



GUIDE TO MULTI-COMMUNITY SHARED OWNERSHIP IN A RENEWABLE ENERGY PROJECT MODEL RULES (Multi-Community SOREP)

Introduction & Background

The 2019 Scottish Government Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments expects Community Councils participating in Community Shared Ownership (CSO) of Windfarms to use the funds generated to deliver their Local Development Plan's Legacy Projects. Consequently, Community Councils participating in multi-community council CSO have expressed the desire to have the funds generated by the Communities' CSO investment vehicle split between the participating community councils in order that each community is in charge of its own destiny and has line of sight on delivering its Legacy Projects.

In response to such a request from Kintyre Community Councils, EKREG Ltd drew up model rules for a Community Benefit Society (CBS) which would allow this split. EKREG Ltd took the Community Shares Scotland Hybrid model rules which, via a deed of covenant, pays the surplus generated by the CBS to a specified Development Trust and modified the model rules to accommodate the payment of surpluses to more than one Charity organisation.

In summary, the basics for the Multi-Community SOREP are:

There are two types of members in the CBS: i) holders of Contributor shares and ii) holders of Community Anchor shares.

Individuals & organisations are allowed to hold Contributor shares, which are withdrawable and not transferable and give the holder the right to stand for election in the CBS and the right to vote.

An Anchor Member is an organisation that must fulfil a number of criteria, namely; be an OSCR registered charity, be nominated by one of the community councils participating in the renewable energy project; have a charitable purpose focused on local community development. Each Anchor Member is issued a Community Anchor Share and is expected to fund the delivery of its respective local community's development plan. Each Community Council may only have one Anchor Member organisation at any given time.

The Deed of Covenant detailing the payment of surpluses from the CBS is made between the CBS and each of the Anchor Member organisations.

Voting remains one member, one vote. However, for extraordinary resolutions (which would fundamentally change the CBS model) voting is one member, one vote by each class of share – Contributor shares and Community Anchor Shares, and requires 75% or more of votes in each class of share to be in favour of such a resolution. This ensures that the Anchor Members as key anchor organisations within their respective communities have the ability to block changes that would fundamentally alter the nature of the society.

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ABBREVIATIONS USED IN THIS GUIDE

FCA – Financial Conduct Authority

OSCR – Office of the Scottish Charity Regulator

2014 Act – Co-operative and Community Benefit Societies Act 2014

CBS – community benefit society (under the 2014 Act, a “society for the benefit of the community”)

SCIO – Scottish charitable incorporated organisation

Community council – the most local tier of statutory representation in Scotland.

CSU – Community Shares Unit (www.communityshares.org.uk)

Multi-Community SOREP Model – the set of model rules for a community benefit society which is formed to carry on a Multi-Community renewable energy project (such as community investment in shared ownership of a windfarm), but on the basis that it will remain linked to a group of community Anchor organisations, one for each local community; and with provision for surpluses to be paid out on an equal shares basis to the Anchor Members under a legally-binding deed of covenant.

2019 Scot. Govn. Guidelines - 2019 Scottish Government Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments

In line with the approach taken in the model rule, this Guide refers throughout to “directors” and the “board”; that reflects common practice. It should be noted, however, that the terminology used in the 2014 Act, and in more traditional model rules, is “committee of management”.

DISCLAIMER:

No responsibility will be accepted by EKREG Ltd or any other person who/which was involved in the development of the model rules or the Guide for any loss, liability or a claim arising from any error or ambiguity or other shortcoming in the model rules or the Guide.

EKREG Ltd is a sponsoring body – it can not & does not offer legal or financial advice. EKREG Ltd would always recommend that communities seek professional advice before seeking to register a CBS – Local Energy Scotland offers, via a CARES grant, funds to assist communities in obtaining financial and legal advice for Community Shared Ownership.

Those involved in the preparation of the model rules and the Guide would, however, be pleased to receive any comments or suggestions; and these, so far as possible, would be considered for inclusion in any updated versions.

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OVERVIEW OF THE MULTI-COMMUNITY SOREP MODEL

This guide relates to the Multi-community SOREP model rules sponsored by EKREG Ltd:

a community benefit society formed to carry on a renewable energy project, but on the basis that it will remain linked to a group of community Anchor Member organisations, one for each local community taking part in the renewable energy project;– with the ability to raise finance through community share issues, but under a model where the Anchor Member organisations have the right to reserved seats on the board and the ability to block fundamental changes to the structure; and with provision for surpluses to be paid out on an equal shares basis to the Anchor Members under a legally-binding deed of covenant.

The Multi-community SOREP rules can be used for the creation of a community benefit society that acts as the community investment vehicle for a Community Shared Ownership offer made by a developer to multiple Community Councils in a renewable energy project, or any renewable energy project which involves multiple Community Councils with separate Local Development Plans.

The model rules are NOT worded in such a way as to satisfy the eligibility criteria for community right to buy, community asset transfer and community participation requests.

Reasons for choosing the Multi-Community SOREP Community Benefit Society

In the absence of subsidies, windfarm developments are becoming taller and larger in order to be economically viable. The knock-on effect is that a wider geographical area is often impacted by the windfarm, meaning that if the developer offers Community Shared Ownership (CSO) in the windfarm development it is often to a large number of community councils. The involvement of numerous community councils in a CSO offer leads to requirement of a community investment vehicle that will; a) split the CSO funds between the different communities, b) meet the developer's criteria for the community investment vehicle.

Many developers follow the Forestry and Land Scotland requirements for Community Investment Vehicles, namely:

1. Be incorporated
2. Have a purpose consistent with furthering sustainable development
3. Have open membership
4. Be based on a geographical definition of the community
5. Be controlled by members of the community
6. Be non-profit making and distributing
7. Have an "asset lock" clause

Thus, the choice for a steering group setting up a new community investment vehicle for CSO often lies between:

1. a community interest company;

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2. an asset locked company limited by guarantee;
3. a limited liability partnership;
4. a society for the benefit of the community (“CBS”).

An advantage that the CBS has over the other types of investment vehicles are that it allows the communities to offer a community share issue as a means of raising finance for the Renewable Energy Project.

The Multi-Community SOREP Model rules have been designed to give the different communities, via their nominated charity (“Anchor organisation”), certain powers to block fundamental changes to the CBS – and also to allow the different communities to lock in an equal share entitlement to surpluses via a deed of covenant – while allowing those who have invested in community shares to have majority control.

Essentially, the Multi-Community SOREP Model combines the usual features of a CBS used for a community share issue with some of the elements (backstop control over fundamental changes, and locking in an equal share entitlement to future surpluses) that would be important in securing buy-in from the different community councils for involvement in the CSO (developers tend to have no mechanism for dealing with ‘conflicted communities’ – i.e. disagreements between the different community councils as to who gets what, and will let the CSO offer lapse (to the detriment of all the communities) rather than involve themselves in the conflict).

One of the primary activities of the CBS other than enabling the community shared ownership in the Renewable Energy Project is that of engaging and informing the Community about the sustainable impact of the project upon the community.

It is advisable that the Community Shares Handbook (FCA & CSU) and the FCA’s latest version of “Guidance on the FCA’s registration function under the Co-operative and Community Benefits Societies Act 2014” are read in conjunction with the following guide.



MAIN ASPECTS OF THE MULTI-COMMUNITY SOREP MODEL

It is advisable that the **Community Shares Handbook (FCA & CSU)** and the FCA's latest version of **"Guidance on the FCA's registration function under the Co-operative and Community Benefits Societies Act 2014"** are read in conjunction with the following guide.

The Multi-Community SOREP Model rules are intended to cover a situation where a group of community councils are wanting to form a legal entity to carry on a particular business (such as Shared Ownership in a Renewable Energy Project), and on the basis that the community councils will have access to an equal share of any surplus – but with the intention that the new legal entity will raise finance through a community share issue or issues.

Rules 1-5

These set out the CBS's name & address, as well as its objectives and principal activities.

For a CBS to be registered with the FCA it needs to show to the satisfaction of the FCA that the "the business of the society is being, or is intended to be, conducted for the benefit of the community." In discussions with the FCA the fact that surplus profits are to be paid to the Anchor Member organisations - and on the basis that the Anchor organisations will in turn apply those funds to further community development and urban/rural regeneration - is *not* regarded by the FCA as sufficient in itself to demonstrate benefit to the community at large.

However, the engagement and informing of the Community about the Renewable Energy Project and its sustainable impact (Rule 3.3 Principal Activities & Rule 211) are fundamental to the CBS demonstrating a benefit to the community at large and **must be adhered to**.

Rules 6 – 7, 10-14

These set out the two different types of Members and Shares – those members that hold Contributor shares and those members that hold Anchor Shares. Both classes of share conform to 1 member 1 vote.

The Anchor Members meet the following criteria:

- i) They consist of a group of Anchor organisations, one from each participating community council
- ii) Each Anchor organisation is the OSCR registered charitable body that a participating community council has nominated for membership as an Anchor Member – in discussion with the FCA, this criteria is fundamental to the Model Rules and **must be adhered to**.
- iii) Each participating community council may only have one Anchor organisation accepted as a member within the Anchor Membership at any given time
- iv) Each Anchor organisation has a Community Anchor Share and one vote

Following the community share issue, the CBS will have a large number of members who are Contributor shareholders. The Contributor shares are not transferable, but are withdrawable

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and have the following rights: a right to payment of interest (subject to certain constraints), they allow the holder to vote on resolutions at the CBS's General Meetings, to stand for election to the Board.

A subset of the Contributor member is the Community Member who not only holds Contributor shares but also resides and can vote in the local elections of the Community.

Rules 8-9

These set out standard liabilities for the members and directors.

Rules 15-23

These set out the general admission process for membership. Note that the board will need to create;

- i) An Anchor organisation membership application form for the Community Councils to use to nominate their Anchor member.
- ii) For each contributor share issue an application form and prospectus for the issue – See the Community Shares Handbook and Community Shares Organisation for detailed advise.

Rules 24-25

These set out the minimum number of Contributor members

Rules 26-31

These set out the minimum and maximum shareholding and the position regards the individuals who were the signatories to the application form for registration of the CBS. Note the board will need to set a deadline for when such signatories must have subscribed to Contributor shares or they will cease to be a member. The current statutory limit on the value of shares an individual may hold in a CBS is £100,000, though the Board may fix a lower value.

Rule 32

Sets out the statutory requirements for the membership register and should not be amended.

Rules 33-39

Sets out the statutory requirements for the interest on the two types of shares and should not be amended. Note that the board always retains the power to suspend or reduce interest payments on Contributor Shares. See the Community Shares Handbook and Community Shares Organisation for detailed advise.

Rules 40-50

Sets out the statutory requirements for the withdrawal of Contributor Shares and should not be amended. Note that the Board retains the power to suspend the right to withdrawal (e.g. in

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order to manage solvency and liquidity issues if a large number of shares were withdrawn at once). See the Community Shares Handbook and Community Shares Organisation for detailed advice.

Rules 51-55

Sets out the statutory requirements for the transfer of Contributor Shares upon death or bankruptcy of the member and should not be amended. In summary the Contributor shares are withdrawn by the Board and their value paid to the respective parties (rather than the shares being 'transferred'). Rules 54 & 55 allow the board in certain circumstances to reduce to a level below par value the sum payable to members on withdrawal of shares. This provision would come into effect in a case where the aggregate of the amount of the CBS's liabilities plus the amount of its issued share capital exceeded its assets.

Rules 56-58

Sets out the process for the (unlikely) event of the transfer and withdrawal of the Anchor share due to financial difficulties or otherwise in the original Anchor member organisation.

Rules 59-64

After a successful community share issue the CBS is likely to have a large number of members and so these rules allow for the expulsion of members by the board rather than requiring a resolution to be passed at a general meeting. In order that the rules are not open to abuse, rule 63 does allow of right to appeal.

Rules 65-66

These set out the conditions by which the two types of membership are terminated.

Rules 67-79

These set out the rules relating to general meetings and define certain items of business that must be dealt with at the Annual General Meeting (a report by the Chair, annual accounts, announcement of outcome of election/re-election of Contributor Directors).

Rules 80-82

These set out the voting thresholds for resolutions at General Meetings. Rules 80.4 and 81 are statutory requirements and may not be amended.

Rules 83-92

These set out the requirements for proceeding at General Meetings. Rule 83.1 gives the board the power to hold the meeting virtually by whatever means they deem appropriate. Note that rule 84 requires the majority of those present or represented to be Community Members – this ensures the Community is not side-lined. Note also that a quorum will not be deemed to be present at a general meeting where a resolution falling within the Anchor Members' enhanced



voting powers (rule 85 & rule 95) is to be proposed, unless the all the holders of the Community Anchor Shares (ie every Anchor organisation that is an Anchor Member) are present through their authorised representatives, or is represented by proxy, at that meeting. That is an important protection for local community via its Anchor Members – avoiding the possibility that a resolution which one or more of its members would otherwise have vetoed is passed, in circumstances where a particular individual who was intended to be present at the meeting to cast their Anchor Members member’s vote failed to attend due to e.g. transport problems.

Note also that although voting is usually by show of hands, a secret ballot may be called at ANY point in the proceedings by any person present at the meeting and entitled to vote.

Rule 93

This sets out the principle of one member – one vote. This is regarded as a key criteria of a CBS by the FCA.

Rules 94-96

These set out the process for extraordinary resolutions that would fundamentally change the character of the CBS, whereby the holders of the Community Anchor Shares (ie the Anchor Members) are given additional weight, the voting being one member, one vote by class of membership shares, with the resolution being passed only if both class of shares exceed a voting threshold of 75% in favour of the resolution, thus the Anchor Members are therefore able to prevent these types of resolution being passed. This ensures that the Anchor Members as key anchor organisations within their respective communities have the ability to block changes that would fundamentally alter the nature of the society.

Rule 97

This sets out the special voting provisions in relation to a resolution for the conversion of the CBS into some other type of legal entity *or* for the amalgamation of the CBS *or* for the transfer of engagements (ie transfer of assets and operations) of the CBS where, only those holders of Contributor Shares who have their main place of residence within the Community are entitled to vote – this ensures only the Community has the power to make this change should it be required.

Rules 98-106

Sets out the process for proxy voting. Rule 101 ensures that an individual may not wield a large block of votes (and thus run counter to the one member one vote ethos).

Rule 107

Allows for a resolution in writing signed by all the members of the CBS.

Rule 108

Sets out the process for registering amendments.

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Rules 109-133

Sets out the process, terms and eligibility criteria the three different types of Director:

“Contributor Directors” – drawn from the holders of the Contributor Shares;

“Anchor Directors” – appointed by the members of the Anchor Members; and

“Co-opted Directors” – directors appointed by the board themselves.

The Anchor Members – as holder of Community Anchor Shares – have the power to appoint any individual as a director (up to the maximum number specified for Anchor Directors); and to remove from office as a director any individual previously appointed by the Anchor Members – in each case, simply by issuing a notice to the CBS to that effect. Rule 126 clarifies the date on which any such appointment will be effective. Rule 127 states that one of the Anchor Directors (a different number can be inserted when tailoring the rules) must retire from office at each AGM, but may then be re-appointed.

Rules 118-124 set out the process for Contributor Director election, retiral and re-election and allow for voting to be conducted by postal or electronic means.

Rules 134-136

These set out the annual appointment/reappointment of office bearers.

Rules 137-138

The rules allow a director to enter into a contract or other arrangement with the CBS providing they declare their interest and take no part in the voting on whether or not the CBS should enter into that contract or arrangement. There is also a general prohibition on any director with a conflict of interest voting at any board meeting (or committee meeting) on any resolution concerning a matter in which he/she has, directly or indirectly, a personal interest or duty (unless immaterial) which conflicts or may conflict with the interest of the society. Note though that there is a provision to the effect that an Anchor Director will not be barred from voting on a given matter solely because an Anchor Member organisation(s) have an interest in that matter and the director is an employee or officer of an Anchor organisation.

Rule 139

Sets out the Code of Conduct and this should not be amended in the interests of good governance.

Rules 140-141

These rules on remuneration reflect a position which is almost universal in Scottish charities, that board members do not receive remuneration for carrying out their duties as board members. This does not preclude reimbursement of expenses by directors, however there is an expectation that these will be minimised.

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Rules 142-146

These set out the power of the directors and allow for the members of the CBS to issue a direction to the board, which the board would then be legally obliged to follow. This is a feature of the constitution of most legal entities, but is very rarely applied.

Rules 147-180

These set out the procedure at Board Meetings and contain a number of the usual provisions for boards (such as the delegation of authorities). They allow for the virtual participation of directors. The Board must meet at least 4 times a year and it must appoint a secretary (rule 175). Rule 165 is intended to allow a formal matter (eg. authority for bank signatories) to be dealt with by way of a resolution in writing rather than requiring involving a board meeting.

Rules 181-186

These set out the processes for notices between the CBS, the board and members.

Rules 187-189

These set out the processes for amending the CBS rules and requires at least 75% of the votes cast at a general meeting to be passed. It should be noted that an alteration to the rules will not be effective until the rules are registered by the FCA so any amendment passed at a general meeting can NOT then be immediately applied.

Rules 190-191

These set out the CBS's power to take out loans etc and are a statutory requirement – they can not be deleted.

Rules 192-197

These set out the financial audit and reporting requirements for the CBS. The annual return form is available from the FCA website along with the annual fee payable to the FCA (determined by the size of the CBS assets).

Rules 199-200

This rule sets out that there will be a legally-binding Agreement (referred to as a “Deed of Covenant”), entered into at the outset between the CBS and each of the Anchor organisations, committing the CBS to make payments of surpluses to the Anchor organisations in accordance with a pre-set formula, thereby ensuring an equal shares distribution of the surpluses between the communities.

The Deed of Covenant is a document separate from the Multi-Community SOREP Model rules themselves. The financial reserves referred to in rule 199 would include reserves for the purposes of meeting the sums due on future withdrawals of Contributor Shares. The surplus is taken after all other normal business expenses – such as capital pay-off, loan interest, insurance

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and accountancy fees etc as well as the ones listed in 199.1-199.3.

Rules 201-202

These rules state the requirements in order that the CBS to be asset-locked – these should not be amended.

Rules 203-210

These rules set out the standard conditions for investment of funds, dissolution and indemnity for the board of directors.

Rule 211

This rule is fundamental to the CBS meeting the FCA's requirement to demonstrating a benefit to the community at large. **It should not be amended and it must be adhered to.**

Rule 212

The Deed(s) of Covenant are a separate document drawn up between the Society and the Anchor Members.

For Community Shared Ownership offers where Community Benefit Fund (CBF) capitalisation is offered there is a possible issue that the communities should be aware of – if the group of community councils that are offered Community Benefit Fund is a subset of the group of community councils offered CSO, then the community councils in receipt of CBF may feel that capitalising the CBF is denigrating the impact of the windfarm upon their communities - those which weren't being heavily impacted (and thus not receiving CBF) were gaining at the heavily impacted communities expense. There are a number of options that offer 'fair' solutions to this issue – a) the communities don't use the offered CBF capitalisation (but this is the least favoured option as CBF capitalisation is the lowest source cost of capital available to most communities), b) the CBF capitalisation is lent to the CBS by the CC's offered the CBF and the repayment (with interest) is then taken before the calculation of surpluses and split between the members of the Anchor Members, c) the Deed of Covenant recognises that the CBF derived capital is different from the other sources of capital and that the surplus should be split in proportion to its fraction of the Communities' capital investment - with the CBF fraction of surplus being split equally only between those communities that were offered CBF and the remaining surpluses being split equally between all members of the Anchor Members.

The Multi-Community SOREP Model rules assume that the CBS will be non-charitable. If, however, the nature of the operations to be carried on by the CBS is such that charitable status would be available, it should be possible to amend the rules accordingly.

The Multi-Community SOREP Model rules have NOT been worded in such a way as to ensure eligibility for community right to buy and community asset transfer.



CUSTOMISING THE MODEL

Areas where fine-tuning/adjustments are required

There are certain areas in the Model rules which have been left blank – or with alternative wording – to allow for tailoring of the rules. **Modifications within these areas are classed as ‘no changes’ to the model rules – and incur the lowest registration charges.**

If it is felt that the model rules should be adjusted outside of these designated areas, it should be noted that; a) both EKREG Ltd and the FCA will have to agree to the changes, b) there may be a higher fee payable to EKREG Ltd, c) adjustments will attract a higher fee payable to the FCA and may cause delay in the incorporation process.

Rule 1

The name of the registered society will require to be inserted in rule 1 – and also in the heading and cover page. The 2014 Act states that a society can register with any name unless the FCA believes that the name is “undesirable”; for this purpose.

If the society’s objects are “wholly charitable or benevolent”, the word “Limited” can be omitted from the name of the society.

A check should be carried out through the websites of Companies House, OSCAR, the Charity Commission – and the Mutuals Public Register itself – to determine whether there is any other organisation with the same or a similar name.

Rule 2

The names of the different Community Councils participating in the Renewable Energy Project need to be inserted here.

Rule 3

The Renewable Energy Project’s name should be stated in paragraph 3.1. Since the project may extend beyond the boundaries of the participating Community Councils, one of the two alternatives for the geographic bounds of the business should also be selected in paragraph 3.1.

The Renewable Energy Project’s name should be stated in paragraph 3.3.

Rule 5

The full address of the registered office should be stated in paragraph 5

Rule 24

The minimum number of members needs to be stated as well as what percentage of these members need to be from the Community.

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Rule 34

Two figures need to be inserted, i) an upper rate & ii) the margin above base rate – in order to set the upper threshold for interest on the Contributor Shares (and future proof the CBS rules against high inflation). The rate of interest at any given time – at or below that upper threshold – is a matter for the board’s judgement, taking account of the considerations referred to in rules 34 and 35. The values of 5% and 2% shown in the rules are included as examples of prior precedent found in other CBS.

Rule 83

The number of members required for a quorum should be stated here - a number of approaches can be taken – either inserting a higher or lower number *or* inserting a proportion of the total number of members *or* inserting a proportion of the total number of members in combination with a lower or upper threshold (e.g. “25% of the members or 25 members, whichever is lower”). If a percentage is used, 10% is considered the minimum likely to be accepted by the FCA as it has prior precedent in other Community Benefit Societies.

Rule 110

The maximum number of directors should be stated here; as well as a maximum number in relation to each of the three categories. Experience suggests that having too large a board can lead to difficulties in ensuring a focused discussion and a reasonable level of participation from everyone attending; but it is also desirable to have a reasonable balance of representation from different interest-groups within the community.

With reference to paragraph 110.2, it should be noted that paragraph 111.1 states that the number of Anchor Directors in office must comprise less than half of the total number of directors in office at that time. This may mean (depending upon the size of the board and the number of participating Community Councils) that there are fewer Anchor Directors than there are Anchor Members – this should not be an issue since Rule 127 covers the regular retirement of the Anchor Directors and would thus allow for other Anchor Member candidates to be appointed.

Co-opted Directors are usually used to allow the board to supplement the skills available at board level. However since they are not elected, it would be usual to set a relatively low figure as the maximum number of Co-opted Directors.

Rule 112

The minimum number of directors should be set at a level which is manageable at a practical level.

Rule 127

This rule is intended to ensure that the Anchor Members consider changing the individual or individuals appointed by the Anchor Members to the board of the CBS on an annual footing by



stating that a certain number of the Anchor Directors must retire from office at each AGM (but on the basis that they can be re-appointed); Any number from 1 through to total number of Anchor Directors (i.e. all Anchor Directors have to be retire at the AGM) may be chosen.

Rule 129

If it is intended that a key partner body should have the right to nominate an individual or individuals for appointment as a director, then the name of that body or bodies should be stated in paragraph 129.1. If no *particular* body is identified at the stage of setting up the CBS – then the alternative wording (“a body with which the society has close contact in the course of its activities”) should be used. Alternatively the category of Co-opted Directors might only be used for people who are able to bring specialist experience and/or skills to the board in which case paragraph 129.1 should be deleted.

Rules 153 to 155

If it is required that the chairperson of a board meeting should have the right to an additional vote if there is a tie when a vote is taken at a board meeting then the square brackets should be removed in rule 153, as well as the wording being adjusted in rule 154. The wording of rule 155 is typical of community vehicles looking to satisfy the eligibility criteria for community right to buy, community asset transfer and community participation requests however, regardless, the Community may feel rule 155 adds a safeguard to Community interests. If not required it could be deleted.

Rule 156

A quorum should not be taken to be present unless a majority of the directors are in attendance. Rule 156 suggests a means of determining this, but it could be replaced by stating a single number as the quorum if this was deemed appropriate.

Rule 157

If the suggested rules 156.1&2 are accepted, then rule 157.1 ensures that, regardless of how low the number of directors falls to, a minimum baseline value of directors is required, ensuring appropriate decisions are made – one possible value for rule 157.1 would be the minimum number of directors given in rule 112.



SPONSORING & REGISTRATION PROCESS

EKREG Ltd would always recommend that communities seek professional advice before seeking to register a CBS – Local Energy Scotland offers, via a CARES grant, funds to assist communities in obtaining financial and legal advice for Community Shared Ownership.

For those communities wishing to set up a Multi-Community Shared Ownership in a Renewable Energy Project Community Benefit Society, as a sponsoring body, EKREG Ltd offers a sponsoring & registration service.

Process:

- 1) Founders to complete and sign a Multi-Community SOREP Application form.
- 2) Send the form along with proof of ID for two of the founding members (photocopy of passport or driving license) to EKREG Ltd (ekregltd@gmail.com)
- 3) EKREG Ltd will then provide you with details on how to pay the £325 sponsoring body fee.
- 4) Upon confirmation of payment, EKREG Ltd will review the form and draft a set of rules and an FCA registration form for the Founders approval. Once EKREG Ltd and the Founders are satisfied that the rules and form are in order, the Founders can arrange for signatures, and then EKREG Ltd will complete and sign the section in the form relating to the sponsoring body.

The FCA registration fee will also require to be paid. The current range of fees is as follows:

Model rules with no changes	£40
Model rules with 1 to 6 changes	£120
Model rules with 7 to 10 changes	£350
Model rules with 11 or more changes	£950

In determining the number of changes, the FCA currently takes the following view:

- i) filling in a gap in a model is not treated as a change;
- ii) choosing from options already built into the model does not count as a change;
- iii) multiple changes within a single rule will count as one change;
- iv) deletions will not count as a change;
- v) re-numbering, formatting, etc. do not count as changes.

EKREG Ltd reserves the right to refuse to sponsor a new Society with changes to the Model Rules. Dependent upon EKREG Ltd agreeing to any changes to the model rules, sponsorship of such a new society may incur a higher fee than outlined in (3) above. On completion of the registration process, the FCA will issue a certificate confirming registration; and the new CBS will appear on the Mutuels Public Register maintained by the FCA.

DISCLAIMER:

No responsibility will be accepted by EKREG Ltd or any other person who/which was involved in the development of the model rules or the Guide for any loss, liability or a claim arising

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