

YOUR INVESTMENT IN BARCOMBE VILLAGE SHOP LIMITED

Thank you for helping to rescue the village shop and Post Office.

This note describes how the rescue will work and explains the nature of your investment.

SUMMARY

1. A new company, Barcombe Village Shop Limited (“BVS”) is buying the building and business for £350,000.
2. The building comprises the shop and Post Office downstairs and a 2-bedroom flat upstairs.
3. BVS will lease the shop and Post Office to a business owned and managed by Rob Wallace and his wife, Clara Gonzalez.
4. We expect these two transactions to happen at the end of August.
5. Everyone investing will be buying one share in BVS for £1. Each share will have one vote at shareholder meetings. The rest of your contribution will be a loan to the company. You will be given a share certificate and a Loan Note.
6. The first £500 of loan will entitle you to a £12.50 voucher for use in the shop (or £10 in cash). We expect to pay interest at 2% on amounts invested above £501.
7. The shareholder’s rights, and the terms of the loan are described more fully below.
8. The initial Board of Directors of BVS is made up of: Chris Arbenz, Sheila Holden, Nick Lear, Nigel Saxby, Paddy Secretan and Amanda Williams-Thomas, who are all also investors. Investors will be able to make changes to the Board.
9. The income of BVS will come from the rents from the shop/PO and the upstairs flat. The Directors will aim to ensure that the company keeps sufficient funds available to pay for future expenditure (for example insurance and repairs). They will also endeavour to build up a fund for paying back loans in cases of financial hardship.
10. A fundamental part of the thinking behind the rescue, though, is that this is an investment for the long term. You will, however, receive some income on that money as described above. And you will be able to transfer or sell your investment. The Directors will seek ways of facilitating the transfer of shares and loan notes in the future as a means of allowing investors to recover their funds.

IN MORE DETAIL

The key transactions

We have set up a new company called Barcombe Village Shop Limited (“BVS”). BVS will be buying the existing enterprise from Gordon Gurman for £350,000.

The business as a whole comprises the shop and Post Office downstairs and a 2-bedroom flat upstairs that is currently let out at £650 per month. The business is therefore worth more than the building on its own, which we have had valued at £260,000. This is reflected in the total price we are paying, which includes what we are paying Gordon for the goodwill of the shop business.

BVS will lease the shop and Post Office for 10 years to a business owned and managed by Rob Wallace and his wife, Clara Gonzalez, at an initial rent of £8,000 per year. Rob has recently been accepted by the Post Office as a sub-postmaster to succeed Gordon.

A copy of the building valuation and recent accounts of the business are available to any interested investor. We also commissioned a survey of the building which is available as well. The survey did not identify any major problems with the building, but did recommend that a number of relatively minor maintenance issues were addressed

We expect these two transactions to happen at the end of August.

Funds raised and costs incurred

In order to run the enterprise successfully in the future we will need more than the basic price of the business. It is therefore great news that the total amount pledged to support the rescue of the shop is a magnificent £385,500, from 184 people. Some of the additional money will cover costs that will be incurred in purchasing the building, sorting out the lease arrangements and setting up the new business. These include £720 for the building survey, Stamp Duty of £7,000 and legal fees which we expect to be around £5,000.

The company should therefore start off with some £22,500 in the bank; this will provide funds to do essential maintenance to the building with the balance being a reserve for future costs.

Your investment

With the money you are contributing to the rescue you will be buying one share in BVS for £1 and the rest of your contribution will be a loan to the company, as described below. This is why all investors are being asked to pay an amount with an odd £1. So, those pledging £500 are being asked actually to pay £501, those pledging £1,000 being asked to pay £1,001, and so on. By making the bulk of your investment a loan we reduce the amount of tax the company would otherwise have to pay, and by making your loan a round sum amount we make the administration of interest payments much simpler.

Your investment will take the form of a share certificate and a Loan Note.

Your share

Every investor, regardless of how much money they are contributing, will have one share in BVS and each share will have one vote at shareholder meetings, which will happen at least once a year. Examples of the kind of matters that shareholders will be able to vote on are described in what follows.

We do not expect that any dividends will be paid out on the shares.

You will be able to transfer your share to someone else, but the Directors of the company will need to approve that transfer first.

The Directors will keep a register of the shareholders.

Your loan

Your loan to the company will be for the long term. It will have a technical repayment date of 2117 and in the near term we expect that loans will only be repaid in exceptional circumstances (see more below).

Your loan will entitle you to an annual interest payment. In relation to the first £500 of your loan you will have a choice between receiving a voucher for use in the shop with a value of £12.50 or a cash payment of £10, 2% of £500. The vouchers will have a 1-year life and will need to be spent in one shopping transaction. No change will be given if the voucher is used in a transaction worth less than

£12.50. For any loans that are higher than £500 the initial interest on the amount above £500 will be at the rate of 2%.

Over time, if and when the income of the company from the rents from the shop/PO and flat increases, the rate of interest on your loan may increase. It will be for the Directors at the time, though, to recommend any increase. In those circumstances we expect the value of the annual voucher - which is available as an alternative to interest on the first £500 - to remain higher than any increased interest rate, but that will also be a decision in the hands of the Directors at the time. We expect the first interest payments and vouchers to be available in December 2018. They will cover the year to 30th November 2018.

All interest and vouchers will be dependent on the company having the necessary money available: see Income and Expenditure below.

The company will aim to build up a fund out of which it should, in due course, be able to pay back investors' loans in the case of an investor's death or in cases of real need. The Directors of the company will establish the criteria that will be applied to any request for a loan repayment. In general, however, you should expect that your investment will be tied up in the company for the foreseeable future.

You will be able to transfer your loan to someone else, or, if it is of £1,000 or more, to a number of others. Loans will be transferable in minimum amounts of £500. The Directors will develop a means of facilitating transfers of shares and loans where required.

The Directors will keep a register of Loan Note holders.

The Loan Note Instrument, which sets out its full legal details, will be available to any interested investor.

The company

The legal constitution of BVS is set out in what are known as its Articles of Association. A copy of those Articles will be available to any interested investor.

The Board of Directors

The day to day running of the company will be in the hands of its Board of Directors. The initial Board is made up of: Chris Arbenz, Sheila Holden, Nick Lear, Nigel Saxby, Paddy Secretan and Amanda Williams-Thomas.

We are proposing that, shortly after BVS buys the building and leases the shop/PO to Rob and Clara, there will be a shareholder meeting at which these Directors will either be confirmed in post or not, with others being voted in, as the shareholders decide. In general we feel that the board should consist of about 6 people who, among them, have relevant skills and experience in subjects such as property, financial management and retailing, have good links across the village, are loyal customers of the shop, and as far as possible represent different age groups and genders.

At the main annual meeting thereafter, the shareholders will have other opportunities to make changes to the Board.

The Directors will be able to make most decisions to do with the company but some important ones, such as making changes to the company's Articles, will be subject to the shareholders' approval.

Shareholders will also have to approve any decision to sell the building and that approval will need 75% of the votes at a shareholder meeting. See more about sale of the building below.

The Directors will provide a report to the shareholders every year, including the accounts of the company, and shareholders will vote on whether to approve it.

Income and expenditure

The company's income will comprise the rents from the shop/PO and the upstairs flat. Assuming the flat remains tenanted throughout, the initial annual income will amount to £15,800, comprising £8,000 from the shop/PO and £7,800 from the flat. The company will have some regular expenses

such as insurance of the building (Rob/Clara will pay their share for the shop/PO) and other less predictable expenses such as the costs of maintenance and repair, of re-letting the flat from time to time, of council tax and utilities for any time when the flat is empty. Assuming all investors accept vouchers on their first £500, the cost of paying interest and redeeming vouchers from the shop will be £8,170. The company will need to pay tax, currently at 20%, on its net income after paying these expenses and interest.

The Directors will aim to ensure that the company keeps sufficient funds available to pay for estimated future expenditure and to build up a fund that can be used for paying back loans in the future, as described above.

The lawyers Mayo Wynne Baxter in Lewes have advised us on the company's Articles and the Loan Notes.

The lease

The lease to Rob and Clara is being finalised. It will contain all the usual terms and conditions that apply in a commercial transaction like this. Mayo Wynne Baxter have also advised us on the lease. A copy will be available to any investor interested.

The key terms are:

- It is for a term of 10 years
- The rent is £8,000 a year, with rent increasing every three years in line with inflation
- The premises have to continue to be run as a shop and Post Office
- There will be a 6 months deposit
- Rob/Clara will be responsible for repairs and maintenance
- If Rob/Clara sell the business within the first 3 years any money they receive over and above the value of the contents of the shop/PO will go to BVS. For any sale between 4 and 10 years, a declining share of that goodwill payment will go to BVS.

Sale of the building

As has been made clear throughout the shop rescue process, the principle underlying the rescue is that members of the village come together to buy the shop building with the intention that the shop/PO will continue in operation, and in the expectation that it will continue to do so for the foreseeable future. That being the case, a fundamental part of the thinking behind the rescue is that the money you are investing will remain tied up in the bricks and mortar of the building. You will, however, receive some income on that money as described above.

At some time in the future we can envisage that a decision may be needed about moving the shop to different premises. This may involve selling the current building and investing in another. It is hard to imagine the situation in which the building is sold and the money received is kept by BVS, but in those very unlikely circumstances it will be used first to pay back investors' loans in proportion to the amount invested. Only after all the loans have been repaid will any money be available to be shared out between the shareholders.

WELCOME TO THE FUTURE AS A PART OWNER OF THE VILLAGE SHOP AND POST OFFICE

IF YOU HAVE ANY QUESTIONS ABOUT ANYTHING IN THIS NOTE, OR WOULD LIKE TO SEE ANY OF THE DOCUMENTS REFERRED TO IN IT, PLEASE CONTACT NIGEL SAXBY IN THE FIRST INSTANCE (tel 400458/07887713000; email nigelss@phoncoop.coop).

From the BVS founders: Chris Arbenz, Keith Hollis, Raphie Kaplinsky, Harriet and Nick Lear, William Nicholson and Nigel Saxby