



Earthworm™

From the ground up.



Environmental Bonds

Earthworm is an ethical investment company committed to supporting projects that we believe will have a positive social or environmental impact on the world.

The Earthworm Environmental Bonds are fixed rate, secured debt investments allowing you to lend to businesses that are changing the shape of the UK environmental sector.

With your money funding the development of environmental assets, you are helping to build a more sustainable future with the knowledge that your investment is secured against the assets of the companies developing the projects. Your money makes a return, and you make a difference.

Overview

- Investors have a choice of two bonds, Growth and Access, depending on their investment preferences in terms of target returns and timescales
- Monies raised by the bonds will be lent to infrastructure opportunities in power, waste and other sustainable businesses
- In the last 8 years we have lent £26m to a range of environmental projects and have assets under management of £85m
- These bonds are the first two in a series of bond launches with an initial target to raise £14m
- The bonds can be invested in directly, through the Earthworm IFISA or via a discretionary service provided by Goji Investment

Key features of the Earthworm Bonds:

- A fixed return of between 4.75% and 7.50% a year

You lend your money at a minimum rate of 4.75% for an initial period of three, four or five years and receive interest payments (tax-free where held in an Earthworm Innovative Finance ISA) either quarterly or, for a bonus additional 1.0%, on redemption.

- Secured by a first (or equal first) ranking charge

The money you lend is secured over all the assets of the bond issuer and its subsidiary, which include a book of loans to renewable energy and environmental companies. These loans are themselves secured with a first (or equal first) ranking charge over the land and assets being developed.

- Initial three, four or five year terms

After the initial term of either three, four or five years (depending on the Series you choose) you can leave your money earning interest, or have it returned in full.

- Tax efficient options

The Bonds can be held in the Earthworm IFISA which investors can open through the Earthworm online platform: investments.earthwormgroup.com. Investors may also be able to hold their Bonds in some SIPP and SSAS pensions which accept non-standard assets.

- Ethical investing in the environmental sector

The challenges of climate change and population growth need a response. The project companies identified by Earthworm will operate in the environmental, renewable energy and sustainable food production industries, and help to meet these challenges.

- Charitable contributions by our project companies

It is a commitment of each project or company to which we lend to apportion 10% of its profits annually to an Earthworm nominated charity, for the lifetime of the loan.

Illustrative Returns

The Group aims to provide Bondholders with the following returns over the life of the Bonds (based on a £10,000 investment and rounded to the nearest £1).

Investors have a choice of the Access Bond on a 3-year term, or the Growth Bonds on a 4 or 5-year term.

Earthworm Access Bonds

Series One Bonds (3 years)

Investment amount	£10,000
Interest amount*	4.75% p.a.
Gross interest earned p.a.	£475
Tax rate of interest deducted at source**	20%
Tax deducted at source p.a.**	£95
Net interest earned p.a.	£380
Total return if tax deducted at source	£1,140
Total return if held in an ISA***	£1,425

Earthworm Growth Bonds

Series One Bonds (4 years)

Series One Bonds (5 years)

Investment amount	£10,000	£10,000
Interest amount*	5.50% p.a.	6.50% p.a.
Gross interest earned p.a.	£550	£650
Tax rate of interest deducted at source**	20%	20%
Tax deducted at source p.a.*	£110	£130
Net interest earned p.a.	£440	£520
Total return if tax deducted at source	£1,760	£2,600
Total return if held in an ISA***	£2,200	£3,250

* Investors can elect to have their interest payments rolled up and paid on redemption and benefit from an additional 1.0% return per annum

** If you are a higher rate taxpayer, you may have further tax payable on interest.

*** If the bond is held in an Earthworm ISA, tax will not be deducted at source and no further tax will be payable on interest received. Please see the 'Tax Efficient Options' section in the Information Memorandum for more details.

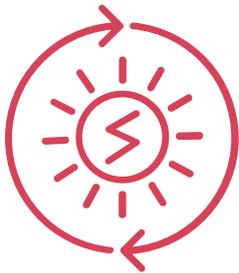
*** This calculation does not take into account the personal savings allowance of £1,000 for a basic-rate taxpayer or £500 for a higher-rate taxpayer.

Investors should note that the returns set out in the tables above are illustrative only, are not guaranteed and invested capital is at risk.

Target Sectors

Investing for the future

Over the last ten years banks have become less willing to lend to small and medium-sized UK companies. As a result, we have a wide choice of lending options to supply much needed capital to a range of environmental businesses and projects. Read on to find out more about our target sectors:

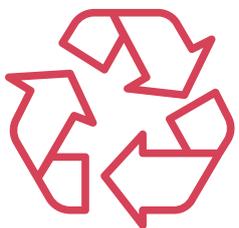


Solar

Helping the UK meet its renewable energy targets

The UK has seen significant growth in renewable energy in the last ten years. This has been borne out of the desire to reduce our reliance on finite resources, such as fossil fuels, to power our daily needs.

There remains a need, however, to substantially increase our renewable energy generation. The UK still imports a large chunk of its energy needs from Europe. Power imports actually increased by 52% in the three years to 2016. A recent forecast expects the UK to still be importing up to 20% of its overall energy needs from Europe in 2025. Now more than ever there is a need for the UK to be self-sustaining when it comes to its energy requirements, and renewable energy infrastructure can help meet this challenge.



Waste

Helping the UK meet its waste recycling targets

The UK's recycling rate has hovered around the 45% level for the last seven years. There is a target to reach a 50% recycling rate by 2020 which is going to be easily missed unless further investment is made into new waste and recycling facilities to tackle plastic, wood and biodegradable wastes.

In 2016, 26m tonnes of waste was sent to landfill with 7.7m tonnes of this being biodegradable municipal waste. Landfill tax charges are currently at record high levels, making waste collection and disposal more and more expensive for the taxpayer. The UK's waste collection strategy requires an immediate financial impetus which we intend to stimulate across all of our product range.



Reserve Power

Keeping the lights on

One of the issues surrounding renewable energy is the intermittency of its supply i.e. wind farms only generate when the wind blows and solar farms only work in daylight hours. What happens when there is no daylight and no wind? What makes this situation worse is the fact that fossil fuel powered forms of energy generation which have traditionally provided the 'base load' required for the UK are being wound down and retired.

A new industry is establishing itself which provides 'standby' power to the National Grid at times of greatest stress. These new power plants are of a smaller scale, up to 20 megawatts in most cases with facilities located around the country which can be switched on and producing energy at a moment's notice.



Food Production

Helping the UK sustainably feed its population

Climate change and population growth are having an adverse impact on the world's ability to sustainably feed itself. Over the next 30 years world agricultural production will need to increase by approximately 60% in order to meet expected population increases. At the same time, climate change continues to reduce crop yields.

There simply isn't enough farmland in the UK to support the future demand as the UK population increases to its predicted 70+ million before 2030. As such there is an urgent requirement to identify solutions to grow locally that can meet demand throughout the year.

About Earthworm



Earthworm was founded in the late 2000s, with an ethos, a model, a sketched business plan, and a very ambitious idea to build our own recycling facility. We did it, with all of the planning and regulatory hoops that came with it, we ran it, we gained a huge amount of knowledge and experience, and grew our investment portfolio to where it is today.

Where are we today?

We focus on providing a range of investments for ordinary people who want to make a difference by investing in UK-based, environmental projects. Our products are designed to deliver outstanding returns with a primary focus on making the UK as a nation better at recycling and more sustainable. We now manage £85m of investor funds and have a pipeline of deals which we will be rolling out over the coming years. Not only do we want to provide excellent returns for our growing customer base, but we also want to achieve this in the right way. To us, the right way is not about making money at any cost, it is about delivering returns, and achieving positive environmental and/or societal outcomes at the same time.

At some point society became lost in the idea of making money whatever the cost. Never has this been more obvious than in the world of banking and fund management. The idea that you can profit from someone else's misfortune without consequence has created a toxic environment justified by many as 'just business'.

Our commitment to our investors has always been that we will consider the consequences of our actions before making any investment and that there has to be a positive outcome which is more than just financial from every investment we make.

Our approach and track record

Our team has developed in-depth experience of running businesses in the recycling, waste management, power generation and renewable energy sectors, and we understand what it takes to conceive, develop, nurture and operate them.

Our approach is very hands on. We have physically operated waste and energy facilities ourselves, and we use this experience for the benefit of every project and business we support.

When we make the decision to invest in or lend to a project, we aim to support its management team to the best of our ability, making use of our own experience, knowledge and industry network with the dual aims of maximising investor returns and delivering a positive societal or environmental impact.

Included here are two examples of past deals where we have achieved successful outcomes for our investors while also helping the UK move towards higher rates of recycling and/or renewable energy production:

Past Deals



Earthworm Operations Limited

£1.15

per £1 invested

EXIT October 2016

In 2011, Earthworm Operations raised over £2m of EIS funds to build an IVC (In Vessel Composting) facility in Daventry, Northamptonshire. The project was conceived, designed and built by the company.

The facility uses vertical stainless steel composting chambers which occupy a relatively small area and are able to process mixed inputs - including food, green and wood waste. The facility is then able to generate PAS 100 compost products that can be used by a whole range of customers, from farmers to garden centres.

Earthworm Operations Limited achieved an exit on behalf of EIS investors at £1.15 for every £1 invested.



Earthworm Energy Limited

£1.30

per £1 invested

EXIT December 2017

For this project, Earthworm Energy raised £3.34 million in August 2014 to develop solar farms in the UK.

The company was able to negotiate the changing and complex regulatory frameworks created by Ofgem in order to complete the developments.

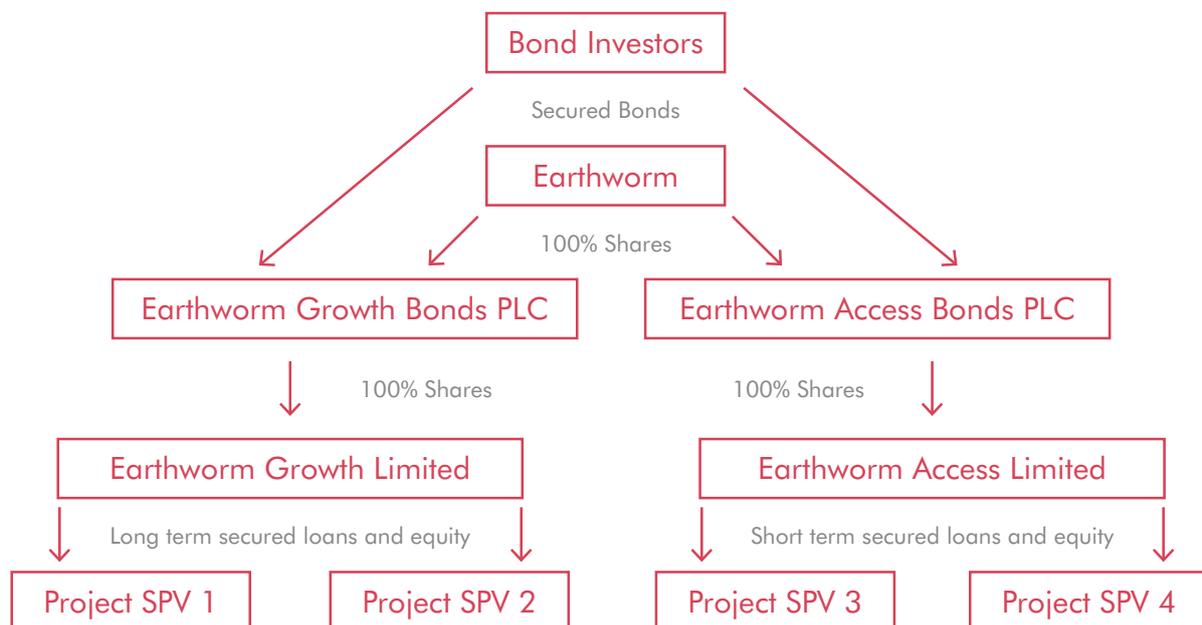
This project achieved an exit for investors at £1.30 for every £1 invested.

How we lend – The Group

Earthworm Growth Bonds plc and Earthworm Access Bonds plc (the “Issuers”) and their wholly owned subsidiaries Earthworm Growth Limited and Earthworm Access Limited (the “Lenders”) together form the “Groups”. The Groups are in the business of making secured loans to environmental project companies, sourced and originated by Earthworm, which are looking to develop UK project assets. The Lenders may take equity in the underlying projects they are loaning to in order to further support our Investors. The Issuers are owned by EW Cap Limited (“Earthworm”), who they have appointed to originate and manage lending opportunities.

Earthworm will use its experience to originate and assess development opportunities to which the Groups can lend, carry out due diligence on the developments and the counterparties, determine appropriate loan terms including interest rates and duration (subject to the oversight of the independent chairman to ensure these are on commercial terms), execute the transactions, monitor the loans during their life and deal with any issues arising in respect of repayment.

The Directors of the Issuers, particularly the independent chairman, retain responsibility for monitoring the activities of Earthworm in carrying out its management function and for ensuring that conflicts of interests are managed and Bondholders’ interests are protected.



Fundraising charges payable by the Group

The fundraising charges are made up of an initial upfront fee plus an annual monitoring charge (this excludes any adviser charges).

An upfront fee of 2% will be charged by Earthworm to the Group to cover costs associated with fundraising. A 0.75% annual administration fee will be charged to cover the costs of investor relations and administration.

Arrangement and monitoring fees payable by borrowers

The Company will charge the environmental project companies to whom the Company lends an arrangement fee of 2% and an annual monitoring fee of 0.75% of the amount borrowed.

Adviser charges

The Company can facilitate initial adviser charges provided that the Investor specifies the fee levied on the Application Form. Adviser fees are agreed between you and your financial adviser. Where you and your financial adviser have agreed an advice fee, we can facilitate this fee by deducting it from your investment when you complete your Application Form and only with your explicit instruction. For the avoidance of doubt, if you intend to invest £10,000 and have agreed to pay your adviser £300 in respect of the advice provided to you, this £300 payment can be facilitated by the Company but only £9,700 will be invested into the Bonds.

Others

In the event that Bondholders wish to sell their Bonds, other parties such as brokers may charge their own fees. Please note, there is not expected to be any liquid market for the Bonds.

Meet the Team

Robin Smeaton

Independent Chairman

Robin Smeaton has decades of experience in the corporate and investment fund services industry, having acted as chief executive of the business services arm of a merchant bank, developed a corporate and fund services business with some £1.5bn funds under administration, and 200 UK fund management clients before launching The City Partnership (UK) Ltd. As the Chairman of each Issuer and the senior representative of the Security Trustee, Robin has a dual role in safeguarding investor interests.

Ben Prior

Founder

Ben is the founder of Earthworm. He has spent over 17 years in the tax-efficient space and raised over £500m for a variety of industry leading managers. From Noble & Company in 2001 to Brewin Dolphin and co-founding RAM Capital Partners in 2007 (now one of the most successful independent fundraisers of tax-efficient products in the UK), Ben spent the best part of two decades building up his knowledge and expertise, while crystallising a vision for something a little different which became Earthworm in 2010.

Earthworm began by developing a composting facility in Daventry, Northamptonshire. Ben developed the facility from idea to operation - capitalising a £2m single EIS company in order to build and run a facility that, when completed, processed 30,000 tonnes of organic waste per-annum. Ben took this through to investor exit at £1.15 per share.

From there, he has built a fund management business with £85m under management and an experienced team across a broad range of environmental disciplines.

Mike Capewell

Non-Executive Director

Mike has a strong background in the development, monitoring and due diligence of large-scale environmental and infrastructure projects.

An experienced consultant with the firm Deloitte, he worked alongside national and international clients (including the UK Ministry of Defence, National Health Service, various UK councils, Evergreen and AstraZeneca) to assist them with major capital programmes and transformation projects. Mike provided expert resource for programme management, financial modelling of long-term projects (life span of 20-30 years), and management and tracking of capital deployment.

Following a spell with Deloitte Consulting, Mike founded his own specialist financial modelling consultancy and advised the NHS, MoD and provided due diligence on over 20 renewable energy schemes with a combined value of £65m.

Will Brocklebank

Head of Projects & Partnerships

Will is a serial entrepreneur who has 20 years' experience of raising and investing capital. Most recently Will founded Shepherd, which uses data to provide risk analytics to improve the efficiency and performance of built environment assets. In the past Will has been an investment manager for specialist US equities firm, Findlay Park, and has raised capital from leading VCs and angel investors.

He has been an expert speaker at Smart Buildings, Insurance Tech and Automation conferences and has been a Board Director, Governance Committee member and specialist advisor to two major global trade bodies. He is an alumnus of the Goldman Sachs 10kSB programme and Edinburgh University.







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