

Coigach Community Development Company

Frequently Asked Questions

Concerning the re-financing of the Coigach Wind Turbine with investment bonds being offered to the public.

Please take a copy!

Refinancing Coigach Community Wind Turbine

Please see our Offer Document for detailed explanation about issues discussed in this FAQ. The Offer Document will shortly be available online (see www.ccdcompany.wordpress.com) and in print.

What's this refinancing all about and why is it being done?

Grants aren't available for communities to build wind turbines – they have to be paid for with commercial money – bank loans and the like. We built ours with loans from the Scottish Government and through crowdfunding with peer-to-peer lender Assetz Capital. Before it was built, our turbine was considered to be a high-risk project – there were tight deadlines to meet and a raft of potential “show-stopper” issues to confront. Because of this, the £1.8 million we had to raise came at the expected high price, an eye-watering 10% interest (that's £180,000 per year in interest payments!). However, with a lot of effort all those challenges were overcome and our turbine is up, turning and earning. We now want to repay those original loans (we need to raise £1.75 million) and replace them with one at much lower interest rates, which we can get because the risks associated with the project have been significantly reduced. We're going to do it with the help of Triodos Bank, by selling bonds. The outcome will be that we'll keep more of our income for community projects.

So why is CCDC looking for the community to pay?!

We're not! We could simply get another commercial bank loan, but by selling bonds we are able to offer local investors an opportunity to earn an attractive rate of interest on any money they invest. Nor are we dependent on local investors – once locals have had a chance to buy, the bonds will be marketed more widely through Triodos Bank's crowdfunding platform.

I thought the turbine was there to raise funds for community projects, not to pay investors!

The money we'll be paying to investors is instead of paying it to bankers! The money available for projects in the community remains the same as we'd always planned - around £4.5 million over the 20-year life of the project.

What are bonds?

They are essentially loans you are making, in this case to Coigach Community CIC (the CCDC company that legally owns the turbine), in return for interest payments before the loan is paid back to you. These are 12-year bonds, so your money will be fully repaid after 12 years and you will earn interest over that period. Over the 12-year period staged repayments of your investment will be made to you as money is earned by the turbine. If your circumstances change and you need early repayment this can be arranged at the discretion of the directors providing funds are available. The details will be laid out in the Offer Document available later in February.

Ullapool's BroomPower and other similar community projects sold shares, not bonds. Why isn't CCDC selling shares?

Bonds have a fixed repayment date and fixed interest payments and they therefore provide more certainty to investors around returns and when investors can expect their money back. Also, bonds can be held in an 'innovative finance' ISA which means interest will be received tax-free. Shares cannot be held in an ISA and therefore an investment in shares does not allow for the same tax benefits. As with all ISAs, the innovative finance ISA is subject to rules and annual limits.

Are there any risks?

Like any investment, yes there are risks! They are all laid out and explained in the Offer Document which will be available later in February. However, with the turbine now having successfully operated for nearly a year we think the risks are reasonable, but we must advise you to study them closely and satisfy yourself before buying bonds.

How much do the bonds cost and what's the minimum and maximum number I can buy?

Each bond has a value of £1 and the minimum investment is £250. We do not intend to set a maximum investment.

What interest will be paid?

5% gross per year, increasing in line with the annual retail price index (RPI) each year from April 2019. Interest will be paid on 31 March each year (net of UK basic rate tax unless held in a Triodos Innovative Finance ISA when interest will be paid gross). The RPI increase works like this: if the RPI is 2.5% next April then the interest rate for the following year will be 5% increased by 2.5% which is (rounded up to 2 decimal points) 5.13%.

How will locals be sure of getting bonds if there is strong demand from investors elsewhere? It's our turbine after all!

We're giving locals and others with a connection to Coigach a two-week head start to buy bonds before Triodos start to actively promote them through their website and directly to their customers. We'll be promoting the bonds through our website, social media and the press – so it will be first come, first served!

When will the bond offer open?

The Offer opens during week commencing 26 February 2018 (we'll announce it on our website and Facebook page) and closes at noon on 30 April 2018, unless the £1,750,000 target has been reached earlier. We may extend the offer period if the target is not reached by 30 April but if you wish to buy bonds please do so before then.

Once bought can I sell my bonds to someone else?

There is no formal market to do this: bonds (and shares) in projects like this are not traded on the stock exchange. However, informal trading may take place between people willing to sell and others willing to buy. If there is demand, and simply to facilitate things, CCDC may keep a register of anyone interested in buying bonds after the offer closes and to whom original investors may sell their bonds. In such circumstances the original bond value of £1 may vary.

Can I buy bonds in someone else's name, e.g. my children or grandchildren?"

No unfortunately not, the bond certificate has to be in the name of the applicant and the person who pays for the bond – this is a legal requirement and there's no way round it. Bondholders could simply give their interest and capital repayments to a child or grandchild after they have received it.

Who is Triodos Bank, and why go with them?

Triodos Bank is an ethical bank focused on investing in organisations that benefit people and the environment - social enterprises like ours, for example. Dutch-based but with offices in the UK they are involved in many similar community projects throughout Europe and hold a database of over 5,000 UK investors who want to hear about opportunities to invest in projects like ours. Triodos business banking has provided loans totalling over £800 million across the UK including around 300 Scottish renewables, community and social projects. Examples include the Barra and Vatersay community-owned turbine, Highlands Small Communities Housing Trust (who helped us renovate Achiltibuie Schoolhouse) and Glen Housing Association to name just a few. You can see who else Triodos lends to here <https://www.triodos.co.uk/en/about-triodos/what-we-do/who-we-lend-to/>

You're trying to raise £1.75 million – what if you don't reach that target?

We are confident of reaching the target of £1.75 million with Triodos's help - they have significant experience of raising finance for similar projects. However, if we fall short of our full target our minimum aggregate subscription is £1.45 million as this would enable us to pay off our Assetz Capital loan in full (leaving our loan from Scottish Government in place). Therefore so long as we raise £1.45 million the offer will go ahead. If we are unable to raise £1.45 million, investors' money will be returned and we shall seek alternative means of raising the money.

When is the community money going to become available for projects? The turbine has been turning for a year now!

Income will start to accumulate for community funds in the next few months and CCDC will be announcing its plans for how money will be spent shortly – but not before there is further community consultation. Gaining charitable status for CCDC was an important first step and this has now been achieved.

Does this FAQ document come with any 'small print'?

Yes! Though written here in Coigach in response to questions we have had, or anticipate having, it does still count as a financial promotion and, accordingly, we have had it approved by Triodos on behalf of the Financial Conduct Authority. So here is that necessary information:

You should ensure you read the Offer Document in full, including the section on key risks, before deciding whether to invest in the bonds. Investing in the bonds is not the same as depositing money in a bank account as your capital is at risk and you may not get back the full amount that you invested. An investment in the bonds is not covered by the Financial Services Compensation Scheme.

This financial promotion has been issued and approved by the UK division of Triodos Bank NV (incorporated under the laws of the Netherlands with limited liability, registered in England and Wales with branch number BR3012). Authorised by the Dutch Central Bank and subject to limited regulation in the UK by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. Registered office: Triodos Bank NV, Deanery Road, Bristol, BS1 5AS.