

An invitation to invest in  
**Fountain Community Organisation  
Limited**



01422 300937

# Contents

	<b>Page</b>
1. Chairman's Note	3
2. Offer Summary	4
3. About The Fountain Community Organisation	4
4. Why are we doing this?	4
5. How much will it cost?	6
6. Where is the money coming from?	6
7. What exactly are Community Shares?	7
8. Our projected finances	8
9. What do investors get?	8
10. Tax Relief	9
11. How can you invest?	10
12. What are the risks?	10
13. Who is running the project?	12

## A note from our Chair Dave Budgen



I am really proud to be leading what I believe is a very important and exciting project for the community of Pellon. Having been the landlord of the Fountain Head Inn for the last 12 years I have become very aware of the great community spirit that comes both from the people of the area and the customers of the pub.

The pub is an extremely valuable community asset and I and the other members of the Committee of the Fountain Community Organisation are determined to ensure that the services and benefits that the pub provides continue.

I believe that investment in this community business delivers value for the investors that exceed most other investments generally available whilst securing value for the Community for generations to come and we invite you to join us in this enterprise.

## **Offer Summary**

The Fountain Community Organisation Ltd are undertaking a share issue to raise capital to buy the Fountain Head Inn and run it as a community-owned pub, preserving it for generations to come.

Opening date: 24<sup>th</sup> June 2020

Closing date: 5<sup>th</sup> August 2020

*The board of the society may choose to extend the period of the share offer by up to 4 weeks if they believe that by doing so they increase the chances of reaching the maximum target*

- Minimum target to be raised: £135,000
- Optimum target to be raised: £335,000
- Maximum target to be raised: £500,000
- Minimum share subscription: £100
- Maximum share subscription: £100,000

## **The Fountain Community Organisation Ltd**

The Fountain Community Organisation Ltd is the trading name of The Fountain Community Organisation Ltd, a Community Benefit Society registered on 28th June 2019 under the Co-operative and Community Benefit Societies Act with the Financial Conduct Authority (registration number 8330). The registered address is 23 Moorland Close, Halifax HX2 8AQ.

By subscribing for shares issued by the society in this share offer you will become a member of it thus co-owner of the society and its assets. Our rules and other supporting documents are available on our website: <http://fountaincc.btck.co.uk>

## **What are Community Shares?**

Community shares are withdrawable shares that cannot be sold, traded or transferred between Members, unlike shares in a typical society. All Members are entitled to one vote – regardless of how many shares they hold. Members can be paid interest on their shares if the Board believe it would be sensible to do so, and can also withdraw their shareholding, along with any interest accrued, again subject to the approval of the board.

## **Community shares are fully at risk**

You could lose some or all of the money you subscribe. You have no right to compensation from the Financial Services Compensation Scheme, nor any right of complaint to the Financial Ombudsman Service. Please don't invest any money you can't afford to lose.

### **What are our plans and why are we doing this?**

For generations, the Fountain Head Inn has served the community. Like all the best pubs, it's the kind of place that people already feel they own – they talk about it as 'my pub', even though the ownership has never been in their hands.

But the people who do own it need to sell and we want to give those local people the chance to finally make the pub as much owned by the community as we've always felt it to be.

Although the wider area has seen 22 pubs close in recent years, the Fountain Head Inn isn't actually doing badly – it's got a set of regulars who provide it with the regular income it needs. That's not to say it can't do better, and we have big plans for how to improve the pub and make it even more sustainable.

But the threat is simply because the people who own it need to move on, and they're up for offers from whomever can make their asking price. They've given us, the local community, time to get our act together as they would like to ensure that the pub carries on, but ultimately, they have their own deadlines and if we're not in position to buy it, someone else will and we can't have any confidence that those new owners would want to run it as a local community pub, or run it as a pub at all.

If we want the Fountain Head to carry on being the heart of the community, we the community need to step up. And if we do, not only will we preserve the pub for future generations of users, we'll also be able to unleash the power of the pub to serve our local community even better by being more than just a pub.

### **Heritage Since the 1790's**

The building that is now the pub was originally the Fountain Head Farm, built in 1792. Samuel Webster was born here in 1813, the founder of Websters Brewery and the first Websters ales were brewed on the site in 1838. Websters Brewery is as synonymous with Halifax heritage as the Piece Hall or Gentleman Jack, and so we intend to obtain Blue plaque status to further protect the building.

### **Protecting the pub**

Once we buy it, it will be protected for generations. The society has a 'Statutory Asset Lock' in place, which means that no-one can ever profit from the sale of the building in future. If the pub were ever to be sold, it would be at full market value, and the proceeds would – after repaying shareholders – be used to benefit the local community. The pub would continue to operate as long as we, the local community, wanted it to. We'd have control in our hands.

### **More than a Pub**

The days when a pub could exist solely on selling alcohol to a steady stream of regulars day-in, day-out have long gone. Competition from supermarkets, cafés, bars, restaurants and other pubs mean that we have to think about what we offer and how that keeps pace with people's changing tastes and needs. We plan to:

- Install a modern kitchen that means we can offer the kind of menu that provides the food people want at a price they can afford.

- Extend the Pub to the front to create a space for up to 60 people, with the extension including energy generating facilities. This will allow us to increase our restaurant space, and create more room for the community to enable the kind of activities that the pub hasn't been able to support.
- Create a Games room on the site of the present toilets, and build new toilets
- Ensure new and existing spaces allow for Disabled access.
- Create an Arts and crafts outlet available for short term rent for local craftspeople.
- Create a membership and shareholder scheme that is inclusive for the local residents of Pellon and surrounding areas and gives members and shareholders a voice in how the business is run and developed.
- Create a marketing program that promotes the events and activities that its customers have requested.
- Create a business that is self-funding and delivers funds for local residents and local community events.

### **How much will this cost?**

There's three ways we can move this project forward:

*Scenario 1* – if we can raise at least £135,000, we believe we can borrow the remainder of the money we need to purchase the pub. We'll not be able to undertake the renovations with significant grant funding, which will take time, and might not be possible. And, as we won't have the extra-revenues that would come from an expanded pub, until either the debt was paid down or the funding found to expand the pub, we wouldn't be in position to pay investors interest or allow them to have their capital repaid to them.

*Scenario 2* – if we can raise £335,000, we can buy the pub and then take out a commercial mortgage to borrow the money we need to undertake the renovations. As this will lead to higher revenues, we believe that we can afford to pay investors up to 2.3% year and still allow investments to be withdrawn (ie, repaid) from year 4 onwards, whilst still paying off the loan.

*Scenario 3* – if we can raise £500,000 we can use the extra cash for the renovation and extension costs meaning we would not need the mortgage mentioned in scenario 2. The less debt we have will lower the repayments, which in turn will increase the rate at which we can return capital to our investors.

### **Where will the money come from?**

We anticipate raising this through a combination of grants, loans and shares, though the precise mix is currently being assembled. There is a programme offering a £50,000 grant and £50,000 loan run by Power to Change that we could apply for, but this is currently suspended because of the Covid crisis. However, if it re-opens in time for us to access it, we will seek to do so.

As a result, we are planning to raise these funds on the basis of long-term commercial mortgage and we are currently in talk with several lenders and anticipate being able to borrow what would be required under scenarios 1 and 2.

The remainder will be funded by Community Shares.

## What exactly are Community Shares?

This is a community share issue, which is a much snappier name for what they are legally-speaking: 'withdrawable shares in a Community Benefit society'.

Unlike shares in companies, you'll not get a dividend nor are you able to sell them to someone else. Withdrawable shares work a lot more like a bank account, as you get your money back through withdrawing it from the society. However, the society can only give it back to you if we're doing well as a business (In legal terms we have to have sufficient trading surpluses and ready cash to enable us to give you your investment back).

Like a bank account, we pay interest each year on the investment, which we plan to be up to 2.3% from the second year after the investment. We will pay the interest to you directly each qualifying year.

Each year, the Board will decide how much interest to pay, whether they can afford to allow shares to be withdrawn, and if so, how many.

### *Withdrawals*

Each year, we will put at least 25% of profits generated into a fund to allow investors to withdraw (ie be repaid) their investment, which you will be able to apply for 3 years.

Where possible we will allow the full amount requested but each year, we will decide how much money can be withdrawn, and then pay that out in proportion to the total amount requested to be withdrawn.

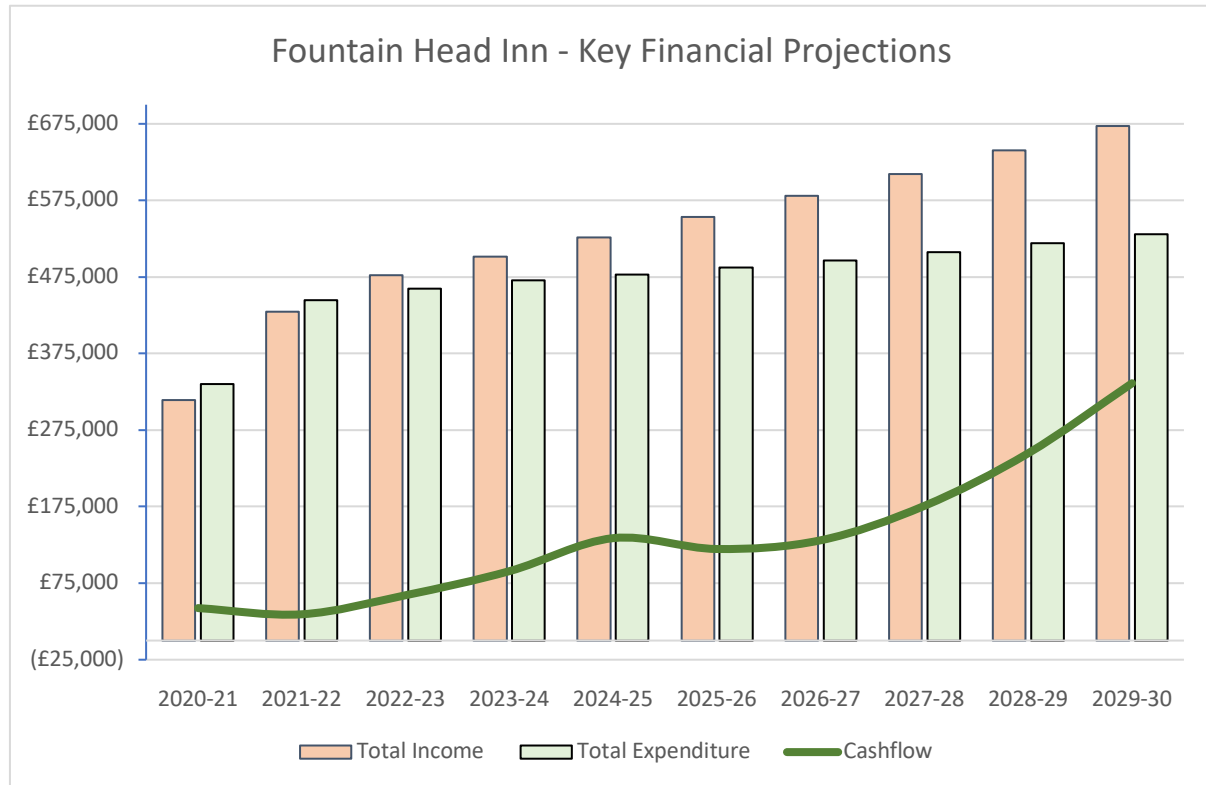
For example, if we have £20,000 in our withdrawals fund and the total value of withdrawals requested is £80,000 then we will pay each shareholder 25% of the value of shares they requested to withdraw in that year.

Investors should note that the Society can only support withdrawals provided it has the cash to do so, and either has an overall record of trading profitably (ie, if you add up our year-end results since our creation in 2020, the surpluses outweigh the losses), or else we have received new investment from existing or new members though new investor members joining and giving us their money in a separate share issue, which could form part of our future plans. Our projections show that we can afford to start allowing 20% of capital to be returned to members from the 5<sup>th</sup> year after trading.

Either way, the best way to get your money back is to continue to support and crucially, persuade other people to support us too. That's the real secret of community ownership – we make the rewards of our success something we can share with the people who matter the most to us.

## Projected Finances

We're very confident that if we can get enough share capital to buy the pub, we can get debt finance to undertake the renovations which will then give us a very solid platform on which to operate.



*There are more details on our financial projections in the business plan which you can download from our website.*

## What do investors get?

### Every investor will get:

- A vote at the AGM on important issue facing the Society and for the election of the Board of Directors.
- The chance to stand for and be elected to the Board which will oversee the running of the pub
- For each £100 invested up to £2,500, each member will get a ticket in an annual draw for which the prize will be a £1,000 voucher to be spent on a holiday.
- Everyone investing between up to **£2,500** gets 4 years membership of our Regulars Discount Club.
- Invest between **£2,501 and £10,000** and get 10 years membership of the club **AND** an option to claim **30%** of your investment returned through Social Investment Tax Relief (SITR).
- Invest **over £10,000** and get life membership of the club, an option to claim **30%** of your investment returned through Social Investment Tax Relief **AND** at **least 1.5%** annual interest on your share capital, rising by 0.1% with every additional £10,000 invested.



	<b>Democratic Rights</b>	<b>Annual draw tickets</b>	<b>Annual Discount</b>	<b>30% tax relief option</b>	<b>Interest on share capital</b>
£100 - £2,499	Yes	1 per £100 invested	4 years	No	No
£2,500 - £9,999	Yes	25	10 years	Yes	No
£10,000 - £19,999	Yes	25	Lifetime	Yes	1.5%
£20,000 - £29,999	Yes	25	Lifetime	Yes	1.6%
£30,000 - £39,999	Yes	25	Lifetime	Yes	1.7%
£40,000 - £49,999	Yes	25	Lifetime	Yes	1.8%
£50,000 - £59,999	Yes	25	Lifetime	Yes	1.9%
£60,000 - £69,999	Yes	25	Lifetime	Yes	2.0%
£70,000 - £79,999	Yes	25	Lifetime	Yes	2.1%
£80,000 - £89,999	Yes	25	Lifetime	Yes	2.2%
£90,000 - £100,000	Yes	25	Lifetime	Yes	2.3%

### ***Regulars' Discount Club***

We will also have an Regulars' Discount Club which will cost £10 per year to join if you're not already getting membership by virtue of your investment. Club members get:

- Access to the members bar
- 10% discount on drinks and food, rising to up to 20% on some themed nights
- Free Buffet on New Year's Day
- Free Sunday Entertainment

### **Tax Relief**

This share offer has received for Advance Assurance from HMRC that it qualifies for Social Investment Tax Relief and so people investing over £2,500 will be able to claim 30% of whatever they invest can be set against their income tax liability for the current or previous tax year (you choose which one to claim it against).

In order to benefit from the tax relief, you must be a UK income and/or capital gains tax payer with tax due to pay equal or greater than the amount of relief you're seeking.

You can claim the relief in either the tax year you make the investment or the previous tax year. The date of investment will be the day the society receives the money after the share offer closes, not the date in which you made the investment.

If you pay tax via PAYE, you send the certificate to the tax office that process your employer's payroll tax collection, and if you do self-assessment, you claim the relief when completing your tax return (unless you want to backdate it for a tax year you've already filed a return for, in which case you have to contact HMRC directly).

We cannot give tax advice, and can only vouch that the investment is a valid investment for tax relief. Anyone considering investing with tax relief in mind should contact a financial advisor to establish whether they themselves would be eligible.

## **Questions about the share issue....**

### **How can I invest?**

We are running this share offer through the Crowdfunder website.

Crowdfunder will take payment immediately using a credit or debit card and will hold the funding until the project is either successful and they will pass the money to us, or unsuccessful in which case they will give you your money back.

### **What is the minimum and maximum investment?**

The minimum investment is £100 The maximum is £100,000.

### **Who can invest?**

Anyone over the age of 16 can invest (but only people aged 18 or above can serve as directors).

### **Can organisations and businesses subscribe for Community Shares?**

Yes. A representative of that organisation will need to become a member of the society as nominee for their organisation/business.

### **Can people club together to buy shares?**

Yes, but as with organisations, you'll have to nominate a member of your group to be the named shareholder in our share register.

### **What if the society isn't financially successful enough to survive?**

If we did become insolvent, the ability of investors to recoup the funds they have invested would depend on firstly the value we (or the appointed insolvency practitioners) could get for the assets of the society and secondly, the value of our debts at that point.

In the event of our insolvency or orderly winding-up, the proceeds from the sale of those assets and our cash would firstly pay off all our creditors, and if there were any funds left at that point, would be used to pay back shareholders as much of their investment as they have outstanding as possible, on a pro-rata basis.

As we are a society with a statutory asset lock, should there be any surplus after returning funds to investors this would have to be given to another organisation with similar aims and a similar asset lock. This cannot be changed by members and is enforced by statute law.

### **What happens if I didn't get all my investment back?**

Although the society is registered as a Community Benefit Society (CBS) with The Financial Conduct Authority (FCA), the sale of withdrawable shares in the society is not regulated by the FCA. Like many investments, these community shares are at risk and you could lose some or all of the money you invest.

Unlike deposits with high street banks, community shares are not covered by the Financial Services Compensation Scheme, nor is there any right of complaint to the Financial Ombudsman Service. If you are considering investing a significant amount then you may wish to seek independent financial advice before doing so.

Investors who have claimed tax relief would also be eligible to claim loss relief against their tax liability for the difference between what they invested less any tax relief already claimed and what was returned to them.

**Can my investment be gift aided?**

No, because we aren't a charity.

**Can I sell my shares?**

No. This investment is in withdrawable share capital which cannot be transferred, sold or given to anyone else, except on your death. You can tell us in advance, in writing, who you wish to transfer your investment upon your death, and we can transfer the first £5,000 of your investment to them; any investment above £5,000 requires your beneficiary to be explicitly named in your will. If you do not nominate anyone, then the Board will rely on the instructions given by your executors.

**Can shares increase in value?**

Shares cannot rise in value, so there will never be a capital gain. They may be reduced in value if our auditors instruct us to do so if they believe that the value of our assets has fallen.

**Will I get a Share Certificate?**

Everyone who invests will receive a community share certificate.

**What will you do with my personal details and data?**

Your personal details as submitted on the application form will be held by the society and used in accordance with the provisions of the rules and of the 2014 Co-operative and Community Benefit Societies Act. Only members can inspect the members' register and view members' names and addresses (but not how much they have invested) but the society will not share, sell or provide my details to any other individual or organisation and will ensure compliance with the GDPR regulation in accordance with its responsibility as a data controller.

### **Who will run the pub?**

All of the Directors will resign at the first AGM of the society, due to be held to enable a new board to be elected with the confidence and legitimacy of being democratically elected by all our members. Existing Directors can stand for re-election, as can any member who can be nominated. Until then, the founding board will be running things:

### **The Founding Board are...**

**David Budgen (Chair)** - David has been running the Fountain Head Inn for over 10 years. He has experience in Marketing, logistics; Brewing; Pub Management and has in the past been successful in sourcing community funds, which makes him the ideal person to lead us through the acquisition of the Fountain Head Inn and the subsequent development of the Fountain Community Organisation.

**Gillian Tolley (Treasurer)** – Gillian is a civil servant working for the home office. Previous 8 years with CYPs local authority. 20 years warehousing and logistics. Gillian's Interests are local Heritage; History and Farming. Gillian is a volunteer for Big Change Halifax which provides food and respite for the homeless and needy. Gillian has a BA Hons in history, MRes. And has Business Administration NVQIII. She is a DBS Holder (current).

**Guy Beech** - Guy works full time at Huddersfield University as a senior software integration specialist. He is a member of the Royal Astronomical Society and in his spare time runs a small farm. Guy also has been involved with the community work carried out by the Fountain Head Inn for over two years, making and dishing out hot meals for the homeless, taking practical help to the needy in their own homes at our own expense and referring those in need for care and medical help.

**Sean Cunningham** - Sean is Managing Director of his Own Management Services Society IMRS. He has a wealth of experience in the construction industry. He is a specialist in Project Management and having led several companies through to completion of the BS14001 standard he will be a great asset to the team in our renovation and development plans.

**Sophie Askey** - A veteran of the administration of many Outreach projects. Sophie has been of particular help advising the vulnerable and needy on their welfare and benefits rights. Sophie has helped many to get the assistance that they greatly needed. The management team also benefits from Sophie having a lifetime of experience in the license trade.

**Liz Wade** – Liz has 40 years' experience in the licensed and catering trades Liz is also instrumental in our existing Outreach projects working with the homeless. She been involved in arranging shelter for the needy. She has organised and run many fundraising events. Liz also works with schools helping with welfare and fundraising programmes organising lunches breakfasts and Christmas presents for those who wouldn't have them.