



Heart of England
Community Energy

Bond Offer Document

Become a bondholder in
Heart of England Community Energy Limited
And become a part of the largest community energy company in
the UK

Target: £1 million
Closing date: 30th April 2018

www.hecommunityenergy.org
in association with Mongoose Crowd

Important Notice

This offer has been prepared for Heart of England Community Energy Limited by Mongoose Crowd Limited (**Mongoose Crowd**) and approved as a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000 (**FSMA**) by Share In Ltd. Mongoose Crowd (firm reference number 779511) is an Appointed representative of Share In Ltd (Firm reference number 603332), which is authorised and regulated by the Financial Conduct Authority (**FCA**). This means that Mongoose Crowd is subject to the FCA's rules in respect of:

- ensuring our communications with you are clear, fair and not misleading;
- categorizing you as an investor to ensure that investment in unlisted securities is appropriate for you;
- handling any complaints that you may have about our services; and
- the vetting of our staff that undertake governance and customer-facing functions.

This Offer Document is not a prospectus for the purposes of Part VI of FSMA and has not been approved by the FCA.

The *Bonds* have not been admitted to listing on any regulated market and will not be dealt on any stock exchange or other such market.

Investing in this Bond may put your capital at risk. That means that you could lose all or some of the money that you invest. Before applying you are advised to read the whole of this Offer Document, including the risks set out on pages 24-25, and all the information regarding this Offer at www.mongoosecrowd.co.uk. Mongoose Crowd does not provide investment, tax or accounting advice. If you are uncertain about investing in Bonds, you should consider taking appropriate independent advice from a person who has relevant experience in advising on unlisted securities before making any investment decision.

Mongoose Crowd has taken all reasonable care to ensure the facts stated in this Document are true and accurate in all material respects and that there are no other material facts whose omission would make any statement of fact or opinion in this Document misleading. All statements of opinion or belief contained in this Document and all views expressed and statements made regarding future events represent Mongoose Crowd's own assessment and interpretation of information available to it as at the date of this Document. Investors must determine for themselves what reliance (if any) they should place on such statements, views or forecasts, and no responsibility is accepted by Mongoose Crowd in respect thereof.

An *application* to invest in the Bonds may only be made through Mongoose Crowd at www.mongoosecrowd.co.uk.

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All italicised terms used in this Bond Offer Document are defined in the Glossary.



Welcome Message

From the Board

We are excited to invite you to invest in Heart of England Community Energy (HECE) through our very first bond *offer*! By investing, you will be supporting community ownership of local, renewable energy resources and the re-investment of HECE's profits into the local community of the Heart of England region.

In July 2017, HECE acquired three operational solar farms, located on the old DEFRA (Department for Environment, Food and Rural Affairs) site just outside Stratford-Upon-Avon. This means that HECE is the UK's largest community energy company by assets under ownership. The land on which the solar farms are built cannot be used for agricultural purposes which makes it a particularly appropriate location for solar farms and a responsible use of the land. The projects were constructed by Anesco, a British company that has constructed over 100 solar farms, with a loan from Close Brothers Bank. Since their construction in 2016, the projects have been performing in line with expectations.

Heart of England Community Energy acquired the three solar farms using a loan from Social & Sustainable Capital (SASC), a specialist investment fund with the goal of supporting community organisations to deliver sustainable solutions to social issues. As a short-term, flexible loan it carries a higher interest than longer-term financing. To minimise this cost, our goal is to repay the loan as quickly as possible via our crowdfunding strategy which includes bond offers such as this at 5%.

The bond is the second of a series of offers designed to raise funds from local and other community investors to enable us to repay our loans from SASC. Our initial share offer raised enough money to repay our first loan tranche from SASC on time. This bond offer will be followed by further bond and share offers, building on the lessons learned from this and other offers also being launched through Mongoose Crowd.

We are also in discussions with a number of institutions that are considering providing loans to us at an interest rate that is consistent with financial modelling, which confirms the project viability. Our goal is to secure all of the remaining funds required to repay SASC's loan, in excess of £6 million, by March 2020. We believe this is a realistic and achievable timeline.

Heart of England Community Energy has been established to recycle its profits back into the Heart of England community by supporting local charities and projects with a positive social and environmental impact. It is our goal to donate up to £2.7 million to good causes over the projects' lifetime with a minimum of £30,000 per annum in the initial years. Our primary focus is to improve the health of elderly and other vulnerable people suffering from living in cold and damp homes by helping them to access help with reducing energy bills and improving heating and insulation. We expect to make our first funding commitment in April 2018.

The bonds are a 4 year investment, which pay interest of 5% per year, covered by the revenue from the solar farms. The bond offer will be available through Mongoose Crowd, the first crowdfunding platform dedicated to community energy. We are delighted that Mongoose Crowd will reward early investors with additional interest in the first year. More information is available on Mongoose Crowd at www.mongoosecrowd.co.uk.

Our new board was recruited by and will continue to be supported by Mongoose Energy, a community-owned renewable energy developer. Since 2015, *Mongoose Energy* has helped bring over 75 MW of solar power into community ownership and is now a leading player in the growing community energy sector.

We hope that you will consider investing in Heart of England Community Energy and become an investor enabling the community to have more power over where our electricity comes from and where the profits go.



The Offer

A 4 year, 5% fixed rate unsecured bond

Issuer	Heart of England Community Energy
Interest	5% per annum plus a bonus for early investors
Instrument	Bond
Security	Unsecured
Term	4 years
Minimum Raise	£50,000
Funding Target	£1 million
Offer Closes	30th April 2018
Interest Paid	Annually
Capital Repayment	Upon redemption
Maturity	30th April 2022
Minimum Investment	£500
Purpose of the bond	Repay short-term financing

This bond is eligible to be held within the Innovative Finance ISA. For more information go to www.mongoosecrowd.co.uk/ifisa

The offer opens on 28th March 2018 and will remain open to applications up to the value of £1 million, or until 30th April 2018, whichever is the earlier. The Directors may extend the offer period at their discretion.

The *Issuer* will pay 5% per annum on the capital invested in the Bonds by each *Bondholder*.

The Bonds are unsecured, which means that the Bondholders will not rank ahead of general creditors of the Issuer. Bondholders will however be paid before decisions are made by the board on the amount of surplus cash that is paid as interest to shareholder members and into the *community fund*.

For *applicants* who apply before 30th April 2018, interest will begin to accrue from 1st May 2018. If the offer period is extended (as explained further below), applicants who apply after this time will see interest accrue on their bonds from the date of issue of their bonds.

Bondholders will have the option to continue holding their bonds after the initial term. Interest at 4.5%, calculated annually, will be paid to bondholders after the initial term.

Table showing the interest earned on an example investment:

INVESTMENT	TOTAL INTEREST PER YEAR*	TOTAL INTEREST OVER 4 YEARS*	TOTAL RETURN AFTER 4 YEARS*
£500	£25	£100	£600
£2,000	£100	£400	£2,400
£5,000	£250	£1,000	£6,000
£10,000	£500	£2,000	£12,000
£20,000	£1,000	£4,000	£24,000

*Returns not guaranteed, capital at risk

Summary of Key Dates:

28th March 2018	Launch of bond offer
30th April 2018	Bond offer closes: the bonds certificates are issued, targeted to be within one week of close
1st May 2018	Interest begins to accrue
31st May 2019	5% interest payment due 30 days after bond anniversary
31st January 2022	Final day for HECE to receive notice that bondholders wish to redeem their bonds at the end of the four year term, or for HECE to notify bondholders of their intention to redeem. HECE will send out a reminder at least 1 month before this date with information on the terms for bonds extended beyond the four year term.
30th April 2022	Initial 4-year term of the bonds ends. HECE to repay capital and interest to those who have notified the Board of redemption within 30 days, and interest to all other bondholders within the same period. Bondholders may continue to roll over their bonds for as long as they wish, subject to HECE's right to redeem the bonds.

Meet the Team:

About Heart of England Community Energy Limited and its Partners

Heart of England Community Energy is a newly set-up community energy company, with the goal of introducing the benefits of community energy to the Heart of England region. Community energy is designed to empower locals by allowing them to invest in, control and benefit from the generation of renewable energy, with voting rights and open board elections for all members.

The company acquired three solar farms totalling 14.7 megawatts (MW) on 27th July 2017, making it the largest community energy company by generating capacity in the UK. The solar farms produce enough electricity to power 4,500 homes.

The assets are managed by Mongoose Energy, which set up the company and completed the acquisition on its behalf. Mongoose Energy works with 11 other community energy companies across England and manages over half the community energy assets in England and Wales.

As a *community benefit society*, regulated by the FCA, HECE is bound to act for the benefit of the communities in which we operate – the Heart of England region. Therefore, all operations and management are to fulfil the end-goal of maximising the community benefit fund, which will see surplus profits invested back into the community to deliver social and environmental benefits, for example by supporting the alleviation of fuel poverty. The board is close to making its first funding commitment, which will be announced in the coming months.

Although bondholders do not have voting rights, they will be invited to HECE's AGM, which will be held between March and July each year.

The Directors



Michael Bullock – Director

Michael, who lives in Kenilworth, has a specialist understanding of financial risks and strategic issues associated with renewable energy projects, with experience in risk consulting to renewable energy industry clients. He has 20 years' insurance broking experience in the London and Bermudian insurance markets including as founder-director of a Lloyd's Broker, in which he established a specialist renewable energy underwriting unit. Currently, he sits on the Wave Energy Scotland advisory committee and is on the finance steering group of the Ocean Energy Forum.



Stuart Potter – Director

Stuart, who lives in South Warwickshire, is a Chartered Engineer and member of the Energy Institute who has been an energy consultant for 30 years. He has worked for many large organisations in innovative designing, implementing and commissioning of large energy projects to reduce costs and energy usage. Since retiring from his main role, he has worked in local community projects, building and developing his interest in guiding the communities towards ethical, sustainable, local supply and self-sufficiency.



Dave Passingham – Director

Dave, who lives in South Warwickshire, was Technical Director and then Managing Director of a computer aided design software company. Since retiring he has been involved in running environmental and community projects in South Warwickshire. Dave has had a special interest in Community Energy Companies for the last 8 years and now manages a portfolio of investments in over 30 such companies. He has a degree in Engineering Design and has recently studied Energy for a Sustainable Future.



John Stott – Director

John, who lives in Henley-in-Arden, is a chartered member of the Energy Institute and has worked in the electricity generation industry. He is very interested in finding ways of minimising climate change and renewable energy is an important part of the solution. He has invested in over 50 renewable energy projects and is well informed about renewable energy and in particular, the technicalities of solar power. He has helped a community solar project with technical advice and helped a local business to purchase a solar power system. For ten years, he promoted the low carbon message by writing the green column in a local electronic newspaper.



Tony McNally - Director

Tony, who lives in Coventry, is the Managing Director of Climate Change Solutions Ltd (est.2003). He jointly organised the first Midlands Environmental Business Conference NEC, from which it was established and continues to date as the MEBC (Club). He was involved in organising the Pledge to the Planet and Tree of Life campaign, with John Talbot, David Middleton and Jonathon Porritt, leading to and featuring in the UN Earth Summit Rio 1992. He also participated in Coventry and Warwickshire Savers as a local Agenda 21 NGO.



Tony Guy – Director

Tony, who lives in Stratford-upon-Avon, is a Chartered Engineer who joined the car industry, working for several major car component manufacturers. Tony started General Management Consultants Ltd, which in 2002 developed the concept of an electric light commercial vehicle, and with London Taxi International, built three demonstrators. Tony was then a founding Director of Modec Ltd, and as Sales Director and then Operations Director established Modec as a World Class producer of Electric Vehicles. Tony was awarded the “Green Fleet Lifetime Achievement Award” in 2005. In 2015, he was awarded the MBE for “Services to Scouting and Young people in Blackpool and Warwickshire”.



Jonathan Jones - Director

Jonathan, who lives in Burbage, has more than 25 years’ experience of managing and leading finance teams across a variety of industry sectors. He has played a key financial role in a number of iconic projects such as the new London Taxi and Virgins West Coast tilting trains, and has worked for more than 10 years in the Telecoms infrastructure sector overseeing the management and delivery of over 10,000 projects. His key strength is his ability to identify the key success factors for both the business and the finance team and then in developing insightful reporting frameworks that drive performance improvement. He has recently joined the Mid Counties Co-operative as Accounts Controller where he is responsible for the production and review of financial information across the Society’s diverse 8 divisions and 9 support functions.



Mark Kenber, Director

Mark Kenber is the Chief Executive and a Director of Mongoose Energy. Prior to joining Mongoose, he was CEO of The Climate Group and played influential roles in the organisation for over a decade. With a background in international climate policy, he co-founded the successful Voluntary Carbon Standard, CDM Gold Standard and We Mean Business coalition, launched a number of corporate climate leadership platforms, including the ground-breaking RE100 campaign, and co-led the Breaking the Climate Deadlock policy initiative.



Robert Rabinowitz – Director

Rob is Head of Generation at Mongoose Energy. He is a specialist in financing community energy projects, having worked in leading start-up businesses in the fields of carbon trading, social investment and community energy. Rob was part of the team that set up Climate Exchange plc, which was sold to Inter-Continental Exchange in 2010, and was the founding CEO of carbon offsetting and community energy charity Pure Leapfrog.

Our Partners



Mongoose Energy

Mongoose Energy Limited (www.mongoose.energy) is a company with the goal of helping to scale the community energy sector by de-risking the process of development, financing and management of community owned renewable energy projects.

Working with its partner community benefit societies, Mongoose Energy has secured over £100m of finance for community energy projects, including over £22.5m of community investment into renewable energy projects; and is currently managing nearly 85 MW of renewable energy projects on behalf of its partners. Mongoose Energy is working with Heart of England Community Energy to help with the preparation and promotion of this Bond Offer.



Mongoose Crowd

Mongoose Crowd is the UK's only crowdfunding platform focused exclusively on community energy and is a new way for community investors to support local renewable energy projects.

Mongoose Crowd (firm reference number 779511) is an appointed representative of Share In Ltd (Firm reference number 603332), which is authorised and regulated by the Financial Conduct Authority. While Mongoose Crowd is regulated through *Share In Ltd* by the Financial Conduct Authority (FCA), loan-based crowdfunding does not fall within the remit of the *Financial Services Compensation Scheme* (FSCS)

Share In Ltd

Share In Ltd (ShareIn) provide crowdfunding software services, and are regulated and authorised by the FCA (FRN 603332). ShareIn are one of the founding members of the UK Crowdfunding Association, and are located in Edinburgh at, the UK's largest technology incubator.

MangoPay

MangoPay is a trading name of *Leetchi SA*, which holds an e-money issuer license to operate within the European Economic Area (EEA) which was granted and regulated by the Commission de Surveillance du Secteur Financier, Luxembourg (CSSF). MangoPay is majority owned by Credit Mutuel Arkea, a cooperative bank who is committed to serves customers, local and regional development and the real economy.

Heart of England Solar Farms

Introduction

HECE owns three solar farms just outside Stratford-Upon-Avon, each with a generating capacity of almost 5 MW. The three solar farms are part of a larger development of nine solar farms. The farms are located at Drayton Manor Farm on Alcester Road, CV37 9RQ. The site on which the solar farms are built is a former DEFRA site that contains contaminated land, most of which is not suitable for agriculture.

The solar farms, Poplars, Willows and Leys, are each owned by a Community Interest Company of which HECE is the sole shareholder. The solar farms were constructed and are maintained by Anesco Limited, a developer of large-scale renewable energy systems that is in the top 100 cleantech companies in the world. It has designed and constructed some of the country's largest solar farms, including the UK's first subsidy-free solar farm. Anesco's solar farms generate more than 480MW of renewable energy and Anesco is a market leader in battery storage technology.

The sites are among the first solar farms to be co-located with grid-size batteries, which are owned by another entity. Grid-size batteries are a form of large-scale energy storage technology, which store electricity when supply exceeds consumption. The electricity is returned to the grid when production falls below consumption. The solar farms and batteries share a grid connection.

The three installations combined cover 75-acres of land and are made-up of around 60,000 solar panels. The solar arrays produce enough electricity to power 4,500 typical UK homes.

The farms have all necessary planning permissions and operations contracts and have all been producing electricity for over a year. Anesco provides a 24-months' defects liability period which expires in March 2018 for Leys and September 2018 for Poplars and Willows. Anesco will also continue to operate and maintain the solar farms throughout their life and provides an annual performance warranty.

HECE was able to purchase the solar farms with a loan from SASC, a specialist investment fund which invests in projects that provide social benefit. We hope to repay their loan as quickly as possible, to increase the community benefit by reducing our financing costs.

The solar farms have each been fully operational for over a year and have been performing as expected, therefore the Board believe that the bond offer for this portfolio fairly balances risk and reward.

How does solar PV technology work?

Solar photovoltaic (PV) systems capture the sun's energy using photovoltaic cells. Solar PV cells are made from layers of semi-conducting material, usually silicon. When light shines on the cell it creates an electric field across the layers. The stronger the sunshine, the more electricity is produced, but the PV cells don't need direct sunlight to work, they can still generate some electricity on a cloudy day. Cells are grouped together in panels or modules that can either be mounted on a roof or on the ground. Since solar PV cells convert sunlight into DC electricity, inverters are used to convert this into high-voltage AC electricity, which is then connected to the local distribution network.

Solar PV is a well-established and proven technology. According to the International Energy Agency, over 300 GW (gigawatts) has so far been installed worldwide, with an increase of 75 GW in 2016 alone. In the UK, solar energy continues to break its own records, most recently on 26 May 2017, when at one point it produced nearly 25% of national electricity generated. With the emerging use of batteries at scale, the intermittent nature of solar PV and other renewables will be able to be even more efficiently integrated into the grid in the future.



Financial Information

In the first few years of the Society's operation, revenues alone are not sufficient to cover all of our operating and financing costs. We have therefore ensured that the Society currently holds cash reserves that are greater than one full year's operating costs. This is sufficient, in addition to expected revenues, to ensure that the Society can meet all of its planned costs – including bond interest, member interest and community fund payments – for the whole of the four year lifetime of this bond. The Society also holds additional reserves sufficient to cover the cost of servicing bank loans for 6 months.

The table below shows the ratio between "available cash" each year and the funds required to pay interest on the SASC loan and to bond-holders. Available cash is equal to the Society's cash reserves plus net revenues (after the deduction of operating costs and the cost of servicing bank loans). As can be seen, over the lifetime of the bond the Society will hold at least 1.48 times as much cash as is required to meet its obligations to SASC and to bond-holders. These calculations also assume that all member interest and community fund contributions are paid in full.

	Year 1	Year 2	Year 3	Year 4
Available cash	£659,506	£572,437	£504,554	£490,376
Interest on SASC loan and bonds	£319,858	£327,867	£331,111	£331,111
Interest cover ratio	2.06	1.75	1.52	1.48

In the year following the expiry of this bond, revenues have grown to become sufficient to cover all operating and financing costs and the Society's cash reserves start to increase again, enabling potential repayment of investor capital and increasing contributions to the community fund.

HECE's Directors are confident that the Society will have sufficient cash, from projected revenues and reserves, to fund the interest due on the issued bonds. The bonds are an investment in the whole of HECE. The financial information provided therefore addresses the whole of HECE.

General information sourced from third-parties in this offer document has been accurately reproduced as far as the Directors are aware and are able to ascertain from information published by that third party. The Directors believe that no facts have been omitted which would render any such reproduced information inaccurate or misleading.

In 2017 the combined output performance of all three projects was 100% of the projected target.

The Directors believe that the business as a whole is in a healthy position. However, if the financial performance of the Heart of England business as a whole materially deteriorates there is a risk that investors' capital and interest may be negatively affected.

Project Assumptions

Asset and financing

Year 1

Asset	3 solar farms totalling 14.7MW
Cost of asset at financial close	£17.224 million
Bank loan at financial close	£11.028 million
Loan-to-value (excluding junior debt such as loans by SASC)	64%

Electricity/subsidy pricing assumptions¹

Year 1

Annual generation ²	14,212 MWh
Export price	£47.77/MWh
FIT price	£47.20/MWh
ROC price	£58.10/MWh
RPI inflation rate	2.5%

Annual revenues and costs (excluding junior debt loan costs such those from SASC)

Year 1

Gross revenue	£1,542,784
Operating costs	£424,048
Bank loan costs	£836,717

¹The pricing assumptions are stated in 2018 prices and are subject to inflation

² Includes annual degradation of 0.4%.

Poplars and Willows are *FiT (Feed-in Tariff)* projects and Leys is a ROC (Renewable Obligation Certificates) project and all three sites export their power to the grid, selling power at the wholesale electricity price.

The Poplars and Willows sites receive the Generation Tariff but do not currently receive the Export Tariff. This is due to the structure of the metering arrangements with the batteries, which *Ofgem* is yet to accredit for the Export Tariff. HECE is working with *Ofgem* to secure the sites' accreditation for the Export Tariff in line with *Ofgem*'s guidance and we expect that both sites should be eligible for the Export Tariff in 2018.

The average price achieved for all three projects in 2017 was £46.30/MWh.

Leys

The Leys receives 1.3 ROCs (Renewable Obligation Certificates) for every MWh of electricity generated. Energy suppliers have an obligation to deliver a minimum percentage of renewable energy in the energy that they supply. They can achieve this target by buying ROCs from renewable energy generators, such as solar farm owners.

Poplars and Willows

The solar farms receive the Generation Tariff, which is 4.60p/kWh for each unit of electricity that the projects generate. The Generation Tariff is received for 20 years and increased by RPI each year.

All three solar farms currently export their power at the wholesale power price. The current financial model does not assume that Poplars and Willows receive the Export Tariff. It assumes that all three projects export power at a price below the Export Tariff until 2021 after which time higher prices are received. If the Export Tariff is secured, this should materially enhance revenues in the coming years.

Additionally, all three solar farms receive a payment for rent and grid access each year for 20 years from the battery projects that are located on the site.

Revenues received by the solar farms are first used to meet operating costs and then to service the loans from Close Brothers (both interest and capital repayments) and the loan(s) of junior lender, Social and Sustainable Capital.

Surplus revenues after operating and bank servicing costs are then used to make bond interest payments.

Funds remaining after bond interest payments will be used by the board to make member interest payments and community fund payments.

The Board will ensure there is sufficient working capital retained each year to manage the Society's cash flow and the Board will make decisions as to how to best utilise surplus cash to deliver additional community benefit.

Other Key Assumptions

The projects annually generate 980 kWh for each kWp of generation capacity and their output degrades by 0.4% per year. This level of annual degradation is in line with warranties provided by Anesco.

The Leys solar farm receives a price of 95% of the buy-out price for its ROCs.

The Retail Prices Index, to which the majority of the Society's revenues and operating costs are indexed, is assumed to be 2.5% per year. Where RPI is higher than expected in a given year income will be greater. Conversely, where RPI is lower than projected income will be lower.

The Society receives £20,000 per year rent per solar farm for 20 years from the owner of the batteries located on the site and that use the solar farms' grid connections.

The current bank loans to the solar farms are replaced in 2019 with bank loans at an interest rate that is at least 1% lower and that is fixed for 15 years.

The current loans from SASC are repaid in full by 2019 using the proceeds of community share and bond offers.

The cost of capital raised through present and future community fund raises is no more than 5.67% (including the costs of raising that capital).

There is a minimum annual community benefit payment of £30,000 which grows each year with RPI.

The information provided is intended to demonstrate how HECE is forecast to perform financially, but applicants should be aware that the financial projections are based on assumptions listed above and therefore the actual performance of the company will vary should actual conditions differ from the assumptions.

Mongoose Crowd's fee for managing this fund raise is expected to be no more than £30,000. This fee is only payable upon successful close of this offer.



How to Invest

When you're ready to invest:

This investment is only available to members of the Mongoose Crowd platform. Membership is open to anyone who wishes to invest in one or more the offers available on the platform who meet basic compliance requirements.

1. Complete the online application process to become a member of Mongoose Crowd*
www.mongoosecrowd.co.uk/user/register
2. Two investment options are available to you, either IF ISA or non-ISA
3. Place your order for bonds
4. Make the payment (Card, Bank Transfer, cheque** or payment from e-wallet)
5. We will then complete the necessary ID checks***
6. Bond certificates will be issued upon the successful close of the offer

** A valid email is required to register*

*** At this point your investment is registered but payment will need to be completed before the offer closes (any issues or delays please email Crowd@mongoose.energy)*

**** Additional ID may be required, a scan or photo of a valid Passport and Drivers Licence may need to be provided and is uploaded via your Mongoose Crowd account. Any issues or questions, please email us using the above email*

The *Application Monies* will be kept in an account with MangoPay, which will open an electronic wallet directly in your name when you create your account on Mongoose Crowd. The money will be held in a UK bank account until the offer closes and the funds are moved into HECE's account.

An application may only be made in the name of a single individual, who must be 18 or older, or by a co-operative, community benefit society, company or other incorporated association.

If you choose to buy bonds using the on-line facility at Mongoose Crowd, you must do so under the Investor *Terms and Conditions*. www.mongoosecrowd.co.uk/legal/terms

For more information on any part of the investment process go to www.mongoosecrowd.co.uk/help

Contacts

If you have any questions regarding the crowdfunding platform, how to invest or the Innovative Finance ISA please contact Mongoose Crowd using any of the below:

Direct message through your Mongoose Crowd account
Email Crowd@Mongoose.Energy
Phone 0330 223 0062 (Option 3 for Crowd)

The Bond Offer

Maturity

The bonds are designed to allow bondholders a choice of when to redeem their bonds and to take account of HECE's option to refinance the project in four years' time as a way of lowering borrowing costs.

The bonds will have a 4-year initial term, ending on 30th April 2022. If bondholders wish to redeem their bond at that point, they must give HECE at least 3 months' notice of their intention by completing and returning the repayment notice on the reverse of their bond certificate. HECE will then be obliged to pay each bondholder their capital and the interest accrued on their bond within 30 days of 30th April 2022, subject to funds being available.

If bondholders wish to extend the term of their bond beyond the 4-year initial term, subject to HECE'S option to redeem the bond early (see below), they do not need to do anything. HECE will be obliged to automatically pay these bondholders the interest accrued on their bonds during the 4-year initial term within 30 days of 30th April 2022, but will retain the capital and the bond will continue. Interest will then accrue and be paid to bondholders annually.

Bondholders will subsequently have the option in each year to redeem their bonds in full, on each anniversary of 30th April 2022, by giving at least 6 months' prior notice to HECE (by completing and returning the repayment notice on the reverse of their bond certificate). If they do so, HECE will pay those bondholders their capital and interest accrued within 30 days of the relevant anniversary.

HECE will send reminders to each bondholder 1 month before each notice is due.

Early Redemption by HECE

There is no limit to the number of years a bondholder may continue to holds their bonds after the 4-year initial term.

The Directors do not intend to redeem the bonds during the 4-year initial term. However, HECE does have the option to redeem the bonds early, in whole or in part, at any point. If this occurs during the 4-year initial term of the bonds, HECE must give bondholders at least 3 months' notice. If this occurs after the 4-year initial term of the bonds, HECE must give bondholders at least 3 months' notice.

Closing Date

The Offer will close on the earlier of the *Maximum Subscription* being reached or 30th April 2018 unless extended by HECE in its sole discretion.

The Application Monies will be kept in an account with MangoPay, which will open up an electronic wallet directly in your name. MangoPay is a trading name of Leetchi SA, which holds an e-money issuer license which was granted and regulated by the Commission de Surveillance du Secteur Financier, Luxembourg (CSSF).

Applications under this offer will be dealt with on a first come, first served basis. In the event of oversubscription to this offer, the application which brings the total value of all application above the maximum sum will have to be reduced accordingly and all subsequent applications declined

Bond certificates

Each bondholder is entitled to receive a certificate as evidence of their investment in the bonds. Bond certificates will be issued upon successful close of the offer.

Trading your Bonds

Although the Bonds are transferable, they will not be listed on a recognised stock exchange. Investors wishing to buy or sell Bonds may notify Mongoose Crowd of the terms on which they would like to transact through the Mongoose Crowd website. Where a buyer's request matches a seller's request in full or in part, Mongoose Crowd, subject to the approval of HECE, will enable the parties to conclude a bilateral transaction and will arrange for ownership of the relevant Bonds to be transferred. There is no certainty that there will be demand for transactions on the terms you wish or on any terms and Mongoose Crowd's role is strictly limited to introducing investors to each other and providing documentation to enable them to effect transactions. Mongoose Crowd's service and the fees associated with it are set out in Mongoose Crowd's Investor Terms and Conditions.

Innovative Finance ISA (IFISA)

The UK Government introduced the Innovative Finance ISA on 6th April 2016. The IFISA allows individuals to use some (or all) of their annual ISA investment allowance to lend funds through the growing crowdfunding sector, whilst receiving tax-free interest and capital gains.

For the tax year 2017-2018 the ISA allowance is £20,000.

For the tax year 2018-2019 the ISA allowance is £20,000.

Individuals may transfer their existing ISA's to the Mongoose Crowd Innovative Finance ISA. Details on the process can be found on the Mongoose Crowd website via the following link:
www.mongoosecrowd.co.uk/help/faq/isa-transfer-process

The Mongoose Crowd IFISA is a flexible ISA so you have the flexibility to take out and return any un-invested cash within a tax year without effecting your annual allowance. You can hold multiple ISAs so long as your investments do not exceed your annual limit. Funds held within the Mongoose Crowd IFISA will start to earn interest only when they are then invested in a bond placed on Mongoose Crowd, such as the HECE bond.

For more information go to www.mongoosecrowd.co.uk/ifisa

Tax

The precise tax treatment of a bondholder will depend on the bondholder's individual circumstances and the law and practice in force at the relevant time and may therefore be subject to change in the future. If applicants are in any doubt about their tax position they should consider taking appropriate financial and other advice from a suitably qualified professional.

The comments below do not constitute advice and are of a general nature, based on current United Kingdom law and practice. They relate only to the United Kingdom tax treatment of interest payable on the bonds. The comments do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of bonds, and relate only to the position of bondholders who are the absolute beneficial owners of the bonds.

Where investors choose to invest outside of the Innovative Finance ISA HECE will pay interest to bondholders after deducting income tax at the basic rate 20% and HECE will declare and pay these deductions to the HMRC. All interest earned through the Innovative Finance ISA is exempt from tax. For more information about the Innovative Finance ISA please see the Mongoose Crowd website www.mongoosecrowd.co.uk/ifisa.

From the 6 April 2017 the personal ISA allowance is £20,000. The same £20,000 allowance applies from the 6 April 2018. All interest earned within the Innovative Finance ISA is exempt from tax.

If applicants wish to sell their bonds via Mongoose Crowd they should consider how such a sale may be affected by tax considerations.

Material Contracts

Lease

Each solar farm has signed a lease with the landowner of Drayton Manor Farm, granting 26 years and 6 months to operate the solar arrays, with potential to extend the term.

Engineering and Procurement Contract (EPC)

There is an EPC contract between each solar farm and Anesco Limited, who built the solar farms and were responsible for testing and commissioning. The contract provides for a guaranteed performance ratio of 86.5% for the arrays. Performance ratio measures the efficiency with which the solar farms convert sunlight into electricity. If the performance ratio falls below this guaranteed level in the first 24 months of operation, Anesco is obliged to pay compensation to the CIC to compensate for under-performance over the life of the solar farms. The company can also claim compensation from Anesco for any defects that develop in the first 24 months of operation.

Approximately two years after the solar farm has begun generating electricity, it goes through its final tests and the EPC contractor is then released from its liability if no issues arise. For Leys, these tests are due in March 2018, and for Poplars and Willows they will happen in September 2018. However, Anesco also offer technical support as the Operations and Maintenance contractors (see below).

Operations and Maintenance (O&M)

Anesco Limited will manage the operation, maintenance and upkeep of the solar array including replacement of parts, project performance monitoring and regular site visits. The O&M contracts between Anesco and the solar farms have a 30-year duration, so they will continue as O&M providers for the lifetime of the projects. Anesco also have an obligation under the O&M contract to pay annual compensation if the performance ratio falls below the minimum guaranteed level.

Management Service Agreement (MSA)

Under the MSA between Heart of England Community Energy and Mongoose Energy, Mongoose will provide project management and administration services, including securing the best contracts for power purchase agreements, liaising with Ofgem, overseeing of the O&M contractor, creating accounts and performing secretarial services to the companies. Mongoose also receives a fee for raising funds from investors which is payable on financial close. Mongoose is also responsible for refinancing banks loans to improve the financial performance of each project.

Power Purchase Agreements (PPA)

Leys, Poplars and Willows are on flexible short-term PPAs, with Limejump, our PPA provider. The average price achieved in 2017 was £46.30/MWh.

Battery Agreements

Each solar farm has a package of agreements with the company that own the batteries to pay a fixed amount each year to each site to compensate use of the solar farms' grid connection and as rent.



Risk Factors

All investment and commercial activities carry risk, and investors should take appropriate advice and make their own risk assessment whilst bearing in mind the social and environmental aspects of this investment opportunity.

If you are in any doubt about the contents of this document or the action you should take, you are strongly recommended to consult a professional adviser authorised under FSMA who specialises in advising on investment in unlisted debt, shares and other securities.

The Directors believe the following risks to be the most significant for potential Bondholders. However, they do not necessarily comprise all those associated with an investment in the Bond and are not intended to be presented in any assumed order or priority.

General investment risks:

- a. **Capital Risk:** Investment in smaller, new and unquoted businesses is likely to involve a higher degree of risk than investment in larger, established companies and those traded on a stock exchange. Investing in bonds is not the same as investing money in a bank account as your capital is at risk and you could lose up to, but no more than, your entire investment.
- b. **Repayment:** An investment in a bond of this type is speculative and involves a degree of risk. Heart of England Community Energy's ability to repay the Bond on 30th April 2022 or at all is dependent on the continued success of its business model and its ability to refinance its existing debt or issue new bonds to repay existing bondholders who wish to redeem.
- c. **Security:** The Bonds are an unsecured investment and will rank behind secured or preferential creditors. In the event of HECE's financial failure, the Bonds would have the status of an unsecured creditor and may not be capable of being repaid in full or at all should the proceeds from a sale of HECE's assets fail to cover all unsecured liabilities.
- d. **Liquidity:** The Bonds will not be traded on a recognised exchange and are therefore non-readily realisable.
- e. **Long-term commitment:** Applicants should consider investment in the Bonds as a commitment until the Repayment Date as the original amount invested will not be available to them except through trading via Mongoose Crowd. Note, all private sales of bonds will be subject to approval by HECE and must be traded via Mongoose Crowd.
- f. **Bond redemption:** Bondholders will have the contractual right to full redemption of their bonds at the end of the 4-year initial term and, if they wish to extend beyond the 4-year initial term, at annual intervals thereafter. HECE's ability to repay the bonds at these points is dependent on it being able to secure finance from third parties and/or

future bond investors. The Directors are committed to managing HECE's business with a view to ensuring a range of options are available to enable it to repay the bonds and the interest due on them. However, there is no guarantee that there will be sufficient finance available to repay the bonds at this point.

g. The Bonds are not covered by the Financial Services Compensation Scheme (FSCS):

This means if HECE does not fulfil the terms of the Bond Instrument there is no right to get compensation from FSCS.

h. Past performance Is not necessarily a guide to future performance: Events in the past, or experience derived from these, or indeed present facts, beliefs or circumstances, or assumptions derived from any of these, do not predetermine the future.

i. Financial projections: Hopes, aims, targets, projections (including the financial projections in this offer), plans or intentions contained in this document are no more than that and should not be construed as forecasts.

Industry risks:

a. Government legislation: Heart of England's current solar portfolio has been accredited with Ofgem which means that the FiT tariff is fixed for periods of 20 years. However, changes in government legislation may affect the profitability of Heart of England's renewable energy projects.

b. Electricity prices: If the prices for which HECE can sell electricity from its solar farms fall, it may opt to use Export Tariff (once this has been secured) as a floor price. The financial projections assume that electricity prices over the long-term will exceed the export tariff. However, those assumptions of future electricity prices may be inaccurate.

Risks to the project:

a. Mechanical failure: Installations are insured for damage, breakdown and loss of income in line with standard industry practice and as required by HECE's bank loan facilities. However, there may be interruptions to the generation of electricity from the installations caused by damage to or mechanic/electrical failure of equipment.

b. Solar PV performance: HECE's assumptions around energy generation levels each year are based on site capacity and yield calculations provided by the original project installers. However, annual variations in solar radiation and long-term changes to weather patterns and/or equipment under performance may result in lower levels of electricity generation and therefore income.

Definitions / Terms / Glossary

Act: The Co-operative and Community Benefit Societies Act 2014

Applicant: An applicant for bonds through submission of an application form

Application: An application for bonds made in accordance with this offer document and the terms and conditions

Application form: The application form provided by www.mongoosecrowd.co.uk through which applicants may make an application for the bonds

Application monies: Money received from applicants in response to this offer

Bond or bonds: The bonds to be issued by HECE on the terms of the bond instrument dated 28th March 2018

Bondholder: A person who has been issued bonds under this HECE offer

Board of Directors or Board: The Board of Directors of the Society whose names are set out in the Meet the Team Section of this document

Community benefit society: A legal entity managed for the benefit of the community that is owned by its members and managed by its directors. Its constitution is in the form of Rules approved by and registered with the FCA

Community fund: A fund established to receive a portion of revenue from HECE's projects from which grants will be made to benefit the community.

FCA: The Financial Conduct Authority

Feed-in Tariff: The Feed-in Tariffs (FiT) scheme is a government programme designed to promote the uptake of renewable and low-carbon electricity generation technologies. Introduced on 1 April 2010, the scheme requires participating licensed electricity suppliers to make payments via both a generation tariff and an export tariff for eligible installations. See here for more information.

<http://www.energysavingtrust.org.uk/renewable-energy/electricity/solar-panels/feed-tariffs>

Financial projections: The financial projections for the solar farm projects set out within the section on 'Financial Information'.

Financial Ombudsman Scheme or FOS: The ombudsman established in 2001 as a result of the Financial Services and Markets Act 2000 to help settle disputes between consumers and UK-based businesses providing financial services, such as banks, building societies, insurance companies, investment firms, financial advisers and finance companies.

Financial Services Compensation Scheme or FSCS: The compensation fund of last resort for customers of financial services firms authorised by the FCA

FSMA: Financial Services and Markets Act 2000

Issuer: Heart of England Community Energy Limited a community benefit society registered with the Financial Conduct Authority with registration number RS007232 and whose registered office is at Overmoor Farm, Neston, Corsham, Wiltshire, SN13 9TZ.

kW (kilowatt): A unit that measures power and is equal to one thousand watts

kWh (kilowatt hour): A unit that measures energy and is equal to providing the power of 1 kW for the period of one hour

Launch Date: 28/03/2018

Leetchi SA: a public limited liability company incorporated in France listed under number 511361073 and registered offices at 4 rue de la Tour des Dames, 75009, Paris, France

MW (megawatt): A unit that measures power and is equal to one million watts

MWh (megawatt hour): A unit that measures energy and is equal to providing the power of 1 MW for the period of one hour.

MangoPay: a public limited liability company incorporated in Luxembourg listed under Number B173459 on the Luxembourg Trade and Company Register and registered offices at 59 Boulevard Royal, L-2449 Luxembourg

Maximum Subscription: The maximum aggregate maximum subscription for bonds shall be no greater than the maximum target.

Mongoose Crowd: a company with registered number 10609738 and registered office at The Dairy, Overmoor Farm, Neston, Corsham, SN13 9TZ

Mongoose Energy Limited: a company with registered number 09415125 and registered office at The Dairy, Overmoor Farm, Neston, Corsham, SN13 9TZ

Share In Limited: a company with registered number SC408803 and registered office at 5th Floor, 125 Princes Street, Edinburgh, EH2 4AD

Offer: The arrangements whereby Investors will subscribe for Bonds in the Society, within and subject to the terms set of this document

Offer Document: This document inviting applications to subscribe for Bonds

Ofgem: The Office of Gas and Electricity Markets

RPI: The Retail Prices Index, a measure of inflation defined monthly by the Office for National Statistics

PPA: Power Purchase Agreement

Terms and conditions: The terms and conditions of the offer as set out on www.mongoosecrowd.co.uk which formally invite investment into the offer

Appendix 1: The Bond Instrument

THIS INSTRUMENT is made on 28th March 2018

BY Heart of England Community Energy Limited a community benefit society registered with the Financial Conduct Authority with registration number RS007232 and whose registered office is at Overmoor Farm, Neston, Corsham, Wiltshire, SN13 9TZ. (the Issuer).

Recital

The Issuer has, by resolution of its board of directors passed on 28th March 2018, resolved to create up to a maximum nominal amount of £1 million unsecured bonds, to be constituted in the manner set out below.

Agreed terms

1. Definitions and interpretation

1.1 The definitions and rules of interpretation in this clause apply in this instrument.

'Bondholder' means each person for the time being entered in the Register as a holder of any Bonds.

'Bonds' means up to £1 million unsecured bonds constituted by this instrument or, as the case may be, the amount of such bonds for the time being issued and outstanding.

'Business Day' means a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business.

'Certificate' means a certificate issued by the Issuer under clause 6

'Directors' means the board of directors of the Issuer for the time being.

'Event of Default' means any of those events specified in clause 8.

'First Repayment Date' bears the meaning ascribed to it in the definition of "Repayment Date".

'Group' means the Issuer and any subsidiary or holding company from time to time of the Issuer (and the expression member of the Group shall be construed accordingly).

'Interest Rate' means, in respect of Bondholders (a) 5% until 30th April 2022 and (b) 4.5% for any subsequent period until the Repayment Date.

'Offer' means the offer of Bonds issued by the Issuer contained in the Offer Document and made subject to Mongoose Crowd's Investor Terms and Conditions.

'Offer Document' means the document issued by Mongoose Crowd describing the Issuer's offer of Bonds.

'Register' means the register of Bondholders kept and maintained by the Issuer in accordance with clause 6.

'Repayment Date' means, at the option of the Bondholder, the later of (i) 30th April 2022, (the "First Repayment Date") or (ii) any subsequent anniversary of that date.

'Repayment Notice' means the notice of repayment found on the reverse of each Certificate.

'Special Resolution' means a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of this instrument and carried by Bondholders holding not less than 75% of the Bonds by value amongst the Bondholders present.

1.2 Any reference in this instrument to:

1.2.1 an encumbrance shall be construed as a reference to a mortgage, charge, assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of and having a similar effect to the granting of security, or other security interest of any kind;

1.2.2 A person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).

1.2.3 Repayment includes redemption and vice versa and the words repay, redeem, repayable, redeemed and repaid shall be construed accordingly.

1.3 References to any statute or statutory provision shall be construed as a reference to it as amended, extended or re-enacted from time to time and shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.4 In construing this instrument general words introduced by the word 'other' shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word 'including' shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.5 All the provisions of this instrument are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

2. Amount, description and status of Bonds

2.1 The total principal amount of the Bonds is limited to £1 million and the Bonds shall be issued in integral multiples of £100 by the Issuer, with a minimum investment amount of £500.

2.2 The Bonds when issued shall rank pari passu equally and ratably without discrimination or preference among themselves and as an unsecured obligation of the Issuer.

3. Repayment and Interest

3.1 Any payments due to Bondholders under the terms of this instrument shall be satisfied in priority to any payments to members of the Issuer as interest payments on members' share capital.

3.2 When the Bonds become payable in accordance with the provisions of this instrument, the Issuer shall pay to the Bondholders the full principal amount owing to each Bondholder together with any accrued interest on such Bonds then outstanding (less any tax which the Issuer is required by law to deduct or withhold from such payment).

3.3 All Bonds not previously redeemed (in whole or in part) before the Repayment Date will be repaid by the Issuer within 30 days of the Repayment Date, at par, together with interest accrued up to and including the Repayment Date, provided that the Bondholder completes the Repayment Notice and returns the same to the Issuer in accordance with the instructions printed thereon so as to be received by the Issuer at least 3 months prior to the relevant Repayment Date.

3.4 Until the Bonds are repaid in accordance with this instrument, interest on the principal amount of the Bonds outstanding from time to time shall accrue at the Interest Rate, calculated annually on 30th April in each year.

3.5 Interest shall be calculated on the basis of the actual number of days elapsed in the relevant period and a 365 day year. Interest shall begin to accrue when Bonds are issued. For applicants who apply on, or before the 30th April 2018 interest shall begin to accrue from 1st May 2018. If the offer period is extended (as explained further below), applicants who apply after this time will see interest accrue on their bonds from the date of issue of their bonds.

3.6 Those Bondholders who do not exercise their option to redeem their Bond(s) under clause 3.3 on a given Repayment Date shall, within 30 days of that date, be paid the interest accrued on their Bonds up to and including that date and interest shall continue to accrue on the principal amount of their Bonds at the Interest Rate, calculated annually on 30th April in each year. This clause 3.6 shall apply to each subsequent anniversary of the First Repayment Date until the earlier of the Bondholder exercising his option under clause 3 or the Issuer exercising its option under clause 4.

3.7 Interest on any Bonds repaid by the Issuer in accordance with this instrument shall cease to accrue as from the date on which the Bonds become repayable.

3.8 The payments of principal, interest or other sums payable by the Issuer in respect of the Bonds may be paid by electronic transfer in immediately available cleared funds on the due date for payment, to the account specified for the purpose by the Bondholder to Mongoose Crowd or using such other details as have been provided by the Bondholder to, and accepted by, Mongoose Crowd.

3.9 All Bonds repaid, prepaid or purchased by the Issuer shall be cancelled and the Issuer shall not reissue the same.

4. Voluntary and early repayment by the Issuer

4.1 Subject to clause 4.2 below, the Issuer may, by giving the Bondholders not less than 3 months' written notice prior to a Repayment Date, repay the principal amount of all or a portion of the Bonds on the date specified in such notice.

4.2 Where the Directors are of the opinion that the Issuer is required to redeem the Bonds in order to avoid a material adverse effect on the Group, the Issuer may, by giving the Bondholders not less than 28 days' written notice, repay the principal amount of all or a portion of the Bonds on the date specified in such notice.

4.3 In either scenario under clause 4.1 and clause 4.2 the Issuer shall also pay to the Bondholders all outstanding interest accrued on the Bonds to be redeemed up to and including the date on which the Bonds became repayable (in each case less any taxes required by law to be deducted or withheld from such payments).

4.4 Any payment made under this clause 4 shall be treated as reducing the amount of the repayments under clause 3 proportionately and shall be made pro rata to the holdings of all Bondholders.

5. Extension by the Issuer

5.1 The Issuer may, upon giving 2 weeks' written notice to the Bondholders, defer a Repayment Date by up to 12 months. The Issuer shall specify in the notice the date to which the Repayment Date has been extended. The Issuer may, in respect of any Bondholder, exercise its right to extension on a maximum of two occasions provided that the total deferral period does not exceed 12 months.

5.2 If the Issuer exercises its right to defer the Repayment Date pursuant to clause 5.1, interest at the Interest Rate plus 1% per annum shall accrue on the unpaid amount from the due date until the date of payment.

6. Register and ownership

6.1 The Issuer shall, at all times, keep a Register at its registered office (or at such other place as the Issuer may from time to time have appointed for the purpose and have notified to the Bondholders).

7. Recognition of personal representatives

7.1 The executors or administrators of a deceased Bondholder shall be the only person(s) recognised by the Issuer as having any title to such Bonds.

7.2 Any person who becomes entitled to any of the Bonds as a result of the death or bankruptcy of any Bondholder, or of any other event giving rise to the transmission of such Bonds by operation of law shall, upon producing such evidence of his entitlement as the Directors shall think sufficient, be registered as the holder of such Bonds or, subject to the preceding clauses as to transfer, may transfer such Bonds. The Issuer may retain any payments paid upon any such Bonds, which any person under this provision is entitled to, until such person is registered as the holder of such Bonds or has duly transferred the Bonds.

8. Default

The following are Events of Default:

8.1 Non-payment: The Issuer fails to pay any principal or interest on any of the Bonds within 10 Business Days after the due date for payment thereof;

8.2 Breach of undertaking: The Issuer fails duly to perform or comply with any obligation (other than an obligation to pay principal or interest in respect of the Bonds) expressed to be assumed by it in this instrument and such failure continues for 10 days after written notice has been given by any Bondholder requiring remedy thereof;

8.3 Insolvency: The Issuer or any member of the Group is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts (as defined in section 123 of the Insolvency Act 1986), stops, suspends or threatens to stop or suspend payment of all or any material part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or re-scheduling of all or any material part of its indebtedness or makes a general assignment for the benefit of, or composition with, any of its creditors (or any class of its creditors) or a moratorium is agreed or declared in respect of, or affecting, all or a material part of its indebtedness;

8.4 Enforcement proceedings: A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the assets of the Issuer or any member of the Group and is not discharged or stayed within 10 days;

8.5 Winding-up: The Issuer or any member of the Group takes any corporate action or other steps are taken or legal or other proceedings are started for its winding-up, dissolution or re-organisation (other than for the purposes of a bona fide, solvent scheme of reconstruction or amalgamation previously approved by Special Resolution) or for the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or of any or all of its assets;

8.6 Analogous proceedings: Anything analogous to or having a substantially similar effect to any of the events specified in clause 8.3 to clause 8.5 inclusive shall occur under the laws of any applicable jurisdiction;

8.7 Encumbrance enforceable: Any encumbrance on or over the assets of the Issuer or any member of the Group becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar person) is taken to enforce that encumbrance;

8.8 Cessation of business: The Issuer or any member of the Group ceases to carry on the business it carries on at the date of this instrument or a substantial part thereof; and

8.9 Illegality: It is or becomes or will become unlawful for the Issuer to perform or comply with any of its obligations under this instrument, or any such obligation is not or ceases to be legal, valid and binding.

9. Acceleration

If, at any time and for any reason, any Event of Default has occurred, the Bondholders may by Special Resolution, at any time while such Event of Default remains remedied, direct that the principal amount of all Bonds, all unpaid accrued interest and any other sum then payable on such Bonds shall become due and payable immediately and such amounts shall be immediately payable by the Issuer to the Bondholders (in each case less any applicable taxes).

10. Withholding and set-off

10.1 All payments of principal, interest or other moneys to be made by the Issuer shall be made after any deductions or withholdings for or on account of any present or future taxes required to be deducted or withheld from such payments.

10.2 Payments of principal and interest under this instrument may be paid by the Issuer to the Bondholder after deduction of any sums owing by the Bondholder to the Issuer or to Mongoose Crowd.

11. Meetings of Bondholders

11.1 The Issuer may at any time and shall on the request in writing signed by 75% or more of the total number of Bondholders convene a meeting of the Bondholders to be held at such place as the Issuer shall determine in order to consider resolutions pertaining to the matters referred to in clauses 8 (Events of Default), 9 (Acceleration) or 13 (Modification).

11.2 At least 14 working days' notice specifying the place, day and hour of the meeting shall be given to the Bondholders of any meeting of Bondholders. Any such notice shall specify the general nature of the business to be transacted and the resolution(s) to be proposed at the meeting thereby convened.

11.3 A person nominated by the Issuer shall be entitled to take the chair at any such meeting and if no such nomination is made, or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Bondholders present shall choose one of their number to be chairman. The Directors and the Secretary and legal advisers of the Issuer, representatives of Mongoose Crowd and any other person authorised in that behalf by the Directors may attend any such meeting.

11.4 At any such meeting convened for any purpose, other than the passing of a Special Resolution, at least 10% of the total number of bondholders shall form a quorum for the transaction of business. At any meeting convened for the purpose of passing a Special Resolution persons being or representing by proxy at least 50% of the total number of Bondholders shall form a quorum.

11.5 At any meeting of Bondholders, voting will be carried out on a show of hands unless a poll is demanded by the chairman or one of the bondholders present, before or on the declaration of the result of the show of hands.

11.6 If at any such meeting a poll is so demanded it shall be taken in such manner as the Chairman may direct, provided that no Bondholder shall have more than one vote. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

11.7 Any poll demanded at any such meeting shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

11.8 Every Bondholder who (being an individual) is present in person or (being a corporation) is present by a representative (not being himself a Bondholder) shall have one vote, regardless of the number of Bonds held by such.

12. Enforcement

12.1 The Bonds shall be held subject to and with the benefit of the provisions of this instrument. All such provisions shall be binding on the Issuer and the Bondholders and all persons claiming through or under them respectively, and shall ensure for the benefit of all Bondholders, their personal representatives successors and permitted assigns.

12.2 Mongoose Crowd shall have the right to enforce the terms of this instrument on behalf of any party against any party and may enforce any rights on its own behalf pursuant to the Contracts (Rights of Third Parties) Act 1999.

12.3 Except as expressly provided in this clause 12, a person who is not a party to this instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this instrument. This instrument and the Bonds are enforceable under the Contracts (Rights of Third Parties) Act 1999 by each Bondholder.

13. Modification

The provisions of this instrument may from time to time be modified, abrogated or compromised in any respect by Special Resolution and with the consent of the Issuer.

14. Notices

All notices to be given under this instrument by the Issuer or by the Bondholder shall be validly made if delivered to or by Mongoose Crowd, using, in the case of the Bondholder or Mongoose Crowd the methods of communication and contact details referred to in the Mongoose Crowd Investor Terms and Conditions.

15. Governing law and jurisdiction

15.1 This instrument and the Bonds and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have non-exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this instrument or any Bond or their subject matter or formation (including non-contractual disputes or claims).