

# Solar for Schools Community Benefit Society (CBS) Legacy Shares Summary (subject to final approval)

## Legacy Shares conditions:

- Par value of £1 per share on issue.
- Each investor will become a member of the society and agrees to abide by its rules and will have one vote per member, regardless of the amount invested.
- Minimum Investment of £5,000 and due to their limited availability allocated first to those that wish to invest the most each year.
- No fixed redemption or re-payment date.
- Maximum total investment in Legacy Shares £2 million.
- Initial interest rate: 5.25% PA (Current Bank of England rate) until 31<sup>st</sup> March 2024.
- Annual interest will then be equal to Bank of England interest rate on 1<sup>st</sup> April each year.

## Number of members allowed:

The number of members holding Legacy shares will be limited so that they never exceed one fifth (20%) of the total number of voting Members. This will ensure the schools remain in control of the CBS.

As such, Legacy Shares will only be issued to up to 20 individuals at the time of this approval.

If more than 20 people apply, the 20 highest offers will be accepted. If the sums pledged add up to more than £2 million, the number of individuals accepted may be reduced to stay within the £2 million maximum investment sum or the cap may be increased by the Directors when further funds are needed.

## Legacy Share returns:

Members owning Legacy Shares are entitled to an interest payment, calculated pro rata to the end of March each year with no tax deducted, which is paid into their bank account after all bondholder and other lenders have been paid their interest in October. The share interest applicable to Legacy Shares will be determined at the AGM in October each year based on the Bank of England interest rate of 1<sup>st</sup> April and paid out unless the portfolio has significantly underperformed, and the directors consider that paying these members would put the bondholders or other lenders at risk.

The Bank of England Interest rate is currently 5.25%.

Members holding Legacy Shares can choose not to receive interest, in which case they will receive additional Legacy Shares each year to the value of the interest not paid. These shares will be calculated and issued before any transfer or redemption. To accrue shares rather than interest, the member must notify the directors of the CBS by email at least 30 days before 1st November each year.

## Example:

If a member invests £10,000, and chooses not to receive the interest each year, in the event of their estate re-deeming the shares after 3 years, the estate would receive,  $£10,000 + £525 + £552.5 + £581.5 = £11,659$ . (This example assumes that the Bank of England Interest rate remains at 5.25% for the 3-year period). This would continue for as long as the member lives, or they choose to re-deem their shares or choose to receive interest each year.

## Legacy Share transfers and redemption:

The Legacy Shares are transferable only in their entirety and at the discretion of the Directors and do not have a fixed redemption or re-payment date.

In the event of death of a member holding Legacy Shares, the Directors will work with the their estate/descendants to transfer or re-deem the shares, while the Directors will prioritise these re-payments and would aim to complete them within 6 months, no timescales can be guaranteed and timing of re-payment is entirely at the discretion of the Directors at that time and subject to the CBS's available funds. The Estate would continue to accrue interest on the shares in the usual way until re-paid or transferred.

#### **Inheritance Tax:**

The CBS Directors confirm that to the best of their knowledge, the conditions required to qualify for Business Property Relief and are thus Inheritance tax (IHT) exempt are currently being met by the CBS and that they will continue do what is possible to ensure that the CBS continues to meet them, but the CBS Directors cannot be held liable for any changes to legislation that the CBS cannot meet and any resulting loss of IHT benefits.

#### **Current IHT / Business Property Relief conditions**

The current conditions for the shares to be inheritance tax exempt, and how they are met are:

- 1. The company must be a trading company or the holding company of a trading group.**  
(The CBS owns the solar assets and sells electricity, which is considered a valid trade)
- 2. The business must be carried on with a view to making a profit.**  
(The CBS is not a charity and plans to pay shareholders an interest return from surplus income before taxes)
- 3. At least 50% of the company's assets must be used for trading purposes.**  
(The CBS invests all spare funds into new assets that generate electricity. As such it only holds a small amount of cash at any time and holds no other assets such as investments)
- 4. The shares must have been held for at least two years by the person who is passing them on.**  
(Each investor must pay for the shares at least two years before they pass away, which is significantly less time than the 7-year period required to make large gifts IHT exempt)

**Please make sure you seek your own tax advice, as inheritance tax is a complex area, dependent on your personal circumstances, and the CBS's Directors are not qualified to advice on the suitability of these shares to your particular inheritance tax (IHT) planning needs. Neither the Directors nor the Schools can be held responsible for the loss of any expected tax benefits arising from your investment in these shares.**