

# **The Merepark Solar EIS Fund**



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The attention of prospective investors is drawn to the fact that funds will be committed to investments which may be of a long term and illiquid nature. The Merepark Solar EIS Fund (the Fund) is a discretionary investment management service. Neither the Fund nor the companies in which it invests will be quoted on any recognised or designated investment exchange and, accordingly, there will not be an established or ready market in participations in the Fund nor the underlying investments. An investment in the Fund will therefore not be easily realisable.

Prospective investors should not treat the contents of this document as constituting advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers authorised under the Financial Services and Markets Act 2000 concerning participation in the Fund.

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# **THE MEREPARK SOLAR EIS FUND**

**Sponsored by  
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*(Authorised and regulated by the Financial Services Authority with firm reference number 187702)*

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## **IMPORTANT NOTICE**

**The Fund will be investing in unquoted high risk companies resident in the UK. The investments to be made by the Fund are to be of a long term and illiquid nature.**

**It may be difficult to sell or realise your investment or to obtain reliable information about its value or other risks to which it is exposed and you may not get back the full amount invested. Investment in The Merepark Solar EIS Fund is intended to be for the long term and dividend income during the life of the Fund is unlikely to be payable. The Fund is not a collective investment scheme for the purposes of section 235 of the Financial Services and Markets Act 2000.**

**Your attention is drawn to Part III of this document, which sets out certain risk factors relating to any investment in the Fund. All statements regarding the Fund's concept and prospects should be viewed in the light of the risk factors set out in Part III of this document.**

**It is intended that one of the Fund's investments will be Merepark Solar Limited. Enterprise applied to HMRC for advance assurance that this company will qualify for EIS, which assurance was given by HMRC on 25 August 2011. Prospective Investors should be aware that receipt of advance assurance from HMRC does not guarantee that EIS clearance will be granted once Merepark Solar Limited begins trading and in that case any investment by the Fund in Merepark Solar Limited may not attract EIS Relief on some or any of the other Tax Advantages.**

### **Note:**

This document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to anyone to whom it is unlawful to make such a solicitation. Prospective investors should inform themselves of and observe all applicable laws and regulations including any taxation or exchange control legislation in the countries of their citizenship, residence, domicile or such other status as may be relevant. An investment in the Fund is suitable only for financially sophisticated investors who are capable of evaluating the merits and risks of such investment, who do not require immediate liquidity for their investment and who have sufficient resources to bear any loss which might result from such investment. If you are in doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor or other professional adviser. Enterprise Corporate Finance Limited is authorised and regulated by the Financial Services Authority.

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## KEY INFORMATION

The following section should be read in conjunction with the full text of this document. **Your attention is drawn, in particular, to the section headed "Risk Factors" on pages 22 to 24.** There is a significant risk that Investors could lose their entire investment in the Fund.

### THE FUND

The Fund will be structured as a discretionary management service, in the form of an Unapproved EIS Fund seeking up to £10 million. The Fund will invest up to £2 million into each of a series of companies which will carry on the business of solar electricity generation. The Fund has been developed to provide Investors with the opportunity to access a spread of companies combining EIS tax relief and the attractive Feed in Tariffs ("FITs") available from certain types of renewable energy project. The availability of EIS tax relief from FITs trades will expire on 5 April 2012, by which date all EIS Qualifying Companies must have commenced commercial electricity generation.

### FEED IN TARIFFS

FITs were established to help the UK Government meet its goal of 15% of UK electricity generation being from renewable sources by 2020 by offering a pre-defined and index-linked support payment for electricity generated from renewable sources. They also have the potential to provide investors with attractive financial returns which have low correlation with mainstream equity markets. The level of FITs was set by the Government to give projects an annualised return of between 5% and 8%. Both the Generation Tariff and Export Tariff are index-linked to the Retail Prices Index. Given the expected low operating costs of the Investee Companies which operate the Solar PV Systems, the Asset Manager anticipates that this indexation will make the investments attractive in the event that the UK goes through a period of high inflation over the investment horizon.

### INVESTMENT STRATEGY

The Fund will only invest in businesses which derive their revenue from Solar PV Systems and are already generating electricity. The Investment Manager believes Solar PV businesses have low exposure to price variations from suppliers together with low operating and maintenance costs, when compared to other renewable energy generating businesses, for example, wind farms. The Investment Manager together with the Asset Manager has identified a large pipeline of opportunities in Solar PV businesses of this type which are of a size that qualifies under the EIS rules.

The Investment Manager has developed the following investment strategy and will invest in Investee Companies having some of the following characteristics:

- *Type of renewable energy:* investment in ordinary shares of UK companies generating electricity from Solar PV Systems, where electricity generation has commenced before 5 April 2012.
- *Investment size:* investments of between £1,000,000 and £2,000,000 per Investee Company.
- *Installed Solar PV Systems:* investment will only be into constructed projects already generating electricity, so that there is no development risk i.e. there will be none of the risks associated with finding sites, negotiating contracts, securing planning permission or installing Solar PV Systems on the roofs of buildings.
- *Size of Projects:* investment in a portfolio of commercial Solar PV installations (up to 50 kWp).
- *Term:* The FITs received by each of the Fund's Investee Companies will be fixed, before adjustment for indexation, for 25 years.
- *Property:* investment in companies which either own or have a suitable lease or licence on site for a period that is at least as long as the term of the FITs (i.e. 25 years).
- *Counter parties:* collaboration with a range of leading renewable energy businesses with substantial experience and track record in the Solar PV industry.
- *Location:* investment in the South and South West regions of the UK, where irradiation levels are the highest.

- *Diversification*: it is intended that each Investee Company will acquire a diversified portfolio of at least fifteen 50 kWp Solar PV Systems.
- *Debt*: the Investment Manager does not envisage the use of any borrowing to co-fund the Investee Companies' projects, therefore there will be no initial leverage risk.
- *EIS*: advance assurance will be sought from HMRC that each of the Investee Companies qualifies for EIS Relief. Advance assurance has already been obtained in respect of the first Investee Company.

#### **EXCLUSIVE TERMS ON £10 MILLION OF INSTALLED SOLAR SYSTEMS**

The Investment Manager and the Asset Manager have partnered and agreed exclusive terms in principle for up to the value of £10 million of installed Solar PV Systems with a consortium made up of the businesses as listed below:

Osborne Energy [www.osborneenergy.co.uk](http://www.osborneenergy.co.uk)

Shape Energy [www.shapeenergy.co.uk](http://www.shapeenergy.co.uk)

Emotion Energy [www.emotionenergy.co.uk](http://www.emotionenergy.co.uk)

The consortium is incentivised to construct Solar PV projects to the highest standard subject to stringent due diligence and monitoring by the Asset Manager; a percentage retention of the fixed contract price, and ongoing FIT management fees payable to the consortium are linked to the level of the FIT revenue generated by the installed Solar PV Systems.

#### **TARGET RETURNS**

The Investment Manager and the Directors are targeting a mid case return of 129p for each net 70p invested (£1 subscribed less 30% EIS Relief), being an expected income tax and CGT free IRR of approximately 15% after 4 years of the commencement of the Fund, and assuming a trade buyer is identified. The base and high case returns over the same period are 118p and 143p for each net 70p invested or income tax and CGT free IRRs of approximately 13% and 18% respectively.

These projected returns are based on a number of assumptions considered reasonable by the Investment Manager and Directors, of turnover, gross margins and profitability. The projected returns are net of any management incentive. Further detail on these projected returns and the assumptions behind them can be found under the section "Target Returns" on page 15.

#### **THE INVESTMENT MANAGER**

Enterprise Corporate Finance Limited ([www.enterprisecf.com](http://www.enterprisecf.com)) is a specialist smallcap investment boutique established nearly 20 years ago, whose activities include corporate finance, fund management and design and promotion of tax-efficient investment products, with major emphasis on EIS. Enterprise comprises three principal individuals with considerable experience of EIS and the tax-efficient industry, with particular expertise in the leisure, media, commercial property and renewable energy sectors.

#### **THE ASSET MANAGER**

The Merepark Group ([www.merepark.co.uk](http://www.merepark.co.uk)), of which the Asset Manager is a wholly owned subsidiary, was founded in 1992. Its early business dealings involved securing potential property development sites with inherent difficulties and subsequently obtaining planning permission and access, before selling them on. Some ten years ago Merepark started co-investing in the projects it undertook, as well as providing asset development and management expertise. Merepark's tenants include many well-known national brands. Larger mixed use projects managed by Merepark include The Quadrangle in Manchester, with a gross development value of over £60 million, and Central Village, Liverpool, with a gross development value over £200 million.

Merepark will be assisted in the initial selection and due diligence of projects by URS Scott Wilson Limited ("URS Scott Wilson") a leading provider of engineering, construction and technical services to the renewable energy sector ([www.urs-scottwilson.com](http://www.urs-scottwilson.com)). URS Scott Wilson is one of the foremost international engineering consultancy firms in the power sector, with a track record of involvement in over 100,000MW of thermal, hydroelectric, nuclear and renewable energy

projects. URS Scott Wilson provides services that cover all aspects of project development from resource evaluation and pre-investment studies through to the detailed design of works and the supervision and project management of construction. Services include comprehensive assistance to clients in the arrangement and appraisal of project financing plans, including mixed international lending agency and commercial banking finance.

The Asset Manager will be responsible for generating dealflow, financial, legal and pre-investment technical due diligence before making recommendations to the Investment Manager. Projects that are selected by the Investment Manager for funding will then be monitored and project managed by the Asset Manager up to final project inspection and completion of the asset purchase by the Investee Companies. The Asset Manager will be responsible for the appointment of legal and accountancy professionals. The Asset Manager's fees will be paid by the Investment Manager from its fees. The Asset Manager will be responsible for monitoring the Fund's investments and reporting to the Investment Manager.

## **DIRECTORS**

The Investment Manager will appoint three directors to each Investee Company as follows:

### **Martin Sherwood**

Martin has many years experience of small company fundraising and in particular the tax efficient market. He was founder and head of Tax Efficient Solutions, first at Teather & Greenwood and subsequently at Smith & Williamson, which he left to join Enterprise in 2010. He has been closely involved with EISs since their inception, sits on the board of a number of EIS companies and is co-founder and a director of the EIS Association.

### **Richard Peel**

Co-founder and Managing Director of Merepark, he is a qualified architect with over 25 years' experience in the delivery, funding and project management of large scale commercial projects.

Additionally a representative from each Investee Company's solar project management company will be appointed as a director.

## **MANAGEMENT INCENTIVE**

The management incentive will be equivalent to 25% of the Excess return on an Exit within four years of investment in the Investee Company over the level of £1.20, but in the event that an Exit is not achieved before the fourth anniversary of the commencement of the Fund no management incentive will be payable.

## **EXIT ROUTE**

The Investment Manager believes that the established long term revenue streams projected from FITs will be attractive to a number of third party buyers looking for stable cash flow or a secure electricity supply for export to the national grid. The Fund will seek to provide an Exit for Investors between years three and four, which is likely to take the form of a trade sale to a pension fund, private equity fund, venture capital fund or other financial institution attracted to the long-term index-linked investment returns offered by FITs.

## **TAXATION AND EIS TAX RELIEF**

It is intended that the Fund's first investment will be in Merepark Solar Limited. Enterprise received advance assurance from HMRC that this company will qualify for EIS on 25 August 2011.

The maximum investment in EIS qualifying shares, on which EIS income tax relief is available, is £500,000 per income tax year; see further details in the section of this document headed "Taxation" in respect of the potential carry back of EIS income tax relief and increases to this limit which are expected to take effect in April 2012. There is no limit to the amount of CGT which can be deferred. Investors in EIS Qualifying Companies can, depending on their individual circumstances, enjoy some or all of the following tax advantages:

- EIS income tax relief of 30% of the value of their Investment;

- Exemption from CGT on disposal of EIS Shares;
- Unlimited deferral of capital gains realised in the previous three years before the date of investment or in the subsequent 12 months;
- Income tax or CGT relief for a loss on disposal of EIS Shares; and
- Inheritance tax exemption after two years. There is no limit on the amount of the investment qualifying for this exemption.

EIS qualifying investments are one of the few investments that offer the opportunity to defer capital gains tax liabilities. The Investment Manager hopes to be able to issue tax certificates to enable Investors to obtain tax relief by no later than August 2012 in respect of Investee Companies with no trading history.

Any investment by the Fund into Investee Companies which are already trading and have received EIS clearance previously may allow application to HMRC for approval to issue EIS3 certificates immediately following investment, relying on the previous EIS clearances obtained by those companies.

#### **STATUS OF INVESTOR**

Services provided by the Investment Manager under the Investor's Agreement will be on the basis that the Investor is a retail client for the purposes of the FSA Rules.

#### **CHARGES AND EXPENSES**

No fees or costs will be charged to the Fund. The Investment Manager will be entitled to an initial commission of 6% of the amount invested in each Investee Company (subject to a minimum of £75,000 in aggregate) and out of this it will pay all intermediary commissions and professional charges and expenses associated with setting up the Fund. In addition, the Asset Manager will be paid a transaction fee of 1% of sums invested in each Investee Company, payable by such Investee Company on investment into it by the Fund. Investors should be able to obtain tax relief on the full amount of their investment.

The Investment Manager will also be entitled to an annual management fee from the Investee Companies equal to 2.5% of the amount invested by the Fund until the first statutory accounts are prepared, and thereafter of the net asset value of the Investee Company as derived from its annual accounts (less initial commissions payable to the Investment Manager and the Asset Manager).

The management fee is payable for four years from investment in the Investee Company by the Fund (unless its shareholders resolve to extend the arrangements). The Investment Manager will pay an annual fee to the Asset Manager from its annual management fee, which will amount to one half of the annual management fee after payment of trail commissions.

#### **MINIMUM AND MAXIMUM SUBSCRIPTION AND INVESTMENT**

The Minimum and Maximum Subscription levels are £1 million and £10 million respectively. The minimum investment per Investor is £10,000 with upward increments of £5,000 only.

#### **CLOSING DATE**

The Fund will close on the earlier of full subscription or 28 November 2011, unless extended. It is intended that Subscriptions to the Fund shall be invested in the tax year in which the Closing Date falls so that Investors can obtain full EIS Relief in the 2011-2012 tax year. Any sums not invested by 5 April 2012 will be returned to Investors in full, but without interest.

#### **INTERMEDIARY COMMISSION**

Intermediaries authorised under FSMA will be entitled to introductory commissions. An intermediary may choose to take an initial commission of 3% of Subscriptions from Investors (and accepted by the Investment Manager) introduced by that intermediary or 2% initial commission and a trail commission of 0.5% of funds introduced per annum, payable annually, until the earlier of the date of termination of the relevant Investor's Agreement or the fourth anniversary of the Fund.

**ASSISTANCE**

Enquiries and requests for further copies of this Investment Memorandum should be referred to Enterprise Corporate Finance Limited:

**Christian Elmes**      T: 020 3002 6152  
                                 M: 07809 686 439  
                                 E: celmes@enterprisecf.com

**Martin Sherwood**    T: 020 3002 6149  
                                 M: 07768 764 542  
                                 E: msherwood@enterprisecf.com

## DEFINITIONS

Act or FSMA	Financial Services and Markets Act 2000
Applicable Laws	all relevant UK laws, regulations and rules, including those of the FSA
Application Form	an application form to invest in the Fund completed by an Investor in the form provided at the back of this document
Articles	the articles of association of each of the Investee Companies
Asset Manager or Merepark	Merepark Project Management LLP
Asset Manager Agreement	an agreement to be entered into between the Investment Manager and the Asset Manager governing the services to be provided to the Investment Manager and the Fund by the Asset Manager
Associate	any holding or subsidiary company of any body corporate, or any subsidiary of any such company or any director of it
Capital Gains Deferral or CGT Deferral Relief	deferral of CGT as set out in section 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992
Carry Back Relief	relief against income tax for the full amount of an investment in an EIS Qualifying Company up to £500,000 multiplied by 20% (for the tax year 2010/2011) and set against an individual's income tax liability for the tax year preceding that in which EIS investments are made, save to the extent EIS Relief has already been claimed for the preceding year
CGT	capital gains tax
Closing Date	in respect of the Fund, the final day on which Subscriptions may be received by the Investment Manager, which shall be the earlier of full subscription or 28 November 2011 unless extended at the discretion of the Investment Manager
Directors	the proposed directors of the Investee Companies, being Richard Peel, Martin Sherwood and an appointee of the relevant Investee Company's solar project management company
EIS	the Enterprise Investment Scheme as set out in the Income Tax Act 2007 (as amended)
EIS Qualifying Company	a company that meets the EIS requirements regarding EIS Relief and Capital Gains Deferral
EIS Relief	relief from income tax under EIS
EIS Shares	shares in an EIS Qualifying Company which qualify for EIS Relief
Enterprise	Enterprise Corporate Finance Limited
Exit	a listing, offer for the entire share capital of an Investee Company, winding up or other capital distribution
Export Tariff	as defined on page 12
Financial Promotion Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005

FSA	Financial Services Authority
FSA Rules	the rules contained in the FSA's Handbook of Rules and Guidance
Fund	The Merepark Solar EIS Fund
Generation Tariff	as defined on page 13
HMRC	HM Revenue & Customs
IHT	inheritance tax
Information Memorandum	this document
Investee Company	a company in whose shares the Investment Manager may contemplate investing, or does invest, on behalf of the Investors
Investment	the acquisition of shares in an Investee Company through the Fund
Investment Manager	Enterprise Corporate Finance Limited, authorised and regulated by the Financial Services Authority
Investment Objective	the investment objective for the Fund as set out in Schedule 1 to the Investor's Agreement
Investment Restrictions	the investment restrictions for the Fund as set out in Schedule 1 to the Investor's Agreement
Investor	a person who completes an Application Form which is accepted by the Investment Manager and so enters into an Investor's Agreement and invests through the Fund
Investor's Agreement	an Investor's agreement to be entered into by each Investor, in the terms set out in Part V of this Information Memorandum
kWp	kilowatt peak, the maximum nominal power expressed in kilowatts of a Solar PV System measured under laboratory conditions to industry standards
Maximum Subscription	the aggregate maximum subscription of £10 million by Investors in the Fund, which may be increased at the Investment Manager's sole discretion
Minimum Subscription	the aggregate minimum subscription of £1 million by Investors in the Fund
Portfolio	in respect of an Investor, the Investments made through the Fund which are allocated to him and which are registered in the Investor's name or alternatively in the name of a nominee on his behalf who shall be the Investment Manager or such nominee as the Investment Manager may appoint from time to time ("Nominee")

Readily Realisable Investment	<p>a government or public security denominated in the currency of the country of its issuer or any other security which is:</p> <ul style="list-style-type: none"> <li>• admitted to an investment exchange (“Exchange”) in an EEA State,</li> <li>• regularly traded on or under the rules of such an Exchange,</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real time financial promotions) designated investment exchange, or a newly issued security which can reasonably be expected to fall within the above categories when it begins to be traded. Note that this term does not include the AIM market of the London Stock Exchange or investments traded on any market operated by PLUS Markets Group plc, nor does it include unlisted securities</li> </ul>
Retail Prices Index or RPI	the measure of UK inflation (which includes the cost of mortgage interest payments) published each month by the Office for National Statistics
Seller	a seller of a portfolio of Solar PV Systems
Services	the services provided under clause 4 of the Investor’s Agreement
Solar PV System or Solar PV	a system which generates electricity through the use of solar photovoltaic cells
Subscription	a subscription to the Fund pursuant to clause 3 of the Investor’s Agreement
Subscription Agreement	an agreement to be entered into by the Investment Manager with each Investee Company governing the subscription by the Fund in that Investee Company
Tax Advantages	the various tax advantages including EIS Relief and CGT Deferral Relief, arising from subscriptions for shares in EIS Qualifying Companies through the Fund
Unapproved EIS Fund	an investment fund which has not been approved by HMRC for the purposes of section 251 of the Income Tax Act 2007
unlisted	with reference to a company means a company not listed or quoted on an investment exchange or whose shares are not, with the agreement or approval of any officer of the relevant company, the subject of information published for the purpose of facilitating deals in the shares or indicating prices at which persons may be willing to deal

## MANAGER AND ADVISERS

<b>Sponsor, Investment Manager, Administrator and EIS Adviser to the Fund</b>	Enterprise Corporate Finance Limited <i>(authorised and regulated by the Financial Services Authority)</i> Erico House 93-99 Upper Richmond Road London SW15 2TG
<b>Asset Manager</b>	Merepark Project Management LLP Market Court Garden Lane Altrincham Cheshire WA14 4DW
<b>Solicitors to the Fund and Companies</b>	TLT LLP One Redcliff Street Bristol BS1 6TP
<b>Accountants to the Fund and Companies</b>	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Registrar</b>	Derringtons Limited Erico House 93-99 Upper Richmond Road London SW15 2TG
<b>Receiving Agent</b>	Woodside Corporate Services Limited 4th Floor 150-152 Fenchurch Street London EC3M 6BB

## Part I

### FUND OVERVIEW AND STRATEGY

#### INTRODUCTION

The Merepark Solar EIS Fund is an Unapproved EIS Fund which has been developed to provide Investors with the opportunity to access a spread of tax efficient investments in businesses carrying on the trade of solar electricity generation qualifying for Feed in Tariffs.

Subject to the terms of the Investor's Agreement, by agreeing to subscribe to the Fund, Investors appoint the Investment Manager to invest their subscriptions on a discretionary basis in companies selected by the Investment Manager and if applicable, should the Investor wish, the Investment Manager shall appoint the Nominee to hold investments on the Investor's behalf. The Fund is structured as an agreement between the Investment Manager and each Investor in the terms set out in the Investor's Agreement.

The subscriptions made will be aggregated for the purpose of making investments through the Fund, which will be held by the Investor or where applicable, the Nominee. Each Investor in the Fund will be the beneficial owner of a specific number of shares in each Investee Company and an Investor's Portfolio will be managed according to the Investor's Agreement. The numbers of shares in each Investee Company allocated to each Investor will be calculated by reference to the proportion of their Subscription to the total subscriptions of all participants. Minor variations from this pro-rata allocation may be made, for example, to avoid the holding of fractions of shares and where this results in the Fund holding a small amount of money on behalf of an Investor which the Investment Manager believes cannot be invested, it may be returned to the Investor.

The proposed term of the Fund is likely to be between three and four years. The Investment Manager will seek to provide an exit for Investors which is likely to take the form of a trade sale to a pension fund, private equity fund, venture capital fund or other financial institution attracted to the long-term index-linked investment returns offered by FITs.

#### WHY SOLAR?

Solar PV has been established as a technology for over 50 years. It is one of the world's fastest growing renewable energy sources. This growth is set to continue with the falling costs of technology, energy security threats and the urgent need to address environmental issues.

Solar PV has shown significant development in recent years with ongoing technological improvements and falling capital costs. By the end of May 2011 nearly 38,000 Solar PV installations in Great Britain were receiving support through the FITs.

Solar PV Systems work by photovoltaic cells converting light into energy. Solar PV does not require perfect clear blue skies to generate power, although generation levels will be better without cloud cover. Because of this Solar PV Systems located in some northern latitudes like the UK do not significantly underperform latitudes further south such as southern France and northern Spain.

Solar PV panels require little maintenance, staff or operating overhead once they are installed. They operate silently, have no moving parts and do not require fuel to make them work. They are a mature and proven technology.

The technology is very reliable and manufacturers routinely give warranties that their modules will operate to within 20% of their initial guaranteed performance level after 20 years. Taken together with predictable levels of solar irradiation across the UK it is possible to model the future revenues in real terms (adjusted for inflation) over a 25 year period within a reasonable level of accuracy.

#### FEED IN TARIFFS

On 1 April 2010, the UK Government introduced a new regime of FITs to support small scale renewable energy projects of up to 5 MW in size. Similar schemes have been used in several other European countries to date and have proved successful in speeding up the number of renewable energy projects in these territories.

Under the FITs regime, any person or company generating electricity from FITs qualifying renewable energy systems is eligible for a fixed tariff for each kilowatt hour (kWh) of energy generated, known as the "Generation Tariff", and a further tariff for each kWh of energy generated which is subsequently sold into the National Grid, known as the "Export Tariff". Tariffs have been set by the Government for the long term (20 or 25 years depending on the type of renewable energy used) and are index-linked to the Retail Prices Index. FITs are not paid by the Government, but paid to the generator by the local electricity supply company. The Generation Tariff for renewable energy installations falls as the project size increases. The level of Generation Tariff and the Export Tariff, and the continuing availability of FITs, remains subject to review by the Government.

## **COUNTERPARTIES**

The Asset Manager has identified a number of Solar PV companies for acquisition and/or which require equity funding for recently completed Solar PV System installations and has entered into negotiations with them for the Fund to invest in their projects.

The strategy of the Fund does not include the use of bank debt within the first four years and the projected returns are therefore unleveraged. However, the Investee Companies retain the right to use bank debt either to provide an early Exit for Investors or to fund the Exit process itself.

The Asset Manager is in advanced negotiations with the following businesses and expects to soon agree exclusive terms for investment in installed Solar PV Systems up to the value of £10 million:

### **Osborne Energy**

One of the UK's leading delivery partners for the energy efficiency sector, Osborne Energy specialises in the funding and delivery of cost-effective carbon measures for utility companies, local authorities and social housing providers through a national network of over one hundred contracted partners. Founded in 1996, Osborne Energy has extensive knowledge of the energy efficiency industry and project management experience of working with private and public sector organisations to deliver effectively managed schemes. ([www.osborneenergy.co.uk](http://www.osborneenergy.co.uk))

### **Shape Energy**

Founded in 2009 in the Birmingham area, Shape has developed a strong supply chain, billing and monetisation network for the delivery of cost-effective energy solutions to domestic customers, landlords and tenants. ([www.shapeenergy.co.uk](http://www.shapeenergy.co.uk))

### **Emotion Energy**

Established in 2008 Emotion Energy is committed to building a low carbon footprint for the UK by providing cost-effective, sustainable heat and energy solutions. Emotion works with domestic, commercial, public sector and agricultural clients providing services such as design, installation, and maintenance of heat pumps, solar thermal, Solar PV and anaerobic digesters at an affordable cost. Emotion has offices in Stirling, Belfast, Cardiff, and Bournemouth. ([www.emotionenergy.co.uk](http://www.emotionenergy.co.uk))

## **THE INVESTMENT OPPORTUNITY**

The Investee Companies will only purchase portfolios of Solar PV Systems of up to 50 kWp in constructed projects already generating electricity. As a result there will be no development risk associated with the investments by the Fund. The Fund will seek to negotiate with the occupier an enhanced price for the electricity at a discount to their current tariff but at a premium to the Export Tariff.

12 installed systems totalling £1.3 million of capital expenditure are ready to be purchased from a developer, which when spread between the Investee Companies will mean that each Investee Company should be able to begin generating electricity shortly after the closure of the Fund.

Investee Companies will enter into asset purchase agreements with the Sellers which set out the terms on which the Investee Company will acquire portfolios of Solar PV Systems, the right to receive FITs payments and other economic benefits attaching to the portfolios. This document will include various warranties from the Seller to the Investee Company, confirming

amongst other things that the Seller has the right to sell the Solar PV Systems and that it is not aware of any technical or other problems with them. The exact terms of an acquisition will vary from case to case but the Investee Companies will seek to acquire Solar PV Systems on the best terms possible.

### **POTENTIAL PIPELINE PROJECTS**

The below potential pipeline projects are indicative of the type of projects the Fund will invest in. However there is no guarantee that these specific projects will form part of the Fund's investments.

#### **Project 1: Bentwater Parks**

Heads of terms will shortly be in place for the delivery of a planning-approved installed Solar PV system by WGT Commercial Limited, supported by an existing leasing agreement for the installation for a term of 25 years, on the roofs of twelve industrial buildings at RAF Bentwater, now known as Bentwater Parks. Each building has a 40-50 kWp capacity, which runs to a total project size of 523 kWp or £1.3 million of capital expenditure.

#### **Project 2: Bowling Club portfolio**

The English Indoor Bowls Association has over 300 clubs across the UK, each with large scale roofs accommodating up to 50 kWp. The Fund has partnered with Emotion Energy and Shape Energy to deliver a funded Solar PV programme over a 25 year lease period that will allow clubs on which a Solar PV System is installed to receive free electricity.

#### **Project 3: Farm Programme**

The Fund has partnered with Emotion Energy and Shape to deliver a funded Solar PV System to the farming community that will allow farmers to utilise their roof space in order to receive electricity at no charge and the Fund expects to begin due diligence on a number of farms shortly. It is expected that typical farm buildings secured will accommodate 50 kWp installations on their main outbuildings. A lease for 25 years will be agreed on each site which will commence from commissioning of the Solar PV Systems.

The Fund will consider each site under Projects 2 and 3 above separately based on its own merits and characteristics, and due diligence including comprehensive physical and structural surveys and design will be carried out, together with technical and legal due diligence. It is intended that a lease for 25 years will be agreed on each site, which will commence from commissioning of the Solar PV Systems.

### **Operation and Maintenance**

In order to ensure the system operates at its peak throughout its 25 year life, the Fund will ensure that each installation includes a comprehensive reactive maintenance programme which comprises:

- a full set of product warranties.
- a sinking fund for inverter replacement.
- insurance policies that cover damage, loss and business interruption.

### **ONGOING MANAGEMENT**

Following acquisition of a Solar PV System the relevant Investee Company will enter into an operation and maintenance agreement with third party providers (which may include sellers of portfolios) with experience in managing systems of this type. This agreement will provide that the third party is responsible for, amongst other things, liaising with property owners, maintaining the systems, replacing faulty equipment and handling equipment warranty claims, monitoring the performance of systems remotely and collecting meter data.

The management fees due under this agreement will typically be payable annually at a rate calculated by reference to the kWp for each Solar PV System managed. This fee will normally be adjusted for changes in FITs payments by movements in the RPI.

## TARGET RETURNS

The Investment Manager and the Directors are targeting a mid case return to Investors of 129p for each net 70p invested (£1 subscribed less 30% EIS Relief (see note below)), being an expected income tax and CGT free IRR of approximately 15%, which should be available four years following the commencement of the Fund, should a trade buyer be identified. This anticipated return is based on the assumptions set out below. If any EIS Relief is carried back to an earlier period it will only be available at 20%.

The table below illustrates the potential returns from an investment of £100,000 into the Fund, including EIS Relief at the new rate of 30% but excluding any potential benefits from IHT relief or CGT Relief.

### Merepark Solar EIS Fund Target Returns

Returns (£)	Dates	Base Case	Medium Case	High Case
Initial cost	30 November 2011	100,000	100,000	100,000
Less: income tax relief at 30%	30 September 2012	30,000	30,000	30,000
		<b>70,000</b>	<b>70,000</b>	<b>70,000</b>
Fund distribution on exit	31 December 2015	118,000	129,000	143,250
<b>Tax free gain</b>		<b>48,000</b>	<b>59,000</b>	<b>73,250</b>
<b>Tax free approximate IRR (a)</b>		<b>13%</b>	<b>15%</b>	<b>18%</b>
<b>Gross equivalent approximate IRR (b) (40% tax payer)</b>		<b>27%</b>	<b>30%</b>	<b>33%</b>
<b>Gross equivalent approximate IRR (b) (50% tax payer)</b>		<b>33%</b>	<b>36%</b>	<b>39%</b>
<b>Gross equivalent approximate IRR (b) (28% capital gains tax payer (who pays tax at the higher rate or additional rate))</b>		<b>22%</b>	<b>25%</b>	<b>28%</b>

#### Notes:

The above returns are for illustrative purposes only and no forecast (guaranteed or otherwise) is implied or should be inferred. The above forecasts are not a reliable indicator of future performance. The returns above take into account all fees and the Management Incentive described below. The equivalent returns include income tax relief but exclude any potential benefits from IHT relief or CGT deferral relief.

(a) IRR of cashflows over a 4 year period including 30% EIS relief after 6 months and CGT free exit after 4 years from commencement of last investment on 31 March 2012.

(b) as in (a) above but exit proceeds grossed up for the equivalent proceeds a 40%, 50% or 28% tax payer would have to receive in order to achieve the same net after tax return.

The projected IRRs of approximately 13%, 15%, and 18% over four years are based on the principal assumptions that:

- The gross equivalent return is calculated by dividing the net tax-free fund distribution on Exit by 0.6 for a 40% taxpayer, 0.5 for a 50% taxpayer and 0.72 for a 28% taxpayer.
- The base case, mid case and high case returns are based on a discounted future cash flow approach to the valuation of the asset for Exit. The cash flows analysed for the Exit valuation are solely the guaranteed FITs revenue less insurance, operation and management expenses, and the FIT management costs, and do not consider any upfront or ongoing costs of the purchaser on Exit. Discount factors of 12%, 10%, and 8% for the base, mid and high cases respectively are applied to the guaranteed FITs income for the period remaining from the sale date (year 4) to the end of the 25 year FITs income period.
- The potential returns include income tax relief but exclude any potential benefits from IHT relief or CGT deferral relief.
- The net tax-free return is the internal rate of return based on the above dates and assumed rates of tax.
- The returns assume **no bank borrowing**.

- The returns assume annual indexation of 3% on all recurring revenues and ongoing costs.
- The returns include all initial fees and ongoing fees of the Fund and any Management Incentive payable on an Exit, as described below.
- The life of the Fund will be four years.
- No distributions are made throughout the operating period, with all post tax profits retained.
- All costs of setting up and operating the Fund including; accounting, tax and administration, and capital maintenance and insurance, save for the annual management fee payable to the operator of each Solar PV System, are subject to inflation of 3% in management projections.
- Corporation tax of 20% is assumed on profits before tax.
- The fully installed price of the Solar PV Systems is assumed as £2,400 per kWp.
- The generation tariff used is the 10-100kW of 32.9p per kWh and assumes electricity generation of 860 kWh per installed kWp. The degradation of the Solar PV panels is estimated to be 0.3% per annum for the first 10 years rising to 0.5% per annum thereafter.
- The FITs tariff is inflated at 3% per annum.
- The Export Tariff of 3.1p per kWh is assumed on electricity generated which is not utilised by the occupier of the property, assumed to be 20% of all electricity generation.

#### **MANAGEMENT INCENTIVE**

Each of the Investee Companies will adopt Articles in substantially the same form putting in place the arrangements described below. It is intended each Investee Company will have two classes of share:

1. Ordinary Shares for which the Fund and other investors will invest; and
2. A Shares for which the Investment Manager and Asset Manager will subscribe.

The holders of the A Shares are entitled, under the Articles, to a proportion of any Excess. The Excess is the amount by which any sum due to the holders of Ordinary Shares and A Shares on an Exit (e.g. share sale, assets sale or solvent winding up) from any Investee Company exceeds a specified hurdle after adjusting for any dividends previously paid. The hurdle is fixed as a percentage of each £1 invested and is 25% over the level of £1.20, provided the Exit is achieved within four years of the commencement of the Fund, otherwise no Management Incentive will be payable to the Investment Manager.

Under the Articles the entitlement of holders of A Shares to their share of the Excess will be achieved by converting a proportion of Ordinary Shares into Deferred Shares, such that the A Shares are, after such conversion, entitled to payment of 25% of any Excess above the above £1.20 arising on such Exit. Following the conversion of some Ordinary Shares to Deferred Shares, the A Shares automatically convert into Ordinary Shares on a one for one basis, the effect of which is to give the current holders of A Shares a holding of Ordinary Shares reflecting their participation in the value of any Exit and in particular, the Excess.

The Asset Manager will hold 80% of the A Shares, and the Investment Manager 20%, the effect of this being that the Asset Manager is entitled to 20% of any Excess and the Investment Manager 5%.

#### **EXIT ROUTE**

The proposed term of the Fund is between three and four years. After the expiry of three years, the Investment Manager and the Asset Manager will seek an Exit for Investors, which is likely to be one of the following:

- A trade sale of each of the Investee Companies.
- A sale of the underlying assets within the Investee Companies.

- Retention of the assets by the Investee Companies but raising of bank debt to buy out the shares of those Investors wishing to Exit.

Potential purchasers of the Investee Companies or their assets include pension funds, private equity funds, venture capital funds or other financial institution to whom the long-term index-linked returns are attractive.

The Management Incentive payable to the Investment Manager and Asset Manager is based on the Exit return achieved in the event of a trade or asset sale or, in the event of a retention of the assets, on the net asset value of the Investee Companies after four years based on an independent valuation.

After four years from investment in each Investee Company, the arrangements with respect to the payment of any Management Incentive will cease, unless the shareholders of each respective Investee Company resolve that any such scheme should continue to apply.

## Part II

### TAXATION

The summary below gives a brief outline of the Tax Advantages. It does not set out all of the rules that must be met and is intended only as a general guide. This summary should not be construed as constituting advice which Investors should obtain from their own professional advisers before investing in the Fund. The taxation levels, bases and reliefs described in the Information Memorandum are based on existing law and what is understood to be current HMRC practice, but this may be subject to change in the future. Investors should note that following the recent 2011 Budget EIS Relief was increased from 20% to 30% and other changes are expected to take place prior to April 2012 in respect of the EIS. These include an increase in the maximum amount a single investor can invest in any 12 month period, an increase in the amounts which may be raised by companies in any twelve month period and an increase in the size of companies which will qualify for EIS. These changes are subject to approval by the European Commission, and there is no guarantee such approval will be given.

#### EIS QUALIFYING COMPANIES

Prior to any investment by the Fund, the relevant Investee Company may, to the extent it does not have any previous clearance, seek provisional clearance from HMRC that the acquisition of a Solar PV System will not prevent it from being an EIS Qualifying Company (at the discretion of the Investment Manager). No guarantee can be given that provisional clearance will be granted by HMRC. Where any investment by the Fund is made into a company which has an existing EIS clearance, that may allow application to be made to HMRC for approval to issue EIS3 certificates immediately relying on the previous EIS clearances obtained by that company.

#### NEW CAPITAL GAINS TAX RULES

The capital gains tax rules changed on 23 June 2010, from a previous flat rate of 18% (which had been in place since 6 April 2008) capital gains tax ('CGT') for gains, to a two tier system such that for disposals by individuals on or after 23 June 2010, the rate of CGT remained at 18% if total taxable gains and income are less than the upper limit of the income tax basic rate band. The rate of CGT is 28% for gains (or part of gains) above that limit. For trustees and personal representatives of deceased persons, the CGT rate is increased to 28% (previously 18%).

Entrepreneurs' Relief was introduced in 2008 and in certain circumstances reduces the amount of the CGT on a disposal of qualifying business assets on or after 6 April 2008 to 10%, as long as an individual has met the qualifying conditions throughout a one-year qualifying period either up to the date of disposal or the date the business ceased.

Qualifying capital gains for each individual are subject to a lifetime limit as follows:

- for disposals on or after 6 April 2008 to 5 April 2010, £1 million.
- for disposals on or after 6 April 2010 to 22 June 2010, £2 million.
- for disposals on or after 23 June 2010, £5 million.
- for disposals on or after 6 April 2011, £10 million.

Investors need to consider all of the above changes in light of their individual circumstances.

#### UNAPPROVED EIS FUND STATUS

The Fund has not been approved by HMRC under Section 251 of the Income Tax Act 2007. The effect of this is that the Investor will obtain EIS Relief in the tax year in which individual Investments in EIS Qualifying Companies are made by the Fund (i.e. the tax year in which the Fund invests). This is in contrast to an approved fund where, subject to certain requirements, EIS Relief is available in the tax year in which the investor invests in that approved fund, assuming the Fund closes before the end of the tax year.

While an Investor may be required to make an application for EIS Relief on each Investment being made, the status of the Fund as an Unapproved EIS Fund allows EIS Relief to be claimed, and obtained more quickly than for an approved fund.

When the Fund makes an investment in an Investee Company, the Investment Manager will send Investors in the Fund a Form EIS 3 (see below) for each Investee Company once that Investee Company has been trading for four months. Generally, the Investment Manager reserves the right to return any surplus of cash if it concludes that it cannot be properly invested by 5 April 2012.

Investors should note that the tax year in which the Fund invests in any Investee Company may not be the same tax year in which an Investor subscribes to the Fund.

**TAX ADVANTAGES**

The Tax Advantages for Investors making EIS investments through the Fund include the following:

**EIS Relief on Subscriptions**

Individuals may make Subscriptions to the Fund and obtain EIS Relief at up to 30% on amounts of up to £500,000, or such amount which reduces their income tax liability to nil (if smaller), in any tax year subscribed for Investments in EIS Qualifying Companies through the Fund.

EIS Relief is given for the tax year in which the Fund makes an investment in an EIS Qualifying Company, or if you have an income tax liability in the preceding year you can claim relief against that liability through Carry Back Relief. It should be noted that, notwithstanding the recent increase in EIS Relief to 30% any carry back to the 2010/2011 tax year will only attract EIS Relief at 20%.

Investors will not receive EIS Relief on any amounts which remain uninvested by the Fund. Investors should note that as of 6 April 2012 the UK Government, subject to European Commission approval, has committed to increasing the maximum investment on which EIS Relief is available from £500,000 to £1million in each tax year. It should be noted that there is no guarantee that the level of EIS Relief will increase.

The certificate stating and confirming the EIS Relief obtainable by an Investor is on Form EIS 3 issued by the EIS Qualifying Company following an investment by the Fund. An Investor cannot obtain EIS Relief without Form EIS 3. The latest date on which an Investor can claim EIS Relief is five years after 31st January following the tax year to which the claim relates.

EIS Relief will be withdrawn if an Investment attributable to an Investor’s Portfolio is not held for three years from the date of Investment (or from the date of commencement of the EIS Qualifying Company’s trade if later), or if the Investor is connected with any EIS Qualifying Company in which an Investment is made either within two years before or three years after the date of Investment in the EIS Qualifying Company.

Husbands and wives (and civil partners) can each make investments up to £500,000 in any tax year provided this would not take their total shareholdings, with those of any associated parties, in any one company to over 30% if they wish to claim EIS income tax relief.

The EIS Relief is currently given at the new rate of 30% and is given against (but cannot exceed) the individual’s income tax liability for the tax year the investment is made into an Investee Company.

**EXAMPLE**

	£
Initial Net Investment	50,000
Less EIS Relief at 30%	(15,000)
<b>Net cost of Investment</b>	<u><u>35,000</u></u>

**Exemption from CGT**

No CGT is payable on capital gains realised on the disposal of the Investments through the Fund provided that the shares are held for at least three years from the date of Investment (or from the date of commencement of the EIS Qualifying Company’s trade if later) and are Investments in respect of which EIS Relief has been obtained and not withdrawn.

**EXAMPLE**

	£
Realised value of Investment after 3 years	80,000
Less initial Net Investment	(50,000)
	<hr/>
<b>Tax free gain</b>	<b>30,000</b>
	<hr/>

**Capital Gains Deferral**

Individuals can defer CGT on an unlimited amount of chargeable gains by making an Investment through a Fund of an amount equivalent to the chargeable gain. The Investment must be made in the period beginning twelve months before and ending three years after the date of the disposal giving rise to the capital gains to be deferred.

Investors should note that the Capital Gains Deferral is only a deferral of the original liability to CGT (unless there is a further Capital Gains Deferral). The gain is deferred until there is a chargeable event, such as a disposal of shares. The Investment Manager will consult with Investors and will endeavour to structure any transfer which could be deemed a disposal in a tax-efficient way, although it is possible that there would be a "clawback" of any deferral relief claimed by an Investor in connection with such shares.

**EXAMPLE – Gain (subject to 28% CGT) to be deferred**

	£
Initial Net Investment	50,000
EIS Relief at 30%	(15,000)
CGT Deferral (28% on £50,000)	(14,000)
	<hr/>
<b>Net cost of Investment</b>	<b>21,000</b>
	<hr/>

**Loss Relief**

Any capital losses realised in respect of an Investment made through the Fund (net of EIS Relief attributable to the Investment) qualify for loss relief so that the capital loss can be set against capital gains of that tax year or a later tax year or against income of that tax year or income of the preceding tax year.

Below is an example of where the EIS investment is worthless and an Investor claims loss relief against income subject to income tax at 50%.

**EXAMPLE**

	£	
Initial Net Investment	50,000	
EIS Relief at 30%	(15,000)	
	<hr/>	
<b>Net Investment for loss purposes</b>	<b>35,000</b>	
Loss relief (at 50% on £35,000)	(17,500)	
	<hr/>	
<b>Net loss on Investment post EIS relief</b>	<b>17,500</b>	<b>or 35% of the initial net investment</b>
	<hr/>	

**Inheritance Tax Relief**

The Investments made through the Fund should in most cases qualify for 100% relief from IHT in the event of the death of an Investor as long as the Investment has been held for two years (from the date of Investment, not from the date that the Fund closes) and is held at the time of death.

**EXAMPLE**

	£
Initial Net Investment	50,000
EIS Relief at 30%	(15,000)
CGT Deferral (at 28% on £50,000)	(14,000)
IHT Relief (at 40%)	(20,000)
	<hr/>
<b>Net cost of Investment</b>	<b>1,000</b>
	<hr/>

**NOTE:** The initial net investment that is applicable for tax relief is the value of the Investment and not the Subscription amount. Your tax relief is on the value of the Investment in each EIS Qualifying Company only.

#### **TRUSTEES**

Trustees of a trust, where, in certain conditions, the beneficiaries are individuals, will usually qualify for unlimited Capital Gains Deferral, Loss Relief (limited to capital gains) and IHT Relief. However, it must be remembered that neither EIS Income Tax Relief nor exemption from CGT on disposal is available to trustees.

## Part III

### RISK FACTORS

Investors must ensure they are fully aware of the risky nature of this type of investment before committing to invest. The Fund will be investing in unquoted high risk companies. The taxation notes within this Information Memorandum are merely a brief summary and should not be viewed as constituting tax advice. If in any doubt whatsoever, an Investor should not subscribe. It is strongly recommended that Investors seek appropriate independent advice from their financial adviser or other suitably qualified professional adviser. The following risk factors should be considered but it should be noted that these are not exhaustive and not in any particular order of priority.

Potential Investors should be aware that the various Tax Advantages currently available might change in future. This document is based on the understanding of the existing law and HMRC practice as at the date of this document, which may change in the future. Future changes to the tax legislation may adversely affect the performance of the Investee Companies and the returns to the Investor. Investors should note that there is no guarantee that all of the changes to EIS as set out in the Government's 2011 Budget will take effect.

#### INVESTMENT ISSUES

1. **Fluctuations in value.** The value of investments and income from them can go down as well as up. If you cannot afford a total loss of your Portfolio or sums invested in acquiring it, you should not consider subscribing to the Fund.
2. **Non-Readily Realisable Investments.** The Investments of the Fund will be in unquoted trading companies. You should be aware that there may be difficulty in selling such Investments at a reasonable price and, in some circumstances, it may be difficult to sell them at any price. You should not invest unless you have carefully thought about whether you can afford it and whether it is right for you.
3. **Sourcing Solar PV Systems.** It is the intention of each of the Investee Companies to acquire a suitable Solar PV project as soon as possible. Whilst there is considered to be a good supply of such projects, there can be no guarantee of this and transactions may take longer than expected to complete.
4. **Management.** Unquoted companies typically have small management teams and are highly dependent on the skills and commitment of a small number of individuals. The loss of a key individual can have a significant effect on an Investee Company's business.
5. **Investment term.** Investment in a Fund should not be viewed as a short-term investment and Investors should be prepared to invest for at least five years. Any withdrawals within three years of Investments into Investee Companies will result in the loss of EIS Relief. The anticipated exit strategy of the Investment Manager is to seek to sell the Investments of the Fund, within a three to four year timeframe, but in practice, this may not be achievable.
6. **Changes to Feed in Tariffs.** FITs may be changed or abandoned by the current or future Government. The Government is currently reviewing all aspects of FITs, notwithstanding changes to the FITs regime contained in a fast track review announced by the Government on 9 June 2011. Further changes to FITs, or their abandonment, could result from the ongoing review. However, it is expected that changes are more likely to take effect after the date of the relevant change and will not be retrospective.
7. **Diversification.** The Fund will invest in companies which are all in the same sector. Therefore, there will be limited diversification which could increase the risk to Investors.

## OPERATIONAL ISSUES

8. **Fluctuating energy generation.** Annual energy output may fluctuate depending upon unpredictable irradiation levels and as such annual revenue may experience volatility. This may influence the returns that would be paid to Investors.
9. **Efficiency of solar panels.** It is well known that the efficiency of Solar PV panels reduces naturally over time. It is expected that major manufacturers of Solar PV panels will guarantee their performance for a period of 25 years. However, these manufacturers may prove unable to meet their guarantees and the performance of Solar PV panels held by Investee Companies may reduce more rapidly than predicted. In these circumstances the performance of Investments and the value Investors receive on the disposal of Investments may be adversely affected.
10. **Increase in interest rates on financing.** Investee Companies may choose to gear their investments in Solar PV Systems. Increases in interest rates, changes in the terms offered by lenders or the inability to refinance debt at commercially attractive rates could negatively impact the returns available from Investments in these circumstances.
11. **Unforeseen monitoring costs.** Effective monitoring and maintenance of the energy generation from Solar PV Systems is essential to ensure that income from FITs is realised on a monthly or quarterly basis. The business of Investee Companies may include small scale Solar PV System installations on a large number of properties. In these circumstances effective monitoring may prove difficult or expensive, which may adversely affect revenues.
12. **Unforeseen regulatory costs.** Investee Companies may incur unplanned costs as a result of statutory and regulatory requirements, including those imposed by environmental, safety, employment and other regulatory authorities.

## TAX ISSUES

13. **Tax Advantages and legislation may change.** Potential Investors should be aware that the various Tax Advantages currently available, might change in future. This document is based on the understanding of the existing law and HMRC practice as at the date of this document. Future changes to the tax legislation may adversely affect the performance of the Fund and the return to the Investor.
14. **Tax Advantages could be lost.** Although the Investment Manager will take all reasonable steps to ensure that EIS Relief is attracted by Investments made by the Fund there is no guarantee that formal EIS claims will be agreed or any such agreement will not subsequently be withdrawn. Furthermore, any of the Tax Advantages may change and the Tax Advantages may be lost or modified. In these circumstances, or where an Investee Company fails to obtain EIS Relief or has it withdrawn, monies would not be returned to Investors and investment returns would be lower.
15. **The value of Tax Advantages.** Investors should be aware that the Tax Advantages are based on the amount invested in EIS Qualifying Companies by the Fund and not on the total amount of the Subscriptions. Unlike an approved EIS fund Tax Advantages are only available from the date of each Investment by the Fund, not the date of Subscription to the Fund.
16. **Early Exit.** Notwithstanding the anticipated strategy of the Investment Manager to wait at least three years before seeking an Exit, if considered appropriate an Investment could be sold before such time has elapsed. In such a case, EIS Relief relating to that particular Investment would be lost. The Investment Manager will take account of this consequence in deciding whether or not to sell an Investment. The Investment Manager will not, however, normally take into account individual tax positions, and such actions could give rise to a partial loss of the Investor's overall EIS Relief.

17. **Individual Investor's circumstances.** The amount of relief an Investor may gain from an investment through the Fund depends on the Investor's individual circumstances. Investors are strongly advised to seek professional advice in relation to the taxation implications of their investment through the Fund.
18. **Loss of EIS Qualifying Company status.** Any loss of status of an EIS Qualifying Company, whether through actions taken by the Investee Company or otherwise, may lead to the loss of Tax Advantages for the Investor on that particular Investment. No guarantee can be given that all investments will qualify, or continue to qualify, for the Tax Advantages.
19. **Tax clearances may not be granted.** Prior to the acquisition of each project, the relevant Investee Company may seek provisional clearance from HMRC that the acquisition will not prevent it from being an EIS Qualifying Company (at the discretion of the Investment Manager). There is no guarantee that HMRC will grant a provisional clearance.

#### **FUND ISSUES**

20. **Impact of Initial Charges and Costs.** There will be various initial charges and set up costs and there will be other ongoing fees and expenses. You should be aware of the fee structure in assessing the returns you can expect from your Investment. No fees or costs will be payable directly from the Fund; therefore such fees or costs will not reduce the amount invested in EIS Qualifying Companies and consequently should not affect the amount of EIS Relief.
21. **Termination of Investment Manager's role.** The Investment Manager reserves the right to cease to manage the Fund in certain circumstances set out in the Investor's Agreement in which event it will try to transfer the Portfolios to another manager or terminate the Fund in an expeditious way but there is a possibility that the Tax Advantages may be lost.
22. **Termination of the Fund.** The Investment Manager will seek to realise investments and to terminate the Fund in an orderly fashion over a four year period but it cannot be guaranteed that the Investments made can easily be realised within this period and, even where they can be realised, that this can be done on an advantageous basis.

## Part IV

### GENERAL INFORMATION

#### CHARGES AND EXPENSES

No fees or costs will be charged to the Fund. The Investment Manager will be entitled to an initial commission of 6% of the amount invested in each Investee Company (subject to a minimum of £75,000 in aggregate) and out of this it will pay all intermediary commissions and professional charges and expenses associated with setting up the Fund. In addition, the Asset Manager will be paid a transaction fee of 1% of sums invested in each Investee Company, payable by such Investee Company on investment into it by the Fund. Investors should be able to obtain tax relief on the full amount of their investment.

The Investment Manager will also be entitled to an annual management fee from the Investee Companies equal to 2.5% of the amount invested by the Fund until the first statutory accounts are prepared, and thereafter of the net asset value of the Investee Company as derived from its annual accounts (less initial commissions payable to the Investment Manager and the Asset Manager).

The management fee is payable for four years from investment in the Investee Company by the Fund (unless its shareholders resolve to extend the arrangements). The Investment Manager will pay an annual fee to the Asset Manager from its annual management fee, which will amount to one half of the annual management fee after payment of trail commissions.

#### SUBSCRIPTION AGREEMENT

Under the terms of the Subscription Agreement the Investment Manager agrees to subscribe for Ordinary Shares in the Investee Companies on behalf of the Investors. The Subscription Agreement also sets out the obligations of each of Enterprise, the Investee Company and the directors of the Investee Company.

#### ASSET MANAGER AGREEMENT

Under the terms of the Asset Manager Agreement the Asset Manager agrees to provide certain services to the Investment Manager on behalf of the Fund which includes identifying and coordinating due diligence on potential Solar PV Systems for acquisition by Investee Companies which will in turn receive investment from the Fund.

#### HOW TO INVEST

Subject to the right of cancellation set out below submitting an Application Form represents a binding and irrevocable commitment to invest in the Fund and agreement to be bound by the terms of the Investor's Agreement and the Application Form.

#### RIGHT OF CANCELLATION

The Investor may exercise a right to cancel the Investor's Agreement by notification to the Investment Manager within 14 days of signature by the Investor of the Application Form. This should be done by a letter sent to the Investment Manager's registered office as set out in this document.

On exercise of the Investor's right to cancel, the Investment Manager shall refund any monies paid to the Fund by the Investor, less any charges the Investment Manager has already incurred for any services undertaken in accordance with the Investor's Agreement.

The Investment Manager is obliged to hold investment monies until satisfactory completion of checks under the Money Laundering Regulations 2007.

The Investor will not be entitled to interest on monies refunded following cancellation.

The right to cancel under the FSA Rules does not give the Investor the right to cancel terminate or reverse any particular investment transaction executed for the account of the Investor before cancellation takes effect.

## **MONEY LAUNDERING REGULATIONS**

In order to ensure compliance with the Money Laundering Regulations 2007, the Investment Manager will require verification of identity from any person lodging an Application Form (the Applicant). Without prejudice to the generality of the foregoing, for (i) any person who either tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person other than the Applicant or (ii) appears to be acting on behalf of some other person, verification of the identity of any person on whose behalf the Applicant appears to be acting will be required. Two proofs of identity will be required, one proof of home address and one photographic proof of identity. Further details of these requirements are set out in the Application Form.

If within a reasonable period of time following a request for verification of identity, the Investment Manager has not received evidence satisfactory to it as aforesaid, the Investment Manager may, at its absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant (without prejudice to the rights of the Investment Manager to undertake proceedings to recover in respect of any loss suffered by it as a result of failure to produce satisfactory evidence of identity).

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the cheque or bankers' draft and, in the case of an individual, record his/her date of birth against his/her name; and
- (b) ask the bank or building society (if relevant) to endorse the reverse of the draft or cheque with the full name and account number of the person whose account number is being debited and stamp each endorsement.

In any event, if it appears to the Investment Manager that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting will be required.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Investment Manager's right to require verification of identity as indicated above).

The Investment Manager shall not be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Investment Manager to treat an application to the Fund lodged by any Applicant as invalid or to terminate the contract of subscription as a result of the Investment Manager not having received evidence as to the identity of the Applicant reasonably satisfactory to it within a reasonable time of having requested such information.

The making of all applications, acceptances of applications and contracts resulting therefrom shall be governed by and construed in accordance with English law, and each party submits to the jurisdiction of the English courts.

The Fund does not constitute a collective investment scheme under section 235 of the Financial Services and Market Act 2000.

## **BEST EXECUTION**

Under FSA Rules, the Investment Manager will comply with its duty of "best execution" in respect of transactions and services in connection with the Fund. As such, the Investment Manager will take reasonable care to ascertain the price which is the best available for you in the relevant market at the time for transactions of the kind and size concerned and to execute your instructions at such a price (or a better price).

26 September 2011

## Part V

### INVESTOR'S AGREEMENT

This Investor's Agreement (Agreement) sets out the terms and conditions for the Merepark Solar EIS Fund on acceptance of an Investor's Application Form by the Investment Manager and this Investor's Agreement will constitute a binding agreement between such Investor and the Investment Manager.

#### 1. Definitions, Construction and Interpretation

- 1.1 The defined terms set out in the Definitions section of the Information Memorandum are employed in this Agreement.
- 1.2 Words and expressions defined in the FSA Rules which are not otherwise defined in this Agreement shall, unless the context otherwise requires, have the same meaning in this Agreement.
- 1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.
- 1.4 References to the singular only shall include the plural and vice versa.
- 1.5 Unless otherwise indicated, references to Clauses shall be to Clauses in this Agreement.
- 1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

#### 2. Investing in the Fund

- 2.1 By signing the declaration contained in the Application Form the Investor agrees to be bound by the terms of this Agreement. This Agreement comes into force on the date of this Agreement.
- 2.2 The Investor hereby appoints the Investment Manager to fulfill its role in managing the Portfolio for the Investor on the terms set out in this Agreement. The Investment Manager agrees to accept its appointment and obligations on the terms set out in this Agreement.
- 2.3 The Investment Manager is authorised and regulated by the Financial Services Authority with the Firm Reference Number 187702. The FSA's address is 25 North Colonnade, Canary Wharf, London E14 5HS.
- 2.4 The Investor is classified as a retail client (unless it is otherwise agreed with the Investment Manager that the Investor should be categorised as a professional client or eligible counterparty).
- 2.5 The Investor has the right to cancel this Agreement within fourteen days of the date on which the Investment Manager accepts the Investor's Application Form. If the Investor exercises the initial right to cancel, the Investment Manager will return the amount of any Subscription which has been paid to it. Any Investor wishing to cancel this Agreement should send the Investment Manager a letter so stating, which should be dispatched to the Investment Manager within fourteen days of receipt of the Application Form by the Investment Manager.

#### 3. Subscriptions

- 3.1 In respect of the Fund in which the Investor subscribes:
  - 3.1.1 the Investor shall make a Subscription of not less than £10,000 at the same time as submitting his Application Form to invest in the Fund;

- 3.1.2 the Investor may make further Subscriptions to the Fund up to and including the Closing Date for the Fund. The total Subscriptions made to the Fund by the Investor shall be the initial value of the Investor's Portfolio for the Fund; and
- 3.1.3 the Investor may not make any Subscription after the Closing Date.
- 3.2 The Investor may terminate the Agreement pursuant to Clause 15 below. In the case of there being Subscriptions in excess of the Maximum Subscription to the Fund which cannot be invested on or before 5 April 2012, the Investment Manager shall return any excess Subscriptions to the Investor.
- 3.3 The Investment Manager shall deposit Subscriptions received in an interest bearing client account pursuant to Clause 7.7 pending their investment.
- 3.4 The Investment Manager reserves the right not to proceed with the Fund if the aggregate subscription is less than £1 million or if the Investment Manager believes that an investment cannot be made in a FITs Company before 5 April 2012 in accordance with the Investment Objectives in which case Clause 3.2 above applies to the monies subscribed *mutatis mutandis*.
- 4. Services**
- 4.1 The Investment Manager will manage the Fund as from the Closing Date on the terms set out in this Agreement. The Investment Manager will exercise all discretionary powers in accordance with the Investment Objectives in relation to the selection of, or exercising rights relating to (subject to clause 7.6), Investments of the Fund on the terms set out in this Agreement.
- 4.2 The Investment Manager shall not, save as expressly provided in this Agreement, have any authority to act on behalf of, or as the agent of the Investor.
- 4.3 The Investor hereby authorises the Investment Manager (and grants to the Investment Manager a power of attorney) to act on his behalf and in the name of the Investor or in the name of a nominee if appointed to negotiate, agree and do all such acts, transactions, agreements and deeds as the Investment Manager may deem necessary or desirable for the purposes of making, realising and managing investments on behalf of the Investor and this authority (and power of attorney) shall be irrevocable and shall survive, and shall not be affected by, the subsequent death, disability, incapacity, incompetence, termination, bankruptcy, insolvency or dissolution of the Investor. This authority (and power of attorney) (subject to Clause 7.6) will terminate upon the complete withdrawal of the Investor from the Fund.
- 5. Investment Objectives and Restrictions**
- 5.1 In performing the Services, the Investment Manager shall have regard to the need for the Fund to attract EIS Relief and/or CGT Deferral Relief and shall comply with, the Investment Objective, the Investment Restrictions and all Applicable Laws.
- 5.2 Generally, the Investment Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor and it considers it to be in the best interests of the Investor having regard to availability of EIS Relief for the Investor.
- 5.3 In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 15.1, the cash proceeds of realised EIS Investments may be placed on deposit or invested in government securities or in other investments of a similar risk profile.
- 6. Terms Applicable to Dealing**
- 6.1 In effecting transactions for the Fund, the Investment Manager will act in accordance with the FSA Rules and will ensure that best execution is sought at all times and deals are made on such markets and exchanges, and with such counterparties, as the Investment Manager thinks fit. The Investment Manager maintains a written execution policy with respect to these matters and will provide the Investor with a copy on request.

- 6.2 Where relevant, it is agreed that all transactions will be effected in accordance with all Applicable Laws so that:
- 6.2.1 if there is any conflict between the provisions of this Agreement and any such Applicable Laws, the latter shall prevail; and
- 6.2.2 action may be taken as thought fit in order to ensure compliance with any such Applicable Laws. The Investor should however be aware that the Portfolio will be invested in range of unlisted securities and there is generally no relevant market or exchange and consequent rules and customs and there will be varying practices for different securities. Transactions in shares or such securities will be effected on the best commercial terms which can be secured.
- 6.3 Subject to the FSA Rules, transactions for a Portfolio may be aggregated with those of other customers of the Investment Manager (including other Investors), and of its employees and associates and their employees. In particular, but without prejudice to the generality of the foregoing, transactions in Investments for Investors in the Fund will be aggregated. Investments made pursuant to such transactions will be allocated on a fair and reasonable basis in accordance with the FSA Rules and endeavours will be made to ensure that the aggregation will work to the advantage of each of the Investors, including the Investor, but the Investor should be aware that the effect of aggregation may work on some occasions to the Investor's disadvantage.
- 6.4 The number of shares in an EIS Qualifying Company held as an Investment for the Fund allocated to the Investor shall be calculated with reference to the proportion which the Investor's Subscription of that Fund applied to such share purchase bears to the total Subscriptions by all Investors in that Fund, provided that Investors shall not have fractions of shares. If one or more of the Investors in the Fund is an accountant, lawyer or other professional person who is subject to professional rules preventing him from making an investment in a particular EIS Qualifying Company, then the number of shares so allocated to that Investor or Investors shall be redistributed across the Investors as equitably as possible and the cash value of such shares re-credited to the Investor's Portfolio. Minor variations may be allowed to prevent Investors having fractions of shares but only in circumstances in which there can be minor variations. Entitlement to shares will be to the nearest whole share rounded down and the aggregate of fraction entitlements may be held by the Nominee for the Investment Manager or any nominee the Investment Manager may appoint to hold such investments.
- 6.5 The Investment Manager may make use of soft commission arrangements in respect of deals undertaken for the Fund as may be disclosed to the Investor from time to time.
- 6.6 The Investment Manager will act in good faith and with due diligence in their choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.
- 6.7 Any option which the Investment Manager has to subscribe for shares in any EIS Qualifying Company in which the Fund has invested shall not be capable of assignment except to an employee of the Investment Manager within three years from the date on which the Investment is made.

## **7. Custody**

- 7.1 The Investment Manager will be responsible for the safe keeping of Investments (other than documents of title sent directly to Investors pursuant to Clause 7.3) and cash comprised in the Fund from time to time, including the settlement of transactions, collection of income and the effecting of other administrative actions in relation to the Investments.
- 7.2 Investments will normally be registered in the name of the Investor. However, the Investment Manager shall retain the right in its sole discretion to appoint a Nominee to hold investments on behalf of Investors. Portfolio Investments will therefore be beneficially owned by the Investor at all times but where the Investment Manager appoints a Nominee, the Nominee will be the legal owner of the Portfolio Investments.

- 7.3 Title documents or documents evidencing title to the Investments shall be dispatched to the Investor at the address supplied on the Application Form by first class post within 14 days of allotment at the risk of the Investor where the Investments are registered in the name of the Investor. Where the Investments are registered in the name of a Nominee, the Nominee will hold any title documents or documents evidencing title to the Investments.
- 7.4 The Investment Manager may not lend Investments or title documents to a third party and may not borrow against the security of the Investments or such documents.
- 7.5 The Investment Manager may realise an Investment in order to discharge an obligation of the Investor under the Agreement which an Investor has otherwise failed to discharge to the reasonable satisfaction of the Investment Manager having been given 14 days notice of the need for payment of any such obligation, for example in relation to payment of fees, costs and expenses.
- 7.6 Where Investments have been registered in the name of a Nominee, the Investment Manager will arrange for the Investor to receive any details of any meetings of Investors in investments and any other information issued to investors in Investments if the Investor at any time in writing requests such details and information (either specifically in relation to a particular Investment or generally in respect of all Investments). The Investor will retain all voting and other rights attaching to Investments and shall be entitled, as a matter of right, to require the Nominee to appoint the Investor as its proxy to vote as the Investor may see fit at any meeting of shareholders in an Investee Company in which an Investment is held for an Investor. In the case of an Investor who is not validly appointed as the Nominee's proxy for the purposes of a meeting of the shareholders of an Investee Company in which an investment is held for that Investor, the Nominee may (but it is not obliged to) appoint the Investment Manager as its proxy to vote at that meeting. In the case of variations in the share capital, receipts of a notice of conversion, or proposal to wind up, amalgamate or take over a company in which an Investment is held for the Investor:
- 7.6.1 a bonus or capitalization issue will be automatically credited to an Investor's holding;
- 7.6.2 otherwise (where appropriate) the Investment Manager will be sent a summary of the proposal and the required action to be taken (if any);
- 7.6.3 if, on a rights issue, no instruction is received from the Investment Manager, the Nominee will allow the rights to lapse. Lapsed proceeds in excess of £3 will be credited to the Investor. Sums less than this will be retained for the benefit of the Investment Manager. However, if nil paid rights in a secondary market are acquired for the Investor, such rights will be taken up, unless the Investment Manager provides contrary instructions;
- 7.6.4 all offers will be accepted upon going unconditional whether or not any instructions have been received; and
- 7.6.5 entitlements to Shares will be to the nearest whole Share rounded down and the aggregate of fractional entitlements may be held by the Nominee for the Investment Manager. If the partly paid Shares are held for an Investor and are the subject of a call for any due balance and no instruction is received, the Investment Manager may sell sufficient of the Investments to meet the call.
- 7.7 The Investment Manager will hold or procure the holding of cash of the Portfolio in accordance with the Client Money Rules of the FSA. The cash balance held for an Investor in the Fund (other than amounts which are deemed to be sizeable amounts and for which the Investment Manager arranges for them to be put on deposit or in money market instruments in order to obtain a better rate of interest) will be deposited with an authorised banking institution in the UK in the name of "The Merepark Solar EIS Fund" and under customer trust status (i.e. separately from money belonging to the Investment Manager). The Investment Manager may give instructions to the relevant bank regarding such an account. Interest on credit balances on such a client bank account is credited to the Investor's Portfolio. Details of the rates and other policies in relation to such accounts are available from the Investment Manager on request.

7.8 The Investment Manager may decide to cease to treat as client money any unclaimed cash of the Portfolio if there has been no movement in the balance in the bank account in a period of six years (notwithstanding any payments or receipts of charges, interest or similar items) and the Investment Manager has taken reasonable steps to contact the Investor and to return the balance.

## **8. Reports and Information**

8.1 The Investment Manager shall send the Investor a report relating to the Fund, complying with the FSA Rules, every six months, in respect of the periods ending on or around 31 July and 31 January. Reports will include a measure of performance in the later stages of the Fund once valuations are available for the Investments.

8.2 Details of dividends which are received in respect of the Investments will be provided in respect of each tax year ending 5 April and appropriate statements sent to the Investor.

8.3 Contract notes will be provided for each transaction for the Investor's Portfolio.

8.4 The Investment Manager shall supply such further information which is in its possession or under its control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.

8.5 Any statements, reports or information so provided by the Investment Manager to the Investor will state the basis of any valuations of Investments provided.

## **9. Fees**

The Investment Manager shall receive fees for its Services as set out in Schedule 2 to this Agreement.

## **10. Management and administration obligations**

10.1 The Investment Manager shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide its Services properly and efficiently, and in compliance with the FSA Rules.

10.2 Except as disclosed in the Information Memorandum and as otherwise provided in this Agreement (for example on early termination), the Investment Manager shall not take any action which may prejudice the tax position of the Investor insofar as it is aware of the relevant circumstances, and in particular which may prejudice obtaining the Tax Advantages for the Fund Investments.

## **11. Obligations of the Investor**

11.1 The Fund established by this Agreement is set up on the basis of the declaration made by the Investor in his Application Form in relation to the following matters:

11.1.1 confirmation that the Investor wishes to seek EIS Relief for the Investments;

11.1.2 agreement to notify the Investment Manager if any Investment by the Fund in any company is in a company with which the Investor is connected within section 163 and sections 166 to 171 of the Income Tax Act 2007 in which case Clause 6.4 of this Agreement will immediately apply;

11.1.3 agreement to notify the Investment Manager if, within three years of the date of issue of shares in an Investee Company, the Investor becomes connected with the company or receives value from such company in which case Clause 6.4 of this Agreement will immediately apply; and

11.1.4 agreement to provide the Investment Manager with his/her tax district, tax reference number and National Insurance number. The Investor confirms that the information stated in the Application Form in these (and all other) respects is true and accurate as at the date of this Agreement.

11.2 The Investor must immediately inform the Investment Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which Clause 11.1 above refers.

11.3 In addition, the Investor must provide the Investment Manager with any information which it reasonably requests for the purposes of managing the Fund pursuant to the terms of this Agreement.

## **12. Delegation and Assignment**

The Investment Manager may, where reasonable, employ agents, including Associates, to perform any administrative, custodial or ancillary services to assist the Investment Manager in performing its Services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents. Any such employment of agents shall not affect the liability of the Investment Manager under the terms of this Agreement.

## **13. Potential Conflicts of Interest and Disclosure**

13.1 The Investment Manager may provide similar services or any other services whatsoever to any other customer and the Investment Manager shall not in any circumstance be required to account to the Investor for any profits earned in connection therewith. So far as is deemed practicable by the Investment Manager, however, it will use all reasonable endeavors to ensure fair treatment as between the Investor and other customers in compliance with the FSA Rules.

13.2 The Investment Manager, and any Associate may, subject to the overriding principle of suitability and best execution and in accordance with the FSA Rules, and without prior reference to the Investor, recommend transactions in which it or an Associate has, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with its duty to the Investor. Neither the Investment Manager, nor any Associate, shall be liable to account to the Investor for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions. For example, such potential conflicting interests or duties may arise because:

13.2.1 the Investment Manager or an Associate may receive remuneration or other benefits by reason of acting in corporate finance or similar transactions involving companies whose securities are held in the Fund;

13.2.2 the Investment Manager may take an equity stake in a company whose securities are held in the Fund at a price not below the issue price available to the Fund (and subject to Clause 6.7); 13.2.3 the Investment Manager or an Associate provides investment services for other customers;

13.2.3 the Investment Manager or an Associate provides investment services for other customers;

13.2.4 any of the Investment Manager's directors or employees, or those of an Associate, is or may become a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of the Fund;

13.2.5 the transaction is in securities issued by an Associate or the customer of an Associate;

13.2.6 the transaction is in relation to an Investment in respect of which it or an Associate may benefit from a commission or fee payable otherwise than by the Investor and/or it or an Associate may also be remunerated by the counterparty to any such transaction;

13.2.7 the Investment Manager deals on behalf of the Fund with an Associate;

13.2.8 the Investment Manager may act as agent for the Fund in relation to the transaction in which it is also acting as agent for the account of other customers and Associates;

- 13.2.9 the Investment Manager may, in exceptional circumstances, deal in investments as principal in respect of a transaction for the Fund;
- 13.2.10 the Investment Manager may have regard, in exercising its management discretion, to the relative performance of other funds under its management;
- 13.2.11 the Investment Manager may effect transactions involving placings and/or new issues with an Associate who may be acting as principal or receiving agent's commission. Associates may retain any agent's commission or discount or other benefit (including directors' fees) that accrues to them;
- 13.2.12 the transaction is in the securities of a company for which the Investment Manager or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction; and
- 13.2.13 the transaction is in securities in respect of which the Investment Manager or an Associate, or a director or employee of the Investment Manager or an Associate, is contemporaneously trading or has traded on its own account or has either a long or short position.

#### **14. Liability**

- 14.1 The Investment Manager will at all times act in good faith and with reasonable care and due diligence. Nothing in this paragraph 14 shall exclude any duty or liability owed to the Investor under the FSA Rules.
- 14.2 The Investment Manager shall not be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objective and the Investment Restrictions or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or willful default or fraud of the Investment Manager or of its Associates or any of their respective employees.
- 14.3 Subject to Clauses 6.6 and 12, the Investment Manager shall not be liable for any defaults of any counterparty, agent, banker, Nominee or other person or entity which holds money, investments or documents of title for the Fund, other than such party which is its Associate.
- 14.4 In the event of any failure, interruption or delay in the performance of the Investment Manager's obligations resulting from acts, events or circumstances not reasonably within its control including but not limited to acts or regulations of any governmental or supranational bodies or authorities and breakdown, failure or malfunction of any telecommunications or computer service or systems, the Investment Manager shall not be liable or have any responsibility of any kind for any loss or damage thereby incurred or suffered by the Investor.
- 14.5 The Investment Manager has relied on an assessment of the suitability of the Fund as an investment for the Investor by the Investor's adviser authorised under FSMA. The Investment Manager gives no representation or warranty as to the performance of the Portfolio. EIS Investments are high risk Investments, being non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. Investors should consider the suitability of investment in EIS Investments carefully and note the risk warnings set out in the information memorandum about the Funds.

#### **15. Termination**

- 15.1 The Investment Manager shall set a date, which it shall notify to the Investor, on which the Fund will terminate. This is likely to be between three and a half and four years after the Closing Date. On termination of the Fund, all shares held in the Investor's Portfolio will either be sold and cash transferred to the Investor and/or the shares will be transferred into the Investor's name or as the Investor may otherwise direct.

15.2 With the agreement of the Investment Manager an Investor may withdraw funds from the Fund (and so, by terminating the Agreement in respect of the Fund, terminate this Agreement) prior to termination of the Fund in which case all his Investments from the Fund shall be sold and cash transferred but the Investor should note:

15.2.1 that he may lose EIS Relief and/or CGT Deferral Relief in respect of the Investments sold; and

15.2.2 that it may not be practicable for the shares to be sold in which case there may be a delay in completing the withdrawal. If it is practicable to effect, and the Investor decides to proceed with, an early withdrawal, the Investment Manager will, unless the Investor otherwise requests, effect the withdrawal on the last business day of the month following that in which such decision is made.

15.3 If:

15.3.1 the Investment Manager gives to the Investor not less than three months' written notice of its intention to terminate its role as Investment Manager under this Agreement; or

15.3.2 the Investment Manager ceases to be appropriately authorised by the FSA or becomes insolvent

the Investment Manager shall endeavour to make arrangements to transfer the Fund to another fund manager in which case that Investment Manager shall assume the role of the Investment Manager under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 16, the Investments in the Investor's Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

15.4 Provided neither Clause 15.2 nor 15.3 applies, this Agreement shall terminate when the Fund terminates.

## **16. Consequences of Termination**

16.1 On termination of this Agreement pursuant to Clause 15, the Investment Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

16.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that the Investor will pay fees, expenses and costs properly incurred by the Investment Manager up to and including the date of termination and payable under the terms of this Agreement.

16.3 On termination, the Investment Manager may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs and expenses payable under Clause 9 of this Agreement, the details of which are set out in Schedule 2 to this Agreement.

## **17. Confidential Information**

17.1 Neither the Investment Manager nor the Investor shall disclose to third parties or take into consideration information either:

17.1.1 the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or

17.1.2 which comes to the notice of an employee, officer or agent of the Investment Manager or of any Associate but properly does not come to the actual notice of the individual of the Investment Manager providing services under this Agreement.

17.2 The Investment Manager will at all times keep confidential all information acquired in consequence of the Services, except for information which:

17.2.1 is in the public knowledge; or

17.2.2 the Investment Manager may be entitled or bound to disclose under compulsion of law; or

17.2.3 is requested by regulatory agencies; or

17.2.4 is given to their professional advisers where reasonably necessary for the performance of their professional services.

## **18. Complaints and compensation**

The Investment Manager has established procedures in accordance with the FSA Rules for consideration of complaints. Details of these procedures and of the Investor's rights to compensation under the Financial Services Compensation Scheme if it is unable to meet any of its liabilities to the Investor are available from the Investment Manager on request. If a complaint is not satisfactorily resolved, the Investor has the right to complain directly to the Financial Ombudsman Service.

## **19. Notices, Instructions and Communications**

19.1 Notices of instructions to the Investment Manager should be in writing and signed by the Investor, except as otherwise specifically indicated. Any notice given under this Agreement shall be given in English.

19.2 The Investment Manager may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by the Investor under the Application Form or subsequently notified by the Investor from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.

## **20. Unsolicited real time financial promotion**

The Investment Manager may communicate an unsolicited real time financial promotion (i.e. interactive communications such as a telephone call promoting EIS Qualifying Company investments) to the Investor within the FSA Rules.

## **21. Amendments**

The Investment Manager may amend these terms and conditions in this Agreement by giving the Investor not less than ten business days written notice. The Investment Manager may also amend these terms by giving the Investor written notice with immediate effect if such is necessary in order to comply with HM Revenue & Customs requirements in order to maintain the EIS Relief or in order to comply with the FSA Rules.

## **22. Data Protection**

All data which the Investor provides to the Investment Manager is held by the Investment Manager subject to the Data Protection Act 1998. The Investor agrees that the Investment Manager may pass personal data to other parties insofar as is necessary in order for them to provide their services as set in this Agreement and to the FSA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

## **23. Entire Agreement**

This Agreement, together with the Application Form, comprises the entire agreement of the Investment Manager with the Investor relating to the provision of the Services and supersedes any earlier communication, correspondence or discussions which have taken place prior to the Investor signing an Application Form.

## **24. Rights of Third Parties**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that Act.

**25. Severability**

If any term, condition or provision of this Agreement shall be held to be invalid, unlawful or unenforceable to any extent, such term, condition or provision shall not affect the validity, legality or enforceability of the remainder of this Agreement.

**26. Governing Law**

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the non-exclusive jurisdiction of the English Courts.

## Schedule 1

### INVESTMENT OBJECTIVE AND RESTRICTIONS OF THE FUND

#### INVESTMENT OBJECTIVE OF THE FUND

To offer Investors the opportunity to invest in companies which will carry on the business of solar electricity generation through Solar PV Systems, which is eligible for FITs with the added bonus of obtaining the tax advantages associated with EIS investments.

#### INVESTMENT RESTRICTIONS FOR THE FUND

1. In carrying out its duties hereunder in respect of the Fund, regard shall be paid to, and all reasonable steps taken to comply with, such policies or restrictions as are required in order to attract the EIS Relief as may be prescribed by HM Revenue & Customs from time to time.
2. In particular, but without prejudice to the generality of the above statement, the restrictions for the Fund are as follows:
  - 2.1.1 So far as is practicable, the Portfolio shall be fully invested. However in the event that it is not, Investors will only be able to obtain EIS Relief on the proportion of the Portfolio invested in each tax year.
  - 2.1.2 So far as is practicable, the Subscriptions to the Fund shall be invested within the tax year in which the Closing Date falls so that Investors can obtain full EIS Relief in that tax year. If this is not the case, Investors will only be able to obtain EIS Relief when the funds are actually invested.
  - 2.1.3 Generally the Investment Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor, or considers it to be in the interests of the Investor, having regard to EIS Relief for the Investor.
  - 2.1.4 The Fund shall invest in such number of EIS Qualifying Companies as the Investment Manager deems appropriate.
3. Investors should be aware that the Fund's Portfolios will include non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to deal in the non-Readily Realisable Investments or to obtain reliable information about their value.

## Schedule 2

### FEES

#### CHARGES AND EXPENSES

No fees or costs will be charged to the Fund. The Investment Manager will be entitled to an initial commission of 6% of the amount invested in each Investee Company (subject to a minimum of £75,000 in aggregate) and out of this it will pay all intermediary commissions and professional charges and expenses associated with setting up the Fund. In addition, the Asset Manager will be paid a transaction fee of 1% of sums invested in each Investee Company, payable by such Investee Company on investment into it by the Fund. Investors should be able to obtain tax relief on the full amount of their investment.

The Investment Manager will also be entitled to an annual management fee from the Investee Companies equal to 2.5% of the amount invested by the Fund until the first statutory accounts are prepared, and thereafter of the net asset value of the Investee Company as derived from its annual accounts (less initial commissions payable to the Investment Manager and the Asset Manager).

The management fee is payable for four years from investment in the Investee Company by the Fund (unless its shareholders resolve to extend the arrangements). The Investment Manager will pay an annual fee to the Asset Manager from its annual management fee, which will amount to one half of the annual management fee after payment of trail commissions.

Trail commission, where elected by the intermediary, shall be paid by the Investment Manager to the intermediary at the annual rate of 0.5% of the amount invested in the Fund by the Investor to which the trail commission relates. Such trail commission shall be paid each year until the earlier of the date of termination of the relevant Investor's Agreement or the fourth anniversary of the Fund.

**Part VI**  
**APPLICATION FORM**  
**(Individuals)**

Please print **CLEARLY** in **BLACK INK** and in **BLOCK CAPITALS**

Please send your completed Application Form and Anti-Money Laundering Documentation to:  
Woodside Corporate Services Limited, 4th Floor, 150-152 Fenchurch Street, London EC3M 6BB

<b>FOR CHEQUE PAYMENTS</b>
Make your cheque payable to " <b>Woodside Corporate Services Limited Merepark Solar EIS Fund Client Account</b> " and send it, together with this completed Application Form and anti-money laundering documentation described in part 6 of the Application Form below, to Woodside Corporate Services Limited, 4th Floor, 150-152 Fenchurch Street, London EC3M 6BB

<b>FOR ONLINE TRANSFERS</b>
The Royal Bank of Scotland plc, London St. Mary Axe branch
Sort Code: 16 – 10 – 29
Account number: 10301432
Account name: Woodside Corporate Services Limited Merepark Solar EIS Fund Client Account

**1. Personal Details and Correspondence Address**

Title:	Forename(s):	Surname:
Address:		
		Postcode:
Previous Address (if less than 3 years at current address):		
		Postcode:
Email:		
Tel No:		
NI No:		
Tax District:		
Tax Reference:		



## 2. Adviser Details

Name of Adviser:	
Name of Firm:	
Firm Address:	
Postcode:	
Firm Email:	Firm FSA Number:
Tel No:	Fax No:
Commission: I elect for 3% commission on sums invested by the Investor; 2% commission on sums invested by the Investor; and 0.5% trail commission (delete as appropriate)	
Adviser Confirmation (if relevant)	
I confirm that I have assessed the suitability of this investment for the Investor	
Signature of Adviser:	Date:

## 3. Subscription to the Fund

£	(minimum £10,000 and upwards increments of £5,000)
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## 4. Eligibility

The Investment Manager is required by the FSA Rules to obtain sufficient information from you to determine whether you are eligible to invest in the Fund. Therefore it is important that you provide all of the information requested below:

Your application cannot be accepted if this information is not provided.

An investment in the Fund involves a high degree of risk, it may not be suitable for all Investors. Therefore, it is important that you read and understand the detailed risk factors relating to an investment in the Fund, as set out on pages 22 to 24.

### (a) Investment Objectives

The Fund offers Investors the opportunity to invest in companies which will carry on the business of solar electricity generation, with the added bonus of obtaining the tax advantages associated with EIS investments.

In carrying out its duties hereunder in respect of the Fund, regard shall be paid to, and all reasonable steps taken to comply with, such policies or restrictions as are required in order to attract the EIS Relief as may be prescribed by HM Revenue & Customs from time to time.

In particular, but without prejudice to the generality of the above statement, the restrictions for the Fund are as follows:

- So far as is practicable, the Portfolio shall be fully invested. However in the event that it is not, Investors will only be able to obtain EIS Relief on the proportion of the Portfolio invested in each tax year.
- So far as is practicable, the Subscriptions to the Fund shall be invested in the tax year in which the Closing Date falls so that Investors can obtain full EIS Relief in that tax year. If this is not the case, Investors will only be able to obtain EIS Relief when the funds are actually invested.



- The Investment Manager reserves the right to return all money subscribed where, in its opinion an investment in a FITs Company on or before 5 April 2012 is not possible.
- Generally the Investment Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor, or considers it to be in the interests of the Investor, having regard to EIS Relief for the Investor.
- The Fund shall invest in such number of EIS Qualifying Companies as the Investment Manager deems appropriate.

Investors should be aware that the Fund will be investing in unquoted high risk companies. These investments will be of a long-term and illiquid nature and it may be difficult to obtain reliable information about their value.

### Confirmation

Please tick each of the boxes to confirm the following:	Yes	No
• You understand the investment objectives and risk profile of the Fund.		
• The objectives and risk profile are consistent with your personal investment objectives.		
• You understand that your investment will be held over the medium to long-term.		

### (b) EIS Relief

If you cannot take advantage of EIS Relief the Fund is not likely to be a suitable investment for you.

Please answer the questions below:	Yes	No
• Do you wish to take advantage of EIS Relief for the investments made by the Fund on your behalf?		
• Are you seeking to claim full income tax relief? (You should consider whether you have sufficient tax liability in the relevant year and/or previous year).		
• Are you seeking to defer a capital gain?		
• Are you aware of any significant capital commitments within the next 4 years which cannot be funded from your disposable income or liquid saving?		
• If your answer is "Yes", please confirm how the commitment will be funded.		

### (c) Investment Experience and Understanding

Please confirm which, and how many of the types of investment listed below you have previously made in the last 5 years:

• Tax efficient investment (including VCTs, EIS, EZT).		
• Entities quoted on the main market of the London Stock Exchange.		
• AIM listed companies or companies which are not listed.		
• Other relevant investments.		

On average how much do you cumulatively invest each year in the new investments of the types listed above:

Less than £10,000		£10,000 – £25,000		£25,000 – £100,000		More than £100,000	
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#### (d) Employment Details

Please provide the following employment details:

• Employment status: (e.g. employed/self-employed/retired).	
• Source of income: (e.g. earnings/investment income).	
• Please indicate if you hold or have previously held a position in the financial services sector relevant to the investment. If you hold a professional qualification (e.g. ACA, ACCA, CTA, Securities Institute Cert/Diploma), or if you are a professional (e.g. accountant, stockbroker or solicitor).	

#### (e) Financial Situation

Please indicate your annual disposable income (after all regular financial commitments):

Less than £10,000		£10,000 – £50,000		£50,000 – £100,000		£100,000 – £250,000		More than £250,000	
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Please state the value of your net assets (other than your principal residence, other property interests and net of any loans).	£
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Please state the value of your principal residence and any other property investments:

Principal Residence: £		Other Property: £	
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Please state the source of your Subscription (e.g. a capital gain/savings/earnings):

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#### 5. Identification

In order to comply with current Anti-Money Laundering Regulations, we require two proofs of identity; one proof of your home address and one photographic proof of identity. Please tick to indicate which of the following forms of identification are enclosed with your application.

Certified Copy of Passport		Certified Copy of Photocard Driving Licence		Utility Bill		Bank Statement		Local Authority Tax Bill		Credit Card Statement	
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#### Identity

A copy of your current passport or photo driving licence certified by a solicitor with a current UK practicing certificate, an accountant or an FSA approved adviser.

The passport or photo driving licence must be certified as "a true copy of the original" by personal signature of the solicitor, accountant, adviser (it cannot be signed in the name of their firm) and using blue ink (in order to distinguish the certification from a black and white photocopied document and there must be six months left to run, in the case of your passport. The name of the signatory must also be printed underneath the signature.



## Address

Please submit one of the following which (with the exception of a UK driving licence) must be dated no earlier than 3 months before the date of your application, either in original form or certified by a solicitor with a current UK practicing certificate, an accountant or an FSA approved adviser.

- current and valid UK driving licence (paper-style UK provisional licences are not acceptable). Do not send a current and valid driving licence as evidence of both the Identification and Address;
- utility bill, i.e. gas, electricity, water or telephone bill (but not a mobile telephone bill);
- most recent bank, building society or credit card statement (MasterCard or Visa only); or
- local authority tax bill for the current year.

Woodside will return your original documents to you by first class post (or special delivery, if it considers this to be more appropriate).

## 6. Cancellation Rights

There is a limited period during which you have the right to cancel your investment. If you wish to exercise this right to cancel, you must notify the Investment Manager in writing (to the contract details in clause 2.5 of the Investor's Agreement) within 14 days of the Investment Manager receiving your Application Form.

## 7. Investment Reporting

Unless otherwise requested, the Investment Manager will provide you with a periodic statement once every 6 months. For further information please refer to clause 8.1 of the Investor's Agreement.

## 8. Declaration/Terms & Conditions

I confirm that:

- (a) I wish to seek EIS Relief for my investment.
- (b) I am applying on my own behalf.
- (c) I will notify the Investment Manager of any investment made by the Fund in any Investee Company with which I am connected, as defined in Sections 166, 167, 170 and 171 of Income Tax Act 2007.
- (d) I will notify the Investment Manager if, within the period of three years from the date of issue of shares to the Fund by a Qualifying Company, I become connected with an Investee Company or receive value from such a company.
- (e) I have read the Information Memorandum and the Investor's Agreement. I have understood and I agree to be bound as a party to the terms of the Investor's Agreement.
- (f) I accept that the information supplied at paragraph 5 above is only to assess my eligibility to invest in the Fund. I acknowledge that the Investment Manager is not providing investment, legal, financial, tax or other advice and that any tax information provided is in the context of an investment into the Fund.
- (g) I have read this Application Form and I confirm that I have provided information on my personal and financial circumstances which is true and accurate at the date of this Application Form in order that the Investment Manager may assess the suitability for me of investment in the Qualifying Shares. I confirm that such information will be true and accurate at the date upon which this Application Form is accepted by the Investment Manager. I understand that the Investment Manager may decline to act on my behalf in the event that the information provided is incomplete.
- (h) I will notify the Investment Manager if the information on my personal and financial circumstances as provided in this Application Form changes to an extent that it may impact on the suitability for me of investing in the Qualifying Shares.

- (i) The Receiving Agent shall not be liable to me in the event of an insolvency of any bank with which any funds held by the Receiving Agent have been deposited nor in the event of any restriction on the ability of the Receiving Agent to withdraw funds from such bank for reasons which are beyond its reasonable control.
- (j) I have advised the Investment Manager if I am a solicitor or accountant or other professional person who is subject to professional rules preventing me from making investments, in particular in Investee Companies.
- (k) I consent to the Investment Manager's Order Execution Policy and provide my express consent that, on occasions when the Investment Manager passes an order to another party for execution, the counterparty may execute the trade outside a regulated market or multi-lateral trading facility and may not publish any unexpected client limit orders.
- (l) I acknowledge that the Investment Manager has absolute discretion to accept this application in whole or in part or to reject it.
- (m) The terms of the Investor's Agreement will apply to monies held pending the Closing Date.

Signature \_\_\_\_\_

Date \_\_\_\_\_

### APPLICATION CHECKLIST

Have you

1. read this Information Memorandum in full and, in particular, the Risk Warnings and Investor's Agreement?
2. fully completed the application form and signed and dated it?
3. subscribed for at least the minimum investment of £10,000 and upwards increments of £5,000?
4. included a cheque drawn on a UK bank account in the name of the applicant payable to **Woodside Corporate Services Limited Merepark Solar EIS Fund Client Account** crossed A/C Payee only?  
and
5. have you provided full money laundering documents?





