



# THE SEBASTOPOL INN

## COMMUNITY PUB

### **Community Share Offer Prospectus 2017**

*Your invitation to invest in our Community Share Offer*



**Share Offer Closing date: 22<sup>nd</sup> April 2017**

**Target: £250,000**

[www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub)

## THE SHARE OFFER AT A GLANCE

### What is a community share offer?

A community share offer provides an opportunity for local people and businesses to buy into the community where the motivation and payback is more social than financial. It helps to ensure a truly local enterprise, accountable to the community whilst serving and benefitting it.

The shares you buy will make you a member of the Society, with an equal vote regardless of your shareholding. Your involvement thereafter can be as much or as little as you wish. You can vote at Annual Members Meetings, stand for election to the Management Committee, volunteer your skills or just give The Sebastopol Inn your custom.

We've already got lots of ideas, but if you become a shareholder it will be your pub too and you can help us decide how it's developed and run!

**The sale of The Sebastopol Inn, Minting is an opportunity to save an integral part of our village. We would like as many people as possible to invest in our pub to make it a successful community venture.**

<b>PROJECTED RETURN</b>	Annual interest payments – up to 2% above Base Rate or 5%, whichever is lower
<b>PRICE PER SHARE</b>	£50
<b>INVESTMENT LIMITS</b>	Minimum: £250 Maximum: £20,000
<b>SHARE OFFER TARGET TO RAISE</b>	£250,000
<b>MINIMUM VIABLE RAISE</b>	£150,000
<b>MAXIMUM VIABLE</b>	£280,000
<b>MEMBERSHIP</b>	One member, one vote – regardless of amount invested
<b>SHARE OFFER DATES</b>	Offer opens on 25 <sup>th</sup> February 2017 Offer closes on 22 <sup>nd</sup> April 2017

Buying shares makes you a member of the Society and means you can attend annual meetings and vote on important issues to do with the pub if you want to.

To invest, **please read this Prospectus carefully** and then fill out the application form at the end of this document.

You can download our Business Plan, the Society's Rules, and the Community Share Offer application form from our website: [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub)

**If we are unable to raise sufficient funds to ensure the commercial viability of the scheme we will not proceed with the purchase, and will promptly return all payments made for shares.**

## 1. INTRODUCTION

**Our vision is to buy The Sebastopol Inn for the benefit of the community and to secure its future as a thriving community pub.**

**You are invited to invest in this community share offer to help save The Sebastopol Inn.**

The Sebastopol Inn, Minting Community Pub Limited has been established and is managed by the community, for the benefit of the community. The Society has been formed to purchase The Sebastopol Inn public house in Minting to secure its future for the community. It is registered with the Financial Conduct Authority (register number 7472).

This community share offer invites you to invest in the Society so that we can buy The Sebastopol Inn and appoint a professional tenant with the experience and skills to run the pub as a profitable and thriving business for the benefit of the community and other users. We will set a fair rent and agree a lease with the tenant who will run the pub as a free house.

A total of £280,000 is needed to purchase the pub, carry out initial repairs and improvements, and appoint a tenant. We aim to raise as much of this as possible through this share offer.

The price per share is £50, and the minimum shareholding will be five shares (i.e. £250 minimum investment).

We invite anyone with an interest in saving a community pub to help secure the future of The Sebastopol Inn.

### **Important information**

This document details and contains an invitation to subscribe for shares in The Sebastopol Inn, Minting Community Pub Limited, which exists for the benefit of the community. The Society will generate income by receiving rent from the tenant of The Sebastopol Inn public house in Minting. For the purposes of this document reference to the above named company will be termed as the 'Society'.

### ***THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR CAREFUL ATTENTION.***

It should be read in its entirety. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice.

You should appreciate that any investment you make is recognition of your support for the work of The Sebastopol Inn, Minting Community Pub Limited, and accordingly a subscription for shares should primarily be regarded as an investment for social purposes rather than one which will produce a significant financial return.

You should be aware that as an investor you will not have access to the Financial Ombudsman Service (FOS) or the Financial Services Compensation Scheme (FSCS).

Nothing in this document constitutes investment, tax, legal or other advice by The Sebastopol Inn, Minting Community Pub Limited, its management committee or advisers.

### **Accuracy of information**

The Society and its Management Committee accepts responsibility for the information contained in this document. We have taken all reasonable care to ensure that the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance.

## **2. THE PROPOSAL**

### **2.1 The opportunity**

The Sebastopol Inn has been a thriving pub in the past, attracting custom from Minting and more widely across the region, with a deserved reputation for good food.

The pub is now being sold by its current owners and is on the market for £295,000 (freehold).

Our objective is to have a friendly and welcoming village pub that serves local beers, good wine, soft drinks, and sensibly priced freshly prepared food.

**This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members, other users of the pub, and future generations.**

### **2.2 Business viability**

If we are successful in purchasing the pub we will select a tenant to run the licensed business. The tenant will pay an affordable but realistic rent to the Society, and the rent will be set at a level that gives the tenant the opportunity and incentive to run a thriving pub business.

We will use the rental income to maintain and improve the property, to repay any loans we take out, and funds permitting to pay a modest interest to shareholders, and to fund the withdrawal of shares from time to time.

A detailed business plan has been prepared that can be downloaded from the Society's website [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub). **It is important that you read the business plan when considering whether to invest in shares.**

We firmly believe that the business will be profitable, but in the unlikely event that it is not, the Society will own a valuable asset — i.e. the building and land associated with it — which could be sold in order to return funds to investors. Your investment is in the building and land — the bricks and mortar — not the licensed business.

We have received valuable advice and support from a variety of organisations including the Plunkett Foundation and other successful community pubs such as The Angler's Rest in Bamford.

### 2.3 The Sebastopol Inn — operating model

We have decided to let the pub to tenants rather than appoint a manager or run the pub ourselves as volunteers. The advantage of this arrangement for the Society is that the tenant carries all the business risk. The attraction for the tenant is that they will benefit directly from a more profitable business, and will therefore have every incentive to ensure that the business thrives and grows.

**Selecting the right tenant will be absolutely critical in ensuring the success and long-term future of the pub.**

We will not micro-manage the tenant. They will be responsible for marketing and running the pub, although we will of course provide whatever support and assistance we can. We will ensure through the selection process that the successful tenant is in tune with the ethos of the Society and our aims.

From the positive experience of community pubs that we have consulted with, such as the George & Dragon at Hudswell, and their offers to help with the appointment process, we are confident that we will be able to appoint an experienced tenant who can market and build the business, resulting in a thriving and sustainable community pub.

#### **Key success factors**

The key factors that will contribute to our success are:

- Setting an **affordable rent** and operating the pub as a **free house**.
- Re-establishing a successful **restaurant**. The pub will only succeed with a restaurant that people are prepared to travel to.
- Re-marketing the B&B annexed to the pub in conjunction with the tenant.
- Agreeing a lease with an **enthusiastic and committed tenant** who knows how to run a successful pub business.
- **Community involvement** in the Society to manage, maintain and improve the property, and to ensure community support for, and input into, the future success of the pub.
- Investing any surplus profits **in improving the pub and its facilities** for the benefit of the community, and paying a modest level of interest to shareholders.

### 2.4 Current condition

Our October 2016 valuation report states that the interior is in “an excellent condition” and the exterior is in “a good condition”. However, we have budgeted a reasonable amount for modest improvements and initial repairs should any be identified, and our offer to purchase will be subject to the satisfactory outcome of a condition survey.

### 2.5 Community benefits

The pub is an important amenity for Minting and nearby villages. A community purchase will enable our community to secure and safeguard the pub for the foreseeable future.

This represents a fantastic opportunity for Minting and nearby villages to strengthen the vibrancy and sustainability of our community. Community purchase would have many benefits, including:

- maintaining a place to meet friends and neighbours and improving the sense of community;
- providing a central point for information on community events and local issues;
- ensuring the ongoing maintenance and sustainability of this important historic building in the centre of the village;
- creating opportunities for local employment;

- injecting money into the local economy;
- providing a hospitality venue for local groups and tourists;
- helping to sustain local property prices; and
- potentially providing additional community services.

The community-owned Sebastopol Inn will continue to offer employment to local people (e.g. kitchen and waiting staff), including valuable learning opportunities for young people who take on short-term employment in school and college holidays.

**Potential added amenities:**

1. **Shop:** we have discussed the possibility in having a local drop-in or online ordering facility within the pub to sell local produce such as meat, cheese, honey, etc. These could be ordered and collected at the pub.
2. **Additional amenities:** A community pub can offer simple but valuable amenities such as darts, pool and dominoes.
3. **Aspirational future amenities:** Although clearly for the future, and only when the core pub business and extended amenities are established successfully, interest has been expressed in potentially providing a small caravan park, café, internet services and book exchange.

## 2.6 Fundraising target

Based on the valuation figure for the pub of £250,000 we estimate that we need to raise approximately **£280,000** to purchase the pub and cover associated costs.

Our intention is to finance the purchase as far as possible through this share offer, so **our aim is to raise the full £280,000.**

Other sources of funding such as grants are being pursued but as these cannot be guaranteed we have not relied on them in our budgeting. Any grants we receive will be used to reduce any loan capital required or enhance the facilities of the premises.

In summary, the Society's funding model is as follows:

- **Community Share Offer**  
The minimum we need to raise from this share offer in order to proceed or extend share financing is £150,000. The better the community take-up of shares the less we will be dependent on commercial loan funding.
- **Commercial Loans**  
The business plan assumes that all capital is raised via the share launch and currently makes no provision for loan capital requirements.
- **Grants**  
Our business plan has excluded grant funding as the success of any application cannot be guaranteed.
- **Donations**  
We will of course welcome donations from individuals or organisations. Donations will not form part of our share capital and will not be refundable (although in the event that we are unsuccessful in purchasing The Sebastopol Inn we intend to return any donations received).

**If we are unable to raise sufficient funds to ensure the commercial viability of the scheme we will not proceed with the purchase, and will promptly return all payments made for shares.**

### 3. FINANCIAL FORECAST

The Society's financial forecast has been developed based on our knowledge of the previous trading history of The Sebastopol Inn. As with all forecasts there can be no guarantee of future performance.

The core economics of the Society's business as a property owner revolve around the primary source of income (rent from the tenant) vs. outgoings (building maintenance, shareholder interest, and other overheads). In addition, we need to build a reserve over time in case members need to withdraw their shares, and to provide for property improvements to support business growth.

Our financial forecasts for Years 1 to 3 are set out below in the Profit and Loss and Cash Flow forecasts. These forecasts are our best estimates at the current time on the basis of a set of conservative assumptions.

#### Key assumptions:

- Property was valued at £250,000 in an independent valuation dated October 2016
- Total initial capital required will be approximately £280,000 to cover the purchase price, associated expenses, and to provide sufficient initial working capital
- Grant funding has not been assumed
- The minimum investment term will be three years, i.e. that is the earliest time from which share withdrawals will be permitted
- If our performance permits, interest will be payable to shareholders. Cash flow forecasts indicate a level of 2.25% in years 2 and 3 with a reduced rate of 50% of this interest rate in year 1.

In forecasting our rental income we have modelled what we think are reasonable assumptions of the pub's likely turnover based on its trading history over the last few years, and on the expectation that the right tenant will be able to grow the business significantly from its current levels of trade.

**Profit & Loss forecast**

			2017-2018	2018-2019	2019-2020	
			Total	Total	Total	Assumptions
Income	Rent		12,800	15,000	15,000	£150k t/o @10% - stepped in for tenant in yr 1 & inc B&B room
	Misc income		1,350	2,800	2,800	caravan/shop/events
	<b>Total</b>		<b>14,150</b>	<b>17,800</b>	<b>17,800</b>	
Costs	legal fees & professional survey		4,000	500	500	legal fees to include tenancy agreement & prof fee for survey
	Repairs + Improvements		5,500	10,000	4,000	£5000 to property & £500 for Caravan site in yr 1, then 10k to inc windows in yr 2 and then 5k thereafter
	Accountancy fee		1,000	1,000	1,000	
	Insurance		2,500	2,500	2,500	
	other expenses		2,500	1,000	1,000	advertising (to include job advert for tenant in yr 1), postage, stationery, etc.
	Bank charges		0	0	50	No account charges in yr 1 & 2
	Depreciation		100	100	100	
	Tax		0	0	540	
	<b>Total</b>		<b>15,600</b>	<b>15,100</b>	<b>9,690</b>	
	Profit/loss before dividend payment		-1,450	2,700	8,110	



**Cash flow forecast**

**Annual Summary based on 280K community funds raised**

**Annual Summary based on purchase price of £250,000**

			2017-2018	2018-2019	2019-2020	
			Total	Total	Total	Assumptions
Income	Rent		12,800	15,000	15,000	£150k t/o @10% -stepped in for tenant in yr 1 & inc B&B room
	Grants		0	0	0	
	Community shares		280,000	0	0	
	Caravan park		1,100	2,250	2,250	£15/night x 3 sites x 50 nights concentrated on summer
	Internet shop		250	600	600	management fee for operation
	VAT reclaim					
	<b>Total</b>		<b>294,150</b>	<b>17,850</b>	<b>17,850</b>	
Costs	Purchase price		250,000	0	0	
	Stamp duty + surveyors, etc.		8,000	0	0	Inc professional survey
	Interest costs		0	0	0	No loan facilities
	legal fees		2,000	500	500	legal fees to include tenancy agreement
	Repairs + Improvements		5,500	10,000	4,000	£5000 to property & £500 for Caravan site in yr 1, then 10k to inc windows in yr 2 and then 5k thereafter
	Accountancy fee		1,000	1,000	1,000	
	Insurance		2,500	2,500	2,500	
	other expenses		2,500	1,000	1,000	to include job advert for tenant in yr 1
	Dividends		3,150	6,300	6,300	280k @2.25%=6300 but 50% payment in yr 1

The Sebastopol Inn, Minting Community Pub Limited – Share offer

	Bank charges	0	0	50	No account charges in yr 1 & 2 but o/d set up if VAT on purchase
	VAT				
	<b>Total</b>	<b>274,650</b>	<b>21,300</b>	<b>15,890</b>	
	Annual CFF	19,500	-3,450	1,960	
	Bank Balance at year end	19,500	16,050	18,010	

## 4. THE SEBASTOPOL INN, MINTING COMMUNITY PUB LIMITED

The Sebastopol Inn, Minting Community Pub Limited is a Community Benefit Society that has been formed to purchase The Sebastopol Inn and secure its future for the benefit of the community. It is a limited liability legal entity under the terms of the Co-operative and Community Benefit Societies Act 2014, and is registered with the Financial Conduct Authority (FCA) Registration No. 7472.

Community benefit societies are by law intended to be democratic organisations, and all members will have an equal vote, regardless of the size of their shareholding, and will have the protection of limited liability.

The rules of the Society include a statutory asset lock. This means that if the Society is wound up or dissolved its assets can only be used to pay creditors and repay shareholders the nominal value of their shares, and any remaining surplus has to be used for the benefit of the community. This effectively means that the shares will not increase in value.

A copy of the Rules of the Society can be found on our website [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub) or they can be requested from Sarah Smith.

**The Rules are important. They define your rights as a member; please read them if you wish to invest. .**

### 4.1 Who runs the Society?

The Society is run by its Management Committee and is answerable to the members. The initial members of the Management Committee will remain in place until the first Annual Members Meeting which will elect a new Management Committee, and thereafter members will stand for election in rotation. The first annual members meeting will be held within the first 6 months of the new financial year after the purchase has been completed.

The initial Committee is as follows:

- **Ken Smith (Chairman)**

Ken moved to Grundy's Lane in Minting in August 2015. He was involved with the Working Group and wants to see the project succeed for the benefit of our communities. He is enthusiastic and willing to lead the group to explore all possibilities and achieve a successful outcome. Ken retired after working in the Steel Industry for over 40 years as production manager. He has leadership, decision making, influencing, negotiating, training and succession planning skills and experience.

- **Andrew Price (Treasurer)**

Andrew is a local farmer who has lived in Minting for 35 years. He has 3 sons. He considers that the Pub is the centre of a community and is looking forward to developing alternative incomes to be earned from the property. At one time he owned the Midge Inn, and therefore has experience of pub finance. One of his sons also worked in The Sebastopol Inn. Andrew has worked in commercial banking for 12 years and has experience of business planning and strategic financial management.

- **Sarah Smith (Secretary)**

Sarah has lived in Minting since 2015. She coordinates the Working Group and is happy to take the Management Committee forward in the first year as a bridge. She has the time and enthusiasm to invest in getting the project up and running. A retired Chartered Mechanical Engineer, Sarah worked in the Steel Industry for 35 years in manufacturing, project and functional management roles, leading and managing change, corporate policy and business development, legal compliance and budget control.

- **Fred Wych (Vice Chairman)**

Fred has lived in the area all his life. He considers it is imperative for the village to keep the pub. He is passionate that everyone should get involved and will do all he can to help. Fred is a self-employed worker with practical skills to offer. Fred can offer an alternative way of looking at things.

- **Paul Bury**

Paul has lived on Mill Lane in Minting for 16 years. He has plenty of ideas and enthusiasm and was an active member of the Working Group. He is a Yorkshire farmer's son who now works as a Plant Scientist-Researcher. He regards the pub as a key asset that is important to our rural community. His aim is to double the number of potential investors from those who initially expressed an interest in order to ensure that sufficient capital is raised to purchase and re-open the Sebastopol Inn.

- **Stuart Taylor**

Stuart has lived in Minting for four and a half years and in Lincoln all his life. He is keen to get the pub back open. Stuart has experience of running a pub for several years and has worked as an assistant manager in business. He has a good knowledge of social media and its potential as a marketing tool.

- **Vicky Brown**

Vicki has lived on Church Lane in Minting for 5 years. She is keen to develop the community side of pub and believes that the Pub and Village Hall can work together. Vicki worked in the NHS in London before moving to the area. She is currently the Parish Clerk and is also on Committee of Minting Village Hall. She has administration, finance and budget control skills. Vicki can provide effective links to the Heritage Committee, Gardening Club, and Gautby Village Hall. She has been successful in securing grant funding for projects and is experienced on social media.

- **Tom Price**

Tom has lived locally his entire life. Has worked for a local solicitor in the residential conveyancing department and has recently moved onto commercial property and agriculture. In addition to his technical skills, he is able to offer a younger point of view to the management committee.

- **Ed Morton**

Ed has lived on Lodge Lane, Minting for around 24 years. Both of his children have previously worked at the pub which provided a great way for local people to get into work. He considers that the Sebastopol is the centre of the village and that we need to preserve it for the community. Ed has run a limited company since 2003 (self-employed initially in 1996). He has plenty of practical skills and experience and has previously carried out some work on The Sebastopol Inn.

- **Janice Boulton**

Janice has lived in Sturton Lane since 2007. She moved to Lincolnshire from Brighton. Janice worked in the financial services industry where she was a self-employed advisor until retirement. Although living on periphery of Baumber, Minting is where she tends to socialise. Janice is happy to help out with voluntary elements of the pub and things that would help the community. She is keen to have other daytime things going on in the pub, and expand the offer from the pub and environs.

- **Kristy Hill**

Kristy has lived in Lincolnshire all her life and for the last 6 years at Austacre Farm, Gautby. She has two young children and works part time as a legal secretary. She is the General Secretary of the Lincoln Camera Club. Kristy also runs her own network marketing business through Facebook so has experience with social media and with setting up and running a small business page. Her ambition to own her own pub could be fulfilled by having a share in a community pub.

- **Henry Padfield**

Henry lives and operates his award winning farm shop business at Minting Park Farm. He has experience of retail and as a previous supplier to the Sebastopol Inn has an insight into how the pub operated. He is willing to help with his experience/expertise as required.

## **4.2 What does the Management Committee do?**

The Management Committee is responsible for managing the affairs of the Society in exactly the same way that a board of directors is responsible for managing the affairs of a limited company, and has similar legal responsibilities. Specifically, the Management Committee will:

- Organise and supervise the purchase of the pub and any refurbishment works
- Appoint the tenant
- Monitor and manage the Society's financial affairs for the benefit of the community
- Oversee the lease and manage the relationship between the Society and the tenant
- Appoint new tenants should that be necessary
- Ensure that the Society complies with all applicable regulations

## **4.3 What will the members do?**

Purchase of shares will confer membership of the Society, giving you as a member control over the business through the annual election of a Management Committee and voting rights on significant matters affecting the Society's business. Each member has one vote regardless of how many shares they hold.

Members elect the Management Committee at the Annual Members Meeting, and can themselves be elected onto the Management Committee.

All members will be provided with an Annual Report, which will set out details of the operation of the Society and how it has developed its activities over the previous year and which will include a copy of the accounts.

The Rules also provide for a number of other ways in which the membership may hold the Management Committee accountable for the running of the Society, including the calling of a special general meeting if required.

## **4.4 Data confidentiality**

The Society adheres to the principles of the Data Protection Act, even though it is exempt from registration with the Information Commissioner as a not-for-profit organisation, and will use and process personal data only for the purposes of the Society.

We will keep your personal information secure and up to date, and will:

- only use it for the purposes for which it was gathered, and
- not keep it longer than necessary

Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the Society, and for communicating with members. We will not share any members' personal information (names, addresses, phone numbers, etc.) with third parties.

Members' financial information, such as amounts invested, share classes purchased, and interest paid will be treated as strictly confidential, and will not be shared even within the Management Committee except as necessary for managing the Society (e.g. when making decisions about whether withdrawal requests can be funded).

# **5. THE SHARE OFFER**

## **5.1 What's in it for me?**

This is not just about buying a pub — it is about helping to sustain the community. There will be limited financial reward — this is about investing in the future of the community and ensuring The Sebastopol Inn is run for the good of Minting and nearby villages, for us now and for future generations.

In addition you may earn interest and your liability will be limited. What you won't get is windfall profits, any increase in share value, or government backed guarantees.

### **The social return**

The main point of the exercise is to create a thriving and sustainable community pub and to provide the additional community benefits described above.

This is not an exercise to generate large profits for the members. It is all about putting The Sebastopol Inn on a viable, long-term, sustainable footing and securing its future. The primary return on your investment will therefore be the existence of a convivial welcoming village pub.

The Society's Rules include a legally binding asset lock. This ensures that any surplus earnings remaining after it has paid interest to its shareholders and repaid any capital which is withdrawn must either be reinvested in the business or used for the benefit of the local community or for another charitable or community cause. The Management Committee and members will not benefit in any other way from the activities of the Society.

### **Interest payments**

Once the business is running successfully and has sufficient surpluses, the Society will pay a modest level of interest to shareholders at a rate to be recommended by the Management Committee and voted on at the Annual Members Meeting. Our Rules specify that the interest rate we can pay will be up to 2% above the Bank of England base rate or 5%, whichever is lower.

The introduction of the Personal Savings Allowance (PSA) in April 2016 means that if you are a basic rate (20%) tax payer you are allowed to earn up to £1,000 interest per year tax-free. Higher rate (40%) tax payers can earn up to £500 tax-free. The PSA does not apply to top rate (45% and above) tax payers. This means that interest the Society pays to shareholders may be tax-free, depending on your personal circumstances.

**Any interest from the Society will be paid gross. If applicable, you will be responsible for declaring this income to HMRC.**

### **Limited liability**

The Society is a limited liability entity. The most you could lose is your initial investment (though we believe that this is highly unlikely). You will not be liable for activities of the tenant — for example, if they run up huge bills and then disappear.

### **What you won't get:**

- **Windfall profits**

If the pub was to cease trading and be sold for residential use, the asset lock will ensure that any surplus (after paying creditors and repaying share capital) must be used for the benefit of the community. Any investment should therefore be considered an opportunity to contribute financially to the community, with the specific goal of helping to keep the pub open, rather than receiving a substantial financial reward.

- **Increase in share value**

The value of shares will remain constant. They cannot be sold or transferred and can only be withdrawn for their face value. This will not be an investment that increases in value.

- **Investment guarantees**

Our share offer is exempt from the Financial Services and Markets Act 2000 and subsidiary regulations. This means that there is no right of complaint to an ombudsman. A community Pub is registered with, but not authorised by, the Financial Conduct Authority and therefore the money paid for shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the

whole of your investment could carry a risk, please consider it carefully and, if necessary seek independent financial advice.

- **Tax relief**

Unfortunately the government's Enterprise Investment Scheme (EIS) and Social Investment Tax Relief (SITR), which give individuals the ability to claim tax relief on qualifying investments, are not applicable as our primary activity (property rental to a tenant) falls outside the list of currently eligible activities.

## **5.2 What are the potential risks?**

Buying any type of shares involves risk. Community Shares can't go up in value, but they can go down if the Society is making losses. As a shareholder you could lose some or all of the money you invest. You should only take these risks with money you can afford to lose.

Although it is not possible to foresee all possible adverse outcomes for investors there are a number which it is reasonable for the Management Committee to guard against:

### **Loss of some or all of your investment**

As a member and shareholder of The Sebastopol Inn, Minting Community Pub you will be a part-owner of the Society and The Sebastopol Inn pub. If the Society is unable to meet its debts and other liabilities you could, in principle, lose some or all of your investment held in shares. We think this is a very unlikely outcome because:

- We have obtained an independent valuation on which we are basing our offer
- We will be commissioning a condition survey before proceeding with the purchase
- Our solicitors will ensure that we have good legal title before we proceed
- The Society is responsible for the property, not the pub business itself (which is solely the tenant's responsibility)
- In the last resort, if the property had to be sold for residential use, its likely value would considerably exceed its price as a pub

### **Not be able to withdraw shares**

The Rules permit withdrawals after three years (except in the case of death or bankruptcy), and at the sole discretion of the Management Committee. Thereafter, if a large number of members wanted to withdraw their shares in a particular year, then there may not be sufficient funds available. In that circumstance, withdrawals will be made in the order in which applications are received, and the full amount requested may not be available. The maximum allowable withdrawal within one year will be £10,000. This will be reviewed annually.

### **No financial returns**

It is possible that in the event of poor trading performance or unexpected outgoings, the Society would not have enough surplus funds to pay interest to members.

### **Financial fraud**

We believe the risk of financial fraud is very low:

- the Society will not itself be trading as a pub; and
- at least two signatures are required for bank transactions.

### 5.3 Investment FAQs

**Q. What will you do if you don't raise sufficient finance through the community share offer?**

A. Depending on the size of any shortfall and the outcome of negotiations with the current owners, we may take out a commercial loan. Should this be the case we will amend our financial forecasts accordingly.

**Q. What happens to my investment if the purchase doesn't happen?**

A. All money received for shares will be returned promptly.

**Q. Are joint applications allowed?**

A. Yes. However you should note that only the first named investor on the application form will be a member of the Society with voting rights. If, for example, a couple would both like to be members then each person should make a separate application.

**Q. Can I invest on behalf of my children or grandchildren?**

A. Yes, so long as you are a member in your own right, and provided the total amount invested does not exceed the maximum investment amount. You will only have one vote, as is the case for any member. The shares can be transferred to them as soon as they reach 18 years of age. Just complete the relevant section on Page 2 of the application form.

**Q. What happens to my shares if I die?**

A. You can choose one of three outcomes:

1. your shares will form part of your inheritance and can be transferred under the terms of your will;
2. shares can be bequeathed to another individual; or
3. you can donate your shares to the Society.

Please make sure you complete the relevant section on Page 2 of the application form.

**Q. What happens if the share offer target is reached?**

A. If the maximum share offer target of £280,000 is reached membership of the Society will be closed and a waiting list of potential members will be established. The share offer will remain open until either the share offer closing date or the maximum share offer is reached, whichever is sooner.

**Q. When will I start receiving interest payments?**

A. We will start paying interest as soon as the Society has sufficient surplus funds available, i.e. once we have met our other obligations and have built up adequate reserves to ensure we can maintain the property. Cash flow forecasts indicate a level of 2.25% in years 2 and 3 with a reduced rate of 50% of this interest rate in year 1.

**Q. Can I sell my shares?**

A. No. The legislation for community benefit societies is very clear that shares cannot be traded or transferred. The statutory asset lock is designed to ensure that any increase in share value is only used for community benefit.

**Q. When can I withdraw my shares?**

A. According to the Rules of the Society, shares cannot be withdrawn for at least three years (except in exceptional circumstances such as death or bankruptcy), and then only if the Society has sufficient reserves to do so without jeopardising the business.

**Q. Will my personal information be secure and kept confidential?**



A. In short, yes. Please see paragraph 4.4 above for a fuller answer.

**Q. Who should I speak to if I have any further questions?**

A. Please contact the Management Committee at: [thesebastopolinncommunitypub@gmail.com](mailto:thesebastopolinncommunitypub@gmail.com)

**5.4 Important notice about the share offer**

1. This share offer runs from 25<sup>th</sup> February 2017 until 22<sup>nd</sup> April 2017. The Management Committee may opt to extend the offer period at its sole discretion.
2. The minimum shareholding is **five shares**, and each share has a nominal value of £50. This means that the minimum permitted investment is **£250**. The legally permitted maximum investment in a community Pub is £100,000, however we have set a limit of £20,000.
3. All shares must be paid for in full on application.
4. All investors will be members of the Society and entitled to vote on matters affecting the Society.
5. All members will have one vote regardless of the number of shares they hold.
6. Joint applications for shares will be accepted, however only the first named investor on the application form will be a member with voting rights.
7. All members must be aged 18 or over.
8. You may invest on behalf of children. In this case the shares can be transferred to them to hold in their own right once they have reached their eighteenth birthday.
9. The Management Committee reserves the right to refuse applications at its absolute discretion.
10. All investment monies received will be 'ring-fenced', and if the Society is unsuccessful in purchasing The Sebastopol Inn, they will be returned promptly in full.
11. Shares are not transferable except on death or bankruptcy and they cannot be sold, only withdrawn.
12. The only way in which investments can be recovered (whether the initial sum or any reduced value) is on liquidation of the Society or by applying to the Society for withdrawal. Applications for withdrawal will not be accepted during the first three years after the closing date of this share issue.

**YOU SHOULD THEREFORE VIEW THIS AS A LONG TERM INVESTMENT AND REVIEW YOUR FINANCES ACCORDINGLY.**

13. Withdrawals can only be funded from trading surpluses or new share capital and are discretionary, being subject to the Management Committee's satisfaction that withdrawal is consistent with the long term interests of the society. A period of three months' notice will be required for all withdrawal requests.
14. The value of each share cannot increase above its nominal value of £50. You should be aware that the value of shares may be reduced if the value of the Society's assets falls substantially.
15. As an investor your liability is restricted to the value of your shares. In the very unlikely event that the business fails you would have no further liability.
16. The Society expects to pay interest on shares, subject to the financial performance of the Society justifying such payments at the sole discretion of the Management Committee. Interest payments will not exceed 2% above the Bank of England base rate or 5%, whichever is the lower.
17. All funds invested in this community share offer will be used solely for the purpose of acquiring, maintaining, improving and owning The Sebastopol Inn.
18. The Sebastopol Inn, Minting Community Pub Limited is registered with the Financial Conduct Authority (FCA). However, as community shareholders, investors are deemed to invest for social returns and not for financial gain. The sale of community shares is not regulated by the FCA. There is no right of

## The Sebastopol Inn, Minting Community Pub Limited – Share offer

complaint to the Financial Ombudsman Service and nor can investors apply to the Financial Services Compensation Scheme.

### **5.5 How do I subscribe for shares?**

To apply for shares please complete the share application form at the end of this document. It can also be downloaded from the Society's website [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub).

Before completing the application form, you should:

- Carefully read this prospectus
- Read the Business Plan and the Rules of the Society
- Consider whether you need to take financial or other advice in relation to this share offer

Return the completed application form and a cheque (made payable to: The Sebastopol Inn, Minting Community Pub Limited) for the full amount (unless paying online) to:

Sarah Smith (Secretary)  
Garth House  
Grundy's Lane  
Minting  
Lincolnshire  
LN9 5SB

Or by email to: [thesebastopolinncommunitypub@gmail.com](mailto:thesebastopolinncommunitypub@gmail.com)

**This community share offer is authorised by the Management Committee.**

**25<sup>th</sup> February 2017**

**APPLICATION FOR SHARES**

**(Please complete in BLOCK CAPS)**

Name: ..... Email: .....

Address (inc postcode): ..... Phone: .....

.....

.....

**I wish to become a member of The Sebastopol Inn, Minting Community Pub Limited in accordance with the Rules and apply for shares with a total value of:**

**(minimum of £250, maximum £20,000, in multiples of £50)**

**Your bank details:**

£.....
--------

<b>Sort Code</b>
------------------

<b>Account No</b>
-------------------

We need your bank details so we can return your investment if we are unable to purchase The Sebastopol Inn, and to pay interest.

**Agreement:**

- I have read the Share Offer Prospectus, including risk factors.
- I wish to become a member of The Sebastopol Inn, Minting Community Pub Limited.
- I agree to be bound by the Terms and Conditions included in the Share Offer Prospectus and the Rules of the Society
- I understand that the Management Committee of The Sebastopol Inn, Minting Community Pub Limited may reject my application, and are not obliged to tell me why it has been rejected.
- I consent to receiving formal notices by email and links to formal documents on the Society's website.
- I am 18 or over.

**Signed as a Deed:**

**Signature:** .....

**Name:** ..... **Date:** .....

**Please return your completed application form and payment as soon as possible, and at the latest by 22<sup>nd</sup> April 2017, to:**

The Sebastopol Inn, Minting Community Pub Limited, c/o Sarah Smith, Garth House, Grundy's Lane, Minting, Lincolnshire LN9 5SB

**Method of payment:**

- I enclose a cheque made payable to: The Sebastopol Inn, Minting Community Pub Limited
- I have paid by online bank transfer to: Yorkshire Bank sort code: 05-05-63 account no: 43110736

For the payment reference please use your initials and surname (e.g. JPSmith)

## **Holding shares on behalf of children and nomination of shares on death**

**(Please use BLOCK CAPS)**

Please fill in the relevant sections below:

### **Holding shares on behalf of children**

If you wish to hold shares on behalf of someone who is 18, please fill in that person's details below.

First name(s) of child in full:
Last name:
Date of birth:
Address (if different from that supplied on application form):
Postcode:

### **Treatment of shares on your death**

You can nominate a person aged 18 or over to whom you wish your shares to be transferred on your death. The Sebastopol Inn, Minting Community Pub Limited will respect your wish in so far as the law and our Rules permit.

First name(s) of nominee in full:
Last name:
Address (if different from that supplied on application form):
Postcode:

**OR**

- I wish for my shares to be donated as a gift to The Sebastopol Inn, Minting Community Pub Limited upon my death

I understand that it may not be possible for The Sebastopol Inn, Minting Community Pub Limited to action this request and I and my heirs will not hold the Society responsible for its actions. I understand that these instructions can only be revoked or amended by my giving clear written instructions to the Secretary of the Society at its Registered Office.

Signed as a Deed	Date
Name in print	
Signature of Witness <i>(Witness must not be the benefitting nominee)</i>	Date
Name in print	
Address of Witness	