MINUTES OF TELEPHONE CONFERENCE CALL

Date: 3 March 2011

Gavin McCloskey (GM)
James Morley (JM)
Alan Race (AR)

The telephone call was opened by JM setting out his concerns that the proposed purchase of the land and subsequent income receivable was likely to cause a tax charge on the pension scheme as he understood the transaction.

AR advised that GM should clarify his advice as there seemed some confusion on this matter.

GM advised that the disposal of the land to the pension scheme must be supported by a RICS valuation and that in disposing the land to the pension scheme there should be a commercial benefit to the scheme. AR advised that the benefit was the value of the turbine however he understood that this could not be held by the pension scheme as it was deemed to be a tangible asset.

GM confirm that this was indeed the position, however the scheme could lease the land to the Company or AR for that matter for a period consistent with the life expectancy of the turbine, which was circa 20 years.

JM advised GM to clarify how the income from the lease would be assessed. GM advised that the income would be measured against the income (feed tariff) that would be received by the Company however this would be difficult to measure as energy use is variable. AR advised that the income would arise from his use of the energy for his personal property and the sale back of excess energy consumption to the National Grid. There was a tax benefit to AR as the income arising would not be taxable and AR was keen to utilise this.

GM further advised that in paying the pension scheme such a rent the terms of income needs to favour the pension scheme a figure of circa 5% of the total return was too low relative to the risk of the investment. JM suggested that it should be at least double this.

This could cause a problem for AR as he would be committed to paying a commercial rent to the pension scheme for the land from taxed income which would negate the tax benefit of the feed-in tariff. This could also cause cash flow problems for AR if the yield was too high. JM pointed out that there was a high level of risk with this strategy overall in any event.

GM advised that perhaps the simplest solution was for the land to be leased to Green Gale who would build the turbine. Green Gale would need to pay AR in respect of the use of the feed-in tariff received; GM suggested that he obtain tax guidance on how to best structure this as it is outside the scope of his experience.

GM further advised that Green would be committed to paying an income to the pension scheme, which it would obtain a tax deduction on but the yield would need to be pinned down.

AR advised that there was a lot to consider here and GM was asked to provide a summary of the items discussed in order that a plan of action could be taken as AR was keen to get the project moving asap.

GM advised that he would seek some clarification from HMRC on this subject, but it would be difficult given the unusual nature of the proposal.

End.