



ADDITIONAL QUESTIONS AND ANSWERS

The following questions were asked at the community meeting on 2 July and by members of the community since then. This list will be added to as questions are raised.

1. As the prospective tenant has withdrawn, how will you get a new tenant?

We are actively working with the current pub owners to find a suitable replacement tenant. We will use our contacts and promote the vacancy through our networks and communications (e.g press articles). The current pub owners will work with their selling agent (Everard Cole) to advertise the tenancy and also promote the vacancy through their contacts.

2. Will another tenant be prepared to pay a similar level for goodwill?

The original prospective tenant was willing to pay something for goodwill that resulted in the overall offer being acceptable to the current pub owners. The goodwill contract and amount did not involve the Community Group and we do not know if someone willing to pay goodwill acceptable to the current owners can be found. We are actively working with the pub owners to find a replacement (see question 1).

3. Will the community, through The Black Horse Community Group, be paying anything for goodwill?

No. The purchase price is for the freehold, fixtures and fittings. Our valuer has indicated although the pub is closed and not trading, the purchase price already reflects a trading situation and does not justify us paying extra for goodwill.

4. Will any of the previous owners' debts (e.g outstanding loans) be passed on to the community?

No

5. The predicted cashflow shows nearly £100k in cash balances at the end of 5 years? How is this justified?

All successful businesses require a strong cashflow to ensure that they are able to meet ongoing and unexpected expenditure. We need to ensure that the Community Benefit Society can reimburse shareholders who wish to withdraw their investment; have reserves for unexpected circumstances; and build up funds to pay for future improvements and replacements.

6. The change of tenant will incur costs, will funds be used for this?

The recruitment and appointment of a tenant is the responsibility of the pub owner, which will be The Black Horse Community Group Limited when we purchase the pub. When any tenant leaves, there will be a need to find and appoint a new tenant. This will involve advertising the position, agreeing terms, and the preparation and signing of a legal agreement. It is unfortunate that we will need to find a new tenant sooner than expected, but to date we have not incurred any costs with the prospective tenant we have previously been working with.

7. Is the tenant turnover actual or projected?

The tenant forecasts are calculated using the accounts of the previous owner of The Black Horse, accounts for similar community pubs, examples from the British Beer and Pub Association, and information from our RICS Valuer to give a conservative forecast of what should be able to be achieved. They are not any particular actual tenant or owner nor the accounts of any actual prospective tenant.

8. Why isn't the tenant's rent an exact fixed figure?

It has been forecast that the tenant's income will build up over time and the rental is based on the industry standard of 8-10% of turnover. The tenancy agreement will state how often the rent will be reviewed and the Management Committee will have regular meetings with the tenant. This will initially be monthly and then quarterly to ensure that the tenant and the community work to mutual benefit. We want to ensure that the rent is fair to allow the tenant to run a successful sustainable business, but sufficient to cover the Society's costs.

9. If we cannot raise £230k but are very close, can we apply to the Community Ownership Fund and take out a small loan to cover the difference?

The Community Ownership Fund (COF) is based on matched-funding, so we need to raise at least £230k to get sufficient matched-funds for the project to be successful. The COF will also secure their funding against the asset for a period of time. As most lenders also want to secure their loan against the asset this will mean we cannot take out a loan and receive funding from the COF. Our financial forecasts indicate that a significant loan (interest and capital repayment) cannot be serviced from the rent received, particularly as interest rates are increasing.

If the shortfall was genuinely small, we are likely to extend the share issue deadline to attract more investors, or for current applicants to increase their investment.

10. The rent increases for tenants can be a fine line between success and failure, will they only go up?

We need to be sensitive to circumstances. We have forecast for the first 5 years both turnover and rents will increase. However, the experience of the last two years has shown that the unexpected can happen and we hope we will be sensitive and able to help with any unforeseen challenges. Many community-owned pubs, run by tenants, significantly reduced the rents they charged during the impact of Covid so that both the tenant and the owners shared the financial impact.

11. Looking at the village demographics, what do the Community Ownership Fund class as local and community? Can outsiders buy shares?

The term 'community' has a wide-ranging application. It includes the local parish (Grimston, Saxelbye and Shoby); the surrounding villages and rural areas and the whole of the nation and internationally as well! We have examples where the planning objections have been supported by visitors from Ireland and elsewhere who have stayed in local B&Bs. Anyone is able to purchase shares as long as they have a UK bank account.

12. If the Members Register can be looked at by the public, is their shareholding also visible?

The short answer is No. As we are a Community Benefit Society (CBS), any member of the public can ask to inspect the Members Register to see who are members of the CBS. However, they can only view the names of members and not the amount any member has invested in the CBS.

13. Can directors of a corporate entity also be individual shareholders?

Yes

14. Can the representative of a corporate entity also be an individual shareholder?

Yes

15. On my death, can I leave my shares to The Black Horse Community Group?

Yes, when completing the Nomination on Death form you just need to indicate that the beneficiary is The Black Horse Community Group Limited. Your Nomination on Death form may be updated at any time by completing a new form.

16. If I don't want to bother receiving any potential interest, can I donate that to the Black Horse Community Group?

Yes, just tick the relevant box at the bottom of the Share Application form. If you do not do this when you apply for shares and change your mind later, just write to the Secretary indicating you no longer require the interest and from that point forward any interest paid will be donated to the Black Horse Community Group.

17. Are there any circumstances whereby the Community Ownership Fund (COF) will want their grant back?

In the unlikely worst-case scenario where the pub has been bought and then the project failed and the pub had to be sold, then the COF will look to reclaim any money granted to purchase the pub. However, this potential charge expires after 7 years.

18. Can the current pub owners purchase shares?

Having taken advice, we can confirm that the current pub owners are unable to purchase shares due to their obvious conflict of interest.

19. Will members be expected to take a turn running the bar?

The model that is being adopted is to run the pub with a professional tenant rather than running ourselves with a manager. Therefore, member will not need to pull pints themselves!

20. The Share Issue brochure and Business Plan are very professional, who paid for these?

The Share Issue brochure and Business Plan content was produced by the Management Committee and the expert graphic design work (for brochures, bin stickers, website, etc) has been provided free by a graphics professional in the community. The cost of the Standard Mark assessment and the printing of the documents came to a total of nearly £3,000 and has been paid for by a Melton Borough Council community grant.