Proposed acquisition of **Papermakers Arms**

Community Update

9th October 2024

Background

1. *The Papermakers Arms is available FOR SALE or TO LEASE*
2. The pub was already listed by Plaxtol Parish Council (PPC) as an Asset of Community Value
3. The PPC enacted a 'Community Right to Bid' in April that provides a moratorium period of 6 months for the local community to make an exclusive bid for the ACV
4. A small Working Party has been working with PPC towards this objective
5. There are many different aspects to consider:-
    a. A viable Business Plan
    b. The acquisition model
    c. A legal entity able to make contractual commitments
    d. Investor opportunities
    e. Business operation

Activities so far…

1. Joined Plunkett UK who advise local communities how to purchase an ACV
2. Created a Community Benefit Society; a legal 'cooperative' company registered by the Financial Conduct Authority, with banking facilities and usual company rules & obligations, including Data Protection
3. Met key members of other 'Community' pubs eg The Plough, Trottiscliffe & The Swan WP
4. Received advice from a multiple pub owner, and from an ex-manager of a national pub operator
5. Tax Relief advice received from the retired solicitor acting for The Swan WP
6. Arranged a professional valuation of the pub
7. Reviewed our plan and the pub accounts with both the pub owner and his Estate Agent
8. Met with Fleurets who buy and sell Pubs and advertise for Pub Operators
9. Interviewed potential Pub Operators
10. Collaborated with PPC and provided Community updates and the latest Questionnaire
11. Early-stage discussion with some potential local investors
12. *Based on all the advice, we've devised an **Acquisition Model** as described on the next slide…*

Acquisition Model Proposed

1. PPC could acquire the pub using a repayable 'Public Works Loan' provided by the Government to Local Authorities for community ventures
2. PPC then assigns the pub operation to the CBS via a Lease agreement, in return for rental payments – which PPC uses to repay the PW Loan
3. The CBS will then:-

    a. Invite the local community to invest in this exciting venture, via a share-offering

    b. Operate the pub either directly or indirectly (details on next slide)

    c. Pay rent to PPC and service Shareholders

NOTE that as a CBS, no individual can profit from this enterprise – income can only be used for business improvements, repaying loans or paying rent or servicing Shareholders – if venture fails, any resulting capital gain (after repaying debt and shareholders, subject to PPC & CBS Lease agreement terms) must be used for another local Community venture.

Pub Operation Three Options

1. Directly – Hire staff & manage all aspects

a. Most labour-intensive and high risk to CBS; requires active management & good staff

b. Less opportunity for an entrepreneurial individual to develop the business

c. Allows closest involvement of CBS and the reinvestment of all profits, but CBS will be liable for all premises and business-related expenses

2. Indirectly – Tenant

a. Tenant pays rent typically for a short occupancy period (up to 5 years), with no automatic right to renew and therefore no Lease Premium

b. Tenant hires all staff and pays their salaries, typically lives-in, limited liability for repair

c. Less-experience required, but high demand for good Tenants = high turnaround

d. Combination of shorter occupancy & high turnaround means Tenant may be less inclined to invest time & effort to fully-develop the business

3. Indirectly –Leaseholder

a. Lease is longer-term (10 years), with auto-renew

b. Leaseholder is typically a more experienced operator

c. Leasehold Premium carries value

d. Leaseholder is more secure in 'owning' their future profitability and product direction, hence more likely to fully invest in their business

e. End-result is typically a higher-quality outcome

f. Leaseholder will have a 'Full Repair & Insure Lease'

g. Arms-length arrangement for CBS, but regular collaboration should drive a harmonious & successful joint venture

WE'LL CREATE THE NECESSARY CONTRACT ONCE WE'VE IDENTIFIED OUR PREFERRED OPERATOR

Investor Benefits

1. By purchasing shares you'll become a CBS Investor Member, who owns part of a valuable community asset, for use by current and future generations of Plaxtol Parish
2. *We see a large community of shareholders as being key to the revitalization of the pub*
3. Shareholders will ensure that this venture is successful and can contribute ideas and or effort, to help the CBS to manage the enterprise
4. Shareholders will receive interest (for a minimum investment amount)
5. The CBS will apply for SEIS and or EIS Tax Relief
6. We'll offer Pub-related benefits e.g. an annual voucher
7. Each Investor will have 'one vote, one voice' regardless of how many shares they own
8. The scheme will include a share redemption option (not available Day 1)
9. *The minimum investment will be £250*

Financial Data

1. The pub freehold is for sale at +£750k, with a separate lease option also available
2. We understand that the pub owner prefers an outright sale rather than a lease option
3. CBS (via PPC) aims to purchase the pub freehold, for an equitable amount
4. We have Audited Accounts and Management Accounts that support our Acquisition Model
5. Subject to PPC agreement, we *could* improve the chance of success by making a small increase to the Parish Precept (the Council Tax paid per Plaxtol Parish household), such as less than £1 per week for a Band D property
6. *We do not expect the initial Share-offer to raise 100% of the purchase fee – but we're aiming for a significant proportion to facilitate an early reduction to the PPC loan, which will also reduce the ongoing rent paid by the CBS to PPC and enable the CBS to support the Operator*

Next Steps by CBS unless mentioned

1. Gauge level of investment interest
2. Agree purchase price with the pub Vendor
3. Identify a pub operator
4. Apply for the PWLB loan (PPC)
5. Create a Prospectus & launch a formal Share Offer
6. Appoint a Solicitor & agree all contractual terms

To Pledge for Shares to the Papermakers CBS

Please send an email to one of the email addresses below, with:

1. Your full name
2. Details of any relating query
3. The value of your Pledge

kevin.ashworth@me.com or paul@nuttreehall.com

NOTE Pledge details will be held in confidence, according to our CBS Data Protection policy. A Pledge is not a commitment to invest.