

Avon Dassett Community Benefit Society Limited

Share Prospectus

Avon Dassett Community Benefit Society Limited



Share Offer For The Community Purchase of
The Avon, Avon Dassett, Southam,
Warwickshire, CV47 2AS
For The Benefit Of Avon Dassett And Surrounding Communities

Share Launch Date: 12 April 2017

Our fundraising aims are:

Minimum Target: £250,000

Maximum Target: £400,000

Minimum Investment: £50

Maximum Investment: £50,000

WE FACE A ONCE IN A LIFETIME OPPORTUNITY.

Not only to save our pub, but also to make it the community hub of the village and with your support we can make it happen.

Revision History			
<u>Version</u>	<u>Date</u>	<u>Status</u>	<u>Description / Reason For Revision</u>
1.0	12 April 2017		Post offer update

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1) Executive Summary

Following the acceptance of our offer to purchase this our updated share prospectus. We are seeking investors who wish to become members of the Avon Dasset Community Benefit Society Limited, the “Society” (Registration Number: 7489) that plans to buy The Avon, Avon Dasset, Warwickshire. We plan to run it as a typical village pub, but with additional services, for the benefit of the residents of Avon Dasset and surrounding villages, as well as visitors to the area.

Most importantly, it will put the heart back into the village and local community as a place for social gathering, providing good food, cultural activities, employment opportunities, somewhere to meet people and exchange information and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with and in support of the other community facilities, The Reading Room, and clubs and societies in the area.

We are a Community Benefit Society, which is a society with limited liability run for the benefit of the local community. Investors will become members of the Society and will be co-owners of the freehold of a traditional village pub, in a beautiful setting and will always receive a friendly welcome in the pub that they will own.

Members will need to invest a minimum of £50. Each member will have an equal say in the enterprise no matter how much they invest. The Initial Management Committee that has formed the Society will be accountable to the membership and the future Management Committee will be elected by the Members.

We will seek approval from HMRC for Enterprise Investment Scheme tax relief. The scheme provides 30% tax relief to investors. This means that 30% of the sum invested can be offset against income tax liabilities in the year the Society starts trading. To qualify the shares must be held of a minimum of 3 years. Your investment may qualify for business relief under inheritance tax rules.

As part of their due diligence procedures the Initial Management Committee has commissioned an independent valuation of The Avon by a firm of Chartered Surveyors and Valuers experienced in the valuation of licensed premises. The valuation has assisted in establishing the agreed purchase price for the freehold property based on the performance of a reasonably competent operator.

We aim to raise £400,000 from the community share offer together with commercial and private loans, as required. These funds will be used to purchase the freehold of The Avon and to cover other initial expenses. In addition, we will actively seek funding by way of grants where applicable in furtherance of the business objectives. These funds will be used to purchase the building freehold with associated costs and taxes and get it ready to be re-tenanted and to ensure that The Avon is once again a viable and thriving business. Purchasing the freehold of The Avon has been identified as the best option to save the pub from those who would seek to change it’s use and provides the platform for it to be a successful sustainable business that can serve the needs of the entire community.

The Society will agree a lease with a professional and experienced tenant who will run the licensed business selling food and drink in our premises and pay rent to the Society, at a level that will reflect the profitability of the business. Our plan assumes that the Society provides the supply of “wet sales” goods to the tenant thereby providing a majority of the income. There will be two additional sources of income from rentals (one from the residential part and one from the commercial part). Together it is planned that the sale of supplies together with rental income will provide the revenue necessary to cover interest and repayment of any loans required, maintain the building, and may facilitate the withdrawal of shares from time to time, and should enable the payment of interest to investors. We will find a tenant who will run The Avon as a profitable business with all your support and provide a service to the village and to visitors to the area and support

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Avon Dasset Community Benefit Society Limited

is Registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society.

(Registration number: 7489)

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other local businesses and tourism within Warwickshire and neighbouring counties. The performance of the tenant that we select is critical to the long term success and sustainability of the enterprise and it is essential that we maintain good communication with and support for our tenant to achieve this.

We firmly believe that the business will be profitable but if it is not, the Society owns a valuable asset – the building and land associated with it – which if necessary 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. This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members and users.

Initially the income and will provide the revenue required to cover:

- loan interest, capital repayment and meet any corporation tax liabilities;
- maintain the building and enhance the facilities, in line with the Annual Business Plan;
- facilitating the withdrawal of shares from time to time, and may pay interest to the investors.

However, the Initial Management Committee is actively considering other sources of income and points of differentiation. These could include the supply of beer from a community run microbrewery run as a separate enterprise run by us. This second option would involve the setting up of a microbrewery on site. In addition we are considering membership of CAMRA and other features to distinguish The Avon from other pubs in the area. These options are being considered in order that can improve the income for the society but may offer tax benefits to investors, subject to HMRC approval.

This business plan will evolve as we move through the process of acquiring the pub, recruiting the tenant and, as we achieve success with any grant applications. We envisage the development of The Avon will take place in a number of stages, as funds allow. There is an overriding need to develop the asset as more than just a pub and options already suggested include, Post Office, Shop, B&B accommodation, offices, a Microbrewery and an Amazon drop off and collection point.

As the project develops the Management Committee will ensure that it focuses on the needs of the community and will seek to develop employment opportunities and to use local business, skills and expertise where applicable in furtherance of our business objectives.

We will ensure that we communicate regularly with investors and the wider community via our dedicated website, email communication facility and Facebook. These communications will be informative and also request feedback on how we are doing and whether The Avon is providing the services and functions that the community requires.

We firmly believe that there is a strong future for The Avon when run by a tenant with a track record of success, who seeks the highest standards of quality and operates with the wellbeing and objectives of the community at the forefront of their business strategy.

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2) Introduction

a) The Purpose of this Document

The aim of this share prospectus is to invite you to invest in the Society and to set out the way that we plan to raise funds through community investment and commercial or private loans to enable the freehold of The Avon to be purchased, refurbishment (if necessary) and let to a professional and experienced tenant on a viable and sustainable basis.

This document:

- details the Business Plan for the project covering the concept, financials, risk and success factors and team structure and illustrates the benefits for members and the community;
- provides an overview of the legal structure, ethos and model rules of the Society;
- Section 5 invites investors to participate and explains the process applying to purchase shares.

b) Market Background

Freehold pub values increased 10 fold from 1975 to peak in 2007, according to Christie & Co. During much of this period large pub estates were built up by pub owning companies (PubCos) using cheap debt. However, in 2007 the market ground to a halt and in recent years there has been a dramatic reversal with values falling. Much of the fall is due to the PubCos who were hit by the credit crunch and have been selling assets off to pay down debt. The decline has also been accentuated by competitive pressures on drink sales, supermarkets undercutting pubs, all of which have put a significant strain on the traditional tied pub tenancy model, which has become increasingly uneconomic.

As a result of these pressures, the nature of pub ownership is changing. There were 51,000 pubs in the UK (in 2010) and the large estates are now being broken up and properties are being closed or passing into the hands of individuals or small groups. It has also become clear that the traditional tied pub-owning model has become inflexible and increasingly uncompetitive.

According to CAMRA there were on average 28 pub closures a week in the UK between April and December 2013.

The traditional model separates the pub owner from the pub operator. The pub owner has charged rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an uneconomic rent and insufficient capital to invest in the asset. This is a vicious circle, which usually leads a loss of incentive and subsequent poor management leading to poor performance and declining sales.

Smaller, newer and better-managed independent groups are now emerging to acquire and invest in pubs using a more integrated model. There has been a surge in the popularity of craft beers, lager and ciders and spirits like gin have made resurgence. Microbreweries are springing up around the country and specialist micro pubs are starting to be established.

Communities are increasingly teaming up and buying their local pubs and operating them through tenancies for the benefit of the local community.

According to the Plunkett Foundation, 2013 was a breakthrough year for pubs in the UK that are owned and run as co-operatives. After a few years of steady progress, in 2013 they saw a significant jump in the number

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of co-operative pubs opening. During the year, Plunkett also received a rapid increase in the number of communities looking to set up a co-operative pub. The key reasons for this change have been:

- growing awareness and increased confidence that communities can take over and run pubs successfully;
- continually high closure rates of pubs that matter to local people;
- the development of innovative ways of funding purchases, particularly through community shares;
- new powers available to communities in England, particularly the ability to register Assets of Community Value;
- improvements in levels of support available, particularly through the Plunkett Foundation's Co-operative Pubs Advice Line and the wider Frontline Service, the Department for Communities and Local Government's Community Ownership and Management of Assets Programme in England, and the specialist support available through the UK wide Co-operative Enterprise Hub.

Co-operative pubs create a democratic way of running a community business and are set up on a 'one member, one vote' basis. Co-operative pubs aim to be profitable; they can distribute surplus profits to members, reinvest back into the running of the business, or distribute it back to the community.

c) Project Background

Prior to 2006, The Avon was a thriving pub with a good reputation both in Avon Dasset and the surrounding area. In December 2006 the freehold was purchased by Enterprise Inns for £600k.

In the following years many tenants tried, without a great deal of success, to run The Avon as a profitable business. In 2015, The Avon was closed by Enterprise Inns and placed on the market.

In October 2015 the present owners purchased the Avon. They undertook some refurbishment mainly to the residential part of the building and it was eventually opened for business in February 2016.

In June 2016, the present owners applied to Stratford District Council Planning Department for a change of use from a public house to a single residential dwelling. This application was opposed by Avon Dasset Parish Council and both the local and district councilors. There was also considerable opposition from residents of Avon Dasset.

Immediately prior to the application being discussed at a Planning Meeting on 14 September 2015 the Planning Officer advised the Parish Council that they would be recommending to the Planning Committee that the application should be deferred in order that an independent and more rigorous financial appraisal should be undertaken in order to more accurately assess the viability or otherwise of the Avon as a going concern.

The applicants subsequently withdrew the Planning Application and the property was placed on the open market with an asking price of £425,000.

Avon Dasset Parish Council successfully registered The Avon as an Asset Of Community Value (ACV) with Stratford District Council on 13 January 2015. The ACV is for a period of five years and runs until January 2020. The Parish Council has also tried to register an intention to bid with Stratford District Council but this registration has been refused.

d) Why Did The Avon Close

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In the period prior to the purchase by the present owners, other tenants have had to contend with high business rates, high rental costs and also the fact that, as it was a tied house, high beer purchase prices and restrictions on their ability to source goods at a competitive prices on the open market.

We believe that the current owners paid £280,000 to purchase The Avon and subsequently spent time and money on improving the living accommodation, refurbishing the commercial areas. They opened for business in February 2016 but, with varying opening hours, a lack of advertising, together with the fact that before and during the time that they were open they did not use traditional marketing media to try to attract business, the business failed and the doors were closed in June 2016.

3) Vision and Members and Community Benefits

a) Overview

The Society proposes to raise funds in order to purchase, re-furbish and maintain The Avon, for the benefit of the community. It will lease the pub to a tenant who will be responsible for the operation of the public house and who will work with the Society in the implementation of the Business Plan to include other community activities. These “other activities” will be undertaken at the discretion of The Management Committee and for the benefit of the community.

b) Community Consultation

A survey of residents of Avon Dasset to find out the level of support within the village and the sorts of facilities etc. that residents felt are appropriate has been undertaken. In addition, residents have been asked if they would support the purchase of The Avon as a community asset either by offering their assistance or by supporting the project financially. The Initial Management Committee has ensured that the aspirations of local residents have been built into this business plan and we have received widespread support during the initial stages of our project. Pledges of support have been received and we have been fully supported in this project by local residents.

In addition when the Avon was the subject of a planning application for a change of use local residents submitted objections with many stating that they would like to be able to purchase the pub and run it for the benefit of the community.

c) Benefit to the Community

Our belief is that the Pub and the site it occupies are vital amenities for Avon Dasset and nearby villages and that the best interest of the community will be served by acquiring the pub through a limited liability Community Benefit Society. This legal structure is explained in detail later in this document.

This will enable the village to secure and safeguard the pub as a community facility for the foreseeable future.

Our intention is to finance the acquisition and subsequent improvement projects, initially, through a community share offer and private and commercial loans. The intention is to maximise the capital raised through the community share offer. We have set a minimum target of £250,000. Importantly any funds we raise over and above this will reduce our dependence on commercial or private funding and the associated interest costs. If we only achieve the minimum amount of share capital through the initial offer the share offer will be extended. Other sources of funding will be pursued but as timescales for grant funding are

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notoriously uncertain and have been excluded from the business plan for this reason. Any grants awarded would be used to reduce the loan capital required or enhance the facilities of the premises.

This represents a fantastic opportunity for Avon Dassett and nearby villages to strengthen the vibrancy and sustainability of our community. This 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;
- securing the heart of the village for the community;
- improvements to the fabric of the building;
- working with local businesses to attract more business into the community;
- creating opportunities for employment;
- purchasing the freehold of The Avon has been identified as the best option to save the pub from those who would seek to change it's use and provides the platform for it to be a successful sustainable business that can serve the needs of the entire community;
- expanding the facilities and services available to residents
- injecting money into the local economy;
- providing a hospitality venue for local groups, tourists, weddings and funerals;
- helping to sustain local property prices.

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4) Aims and Objectives

Our mission:

“To secure the long term future of The Avon, as a flourishing business asset, for the benefit of the community and investors, by vesting ownership in a society controlled by the community and by running the business profitably.”

We believe that The Avon is viable but acknowledge that a complete business relaunch will be required, including extensive advertising and publicity, to counteract the fact that the pub has been closed for some time and that there is considerable competition in the area.

In addition to advertising we believe in:

- having affordable rents and no beer ties by purchasing the freehold of the pub;
- letting The Avon to a tenant who will control costs and maximise revenue;
- providing food and drink at an affordable and realistic price;
- acquiring the freehold premises of the pub through the Society a community owned and run society to ensure community buy in and input to the future success of the pub;
- refurbishment and extension of the pub, if necessary, in stages to provide improved facilities;
- identifying a unique aspect to The Avon so as to give it its own identity within the community and surrounding area. This could include a Microbrewery whereby we brew our own beer with a brand associated with The Avon
- expanding the range of services available possibly to include B&B accommodation, a Post Office, offices, a shop and an Amazon drop off point
- extending the use of The Avon, beyond its public house base into other community uses.

a) **Raise Enough Capital to Purchase The Avon**

As an initial target, we propose to raise £400,000 through a community share offer together with commercial and private loans as required. This will be used to purchase the building freehold with associated costs and taxes and get it ready to be tenanted. The Society will agree a lease with a tenant who will run the licensed business selling food and drink in our premises and pay rent to the Society at a level that will reflect the profitability of the business. The rental income will provide a predictable revenue stream to maintain the building, and together with other income sources, may facilitate the withdrawal of shares from time to time, and may pay interest to the investors.

We firmly believe that the business will be profitable, but if it is not, the Society owns a valuable asset – the building and land associated with it – which can be sold in order to return funds to investors. Investment is in the building and land – the bricks and mortar, not the licensed business. We will rent the pub to a tenant for an initial 3-year term. The tenant will be responsible for the separate operational business The Avon. As a profitable business with all your support it will provide a service to the village and to visitors to the area and support other local businesses and tourism within Warwickshire.

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

The business plan will evolve as we move through the process and negotiate to acquire the pub and recruit the tenant, and as we achieve success with any grant applications.

The costs can be broken down into three main categories and these are detailed within this Business Plan.

- acquisition;
- refurbishment and tenant recruitment;
- contingency.

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It is proposed that this is funded as follows:

- £250,000+ from community shares (importantly the larger the community take up of shares the dependence on commercial loan funding and reduced interest payments). The concept of community shares has been widely explored and promoted, through community research and meetings, regular newsletters and articles in the local press, the campaign website and Facebook. The Marketing activity for the share offer will continue using all of these vehicles in addition to posters, local leaflet drops, direct mail and focussed communication with major employers (e.g. Jaguar Land Rover and Aston Martin), local businesses, cycling and walking groups etc.;
- the balance required will be funded by commercial / private loans;
- grant funding will be sought; the business plan has excluded these sources as the success and timing of such grant funding cannot be guaranteed. However, any such funding will lower the overall cost of finance by reducing the dependence on the commercial loans and thereby enhancing the Business Plan;

A number of contingency areas will be built into the current and future Business Plans:

- if insufficient share capital is generated the share offer will be extended;
- if the share target is exceeded the dependency on loan funding will be reduced;
- rental income in respect of the residential part of the building will begin from day 1 but an initial rent free period will be built into the tenancy agreement for the commercial area as an incentive to launch the business
- a flexible, volume based revenue will be introduced based on the provision of “wet sales” supplies to the tenant
- a separation of the rental charges for the residential and commercial elements of the lease (allowing both income to be earned once the tenants are in residence but giving the Society the freedom to offer a rent free initial incentive period for the commercial premises)
- three month gap in rental income will be included in year four to allow an unplanned change in tenancy;
- the maximum share withdrawal has been planned for with pay-outs commencing in year four, however, this level of withdrawal is considered unlikely;
- share interest will be budgeted from year two but payment will be decided based upon the health of the business;
- a contingency allowance has been included in the schedule of refurbishment costs;
- all work will be budgeted fully although there has been a very high indication that the community would undertake voluntary work to help get the pub open.

b) Affordable Rent

The rent for the residential tenancy will be set at a market rates. Based upon the freehold ownership status of the pub, lack of brewery ties and modest profit and investment returns we will be able to charge affordable rents to the tenant for the commercial aspect whilst developing and improving the pub’s infrastructure. As stated above, the intention is to offer a rent-free period as an initial incentive to get launch the business. A tenancy buy-in figure will also be agreed as part of the process to recruit the tenant and form the tenancy agreement.

c) Experienced Tenant

The model, which the Management Committee has agreed, is to let the pub to a tenant who will be the business operator. It is not intended that the Society will itself run the pub. It will be the owner of the freehold property and receive rent.

The Avon Dassett Community Benefit Society Management Committee will develop objective criteria, based around the community vision, services and business planning, on which to judge applicants.

d) Community Ownership

The pub will be owned and the lease granted by the Avon Dassett Community Benefits Society Limited. This means the community will have greater control over rents and infrastructure development. It will also enable more direct

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communication between the tenant and the community and one of the criteria for selection of a tenant will be willingness to provide for community needs. However, our intention is not to micro-manage the tenants. They will be hired to successfully run the pub, which is their job not ours. We also hope that the local community will support the pub by offering voluntary help, and most importantly by coming to eat, drink and be merry at The Avon. We also hope that members of the Society will join and assist the Management Committee.

The widest possible community ownership is being encouraged; the minimum investment has been set at a level that our community research showed to be achievable from local people when they were asked to indicate their willingness to invest and likely level of contribution. There has been extensive promotion of the offer through all of the methods outlined in the previous section. This is a continuation of an active programme of communication that has run throughout the campaign as it has progressed and has included: regular open meetings, newsletters

A key aspect of the community approach is to maintain regular communication between the Management Committee, Members and the Tenant. It is proposed to facilitate this through an online feedback process accessed via a members section of a dedicated the website, so that member feedback can be reviewed and discussed with the tenant on a quarterly basis. This process will reflect the views and suggestions of the community and will not in any way replace the individual customer interaction with the tenant. Whilst the day-to-day marketing of the pub is the responsibility of the tenant it is proposed to undertake a number of regular community communications jointly with the tenant in order to ensure the continued engagement and support of the local residents.

The community approach makes a significant difference to the future potential of The Avon:

- people care enormously about their local pubs and services and are willing to invest their money, time, skills and energy to save them.
- wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- The Plunkett Foundation research demonstrates that the community model is resilient. To date no co-operative pubs have failed as their strong local identity sets them apart from traditional competition. There are 34 community pubs already with a further 86 in pipeline.

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5) What The Financials Will Look Like

Avon Dassett Community Benefit Society will derive income from the rental income from the residential and commercial parts of The Avon plus income from the “wet sales” that we supply to the tenant.

In order that we can comply with the HMRC requirements for EIS registration the rental income will form less than 20% of the total annual income.

It is the intention that the rental income from the residential lease will support the repayments required for the commercial loan.

The core economics of the venture, therefore, revolve around interest and capital repayment outgoings vs. rental and ‘wet sales’ income. In addition, we need to build a reserve to pay members back their capital in the longer term and provide for developing the property further as appropriate.

Pub economics are important to us, because the overall income of the pub affects the rental income The Avon Dassett Community Benefit Society will receive to cover its outgoings.

Initial Assumptions

- property value will be recorded as the Purchase Price (excl VAT)
- community share capital is £250,000+
- private and commercial loans for the balance ie £150,000 max (depending on share sales) value and interest only in the first year
- refurbishment costs will follow the review of the premises and affordability projected in the Business Plan

This section is actively being developed as we progress and when finalised and agreed they will be inserted into this section.

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6) Avon Dassett Community Benefit Society

The Society is a limited liability, Community Benefit Society (formally known as an Industrial & Provident Society or (IPS)) using the model rules developed by The Plunkett Foundation (a charity that has been helping rural communities through co-operatives and community-ownership to take control of the issues affecting them since 1919. Helping predominantly rural communities to set up and run community-owned enterprises). The Avon Dassett Community Benefit Society Limited is a democratic enterprise registered with the Financial Conduct Authority (FCA). In its rules is embedded the principle that should the Society achieve a surplus, beyond that required to meet its liabilities, improve the facilities and ensure the future of the business, this may be made available for distribution to other community or charitable projects. A copy of the Rules of the Avon Dassett Community Benefit Society Limited is available on our dedicated website at:

<https://www.avondassettcommunitybenefitsociety.co.uk/app/download/6436606/ADCBS+Rules.pdf>

or can be requested from a member of the Avon Dassett Community Benefit Society Limited Management Committee.

The Society is a democratic organisation that operates on the principle of one member one vote. The Society has Members, a Management Committee, and a Secretary and these roles and responsibilities are explored later. A detailed description of the roles of the Management Committee is included below.

The rules are an important document that defines your rights as a member. Investors are encouraged to read them.

a) Limited Liability

This is a limited liability entity. The most investors could lose is their initial investment (though we believe that this is highly unlikely as investments are in the land and buildings). Investors will not be liable for activities of the tenant – for example, if they run up huge bills and then disappear. The intended community benefit is that the community has a pub, which can be developed into a wider community asset, offering a range of additional services.

b) The Share Issue

The share issue has been designed to give individual investors and organisations the opportunity to contribute financially, on a long-term basis, to the business of Avon Dassett Community Benefit Society Limited.

Our expectation is that shareholder members will largely come from the local community and surrounding area but we would also welcome and encourage contributors from further afield.

i) Who can apply

Individuals (aged 18 years and over) and organisations can apply for membership by buying shares at a cost of £50 per share, with the minimum investment £50 and the maximum investment £50,000 per person or organisation. (This maximum may be reviewed and increased depending upon take-up).

Shares can be purchased on behalf of people under the age of 18 but the applicant must be above the minimum age limit. In this case the shares will be held as Fred Bloggs on Behalf of Amy Bloggs where Fred Bloggs is the applicant and Amy Bloggs is the minor. The minor's date of birth will be recorded and the shareholding will be automatically transferred to them on their 18th birthday. It is important to note that in this instance the applicant is the member and not the minor and that multiple applications by a member will not enable that member to have more than one vote. However, upon reaching their 18th birthday the minor does become the member and will have a vote.

In order to apply for and pay for shares please complete the Share Application available at:

Avon Dassett Community Benefit Society Limited

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<https://www.avondassetcommunitybenefitsociety.co.uk/app/download/6435463/ADCBS+Limited+Share+Prospectus.pdf>

or available from any member of the Management Committee.

The completed form should be sent together with an undated cheque payable to Avon Dassett Community Benefit Society Limited, The Reading Room, Avon Dassett, Southam, Warwickshire CV47 2AL or handed to any member of the Management Committee.

Funds will only be drawn down (or cheques banked) if the acquisition proceeds and at this time share certificates will be produced. It is important that funds are not drawn down or banked in advance as the rules of the society prevent share withdrawal for the first 3 years.

ii) Transfer & Withdrawal of Shares

The shares are not transferable and cannot be sold. The only way to recover the value of the shares purchased is to give three months notice of withdrawal to the Management Committee. Shares cannot be withdrawn until at least three years have elapsed from the date of the share issue and then only at the discretion of the Management Committee and subject to appropriate reserves being generated.

Shares are not transferable except on death or bankruptcy, and are withdrawable at the sole discretion of the Management Committee in accordance with the Rules will be available on a dedicated website or from a member of the Management Committee. All withdrawals will be paid from trading surpluses or new share capital.

The Management Committee has the authority to refuse a withdrawal request if it would endanger the business.

iii) Interest Payments On Investment

No interest will be paid to share holders in the first year. In subsequent years, it may be possible to pay interest and any such interest payment will be proposed by the Management Committee within the limits specified in the rules and put to a vote at the Annual General Meeting. Any such proposal will be based on the performance of the society and if approved will be paid gross to the member by the society and it is each member's responsibility to declare such earnings to HMRC if appropriate.

iv) Interest Rates

It is the intention, after the first year and subject to an appropriate surplus being available, that interest will be paid at a rate of 2% over Base Rate as set by The Bank Of England's Monetary Policy Committee with a minimum rate of 3% and a maximum of 5%. These rates will be reviewed at the Annual Members Meeting of the Society.

v) Enterprise Investment Scheme

The Society will seek approval from HMRC for Enterprise Investment Scheme tax relief. The scheme provides 30% tax relief to investors. This means that 30% of the sum invested could be offset against income tax liabilities in the year the Society starts trading. To qualify, the shares must be held by an investor for a minimum of 3 years.

vi) Tax Relief

Your investment in shares in the Society may qualify for 'business relief' under inheritance tax rules. The Society will also seek to qualify for other Government approved schemes, as appropriate, which

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may provide tax relief for investors.

Important: we cannot advise you on your own financial or tax position or decision on whether to invest in the Society. Please seek your own independent financial and/or tax advice when deciding whether to invest in this share offer.

It is important to note that the value of the shares will not increase. The only financial benefit for members is any interest paid annually.

In the event that the Avon is ever sold, for whatever reason, the shareholders would be repaid their investment from the proceeds of such sale, after repayment of any debts. Any surplus would have to be paid to a charitable or community body in line with the rules of the society.

c) Members

The Community Benefit structure allows any person who buys the minimum number of shares to become a member of the Society.

i) Member Benefits

- Each member then has one vote to exercise at the Annual General Meeting regardless of how many shares they hold.
- Members can 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 report 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. Corporate bodies can also be members

ii) Member Risks

(1) A Risk That You Could Lose All Or Part Of Your Investment

The Management Committee believes that it is unlikely that you will lose your capital investment. This will only happen if Avon Dassett Community Benefit Society Limited's liabilities exceed its assets. For example, the pub closes; we have no rental income, yet we still have loan payments. It might be that if the Avon Dassett Community Benefit Society Limited eventually sells the pub there is no surplus after repaying creditors. The Society could not in those circumstances repay your share capital. Your liability, however, is limited to the value of your shares. We think this extreme situation is very unlikely because:

- the Management committee has obtained a valuation and a building survey and is engaging experienced solicitors to satisfy ourselves that we are paying an appropriate price and will have good title to the pub.
- our projections all tell us that the pub can be profitable. The anticipated returns over the 20 year period of the mortgage will exceed the anticipated outgoings; they will also allow all share capital to be repaid over the same period (should members wish to withdraw their capital).
- The Avon Dassett Community Benefit Society Limited will not be trading the pub so that there will not be trading losses from the pub business. Avon Dassett Community Benefit Society Limited will own the property.

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- if even a community benefit society cannot make the pub successful then Avon Dassett Community Benefit Society Limited will seek to sell for residential development. Avon Dassett Community Benefit Society Limited would only consider this if there is no prospect of running the pub viably. So long as the pub can be run viably it is the intention of the management committee that the building should operate as a pub. If Avon Dassett Community Benefit Society Limited could not find a tenant to run the pub, then in those circumstances we believe that the relevant planning permission would be available. The likely value with residential permission would substantially outweigh the mortgage remaining and the repayment of shares.
- both of these are highly unlikely scenarios, but for the reasons set out above the management committee believes that there is not a substantial risk if the pub cannot be run viably.
- nonetheless you must understand that there is a risk that you may not get all your money back and you should take that into account in deciding whether to invest.

(2) A risk that you may not be able to withdraw your shares

The Rules permit withdrawals only in certain circumstances, and only after 3 years. Thereafter, if many people want to withdraw their money in a particular year, then not everyone will be able to withdraw their money in that year. In those circumstances, the repayments will be made in the order in which notice to withdraw was received. In addition, shares cannot be withdrawn at any time during which there is a default on the repayments to the loan provider under the mortgage.

(3) A risk that you see no returns

Another possible, albeit unlikely, outcome, is that there is no scope to pay interest on the investment for several years. The best way to avoid this is to raise sufficient capital in the first instance.

(4) What Members Will Not Get

(a) Windfall redevelopment returns

In the event that the pub or other community assets cease trading and is, say, redeveloped for residential use, 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 for individuals to contribute financially to the community, with the specific goal of helping to keep the pub open, rather than receiving a substantial financial reward.

(b) Increase in the value of shares

The value of the shares stays constant. They cannot be sold but can only be withdrawn. This will not be an investment which will increase in value.

(c) 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 benefit society 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.

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d) Management Structure

The first Members of the Society shall be those who signed the application for registration and the first Members shall appoint the first Management Committee who shall serve until the first Annual Members Meeting. Full details can be found in the society rules which will be published on the dedicated website, when available.

Start up provisions allow that, at the conclusion of the first Annual Members Meeting, all the members of the first Management Committee shall retire. Those elected to replace them as members of the Management Committee shall take office immediately after the conclusion of the first Annual Members Meeting, and the following provisions shall apply to them.

- one third of those so elected, who obtained the highest number of votes, shall serve until the conclusion of the fourth Annual Members Meeting;
- one third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting;
- the remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

Thereafter, Elected members of the Management Committee hold office for a period of five years commencing immediately after the Members Meeting at which their election is declared, and ending at the conclusion of the fifth Annual Members Meeting after that.

The Management Committee is responsible for managing the affairs of Avon Dassett Community Benefit Society in exactly the same way, as the board of directors is responsible for managing the affairs of a limited company. The Management Committee will:

- organise and supervise the purchase and the 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 Avon Dassett Community Benefit Society Limited and the tenant;
- recruit new tenants should that be necessary.

Our intention is for Avon Dassett Community Benefit Society Limited to lease the business to a tenant, who will run the pub and pay rent to Avon Dassett Community Benefit Society Limited. The Management Committee will set the broad policy direction for the business and agree key targets with the tenant, including certain aspects which community feedback has shown to be important. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. The Management Committee does not intend to interfere with the day to day running of the business or attempt to micro-manage the pub.

Once the pub is up and running, debt repayment will be a key priority, beyond this and if there are free surplus funds the Management Committee will decide what other community projects those funds should be spent on.

The Management Committee will need to decide how it will approach its operation, and the way in which work is shared out will necessarily depend on the skills, interests and amount of time that a person has to offer. The role description for each member of the Management Committee will match the responsibilities and expectations of each role.

The Management Committee Members are equally responsible in law for committee actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations.

In addition to the key roles of Chair, Vice Chair and Treasurer it is proposed to have a further 3-4 Members of the Management Committee. A Secretary will be appointed from the Members of the Management Committee to take the Minutes. In addition, a Membership Secretary will be appointed. The Committee will employ an accountant and will have an annual report of accounts.

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The committee will put in place Officer Liability Insurance for the Management Committee and Secretary.

Annually, the Management Committee will provide all members with an annual report, which will set out financial statements, and a report of the society's activities during the previous financial year.

The Avon Dassett Community Benefit Society Limited is registered with the Financial Conduct Authority (FCA) and will be required to provide the FCA with an annual return. However, as community share investors are deemed to invest for social returns and not for financial gain, the share issue does not fall within the scope of the Financial Services and Markets Act (FSMA) and the sale of community shares is not regulated by the FCA. There is no right of complaint to the Financial Ombudsman Service and nor can investors apply to the Financial Services Compensation Scheme.

i) Chairperson

Chairing is a key role on any voluntary Management Committee. The Chairperson must ensure that the Management Committee functions properly, that there is full participation during meetings that all relevant matters are discussed and that effective decisions are made and carried out.

The role of a Chairperson is time consuming, with work between meetings, external representation of the organisation, and work with staff. Chairing an organisation requires diplomacy and leadership skills.

The Chairperson is responsible for making sure that each meeting is planned effectively, conducted according to the rules of the Avon Dassett Community Benefit Society Limited and that matters are dealt with in an orderly, efficient manner. The Chairperson must make the most of all the committee members and 'lead the team'. This also involves regularly reviewing the Committee's performance and identifying and managing the process for renewal of the Committee through recruitment of new members.

The Chairperson must co-ordinate the Committee to ensure that appropriate policies and procedures are in place for the effective management of the organisation.

ii) Vice Chairperson

The Vice-Chair acts for the Chair when she/he is not available and undertakes assignments at the request of the Chair. To ensure continuity every organisation should ensure that the chair has a deputy who can assume their responsibility and is familiar with their work should a sudden absence occur.

iii) Secretary

Given the responsibilities below, the Secretary often acts as an information and reference point for the Chair and other committee members: clarifying past practice and decisions; confirming legal requirements; and retrieving relevant documentation.

Where there are no paid staff members the Secretary will carry out all these duties and may also take a greater role in the day-to-day administration of the organisation. This can become a time-consuming role. Some management committees have more than one person with formal responsibility for secretarial tasks (e.g. a Minutes Secretary, Correspondence Secretary and Membership Secretary). Others delegate some of the administrative responsibilities to volunteers outside of the management committee to reduce the burden.

Key responsibilities:

- Ensuring meetings are effectively organised and minuted;
- Maintaining effective records and administration;
- Acting as a reference for the legal requirements of governing documents.;
- Communication and correspondence.

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iv) Treasurer

The Treasurer has a watchdog role over all aspects of financial management, working closely with other members of the Management Committee to safeguard the organisation's finances. It is important to note that although the Treasurer ensures that these responsibilities are met, some tasks may be delegated to a paid accountant.

In summary, the Treasurer is responsible for:

- general financial oversight;
- funding, fundraising and sales;
- financial planning and budgeting;
- financial reporting;
- banking, book keeping and record keeping;
- control of fixed assets and stock.

Given these responsibilities, the Treasurer typically acts as an information and reference point for the Chair and other committee members: clarifying financial implications of proposals; confirming legal requirements; outlining the current financial status; and retrieving relevant documentation.

v) General Committee Member (2-3 in addition to vice roles)

To share the workload of the committee and undertake specific tasks and responsibilities as agreed at Management Committee meetings.

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7) Appendix 1 - SWOT Analysis

An analysis of Strengths, Weaknesses, Opportunities and Threats has been undertaken and is listed below, together with suggested mitigations

a) Strengths

- excellent location at the centre of the village and direct access onto cycleways, bridleways and footpaths leading into a network of recognised country paths, Dassett Country Park and the canal network;
- a base of regular local customers who will quickly return to a well-run pub with other community facilities
- the commitment of the wide membership base to use what will be their business and who will encourage their friends and family to use The Avon;
- the Society will own the freehold and will not be tied to any particular brewery and therefore, together with the tenant we will be free to negotiate the best deals for supply of drinks;
- the tenant will be free to source and operate the food side of the business, which offers a huge incentive due to its potentially high profitability
- close to a number of tourist attractions;
- close to a number of major employers
- The Society will appoint an experienced licensee as the tenant to run the business and take all the business risk;
- The Society will have the secure income of rent from the tenant.

b) Weaknesses

- the pub has lacked consistency of tenants under Enterprise's ownership and has lost many customers to other venues;
- the profitability of the pub has declined over recent years.
- the pub has been closed for over six months and remains so today
- there is no easy disabled access
- living accommodation is extensive in relation to the commercial property

c) Opportunities

- to build up a reputation starting from scratch with a new tenant and staff team ;
- to develop new customer bases including tourists, walkers, cyclists, people in search of locally produced beers and locally sourced, good quality food ;
- the property has sufficient space available for the dining and kitchen areas to be improved;
- the property can be used to provide other services eg shop or Post Office
- the outbuildings are suitable for alternative use (subject to Planning Permission) including offices or a microbrewery
- as the business will be established as a community enterprise, run for the benefit of the residents of Avon Dassett and nearby villages, it should be able to access grant aid to assist with development plans;

d) Threats

- inability to get to contract
- the present owner agrees to sell the property to an alternative purchaser
- inability to obtain the necessary financing to conclude the purchase or development;

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- unexpected repair costs;
- tenancy voids;
- once the business is established several shareholders could withdraw their shares at the same time, though the society rules make this unlikely;
- interest rate increases;
- despite all the work and effort the continued economic downturn may lead to insufficient use of the pub and its additional facilities and the business may prove to be unviable;
- Stratford District Council approves Change Of Use, despite the ACV and Parish Council and local representations.

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8) Appendix 2 - Mitigating the Weaknesses and Threats

a) Attracting lost business

Once the pub is owned by the village (and we expect over 50 members to be local residents), the commitment to use the pub and to encourage family and friends to use it will be considerable. This has proven to be the case in many instances of community owned ventures.

Together with the tenant, we also plan to conduct a marketing/PR campaign aimed at residents of surrounding villages and towns.

Consistent provision of competitively priced good beer, wine and food, and reliable opening hours will provide a good basis for re-establishing the reputation of the pub, which will then attract a steady flow of referrals by word of mouth from the local residents, from local businesses, B&Bs, the caravan site in Mollington and surrounding areas such as Fenny Compton, Farnborough, Northend, other local villages, and Banbury.

The new tenant will be required to offer a warm welcome to local groups.

b) Profitability

As a tied pub, previous tenants of The Avon have been forced to buy their beer from Enterprise at an inflated price, coupled with a rental, which has been linked to business volumes. It is a known fact that a freehold pub, with no ties, can save as much as 40% on beer costs. The rental charged to the new tenants by the Society will be set at a relatively low level to encourage the establishment of the business and will only be increased as the Management Committee deem it to be financially viable for the tenant. Whilst the Society will derive its income from the rental, it will be a social enterprise with fewer financial demands.

c) Unexpected Repair Costs

Certificates, warranties and guarantees will be sought for all work that the current owner claims have been completed as part of their investment to upgrade the premises. A structural survey will be carried out and will be evaluated for potential problem areas. The financial impact of unanticipated repairs can be mitigated by using volunteers from the community together with the possibility of grants or other sources of cheap finance. The current owner has upgraded the living accommodation, made some improvements to the trading areas and has cosmetically updated the public areas to a reasonable standard already.

d) Shareholder withdrawal

The Management Committee will sell shares and attract financing that will lead to a sum being raised that will adequately provide for all the budgeted costs of the acquisition and initial redecorating. The Society rules provide that shareholders must agree not to withdraw funds for the first three years of the operation of the business, to allow it to establish itself. After that they will be required to give three months' notice if they wish to withdraw shares within the rules of the Society.

Cash surpluses will be retained where possible to generate sufficient cash balances to enable withdrawal of equity subject to the requirements of the business. If a shareholder gives notice that they wish to withdraw shares then shares of the same value will be marketed and can be acquired by new or existing shareholders. Ideally, new shareholders will be found to replace those shares that are to be withdrawn. If they cannot be replaced then the reserve fund can be utilised.

Providing that the business is successful it is unlikely that large numbers of shareholders will wish to withdraw their shares at the same time. If the business is not successful then it may be that a number of shareholders would seek to withdraw their investment. If this were to happen the business may have to close and the assets would have to be sold in

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order to return the shareholder's funds. Our Business Plan demonstrates that this eventuality is unlikely, as the business has every chance of success.

Whilst the Society asks that every member commits their investment for at least three years, if, for a pressing reason, a member needs to withdraw their shares in advance of these deadlines, then the Management Committee has the power to allow this and will make every effort to facilitate it.

e) Interest rate increases

Maximising the community shareholding and reducing the debt through capital repayment can reduce the very real threat of increased interest rates.

f) The business is not viable

If the prevailing market conditions are so unfavourable that, despite a sound business plan, vigorous and sustained marketing and the support of local user/owners, the business does not develop in the way anticipated, then the Management Committee would be forced to close the pub, sell the assets and repay the original investors, with any residual assets to be used for the benefit of the community. This is not an outcome that we seek, but this possible course of action should give investors the security they need in the unlikely event of the enterprise being unsuccessful.

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9) Appendix 3 - Marketing Plan

As there is no other pub in the village and the Reading Room is very small and unwelcoming there is no immediate competition to The Avon. However, there are pubs in a number of the neighbouring villages, which, whilst they are some distance away, are competitors for the market. In addition, the presence of The Falcon is a major business on a main road location that cannot be ignored.

Visitors to the area looking for a country pub to walk to or for a meal out will consider options across a wide area. The plan is to market The Avon as a homely, traditional village pub, which fully meets the locals', tourists' and day trippers' idea of a country pub. This involves good quality beers, brewed locally as much as possible, good quality pub food; also sourced from local suppliers, open fires, a friendly atmosphere and traditional pub entertainment.

The aim is to meet the needs of the community for a meeting place and venue for events, and to attract visitors. Whilst the villagers will return to the pub quickly once it is re-tenanted, it will take time to build up the business, tourist and visitor usage. Reputation will spread most effectively by word of mouth and must be built on good quality offering and service. Nevertheless, regular marketing is vital to supplement this.

The marketing of the business will be a matter for both the Management Committee and the tenant. Whilst the lead responsibility will rest with the tenant, the Management Committee will be looking to appoint a tenant who will work in partnership with them in marketing The Avon and who will pursue the following marketing strategy:

- publicity prior to the re-tenancing will focus on the campaign to raise the funds to acquire the pub. Nevertheless it will draw public attention to the plan to purchase and re-tenant The Avon
- there will be an opening event that could, because of our local connections with various media, attract press and local TV/radio coverage of the story – “villagers take over their own pub”.
- this may be supplemented by advertisements in the local press and village bulletins and newsletters in the area.
- regular leaflet drops to the entire village which advertise the pub and its programme of activities (eg darts, quizzes, music nights, seasonal events and so forth).
- regular features in the press promoting the same programme and stressing the traditional village pub welcome that you will find at The Avon
- close linkage with local societies and events, particularly the Dasset Country Show, Open Gardens and the Soap Box Derby
- holding events that celebrate local food and locally brewed beer and advertising these in the specialist press
- we will also seek CAMRA status and anticipate publicising and marketing The Avon through our local branch.

a) Building up the business

i) Rent

The tenant will be required to produce a business plan which demonstrates how they intend to grow the business. However, it is the Management Committees intention that the rent is agreed in advance for the first three years in order to give the tenant both security and an opportunity to reap the benefit from increased sales, thereby giving them every incentive to develop the business. Initially, there will be a rent free period. After this, an affordable rent will be levied. Following the end of year three, a formula for reviewing the rent will be agreed with the tenant prior to their entering into a further tenancy agreement. This formula will ensure that the tenant has sufficient incentive to grow the business.

ii) Sales

It is anticipated that the new tenants will achieve sales in excess of those achieved over the past few years. Previously, the opening hours and availability of food have been erratic and unpredictable, driving away both

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regular and passing trade. In the past the pub was much busier with regular events. We therefore believe that the sales figures over the last few years are not a true reflection of the income that The Avon will generate and that these sales figures can be improved upon for three reasons:

- the fact that the pub is owned by the local community will be a big incentive for villagers to support their own business and to encourage their family and friends to use it.
- the tenant that we appoint will be expected to drive up the sales of food significantly over a three year period. Increasing food sales is the key to making The Avon a viable business and the tenant will have to demonstrate how they plan to achieve this.
- expansion of the traditional pub business into other community facilities
- the development of add-on services
- apart from buying their “wet sales” supplies through the Society, the tenant will have free rein to purchase all other raw materials wherever they like, as well as setting their own pricing, enabling a far more profitable model than the previous tied system.

This is clearly a challenge that the new tenant must rise to, but providing that good quality, well maintained beer and good quality, freshly cooked food is served, the demand in the locality is significant, and this local demand would be supplemented by tourists and visitors to the area.

Once we have appointed a tenant they will be responsible for running their own business within our building. They will therefore meet all of the other running costs from the income that they make from sales. As it is a new business, and they are starting from scratch, the Society will assist with marketing and getting the building ready to re-tenant. Following this, the tenant will be responsible for running the business within broad guidelines set by ourselves.

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10) Appendix 4 – Share Purchase Application Form

To become a member of Avon Dassett Community Benefit Society Limited and invest in our venture, please complete this Application Form and send it, with an undated cheque made payable to Avon Dassett Community Benefit Society Limited to Mr Trevor Gill (Secretary), Avon Dassett Community Benefit Society Limited, The Reading Room, Avon Dassett, Southam CV47 2AL.

Each individual must complete a separate form. Shares can be purchased on behalf of people under the age of 18 but the applicant must be above the minimum age limit. In this case the shares will be held as : Fred Bloggs on Behalf of Amy Bloggs where Fred Bloggs is the applicant and Amy Bloggs is the minor.

Shares are available at £50 each; minimum purchase is one share. Above this you may buy as many as you like to a maximum of £50,000.

I have already made a pledge (please delete as appropriate): Yes / No

Are you purchasing these shares on behalf of a minor: Yes / No

I wish to purchase shares (minimum 1, maximum 1,000) at £50 each to the value of £.....

First Name:

Middle Name:

Surname:

Minor's Full Name:.....

Minor's date of birth:.....

Address:

Postcode:

Tel No:

Email:

I apply to become a member of the Avon Dassett Community Benefit Society Limited and confirm that I have read the contents of this Share Prospectus and the Avon Dassett Community Benefit Society Limited Rules and that I am over 18 years of age.

Signature.....

Date:

We will give members 10 days notice before any cheques are presented for payment.

Please note: by requesting that I become a member of Avon Dassett Community Benefit Society Limited, I agree to my name, address, phone numbers, email address and the number of shares I wish to purchase being held on a computer database. This information will only be used for the purpose of maintaining a register of

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members and for posting notices regarding the activities of Avon Dassett Community Benefit Society Limited. This information will not be passed to third parties.

If you would like any interest on your shares paid direct to your bank account please enter your bank details below: please consider doing this as it will make administration considerably easier.

Name On Bank Account	
Sorting Code	
Account number	