



Stockland Community Pub Limited

(a Registered Society under the Cooperative and Community Benefit Societies Act 2014)

Notes for Potential Investors August 29th 2014

Stockland Community Pub Limited ("the Society") is registered with the Financial Conduct Authority (FCA) as a Registered Society under the Cooperative and Community Benefit Societies Act 2014. This act consolidates all previous Industrial and Provident Society legislation between 1965 and 2003. We wish to purchase the Kings Arms Inn, Stockland, Honiton, Devon under the Community Right to Bid legislation.

The FCA rules state that the Society must have a standard constitutional provision requiring that benefits will not be returned to its own members, and must demonstrate that business will be conducted for the benefit of the wider community. They must also adhere to the co-operative principle of one member, one vote, regardless of contribution. Our governance rules have been sponsored by the Plunkett Foundation and have also been registered with the FCA. These rules are available for download from our website.

Features of the Governance Rules of the Society

- A minimum of 20 shareholders
- Maximum holding per person of £20,000
- Shareholders must be individuals, not couples or families - a 4 person household could apply for 4 separate holdings of up to £20,000 each, assuming they are all over 18 years.
- The shares are non-transferable but they are withdrawable, in effect by selling them back to the company
- Each shareholder has 1 vote, regardless of the number of shares held.
- The board of directors is elected by the shareholders, and are referred to as the "Management Committee". At least one third of directors must apply for re-election each year. Directors cannot be remunerated.
- A CBS cannot pay dividends
- A CBS can pay a limited amount of interest to shareholders, currently limited by regulations to 2% above the bank base rate
- The value of shares cannot increase. It is theoretically possible for withdrawable shares to go down in value if the net asset value of the society drops below the value of the share capital.
- These societies are exempt from regulation under the Financial Services and Market Act 2000 and its associated Regulatory Orders. However, the rules of the society must be registered with the Financial Conduct Authority and Prudential Regulation Authority (these bodies have replaced the Financial Services Authority).
- Investors in community benefit societies are deemed to invest for social returns - not financial gain, and therefore there is no right of complaint to the Financial Ombudsman, nor can you apply to the Financial Services Compensation Scheme.
- They provide an asset lock to protect the community: If the shareholders decide to do so, they can sell the CBS company on to a new owner. If such a sale takes place then the shareholders would receive the value of the shares they hold (i.e. they get out what they have put in). Any residual profit remaining would then have to be rolled over into another CBS.



The Stockland Community Pub

The Society wishes to buy the Kings Arms as it stands now, including the full car park, and intends to hold it as a community asset for the future. The Society and its members will not be involved in the day to day running of the pub. The Society will enter into a formal business agreement with a suitable entity/individual who will manage the pub business on a day to day basis.

Organisations such as CAMRA and *pub is the hub* will assist us in finding suitable people to run the pub. The pub operators will need to provide the kind of services that our shareholders believe will best fulfill the needs of the community.

By owning the asset we have the potential for expansion, to provide facilities such as a shop/post office, library etc. Plans for such additional facilities would form part of any agreements made between the Society and the pub operator.

Tax Relief Considerations

HMRC state that the "*Enterprise Investment Scheme (EIS) is designed to help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies.*" In order to qualify for EIS our shares would need to be 'at risk' - in effect we would have to be responsible for the management of the pub business, and for its liabilities and losses.

This is clearly not the aim of the Society, therefore potential shareholders need to be aware that EIS tax relief is not available. Nor will it be possible to claim Entrepreneurs' Relief on the shares.

Disclaimer

This document is not a formal share offer document, nor does it form any part of such an offer.

This document has been put together by the Management Committee of the Society in order to provide relevant information to potential investors. Every effort has been made to ensure that the information given herein is correct at the time of writing.

We believe that the information provided above is enough for potential investors to commit to registering their interest via our Share Pledge Form.

A formal share offer document and Business Plan will be prepared in due course, which will contain all the relevant information to enable potential investor's to arrive at an informed decision as to whether or not to follow up on their pledge to invest in the Stockland Community Pub.