

Community Shares

promoting enterprise, equity and engagement through community shares and bonds

Community Shares Programme

Two-year action research programme, funded by Cabinet Office & DCLG, delivered by DTA and Co-operatives UK, working with 10 organisations raising community investment:

- **Ashington Minors** – childcare nursery
- **Cybermoor** – rural broadband services
- **Brixton Green** – community land trust and urban regeneration
- **FC United of Manchester** – building new stadium
- **Hastings Pier & White Rock Trust** – development trust
- **Hurst Green Village Shop & Centre**
- **Oxford Cycle Workshop Training**
- **Sheffield Renewables** – urban renewable energy schemes
- **Slaithwaite Co-operative** – community-owned greengrocers
- **Tutbury Hydro Electric Project**

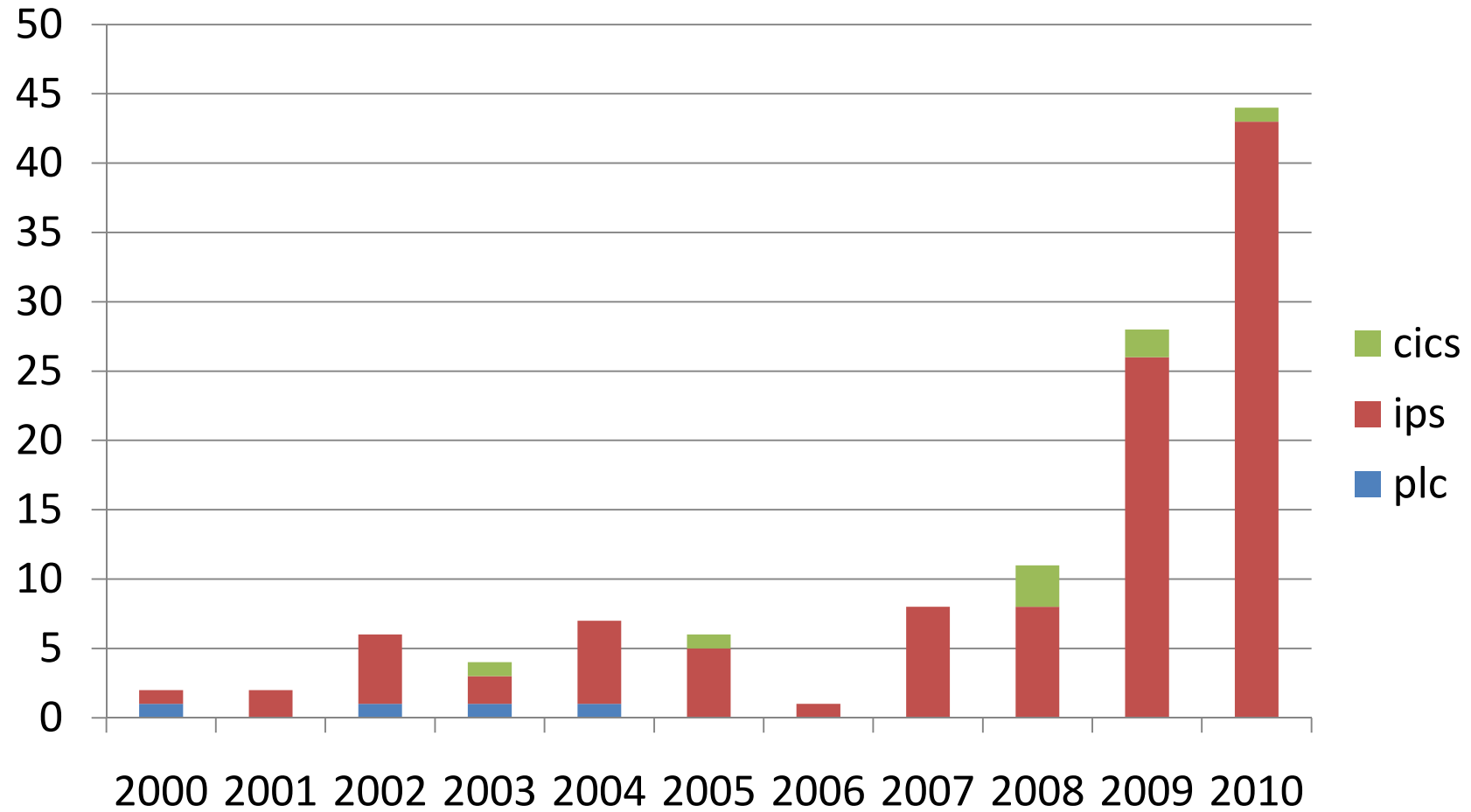
From “fundraising” to “investment”

- Recognition that some community services are best delivered through a business model
- Growing public appreciation that businesses can be run for a social purpose, not private profit
- Historic shift in financing community enterprises: from fundraising approach (events, gifts, donations) to investment in community shares
- Greater autonomy for communities

Changing public attitudes

- Most people are savers not investors, (and some people aren't even savers)
- Most people donate to good causes, rather than invest in them
- But most people can invest more than they can afford to donate!
- Shift from purely philanthropic to community investment proposition

Growth in community share offers



Community shares by trade activity

Trade activity	Number orgns.	Share capital	Members
Renewable energy	28	32,191,000	11,687
Regeneration, land and buildings	22	13,516,000	2,947
Consumer co-operatives	19	182,455,000	5,843,000
Community retail stores	18	571,000	2,561
Transport (inc historic railways)	18	20,809,000	n/a
Finance and investment	10	7,489,000	1,858
Food production and farming	6	886,000	9,539
Fair trade products	5	33,409,000	18,705
Pubs and breweries	5	575,000	388
Football	4	1,231,000	31,704
Other	6	8,849,000	39,084

Why are societies the preferred format?

Unique attributes include:

- Withdrawable share capital
- One-member-one-vote
- Upper limit on individual member investment
- Flexibly capped interest, not dividends, on share capital
- Dividends on transactions
- Optional statutory asset lock
- Currently exempt from costly regulation

Is it the right option?

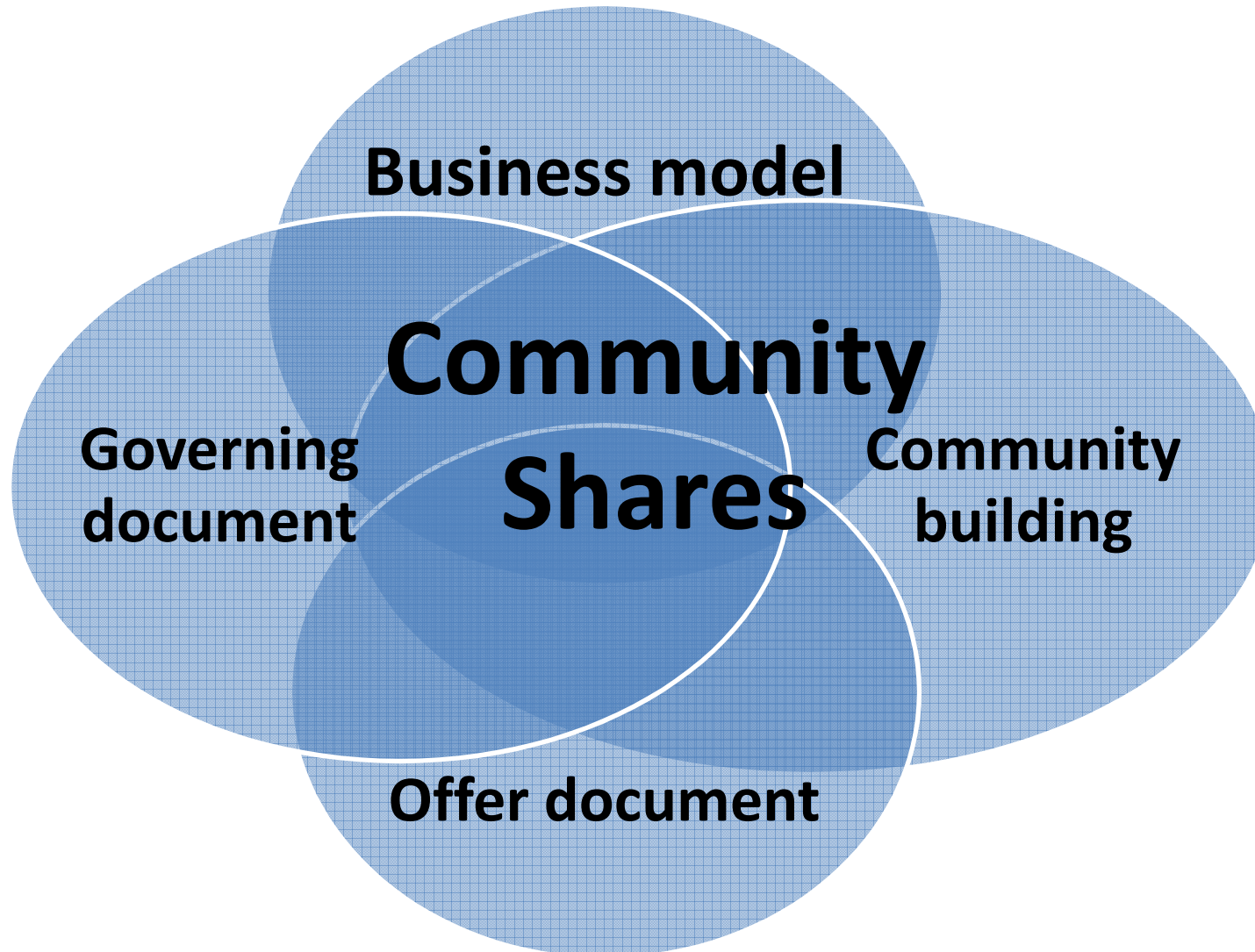
The community

- Long history of community organisation
- Established membership databases
- Track record in fundraising
- Enterprising tradition in community
- Access to business and professional skills

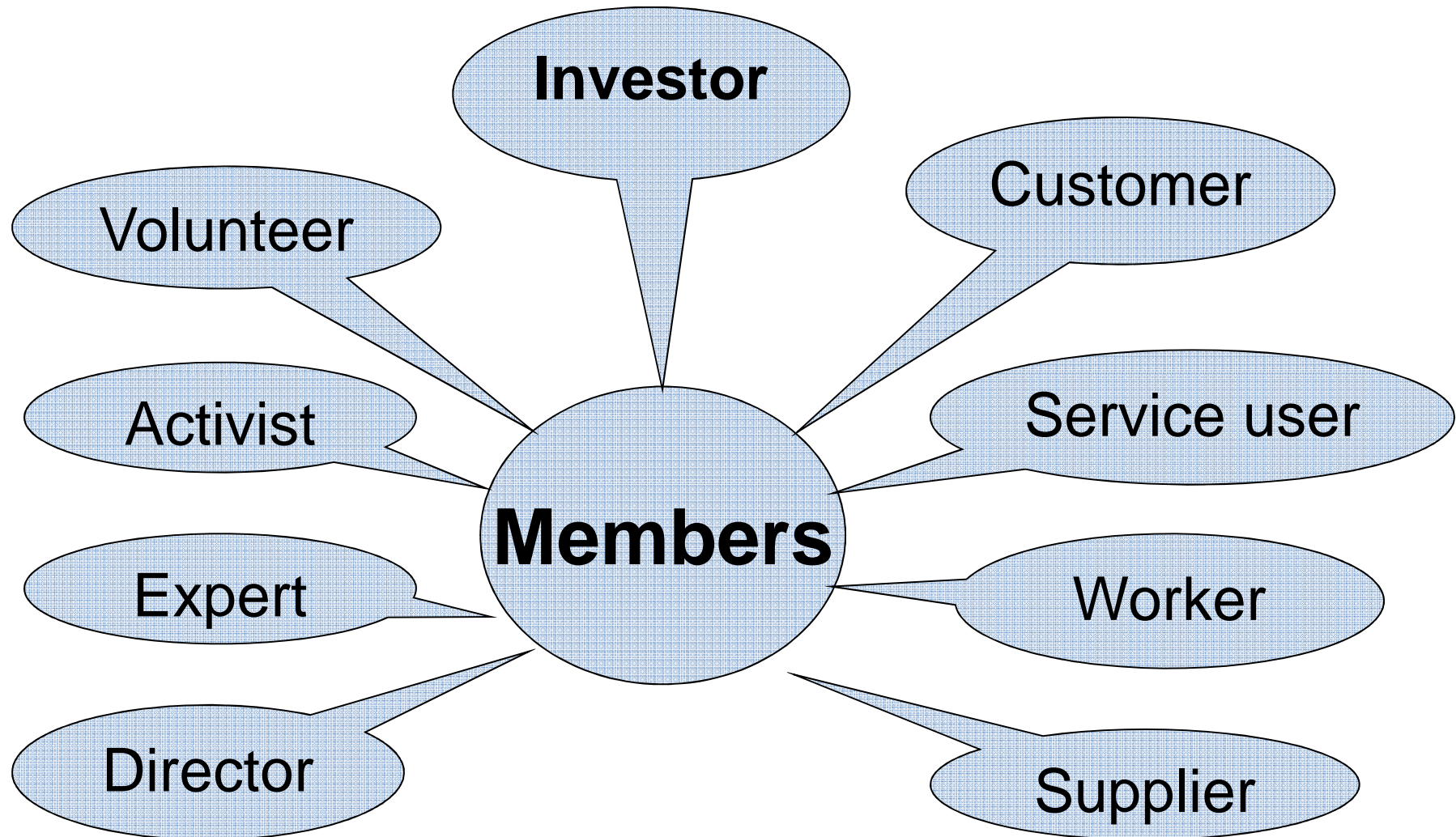
The proposal

- Strong community purpose
- Scope to run as a profitable enterprise
- Sustainable in the longer term
- Capital invested in tangible assets
- Scale of investment fits size of community

Community shares: key elements



Member engagement



Members improve competitive advantage

Members roles	How these roles improve competitive advantage
Investor	Lower cost of capital; greater acceptance of risk
Customer	Greater loyalty; accept higher prices & dividend
Service user	Demonstrates support to funders; better feedback
Activist	More engagement; better feedback; better targeting
Volunteer	Lower labour costs; access to specialist skills
Suppliers	Greater loyalty; lower input prices
Workers	Greater loyalty; lower input prices; better feedback
Directors	Access to specialist skills; lower input prices

Four types of share offer

Membership offer: where the amount invested in share capital is restricted to a nominal sum.

Pioneer offer: offer to founding members for high risk capital to get “investment ready”

Time-bound offer: target amount and timescale for investment offer where if it is not successful the money is returned to investors

Open offer: where the offer is not subject to a target amount or timescale

Investment stages & offers

Investment stage	Key Characteristics	Appropriate offer types			
Pre-start	New groups or projects which need support to get investment-ready	M e m b e r s h i p	Pioneer		
Start-up	Investment- ready ventures, developed by the community, with or without the support of external agencies			T i m e - b o u n d	
Acquisition and transfers	Community buy-out or rescue of established enterprises facing closure or ownership-succession problem				
Early-stage growth	Established ventures, trading for less than three years, seeking investment capital to finance growth				
Later-stage growth and consolidation	Established ventures, trading for more than three years, seeking investment capital to finance growth, replace capital outflows, or consolidate trading position				Open



Our Funding Mix

Grants

A loan

Community investment
through a share issue

What Made the Share Offer a Success?

Good promotion

A deadline

A product that has a
clear identity

Real Food Store, Exeter

Investment bands	No of investors	% of investors	Amount invested	% total invested
£100 (minimum allowed)	157	53%	15,700	10%
£101 to £499	67	22%	14,875	10%
£500 to £999	38	13%	19,200	13%
£1,000 to £4999	31	10%	48,000	31%
£5,000+	5	2%	55,000	36%
Totals	298	100%	152,775	100%
Average investment	£513			
Median investment	£100			
Minimum investment	£100			
Maximum investment	£20,000			



GAWSWORTH COMMUNITY SHOP

The GAWSWORTH COMMUNITY SHOP community share offer

Launch date: 1 September 2010.
Closure date: 30 September 2010

Gawsworth Community Shop Limited Registered in England No:31013R
Registered Office: Crabtree Moss Farm, Marton Lane, Gawsworth, Cheshire SK11 9EZ

Gawsworth Community Shop will be the heart of our community. You have told us that you want to retain a newsagents and grocery store within the village. Indeed, for many of the elderly and those without cars, the shop provides an essential lifeline. For others, it is simply a convenience that would be sorely missed

This document is issued by the GAWSWORTH COMMUNITY SHOP LIMITED steering group and invites you to participate in our share offer. Our plan is to raise funds to acquire and refurbish the existing newsagents and general store shop premises at Longtatts Lane. We have come to an agreement in principle with the current owner. We plan to stock a wider range of goods within a bright modern environment. Most importantly, we plan to run the shop with the assistance of volunteers to keep running costs as low as possible. We propose to fund the acquisition through a mixture of grants, loans and by offering shares to the community.

The share issue
The share issue has been designed to provide local people and organisations with the chance to contribute financially to our community shop business in the expectation of receiving a social dividend rather than a financial return. The issue divided up buying a local shop will mean different things to different people. For some it will be the convenience of being able to pop in for their daily paper or when you run out of milk. For others, it may be the only easily accessible place for them to do all their shopping, a real lifeline. Mums and Dads drop in whilst on the school run. Remember last year's snow and ice and think about how many of us valued being able simply to walk to get groceries!

A lot of course there is the truly "niche" aspect of the shop as a meeting place, somewhere to post advertisements, sell patio tickets and keep up to date with village news. As investors in GAWSWORTH

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members of our community. We would not do it if we didn't believe in it.
Our share offer is exempt from the Finance Services and Markets Act 2000 or regulatory restrictions; this means you have no right of complaint to an ombudsman. A community benefit society is registered with but not authorised by the Financial Services Authority and therefore the money you give for your 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 in the context of the complete share offer document, and if needed seek independent advice.

A share application form is attached and we are also enclosing a form to enable anyone who wishes to make a gift or a loan.
Please ensure that those are returned to our treasurer, Don Rieley, by the closing date of 30 September, 2010.

Other things that you may wish to know
Results from our village survey indicated that there was huge support for reopening the shop again. Some 500 people offered their time and skills either as volunteers to staff the shop or as fundraisers or business advisers.

Response to our letters asking for pledges has been truly heartening, but we even if everyone honours their pledges we will still be slightly short of our fund-raising target, so we need your support.

In the survey, many of you indicated that the loss of the Post Office was particularly hearted. There is no prospect of being able to reinstate the Post Office but we will look to replace some services in other ways. For example, we are doing our best to arrange a parcel service and plan to install a PayPoint in due course. We will be looking to source many new items for the shop from local

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COMMUNITY SHOP LIMITED you can help secure this social dividend. CAN YOU REALLY IMAGINE GAWSWORTH WITHOUT OUR SHOP?
Who is leading this initiative?
We are a group of volunteers with a sound mix of experience and professional skills who have been working hard since the public meeting in March to develop a plan to save the shop. We all live in Gawsworth and we all believe passionately that the village needs this shop. We have invested our time and energy voluntarily without financial reward. By keeping with the ethos of opportunity investment, we are also investing our money into this project. As founder members, and original shareholders in GAWSWORTH COMMUNITY SHOP LIMITED, we form the current steering committee. We intend to pass down the reins to a new steering committee.

GAWSWORTH COMMUNITY SHOP LIMITED AGM and offer ourselves for reelection by the members, again on an unpaid basis. We would encourage any other members who are willing to commit time and energy to put themselves forward for election if they so wish. We are: Brian Horan - Chairman Ray Shaw - Secretary Don Rieley - Treasurer Alex Price John Egerton Stuart Mills Neil Phillips Carol Townsend Heather Rodrigues Louise Hamer
Business Viability
During our public meetings and on the doorstep, many of you have asked whether the shop is really viable as a business, particularly since the Post Office closure. The straight-forward answer is that in its current form, it is not viable. The loss of the Post Office income has been serious.
After taking account of the current funding costs, the business makes a loss. It is for this reason that the shop cannot continue in its current form and will shortly close.

So why do we think that we can do it again better?
Our plan is not to run the business as a private venture but as a community owned shop. Monies invested by the community in share capital will help fund the acquisition of the premises and this investment by the community will unlock grant funding. For example, one of the conditions for securing £30,000 grant funding from the Plunkett Foundation, is that the village invest at least 25% of the amount. By raising funds by way of share capital we will minimise the interest and capital repayment costs of large commercial loans. We will also be able to reduce overheads by using volunteers to work in the shop. This plan provides us with the best commercial leads to a minimum. It is for this reason that we are keen to ensure that as many villagers as are able participate in this share offer.

What investment do we need in order to open?
We need to raise a minimum of £300,000. This sum is required largely for purchasing and refurbishing the existing shop premises at Longtatts Lane and for working capital. This includes the

costs of fitting out, electrical and building work, purchase of refrigeration, chilling and kitchen equipment and initial stocking costs. We are confident of securing £30,000 by way of grants and loans (some of which is conditional on securing matched funding from the community) and so we need to raise the balance from the community by way of this share issue.

What happens if we do not raise enough?
If this share issue does not raise more than 75% of the sum required from the village, then all those who have invested will be reimbursed in entirety and the share issue will be deemed to have failed.
Anyone who has made loans or gifts will have their money returned. This will almost certainly mean that the shop will close and the village will have lost a vital resource which may never be replaced.
If the sum raised is greater than 75% of the required amount but less than the total, we may seek other forms of capital in order to proceed.

What happens if we cannot buy the existing premises?
There is, of course, a risk that negotiations with the current owner fail. Naturally the steering committee have to consider this point and are working on plans for an alternative solution. There plans to proceed on the basis of the present premises, we will call a public meeting to share those alternative plans. We will request our business reconisers their investment within a set time period. Anyone who wishes to withdraw their share capital within that timeframe will be free to do so.
Similarly, anyone who has made loans or gifts will be offered the opportunity to have their money returned.

How does the share issue work and what guarantees do
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suppliers and would welcome discussions with anyone who can supply quality locally produced goods.
Co-operative UK provided us with legal advice on our constitution and we are registered with the Financial Services Authority. We are also getting support and advice from The Plunkett Foundation who have helped many village recreation, community owned shops.
Across the country 243 community owned shops have been established in recent years and only 53 have failed, according to the Plunkett Foundation.

And finally.....
We really need your support to make this happen. If you want Gawsworth to have a thriving village shop then there are three ways in which you can help:

1. By subscribing for shares via this share offer
2. By volunteering your time and skills to work in the shop when it reopens or helping with the refurbishment (we will need an electrician, plumber, joiner, decorators and general handymen as well as a seamstress and sign painter)
3. By continuing to use the shop. We expect to give you plenty of reasons to spend a little more as we aim to stock the items and provide the services that you request.

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How have you invested?
The company that we have set up is an Inclusive and Provident Society for the benefit of the community. It will operate on the basis of one member one vote, irrespective of the amount subscribed for shares. This is a long term investment for the benefit of the community. It is NOT the same as the more familiar investment in a "for profit" enterprise where the investor seeks to share in profits through dividends and make capital gains as an increase in the value of shares held which are freely marketable. The value of shares in GAWSWORTH COMMUNITY SHOP LIMITED cannot increase beyond the nominal value of £10 and may be reduced if liabilities exceed assets. However, because the shares are issued by a limited company, no further liability can fall on you as a shareholder.

These shares cannot be sold:
The only way to recover the sum initially invested (or any reduced value) is to give notice of withdrawal to the Board which cannot take effect (except in exceptional circumstances) until 5 years of the date of the share issue.

GAWSWORTH COMMUNITY SHOP LIMITED began trading (withdrawal is the later). Notice dates of the year for withdrawal will be voted on by the shareholders at the first AGM. Withdrawal will be at the discretion of the director who will judge if the business is trading profitably and has adequate cash resources to fund withdrawal.

In the event of the death of a member, the intention would be to make an earlier repayment (if requested), subject to funds being available.

GAWSWORTH COMMUNITY SHOP LIMITED will not pay interest or dividends on shares. This investment must therefore be considered an opportunity for people to contribute financially to the community with the expectation of a social dividend rather than just a financial return. The Inclusive and Provident Society

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THANK YOU FOR YOUR SUPPORT

Useful contacts:
Chairman: Brian Horan
Tel: 01260 224011
Steering Committee Members:
Ray Shaw 01261 428811
Don Rieley 01245 48358
Alex Price 012625 481150
John Egerton 01260 222899
Stuart Mills 01260 223365
Carol Townsend 01260 224451
Louise Hamer 01260 223663
Stephen Hamer 01360 228663
Heather Rodrigues 01260 222999

Volunteer Co-ordinator: (with welfare role)
Refurbishment Leader: John Egerton 01260 223889

We are here to serve YOU. Don't hesitate to contact us with any queries or suggestions that you may have.

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How can I find out more about the business plan and the company constitution?
We will be holding a public meeting at the Village Hall on Saturday 11 September from 10am - 5pm where there will be a short presentation on the business plan and our legal structure, as well as information on how we plan to run the shop going forward.
Copies of the business plan and company constitution can be obtained from any member of the steering group or by telephoning / emailing our Chairman, Brian Horan tel: 01260 224011 email: ba.horan@gawsworth.net

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Further information

Community Shares website: www.communityshares.org.uk

Publications

- *Community Shares Factsheets*
- *Community Investment using IPS legislation*
- *The Community Shares Programme: One Year On*
- *Guide to governance and offer documents*
- *Investing in community shares*
- *A practitioner's guide to community shares* (due March 2011)

Further contact: