

Invitation to Subscribe for shares in B4RN – Key information

The company-

Broadband for the Rural North Ltd (B4RN) is a community benefit society established under the Industrial and Provident Societies Act 1965 and registered with the Financial Services Authority, company registration number 31352R. As a community benefit society B4RN must operate for the benefit of its constituency, the rural community, rather than for the benefit of its members and shareholders. It can pay interest on its shares but only at a level necessary to attract and maintain the investment needed to fund the network construction and operation. Any surplus funds must be used to benefit the community and not be distributed to shareholders.

Objective-

Our objective is to deliver very high speed future proof broadband to residential and business premises located in the rural areas around Lancaster. These are all in the last few percent of properties which will not get high speed broadband via the planned commercial upgrades. It will be delivered by installing fibre optic cables all the way out to each property, a model generally known as Fibre to the Home (FTTH).

Network-

The first phase of the project aims to deliver fibre to ~3200 properties located in twenty one parishes to the east of Lancaster by the end of 2014. The fibre will be laid across farmland using small bore ducts and blown fibre techniques. Most of the installation work will be done by members of the community, with training as necessary. For full details see the B4RN Business Plan which is available for download on our web site at www.b4rn.org.uk. Once the network is built it will be operated and maintained by members of the community keeping the work and spend local.

Cost of building the network-

The cost of building the network, leasing fibre to Telecity in Manchester and installing the necessary equipment will be £3.555M. This is split between the core network, all of which has to be constructed, and the property spurs which only need doing if they sign up for service. To construct the core will cost £2.2M with each property connected adding £420 of construction and equipment costs.

Shares -

Our first share issue was for up to 2 Million £1 shares, began on the 15th December 2011 and ran for 12 months to 14th Dec 2012. The idea was for members of the community to invest money, directly buying shares, or alternative effort constructing the network which would be recognised with equivalent value shares. The £480K raised so far is almost all via the cash route as much of the self construction side was delayed due to the bad weather over the summer of 2012. To reflect this delay the share offer has been left open for those wishing to take the construction route of investment. However no more investments for cash can be accepted against that issue. We anticipate reaching a total of £750k of shares issued against this first tranche as the planned works complete over the summer and autumn.

The first issue was targeted at the eight parishes originally designated to be phase 1. However now that we have increased phase 1 to cover 21 parishes we need to offer a second tranche of shares to reflect the increase in costs involved in this bigger rollout.

We are therefore issuing a second tranche of up to 3,000,000 shares of £1 value. This offer will remain open until the end of 2014. Investment can be via either cash or effort.

Investment

The minimum share holding will be £100 and anyone purchasing this will become a member of B4RN and entitled to vote at meetings and become involved in the strategy and management of the society. Under IPS rules investors may hold a maximum of £100,000 worth of shares in the B4RN. As a community benefit society a member is entitled to one vote irrespective of the number of shares they own.

All shares are “withdrawable shares” and can only be sold back to B4RN. They have no potential for capital gains and will only be redeemed at face value. For the first three years the investment cannot be withdrawn nor will any interest be paid. From year 4 and onwards annual interest will be paid at a planned rate of 5% in the form of additional shares credited to the investor’s account. From year 4 onwards investors may apply to withdraw their investment. We intend to put aside an amount each year to fund this capital withdrawal. However the amount available will be subject to the company’s trading position and will be at the discretion of the board so there is no guarantee that it will be sufficient to meet all demands. Priority will be given to those investors with special circumstances such as deaths and financial hardship, next requests to withdraw interest will be processed. Finally the rest will be handled on a first come first served basis until the withdrawals fund is exhausted. Our business plan shows the predicted allocations for withdrawals and we estimate being able to redeem all outstanding shares by 2027 if investors wish to cash in their shares.

Clearly there are risks associated with buying these shares given that they are withdrawable only and this is subject to the society’s position and the decisions of the board. You may feel it appropriate to take professional advice before investing.

EIS Tax Relief-

The shares issue is designed to be compatible with HMRC’s Enterprise Initiative Scheme which gives a 30% tax relief against the value of the shares purchased. We have submitted full details of the share scheme to HMRC and have received a pre-approval certificate confirming eligibility for EIS relief. To qualify for EIS relief the investor must purchase at least £500 of shares and have paid sufficient tax to cover the investment in the current and previous tax years. Applicants who wish to take advantage of the EIS scheme can indicate this on the application form and we will then send them the appropriate HMRC form for the details they need to give HMRC on their tax returns.

HM Revenue & Customs web page for EIS states that the share tax relief can be split over the previous **AND** current year to maximise the tax refund. For most investors on fairly low tax this means that twice as much tax could be reclaimed – well worth knowing. Here is a link to the HMR & C page:-

<http://www.hmrc.gov.uk/manuals/vcmmanual/vcm10530.htm> See section “For shares issued in tax year 2009/10 and later years”

Larger Investors-

These are investors purchasing at least £1500 worth of shares. They will be able to designate a property within the B4RN coverage area which we will connect without payment of the £150 connection charge. Investors taking advantage of this offer should be aware that they will be considered to be receiving value equivalent to this amount from B4RN against the purchase of shares. HMRC will therefore take this value into account when calculating any tax relief due. You may wish to discuss this with your financial advisor. Obviously investors from outside of our coverage area will not be able to receive this free connection and hence will be able to claim the full tax relief.

Investors wishing to buy more than 1500 shares can take advantage of this offers for each complete 1500 purchased. They can either designate these additional properties themselves or leave it to the board to identify good cases which might need support with getting online.

Unless told otherwise we will assume the investors home address to be the property designated for free connection.

Share application forms are available for download on our website.

One form applies to ordinary members of the community and the other to incorporated bodies wishing to invest

Cheques are to be made payable to “Broadband for the Rural North Ltd” or BACS transfers to: Broadband for the Rural North Ltd, Sort code: 08-92-99 account number: 65520211. (If paying by BACS please contact us via info@b4rn.org.uk to get a reference number)

Please return the application form and any cheques to “B4RN Ltd, Lancaster Auction Mart, Wyresdale Road, Lancaster, Lancashire, LA1 3JQ”.