

**REWDT Board meeting, Company Office, Manse, Rousay 8.00 p.m Tuesday February 28<sup>th</sup> 2011**

**Minutes of extra-ordinary finance meeting**

**Present:** Bryan Milner, Mark Hull, Angus Flaws, Eric Shortland, Rolf Soames, Richard Tipper, John Olsen, John Garson, Michelle Koster (TDO), Helen Castle (CO. Sec.) and Rachael Harris (APDO)

**Apologies** were received from Dave Basford [due to problems with teleconferencing equipment]

The meeting had been called regarding matters of importance to the Trust regarding imminent decisions by the trading subsidiary REWIRED relating to financial close for the Kingarly Hill turbine project.

1. Finance director

Richard Jenkins, of NWA the CPO Joint Project Managers, had suggested that each turbine project appoint a finance director. It was pointed out that Richard Jenkins' experience is wholly in the commercial business sector in which all directors either have a financial interest in the business or are paid for their role as directors. In these circumstances it is normal for a director to be appointed, and paid, specifically as a finance director. This commercial model is, however, not appropriate for organisations such as development trusts which are voluntary, 3<sup>rd</sup> sector, organisations.

Furthermore, notwithstanding RJ's further suggestion that this person was preferably not also the project TDO, it was unanimously agreed, for the reasons presented by the chair in the attached paper, that REWDT would be happy for the REWIRED board to designate Michelle, TDO and also a REWIRED director, for this role.

2. BLF undertaking

Because of the urgency of drawing down money from the BLF for the purchase of the land at Windbreck prior to REWIRED's achieving financial close for the Kingarly Hill turbine, the required letter of undertaking with BLF had recently been signed. There were some slight misgivings about the wording of this document since this implied that failure to meet not only the agreed outcomes but also any of the stated milestones might result in our having to pay back the grant. Directors were assured that even with respect to outcomes, BLF in practice required only that every reasonable effort had been made to achieve them. So far as milestones were concerned, not only the timetable but also the substantive content might be changed. In any case, we had already made very significant progress in achieving the outcomes and original milestones. Furthermore, when re-applying for the BLF grant money [for projects other than the Kingarly Hill turbine] we would need to demonstrate that these projects – with their associated milestones - were delivering one [or more] of the agreed outcomes.

3. Finance model

The chair's recommended finance model from those presented in a previously circulated paper [attached], i.e. Model C [a 10-year bank loan together with £400,000 preference shares taken out by OIC] was unfortunately not realistically possible since the Co-op Bank had been proceeding with our previously expressed preference for a 15-year loan and were

understandably reluctant to change when financial close was now imminent. The Co-op Bank had been extremely helpful and supportive throughout so that it would be wholly inappropriate if we were to create difficulties at this late stage.

However, the Co-op Bank was still fully prepared to “sculpt” the loan. When originally suggested, this sculpting was to provide the Trust rather more income for projects during the early years. Now that there is the potential for project income from the BLF in years 1-5 together with the possibility of OIC taking out preference shares [whose capital would be repaid in years 11-15], the opportunity for sculpting would be best deployed in repaying the 15-year bank loan more quickly than is strictly necessary. The otherwise very fragile Years 11-15 finances in Model D could thereby be made robust and Model D sculpted to be more or less the equivalent of Model C, the originally preferred model. A graphic version of this sculpted Model D [hereafter referred to as Model E and appended] was presented to the board. It was unanimously agreed to advise REWIRED that Model E was the REWDT board’s preferred model.

It was also reported to the board that the difference between the rate of interest for a 15-year loan and that for a 10-year loan was now smaller than it had been a few months ago. The advantage of arranging a 15-year loan with a break at 10 years was, therefore, smaller: a slightly lower rate of interest over the first 10 years would be offset by what might well be a very much greater rate of interest for the remaining debt in years 11-15. It was unanimously agreed to be in the best interests of the Trust for REWIRED to opt for the guaranteed fixed rate of interest over the full 15-year term

The REWDT board therefore unanimously recommended to the REWIRED board:

- a) that it finalise a loan with the Co-op Bank for a 15-year loan with the facility for sculpting and at the 15-year interest rate throughout [i.e without a break at 10 years];
- b) that it then proceed with a view to adopting Model E and with arranging the precise sculpting of the Bank Loan once the formal offer for preference shares had been received from OIC and the relevant terms and conditions agreed.

**NB** There is already an agreement between the REWDT board and the REWIRED board that should any developments occur that would significantly change the amount and/or the phasing of income to the Trust then further guidance from the REWDT board would be sought by the board of REWIRED.

# Appendix

## E Funding via sculpted 15-year loan / £400k preference shares [Total project income: £ 2.21 million\*]

Year	1	2-5	6-10	11-15*	16-20
Turbine Income [net]	62	87	75	73-119 [Av. 94]	264
Lottery income	50	50			
Essential expenditure	78 [50k for land]	28	28	28	28
Income for projects	34	109	47	45-91 [Av. 66]	236
<i>Equalised across Yrs. 1-15</i>	69	69	69	69	236

