspend withdrawals. Similarly the Directors have the right to write down the value of shares, if the liabilities of the Society (and its share capital) should exceed the value of its assets. Members who then withdraw their shares will only receive the written down value of their shares.

The value of your shares may fall and their value will not exceed the £1 per share. Although shares are withdrawable, you may not be able to withdraw the full price you pay for them if BEL does not have funds available at the time you want to withdraw your shares. In some circumstances, the Directors may be compelled to write down the value of your shares. Should you then wish to withdraw your shares, you should expect to receive only their written down value.

Returns to Members

The Society will pay only a sufficient rate of interest on money paid for its shares and may pay no interest at all. A sufficient rate is determined by the Directors as the rate necessary to obtain and retain the capital required to carry out the Objects of the Society as set out within its Rules.

Voting

Each member has one vote regardless of the size and value of their shareholding. Members are kept informed of developments through the Brighton Energy Co-op website, by e-mails where the member so wishes, by occasional newsletters, annual reports and Annual General Meetings.

Legal Information

This document is issued by Brighton Energy Limited, registered number 31107 R, as a Community Benefit Society incorporated in England and Wales on the 10 November 2010 under the Industrial and Provident Societies Act 1965.

This offer of shares is not regulated by the Financial Services and Markets Act 2000 or subsidiary regulations. The money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. The Society, unlike banks and building societies, is not subject to prudential supervision by the Financial Conduct Authority, nor has it been approved by an 'approved person' under section 21 of the above act.

This document does not constitute a prospectus within the meaning of the Prospectus Regulations 2005. These regulations do not apply because there is a specific exemption for community benefit societies that conduct their business for the benefit of the community.

As a member and shareholder of the Society you own the Society. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares. This may make it inappropriate as a place to invest savings.

Your investment in your share account receives interest but does not enjoy any capital growth. It is primarily for the purpose of supporting the society rather than making an investment. As a Society, the maximum return offered to investors will always be limited.

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 elect to nominate a recipient for the value of the shares (but only up to the amount set out in law) and thus (under current legislation) remove the value of the shares (up to the amount set out in law) from your estate for probate purposes i.e. the shares may pass to the nominee outside the Will of the deceased). The nominated property will nevertheless form part of the deceased's estate for Inheritance Tax Purposes, unless the estate is an excepted estate.

Documents

The Rules of Brighton Energy Limited, application form, latest financial statements and financial projections are available on our website: see <http://www.brightonenergy.org.uk/documents>.