



MIDLANDS TOGETHER

COMMUNITY INTEREST COMPANY (CIC)

2013 BOND ISSUE
INVESTMENT MEMORANDUM

JULY 2013

Arranged by

Triodos  **Bank**

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To the best of the knowledge and belief of the Directors of the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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The Investment Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, the Bonds in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States or Canada. The Bonds have not been and will not be registered under the applicable securities laws of the United States or Canada and may not be offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada. The distribution of this Investment Memorandum in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

MIDLANDS TOGETHER CIC

Midlands Together CIC is a community interest company limited by shares, registered in England and Wales with registered office at Greenway Centre, Doncaster Road, Bristol BS10 5PY (registered number 8216835)

Offer for subscription

comprising

An offer of up to £3,000,000 of Bonds in the Company split between two separate offers as follows:

Series A Offer - up to £2,750,000

5 year Bond

**offering 4% interest per annum fixed
and security ranking ahead of Series B**

Payable in full on application where:
the minimum subscription is £20,000 and where
Bonds shall be issued in integral multiples of £5,000

and

Series B Offer - up to £500,000

5 year Bond

**offering 6% interest per annum fixed, Community
Investment
Tax Relief (CITR) and security ranking behind Series A**

Payable in full on application where:
the minimum subscription is £20,000 and where
Bonds shall be issued in integral multiples of £5,000

**Further details of the Series A and Series B
Offers are included in Section 6**

Arranged by

Triodos  Bank

The securities to be issued by the Company are not and will not be listed or dealt in on any recognised investment exchange and it is not intended that they will ever be so listed or dealt in.

Triodos Bank NV, which is authorised by the Dutch Central Bank and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority, is acting for Midlands Together CIC in connection with the arrangements set out in this document and is not acting for anyone else and will not be responsible to anyone other than Midlands Together CIC for providing the protections offered to customers of Triodos Bank NV or for providing advice in respect of the contents of this document or the Offer. Except as provided under applicable law, no liability is accepted by Triodos Bank NV for the accuracy of any information or opinions contained in, or for the omission of any material information from this document.

Investors should not subscribe for any Bonds except on the basis of information set out in this document. You should ensure that you have read and understood this entire document before applying for any Bonds. If you are in any doubt as to the contents of this document, or as to whether subscribing for Bonds is a suitable investment for you, you should seek your own advice from a suitably qualified adviser authorised under the Financial Services and Markets Act 2000 and who specialises in advising on the acquisition of unlisted securities.

An investment in the Bonds may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Bonds is suitable for them in the light of their personal circumstances and the financial resources available to them.

Your attention is drawn to the section of this document headed 'Risk Factors' commencing in Section 9, which sets out certain risk factors relating to any investment in the Bonds. All statements regarding the Company's business, financial position and prospects should be viewed in the light of the risk factors set out in that section.

The Bonds are not protected from loss by the Financial Services Compensation Scheme.

Note: This Investment Memorandum has been prepared with the assistance of the Directors, the leadership team and third party information. All statements of opinion and/or belief in this document and all views expressed regarding Midlands Together CIC, projections, forecasts and statements relating to expectations of future events are those of the Company, the Directors, the leadership team and no other person. No representation or warranty is made, or assurance given that such statements, views, projections or forecasts are correct or that Midlands Together CIC's objectives will be achieved. The information and opinions stated are given for your assistance, are not to be relied upon as authoritative and no responsibility is accepted by Triodos Bank NV or any of its Directors, partners, officers, employees or agents in respect thereof.

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A WELCOME FROM PAUL HARROD, DIRECTOR OF THE TOGETHER GROUP



What does the word 'ex-offender' mean to you? For many it conjures up the image of the angry young man - an individual who is highly likely to commit further crimes and remain a threat to society.

However, in my experience, it is much more likely to be a young man shorn of all self-confidence - vulnerable and without a hope for his future. The offence(s) he has committed mean he is very unlikely to get a job and without the prospect of moving on into employment the temptation to return to a life of crime is strong.

Midlands Together CIC aims to provide paid employment to ex-offenders and to offer a wide package of construction training and tailored support. We do this by buying empty

properties, employing ex-offenders (in partnership with social enterprises) to refurbish them and then sell the properties for a profit, with that surplus reinvested back into the business to expand our work. Our aim is to equip this group of individuals with the professional skills and self-esteem to secure ongoing permanent employment in the sector.

Midlands Together CIC is an expansion of work begun by Bristol Together in 2011-12. In a short period of time Bristol Together has created paid opportunities for nearly 40 ex-offenders and seen a dramatic drop in re-offending. The savings to the taxpayer are huge - and yet this is done within the context of a sustainable model that pays a return to investors.

With the support of investors like you Midlands Together hopes to raise £3 million in social investment to expand this work across the West Midlands area.

In Richard Nicol we have an outstanding CEO with the requisite commercial, property and social enterprise experience - in addition, we have a first-class board of directors and advisers. We have established partnerships with leading social enterprises in the Midlands who will help us identify, recruit, supervise and support ex-offenders on the Together programme. Finally this investment round is led by Triodos Bank who have helped 11 social and environmental businesses and charities raise £45 million capital in the past three years alone.

I am convinced that creating work is the key to offender rehabilitation. Meaningful supported employment, as offered by Midlands Together, gives an ex-offender an income, skills development, self-esteem, a role within a team and a sense of purpose. It is also a sign to them that we are people who care about their future and not their past.

With your support we can build a sustainable business that will pay a return to investors and will transform the lives of hundreds of people in the years to come.

A LETTER TO INVESTORS FROM RICHARD NICOL, THE CEO OF MIDLANDS TOGETHER



Ever since 1994 when I was taken by Business in the Community on a "Seeing is Believing" tour to Balsall Heath, then Birmingham's red light district, I have been interested in what social entrepreneurs do and how they do it - often with limited or time-restricted resources. Your investment in the Together model affords us resource and time, a combination seldom seen in the world of social enterprise - it provides us with the capacity to deliver some truly significant results.

During my career I have had the privilege of establishing substantial businesses, building and leading large teams that have delivered some excellent results. The opportunity to work with some of the best social enterprise partners in the region, united by our common goal of operating to the highest standards whilst delivering real and impactful outcomes, will

be priceless - invaluable to the people whose lives we transform and to the communities in which they live. More than that, our model is financially self-sustaining. To me this is an irresistible combination. I am both delighted to have been selected as the CEO of Midlands Together CIC and excited about what the future holds.

I have lived and operated in the Midlands for almost 25 years. My career has included property finance, construction and development. I have had the privilege of working alongside some of the best in the business and, in so doing, I have learned a lot along the way. I have also learned that if you display more interest in somebody's future than their past you are likely to get some spectacular results. I have seen lives completely changed as a result of individuals being supported through meaningful paid work - their aspirations rise, their behaviour changes and a platform is established from which the choice of a different lifestyle can be made. It's not rocket science but it does take commitment and that is part of the Together plan.

Midlands Together will build on the success of the pioneering work in Bristol and benefit from some of the hard yards already covered by Paul Harrod and the Bristol Together Board. I am delighted to have them around me as we launch the model in the Midlands.

There are some significant changes in the benefits system and the approach to offender rehabilitation already planned to take place within the next five years. These changes will affect the lives of those we are choosing to work with and I think we shall be well placed to develop a blueprint that really works and offers a route for others to follow.

The Together model offers an alternative to hopelessness. It removes barriers to employment, brings empty houses back into good use and will result in the reduction of crime and the damage it does to communities and its cost to society.

In the West Midlands alone it is estimated that the probation services will enter into contracts with providers to support the 25,000 low and medium risk offenders living in the region. The current levels of re-offending are simply not acceptable and innovation is required to turn the tide.

This issue is huge and requires solutions of a size and scale that deliver genuine impact. Yet it also requires solutions that remain flexible enough to adapt to, and seize upon, the opportunities that the local marketplace offers.

I am very much looking forward to this exciting opportunity.

GLOSSARY AND DEFINITIONS

The following terms apply throughout this document unless the context otherwise requires:

2013 Bond Issue	the Issue of up to £3 million of Series A Bonds and Series B Bonds
Act	the Companies Act 2006
Applications	completed Application Forms
Application Form	the application form accompanying this document
Aspire	Aspire Community Enterprise Limited, a company registered in England and Wales with company number 3612765
Basic Tax Rate	set at 20% for income excluding dividends for those people earning up to £32,010 in the 2013/14 tax year
Board of Directors	the board of Directors of the Company whose names are set out in Section 2 of this document
Bond(s)	collectively Series A Bonds and Series B Bonds
Bondholder	a registered holder of Bonds
Bristol Together	the trading name of Bristol Together Community Interest Company, a company registered in England and Wales with company number 7553793
CDFI	Community Development Finance Institution
CEO	Chief Executive Officer
CIC	Community Interest Company
Closing Date	12 noon on Friday 30th August 2013 or such later date that the Board may reasonably determine
Company	Midlands Together Community Interest Company, a company registered in England and Wales with company number 8216835
CITR	Community Investment Tax Relief - a tax relief available to Series B Bondholders which can enable them to claim up to 25% of their initial investment in the form of relief against income tax or corporation tax over a five-year period
CTA 2010	Corporation Tax Act 2010
Debentures	the Series A Debenture and the Series B Debenture
EBITDA	earnings before interest, tax, depreciation and amortisation
FSMA	Financial Services and Markets Act 2000



Higher Tax Rate	set at 40% for income excluding dividends for those people earning between £32,011 and £150,000 each year and set at 45% for those people earning in excess of £150,000 each year in the 2013/14 tax year
HMRC	HM Revenue & Customs
ICTA	Income and Corporation Taxes Act 1998
Investment Memorandum	this document constituting an invitation to subscribe for Bonds
Instrument(s)	the documents constituting the Series A Bonds and the Series B Bonds as per Section 14
Investor	an investor in the Midlands Together 2013 Bond issue
ITA 2007	Income Tax Act 2007
Jericho	the trading name of the Jericho Foundation, a registered charity (number 1037084) and a company limited by guarantee (number 2845852)
Launch Date	10am on Monday 15th July 2013
Maximum Subscription	£3 million by Bondholders pursuant to the 2013 Bond issue

Midlands Together	the trading name of Midlands Together Community Interest Company
Minimum Subscription	£2.2 million by Bondholders pursuant to the 2013 Bond issue
Minimum Subscription for the Series B Bonds	£0.25 million by Series B Bondholders pursuant to the 2013 Bond issue
Offer	the offer to subscribe for Series A or Series B Bonds pursuant to the 2013 Bond issue as per the terms of this document
P3	the trading name of People Potential Possibilities, a registered charity (703163) and a company limited by guarantee (number 02495423)
Pool A	the pool of funds raised from the issuance of Series A Bonds along with the proceeds from the sale of properties
Pool B	the pool of funds raised from the issuance of Series B Bonds
Restore Trust	The Restore Trust Limited, a company registered in England and Wales with company number 7133624
Rural Experience	Rural Experience is a company limited by guarantee (number 8002293) and registered charity (number 1150718) with a wholly owned trading subsidiary (RE Enterprises Ltd) limited by shares (number 07877577)
Series A Bond	Series A 4% fixed rate secured Bond 2018
Series A Debenture	the debenture to be granted by Midlands Together over all of its assets in favour of the Series A Bondholders
Series B Bond	Series B 6% fixed rate secured Bond 2018
Series B Debenture	the debenture to be granted by Midlands Together over all of its assets in favour of the Series B Bondholders
The Together Group	the trading name of The Together Social Business Group Community Interest Company, a company registered in England and Wales with company number 08603116. The Together Group owns the entire share capital in Midlands Together Community Interest Company
Triodos	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 by the Financial Conduct Authority and Prudential Regulation Authority
The Vine Trust Group	The Vine Trust Walsall Group, a registered charity (1093838) and a company limited by guarantee (number 4370289)

1 KEY INFORMATION

THE SOCIAL CONTEXT

Preparing for a life free of crime is a huge challenge for many repeat offenders.

Offenders often leave prison with no permanent address, a history of substance abuse, broken relationships, literacy challenges, a criminal record and limited employment histories. The combination of these factors can provide a huge barrier to re-entering society and sourcing employment, typically leaving individuals with very low self-esteem or sense of direction. Consequentially, 25.5%¹ of all offenders re-offend within 12 months of being released from custody. The figures for short sentenced adult offenders are even worse with a staggering 58.2%¹ re-offending within 12 months of being released at an estimated annual cost of £9.5 - £13 billion to the UK economy.²

A programme of supported paid work, skills training and tailored mentoring can provide many ex-offenders with a pathway to meaningful ongoing employment, helping to break this cycle of re-offending and, in so doing, transforming their lives. Recent government research into the impact of employment on re-offending found that offenders with employment in the year following release from custody were significantly less likely to re-offend than similar offenders with no such employment history.³

THE TOGETHER MODEL

Midlands Together is a community interest company (CIC) that exists to create significant employment opportunities in the construction space for ex-offenders - our aim is to inspire our clients to see that there is a life beyond crime.

We achieve this through a commercially sustainable business model of buying empty and sub-standard homes and working with social enterprise partners to engage ex-offenders in the repair, refurbishment and restoration. Once the properties are fully restored they are then sold and the original capital, plus any profits, re-invested back into the business to finance further property purchases and further job creation.

In so doing, offenders are equipped with the confidence, training and paid experience required to secure ongoing employment in the sector.

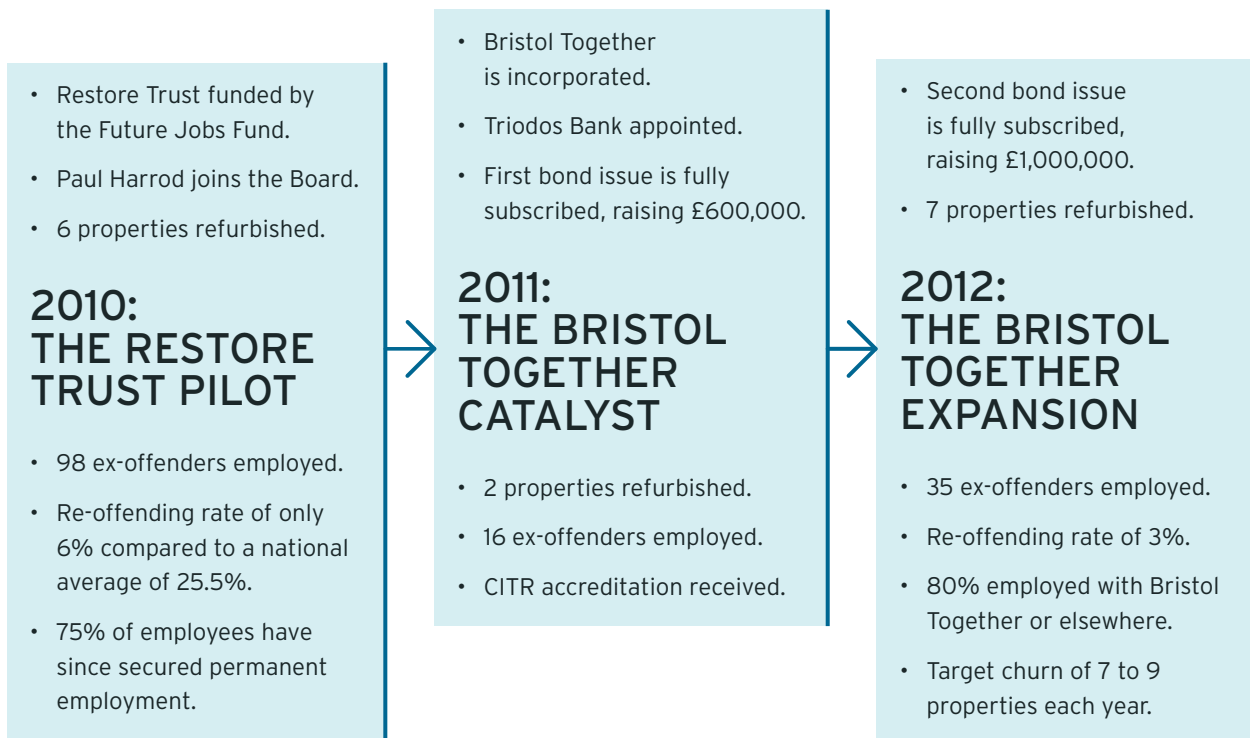
Midlands Together is seeking to raise £3 million through this 2013 Bond Issue. This will enable us to buy, refurbish and sell approximately 15 properties per annum and, through a constant recycling of our capital, invest over £2 million into the wages, training and mentoring of 100-150 ex-offenders over the five year life of our Bond.

1 Proven re-offending statistics (Year to June 2011) for all adult offenders including those cautioned, given a non-custodial sentence (including fines) or released from prisons (*'Transforming Rehabilitation: A Strategy for Reform'*, Ministry of Justice, May 2013)

2 The estimated cost to the economy of crime committed by recent ex-prisoners in 2007/2008 (*'Managing Offenders on Short Custodial Sentences'*, 2010 National Audit Office)

3 Analysis of the impact of employment on re-offending following release from custody using Propensity Score Matching (*Ministry of Justice*, March 2013)

THE STORY SO FAR



RESTORE TRUST - THE PILOT

In 2010, the Bristol based Restore Trust launched a pioneering property refurbishment scheme.

Recognising the need for a sustainable solution to the exceptionally high national cost of re-offending and acknowledging that the very presence of a criminal record served as a significant barrier to securing employment, they identified skills training and job creation for ex-offenders as a mechanism for halting the cycle of re-offending, easing pressure on local police forces and criminal justice systems and, ultimately, improving Bristol's reputation as a low crime area.

Funded by the *Future Jobs Fund*, the Trust employed 98 ex-offenders to successfully help refurbish 6 properties across Bristol. Only 6% of participants re-offended within 12 months (current national average - 25.5%), with 75% of employees having since secured permanent employment.

BRISTOL TOGETHER - A COMMERCIAL CATALYST



Inspired by the success of the groundbreaking Restore Trust pilot, Paul Harrod (a Restore trustee) launched Bristol Together in 2011 to 'prove the model' on a commercial basis, continuing the focus on reducing social exclusion for ex-offenders.

Advised by Triodos and supported by Esmée Fairbairn Foundation, Bristol Together raised £600,000 of social investment in the form of a bond in September 2011 which facilitated the purchase and renovation of 2 properties and provided employment to 16 ex-offenders. The results of this commercial pilot scheme resulted in a successful follow-on bond issue of £1 million for Bristol Together in early 2012, marking the first true scale-up of the model.

Bristol Together has now been trading for a full year since the second bond issue, renovating 7 properties since incorporation and employing 35 ex-offenders in the process - only one of whom is known to have since re-offended. Bristol Together was awarded *Start Up Social Enterprise of the Year (2012)* for the UK by *Social Enterprise UK*.

Midlands Together represents the next stage in the growth of the Together model.

THE WEST MIDLANDS OPPORTUNITY

Midlands Together offers a compelling opportunity to build on Bristol Together's growing track record by scaling a proven commercially sustainable social delivery model across a region where there is clear social need.

In its recent *Transforming Rehabilitation* report (May 2013), the Ministry of Justice indicated that Staffordshire, the West Midlands, West Mercia and Warwickshire (the target area for Midlands Together) included one of the highest levels of low and medium risk of harm offenders in the country, emphasising the scale of recidivism in the area and hence the need for a transformative programme of this kind.

Midlands Together has formed strong relationships with innovative and very experienced social enterprise partners across the region, providing a robust framework for delivering our social mission.

The steady improvement in the local property market, reflected in growing buyer appetite as outlined in Section 4, provides a platform for well-executed developments. Our board has excellent knowledge of the local property market and strong networks with key property operators (such as estate agents and housing associations). With the capital generated from the 2013 Bond issue, we are well positioned to take advantage of carefully appraised development opportunities that deliver financial - as well as social - value to stakeholders.

THE RELATIONSHIP WITH BRISTOL TOGETHER

Midlands Together CIC is a wholly owned subsidiary of the newly formed holding company - The Together Social Business Group CIC (trading as the 'The Together Group'). Bristol Together CIC is currently executing a share re-organisation such that it too will be a wholly owned subsidiary of The Together Social Business Group CIC by the Closing Date. Whilst Midlands Together enjoys non-executive board representation from the Bristol Together CEO, it has its own distinct executive leadership team.

The scale-up of the Together model into the West Midlands allows Midlands Together to apply the learning from Bristol, drawing first-hand on the experience of the Bristol Together management team. At the same time it affords an opportunity to innovate, improve and evolve the model by utilising the commercial and social expertise of the West Midlands leadership team - a team with significant private sector property development experience, social enterprise expertise and a deep knowledge of the West Midlands property market.

THE FUTURE TOGETHER

The Together Group ensures an enduring commitment to the original vision of the Bristol Together founding director, Paul Harrod, of rehabilitating ex-offenders through employment, and to broadening the geographical reach of the Together model. The Together Group is committed to a prudent growth strategy which will be based on demonstrating success in existing models before extending our reach. The timing and scale of future replications beyond Bristol Together and Midlands Together will therefore be linked to proven performance of these businesses and will be funded by way of separate and discrete bonds issued directly by geographically designated CICs.

There is no intention for Midlands Together to issue a further Bond off its own balance sheet until 2018, when it hopes to refinance the funds raised through this Offer.

The target localities for future models will be driven by a number of factors including: social need (ex-offenders needing employment); a local property market with a potential for commercial returns; high quality local social enterprise partners and the availability of an outstanding CEO.

OUR LEADERSHIP TEAM

The Midlands Together leadership team blends property development expertise, a strong network within the West Midlands property market, an understanding of our social enterprise partnership model and experience of the challenges of working with ex-offenders. Our team includes:

Richard Nicol - Chief Executive Officer

Nick Bacon - Chairman

Paul Harrod - Non-Executive Director (CEO of Bristol Together)

Neville Morrell - Construction Manager

Christopher Rands - Construction Manager

In addition, Roger Moors (Section 8) will be formally appointed as a Non-Executive Director immediately following the launch of the Bond.

Further details about our Board and management team are contained in Section 8.

FINANCIAL HEADLINES

The summary below illustrates a base case profit and loss forecast. This is predicated on raising the full £3 million through the 2013 Bond issue and then operating the business for five years through to the scheduled repayment of the Bonds in October 2018.

Profit and Loss Account Financial Year Ending 31 October	2014 Forecasts £'000	2015 Forecasts £'000	2016 Forecasts £'000	2017 Forecasts £'000	2018 Forecasts £'000
Revenue	3,056	4,565	5,182	5,441	5,600
Cost of sales	(2,799)	(4,209)	(4,785)	(5,027)	(5,176)
Gross profit	257	356	397	414	424
Overheads	(163)	(172)	(176)	(181)	(185)
Fundraising costs	(72)	0	0	0	0
EBITDA	22	184	221	233	239
Bond interest	(130)	(130)	(130)	(130)	(130)
Interest receivable	4	3	3	3	5
Depreciation	0	0	0	0	0
Profit before tax	(104)	57	94	106	114
Tax	-	-	(10)	(22)	(24)
Profit after tax	(104)	57	84	84	90

Forward-looking statements are merely forecasts and should not be relied upon as indicators of future performance.

The base case assumption assumes that property development and refurbishment activities will scale down during 2018 to provide liquidity to repay the Bonds. In the preferred event that Bondholders are repaid through a refinancing of the Bond in 2018, the business would continue to trade as a going concern.

DETAILS OF THE OFFER

Midlands Together aims to raise £3 million through the 2013 Bond Issue (the Maximum Subscription).

The aggregate Minimum Subscription is £2.2 million, with a £250,000 Minimum Subscription for the Series B Bonds applying.

The 2013 Bond Issue will open at 10am on Monday 15th July and close on the earlier of a full subscription or 12 noon on Friday 30th August 2013 (“Closing Date”).



OUR INVESTMENT PROPOSITION

The 2013 Bond issue is split between Series A and Series B Bonds. This is consistent with the structure adopted successfully by Bristol Together and offers Investors a choice of two different instruments – one of which (the Series B Bonds) attracts a tax relief known as CITR. The key features of each type of Bond are as follows:

BOND DETAILS	SERIES A BONDS	SERIES B BOND
Issuer	Midlands Together CIC	Midlands Together CIC
Instrument	Series A 4% fixed rate secured bond 2018	Series B 6% fixed rate secured bond 2018
Interest	4% per annum payable bi-annually in arrears	6% per annum payable bi-annually in arrears
Tax	No tax reliefs	Eligible for CITR
Yield including tax relief	4% per annum fixed	6% per annum fixed plus 5% per annum CITR
Maximum subscription	£2.75 million	£0.50 million
Minimum subscription	-	£0.25 million
Repayment date	31 October 2018	31 October 2018
Security	all assets debenture ranking ahead of Series B Bonds	all assets debenture ranking behind Series A Bonds
Minimum subscription per investor	£20,000 per investor increasing in £5,000 increments	£20,000 per investor increasing in £5,000 increments
Use of proceeds	Purchase and refurbishment of properties and payment of business overheads	Wages, training, mentoring and support costs of employing ex-offenders for renovation works

The key differences between the Series A and Series B Bonds are:

- Series A attracts a fixed interest rate per annum of 4%, whilst Series B attracts a fixed interest rate per annum of 6%.
- The Series B Bonds attract Community Investment Tax Relief (“CITR”) under which investors can receive relief against their income or corporation tax liability amounting to 25% of their initial investment claimed over five tax years starting in the year the investment is made (i.e. 5% per annum). This can provide an effective gross return of 15.1% and 14.3% respectively for investors paying tax at the 45% and 40% tax rates (see Section 6 for more details). In order for the Series B Bonds to be eligible for CITR, the proceeds from the Series B Bond issue will be specifically ring fenced and applied to payment of the wages, training and mentoring of the ex-offender group over the five year period.
- Although both Series A and Series B Bonds are secured by way of all asset debentures (over the company’s property portfolio), the Series A Bonds rank ahead of the Series B Bonds for security purposes in the event of a default.

Both Series A and Series B Bonds will be available on a first come first served basis. Although the Bonds are transferable, they are not listed on any recognised capital market and it may not be possible to sell or realise the Bonds ahead of the final repayment date. Series B Bonds cannot be repaid ahead of the final repayment date.

COMMUNITY INVESTMENT TAX RELIEF (CITR)

Community Investment Tax Relief ("CITR") is only available in respect of the Series B Bonds - see Section 6 for further details of the two Bond types. If tax relief is available to the investor under CITR this has the effect of reducing a Bondholder's overall tax liability over a five year period.

There is no maximum amount an individual can invest in CITR qualifying investments, however, the claim for CITR in any relevant tax year will be the lower of 5% of the invested amount or the amount that reduces the Bondholder's total personal income or corporation tax liability to zero. If a Bondholder cannot make use of their maximum entitlement to relief for the year, any excess is lost.

In order to claim tax relief the Bondholder must have a CITR certificate relating to the investment - this will be supplied by Midlands Together shortly after the end of the tax year. For investors in the Series B Bonds who invest on or before 5 April 2014, the Company will be in a position to issue CITR certificates to enable Bondholders to obtain tax relief in respect of the 2013/14 tax year.

Further information about CITR and the relevant HMRC guidance is contained in Sections 6 and 10.

KEY RISK FACTORS

The Directors consider the key risks to be as follows:

- **Liquidity:** the Bonds are unquoted securities with a fixed repayment date. Although the Bonds are technically transferable, Investors will have no ability to trade the bonds on a recognised market or to require the Company to repay their capital early. Therefore, investors may not receive their capital back until the scheduled repayment date in five years time.
- **Repayment:** an investment of this nature is speculative and can involve a high degree of risk. Even though the Bonds are secured by way of debentures over the Company's assets (including its property portfolio), the Company's ability to repay the Bonds in 2018 is dependent on the success of its business model and means of potential refinancing, neither of which are guaranteed. As such, there is no certainty that there will be sufficient funds in the Company to repay the Bonds in full in 2018.
- **Tax:** for investors in the Series B Bonds, the availability of CITR is dependent on current tax legislation and HMRC practice as well as the Company's ability to manage its operations in compliance with the CITR regulations.

For further information on material risk warnings and the Directors' perception of mitigating factors, please see Section 9.

THE ROLE OF TRIODOS BANK NV ("TRIODOS")

Midlands Together has appointed Triodos Corporate Finance (a division of Triodos Bank which is operated and managed independently of the Bank's commercial lending operation) as adviser to the Company and arranger and receiving agent in respect of the Offer. Triodos Corporate Finance specialises in raising capital for social

and environmental businesses, including charities and social enterprises. Triodos Corporate Finance acted as adviser, arranger and receiving agent for the 2011 and 2012 Bond Issues for Bristol Together, which collectively raised £1.6m.

Triodos Corporate Finance will be entitled to a success fee of 1.0% of the total amount raised through the Offer. This will be funded out of the proceeds of the 2013 Bond Issue. Triodos have also charged a fixed fee to assist with investment readiness support provided over the last 9 months - this has already been covered by a grant received by Midlands Together from the *Investment Contract and Readiness Fund*, administered by the *Social Investment Business* on behalf of the *Office of Civil Society*.

Triodos Bank NV, which is authorised by the Dutch Central Bank and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority, is acting for the Company in connection with the arrangements set out in this document and is not acting for anyone else. It will not be responsible to anyone other than Midlands Together for providing the protections offered to customers of Triodos Bank NV or for providing advice in respect of the Offer.

OFFER COSTS

The aggregate costs of the Offer, primarily comprising legal fees and corporate finance success fees, are not expected to exceed 2.5% of the Maximum Subscription.

EXIT OPTIONS

The Bonds will be repaid in full at the end of their five-year term in accordance with the Bond Instrument. Repayment of the Bonds will be made out of available cash generated from the sale or refinancing of the freehold property portfolio, or a combination of both. Preferably, the Company will aim to repay the Bonds through a future Bond Issue in order to ensure continuity of the business.

FINANCIAL SERVICES COMPENSATION SCHEME

It is vital that you note that the Financial Services Compensation Scheme does not apply to a Bond investment in the Company and in the event of the Company being unable to repay either the capital or interest payments you will not be entitled to make a claim against the scheme.

HOW TO APPLY

Applications for either Series A Bonds or Series B Bonds must be made on the terms and conditions of the application set out in Section 12 of this document and by completing the Application Form provided with this Investment Memorandum. Further Application Forms are available from Triodos on the contact details below.

Instructions for completing the Application Form are given in Section 13.

ASSISTANCE

Enquiries and requests for further copies of this Investment Memorandum should be referred to Triodos at investments@triodos.co.uk or by contacting Huw Thomas at Triodos on 0117 980 9593.

It should be noted that neither Triodos nor Midlands Together are able to provide advice to prospective investors on the merits or otherwise of investing in the 2013 Bond Issue.

2 DIRECTORS, ADVISERS AND SERVICE PROVIDERS

DIRECTORS

Richard Nicol (CEO)
Nick Bacon (Chairperson)
Paul Harrod (Non-Executive Director)

REGISTERED OFFICE

Greenway Centre
Doncaster Road
Bristol
BS10 5PY

ARRANGER & RECEIVING AGENTS TO THE COMPANY

Triodos Bank NV
Deanery Road
Bristol
BS1 5AS

SOLICITORS TO THE COMPANY

Veale Wasbrough Vizards
Orchard Court
Orchard Lane
Bristol
BS1 5WS

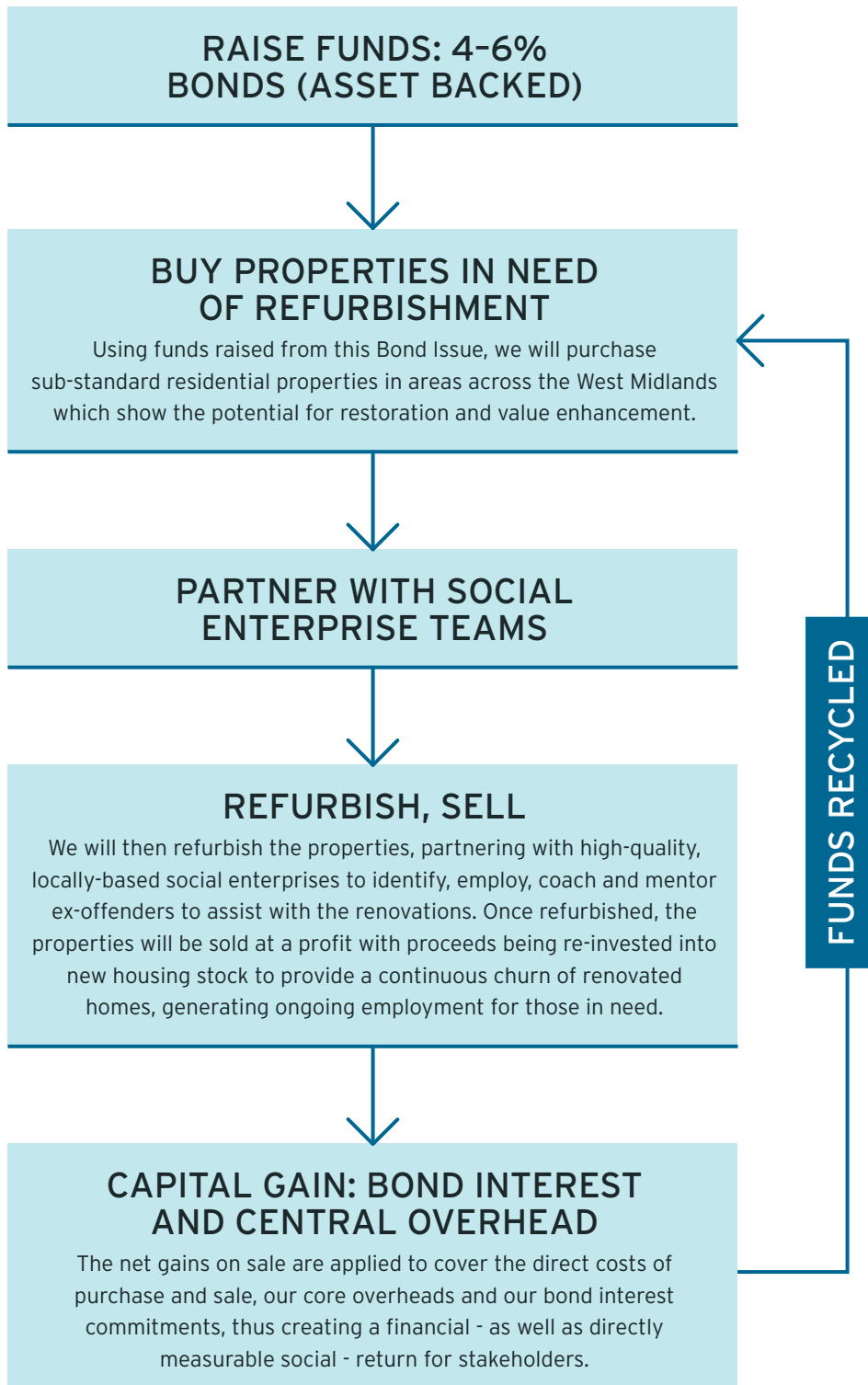
VAT ADVISERS TO THE COMPANY

Broadey and Baumgardt Ltd
(trading as Essential VAT Services)
The Old Tractor Barn
High Beech Lane
Chepstow
Monmouthshire
NP16 5BG

3 THE TOGETHER MODEL

Midlands Together aims to achieve blended social and financial returns for stakeholders by creating significant paid work for ex-offenders through a commercially sustainable business model.

OUR BUSINESS MODEL



The following illustrates how our model operates during both the initial project appraisal phase and, subsequently, during the build phase:

PROPERTY APPRAISAL

PROPERTY IDENTIFICATION

All potential properties are carefully sourced by the Midlands Together Board (principally the CEO). Strong networks within the local property market community (e.g. with estate agents, auctioneers, banks repossession teams and housing associations) ensure that a steady flow of referrals and opportunities are presented to Midlands Together for consideration. The CEO will visit the properties to form an initial appraisal. Other stakeholders, such as our social enterprise partners, will be encouraged to present target properties to us for consideration.



ASSESSING THE SCOPE OF REFURBISHMENT

If the initial visit suggests there is merit in further exploration, Midlands Together will then assess the scope of work required. On some projects this can be appraised directly by the Midlands Together CEO and Construction Manager. On more complex projects, Midlands Together will have a service agreement in place with an external quantity surveyor and architect, enabling us to procure their services to assist with scoping the works required. As part of this process, Midlands Together will prepare a work specification and costing/budget, appraising labour requirements (salary costs of ex-offender workforce), the materials required and the need for skilled external sub-contractors (i.e. plumbers, electricians).



FORMAL APPRAISAL

Armed with the decision-making tools, the CEO will carefully consider all aspects of the business case - forecast financial return, acquisition and refurbishment risks, local property market evidence, timescales and potential social impact. The focus is on ensuring the opportunity exists to realise our blended return targets - the property must satisfy our target financial gain hurdle (10%) and also offer sufficiently diverse training opportunities for the workforce. We also consider our strategy for adapting to a change in market conditions: for instance, each property's rental potential is appraised prior to purchase so we have a clear alternative plan should it be necessary to let a property until the market facilitates a sale (our core model remains entirely focused on the 'buy, refurbish, sell' approach). Once formally sanctioned by the board, the acquisition process can progress.

Our cash-buyer status can help to underpin our target returns because it means we can secure some properties at a preferential price compared to a private buyer reliant on mortgage finance. The "ability to proceed" factor can provide a competitive advantage in the current credit constrained environment.

The following provides an outline of how the construction and mentoring roles operate during the build phase:

ON-SITE

CONSTRUCTION MANAGEMENT ROLE

Midlands Together has engaged a small team of construction managers. These individuals come from a career in the construction space and have experience of the needs and challenges associated with the client group. The role of our construction managers is to oversee ('project manage') a small portfolio of properties (typically two to three at any one time) to ensure they are being delivered to timetable and budget and to manage any issues (such as the need for work outside the original specification). This includes ensuring materials are being delivered on time, external sub-contractors are working to timetable and that the workforce provided by the social enterprise are clear on their target deliverables and receiving adequate guidance. Midlands Together retain full responsibility for materials procurement and for managing supplier accounts.



TEAM SUPERVISION ROLE

The role of the social enterprise is to provide a workforce of ex-offenders as well as an ongoing mentoring and support function in the form of a dedicated Team Supervisor. The support role is key to building skills and confidence in the workplace and hence to driving workforce efficiency. Employees will be supported on-site by the Team Supervisor who will be accountable to the Midlands Together construction managers. The supervisors will have an affinity with the client group and significant experience of training and coaching in a construction environment. Typically, 40% of total refurbishment costs on a property relate to the wages, training and mentoring costs of the ex-offender workforce.



SUB-CONTRACTORS

Where necessary, Midlands Together will supplement these teams with experienced plumbers, electricians and other tradesmen to handle the more technical aspects of the refurbishment. Midlands Together retains full control for selecting sub-contractors, for agreeing their contract price and for ensuring they perform to time and budget.

We expect to partner with approximately five social enterprises during the life of the Bonds. Each social enterprise is likely to provide support on three properties per year such that Midlands Together buy, refurbish and sell approximately 15 properties in a twelve-month period. Based on our experience, we expect that properties will ordinarily take up to three months to sell once on the market and we therefore anticipate that up to 10 properties will be in either the 'build or sales' phase at any one time. Our team of construction managers are suitably qualified to manage a portfolio of this size.

THE ROLE OF OUR SOCIAL ENTERPRISE PARTNERS

Our social enterprise partners are integral to our business model. They have a track record of successfully employing socially excluded people and providing tailored rehabilitative support structures for marginalised groups - between them they provide decades of experience.

Our partners effectively provide us with two packages of support - the provision of a motivated workforce with aspirations to better themselves and the provision of a support and mentoring function for that workforce.

It is clear that offering paid work for just one refurbishment project is insufficient if individuals are then moved off our programme without clear prospects of employment elsewhere - this 'revolving door' culture fails to offer the sustained and holistic support these vulnerable groups require.

Equally, our primary focus is to help ex-offenders to develop the skills, experience and confidence required to progress into independent employment after their time with us. As such, it is important to balance the need for sustained paid opportunities with us, with the need to help participants move off our program into ongoing paid work elsewhere. In helping to secure permanent jobs for our workforce within other organisations or via the self-employment route, we are also able to offer fresh opportunities to new groups of ex-offenders, thus widening the opportunities we create.

Our solution to this challenge is to structure the programme for our ex-offender group as a paid 9-12 month role with Midlands Together. This enables us to offer roles of sufficient length to cultivate and broaden skills, whilst simultaneously offering a degree of security and stability. Equally, in offering a finite role, we have a defined timeframe in which we can work collaboratively with the individual and the social enterprise supervisors to develop employability and to find a role for that individual beyond their time with us.

Key aspects of our relationship with our social enterprise partners include:

- Our partners will co-ordinate the selection and recommendation of suitable ex-offenders for inclusion in the Together programme. Typically, four to eight individuals are provided by each partner per year (each working across approximately three refurbishment projects). Our partners are vastly experienced in beneficiary recruitment, enjoying strong links with a broad range of referral agencies (such as local probation teams).
- Via the provision of the dedicated on-site Team Supervisor, the social enterprise will provide our ex-offenders with tailored support throughout the programme. This on-site supervision function ensures the workforce are working productively, are getting help and support as required and, crucially, are showing evidence of skills development.
- The Team Supervisor will identify the need for additional training and qualification opportunities for employees, ensuring individuals have full access to these opportunities to maximise their development and ongoing employability. Part of our role is to identify properties that can deliver our target financial returns whilst also offering sufficiently diversified training opportunities to facilitate this progression.

- Over the course of their supported employment with Midlands Together, our workforce will cultivate specialist trade proficiencies. Progress, both in terms of construction skills competencies and workplace behaviour, will be monitored against a Personal Development Plan designed by our partners at the start of the programme - this plan will reflect the personal needs and challenges of the individual.
- Midlands Together will work collaboratively with partners during the period of time with us to facilitate the candidate's positive progression into continued employment in the wider construction space after their time on the Together programme.
- At that point, we will identify a new group of clients, thus ensuring we continue to create new opportunities and facilitate ongoing job creation.

OUR CORE PARTNERS

There are a number of high-quality social enterprises in the West Midlands with the appropriate skills-set to work with us over the life of the bond. The qualities that we look for from prospective partners include:

- **Social impact** - an alignment of values with those of Midlands Together and a commitment to our social agenda.
- **Work force provision** - experience of working with ex-offenders and an ability to provide a workforce for our refurbishment programmes.
- **Innovative mentoring and support structures** - a structured and rewarding training, support and mentoring platform for those involved on our programmes.
- **Job creation** - evidence that they have relationships in place to help secure ongoing employment for the workforce after their time with Midlands Together.
- **Track record** - evidence that the team supervisors have experience of supporting and mentoring in a construction environment.
- **Financial viability** - evidence of robust financial position and performance to minimise any exposure to Midlands Together during our period of partnership with them.
- **Resource capacity** - evidence of sufficient in-house capacity to provide a full-time mentoring role on-site during their involvement in any refurbishment project.
- **Competitive advantage** - for example, knowledge of the local property market.

We have currently *entered into a Memorandum of Understanding* with four social enterprises in the region, with a view to recruiting a further partner by the close of 2013. Our current social enterprise partners are detailed in Section 4.

ROOM FOR INNOVATION

The Midlands Together Board remains committed to the core business model of buying, selling and refurbishing properties. Successfully deploying this model will ensure we deliver strong social impact whilst also generating sufficient margin to enable us to service our overheads and bond interest obligations (see further information in Section 7).

However, we remain open to other commercial opportunities that allow us to meet our social and financial targets. Whilst the Board will continue to explore innovative ways to improve the model, we would only pursue such opportunities if the risk profile is suitable and consistent with the returns available.

Two particular areas of opportunity that we see developing in the coming months include replicating the shared-profit model deployed in Bristol by Bristol Together and leveraging the growing levels of government support for the *Transforming Rehabilitation* programme.

SHARED-PROFIT MODEL:

Bristol Together have been working closely with Bristol City Council ("BCC") on a programme to reduce the level of sub-standard, empty ("void") properties in the council's property stockholding. These properties are not in use (untenanted) and would not attract high values on the open property market due to their poor condition.



The programme allows Bristol Together to refurbish and restore council-owned properties (the cost of the refurbishment is cash flowed by Bristol Together in the first instance but reimbursed by the council on sale) and to share equally in the surplus generated on sale. This enables Bristol Together to secure a significant return on capital because, without having to acquire the property in the first place, the level of capital deployed is much lower than for the core model.

The Board see significant commercial rationale for shared-profit ventures of this kind if carefully balanced alongside our core 'buy, refurbish, sell' model. We are in active dialogue with our social enterprise partners, with local councils and with local housing associations such as Midland Heart to explore similar opportunities in the West Midlands.

TRANSFORMING REHABILITATION:

It is clear that there is growing Government momentum to improve the mentoring and rehabilitation support that offenders receive so that they do not commit further crime. The Ministry of Justice's recent *Transforming Rehabilitation: Strategy for Reform* paper (May 2013) emphasised the need for structural reform in the rehabilitation cycle if re-offending is to reduce from current levels.

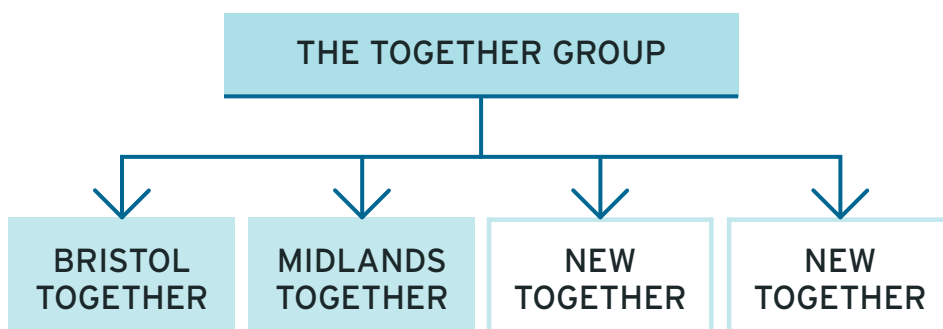
The paper cited a number of factors that will drive this reform:

- **the role of the voluntary, community and social enterprise space (VCSE) in helping offenders turn their lives around** - Midlands Together sits firmly in this space.
- **the value in local partnerships and the need for holistic packages of support** - our social enterprises partners can, with the assistance of volunteer banks, offer 'round the clock' mentoring - support need not end when clients finish their shift. The experience of Bristol Together demonstrates that practical support extends far beyond the workplace.
- **the need to support offenders 'through the prison gate', providing consistency between custody and community** - working with social enterprises we hope to identify target beneficiaries at an early stage (for example via our partners' relationships with prisons and probation teams) so that we can help offenders transition back into the community upon release.

It is clear that Midlands Together could have a role to play in the Transforming Rehabilitation programme and we will be watching developments with interest in the coming months.

The Board remains in active dialogue with key organisations throughout the West Midlands region (such as the West Mercia Probation Trust) regarding its potential role in future sector opportunities.

THE TOGETHER GROUP



The Together Social Business Group CIC (limited by shares and trading as 'The Together Group') is the non-trading, holding company for the group. It holds the issued share capital in Midlands Together CIC. Bristol Together CIC is currently executing a share re-organisation such that it too will be a wholly owned subsidiary of The Together Social Business Group CIC by the Closing Date. Currently the holding company has a limited remit - its purpose is to:

- provide custodianship of the Together model.
- hold the intellectual property (IP) of the Together group - maintaining, protecting and leveraging the value of the Together brand.
- preserve the social mission and values of the group, particularly when rolling-out the model into new geographies.
- share the operational learning from Bristol Together in order to maximise financial and social performance in new localities.

The Group recognises that subsidiary entities must be commercially and operationally led from teams in the geographies they serve - localised expertise (such as detailed knowledge of local property markets) is key to successful replication. However, in pursuing its localised strategy Midlands Together must do so in a way that preserves the Together Group values, identity and common social objectives.

Currently The Together Group board comprises Paul Harrod (CEO of Bristol Together and Non-Executive Director of Midlands Together) and Nick Bacon (Chair of Midlands Together). Board members of The Together Group are not remunerated.

Over time it is envisaged that The Together Group may adopt a wider remit governed by a licence agreement with its operating subsidiaries. Its future roles may include:

- holding central relationships and brokering deals with national investors.
- holding central relationships with suppliers/buyers such as large builders merchants in order to leverage group price efficiencies.
- social and financial data gathering and analysis to be used both externally (for advocacy and sales) and internally (for learning and improvement).
- formal quality assurance of operating subsidiaries.
- developing a training manual for the model to codify learning and ensure a robust operational blueprint exists for future roll-outs.
- provision of centralised services (such as finance and company secretarial) to deliver economies of scale.

Midlands Together will continue to act as an operationally discrete trading vehicle - The Together Group's main focus will be on developing further city-based or regional operations which will have no direct impact on the trading success or social impact of Midlands Together.

The Together Group intends to use the next six to twelve months to monitor the progress of Midlands Together and Bristol Together and, during this phase, define its precise ongoing role in order to generate maximum future benefit for stakeholders.

We anticipate that The Together Group will start to charge Midlands Together a maximum of £5,000 per annum under a licence agreement with effect from October 2014 to reflect the wider services provided to its subsidiary entities from that point. This will remain in place throughout the remainder of the Bond period. This anticipated cost is reflected in the financial projections presented in Section 7.

4 THE WEST MIDLANDS - A QUESTION OF GEOGRAPHY

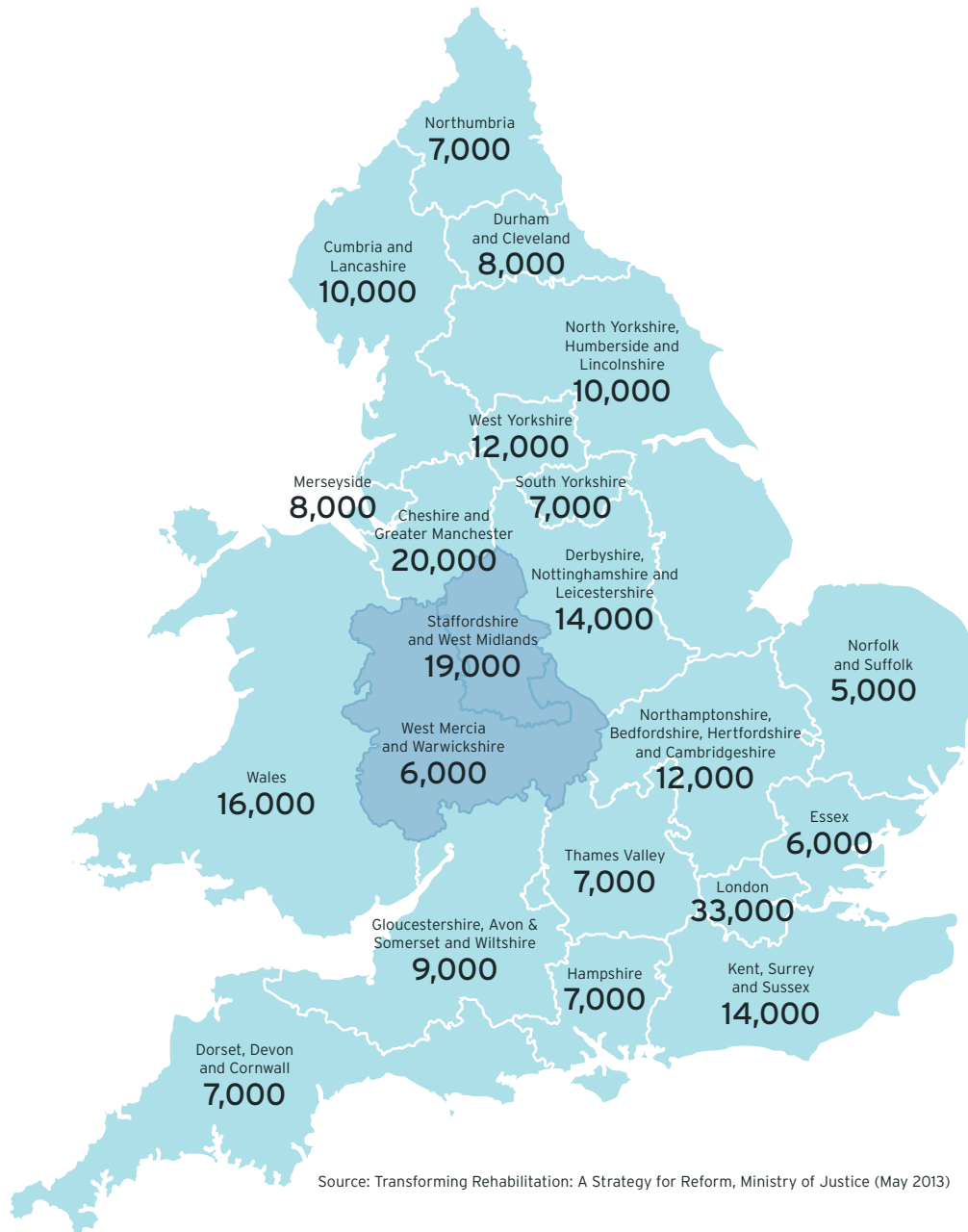
The Together model relies on supply in three core markets:



THE LOCALISED SOCIAL NEED

The social cost of ex-offender unemployment and re-offending are sufficiently large and universal to sustain a replication in the West Midlands.

ANNUAL NUMBER OF LOW AND MEDIUM RISK OF HARM OFFENDERS ESTIMATED TO START ON REHABILITATION PROGRAMMES WITH PROVIDERS:



The Ministry of Justice's recent consultation paper on *Transforming Rehabilitation* indicated that the West Midlands (encompassing Staffordshire, West Midlands, West Mercia and Warwickshire Probation Trusts) has one of the highest levels of low and medium risk of harm offenders in the country outside of London.

Whilst the actual rate of adult re-offending in the year to September 2012 for the West Midlands was below predictions and below the national baseline, the level of recidivism in the area and size of the offender cohort remains significant, making the localised social need compelling.

We have partnered with social enterprises that have close relationships with Primary Care Commissioners as well as local Probation Trusts. This ensures they have access to offenders near their release points, thus ensuring a source of support through the 'prison gate'.

LOCAL PROPERTY TRENDS

Demand for property in the West Midlands rose to its highest level in over three years during April 2013, as the Government's announcement on the Help to Buy scheme began to make an impact on the UK's housing market (RICS Residential Market Survey, April 2013).

In April 2013, RICS reported in their residential market survey that new buyer enquiries rose to their highest level in over three years, with 25% more chartered surveyors reporting that demand for property rose. The latest jump in enquiries suggests that, along with the existing Funding for Lending scheme, Help to Buy is attracting interest even if the mortgage guarantee element of the product is not due to come into effect until next year.

Newly agreed sales improved too. Average sales per surveyor over the three months to April were at 17.1, their highest levels for three years.

The Board's view is that a detailed understanding of property development in the West Midlands coupled with an astute eye for identifying commercially viable property opportunities will allow us to take advantage of growing buoyancy in the local property market.

SOCIAL ENTERPRISE PARTNERSHIPS

The West Midlands hosts a number of high-quality longstanding social enterprises. We have entered into a *Memorandum of Understanding* with four organisations who are based in and around Birmingham and the West Midlands:



JERICHO FOUNDATION

The **Jericho Foundation** is a Birmingham-based charity (number 1037084) and company limited by Guarantee (number 2845852). It was founded in 1993 as a drop-in centre to help the long-term unemployed and those involved in the sex and drug trade to access employment.

Jericho's mission is to work with disadvantaged individuals, helping them to overcome significant barriers to employment, training or social inclusion. These barriers include long-term unemployment, lack of skills or qualifications, alcohol or substance misuse, a criminal record and low self esteem.

Jericho achieve this by providing a tailored combination of training and supported work experience that helps to build social skills, increase motivation and develop vocational and technical skills. Approximately 15% of Jericho's client base are ex-offenders.

"Jericho helps individuals become fulfilled, skilled and employed. The key to our success is combining work experience or skills training with individually tailored personal development programmes, which address clients' specific personal needs & barriers."

Richard Beard, CEO



Jericho's most successful social enterprise is Jericho Construction (founded in 2005), which provides a broad spectrum of building services from general maintenance through to significant refurbishment projects. Jericho Construction employs a team of qualified construction professionals to work closely with trainees and partners - this experience means they are well positioned to provide on-site monitoring roles in construction environments.

Jericho Construction is currently midway through a 13 month programme (due to end in September 2013) to refurbish 24 grade-two listed former almshouses known as Ravenhurst Cottages. The property is owned by Trident Housing Association and has been run as a young persons homeless hostel for many years. Jericho is carrying out a refurbishment of the buildings to create 24 self-contained one bedroom flats which will be leased to homeless or formerly homeless young people. As part of this scheme, Jericho is offering supported employment and/or apprenticeships to some of the Ravenhurst residents in its construction business.

WHY IS JERICO THE RIGHT PARTNER FOR US?

- **Beneficiary recruitment** - Jericho has strong referral networks with a broad range of third sector organisations and local probation teams.
- **Beneficiary support/training** - Jericho has extensive experience of providing supported employment to a broad range of client groups and an in-house team of client support officers who will provide guidance, coaching and mentoring support. They also have good relationships with a range of local training providers and colleges (for example, St Paul's Venture, South Birmingham College and Remit Training) that can assist with accredited training and/or apprenticeships.

Jericho is an NOCN accredited training centre and can offer a range of basic employability-related qualifications and courses to help beneficiaries develop their general employment skills. Jericho also has access to government funding to assist with the support of beneficiaries on apprenticeship programmes via a number of contracts including the BEST Network's Advance Programme.

In addition to being well placed to deliver their core role of beneficiary provision and mentoring, Jericho possesses attributes that would strengthen the commercial opportunities available to Midlands Together:

- strong staff team of construction professionals and qualified, experienced tradespeople.
- good relationships with key housing associations in the area.
- a strong reputation with Birmingham City Council with whom they are a longstanding project delivery partner.
- access to Jericho's well established local supply chain for the associated equipment and materials.
- Jericho are an accredited Green Deal installer with access to ECO funding for energy efficiency measures through their supply chain partnerships with Carillion and The Energy Saving Coop.
- a good knowledge of the local property market.
- strong links to large construction firms to provide progression routes for clients.



PEOPLE POTENTIAL POSSIBILITIES

P3 (People, Potential, Possibilities) is a company limited by guarantee (02495423) and a registered charity (703163) offering lasting routes out of social exclusion for marginalised, vulnerable and disadvantaged people with complex needs and chaotic lifestyles.

P3's vision is that everyone at risk of, or currently experiencing, some form of social exclusion or vulnerability in their lives should be able to access services that support, empower and encourage them to live their life to its full potential. P3's services include offender support, supported housing, homeless hostels, link worker schemes, mental health services, job-shops and youth services. P3 have over 40 members of staff who have used their services or similar ones, a number of whom are now employed by the maintenance team.

P3 has been established in its current form since 2003, growing from a turnover of just under £1 million in 2003 to its current turnover of approximately £10 million.

"Our organisation is built around serving the needs of our service users by providing opportunities for socially excluded people to get their lives back on track. If anybody can tell me a better way of doing that than by employing people who have experienced hardship and bounced back so that they themselves prosper and they can pass their knowledge, example and experience on to others who are in need of support, then let me know..."

Martin Kinsella, CEO

WHY IS P3 THE RIGHT PARTNER FOR US?

- P3 has a long established in-house maintenance team with the skills, experience, knowledge and track record to provide a mentoring solution in a construction environment.
- P3 was identified in a DCLG and Thames Reach commissioned study titled *Walking the Walk* as an exemplar employer of clients from its target groups.
- P3 successfully run the *Link Worker+* scheme, which helps people to negotiate difficult times in their lives such as leaving prison. P3 would work with Midlands Together to mentor and support clients on and off-site.
- P3 could deploy a suitably skilled workforce and provide accredited training and apprenticeship opportunities.
- P3 has excellent relationships with a number of Midlands councils and housing associations and would be able to initiate and leverage these relationships to identify suitable refurbishment properties for Midlands Together.



THE VINE TRUST GROUP

The Vine Trust Group (company 4370289) is a registered charity (1093839) established in 1989 and based in Walsall. Operating as a Community Development Trust engaged in economic and social regeneration, The Vine Trust Group provides an inclusive mix of services for the needs of its beneficiary communities - these services include education work, employment training, property development and building restoration, community development and promoting social provision.

Primarily focused on supporting hard to engage youths and young adults to reach their educational and vocational potential and improve their conditions of life, The Vine Trust Group works closely with unemployed young adults including young offenders. Underpinning their social enterprise activities is a belief that their work with young people can provide a catalytic role in wider socio-economic regeneration in its core localities. The Vine Trust Group achieves its social objectives primarily through its three social enterprise subsidiaries:

- Vine Education Trust: supports young adults (up to 25 years of age) not in education, employment or training maximise their education and vocation opportunities.
- Vine Access Centres: provides counselling, information, advice and guidance for young adults.
- Vine Social Enterprises (including Vine Construction Services): provides work related learning, work placements and training in a variety of commercial disciplines leading to employment for young people.

WHY IS THE VINE TRUST GROUP THE RIGHT PARTNER FOR US?

We will work with The Vine Trust Group to support adult re-offenders in the 18-25 age bracket. They offer:

- Strong beneficiary recruitment networks: access to young adult offenders, for whom re-offending rates can be particularly high.

- Mentoring: almost 25 years experience of helping clients to improve their education and employment prospects through a structured programme of support, advice and guidance.
- Facilitating vocational pathways: creating business links with companies such as Ikea in order to make the hard to employ 'employable'.
- Structured training and qualification opportunities: experience of engaging young people under apprenticeship schemes and the Jobs Growth Wales programme to progress them from the Work Programme into, for example, grounds maintenance roles.



RURAL EXPERIENCE

Rural Experience is based in Worcestershire and is a company limited by guarantee (number 8002293) and registered charity (number 1150718) with a wholly owned trading subsidiary (RE Enterprises Ltd) limited by shares (Number 07877577).

RE Enterprises' objective is to provide a supported employment environment for previously unemployed individuals who have typically come from a background of homelessness, substance misuse and offending behaviour.

WHY IS RURAL EXPERIENCE THE RIGHT PARTNER FOR US?

The organisation's primary focus is on supporting vulnerable individuals that have successfully completed a structured care, rehabilitation and therapeutic or vocational skills development programme on a social farm ("the rural experience") into employment, harnessing newly gained skills.

Through well established relationships with a network of social farms in the West Midlands, as well as already working successfully with the West Mercia Probation Service, RE Enterprises has access to a range of vulnerable clients including adults on probation.

RE Enterprises is already working in partnership with local housing associations to deliver a contracting service as part of their estate management and maintenance programmes.

HOW DO OUR SOCIAL ENTERPRISE PARTNERS BENEFIT BY WORKING WITH US?

Building partnerships is key to the Midlands Together model - by working collaboratively with high quality social enterprises we can deliver transformative social benefit, alongside financial returns to stakeholders. This includes our partners for whom the programme affords clear commercial benefit:

- access to non-government reliant funding streams.
- the five year partnership has potential to provide regularity of cash inflows, helping to stabilise the peaks and troughs of typical cash flow cycles.
- structured job creation may assist our partners with achieving outcome metrics for payment-by-results (PBR) contracts.
- contribution towards central overheads.
- workflow and workforce management.

5 SOCIAL IMPACT AND PUBLIC BENEFIT

THE SOCIAL CONTEXT: ECONOMIC CLIMATE, UNEMPLOYMENT AND RE-OFFENDING

In 2012, almost 600,000 crimes were committed by those who had broken the law previously. Over a quarter of all adult offenders in the year to June 2011 re-offended within 12 months of release, with the rate of re-offending particularly prolific amongst short sentenced offenders. 58.2%¹ of prisoners released from under 12 months custody re-offended within a year.

Failure to stop re-offending carries a heavy financial and social cost. A former prisoner who re-offends costs the criminal justice system an average of £37,000 each year in prison (2010/2011). The total estimated annual cost to the economy of all re-offending is £9.5bn - £13bn². There are also the unquantifiable human and social costs of crime, notably the impact on victims.

As the *Ministry of Justice's* report on employment and re-offending (March 2013) outlined, a lack of training and employment are widely recognised as major obstacles to ex-offenders living free of crime.

THE CYCLE OF RE-OFFENDING AND THE EMPLOYMENT FACTOR:

- Offenders often have poor employment histories before they enter their custodial sentences: about **67% of prisoners are not employed in the weeks immediately before their sentence** (Results from the *Surveying Prisoner Crime Reduction Survey*, Ministry of Justice, 2012).
- Poor employment histories and a criminal record present a significant barrier to re-entering society and sourcing employment following a custodial sentence. **Two years after being released from prison only 15% of offenders are in employment** (*Analysis of the impact of employment on re-offending following release from custody*, Ministry of Justice, March 2013).
- With **UK unemployment at a near-17 year high of 7.8%** (March 2013) and uncertain economic growth prospects, it is particularly difficult for excluded groups such as ex-offenders to find work.
- At a regional level, the West Midlands has one of the highest economic inactivity rates and lowest employment rates in England. The **unemployment rate in the West Midlands was 9.2%** in the period January to March 2013, above the UK average of 7.8% (Source: Office for National Statistics).
- Securing employment is widely recognised as intrinsic to offenders living free of crime: **the re-offending rate for short-sentenced offenders who do not enter employment after release is 69% compared to 32% amongst short-sentenced offenders who do enter employment.**³

ASPIRATIONS

A lack of employment opportunities allied to low self-esteem, aspirations and expectations very often lead to a downward spiral in people's lives - which in turn leads to social exclusion, re-offending and a long-term emotional toll of unfulfilled ambition.

Midlands Together aims to find a way to take people from disadvantaged groups, in particular re-offenders, and raise their aspirations and mental wellbeing through provision of an affordable means of work experience, skills training and ongoing employment readiness.

OUR OBJECTIVES

Our social impact objectives are firmly rooted in facilitating ongoing employment for those facing complex barriers to securing work and social inclusion, whilst also reducing costs in the criminal justice systems by virtue of breaking cycles of re-offending.

Our target client group are those that have recently completed custodial sentences including time spent in prison. We do not intend to restrict our programme to any sub-category of offender groups as we believe that there is a need for rehabilitative support, of varying degrees, for all ex-offenders. Whilst short-sentenced offenders show the most prolific rate of re-offending and will therefore form a core of our workforce, we also work with those who have served longer sentences and who have committed serious crimes - those who arguably face the hardest challenge to securing employment.



Our target social impact measures for the bond programme are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Criminal justice and public safety						
Reduction in offending and re-offending amongst cohort (primary outcome)	*	*	*	*	*	*
Reduced contact with criminal justice system and local police forces	*	*	*	*	*	*
Reduction in risk-taking behaviour	*	*	*	*	*	*
Education and training						
Number of completed employment roles on the Together programme	20-30	20-30	20-30	20-30	20-30	100-150
Number with improved occupation specific skills (e.g. construction training)	20-30	20-30	20-30	20-30	20-30	100-150
Number with access to dedicated work coach providing support and guidance	20-30	20-30	20-30	20-30	20-30	100-150
Number with improved skills and attitudes towards employment (e.g. punctuality and time keeping, attitude) captured through Personal Development Plans	20-30	20-30	20-30	20-30	20-30	100-150
Percentage of cohort with qualification gained (e.g. CSCS, NVQs)	66%	66%	66%	66%	66%	66%
Job creation (primary outcome) - percentage of cohort securing permanent ongoing employment	66%	66%	66%	66%	66%	66%
Property						
Approximate number of substandard, vacant homes returned to use (including via profit-share agreements)	15	15	15	15	15	75
Other						
Other case study based impact, e.g. dealt with payday loans, resettled into better housing	**	**	**	**	**	**

* Our target is to reduce the level of known re-offending amongst our workforce to less than 10% (the national average re-offending level is 25.5%). The current Bristol Together re-offending levels amongst its workforce is 3% and we aspire to replicate that.

** Anecdotal outcomes of this kind will depend on the individual needs of our mentored group. It is not possible to quantify the scale of outcomes here but we are committed to providing tailored rehabilitative support. Bristol Together have been able to provide clear evidence of support of this kind.



Our focus remains on enabling employment for our workforce beyond their time with Midlands Together. In order to achieve this, some will be offered structured and accredited training programmes by our social enterprise partners, who themselves will be directly entitled to any available funding support for this (e.g. Jericho have access to government funding through the BEST network). Our partners may also be entitled to claim for outcomes under any payment by results contracts they are part of in respect employment and training opportunities achieved with Midlands Together.

We recognise that high regional levels of unemployment and economic inactivity mean that these forecast levels of job creation are challenging. We aspire to be catalytic in offering paid roles to our workforce for a defined period of time and in forging employment readiness skills for their ongoing careers. We recognise that,

given the nature of our employees, self-employment will be a preferable route for many (as evidenced by Bristol Together) and we will support them in achieving this.

SOCIAL IMPACT REPORTING

Primary responsibility for monitoring detailed personal progression of all individuals engaged in the Midlands Together programme will rest with our social enterprise partners - this is a condition of our *Memorandum of Understanding* with them. Alongside this, we intend to work with our institutional investor group to develop a social impact reporting framework reflecting current sector developments. Social key performance indicators (KPIs) will be reported to the Board on a monthly basis and to our Bondholders on an annual basis in accordance with the terms of the Instrument.

WIDER SOCIAL BENEFITS

Social exclusion and re-offending carry big price tags - not only for the individuals affected but also for the wider community and the UK economy as well. Midlands Together aims to positively impact the West Midlands community in particular by:

- developing a business which can contribute to reduced crime rates and reduced costs in the criminal justice systems.
- facilitating a reduction in re-offending patterns which will have a wider benefit for families of offenders, victims of crimes and local communities.
- refurbishing empty, sub-standard or derelict properties in the region at a time of housing stock shortages and lack of construction work. As the business is scaled to other UK cities, as is planned, these persuasive social and economic benefits can be extended to other regions.

BRISTOL TOGETHER OUTCOMES

The following shows the social outcomes achieved by Bristol Together since it commenced trading:

SOCIAL IMPACT MEASUREMENT	
Number of clients employed since trading commencement	35
Number known to have subsequently re-offended	1
Re-offending rate	2.9%
Number still employed in the Bristol Together programme	19
Number moved on to further employment (including those sub-contracting with Bristol Together)	9
Percentage employed on Bristol Together programme or elsewhere	80%

Most of the Bristol Together clients have limited structured interaction with other sources of support. It is therefore clear that the outcomes above are directly attributable to a robust mentoring and support platform afforded by the Together model, coupled with an employment role that provides focus and direction.

Securing jobs for clients in the current economic climate is challenging and many of the workforce in Bristol have stayed involved in the Together programme longer than originally anticipated. It is partly this that has led the Board to structure the Midlands Together programme along the paid nine to twelve month placement route.

CASE STUDY

The following provides a great example of how the Together model can support and improve the life of its workers – the case study is taken from Bristol Together's experiences in Bristol:

JAMES' STORY

James has only been working with Bristol Together for 4 months but has already made considerable progress. Before arriving at Bristol Together, James spent 2 years unemployed after a period of time in prison left him with minimal options. James had constantly struggled to find employment, even before prison, due to his lack of formal qualifications and minimal experience.

The financial pressures arising from the infrequent, low paid jobs he was able to secure saw him become briefly involved in the drugs trade, with devastating consequences for his future.

Working with Bristol Together has now seen James develop skills in areas he had never experienced before. He is now "constantly learning" and has at long last been given the opportunity to display his talents.

Were it not for this opportunity from Bristol Together, James was sure that he would have re-offended by now. The search for a job was proving so hopeless, felt he was destined to remain living on welfare benefits for the rest of his life. The financial possibilities of his old ways were proving to be not only increasingly tempting, but also increasingly the only option.

"No one was giving me a chance - they were just sending me on the same courses over and over, I was applying for jobs just for people to say no straight away. I really had no other options."

"I was getting into a vicious circle. I would never get a job to get more money, but if I could get on a good run [selling drugs] I could just make so much - and then 'bam' you get caught and it starts all over again. Bristol Together has broken that vicious circle and given me a way out of it all. Now I really want to stay off that route and I want to fix my head."

Now long out of prison and with an alternative project to apply himself to, James is determined to get his life on track. He confidently describes his new found talent in painting and decorating, and how great it is to work in something you know you are good at and enjoy. James is now looking to work towards a qualification in painting and decorating so as he can seek long-term employment elsewhere. He is keen to find a job where he will continue to develop - "I eventually want to leave Bristol Together but I want to carry on focusing on something and I want to carry on learning all the time. I never want to sit around doing nothing again."

6 THE BOND

Midlands Together is seeking to raise up to £3 million of working capital through this 2013 Bond Issue.

Investors have the option to invest in either Series A Bonds or Series B Bonds (or both) under the following outline terms:

BOND DETAILS	SERIES A BONDS	SERIES B BONDS
Issuer	Midlands Together CIC	Midlands Together CIC
Instrument	Series A 4% fixed rate secured bond 2018	Series B 6% fixed rate secured bond 2018
Interest	4% p.a. payable bi-annually in arrears	6% p.a. payable bi-annually in arrears
Tax	no tax reliefs	eligible for CITR
Yield including tax relief	4% p.a. fixed	6% p.a. fixed plus 5% p.a. CITR
Maximum Subscription	£2.75 million	£0.50 million
Minimum Subscription	-	£0.25 million
Repayment date	31 October 2018	31 October 2018
Security	all assets debenture ranking ahead of Series B	all assets debenture ranking behind Series A
Minimum subscription per investor	£20,000 per investor increasing in £5,000 increments	£20,000 per investor increasing in £5,000 increments
Use of proceeds	Purchase and refurbishment of properties and payment of business overheads	Wages, training, mentoring and support costs of employing ex-offenders for renovation works

Midlands Together will produce an annual progress report for all of its Bondholders providing details of its financial performance and social impact.

COMMUNITY INVESTMENT TAX RELIEF (CITR)

The Community Investment Tax Relief (CITR) scheme is devised by the Government to stimulate the flow of private finance to support enterprise in the UK's most deprived communities. The scheme was established under the Finance Act 2002 and is jointly managed by HM Revenue & Customs and the Department for Business, Innovation & Skills.

CITR provides a tax incentive to individuals and companies who invest in accredited Community Development Finance Institutions (CDFIs). A CDFI is a government-approved organisation that financially supports businesses and social enterprises from deprived communities that otherwise struggle to access credit. In January 2013 Midlands Together received accreditation as a CDFI from the Department of Business, Industry and Skills.

The tax relief under CITR is available to individuals and companies and is worth up to 25% of the value of the investment in the CDFI. The tax relief is spread over five years, starting with the year in which the investment is made and has the effect of reducing the investor's income tax or corporation tax liability.

THE WAY IT WORKS

Midlands Together is a CDFI with a specific target market and mission. We aspire to financially support and capacity-build our frontline social enterprises partners so that, together, we can help ex-offenders gain access to opportunities that enhance their long-term employment prospects and their self-esteem. By supporting social enterprises we can be catalytic in helping vulnerable ex-offenders turn their back on crime. In turn, our partners provide us with a job ready, motivated and fully supported workforce.

The CITR scheme imposes certain conditions on the way our CDFI funds are utilised - in particular investment in residential property is not eligible for CITR. We have therefore had to be innovative in order to maximise CITR and this is the basis for raising two separate pools of funding through the Series A and Series B Bonds. We have had productive discussions with HMRC who confirmed that our method of utilising funds raised from the Series B Impact Bond issue will meet CITR qualification criteria provided certain ongoing conditions continue to be met.

Series A and Series B Bond investments will be held in two separate pools. The first ("Pool A"), which is not eligible for CITR, can be used for any expenditure including acquiring new properties, contracting construction managers to project-manage performance and quality, sub-contracting professional trade persons where required, acquiring materials for refurbishment and paying general business overheads. The second pool ("Pool B"), for which CITR is sought, must be used exclusively for investment in job creation and skills training for the disadvantaged groups of people that we are working with alongside our social enterprise partners.

In practice, funds from Pool B are loaned to our social enterprise partners (in the form of unsecured, unrestricted loans). The loans are ultimately repaid by way of the social enterprises raising invoices for providing a job-ready workforce for the Together programme and for providing ongoing mentoring and support for our client group.

Ultimately all funds generated from the sale of refurbished properties will be allocated into Pool A, which has no restrictions on use.

BALANCING FUNDS IN THE TWO POOLS

Investors can choose whether to invest in either Series A Bonds or Series B Bonds (or both) on their Application Form. We anticipate that charitable foundations and charitable trusts, who obtain no benefit from CITR, will elect to invest in Series A Bonds (and thereby benefit from prior ranking security under the Series A Debenture). We expect that private investors and companies may wish to take advantage of CITR (coupled with the higher interest rate) and may therefore elect to invest in Series B Bonds. Individual investors and companies may choose to split their investment across both bonds so as to simultaneously benefit from preferential security in Series A but higher return potential (and higher capital risk) in Series B.

The amount available through the Series B Bond has been capped at £500,000.

TAX RELIEF EXAMPLE

Provided Midlands Together can continue to meet the various CITR criteria over the five year period of the Bonds, Series B Bondholders can receive income tax or corporation tax relief on up to 5% of their initial investment each year over 5 years. The amount of tax relief due to a Bondholder under the CITR scheme is calculated by reference to the amount originally invested. Bondholders will therefore receive tax relief due in any relevant tax year of up to 5% of the amount originally invested.

Example: If an investor makes a £50,000 original investment in Series B Bonds, then tax relief of £2,500 (5% of £50,000) may be claimed in the tax year in which the investment was made and for each of the four subsequent tax years bringing the total tax relief to £12,500 (equivalent to 25% of £50,000 based on the maximum 5% tax relief per annum). The tax relief reduces the Bondholder's liability to income tax or corporation tax and may be claimed over the five year investment term providing the Bondholder has sufficient tax liabilities to utilise the 5% tax relief each tax year. If the Investor has insufficient tax liability for the year and therefore is unable to use his maximum entitlement, relief may be lost on any excess.

TAX RELIEF ILLUSTRATION

For a 45% taxpayer, a combination of a 6% yield on the Series B Bond plus maximum annual 5% CITR can give an effective gross annual return of **15.1%** per annum on the investment, calculated as follows:

CALCULATION OF EFFECTIVE GROSS YIELD FOR A 45% TAXPAYER RECEIVING FULL CITR				
Source	Gross yield	Tax at 45%	Net yield	Form of net income
Bond interest	6.0%	1.2%	4.8%	Net interest after 20% tax deducted at source
		1.5%	(1.5%)	Less: higher rate tax liability due
CITR relief	9.1%	4.1%	5.0%	Annual income tax deduction
Total	15.1%	6.8%	8.3%	

For a 40% taxpayer, a combination of a 6% yield on the Series B Bond plus maximum annual 5% CITR can give an effective gross annual return of **14.3%** per annum on the investment.

For a corporate investor paying corporation tax at an effective rate of 23% (2013-14), a combination of a 6% yield on the Series B Bond plus maximum annual 5% CITR can give an effective gross annual return of **12.5%** per annum on the investment.

If you are unsure about how an investment in the Series B Bonds would affect your corporate or personal tax situation, you should seek independent specialist tax advice.

7 FINANCIAL INFORMATION

Midlands Together was incorporated as a community interest company in September 2012 and has yet to commence trading.

PROFIT AND LOSS FORECASTS

A summary of the base case profit and loss forecasts for the life of the Bonds are as follows:

Profit and Loss Account Financial year ending 31 October	2014 Forecasts £'000	2015 Forecasts £'000	2016 Forecasts £'000	2017 Forecasts £'000	2018 Forecasts £'000
Revenue	3,056	4,565	5,182	5,441	5,600
Cost of sales	(2,799)	(4,209)	(4,785)	(5,027)	(5,176)
Gross profit	257	356	397	414	424
Overheads	(163)	(172)	(176)	(181)	(185)
Fundraising costs	(72)	0	0	0	0
EBITDA	22	184	221	233	239
Bond interest	(130)	(130)	(130)	(130)	(130)
Interest receivable	4	3	3	3	5
Depreciation	0	0	0	0	0
Profit before tax	(104)	57	94	106	114
Tax	0	0	(10)	(22)	(24)
Profit after tax	(104)	57	84	84	90

Forward looking statements are merely forecasts and should not be relied upon as indicators of future performance.

The base case assumptions above assume that the property development and refurbishment activities will scale down during 2018 to provide liquidity to repay the Bonds. In the preferred event that Bondholders are repaid through a refinancing in 2018, the business would continue to trade as a going concern.

Revenue and cost of sales:

Forecast revenue is derived from two sources:

- The sale of refurbished properties under the core 'buy, sell and refurbish' model: this accounts for 94% of total forecast income over the period of the Bonds.
- Profit-share refurbishment contracts with local councils: this income stream represents just 6% of total forecast income.

Cost of sales relate to direct costs associated with the purchase, refurbishment and sale of properties and include amounts paid to social enterprise partners for workforce salary costs and mentoring support.

The base case forecasts are predicated on developing approximately 15 properties each year with each property taking an elapsed period of seven months to develop and sell.

The average forecast gross profit margin of 7.7% assumes a prudent 7% gain on total direct costs of each property under the core model and 25% under the profit-share model. Based on the board's experience, management believe these margins are achievable with a structured and robust cost management strategy.

Overheads: These will be kept to a minimum and include modest management salaries and other administration costs. Fundraising costs include any fees payable to corporate finance advisers and lawyers in respect of the Bond issue that have not been covered by our recent grant from the *Investment and Contract Readiness Fund*.

Interest costs: These relate exclusively to the 2013 Bonds which incur interest at 4% p.a. for Series A and 6% p.a. for Series B throughout the period of the forecasts.

BALANCE SHEET FORECASTS

A summary of the balance sheet forecasts for the life of the Bonds are as follows:

Balance Sheet Financial year ending 31 October	2014 Forecasts £'000	2015 Forecasts £'000	2016 Forecasts £'000	2017 Forecasts £'000	2018 Forecasts £'000
Fixed assets	0	0	0	0	0
Current assets					
Cash at bank	1,035	530	612	906	221
Work in progress	1,809	2,371	2,383	2,177	0
SE Loans	52	52	52	52	0
Other debtors	0	0	0	0	0
Current liabilities					
Bond	0	0	0	3,000	0
Other creditors	0	0	10	14	10
Non-current liabilities					
Bond	3,000	3,000	3,000	0	0
Net assets	(104)	(47)	37	121	211
Share capital and premium	0	0	0	0	0
Profit and loss account	(104)	(47)	37	121	211
Reserves	(104)	(47)	37	121	211

Forward looking statements are merely forecasts and should not be relied upon as indicators of future performance.

All properties are held as work in progress on the balance sheet (within current assets) until the property is sold. In the month of sale, the total refurbishment costs (both the original purchase price and the costs of repair and maintenance) are released to the profit and loss account. This ensures a matching of costs and revenues in compliance with standard accounting principles.

The 2013 Bonds are shown as current (due in less than one year) and non-current (due after more than one year) liabilities as appropriate.

CDFI loans to social enterprise partners are shown within current assets. These loans are repaid over the life of a refurbishment project as partners invoice us for the client's labour costs and for the mentoring services provided - the invoices are offset against the outstanding loan amounts due to Midlands Together.

The base case forecasts assume that Midlands Together is able to operate on a sustainable basis, meaning it is able to meet its 2013 Bond repayment obligations in September 2018 (£3 million) as well as generate profits over the life of the Bonds. Consequentially, the forecasts show a net surplus of £211,176 at the Bond repayment date. In the event that the company does not continue trading after repayment of the Bonds, the surplus cash (and other assets left in the business) would be distributed to the local community under the asset lock guidelines of community interest companies.

BOND REPAYMENT COVER RATIOS

In the base case financial forecasts, and assuming the total Bond comprises £2,500,000 of Series A Bonds and £500,000 of Series B Bonds, the Company has a Series A Bond repayment cover ratio of 128% and a Series B Bond repayment cover ratio of 142% albeit the Series A Bonds rank first for security.

SENSITIVITY SCENARIOS

The key sensitivities in the base case financial model are those which directly impact on the company's ability to repay the 2013 Bonds in October 2018.

Aside from macro factors, such as adverse changes in the property market, the Board considers the key controllable sensitivities to include:

- **Number and value of properties refurbished and sold over the course of the five year Bond period** - the base case model assumes that 64 properties (of varying values) will be acquired, refurbished and sold over the term of the Bonds at an average gain of 7% per property (see below) as well as 10 profit-share contracts completed. Our sensitivity analysis shows that the Bonds can be repaid in full (assuming all other assumptions remain equal) providing the total volume of properties refurbished and sold over the Bond period remain at 80-85% of forecast levels.
- **Average gain on direct costs per property** - the base case model prudently assumes that the average margin on direct costs achieved per property under the core model is 7% although we will be targeting 10%. Our sensitivity analysis confirms that the Bonds can be repaid in full (assuming all other assumptions remain equal) providing we achieve an average margin on direct costs of at least 5.75% per property. The Board are confident that this is achievable.

The Board does not consider the margin achieved on the profit-share model to be a material sensitivity as the income stream generates just 6% of total projected revenue over the term of the Bonds. Equally, the forecast margin on such projects is 25%, below the margin expected to be achieved by Bristol Together (c. 28%) on its equivalent live projects. Assuming all other factors remain equal, the Company can still service its bond interest and capital repayment obligations if a margin of just 8% was achieved on these projects.

The projections assume an average project lifecycle (combined length of the build and sales phase) of six to seven months. This is broadly consistent with Bristol Together's average project lifecycles - which are typically significantly sized property developments - and also with our Board's experiences. Approximately 20% of our projects (based on quantum of properties) will be smaller refurbishments (flats, terraces or semi-detached properties) where we anticipate completing a sale ahead of these projected timeframes. This will improve our annualised margins and release cash earlier than projected for re-deployment in other earnings-enhancing developments.

SHARED LEARNING

There have of course been some challenges and important lessons learnt in Bristol and these have been shared with the Midlands Together leadership team - this will stand us in good stead for future property refurbishment projects.

In particular, we have a strong idea of which type of work we should provide to the social enterprise teams and which should be contracted in externally. Members of our Board have significant commercial property development experience, as well as experience of working with challenging client groups, so are well equipped to hit the ground running in terms of allocation of work, cost and margin management, materials procurement, on-site supervision and project management.

Through leveraging our existing relationships (and also the supply chains of our social enterprise partners) we expect to form strategic relationships with a number of major builders merchants (such as B&Q, Wickes and Travis Perkins) - these organisations can provide us with discounted materials as part of a comprehensive sponsorship arrangement.

A FLEXIBLE MODEL

Although our primary aim is to maximise job creation through a continuous churn of properties, a material change in the form of a further slow down in the property market could impact our ability to achieve this. In such circumstances, we would have the ability to let refurbished properties in order to generate income to cover overheads and Bond obligations. In such a scenario, the ultimate intention would still be to sell the investment at the right moment, however, we believe our business model is adaptable to a changing property market.

8 OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Nick Bacon is Chair of Midlands Together and an investor in Bristol Together. He retains a passion for blending compelling social impact with commercial rigour. Nick's career was spent in marketing, working with some of the UK's largest brand owners. Nick was appointed Group Managing Director of Saatchi UK Affiliates in 1990 and, shortly after, became Chief Executive of Brunnings Advertising. He left in 1993 to launch BCLO, which went on to become the founding business of The Zoo Group, Bristol's largest marketing services group. In 2005 The Zoo Group merged with Bray Leino Holdings and then completed an MBO from US private equity investors Lake Capital. Nick became Chief Executive of the now independent group with a combined turnover of £42m and 2006 EBIT of £4.2m. In 2006 Bray Leino Holdings was acquired by The Mission Marketing Group Plc and floated on AIM. Nick remained a non-executive director of the group until 2011 when he stepped down to develop his property and charity interests.

Richard Nicol is the Chief Executive Officer (CEO) of Midlands Together. Richard trained as a banker and, over 15 years, became a property sector and construction finance specialist managing a significant portfolio of clients active in residential and commercial development. Richard has operated in the West Midlands for almost 25 years and has a substantial network of contacts in the property sector. As Managing Director of the Chamberlain Hotel Group, Richard oversaw the establishment, rapid growth and profitable operation of a large privately owned hotel group based in Birmingham. The group grew substantially through the acquisition and re-development of commercial property. During this time, Richard became an active supporter of Business in the Community. More recently, Richard has provided advice to charities and social enterprises in the Midlands. Notably he has been involved in social farming across the West Midlands and, prior to stepping down, helped establish Rural Experience (RE) and RE Enterprises Ltd as a charity and social enterprise focused on creating employment for disadvantaged individuals, many of whom come from a background of offending and chaotic lifestyles.

Further details of Richard's service agreement with Midlands Together is set out in Section 12.

Paul Harrod is the founder and CEO of Bristol Together. Paul co-founded Aspire, which was set up in 1999 to create full-time employment for homeless people. During his time as Chief Executive, Aspire expanded to eight city operations and helped over 500 homeless people off the streets and into work. More recently Paul has held senior management positions at the University of Bristol with a particular emphasis on new research collaborations and the development of early-phase technology businesses. He has non-executive director experience at the Bristol Enterprise Development Fund, Counterpoint International and the Matthew Tree Project and was the longest serving member of the Government's Small Business Council which advised the secretary of state for business.

In addition, Roger Moors will be formally appointed by the Company as non-executive director once the Bond has been issued:

Roger Moors is Chief Executive of Social Enterprise East Midlands (SEEM), the region's leading social support business. SEEM's aim is to support the creation and

development of social enterprises so that they become sustainable and deliver significant and enduring social impact. Within this role, Roger is responsible for establishing key networks of strategic partners from across all sectors including local government, universities, regional infrastructure bodies, NOMS, LEPS and social enterprises. Over the course of the last 12 months, Roger has developed a strategic alliance with the National Housing Federation and SEEM now hosts quarterly forums with housing associations from across the Midlands who have an interest in developing social enterprise solutions in response to a range of tenant and community needs. Prior to SEEM, Roger was Director and co-founder of The Healthy Hub (THH) CIC in Lincoln, which focused on enabling those furthest from the employment market to regain self-respect, acquire skills and qualifications and then move into other work, self-employment or continued training. Roger started his career as a banker with Nationwide Building Society where he spent much of his time on new homes lending.

KEY MANAGEMENT PERSONNEL

CONSTRUCTION MANAGERS

Neville Morrell is a construction manager with a blend of experience in the voluntary care sector and construction industry. Having initially gained experience as a youth and support worker, Neville subsequently professionally trained with a multi-national main contractor.

This led to a role as Managing Director of Good Soil Company Limited, a social enterprise operating three care farms. The social enterprise was set up with the objective of providing socially-based engagement activities and training in agricultural, horticultural and animal husbandry in order to help socially disadvantaged individuals (excluded school pupils, the homeless, those recovering from substance misuse, young people and families in care or supported accommodation) become healthy and independent.

His construction experience includes full co-ordination roles for a range of clients on completed projects ranging from £1m to £22m.

Christopher Rands has spent more than 30 years in the construction sector, with co-ordination and project management experience on small domestic builds as well as large commercial projects.

Chris is currently involved in a social enterprise project based near Redditch that delivers training and mentoring to ex-offenders with challenging behaviour.

9 RISK FACTORS

In addition to the other relevant information set out in this Investment Memorandum, the following specific factors should be considered carefully in evaluating whether to make an investment in our 2013 Bond Issue.

If you are in any doubt about the contents of this document or the action you should take, you are strongly recommended to consult a professional adviser authorised under FSMA who specialises in advising on investment in unlisted debt, shares and other securities.

The Directors believe the following risks to be the most significant for potential Investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Bond and are not intended to be presented in any assumed order or priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in the UK, as well as overall global financial conditions.



LIQUIDITY

An investment in Midlands Together will be in the form of Bonds which are intended to be settled at the end of the fixed five year term.

The Bonds are transferable (see Sections 11 and 14), however, they are not listed or negotiable on the capital markets and no application is to be made for the Bonds to be admitted to a listing or trading on any market. It may therefore not be possible to sell or realise the Bonds before the repayment date.

Investment in an unquoted security of this nature, being an illiquid investment, is speculative and therefore can involve a high degree of risk. It may not be possible to obtain reliable information about the risks to which the Bondholders are exposed.

BOND REPAYMENT

The ability of the Company to repay the Bond at the repayment date is dependent on its financial performance over the five year term. There is no certainty or guarantee that there will be sufficient funds available in the Company to settle the 2013 Bonds at the disclosed redemption date, however, the Directors are committed to managing the business and cash resources of the Company with the intention that the Bonds can be repaid on their due date.

COMPANY TRACK RECORD

Midlands Together is a newly formed company (incorporated in September 2012) and has yet to commence trading - it therefore has no track record. The Company does however represent a replication of a commercial model being deployed in Bristol. In addition, the Board retains significant experience of commercial property development as well as experience of working with challenging employee groups.

SECURITY

The Bonds are a secured debt of the Company. The Series A Debenture will rank ahead of the Series B Debenture.

Such security would rank for repayment behind any commercial loans that may be taken on by the Company in the future (albeit the express permission of at least 75% of all groups of Bondholders would be required for this). The Board do not envisage the need for any external commercial finance.

The Bonds may not be a suitable investment for all reviewers of this Investment Memorandum.

TAX

Investors should also seek their own tax advice regarding the tax consequences of owning Bonds in the Company.

No representation or warranty, express or implied, is given to Investors as to the tax consequences of their acquiring, owning or disposing of any Bonds in the Company and neither the Company nor the Directors will be responsible for any tax consequences for any such Investors.

Rates of tax, tax benefits and allowances described in this Investment Memorandum are based on current legislation and HMRC practice. They will also depend on an Investor's personal circumstances. Any of the foregoing may change from time to time and are not guaranteed. If an Investor is not resident in the UK for tax purposes, it may not be appropriate or advantageous for them to invest in the Bonds (see Section 10).

Series B Bondholders wishing to obtain CITR must make the proper filings with HMRC within the requisite time and the availability of any relief will be dependent on his or her personal circumstances. A Bondholder may not obtain CITR initially or may lose some or all of the CITR should he or she fail to meet any of the conditions relating to CITR, if the terms of the Series B Bonds are varied in a way which removes the eligibility for CITR or if the Company fails to satisfy ongoing CITR requirements - including failing to deploy all of the Series B Bond monies.

These conditions are set out in more detail in HMRC's CITR manual, which can be downloaded from HMRC's website (www.hmrc.gov.uk/manuals/citmanual/index.htm).

The government recently reconfirmed the continuation of CITR in its Finance Bill 2013. Accordingly, in the opinion of the Directors, the prospect of the tax relief being abolished before the end of the Bond period is remote.

Series B Bondholders should be aware that if they transfer their Bonds, either as a gift or for consideration, this will constitute a disposal and the tax relief will be withdrawn. The extent of the withdrawal is dependent upon the timing of the disposal. There are circumstances where a disposal may be a permitted disposal in which case the tax relief is not withdrawn, however these are limited. We would therefore recommend that investors seek their own tax advice before disposing of a Series B Bond.

RELIANCE ON KEY PERSONNEL

Midlands Together is dependent, to a certain extent, upon Richard Nicol (the CEO) and a small number of other key people. If any of them were no longer involved with Midlands Together in the future, this may have a material negative impact upon Midlands Together's financial performance.

Richard Nicol will be subject to a permanent service agreement with the Company that contractually binds him to a minimum notice period of six months. Richard will enter into this service agreement upon successful completion of the fundraising (see Section 12).

RELIANCE ON SOCIAL ENTERPRISE PARTNERS

Midlands Together relies on its relationships with its social enterprise partners. Our partners, like any organisation, are exposed to challenging economic conditions and Midlands Together's access to the target workforce and ongoing training and mentoring support provided by our partners is therefore dependent on our partners' ongoing financial viability. Significant time has been invested in identifying suitable partners and in appraising the track record and financial viability of each.

The intention is that the Midlands Together business model will help capacity build our partner organisations via the CDFI financing mechanism and, by entering into commercial relationships with these social enterprise partners, assist them in their strategy of becoming more self-sufficient and less dependent on Government funding. Midlands Together is also developing its relationships with new social enterprises to reduce its reliance on any one partner.



We have entered into a non-binding *Memorandum of Understanding* with four social enterprise partners - the terms contained within will form the basis of our relationship with each going-forward. Should our social enterprise partners fail to perform in accordance with this agreement, then the relationship can be terminated without recourse. All new partners will be subject to the same terms.

MATERIAL CHANGE IN THE PROPERTY MARKET

Midlands Together operates in the UK property market and is therefore exposed to changes in that market. The model is predicated on the current low to steady activity in the property market providing potential investment opportunities at an affordable price. This may be subject to change and may limit the availability of new properties for development.

The Directors consider that Midlands Together has the ability to adapt to changing property markets by leasing and refinancing properties that do not sell.

FEWER JOBS ARE CREATED THAN EXPECTED

There could be circumstances in which the number of paid work placements with Midlands Together and the number of jobs created for clients after their time with us is lower than expected. The ideal scenario in terms of training, developing and providing ongoing employment readiness is that Midlands Together can rapidly recycle capital by buying and selling properties. Any event that slows down the recycling of funds will result in fewer opportunities for ex-offenders being created. Similarly if the employment market continues to stagnate, there will be less employment opportunities for the target group to move on to.

The management team will work with our partners to ensure that the number of jobs is maximised and that both social and financial performance targets are taken into consideration at the identification stage of property acquisition.

PERFORMANCE OF BRISTOL TOGETHER

Financial or social underperformance by Bristol Together could affect the reputation of Midlands Together and, consequentially, the degree of ongoing support received from our stakeholders.

Whilst Midlands Together and Bristol Together share the same social ethos and delivery model, they have been purposefully created as discrete trading vehicles with their own board of Directors and leadership teams. In time, there is expected to be no common directorships or board representation (although The Together Social Business Group CIC holding company will in due course oversee the operations of both entities) and hence the commercial and financial exposure to the underperformance of Bristol Together is limited.

Midlands Together can benefit from the learning and social achievements of Bristol Together but, equally, it will have the freedom to adapt the model to suit localised conditions.

THE BOND IS NOT FULLY SUBSCRIBED

The forecasts included in Section 7 are predicated on the Bonds being fully subscribed. We have, however, performed significant financial modelling and are confident that the Company can viably operate at a reduced level should the quantum of fundraising fall below the target. We have set a Minimum Subscription of £2.2 million to reflect the level at which, in the opinion of the Directors, the Company can sufficiently scale back its operations whilst still covering its cost base, meet its Bond interest obligations and continue to provide social benefit to its client base.

NON-EXHAUSTIVE LIST

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Bonds. Accordingly, and as noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on Midlands Together's business and prospects.

10 TAXATION

The following statements are intended only as a general guide to certain United Kingdom tax considerations and do not purport to be a complete analysis of all potential United Kingdom tax consequences of acquiring, holding or redeeming the Bonds. This section is based on current United Kingdom legislation as at the date of the Offer. This section applies only to Bondholders who are resident and domiciled in (and only in) the United Kingdom and who hold their Bonds as an investment. Further information for individuals who are not resident or domiciled in (and only in) the United Kingdom is provided in Section 12.

TAX ON BOND INTEREST INCOME

The precise tax treatment of a Bondholder will depend on the Bondholder's individual circumstances and law and practice in force at the relevant time and may therefore be subject to change in the future. Prospective acquirers of Bonds are advised to consult their own independent professional advisers concerning the tax consequences of the acquisition, ownership or redemption of Bonds and any benefits derived there from.

In accordance with Section 851 ITA2007, HMRC requires that withholding tax at the basic rate of income tax (currently 20% - the "Basic Rate Tax") is applied to all bi-annual payments of Interest made to individual Bondholders. Section 936 ITA2007 provides an exception for Bondholders who are a registered charity or a body that is allowed the same exemption from tax under section 430 ITA 2007 and sections 468, 475 (5), (7), (8), 476 and 490 CTA 2010 as charitable companies the whole income of which is applied to charitable purposes - in which case no withholding tax is required to be deducted. Where applicable, the Company will arrange for Basic Rate Tax due on such quarterly payments to be deducted in its entirety from the six-monthly payment of Interest made to each Bondholder and shall pay such an amount to HMRC on each Bondholder's behalf. If the Bondholder is a basic rate taxpayer; there should be no further tax liability due by the Bondholder in respect of the Bonds. A Bondholder who is subject to income tax at rates of income tax exceeding the basic rate may be required to pay additional tax after taking into account tax withheld at source by the Company. A Bondholder who is not normally subject to tax in the United Kingdom may be entitled to claim repayment of the tax withheld at the basic rate by the Company from HMRC.

Interest payments made to an Investor who is a company chargeable to UK corporation tax will be paid gross (i.e. with no tax deducted at source).

The ultimate liability to tax in respect of the total return on the Bonds will depend upon the individual circumstances of each Bondholder at the relevant time and may be subject to change. All applicants who are or may be liable to tax, especially higher rate taxpayers or applicants who may be required to pay tax in a Jurisdiction outside the UK, should consult their independent financial advisers as further tax may be payable in some cases. No liability to UK capital gains tax should arise on the issue of the Bonds or subsequent redemption on the repayment date of the Bonds. No stamp duty or stamp duty reserve tax will be payable on the issue of the Bonds.

A holding of the Bonds should form part of a Bondholder's estate for inheritance tax purposes.

COMMUNITY INVESTMENT TAX RELIEF ("CITR")

CITR is available in respect of Series B Bonds. The CITR tax incentive is targeted at investors in accredited intermediary organisations. The CITR scheme aims to encourage the growth of these intermediary organisations, termed Community Development Finance Institutions ("CDFIs"), which specialise in providing funding to social and community enterprises within under-invested communities. Subject to certain conditions, CITR is available to an individual or company who invests, in this instance, through the Series B Bond issued by Midlands Together (an accredited CDFI). The tax incentive is a tax relief worth up to 25% of the value of the investment in the CDFI and the relief is spread over five years, starting with the tax year in which the investment is made.

A Series B Bondholder must make a claim to give effect to that relief. A claim may only be made after the end of the tax year to which it relates. Relief for a year should normally be claimed on the tax return for that year. The relevant boxes on the tax return are marked as relating to "Community Investment Tax Relief".

Series B Bondholders must make a separate claim for each of the five tax years for which relief is available. In order to make a claim an individual investor must consider that the conditions for relief are satisfied and hold a CITR tax relief certificate relating to the investment. One CITR tax relief certificate will be issued in respect of each investment.

Where a claim for CITR is made, the Series B Bondholder's income tax liability (or corporation tax liability in the case of qualifying companies) for the relevant tax year is reduced by the lower of:

- 5% of the amount of the taxpayer's original investment in Series B Bonds; and
- the amount that reduces his or her income or corporation tax liability to zero.

If a Bondholder cannot make use of his or her maximum entitlement to relief for the year, any excess may be lost.

For qualifying companies, the CITR relief available on an investment (this one and any other CDFI investments) on or after 1 April 2013 will be restricted to €200,000 in any three year period. This is the CITR de minimus principle for companies.

Series B Bondholders should be aware that if they transfer their Bonds, either as a gift or for consideration, this will constitute a disposal and the tax relief will be withdrawn. The extent of the withdrawal is dependent upon the timing of the disposal. There are circumstances where a disposal may be a permitted disposal in which case the tax relief is not withdrawn, however these are limited. We would therefore recommend that investors seek their own tax advice before disposing of a Series B Bond.

11 QUESTIONS AND ANSWERS

WHAT EXPERIENCE DOES MIDLANDS TOGETHER HAVE?

Midlands Together has a highly experienced leadership team. Our CEO, Richard Nicol and our construction managers have enjoyed careers in commercial property development and/or property financing and have worked with social enterprises to help transform the lives of marginalised individuals or those experiencing social exclusion.

Midlands Together was incorporated on 17th September 2012 and has yet to commence formal trading. On 4th October 2012, the Company was awarded a grant from the *Investment Contract Readiness Fund* managed by the *Social Investment Business* on behalf of the *Cabinet Office*. This grant has been used to procure the advisory services of Triodos, who advised on both of Bristol Together's successful bond issues and who have advised us on our investment readiness programme including our business planning, financial modelling and operational set-up (e.g. recruitment of the executive team and social enterprise partners). As such, the Company is now operationally robust and ready to pro-actively deploy funds raised.

Midlands Together is based on a proven social delivery model being deployed in Bristol by Bristol Together. Recognising the need for localised expertise within each company, Midlands Together have a discrete locally based leadership and property management team. We are, however, able to benefit from the learning in Bristol and Paul Harrod, CEO of Bristol Together, currently has a non-executive role on our Board. Paul has been instrumental in helping to shape the Midlands Together proposition and sharing experiences from Bristol Together.

WHAT WILL THE PROCEEDS OF THE BONDS BE USED FOR?

The proceeds from the Bonds will be used to purchase properties in need of refurbishment, procure raw materials, appoint professional sub-contractors and cover modest central overheads. In addition, the Bonds will be used to pay for the refurbishment of the properties through the employment, training, coaching and mentoring of ex-offenders.

HOW DOES MIDLANDS TOGETHER WORK WITH ITS SOCIAL ENTERPRISE PARTNERS?

Our partnerships with social enterprises are intrinsic to our model. Our partners deliver the mentoring and support programmes for ex-offenders, helping to achieve our social mission. Equally, the Together programme affords commercial benefits for our partners and, through our status as active CDFI, we are able to financially support and help capacity build frontline social enterprise organisations.

Midlands Together purchase empty, sub-standard freehold properties with the potential for restoration and value enhancement. We procure raw materials and sub-contract with external specialist trade persons as required. Our social enterprise partners are then engaged to provide a workforce from our target client group. In addition to providing ex-offenders to assist with the refurbishments, the social enterprises provide dedicated work coaching, guidance and support services for those individuals as well as payroll and administration services associated with the employment of the workforce.



In our capacity as a CDFI we initially make a 'capacity building' loan to the social enterprises at the start of a refurbishment project. Over the course of a refurbishment programme, the social enterprise partners provide a team of employees as well as a coaching and support function in the form of a dedicated Team Supervisor. The invoices for these costs are offset against the loans to settle the outstanding loan balance.

The work is quality controlled and project managed by the Company's construction management team.

WHAT DIFFERENCE WILL MY/OUR INVESTMENT MAKE?

Your investment could help to make a significant difference to the lives of many socially excluded or disadvantaged people. Midlands Together aims to work with re-offenders to ultimately give them access to employment. This can be a key milestone for social inclusion and for helping to halt the cycle of reoffending. With a £3 million investment through the Bond issue, we will be able to buy and refurbish approximately 15 properties per year and by recycling our capital help up to 150 people gain access to skills, training and employment over the course of five years.

With this level of investment, our business can operate at a sensible scale, achieve some central management economies of scale and become self-financing as we sell properties and re-invest the funds into new properties and new trainees.

WHAT WILL HAPPEN IF THE BOND ISSUE IS OVER-SUBSCRIBED?

Bonds will be allocated on a 'first come, first served basis', so we encourage you to submit your Application Form early. Only applications made using the original Application Form will be accepted.

IS THE RATE OF RETURN FIXED?

Yes, the rate of return is fixed at 4% p.a. for Series A Bonds and 6% p.a. for Series B Bonds.

WHEN WILL I/WE RECEIVE MY INTEREST INCOME AND WHEN WILL MY CAPITAL INVESTMENT BE RETURNED?

Interest will be paid bi-annually in arrears on the following days: 30th April and 31st October (or within three working days). Interest will be paid pro-rata for a part period. The Bonds will mature on 31st October 2018 and will be due for repayment on that date.

CAN I/WE ACCESS MY/OUR FUNDS BEFORE THE END OF THE FIVE YEAR TERM?

Whilst the Bonds are transferable, you should note that, fundamentally, the money cannot be accessed before the end of the five-year term. You should only consider investing in the Bonds if you will not need the money during this time.

IS MY/OUR BOND TRANSFERABLE?

Yes, the Bonds are transferable subject to a minimum transfer value of £20,000 (being the Minimum Subscription value for the 2013 Bond Issue) and subject to the transfer conditions outlined in Section 14 (the Instruments). Any transfer will be subject to a transfer administration fee of £50 payable to Midlands Together. Series B Bondholders may lose CITR as a consequence of transfer (see Sections 9 and 10). Transfer guidance is also outlined in Section 14.

Please note that the Bonds will not be listed on any recognised stock market and hence it will not be possible to trade them on a recognised exchange.

WHAT SECURITY DO I/WE HAVE FOR REPAYMENT OF MY/OUR BONDS?

The Company will give security for repayment of the Bonds by way of a first charge debenture (comprising various legal charges) over all of the Company's assets, including its property portfolio. The Series A Bondholders will have one form of debenture (the Series A Debenture) and the Series B Bondholders will have a separate debenture (a Series B Debenture). All Series A Bondholders will rank equally. Series A Bonds rank ahead of Series B Bonds for security. All Bondholders may rank behind commercial lenders who make interim additional secured funding available to the Company, however, this would require the express permission of at least 75% of all groups of Bondholders. The Board do not anticipate the need for external commercial finance during the term of the Bond. Full repayment of the Bonds is not guaranteed and is dependant on the success of the company's business model. You should only consider investing in the Bonds if you can afford for the investment not to be repaid.

IS MY/OUR INVESTMENT GUARANTEED BY TRIODOS BANK NV OR THE FINANCIAL SERVICES COMPENSATION SCHEME?

No, the investment is not guaranteed by Triodos Bank NV nor the Financial Services Compensation Scheme. The investment is a debt of the Company and circumstances

could arise which mean the Company cannot repay the investment when it falls due. This investment will not be suitable for everyone. You should take independent financial advice before making this investment.

WHY IS THERE A SERIES A BOND AND A SERIES B BOND?

The proceeds from the Bonds will be used for purchasing and refurbishing properties (including procuring raw materials and professional sub-contractors), training and supervising ex-offenders and administering and managing the scheme. The money used to purchase the freehold properties is not eligible for CITR, whereas the application of funds for the employment and training of the target group of re-offenders is eligible for CITR. We are therefore offering two series of Bonds in order to enable Investors who are taxpayers to take advantage of CITR, should they choose to do so. A 45% taxpayer who invests in Series B Bonds and is able to take full advantage of CITR could see an effective gross return on investment of 15.1% p.a. Please see Section 6 for more details and some worked examples. We recommend that you take your own independent tax advice.

HOW CAN I/WE APPLY FOR THE BONDS?

Please fill in the Application Form provided with this Investment Memorandum and send it, along with a cheque, to the address on the form before noon on Friday 30 August 2013. Further Application Forms are available from Triodos by emailing investments@triodos.co.uk or by contacting Huw Thomas on 0117 980 9593.

If you are applying as a private individual please complete section 2A. If an application is being made on behalf of an organisation, please complete section 2B. The box in 2B should be signed in accordance with your organisation's signatory requirements. If in doubt please arrange for it to be signed by two authorised signatories as appropriate and, in the case of a company, by two directors or one director and the company secretary or, where the company only has one director and no secretary, by that sole director. Please read Section 13 for further guidance on the application process and Section 12 for the key terms and conditions.

CAN COMPANIES APPLY FOR THE BONDS?

Yes, corporate entities can apply for the Bond. Companies are also potentially entitled to benefit from CITR (Series B Bonds only). Further information about corporate entitlement to CITR is contained in HMRC's CITR manual, which can be downloaded from HMRC's website (www.hmrc.gov.uk/manuals/citmanual/index.htm).

CAN NON-UK RESIDENT INVEST IN THE BONDS?

Certain prospective investors who are resident in the EEA may be able to invest in the Bonds, although such prospective investors should read fully Section 12 in regards to non-UK residents.

It is the responsibility of any person outside the UK wishing to make an application, to fully satisfy himself as to the full observance of the laws of any relevant territory. Equally, any such person should also fully observe the tax guidance and regulations of any relevant territory to understand the personal tax consequences of an investment in the Bonds.

The Bonds have not been and will not be registered under the applicable securities laws of the United States or Canada and may not be offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada. Therefore any such person is specifically ineligible to invest in the Bonds.

12 THE LEGALS

MATERIAL AGREEMENTS

The Company has entered into the following agreements (not being contracts entered into in the ordinary course of business) which are, or may be, material. A number of these will take effect from the point the Bond Issue is closed and the funds drawn down:

- 1 An agreement dated 4th October 2012 and made between the Company and The Social Investment Business Limited ("SIB") under which SIB ("the grantor") provided a grant to the Company ("the grantee") of £149,300 (including VAT) to procure investment readiness advisory services, principally from Triodos Bank NV ("Triodos") and Veale Wasbrough Vizards ("VWV"). The grant was made from the Investment and Contract Readiness Fund provided by the Cabinet Office and managed on their behalf by SIB. Midlands Together's obligations under this contract were largely discharged by the 30th June 2013.
- 2 An agreement dated 23 November 2012 and made between the Company and Triodos under which Triodos provided corporate finance lead advisory and investment readiness services. Triodos' fixed fees are covered by the grant contract with SIB detailed above. Under the terms of that engagement, Triodos will, in addition to their fixed fees, be entitled to a contingent success fee of 1% of funds raised. This will be payable by the Company out of the proceeds of the fundraising.
- 3 Richard Nicol has committed to enter into a service agreement, subject to a successful fundraising (in which both the Minimum Subscription and Minimum Subscription for Series B Bonds are reached), under which he will be appointed as the Chief Executive Officer of the Company and will receive a gross salary of £50,000 per annum. The contract will have a mutual six months notice period. No benefits in kind will be due under the contract.
- 4 Neville Morrell has committed to enter into a service agreement, subject to a successful fundraising (as defined in 3 above), under which he will provide the consultancy services of a Construction Manager for the Company.
- 5 Christopher Rands has committed to enter into a service agreement, subject to a successful fundraising (as defined in 3 above), under which he will provide the consultancy services of a Construction Manager for the Company.
- 6 A Memorandum of Understanding (MoU) with Jericho Foundation, a charity (number 1037084) and company limited by guarantee (number 2845852). This MoU governs the terms of the relationship between Midlands Together and Jericho who will provide the services of beneficiary recruitment and mentoring support during the term of the Bond, subject to performance.
- 7 A Memorandum of Understanding (MoU) with P3 (People, Potential, Possibilities), a charity (number 703163) and company limited by guarantee (number 02495423). This MoU governs the terms of the relationship between Midlands Together and P3 who will provide the services of beneficiary recruitment and mentoring support during the term of the Bond, subject to performance.

- 8 A Memorandum of Understanding (MoU) with Rural Experience, a registered Charity and company limited by guarantee. This MoU governs the terms of the relationship between Midlands Together and Rural Experience who will provide the services of beneficiary recruitment and mentoring support during the term of the Bond, subject to performance.
- 9 A Memorandum of Understanding (MoU) with The Vine Trust Walsall, a charity (number 1093838) and company limited by Guarantee (number 4370289). This MoU governs the terms of the relationship between Midlands Together and The Vine Trust Walsall who will provide the services of beneficiary recruitment and mentoring support during the term of the Bond, subject to performance.
- 10 A debenture between the Company and Series A Bondholders and a debenture between the Company and Series B Bondholders (both of which are to be entered into shortly after the Closing Date) pursuant to which all monies due from the Company to the Series A Bondholders or the Series B Bondholders (respectively) are to be secured by way of a fixed and floating charge over the undertaking and all property and assets of the Company.

Copies of all of the material agreements are available upon request from Triodos.

TERMS AND CONDITIONS

This Offer, and/or your participation in the subscription of Bonds, is conditional upon and subject to:

- 1 the Company having received Applications from potential Bondholders ("Applications") to subscribe for Bonds by not later than 12 noon on 30 August 2013 (the "Closing Date");
- 2 your completed Application Form in respect of your/your organisation's Application, together with a personal cheque in sterling to be drawn on "Triodos Midlands Together Client Account" and crossed "Account Payee only" having been received by Triodos, who are acting as the Company's receiving agents in connection with Bonds, by not later than 12 noon on the Closing Date; and
- 3 the Company having accepted your Application in whole or in part for a minimum of £20,000 in multiples of £5,000 nominal amount of Bonds.

Upon receipt of your/your organisation's Application Form and cheque, the Application will be irrevocable and not be capable of being terminated or rescinded by you/your organisation.

The Application Form to subscribe for Bonds has been provided with this Investment Memorandum. Additional copies can be requested from Triodos by emailing investments@triodos.co.uk.

By printing (in case of Application Forms received by email), completing, signing and returning the signed Application Form, together with payment by cheque for the full amount of your/your organisation's Application, you will be making an Application on the terms and conditions contained in this document and the appropriate Series A Bond Instrument (Section 14) or Series B Bond Instrument (Section 14).

In particular, by making your/your organisation's Application, you/your organisation will be deemed to acknowledge and confirm:

that you/your organisation are not relying on any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company in relation to the Company or any member of Midlands Together other than as contained in this Investment Memorandum and the appropriate Bond Instrument and that, accordingly, none of the Company or any member of Midlands Together, its directors, officers, agents, employees or advisers or any person acting on behalf of any of them shall have any responsibility for any such other information or representation;

- d you/your organisation are not relying on the Company or Triodos to advise whether or not Bonds are a suitable investment for you/your organisation;
- e you/your organisation are either (i) an individual who is 18 years old or more at the date of making your Application or (ii) a legal entity who is not prevented by the laws of its governing jurisdiction or place of incorporation from applying for or holding Bonds;
- f you/your organisation are/is entitled to make an Application and to be issued with Bonds in respect thereof under the laws of and rules of any governmental bodies located in any jurisdictions which apply to you/your organisation;
- g you/your organisation are aware that it is open to you to seek advice from someone who specialises in advising on investments;
- h you/your organisation are not entitled to be paid any commission in relation to your Application;
- i you/your organisation are not engaged in money laundering and the funds under your management are not derived from the proceeds of crime;
- j you are making your Application on your own or your organisation's behalf and for no other person;
- k the Company, their representative members, directors, employees, agents and advisers will rely upon the truth and accuracy or the confirmations, acknowledgements and representations contained in this Invitation and the Application Form; and
- l the cheque provided by you/your organisation in respect of your Bonds subscription will be honoured on first presentation.

Nothing in this Investment Memorandum, the appropriate Bond Instrument or Application will restrict the Company's liability for fraud. The making of all applications, acceptances of applications and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with English law, and each party submits to the jurisdiction of the English courts.

MONEY LAUNDERING REGULATIONS 2007

It is a term of your/your organisation's Application that, to ensure compliance with the Money Laundering Regulations 2007 the Company is entitled to require, at its absolute discretion, verification of identity from any applicant. Pending the provision of evidence satisfactory to the Company as to the identity of the applicant and/or the cheque or other remittance relating thereto the Company shall not be obliged to register the Bonds in the name of any potential Bondholder. If verification of identity is so required, this may result in a delay in dealing with an application and in ultimate rejection.

The Company reserves the right, in its absolute discretion, to reject any application in respect of which the Company considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as may be specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment related to or constituted by any application (but without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

The Company shall not be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company to treat an application for Bonds lodged by any applicant as invalid or to terminate the contract of allotment as a result of the Company not having received evidence as to the identity of the applicant reasonably satisfactory to it within a reasonable time of having requested such information.

CONDITIONS PRECEDENT

In their capacity as receiving agent, Triodos will not release funds raised to Midlands Together until various conditions have been met. These include Triodos being satisfied that the Minimum Subscription and the Minimum Subscription for Series B Bonds have been achieved and being provided with adequate assurance that the Series A Debenture and Series B Debenture have been completed and filed at Companies House. This will require confirmation of the Security Trustee and a completed schedule of Bondholders.

NON-UK RESIDENTS

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event make any application for Bonds unless he is resident in an EEA state and, in the relevant territory, such an invitation or offer could lawfully be made to him or such application could lawfully be made without contravention of any legislation or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Board of Midlands Together reserve the right to request confirmation from any Investor's attorney as to the ability of a non-UK applicant to subscribe lawfully for the Offers.

The Bonds have not been and will not be registered under the applicable securities laws of the United States or Canada and may not be offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada. Therefore any such person is specifically ineligible to invest in the Bonds.

13 THE APPLICATION PROCESS AND TIMETABLE

In order to apply to make an Application, please print (in case of Application Forms received by email), complete, sign and return the Application Form together with the full amount payable in respect of your/your organisation's Application (being a multiple of £5,000 and a minimum of £20,000) by cheque in sterling drawn on a bank account of a branch of a bank or building society in the UK in your name (or on a bank account of which you are a joint named account holder), or your organisation's name, made payable to "Triodos Midlands Together Client Account" and crossed "Account Payee only" which should be sent to Investment Services, Triodos Bank, Deanery Road, Bristol BS1 5AS to be received by no later than the Closing Date (being 12 noon on 30 August 2013).

We will inform you in writing if your/your organisation's Application has been successful, in whole or in part and, shortly after the Closing Date, we will send a certificate ("Bond Certificate") in respect of the Bonds that have been issued to you/your organisation.

If your/your organisation's Application is not successful, your/your organisation's cheque will be returned to you within seven days of the Closing Date without interest. If your/your organisation's Application is successful in respect of only some of the Bonds applied for, a cheque for the balance of the amount of the Application (without interest) will be sent to you/your organisation with the Bond Certificate.

Please note that the decision to accept your/your organisation's Application, in whole or in part (in multiples of £5,000), is at the sole and unreserved discretion of the Company. Therefore, the Company may accept your/your organisation's Application in respect of part only of the nominal amount of Bonds applied for in your Application (in which case the balance of the amount paid to you in respect of Bonds which were not issued to you would be repaid to you).

14 THE INSTRUMENTS

This application is in 2 parts:

- Series A 4% 2018 Bond - Pages 57-74
- Series B 6% 2018 Bond - Pages 75-91

The key differences between the two Series have been summarised in Sections 1 and 6 of this document.

DATED [•] JULY 2013

BOND INSTRUMENT

CONSTITUTING
UP TO £2,750,000 SERIES A 4%
FIXED RATE SECURED BOND 2018

CREATED BY
MIDLANDS TOGETHER COMMUNITY
INTEREST COMPANY

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This deed poll is dated [*] July 2013.

ISSUER

MIDLANDS TOGETHER COMMUNITY INTEREST COMPANY incorporated and registered in England and Wales with company number 8216835 whose registered office is at Greenway Centre, Doncaster Road, Southmead, Bristol, BS10 5PY (Company).

BACKGROUND

(A) The Company has, by resolution of its board of directors passed on [*] July 2013, resolved to create up to a maximum nominal amount of £2,750,000 Series A 4% fixed rate secured bonds 2018, to be constituted in the manner set out below.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this instrument.

Bondholder: each person for the time being entered in the Register as a holder of any Bonds.

Bonds: up to £2,750,000 Series A 4% fixed rate secured bonds 2018 constituted by this instrument or, as the case may be, the amount of such bonds for the time being issued and outstanding.

Business Day: any day, other than a Saturday or Sunday or English bank holiday.

Conditions: the conditions set out in Schedule 2, Schedule 3 and Schedule 4 as from time to time amended and **Condition** shall be construed accordingly.

Debenture: the debenture to be granted by the Company in favour of the Security Trustee (as defined in the debenture) for and on behalf of the Bondholders.

Directors: the board of directors of the Company for the time being.

Event of Default: any of those events specified in clause 12.

Interest Payment Dates: 30 April and 31 October in each year.

Issue Date: the date of issue of the Bonds.

Register: the register of Bondholders (provisions relating to which are set out in clause 10).

Repayment Date: 31 October 2018.

Series B 2018 Bonds: the Series B 6% fixed rate secured bonds 2018 constituted by the Company by an instrument dated [*] July 2013.

Special Resolution: a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of this instrument and carried by a majority consisting of not less than 75% of the persons voting at such meeting upon a show of hands or, if a poll is demanded, by a majority consisting of not less than 75% of the votes given on such poll.

1.2 Any reference in this instrument to:

1.2.1 the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

1.2.2 an **encumbrance** shall be construed as a reference to a mortgage, charge, assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of and having a similar effect to the granting of security, or other security interest of any kind;

1.2.3 **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

1.2.4 this **instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated, in each case, in accordance with its terms;

- 1.2.5 a **month** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;
- 1.2.6 a **person** shall be construed as a reference to any individual, firm, company or other body corporate, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) and, respectively, wherever incorporated or established;
- 1.2.7 **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;
- 1.2.8 **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and
- 1.2.9 the **winding-up, dissolution** or **administration** of a person shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person is incorporated or of any jurisdiction in which such person carries on business; and
- 1.2.10 **£** denotes the lawful currency of the United Kingdom.
- 1.3 References to any statute or statutory provision shall include references to such statute or statutory provision as in force at the date of this instrument and as subsequently re-enacted or consolidated and shall include references to any statute or statutory provision of which it is a re-enactment or consolidation.
- 1.4 In construing this instrument general words introduced by the word **other** shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word including shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.
- 1.5 All the provisions of this instrument are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.
- 1.6 References to the Bonds include references to all and/or any of the Bonds.
- 1.7 The headings in this instrument are inserted for convenience only and shall not affect construction or interpretation and references to a clause, schedule, condition or paragraph are (unless otherwise stated) to a clause or schedule in this instrument and to a condition or a paragraph of the relevant schedule, respectively.

2 AMOUNT OF BONDS

- 2.1 The principal amount of the Bonds constituted by this instrument is limited to £2,750,000

3 DEED POLL

- 3.1 This instrument shall take effect as a deed poll for the benefit of the each Bondholder from time to time and shall enure to the benefit of the each Bondholder and its (and any subsequent) successors and permitted assigns, each of which shall be entitled severally to enforce the covenants by the Company set out in this instrument.

4 DESCRIPTION OF BONDS

- 4.1 The Bonds shall be known as Series A 4% fixed rate secured bonds 2018 and shall be issued in integral multiples of £5,000 by the Company, with a minimum subscription of £20,000.

5 STATUS OF BONDS

- 5.1 The Bonds when issued shall rank *pari passu* equally and rateably with each other without discrimination or preference among themselves.

6 ACCOUNTS AND SOCIAL IMPACT REPORT

6.1 Within 5 months of each financial year end of the Company while the Bonds are outstanding, the Company will provide to Bondholders:

6.1.1 a copy of the Company's audited financial statements; and

6.1.2 a copy of the Company's social impact report which will provide evidenced details of the positive social impact generated through the deployment of the proceeds of the Bonds.

7 REPAYMENT OF BONDS

7.1 When the Bonds become payable in accordance with the provisions of this instrument, the Company shall pay to the Bondholders the full principal amount of the Bonds to be repaid together with any accrued interest on such Bonds (less any tax which the Company is required by law to deduct or withhold from such payment) up to and including the date of payment.

7.2 All payments under this instrument, whether of principal, interest or otherwise, shall be made by the Company to the Bondholders entitled to such payments as provided in paragraph 8 of Schedule 3.

7.3 Where any payment to a Bondholder, whether of principal, interest or otherwise, is due in accordance with the terms of this instrument on a day which is not a Business Day, payment shall take place on the next succeeding Business Day. If that next succeeding Business Day is in the month following the month in which payment would otherwise be made, payment shall take place on the immediately preceding Business Day.

8 INTEREST ON BONDS

8.1 Until the Bonds are repaid in accordance with the provisions of this instrument, interest shall accrue and be paid on the principal amount of the Bonds which are outstanding at the rate and in the manner set out in the Conditions.

9 CERTIFICATES

9.1 Each certificate for Bonds shall:

9.1.1 bear a denoting number;

9.1.2 be issued to a Bondholder as a deed, substantially in the form set out in Schedule 1; and

9.1.3 have the Conditions endorsed on it.

9.2 Each Bondholder shall be entitled to receive without charge one certificate for the Bonds registered in his name.

9.3 The Company shall not be bound to register more than four persons as the joint holders of any Bonds and, in the case of Bonds held jointly by several persons, the Company shall not be bound to issue more than one certificate. Delivery of a certificate to the person who is first named in the Register as Bondholder shall be sufficient delivery to all joint holders of the Bonds in respect of which such certificate has been delivered.

9.4 When a Bondholder redeems part only of his Bonds, the old certificate shall be cancelled and a new certificate for the balance of such Bonds shall be issued without charge.

10 REGISTER

10.1 The Company shall, at all times, keep a Register at its registered office (or at such other place as the Company may from time to time have appointed for the purpose and have notified to the Bondholders).

10.2 The Register shall contain the following details:

10.2.1 the names and addresses of the Bondholders for the time being;

10.2.2 the principal amount of the Bonds held by each Bondholder;

10.2.3 the date at which the name of each Bondholder is entered in respect of the Bonds registered in his name;

10.2.4 the date of issue of each Bond; and

10.2.5 all transfers and changes of ownership of the Bonds.

- 10.3 Any change of name or address by any Bondholder which is notified to the Company at its registered office address above shall be entered in the Register.
- 10.4 Any Bondholder may at all reasonable times during office hours and on reasonable notice inspect, and take copies of, the Register.

11 SECURITY

- 11.1 Subject to clause 11.2 below, the Company may not at any time, charge, assign or otherwise create encumbrances over all or any part of its assets to secure obligations to any person without the prior consent by a Special Resolution of both the Bondholders and the holders of the Series B 2018 Bonds.
- 11.2 The Company may at any time and without consulting with the Bondholders or obtaining any Bondholder's consent, charge, assign or otherwise create encumbrances over all or any part of its assets to secure obligations to the holders of the Series B 2018 Bonds (such security to rank behind the Debenture).

12 DEFAULT

12.1 The following are Events of Default:

- 12.1.1 **Non-payment:** The Company fails to pay any principal or interest on any of the Bonds within 15 Business Days after the due date for payment thereof;
- 12.1.2 **Breach of undertaking:** The Company fails duly to perform or comply with any obligation (other than an obligation to pay principal or interest in respect of the Bonds) expressed to be assumed by it in this instrument and such failure continues for 15 Business Days after written notice has been given by any Bondholder requiring remedy thereof;
- 12.1.3 **Insolvency:** The Company is insolvent or unable to pay its debts (as defined in section 123 of the Insolvency Act 1986), stops, suspends payment of all or any material part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or re-scheduling of all or any material part of its indebtedness or makes a general assignment for the benefit of, or composition with, its creditors (or any class of its creditors) or a moratorium is agreed or declared in respect of, or affecting, all or a material part of its indebtedness;
- 12.1.4 **Enforcement proceedings:** A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the assets of the Company and is not discharged or stayed within 15 Business Days;
- 12.1.5 **Winding-up:** The Company takes any corporate action or other steps are taken or legal or other proceedings are started for its winding-up, dissolution or re-organisation (other than for the purposes of a bona fide, solvent scheme of reconstruction or amalgamation previously approved by Special Resolution) or for the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or of any or all of its assets;
- 12.1.6 **Analogous proceedings:** Anything analogous to or having a substantially similar effect to any of the events specified in clause 12.1.3 to clause 12.1.5 inclusive shall occur under the laws of any applicable jurisdiction;
- 12.1.7 **Encumbrance enforceable:** Any encumbrance on or over the assets of the Company becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar person) is taken to enforce that encumbrance;
- 12.1.8 **Cessation of business:** The Company ceases to carry on business; and
- 12.1.9 **Illegality:** It is or becomes or will become unlawful for the Company to perform or comply with any of its obligations under this instrument, or any such obligation is not or ceases to be legal, valid and binding.

13 ACCELERATION

- 13.1 If, at any time and for any reason, any Event of Default has occurred, the Bondholders may by Special Resolution or by written notice to the Company from Bondholders holding more than 50% in nominal value of the Bonds then issued and outstanding, at any time while such Event of Default remains unremedied and has not been waived by a Special Resolution, direct that the principal amount of all Bonds, all unpaid accrued interest and any other sum then payable on such Bonds shall become due and payable immediately. If the Bondholders give such a direction under this clause, then the principal amount of all Bonds, all unpaid accrued interest and any other sum then payable on such Bonds (in each case less any applicable taxes) shall be immediately due and payable by the Company and the Company shall immediately pay or repay such amounts owed to each of the Bondholders.

14 NO SET-OFF

14.1 Payments of principal and interest under this instrument shall be paid by the Company to the Bondholders, and the Bonds shall be transferable in accordance with the provisions of Schedule 3, without any deduction or withholding (whether in respect of any set-off, counterclaim, duties, taxes or otherwise whatsoever) unless the deduction or withholding is required by law.

15 MEETINGS OF BONDHOLDERS

15.1 The provisions for meetings of the Bondholders set out in Schedule 4 shall be deemed to be incorporated in this instrument and shall be binding on the Company and the Bondholders and on all persons claiming through or under them respectively.

16 ENFORCEMENT

16.1 From and after the date of this instrument and so long as any amount is payable by the Company in respect of the Bonds, the Company undertakes that it shall duly perform and observe the obligations on its part contained in this instrument.

16.2 The Bonds shall be held subject to and with the benefit of the provisions of this instrument, the Conditions and the schedules (all of which shall be deemed to be incorporated in this instrument). All such provisions shall be binding on the Company and the Bondholders and all persons claiming through or under them respectively, and shall enure for the benefit of all Bondholders.

16.3 Each Bondholder shall be entitled to sue for the performance and observance of the provisions of this instrument so far as his holding of Bonds is concerned. No other person shall have any right to enforce any term or condition of this instrument under the Contracts (Rights of Third Parties) Act 1999.

17 MODIFICATION

17.1 The provisions of this instrument and the Conditions and the rights of the Bondholders may from time to time be modified, abrogated or compromised in any respect (including in any manner set out in paragraph 16.1 of Schedule 4) with the sanction of a Special Resolution and with the consent of the Company.

18 GOVERNING LAW AND JURISDICTION

18.1 This instrument and the Bonds and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

18.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this instrument or any Bond or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

SCHEDULE 1

FORM OF BOND

Certificate No

Date of Issue

Midlands Together Community Interest Company
Series A £2,750,000 4% Fixed Rate Secured Bonds 2018

Created and issued pursuant to a resolution of the board of directors of the Company passed on [*] July 2013.

THIS IS TO CERTIFY THAT [NAME OF BONDHOLDER] is the registered holder of £[AMOUNT] of the £2,750,000 4% fixed rate secured bonds 2018 constituted by an instrument entered into by the Company on [*] July 2013 (Instrument). Such Bonds are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed hereon.

The Bonds are repayable in accordance with Condition 1.

This Certificate must be surrendered before any transfer, whether of the whole or any part of the Bonds comprised in it, can be registered or any new certificate issued in exchange.

Any change of address of the Bondholder(s) must be notified in writing signed by the Bondholder(s) to the Company at its registered office from time to time.

All or some of the Bonds are transferable in accordance with the terms of the Conditions.

Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions endorsed hereon.

The Bonds and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

This Certificate has been executed as a deed and is delivered and takes effect on its date of issue stated at the beginning of it:

Signature of Director

Name of director

Signature of witness

Name of witness

Address

Occupation

SCHEDULE 2

THE CONDITIONS

1 REPAYMENT

- 1.1 On the Repayment Date for the Bonds, the Company shall redeem the principal amount of Bonds issued. Any redemption of the Bonds under this Condition 1 shall, except in the circumstances set out in paragraph 1.2 below, be made pro rata to the holdings of all Bondholders, together with accrued and unpaid interest (less any tax required by law to be deducted or withheld from such payment) accrued on the relevant Bonds up to (and including) the date of such repayment by the Company.
- 1.2 The Company may, at its discretion, make an early redemption of all or any Bonds held by the estate of a deceased Bondholder, following a written request for early redemption by the personal representatives of the deceased Bondholder. Such repayment shall, if all the Bonds of such Bondholder are to be redeemed, be made together with accrued and unpaid interest (less any tax required by law to be deducted or withheld from such payment) accrued on the relevant Bonds up to (and including) the date of such repayment by the Company.

2 CANCELLATION

- 2.1 All Bonds repaid, prepaid or purchased by the Company shall be cancelled and the Company shall not re-issue the same.

3 PAYMENT OF INTEREST

- 3.1 Until the Bonds are repaid in accordance with these Conditions, interest on the principal amount of the Bonds outstanding from time to time shall accrue at the rate of 4% per annum.
- 3.2 Subject to Condition 3.3, the Company shall pay accrued interest in cash (less any tax required by law to be deducted or withheld from such payment), half yearly in arrears to the persons who were registered as Bondholders at the close of business on the relevant Interest Payment Date and when applicable the Repayment Date.
- 3.3 The first Interest Payment Date shall be 30 April 2014 and all interest from the Issue Date shall be rolled up and paid on 30 April 2014.
- 3.4 Interest shall be calculated on the basis of the actual number of days elapsed in the relevant period and a 365 day year.
- 3.5 If the Company fails to pay any amount of interest or principal on any Bond when such amount is due, interest at the rate applicable under these Conditions plus 1% per annum shall accrue on the unpaid amount from the due date until the date of payment.
- 3.6 Interest on any Bonds repaid by the Company in accordance with these Conditions shall cease to accrue as from the date of such repayment.

4 DEALINGS

- 4.1 The Bonds shall not be capable of being dealt in or on any stock exchange in the United Kingdom or elsewhere and no application has been or shall be made to any stock exchange for permission to deal in or for an official or other quotation for the Bonds.

5 NOTICES

- 5.1 Any Bondholder described in the Register as being at an address outside the United Kingdom but who shall from time to time give to the Company either an address within the United Kingdom or an email address at which any notice may be served upon him shall be entitled to have notice served on him at such address or email address instead of at his address outside of the United Kingdom.

SCHEDULE 3

PROVISIONS AS TO REGISTRATION, TRANSFER AND OTHER MATTERS

1 RECOGNITION OF BONDHOLDER AS ABSOLUTE OWNER

- 1.1 The Company shall recognise as absolute owner the registered holder of any Bonds. The Company shall not (except as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Bonds may be subject. The receipt of the registered holder for the time being of any Bonds or, in the case of joint registered holders, the receipt of any of them, for the principal payable in respect of such Bonds and for the interest from time to time accruing due in respect of such Bonds or for any other moneys payable in respect of such Bonds shall be a good discharge to the Company notwithstanding any notice it may have (whether express or otherwise) of the right, title, interest or claim of any other person to or in such Bonds, interest or moneys. The Company shall not be bound to enter any notice of any express, implied or constructive trust on the Register in respect of any Bonds.

2 TRANSFERABILITY OF BONDS

- 2.1 Subject to paragraph 2.2, the Bonds are transferable by instrument in writing in the usual common form (or in such other form as the directors of the Company may approve) in multiples of £5,000, with a minimum amount to be transferred of £20,000. There shall not be included in any instrument of transfer any Bonds other than the Bonds constituted by this instrument.
- 2.2 It is the responsibility of any Bondholder outside the UK wishing to transfer Bonds and of prospective transferee of Bonds to satisfy themselves as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any transfer or other taxes required to be paid in such territory.
- 2.3 The Bonds have not been and will not be registered under the applicable securities laws of the United States or Canada and may not be transferred or offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada.

3 EXECUTION OF TRANSFERS

- 3.1 Every instrument of transfer shall be duly signed by or on behalf of the transferor and the transferor shall be deemed to remain the owner of the Bonds to be transferred until the transferee's name is entered in the Register in respect of such Bonds.

4 REGISTRATION OF TRANSFERS

- 4.1 Every instrument of transfer shall be left for registration at the address where the Register is maintained for the time being (as referred to in clause 10.1 of this instrument) accompanied by the certificate(s) for the Bonds to be transferred, together with such other evidence as the directors or other officers of the Company authorised to deal with the transfers may require to prove the title of the transferor or his right to transfer the Bonds and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so. All instruments of transfer which are registered shall be retained by the Company.
- 4.2 The directors shall be entitled to refuse to register the transfer of Bonds unless:
- (a) the fees due under paragraph 5 have been paid; and
 - (b) any confirmation reasonably required from the Company's board as to the ability of a non-UK applicant to transfer or accept the transfer of Bonds (e.g. written confirmation from any Bondholder's or prospective transferees legal advisers).

5 FEES FOR REGISTRATION OF TRANSFERS

- 5.1 Subject to paragraph 5.2, a fee of £50 per transfer shall be payable to the Company to cover the administration costs connected with the transfer. This fee may be paid by the transferor or the transferee and in default of agreement between the transferor and the transferee, the fee shall be paid by the transferee.
- 5.2 No fee shall be payable upon the transmission of Bonds. No fee shall be payable for the registration of any confirmation, probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any Bonds or for making any entry in the Register relating to or affecting the title to any Bonds (apart from on a transfer of Bonds).

6 RECOGNITION OF PERSONAL REPRESENTATIVES

- 6.1 The executors or administrators of a deceased Bondholder (not being one of several joint registered holders) and in the case of the death of one or more of several joint registered holders the survivor or survivors of such joint registered holders, shall be the only person or persons recognised by the Company as having any title to such Bonds.

7 TRANSMISSION OF BONDS

- 7.1 Any person who becomes entitled to any of the Bonds as a result of the death or bankruptcy of any Bondholder, or of any other event giving rise to the transmission of such Bonds by operation of law may, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title as the Directors shall think sufficient, be registered himself as the holder of such Bonds or, subject to the preceding Conditions as to transfer, may transfer such Bonds. The Company may retain any payments paid upon any such Bonds which any person under this provision is entitled to, until such person is registered as the holder of such Bonds or has duly transferred the Bonds.

8 PAYMENT OF INTEREST AND PRINCIPAL

- 8.1 The payments of principal, interest or other sums payable in respect of the Bonds may be paid by:
- (a) electronic transfer in immediately available cleared funds on the due date for payment, to the account specified for the purpose by the Bondholder or joint Bondholders in writing to the Company; or
 - (b) in the absence of such notification, by cheque, warrant or bankers' draft made payable to and sent to the registered address of the Bondholder or in the case of joint registered holders, made payable to the order of and sent to the registered address of that one of the joint registered holders who is first named on the Register or made payable to such person and sent to such address as the registered holder or all the joint registered holders may in writing direct.
- 8.2 Every such cheque, warrant or bankers' draft shall be sent on the due date for payment and may be sent through the post at the risk of the registered Bondholder or joint registered holders. Payment of the cheque, warrant or bankers' draft shall be a good discharge to the Company.
- 8.3 All payments of principal, interest or other moneys to be made by the Company shall be made after any deductions or withholdings for or on account of any present or future taxes required to be deducted or withheld from such payments.

9 RECEIPT OF JOINT HOLDERS

- 9.1 If several persons are entered in the Register as joint registered holders of any Bonds then without prejudice to the provisions of paragraph 8 the receipt of any one of such persons for any interest or principal or other moneys payable in respect of such Bonds shall be as effective a discharge to the Company as if the person signing such receipt were the sole registered holder of such Bonds.

10 REPLACEMENT OF CERTIFICATES

- 10.1 If the Certificate for any Bonds is lost, defaced or destroyed it may be renewed on such terms (if any) as to evidence and indemnity as the Directors may require. In the case of defacement the defaced Certificate shall be surrendered before the new Certificate is issued.

11 NOTICE OF BONDHOLDERS

- 11.1 Any notice or other document (including Certificates for Bonds) may be given or sent to any Bondholder by:

- (a) sending the same by post in a prepaid, first-class letter addressed to such Bondholder at his registered address in the United Kingdom or (if he has no registered address within the United Kingdom) to the address (if any) within the United Kingdom supplied by him to the Company for the giving of notice to him; or
 - (b) sending the same by post in a prepaid, first class airmail letter addressed to such a Bondholder who has a registered address overseas (where such Bondholder does not have an alternative address in the United Kingdom); or
 - (c) sending the same by email to an address notified by such Bondholder to the Company for the purpose of receiving notices.
- 11.2 In the case of joint registered holders of any Bonds a notice given to the Bondholder whose name stands first in the Register in respect of such Bonds shall be sufficient notice to all joint holders.
- 11.3 Notice may be given to the persons entitled to any Bonds as a result of the death or bankruptcy of any Bondholder by sending the same by post in a prepaid, first-class envelope addressed to them by name or by the title of the representative or trustees of such Bondholder at the address (if any) in the United Kingdom supplied for the purpose by such persons or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

12 NOTICE TO THE COMPANY

- 12.1 Any notice or other document (including Certificates for Bonds and transfers of Bonds) may be given or sent to the Company by sending the same by post in a prepaid, first-class letter addressed to the Company at its registered office for the time being.

13 SERVICE OF NOTICES

- 13.1 Any notice, communication or document shall be deemed to have been delivered or received as set out below:
- (a) if sent by first class post, on the second Business Day following the day on which it was posted;
 - (b) if hand delivered, on the date of delivery;
 - (c) if sent by airmail or by an international courier, on the tenth Business Day following the date on which it was posted or delivered to the courier company;
 - (d) if sent by email, one Business Day after the email was sent, provided that a hard copy confirmation is also sent by post or airmail to the recipient in accordance with this paragraph.
- 13.2 In proving such delivery or receipt it shall be sufficient to prove that the relevant notice, communication or document was properly addressed, stamped and posted (by airmail, if to another country) in the United Kingdom.

SCHEDULE 4

PROVISIONS FOR MEETINGS OF THE BONDHOLDERS

1 CALLING OF MEETINGS

- 1.1 The Company may at any time and shall, upon the request in writing signed by registered Bondholders together holding more than 5% by value of the Bonds for the time being outstanding, convene a meeting of the Bondholders to be held at such place as the Company shall determine.
- 1.2 Any request from Bondholders for a Bondholder meeting shall state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that is proposed to be made at such a meeting.

2 NOTICE OF MEETINGS

- 2.1 At least 14 clear days' notice specifying the place, day and hour of the meeting shall be given to the Bondholders of any meeting of Bondholders in the manner provided in Schedule 3.
- 2.2 Any such notice shall specify the general nature of the business to be transacted at the meeting thereby convened but, except in the case of a resolution to be proposed as a Special Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. The omission to give notice to any Bondholder shall invalidate any resolution passed at any such meeting.

3 CHAIRMAN OF MEETINGS

- 3.1 A person nominated by the Company shall be entitled to take the chair at any such meeting and if no such nomination is made, or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Bondholders present shall choose one of their number to be Chairman. The Directors and the Secretary and legal advisers of the Company and any other person authorised in that behalf by the Directors may attend at any such meeting.

4 QUORUM AT MEETINGS

- 4.1 At any such meeting convened for any purpose, other than the passing of a Special Resolution, a person or persons holding or representing by proxy one-tenth in nominal value of the Bonds for the time being outstanding shall form a quorum for the transaction of business.
- 4.2 At any meeting convened for the purpose of passing a Special Resolution persons (at least two in number) holding or representing by proxy a clear majority in nominal value of the Bonds for the time being outstanding shall form a quorum. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the meeting.

5 ABSENCE OF QUORUM

- 5.1 If within 30 minutes from the time appointed for any meeting of the Bondholders a quorum is not present the meeting shall, if convened upon the requisition of the Bondholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 days and not more than 42 days thereafter) and to such place as may be appointed by the Chairman and at such adjourned meeting two Bondholders present in person or by proxy and entitled to vote, whatever the principal amount of the Bonds held by them, shall form a quorum.

6 ADJOURNMENT OF MEETINGS

- 6.1 The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place. No business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting from which the adjournment took place.

7 NOTICE OF ADJOURNED MEETINGS

- 7.1 Notice of any adjourned meeting at which a Special Resolution is to be submitted shall be given in the manner provided for in the instrument. Such notice shall state that two Bondholders present in person or by proxy and entitled to vote at the adjourned meeting whatever the principal amount of the Bonds held by them shall form a quorum.

8 RESOLUTION ON SHOW OF HANDS

- 8.1 Every question submitted to a meeting of Bondholders shall be decided in the first instance by a show of hands. In case of an equality of votes the Chairman shall not have a casting vote.

9 DEMAND FOR POLL

- 9.1 At any meeting of Bondholders, unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or by one or more Bondholders present in person or by proxy, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact.

10 MANNER OF TAKING POLL

- 10.1 If at any such meeting a poll is so demanded it shall be taken in such manner as the Chairman may direct. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

11 TIME FOR TAKING POLL

- 11.1 Any poll demanded at any such meeting shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

12 PERSONS ENTITLED TO VOTE

- 12.1 The registered holders of any of the Bonds or, in the case of joint holders, any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Bonds. If more than one of such joint holders be present at any meeting either personally or by proxy the vote of the senior who tenders a vote (seniority being determined by the order in which the joint holders are named in the Register) shall be accepted to the exclusion of the votes of the other joint holders.

13 INSTRUMENT APPOINTING PROXY

- 13.1 Every instrument appointing a proxy shall be in writing, signed by the appointor or his attorney or, in the case of a corporation, under its common seal, or signed by its attorney or a duly authorised officer and shall be in such form as the Directors may approve. Such instrument of proxy shall, unless the contrary is stated thereon, be valid both for an adjournment of the meeting and for the meeting to which it relates and need not be witnessed. A person appointed to act as a proxy need not be a Bondholder.

14 DEPOSIT OF INSTRUMENT APPOINTING PROXY

- 14.1 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority shall be deposited with the Company at the address where the Register is maintained for the time being (as referred to in clause 10.1 of the instrument) or at such other place as may be specified in the notice convening the meeting before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
- 14.2 A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Bonds in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the address where the Register is maintained for the time being (as referred to in clause 10.1 of the instrument).
- 14.3 No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

15 VOTES

- 15.1 On a show of hands every Bondholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative (not being himself a Bondholder) or by proxy shall have one vote (provided that a proxy appointed by more than one member should only have one vote or, where the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it, such proxy shall have one vote for and one vote against the resolution).
- 15.2 On a poll every Bondholder shall have one vote for every £1 in nominal amount of the Bonds of which he is the holder. A Bondholder (or a proxy or representative of a Bondholder) entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

16 POWER OF MEETINGS OF BONDHOLDERS

- 16.1 In addition to any other powers it may have, a meeting of the Bondholders may, by Special Resolution:
- (a) agree to a proposal by the Company to the variation of the interest rate payable on the Bonds;
 - (b) agree to a proposal by the Company to the increase in the amount of Bonds constituted by this instrument;
 - (c) sanction any compromise or arrangement proposed to be made between the Company and the Bondholders;
 - (d) sanction any abrogation, modification or compromise or any arrangement in respect of the rights of the Bondholders against the Company or its property whether such rights shall arise under this instrument or otherwise;
 - (e) sanction any scheme for the reconstruction of the Company or for the amalgamation of the Company with any other company;
 - (f) sanction any scheme or proposal for the sale or exchange of the Bonds for, or the conversion of the Bonds into, cash or shares, stock, debentures, debenture stock or other obligations or securities of the Company or any other company formed or to be formed, and for the appointment of a person with power on behalf of the Bondholders to execute an instrument of transfer of the Bonds held by them in favour of the person to or with whom the Bonds are to be sold or exchanged (as the case may be);
 - (g) assent to any modification or abrogation of the provisions contained in this instrument which shall be proposed by the Company and authorise the Company to execute an instrument supplemental to the instrument embodying any such modification or abrogation; and
 - (h) give any authority or sanction which under the provisions of this instrument is required to be given by Special Resolution.
- 16.2 No resolution shall be effective which would increase any obligation of the Company under this instrument or postpone the due date for payment of any principal or interest in respect of any Bond without the consent of the Company.

17 SPECIAL RESOLUTION BINDING ON ALL BONDHOLDERS

- 17.1 A Special Resolution, passed at a meeting of Bondholders duly convened and held in accordance with the provisions of this schedule, shall be binding on all the Bondholders whether or not present at such meeting and each of the Bondholders shall be bound to give effect to such Special Resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing of such Special Resolution.

18 RESOLUTIONS IN WRITING

- 18.1 A resolution in writing signed by the holders of at least 75% in nominal value of the Bonds for the time being outstanding who are for the time being entitled to receive notice of meetings in accordance with the provisions contained in the instrument shall for all purposes be as valid and effectual as a Special Resolution. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Bondholders.

19 MINUTES OF MEETINGS

- 19.1 Minutes of all resolutions and proceedings at every such meeting of the Bondholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes which purport to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings held or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters contained in such minutes. Unless the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed at such meetings to have been duly passed.

Signed as a deed by **Midlands Together Community Interest Company** acting by a director in the presence of:

Signature of Director

Name of director

.....

.....

Signature of witness

Name of witness

.....

.....

Address

Occupation

.....

.....

DATED [•] JULY 2013

BOND INSTRUMENT

CONSTITUTING
UP TO £500,000 SERIES B 6%
FIXED RATE SECURED BOND 2018

CREATED BY
MIDLANDS TOGETHER COMMUNITY
INTEREST COMPANY

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This deed is dated [•] July 2013.

ISSUER

MIDLANDS TOGETHER COMMUNITY INTEREST COMPANY incorporated and registered in England and Wales with company number 8216835 whose registered office is at Greenway Centre, Doncaster Road, Southmead, Bristol, BS10 5BY (**Company**).

BACKGROUND

The Company has, by resolution of its board of directors passed on [•] July 2013, resolved to create up to a maximum nominal amount of £500,000 Series B 6% fixed rate secured bonds 2018, to be constituted in the manner set out below.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this instrument.

Bondholder: each person for the time being entered in the Register as a holder of any Bonds.

Bonds: up to £500,000 Series B 6% fixed rate secured bonds 2018 constituted by this instrument or, as the case may be, the amount of such bonds for the time being issued and outstanding.

Business Day: any day, other than a Saturday or Sunday or English bank holiday.

CITR: community interest tax relief pursuant to Schedule 16 of the Finance Act 2002 and the Income Taxes Act 2007.

Conditions: the conditions set out in Schedule 2, Schedule 3 and Schedule 4 as from time to time amended and **Condition** shall be construed accordingly.

Debenture: the debenture to be granted by the Company in favour of the as Security Trustee (as defined in the debenture) for and on behalf of the Bondholders.

Directors: the board of directors of the Company for the time being.

Interest Payment Dates: 30 April and 31 October in each year.

Issue Date: the date of issue of the Bonds.

Register: the register of Bondholders (provisions relating to which are set out in clause 10).

Repayment Date: 31 October 2018.

Series A 2018 Bonds: the Series A 4% fixed rate secured bonds 2018 constituted by the Company by an instrument dated [•] July 2013.

Special Resolution: a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of this instrument and carried by a majority consisting of not less than 75% of the persons voting at such meeting upon a show of hands or, if a poll is demanded, by a majority consisting of not less than 75% of the votes given on such poll.

1.2 Any reference in this instrument to:

1.2.1 the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

1.2.1 an **encumbrance** shall be construed as a reference to a mortgage, charge, assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of and having a similar effect to the granting of security, or other security interest of any kind;

1.2.3 this **instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated, in each case, in accordance with its terms;

- 1.2.4 a **month** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;
- 1.2.5 a **person** shall be construed as a reference to any individual, firm, company or other body corporate, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) and, respectively, wherever incorporated or established;
- 1.2.6 **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;
- 1.2.7 **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and
- 1.2.8 £ denotes the lawful currency of the United Kingdom.
- 1.3 References to any statute or statutory provision shall include references to such statute or statutory provision as in force at the date of this instrument and as subsequently re-enacted or consolidated and shall include references to any statute or statutory provision of which it is a re-enactment or consolidation.
- 1.4 In construing this instrument general words introduced by the word **other** shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word **including** shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.
- 1.5 All the provisions of this instrument are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.
- 1.6 References to the Bonds include references to all and/or any of the Bonds.
- 1.7 The headings in this instrument are inserted for convenience only and shall not affect construction or interpretation and references to a clause, schedule, condition or paragraph are (unless otherwise stated) to a clause or schedule in this instrument and to a condition or a paragraph of the relevant schedule, respectively.

2 AMOUNT OF BONDS

- 2.1 The principal amount of the Bonds constituted by this instrument is limited to £500,000.

3 DEED POLL

- 3.1 This instrument shall take effect as a deed poll for the benefit of each Bondholder from time to time and shall enure to the benefit of each Bondholder and its (and any subsequent) successors and permitted assigns, each of which shall be entitled severally to enforce the covenants by the Company set out in this instrument.

4 DESCRIPTION OF BONDS

- 4.1 The Bonds shall be known as Series B 6% fixed rate secured bonds 2018 and shall be issued in integral multiples of £5,000 by the Company, with a minimum subscription of £20,000.

5 STATUS OF BONDS

- 5.1 The Bonds when issued shall rank *pari passu* equally and rateably without discrimination or preference among themselves and as an secured obligation of the Company.

6 ACCOUNTS AND SOCIAL IMPACT REPORT

- 6.1 Within 5 months of each financial year end of the Company while the Bonds are outstanding, the Company will provide to Bondholders:

6.1.1 a copy of the Company's audited financial statements; and

6.1.2 a copy of the Company's social impact report which will provide evidenced details of the positive social impact generated through the deployment of the proceeds of the Bonds.

7 REPAYMENT OF BONDS

7.1 When the Bonds become payable in accordance with the provisions of this instrument, the Company shall pay to the Bondholders the full principal amount of the Bonds to be repaid together with any accrued interest on such Bonds (less any tax which the Company is required by law to deduct or withhold from such payment) up to and including the date of payment.

7.2 All payments under this instrument, whether of principal, interest or otherwise, shall be made by the Company to the Bondholders entitled to such payments as provided in paragraph 11 of Schedule 3.

7.3 Where any payment to a Bondholder, whether of principal, interest or otherwise, is due in accordance with the terms of this instrument on a day which is not a Business Day, payment shall take place on the next succeeding Business Day. If that next succeeding Business Day is in the month following the month in which payment would otherwise be made, payment shall take place on the immediately preceding Business Day.

8 INTEREST ON BONDS

8.1 Until the Bonds are repaid in accordance with the provisions of this instrument, interest shall accrue and be paid on the principal amount of the Bonds which are outstanding at the rate and in the manner set out in the Conditions.

9 CERTIFICATES

9.1 Each certificate for Bonds shall:

9.1.1 bear a denoting number;

9.1.2 be issued to a Bondholder as a deed, substantially in the form set out in Schedule 1; and

9.1.3 have the Conditions endorsed on it.

9.2 Each Bondholder shall be entitled to receive without charge one certificate for the Bonds registered in his name.

9.3 The Company shall not be bound to register more than four persons as the joint holders of any Bonds and, in the case of Bonds held jointly by several persons, the Company shall not be bound to issue more than one certificate. Delivery of a certificate to the person who is first named in the Register as Bondholder shall be sufficient delivery to all joint holders of the Bonds in respect of which such certificate has been delivered.

9.4 When a Bondholder redeems part only of his Bonds, the old certificate shall be cancelled and a new certificate for the balance of such Bonds shall be issued without charge.

10 REGISTER

10.1 The Company shall, at all times, keep a Register at its registered office (or at such other place as the Company may from time to time have appointed for the purpose and have notified to the Bondholders).

10.2 The Register shall contain the following details:

10.2.1 the names and addresses of the Bondholders for the time being;

10.2.2 the principal amount of the Bonds held by each Bondholder;

10.2.3 the date at which the name of each Bondholder is entered in respect of the Bonds registered in his name;

10.2.4 the date of issue of each Bond; and

10.2.5 all transfers and changes of ownership of the Bonds.

10.3 Any change of name or address by any Bondholder which is notified to the Company at its registered office address above shall be entered in the Register.

10.4 Any Bondholder may at all reasonable times during office hours and on reasonable notice inspect, and take copies of, the Register.

11 SECURITY

- 11.1 Subject to clause 11.2 below, the Company may not at any time charge, assign or otherwise create encumbrances over all or any part of its assets to secure obligations to any person, without prior consent by a Special Resolution of both the Bondholders and the holders of the Series A 2018 Bonds.
- 11.2 The Company may at any time and without consulting with the Bondholders or obtaining any Bondholder's consent, charge, assign or otherwise create encumbrances over all or any part of its assets to secure obligations to the holders of the Series A 2018 Bonds (such security to rank ahead of the Debenture).

12 NO SET-OFF

- 12.1 Payments of principal and interest under this instrument shall be paid by the Company to the Bondholders, and the Bonds shall be transferable in accordance with the provisions of Schedule 2, without any deduction or withholding (whether in respect of any set-off, counterclaim, duties, taxes or otherwise whatsoever) unless the deduction or withholding is required by law.

13 MEETINGS OF BONDHOLDERS

- 13.1 The provisions for meetings of the Bondholders set out in Schedule 4 shall be deemed to be incorporated in this instrument and shall be binding on the Company and the Bondholders and on all persons claiming through or under them respectively.

14 ENFORCEMENT

- 14.1 From and after the date of this instrument and so long as any amount is payable by the Company in respect of the Bonds, the Company undertakes that it shall duly perform and observe the obligations on its part contained in this instrument.
- 14.2 The Bonds shall be held subject to and with the benefit of the provisions of this instrument, the Conditions and the schedules (all of which shall be deemed to be incorporated in this instrument). All such provisions shall be binding on the Company and the Bondholders and all persons claiming through or under them respectively, and shall enure for the benefit of all Bondholders.
- 14.3 Each Bondholder shall be entitled to sue for the performance and observance of the provisions of this instrument so far as his holding of Bonds is concerned. No other person shall have any right to enforce any term or condition of this instrument under the Contracts (Rights of Third Parties) Act 1999.

15 COMMUNITY INVESTMENT TAX RELIEF

- 15.1 The Company and the Bondholder shall respectively complete such forms, returns and documentation as are necessary for the Bonds to be eligible for CITR.
- 15.2 Subject to the Bondholder complying with its obligations in clause 15.1, the Company shall upon request by the Bondholder, issue the Bondholder with a tax certificate in the prescribed form for the purposes of CITR.

16 MODIFICATION

- 16.1 The provisions of this instrument and the Conditions and the rights of the Bondholders may from time to time be modified, abrogated or compromised in any respect (including in any manner set out in paragraph 16.1 of Schedule 4) with the sanction of a Special Resolution and with the consent of the Company.

17 GOVERNING LAW AND JURISDICTION

- 17.1 This instrument and the Bonds and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.
- 17.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this instrument or any Bond or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

SCHEDULE 1

FORM OF BOND

Certificate No

Date of Issue

.....

Midlands Together Community Interest Company
Series B £500,000 6% Fixed Rate Secured Bonds 2018

Created and issued pursuant to a resolution of the board of directors of the Company passed on [•] July 2013.

THIS IS TO CERTIFY THAT [NAME OF BONDHOLDER] is the registered holder of £[AMOUNT] of the £500,000 6% fixed rate secured bonds 2018 constituted by an instrument entered into by the Company on [•] July 2013 (**Instrument**). Such Bonds are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed hereon.

The Bonds are repayable in accordance with Condition 1.

This Certificate must be surrendered before any transfer, whether of the whole or any part of the Bonds comprised in it, can be registered or any new certificate issued in exchange.

Any change of address of the Bondholder(s) must be notified in writing signed by the Bondholder(s) to the Company at its registered office from time to time.

All or some of the Bonds are transferable in accordance with the terms of the Conditions.

Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions endorsed hereon.

The Bonds and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

This Certificate has been executed as a deed and is delivered and takes effect on its date of issue stated at the beginning of it

Signed as a deed by **Midlands Together Community Interest Company** acting by a director in the presence of:

Signature of Director

Name of director

.....

Signature of witness

.....

Name of witness

.....

Address

.....

Occupation

.....

SCHEDULE 2

THE CONDITIONS

1 REPAYMENT

- 1.1 On the Repayment Date for the Bonds, the Company shall redeem the principal amount of Bonds issued. Any redemption of the Bonds under this Condition 1 shall be made pro rata to the holdings of all Bondholders, together with accrued and unpaid interest (less any tax required by law to be deducted or withheld from such payment) accrued on the relevant Bonds up to (and including) the date of such repayment by the Company.

2 CANCELLATION

- 2.1 All Bonds repaid, prepaid or purchased by the Company shall be cancelled and the Company shall not re-issue the same.

3 PAYMENT OF INTEREST

- 3.1 Until the Bonds are repaid in accordance with these Conditions, interest on the principal amount of the Bonds outstanding from time to time shall accrue at the rate of 6% per annum.
- 3.2 Subject to Condition 3.4, the Company shall pay accrued interest in cash (less any tax required by law to be deducted or withheld from such payment), half yearly in arrears to the persons who were registered as Bondholders at the close of business on the relevant Interest Payment Date and when applicable the Repayment Date.
- 3.3 The first Interest Payment Date shall be 30 April 2014 and all interest from the Issue Date shall be rolled up and paid on 30 April 2014.
- 3.4 Interest shall be calculated on the basis of the actual number of days elapsed in the relevant period and a 365 day year.
- 3.5 If the Company fails to pay any amount of interest or principal on any Bond when such amount is due, interest at the rate applicable under these Conditions plus 1% per annum shall accrue on the unpaid amount from the due date until the date of payment.
- 3.6 Interest on any Bonds repaid by the Company in accordance with these Conditions shall cease to accrue as from the date of such repayment.

4 DEALINGS

- 4.1 The Bonds shall not be capable of being dealt in or on any stock exchange in the United Kingdom or elsewhere and no application has been or shall be made to any stock exchange for permission to deal in or for an official or other quotation for the Bonds.

5 NOTICES

- 5.1 Any Bondholder described in the Register as being at an address outside the United Kingdom but who shall from time to time give to the Company either an address within the United Kingdom or an email address at which any notice may be served upon him shall be entitled to have notice served on him at such address or email address instead of at his address outside of the United Kingdom.

SCHEDULE 3

PROVISIONS AS TO REGISTRATION, TRANSFER AND OTHER MATTERS

1 RECOGNITION OF BONDHOLDER AS ABSOLUTE OWNER

- 1.1 The Company shall recognise as absolute owner the registered holder of any Bonds. The Company shall not (except as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Bonds may be subject. The receipt of the registered holder for the time being of any Bonds or, in the case of joint registered holders, the receipt of any of them, for the principal payable in respect of such Bonds and for the interest from time to time accruing due in respect of such Bonds or for any other moneys payable in respect of such Bonds shall be a good discharge to the Company notwithstanding any notice it may have (whether express or otherwise) of the right, title, interest or claim of any other person to or in such Bonds, interest or moneys. The Company shall not be bound to enter any notice of any express, implied or constructive trust on the Register in respect of any Bonds.

2 TRANSFERABILITY OF BONDS

- 2.1 Subject to paragraph 2.2, the Bonds are transferable by instrument in writing in the usual common form (or in such other form as the directors of the Company may approve) in multiples of £5,000, with a minimum amount to be transferred of £20,000. There shall not be included in any instrument of transfer any Bonds other than the Bonds constituted by this instrument.
- 2.2 It is the responsibility of any Bondholder outside the UK wishing to transfer Bonds and of prospective transferee of Bonds to satisfy themselves as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any transfer or other taxes required to be paid in such territory.
- 2.3 The Bonds have not been and will not be registered under the applicable securities laws of the United States or Canada and may not be transferred or offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada.

3 EXECUTION OF TRANSFERS

- 3.1 Every instrument of transfer shall be duly signed by or on behalf of the transferor and the transferor shall be deemed to remain the owner of the Bonds to be transferred until the transferee's name is entered in the Register in respect of such Bonds.

4 REGISTRATION OF TRANSFERS

- 4.1 Every instrument of transfer shall be left for registration at the address where the Register is maintained for the time being (as referred to in clause 4 of this instrument) accompanied by the certificate(s) for the Bonds to be transferred, together with such other evidence as the directors or other officers of the Company authorised to deal with the transfers may require to prove the title of the transferor or his right to transfer the Bonds and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so. All instruments of transfer which are registered shall be retained by the Company.
- 4.2 The directors shall be entitled to refuse to register the transfer of Bonds unless:
- (a) the fees due under paragraph 5 have been paid; and
 - (b) any confirmation reasonably required from the Company's board as to the ability of a non-UK applicant to transfer or accept the transfer of Bonds (e.g. written confirmation from any Bondholder's or prospective transferees legal advisers).

5 FEES FOR REGISTRATION OF TRANSFERS

- 5.1 Subject to paragraph 5.2, a fee of £50 per transfer shall be payable to the Company to cover the administration costs connected with the transfer. This fee may be paid by the transferor or the transferee and in default of agreement between the transferor and the transferee, the fee shall be paid by the transferee.
- 5.2 No fee shall be payable upon the transmission of Bonds. No fee shall be payable for the registration of any confirmation, probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any Bonds or for making any entry in the Register relating to or affecting the title to any Bonds (apart from on a transfer of Bonds).

6 RECOGNITION OF PERSONAL REPRESENTATIVES

- 6.1 The executors or administrators of a deceased Bondholder (not being one of several joint registered holders) and in the case of the death of one or more of several joint registered holders the survivor or survivors of such joint registered holders, shall be the only person or persons recognised by the Company as having any title to such Bonds.

7 TRANSMISSION OF BONDS

- 7.1 Any person who becomes entitled to any of the Bonds as a result of the death or bankruptcy of any Bondholder, or of any other event giving rise to the transmission of such Bonds by operation of law may, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title as the Directors shall think sufficient, be registered himself as the holder of such Bonds or, subject to the preceding Conditions as to transfer, may transfer such Bonds. The Company may retain any payments paid upon any such Bonds which any person under this provision is entitled to, until such person is registered as the holder of such Bonds or has duly transferred the Bonds.

8 PAYMENT OF INTEREST AND PRINCIPAL

- 8.1 The payments of principal, interest or other sums payable in respect of the Bonds may be paid by:
- (a) electronic transfer in immediately available cleared funds on the due date for payment, to the account specified for the purpose by the Bondholder or joint Bondholders in writing to the Company; or
 - (b) in the absence of such notification, by cheque, warrant or bankers' draft made payable to and sent to the registered address of the Bondholder or in the case of joint registered holders, made payable to the order of and sent to the registered address of that one of the joint registered holders who is first named on the Register or made payable to such person and sent to such address as the registered holder or all the joint registered holders may in writing direct.
- 8.2 Every such cheque, warrant or bankers' draft shall be sent on the due date for payment and may be sent through the post at the risk of the registered Bondholder or joint registered holders. Payment of the cheque, warrant or bankers' draft shall be a good discharge to the Company.
- 8.3 All payments of principal, interest or other moneys to be made by the Company shall be made after any deductions or withholdings for or on account of any present or future taxes required to be deducted or withheld from such payments.

9 RECEIPT OF JOINT HOLDERS

- 9.1 If several persons are entered in the Register as joint registered holders of any Bonds then without prejudice to the provisions of paragraph 8 the receipt of any one of such persons for any interest or principal or other moneys payable in respect of such Bonds shall be as effective a discharge to the Company as if the person signing such receipt were the sole registered holder of such Bonds.

10 REPLACEMENT OF CERTIFICATES

- 10.1 If the Certificate for any Bonds is lost, defaced or destroyed it may be renewed on such terms (if any) as to evidence and indemnity as the Directors may require. In the case of defacement the defaced Certificate shall be surrendered before the new Certificate is issued.

11 NOTICE OF BONDHOLDERS

- 11.1 Any notice or other document (including Certificates for Bonds) may be given or sent to any Bondholder by:
- (a) sending the same by post in a prepaid, first-class letter addressed to such Bondholder at his registered address in the United Kingdom or (if he has no registered address within the United Kingdom) to the address (if any) within the United Kingdom supplied by him to the Company for the giving of notice to him; or

- (b) sending the same by post in a prepaid, first class airmail letter addressed to such a Bondholder who has a registered address overseas (where such Bondholder does not have an alternative address in the United Kingdom); or
- (c) sending the same by email to an address notified by such Bondholder to the Company for the purpose of receiving notices.

11.2 In the case of joint registered holders of any Bonds a notice given to the Bondholder whose name stands first in the Register in respect of such Bonds shall be sufficient notice to all joint holders.

11.3 Notice may be given to the persons entitled to any Bonds as a result of the death or bankruptcy of any Bondholder by sending the same by post in a prepaid, first-class envelope addressed to them by name or by the title of the representative or trustees of such Bondholder at the address (if any) in the United Kingdom supplied for the purpose by such persons or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

12 NOTICE TO THE COMPANY

12.1 Any notice or other document (including Certificates for Bonds and transfers of Bonds) may be given or sent to the Company by sending the same by post in a prepaid, first-class letter addressed to the Company at its registered office for the time being.

13 SERVICE OF NOTICES

13.1 Any notice, communication or document shall be deemed to have been delivered or received as set out below:

- (a) if sent by first class post, on the second Business Day following the day on which it was posted;
- (b) if hand delivered, on the date of delivery;
- (c) if sent by airmail or by an international courier, on the tenth Business Day following the date on which it was posted or delivered to the courier company;
- (d) if sent by email, one Business Day after the email was sent, provided that a hard copy confirmation is also sent by post or airmail to the recipient in accordance with this paragraph.

13.2 In proving such delivery or receipt it shall be sufficient to prove that the relevant notice, communication or document was properly addressed, stamped and posted (by airmail, if to another country) in the United Kingdom.

SCHEDULE 4

PROVISIONS FOR MEETINGS OF THE BONDHOLDERS

1 CALLING OF MEETINGS

- 1.1 The Company may at any time and shall upon the request in writing signed by registered Bondholders together holding more than 5% by value of the Bonds for the time being outstanding convene a meeting of the Bondholders to be held at such place as the Company shall determine.
- 1.1 Any request from Bondholders for a Bondholder meeting shall state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that is proposed to be made at such a meeting.

2 NOTICE OF MEETINGS

- 2.1 At least 14 clear days' notice specifying the place, day and hour of the meeting shall be given to the Bondholders of any meeting of Bondholders in the manner provided in Schedule 2.
- 2.2 Any such notice shall specify the general nature of the business to be transacted at the meeting thereby convened but, except in the case of a resolution to be proposed as a Special Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. The omission to give notice to any Bondholder shall invalidate any resolution passed at any such meeting.

3 CHAIRMAN OF MEETINGS

- 3.1 A person nominated by the Company shall be entitled to take the chair at any such meeting and if no such nomination is made, or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Bondholders present shall choose one of their number to be Chairman. The Directors and the Secretary and legal advisers of the Company and any other person authorised in that behalf by the Directors may attend at any such meeting.

4 QUORUM AT MEETINGS

- 4.1 At any such meeting convened for any purpose, other than the passing of a Special Resolution, a person or persons holding or representing by proxy one-tenth in nominal value of the Bonds for the time being outstanding shall form a quorum for the transaction of business.
- 4.2 At any meeting convened for the purpose of passing a Special Resolution persons (at least two in number) holding or representing by proxy a clear majority in nominal value of the Bonds for the time being outstanding shall form a quorum. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the meeting.

5 ABSENCE OF QUORUM

- 5.1 If within 30 minutes from the time appointed for any meeting of the Bondholders a quorum is not present the meeting shall, if convened upon the requisition of the Bondholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 days and not more than 42 days thereafter) and to such place as may be appointed by the Chairman and at such adjourned meeting two Bondholders present in person or by proxy and entitled to vote, whatever the principal amount of the Bonds held by them, shall form a quorum.

6 ADJOURNMENT OF MEETINGS

- 6.1 The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place. No business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting from which the adjournment took place.

7 NOTICE OF ADJOURNED MEETINGS

- 7.1 Notice of any adjourned meeting at which a Special Resolution is to be submitted shall be given in the manner provided for in the instrument. Such notice shall state that two Bondholders present in person or by proxy and entitled to vote at the adjourned meeting whatever the principal amount of the Bonds held by them shall form a quorum.

8 RESOLUTION ON SHOW OF HANDS

- 8.1 Every question submitted to a meeting of Bondholders shall be decided in the first instance by a show of hands. In case of an equality of votes the Chairman shall not have a casting vote.

9 DEMAND FOR POLL

- 9.1 At any meeting of Bondholders, unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or by one or more Bondholders present in person or by proxy, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact.

10 MANNER OF TAKING POLL

- 10.1 If at any such meeting a poll is so demanded it shall be taken in such manner as the Chairman may direct. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

11 TIME FOR TAKING POLL

- 11.1 Any poll demanded at any such meeting shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

12 PERSONS ENTITLED TO VOTE

- 12.1 The registered holders of any of the Bonds or, in the case of joint holders, any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Bonds. If more than one of such joint holders be present at any meeting either personally or by proxy the vote of the senior who tenders a vote (seniority being determined by the order in which the joint holders are named in the Register) shall be accepted to the exclusion of the votes of the other joint holders.

13 INSTRUMENT APPOINTING PROXY

- 13.1 Every instrument appointing a proxy shall be in writing, signed by the appointor or his attorney or, in the case of a corporation, under its common seal, or signed by its attorney or a duly authorised officer and shall be in such form as the Directors may approve. Such instrument of proxy shall, unless the contrary is stated thereon, be valid both for an adjournment of the meeting and for the meeting to which it relates and need not be witnessed. A person appointed to act as a proxy need not be a Bondholder.

14 DEPOSIT OF INSTRUMENT APPOINTING PROXY

- 14.1 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority shall be deposited with the Company at the address where the Register is maintained for the time being (as referred to in clause 10.1) before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
- 14.2 A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Bonds in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the address where the Register is maintained for the time being (as referred to in clause 10.1 of the instrument).
- 14.3 No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

15 VOTES

- 15.1 On a show of hands every Bondholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative (not being himself a Bondholder) or by proxy shall have one vote (provided that a proxy appointed by more than one member should only have one vote or, where the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it, such proxy shall have one vote for and one vote against the resolution).
- 15.2 On a poll every Bondholder shall have one vote for every £1 in nominal amount of the Bonds of which he is the holder. A Bondholder (or a proxy or representative of a Bondholder) entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

16 POWER OF MEETINGS OF BONDHOLDERS

- 16.1 In addition to any other powers it may have, a meeting of the Bondholders may, by Special Resolution:
- (a) agree to a proposal by the Company to the variation of the interest rate payable on the Bonds;
 - (b) agree to a proposal by the Company to the increase in the amount of Bonds constituted by this instrument;
 - (c) sanction any compromise or arrangement proposed to be made between the Company and the Bondholders;
 - (d) sanction any abrogation, modification or compromise or any arrangement in respect of the rights of the Bondholders against the Company or its property whether such rights shall arise under this instrument or otherwise;
 - (e) sanction any scheme for the reconstruction of the Company or for the amalgamation of the Company with any other company;
 - (f) sanction any scheme or proposal for the sale or exchange of the Bonds for, or the conversion of the Bonds into, cash or shares, stock, debentures, debenture stock or other obligations or securities of the Company or any other company formed or to be formed, and for the appointment of a person with power on behalf of the Bondholders to execute an instrument of transfer of the Bonds held by them in favour of the person to or with whom the Bonds are to be sold or exchanged (as the case may be);
 - (g) assent to any modification or abrogation of the provisions contained in this instrument which shall be proposed by the Company and authorise the Company to execute an instrument supplemental to the instrument embodying any such modification or abrogation; and
 - (h) give any authority or sanction which under the provisions of this instrument is required to be given by Special Resolution.
- 16.2 No resolution shall be effective which would increase any obligation of the Company under this instrument or postpone the due date for payment of any principal or interest in respect of any Bond without the consent of the Company.

17 SPECIAL RESOLUTION BINDING ON ALL BONDHOLDERS

- 17.1 A Special Resolution, passed at a meeting of Bondholders duly convened and held in accordance with the provisions of this schedule, shall be binding on all the Bondholders whether or not present at such meeting and each of the Bondholders shall be bound to give effect to such Special Resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing of such Special Resolution.

18 RESOLUTIONS IN WRITING

- 18.1 A resolution in writing signed by the holders of at least 75% in nominal value of the Bonds for the time being outstanding who are for the time being entitled to receive notice of meetings in accordance with the provisions contained in the instrument shall for all purposes be as valid and effectual as a Special Resolution. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Bondholders.

19 MINUTES OF MEETINGS

- 19.1 Minutes of all resolutions and proceedings at every such meeting of the Bondholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes which purport to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings

held or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters contained in such minutes. Unless the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed at such meetings to have been duly passed.

Signed as a deed by **Midlands Together Community Interest Company** acting by a director in the presence of:

Signature of Director

Name of director

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Signature of witness

Name of witness

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Address

Occupation

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