

Exelby Green Dragon Community Pub Limited (A Community Benefit Society Number 7599)

Share prospectus to invest in the ownership of the Green Dragon Pub

A Community Enterprise in the North Yorkshire Village of Exelby



Closing date for applications Friday, 31st August 2018

www.exelbygreendragonpub.co.uk

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What is this prospectus and share offering about?

We are seeking investors to buy and refurbish the Green Dragon pub in Exelby through a combination of a community share offer, grants and loans. This prospectus is about the share offer and how to invest. The share offer opens on Monday, 2 July 2018 and closes on Friday, 31 August 2018.

Our vision is to:

- purchase the pub as a community asset
- refurbish and improve the pub as a fit for purpose venue
- see the pub operated independently by a tenant who shares a vision for a successful village and destination pub also serving as a community hub for the village and surrounding area
- restore the essential elements of village life that a vibrant pub can bring and in turn support the local economy, sustainability and the future of the pub whilst being self-determining

Our priorities are to:

- revitalise the pub as a thriving business at the heart of the village, serving good quality food, beers, wines and spirits
- reinstate the cottage attached to the pub as an affordable home for rent, generating income
- establish a community shop/delicatessen and cafe
- encourage a range of social activities in the pub and grounds which rekindle the community spirit and meet the diverse needs of the village

How much are we seeking to raise?

We aim to raise at least £300,000 from shareholders. We have agreed a purchase price of £200,000 with Enterprise Inns, now known as Ei Group (the current owner) and calculated provisional refurbishment costs of around £190,000 to enable it to be traded as a successful public house. In total, £390,000.

The absolute minimum share capital we need to proceed is £250,000. A reduced sum would reduce capacity to manage and refurbish the pub meaning that less urgent improvements would be phased over a longer period.

This share offer is now open until Friday 31st August 2018. Investors may invest in multiples of £500 up to £100,000.

You will be investing in the Exelby Green Dragon Community Pub Ltd. This is a Community Benefit Society registered with the Financial Conduct Authority with the purpose of buying the pub. Each shareholder will have an equal say with 'one member, one vote' regardless of the number of shares held.

This share offer will close on Friday, 31st August 2018. If we are close to the target to be raised by this point the Directors can extend the deadline for a limited period rather than lose the opportunity to purchase the pub.

We believe there is a strong future for the pub with the right ownership and run by someone with the entrepreneurial flair to succeed backed by the shareholders. A copy of the business plan can be seen at www.exelbygreendragonpub.co.uk

This is a great opportunity to be a part owner in a pub in North Yorkshire operated as a community asset and thriving pub business. We look forward to welcoming you as shareholders!

Background

In the past, the Green Dragon has traded very successfully and a considerable fund of goodwill towards the pub remains in the village and local catchment area. The Green Dragon has been at the centre of community activity within Exelby for many years. The pub has been well used as a village and destination pub. It has also supported and hosted events such as the Extravaganza, Bonfire Night, Quiz nights, themed evenings, Pop-up Bakery for charity, the Dragons Club and special events run with the active support of the landlord. The pub also hosted a small community shop.

However, since it was acquired by Enterprise Inns (EI, now Ei Group) around 2007 a series of tenants have not been able to maintain its profitability. Consequently, in recent years the service offered has declined. The food offer has been withdrawn and little attempt has been made to maintain or build up trade. Ei have made it clear that they have no intention of investing in the pub and wish to dispose of it. Sadly, this is an all too familiar story, as national pub companies seek to dispose of what they define as unprofitable assets, by selling them to the highest bidder for development without any meaningful community consultation.

Since May 2018, Ei have closed the pub. However, some of the residents of Exelby are determined that the pub should not be lost for good.

An “Asset of Community Value”

Recognising the importance of the Green Dragon as the village’s only community asset, the Exelby Green Dragon Group was set up in late 2016. Its aim is restoring the pub to its former position and rekindling the community spirit that has always been a special characteristic of the village. The group successfully applied to Hambleton District Council to have the pub and associated land registered as an “Asset of Community Value”. This makes it much harder for the owner to apply successfully to the local authority for change of use. It also means that, if the pub is put on the market for sale, the owner must give the local community the opportunity to purchase it.

The need to retain the Green Dragon

To build the case for retaining the pub and to inform plans for developing it, a series of public meetings and consultation events were held. A questionnaire was distributed to all households in the village and views sought in the surrounding area. All events have been well attended and demonstrate that there is enthusiastic and significant support for the proposals to create a community owned pub that would meet local needs.

Responses have been received to the questionnaire survey from households representing 71 adult residents of the village. The overwhelming majority of those who responded were in favour of the community pub proposals and 73% said that they would use the pub on a regular basis.

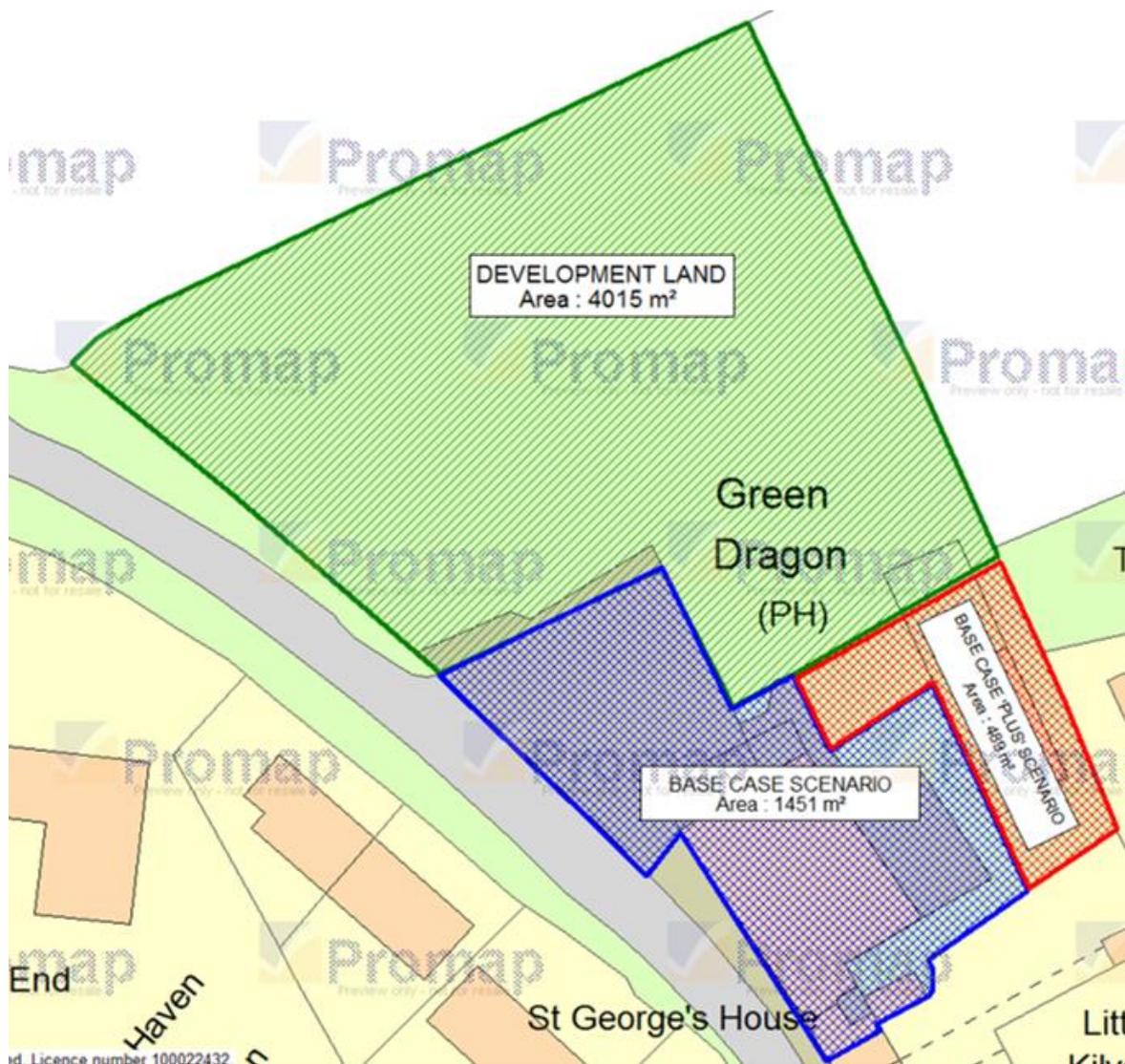
The questionnaire asked about the importance of retaining the pub and the type of services that should be offered. This information has been used to develop a business plan and this prospectus. 97% felt it important to retain the pub. It is also clear, for example, that there is a strong demand for food, for bar meals and an evening restaurant facility (something that has been lacking recently). Locally sourced food is also important. There is a good level of support for a community shop on the premises and possibly a café. The provision of bed and breakfast accommodation is also thought to be important.

Overall the level of interest shown demonstrates there is demand for the services that we wish to provide at the revitalised Green Dragon.

Community bid

As a result, members of the Exelby Green Dragon Group met with Ei and their representatives and agreed a purchase price of £200,000 for the pub and part of the associated land. Ei has indicated that the purchase must be completed by October 2018.

To progress with a sale of the pub, Ei Group advised of their requirement to sell the land at the same time as the pub, so as to ensure a sale of their entire interest. Exelby Green Dragon Community Pub Ltd identified and entered into discussions with One North Property Ltd with regards to One North Property Ltd purchasing the land holding from Ei Group. One North Property Ltd has subsequently agreed terms with Ei Group which has ultimately unlocked the negotiation between Ei Group and EGDCP Ltd and resulted in our offer being accepted and progressed. Exelby Green Dragon Community Pub Ltd has agreed with One North Property Ltd to work together with regards to the potential requirement to relocate the car park in order for One North Property Ltd to secure a satisfactory, and financially viable, planning consent. This agreement is on the clear (and will be legally drafted) basis that EGDCP Ltd will be left no worse off in terms of both car parking provision and extent of land owned than that shown by the boundary enveloping the red and green areas on the plan shown below.



One North Property Ltd recently set up to find and purchase development plots in the North of England for small scale residential development. The company has been set up by Mr George Howie who was born and bred in North Yorkshire and who returned to the county in 2017 after a number of years in London where he was employed as a Chartered Surveyor and Project Manager for a building company. One North Property Limited intend to build architecturally sympathetic developments that fit in with, and indeed appropriately add to, the local vernacular at the expense of profit. One North Property have engaged with EGDCP Ltd in a positive and co-operative manner from day one and reassured us of the above intentions.

Members can expect to receive a modest return on their investment typically between 1% and 3% (termed as interest) paid for from the rental income from the pub tenant and the cottage attached to the pub. Initial returns may be at the lower end whilst the pub business is being established; effectively from scratch. It is also important to 'invest' in the right tenant with the attitude and aptitude to see the pub thrive and grow once more. This would be achieved through a stepped rent approach and other support as the business grows and thus interest paid to shareholders could increase.

Community and shareholder involvement

Individuals as shareholders can participate through the legal mechanisms of Annual General Meetings or putting themselves forward as a board member.

However, we would hope that members would be active in helping with organising and supporting community events at the pub. Also, as the pub develops, there may be opportunities for volunteer help with certain aspects of the offering such as more formalised activities e.g. regular clubs or sessions and the idea for a shop and delicatessen. (The day to day running of the pub and possibly the café / shop will be the responsibility of the tenant).

Building on the goodwill expressed so far, we will also be seeking help in the initial phases of the pub development following purchase. This will be with basic cleaning and tidying up, decorating and some of the works required to refurbish the premises.

Crucially shareholders will be encouraged to provide feedback to the tenant and Directors, be ambassadors for the pub as repeat customers and encourage others.

The Pub and our Plans

Location

The Green Dragon is in Exelby, North Yorkshire. It is close to the A1M and the nearby market town of Bedale and RAF Leeming.

It is positioned at the southern gateway to the Yorkshire Dales, with the North York Moors to the East, the Nidderdale Area of Outstanding Natural Beauty to the West and Yorkshire Wolds to the South. The North Yorkshire County Town of Northallerton is 12 miles away. Historic York is 34 miles away and Ripon 12. Darlington is 22 miles to the north.

The pub and its amenities

The Green Dragon is a large pub dating back to the seventeenth century which can accommodate several different activities. Currently it contains the following facilities:

- Main bar
- Tap room
- Ancillary rooms
- Restaurant
- Beer garden
- Trade kitchen
- Outside space
- Off road parking
- Accommodation
- Adjoining amenity land

The premises are now in need of renovation and updating.

Outline plans

Our plan is to buy the freehold and undertake necessary refurbishments. It is intended to operate as a traditional pub, selling local ales from local brewers, good quality food using local suppliers wherever possible and provide a venue for traditional pub sports and games, local events and celebrations, music and culture.

The Community Benefit Society that has been formed to purchase the pub is called Exelby Green Dragon Community Pub Ltd (EGDCP Ltd). You will hold shares in this Society that will own the land and buildings. There will be a lease with a tenant to run the licensed business.

We propose to bring the pub up to a standard that will enable our tenant to focus on running the pub without concerns about the condition of the building and give them the confidence that will enable them to take full responsibility for maintenance and repairs. The pub needs investment in the public areas, kitchens, toilets and upstairs accommodation to be able to operate and develop as a community venue. A working schedule of improvements and repairs has been drawn up with estimated budget figures.

It is anticipated that the cottage, which is attached to the pub premises, would be refurbished to bring it up to a lettable standard. This would allow the cottage to be let independently of the pub, with income going to EGDCP Ltd.

It is also planned to run a shop. It is envisaged that this would start by selling home essentials supplies and local produce (eggs, milk and fruit and vegetables). The aspiration is that the shop would develop as a destination to showcase local produce and niche products with a café facility. An affordable budget provision has been included within the overall project proposals. Priorities and costs will be reviewed at each stage to determine progress and approach and this will be developed and agreed with the incoming tenant.

It is expected that the pub will be a community hub offering other services that meet community needs e.g. coffee mornings for those who may want to meet socially outside of a traditional pub environment. It also has potential to operate as a business hub and meeting venue.

The terms of the lease will give a tenant every incentive to build a profitable business for themselves and ensure that the Society receives a benefit as the business becomes more profitable. The lease will also require the tenant to provide for community events, celebrations, and cultural and social activities and to be fully involved in the development of the shop/delicatessen and café facilities.

This business model has been tried and tested elsewhere. There are now over 50 community pubs across the UK that have been opened over the past eight years. Locally the Foresters Arms in Coverdale and the George and Dragon in Hudswell have been established on this basis. The Directors of EGDCP Ltd have been in touch with both pubs and have been advised by them, as well as by the Plunkett Foundation, Pub is the Hub and other specialist advisers on financial and operational matters.

So far, none of the community pubs that have adopted this model have closed and all are thriving. The George and Dragon in Hudswell was chosen by CAMRA as their UK Pub of the Year, demonstrating that this model of pub ownership can lead the way, competing effectively with pubs owned by pub companies, brewers and private individuals.

A reinvigorated Green Dragon

Refurbishments

It is hoped that there will not be any significant closure periods whilst works to refurbish the pub are underway. These works will involve the pub area itself, kitchen, toilets, tenant's accommodation and the cottage. The priority will be to maintain the business with wet sales and add a food offering as soon as practicable. Other works will be kept under review as more detailed assessments are undertaken in consultation with the tenant.

Appointing a tenant

We strongly believe that we should let the pub to a tenant rather than appoint a manager. This gives a clean separation between property ownership and business management which will allow a tenant to develop the business without constraints or restrictions that might frustrate this aim. The board will set the broad policy direction for the business and agree key targets with the tenant in line with wider community feedback. Beyond that, however, the tenant will be left to manage the business as they see fit. The tenant would be responsible for all outgoings necessary to run a pub on a fully repairable basis. They will be responsible for determining staffing levels, opening times and the food and beverages available, subject to some general requirements within the tenancy agreement. The board does not intend to interfere in the day to day running of the business or attempt to micro-manage the pub.

The advantage of this arrangement for the Society is that the tenant carries the business risk. The attraction for the tenant is that they will benefit directly the more profitable the business becomes. Therefore, they will have every incentive to ensure that the business thrives and grows.

We will be offering a tenancy that will be attractive to an experienced licensee or someone with the right attitude and aptitude for the pub and the entrepreneurial flair to succeed. The tenancy would be offered on a five-year lease (renewable) with living accommodation above the pub.

The pub will provide good quality meals. Food will be available depending upon demand – but the aim is to build up food sales by generating a reputation for good quality and value, using local produce where possible.

It is also clear from the survey that an evening restaurant service should be provided. It is recognised that moving towards a position where food sales represent at least 50% of the income should be the aim. To achieve this will need good quality food throughout the week. We will make it clear in letting the tenancy that we feel that the food sales are a key component to establishing a profitable business and it must be their stated ambition to build up food sales through reputation.

Building the customer base

Prospective tenant/s will be required to produce a business plan which demonstrates how they intend to grow the business.

The pub will attract villagers, those from the surrounding area and tourists/day visitors to the area including those from the active cycling community which has seen a resurgence as an activity in the area building on the success of the Tour de Yorkshire.

Competition

There are no other hospitality facilities in the village. The nearest village venues are in Burneston and Leeming. Burneston is the nearest village with the Woodman Inn serving food. The Willow Tree Inn, a Sam Smith's pub at Leeming, is primarily a drinking pub. Other pubs and food outlets exist in Bedale (3 miles away). There is a limited evening food offering from the Bedale pubs. RAF Leeming is a supported community with restricted access. In the wider locality, there are a range of successful village-based pubs offering food and drink.

None of these establishments are in direct competition with the Green Dragon and can happily co-exist as has been the case in the past. Indeed, there are opportunities to make new connections and synergies that are being actively explored.

Marketing

Our tenant will market the Green Dragon as a homely, traditional pub which fully meets visitors' idea of a country pub. This involves good quality pub food, sourced from local suppliers, good quality beers brewed locally, a friendly atmosphere and traditional pub entertainment.

The aim is to attract visitors and to meet the needs of the village for a meeting place and venue for events. Whilst the villagers will return to the pub quickly, it will take time to build up the tourist and visitor usage. Reputation will spread most effectively by word of mouth and must be built on good quality provision and service. Nevertheless, regular marketing is vital to supplement this.

The marketing of the business will be a matter for both the board and the tenant.

Exelby Green Dragon Community Pub Ltd – Governance and People

Community Benefit Society

We have established a corporate body that is a Community Benefit Society; a form of co-operative established to benefit a community of interest or place.

We have been advised by the Plunkett Foundation on the registration of the Society, using their model rules for community pubs. Community Benefit Societies are regulated by the Financial Conduct Authority. We have chosen this legal model because it emphasises the social benefit of the investment we are asking our members to make. Incorporation gives the members and directors the protection of limited liability, just like a limited company, but unlike a company, a Community Benefit Society is not designed to generate private profit, but to deliver a community benefit (though we certainly intend that investors will receive a fair return on their investment).

This model guarantees that the assets the society will own will be used for the benefit of the community and cannot be disposed of for the private profit of the directors or members. The Co-operative rules, which act as our constitution, have been approved by the Financial Conduct Authority (FCA).

Providing that they behave responsibly, reasonably and legally and take out necessary insurances, incorporation protects the members and directors of the society from any legal action against them as individuals and any access to their personal finance in the event of the enterprise entering receivership.

The Community Benefit Society structure allows any person who buys one or more shares to become a member of the Society. Each member has one vote irrespective of how many shares they own.

The full rules of the Society can be seen at www.exelbygreendragonpub.co.uk

Shareholders

Each share costs £500. This was set as the minimum investment due to the funds required. We have also determined that no shareholder can invest more than £100,000. This may be revised once interest in the share offer is known to be able to accommodate both smaller and larger investors. The Board needs to be cognisant of a small number of large investors and being susceptible to the impact of a shareholder withdrawing their investment.

Membership is open to any person (whether an individual, a corporate body or the nominee of an unincorporated organisation) who completes an application for membership and is 16 years of age or over. If you cannot afford to invest the minimum amount but would still like to make a contribution it is possible to make a donation or gift, but this will not entitle you to voting rights or any other shareholder benefits.

The application must be accepted by the Management Group who may refuse membership at its absolute discretion.

All prospective investors are advised to read the full terms which are set out in the Model Rules which act as the constitution for the society. These are available on the society's website at www.exelbygreendragonpub.co.uk or in printed copy on request.

Withdrawing shares

To give the Society a chance to launch the business we will require investors to commit to keep their investment in the Society for the first three years before they can withdraw it. After that they will be required to give three months' notice of their intention to withdraw funds. The Society rules will give the directors the power to refuse a request to withdraw funds if it would endanger the business. It is our very firm intention not to use these powers unless necessary. We want investors to know that their money is available when they need it. Once we have reached our target there will be a waiting list of new members ready to replace investors that withdraw funds. Whilst we anticipate that the business will be profitable and able to pay a competitive level of interest to its members, the Society may not be able to pay any interest until the end of the second year.

The shares that members buy are redeemable in the way set out above, but they are not transferable (i.e. members cannot sell them to anyone else except in the case of bankruptcy or death of the shareholder). This arrangement allows the Society to be exempt from the Financial Services and Markets Act for Society share issues.

Board of Directors

A board of directors comprising of not less than three and not more than nine members will manage the Society. They will be accountable to the membership and will report to them via a newsletter and an AGM. Directors shall serve for one year. At each Annual General Meeting, the elected members of the Board of Directors shall retire from office but will be eligible for re-election.

The initial directors who have worked to establish this enterprise come from a variety of backgrounds. This team has a broad range of skill and experience to draw on, including expertise in finance, management, staff employment, and business development. Brief summaries of these are provided below:

Peter Simpson, Chairman - Former Chief Executive of Hambleton and Richmondshire District Councils with extensive experience of strategic management, planning and delivery of a wide range of public sector services and projects. Previous experience as a business owner. Currently operating own joinery, plumbing and home renovation business.

George Cornwall-Legh, Deputy Chairman - A Chartered Surveyor and Director at JLL with over 10 years' experience in the commercial property sector, with a focus on fund and asset management.

John Walker, Secretary - is a business development consultant with extensive experience of working for local and national not for profit organisations across the UK and has acted as a governmental advisor on community development. John is a Trustee of several Yorkshire based charitable organisations.

Gerry Price, Co-Treasurer - Retired. Former Area Director of Children's Services has extensive experience of leading and managing quality assurance and structural reorganisation in the field of education.

Mark Temple, Co-Treasurer - has worked for Lloyds Banking Group for 28 years gaining extensive knowledge across commercial banking and SME sector, supporting new businesses to launch, grow and evolve. Working closely with local enterprise programmes to support local growth strategies.

Alasdair Campbell - Barrister with a passion for the local community and the provision of excellent public services.

Reporting to Members

The Community Benefit Society is controlled by its members. Every member has one vote. All members will be provided with an Annual Report which sets out how the enterprise has developed, its activities over the previous year and will include audited accounts. Members will also be invited to the Annual General Meeting at which the report will be presented and discussed. At each AGM, all the directors will retire and may be re-elected or replaced by new directors elected from amongst the membership.

The rules of the Society also provide for several other ways in which the membership may hold the directors accountable for the running of the Society, including the calling of a special general meeting if this is required.

Financial projections

Financial forecasts and a model have been developed to make projections for the project.

Total capital requirements are:

Purchase price**	200,000
Legal and set-up costs	5,000
Renovation/improvement costs*	190,000
Total	£395,000

** The purchase price is subject to VAT. However, this has no net effect on the financial projections as the Society will be VAT registered which means this is recoverable.

* A breakdown of the improvement costs is contained in the business plan, we expect to recover some VAT on these costs.

At the highest target level, funding requirements are:

Shares purchased by members	300,000
Grant aid from Plunkett Foundation	50,000
Loan from Key Fund	50,000
Other grants and donations	15,000
Total	£415,000

Whilst our target is to raise £415,000 including the share offer, it is believed that the minimum amount of capital to make this work is £350,000 coming from a mixture of share capital, grants and loan. This covers the purchase and associated costs, refurbishment and capital needed for trading. The additional £65,000 would allow us to potentially complete other refurbishments, further enhancing trading opportunities and revenue.

Additional funding opportunities mean that a minimum share sale of £250,000 would allow us to proceed. Selling a greater number of shares will reduce the reliance on these other funding opportunities as listed above. It will also enable further refurbishments to be undertaken at pace.

The Society will continue to accept new members and investment after the building is acquired and opened, up to a maximum share capital amount of £350,000. This would provide an alternative source of finance to enable a reserve fund to be established, allow for member withdrawals should they occur after the first year, pay down any loans sooner or for more extensive improvements to be made to support the business.

The Society's main sources of income will be the rent paid by our pub tenant and our cottage tenant. There are no trading figures available for the pub and these are advised figures based on similar operations. We anticipate that the rental income will be £10,000 in year one £15,000 in year two and £20,000 in year three. After that it will be set as a proportion of sales with a specified minimum rental level. This is assumed to be at 10% of net sales, which we anticipate will have reached £200,000 per annum by year four.

Return on investment

The Society will pay a competitive level of interest (compared to an ordinary bank or building society deposit account) to the membership that will be obtained from the secure income of rent paid by the tenants of the pub and cottage after dealing with all other expenses and contingencies.

Due to the anticipated time taken to acquire the pub and then undertake a major refurbishment, we do not forecast to offer a return to our members until the end of year two. The actual amount to be paid will be determined by the membership at the AGM following a recommendation from the board of directors and will be dependent upon two factors:

- i. The prevailing rate of interest at the time.
- ii. The profitability of the business.

It is our intention to set a rent level which provides a balance between having sufficient income to pay a return but low enough to attract a tenant to start up a new business. It is intended that the Society will also benefit from a rental income from the cottage attached to the pub. It is hoped the Society will be able to pay a return to our members of up to 1% in year 1, 2% in year 2 and 3% in subsequent years. If shareholders receive 3% interest at the end of year three, then this will lead to a surplus in the region of £32,000. It also gives the Society the flexibility to lower the rent level if the business does not grow at the expected rate.

As previously explained, the poor performance of the Green Dragon has not been because of the non-viability of the village pub but directly because of poor management and a failure to invest in the business. Given the full refurbishment that will be undertaken, it is our contention that these trading figures can be achieved and given the commitment and support of the residents, the pub will thrive as it has in previous years. In the past, the pub was a busy social hub with large numbers of diners and regular social events.

Income and expenditure

In the table below, it is assumed that:

- Interest is paid at 1% in year 1, 2% in year 2 and 3% in year 3 and subsequent years
- The shop is developed during year two
- Any membership withdrawals are replaced by new member investments
- The interest paid by the Society on loan repayments is fixed at 8%

Income	Year 1	Year 2	Year 3	Year 4
Member share purchase (net new)	300,000	0	0	0
Grant aid from PF	50,000	0	0	0
Grant for shop / community activities	15,000	10,000	15,000	0
Income from shop tenancy	1,080	2,160	2,160	2,246
Key Fund Loan	50,000	0	0	0
Pub Rent	10,000	15,000	20,000	20,000
Cottage rent	1,350	4,050	4,050	4,860
TOTAL	£427,430	£31,210	£41,210	£27,106

Expenditure	Year 1	Year 2	Year 3	Year 4
Purchase of the pub	200000	0	0	0
Building work, repair and decoration	190000	0	0	0
Interest to members	2950	6000	9000	9000
Fees and duties	15500	3060	3152	3278
Tax and charges	1263	1797	2978	33
Loan repayment	12166	12166	12166	12166
Funds to reserves	5551	8187	13914	2630
TOTAL	£427,430	£31,210	£41,210	£27,106

Once the loans have been repaid the pattern of reducing the amount of funds going to the reserves will be reversed.

Costs of creation of the proposed village shop

The provision of the village shop is a further phase of this project. These costs are unknown and will very much depend on which part of the building is developed as a shop. However, it is anticipated that once this has been determined and the costs calculated these will be met, entirely or in part, from grant aid. Because it is intended that the shop will be run as a service to the village, on a not for profit basis, there are a few possible sources of grant aid that will contribute towards any building conversion and associated costs as required. Pub is the Hub has offered a grant of £3,000 towards our costs. This aspect of work will be developed and undertaken in consultation with the incoming tenant.

Risks

Whilst we believe that the business will be profitable, the ownership of the asset (the land and buildings) provides members with a high level of security. However, with any business there are risks. Therefore, it is important for members to understand that there is a potential risk that the business may fail, and land and property values may fall. If this were to occur the value of a share in the Society could reduce.

The Society's rules determine that any surplus made by the Society after it has paid interest to its shareholders must either be reinvested in the business or used for the benefit of the local community or for another charitable or community purpose. Directors and members are forbidden from benefiting in any other way from the activities of the Society. It is our intention that the Society will continue to operate a public house for the benefit of the village of Exelby for the foreseeable future. If, however, the membership should choose, in the future, to dispose of the property, any surpluses that may arise after all the shareholders have been paid back the amount they invested must be used for a charitable purpose.

As a member and shareholder of Exelby Green Dragon Community Pub Ltd you are part owner of the Society. If the Society is unable to meet its debts and other liabilities, you could lose the whole amount you hold in shares. This may make it inappropriate as a place to invest your savings.

The Financial Services Compensation Scheme, which applies to bank accounts, does not apply to your share account. The Society, unlike banks and building societies, is not subject to prudential supervision by the Financial Conduct Authority.

Your investment in your share account is withdrawable without penalty at the discretion of the Management Committee under the society's rules.

Your investment in your share account may receive interest but does not enjoy any capital growth. It is primarily for the purpose of supporting your Society rather than making an investment. As a Society, the maximum return offered to investors by way of income will always be limited.

The Financial Ombudsman Service does not apply to your share account or your relationship with the Society, but under the Society rules any dispute may be the subject of arbitration by the Chief Executive of the Plunkett Foundation.

Additionally, there are risks post purchase regarding:

- Finding and retaining a suitable tenant to grow the business
- The cost of building renovations may be different from those estimated.
- The full funding requirement may not be in place to proceed with the whole project and it must be scaled back in some ways

Directors' Declaration

Due care has been taken in preparing this prospectus, a process that has been overseen by the Management Group who can vouch that the information it contains is accurate as at the date of production.

Our ambition is to see the Green Dragon, Exelby as a vibrant and viable long-term business and once again, give our community a pub, meeting place, shop, café and community venue.

Exelby Green Dragon Community Pub Ltd
2 July 2018

Frequently asked questions

The directors of Exelby Green Dragon Community Pub Ltd have discussed and consulted on the proposals outlined in this prospectus with many villagers and potential investors. There is considerable enthusiasm and support for the proposals and inevitably some questions. Some of the most common are addressed below.

Why is this being done?

The pub has had mixed fortunes over recent years. The current owners want to sell, but there has been little interest in a private sale. We have listed the pub as an 'asset of community value' to try and preserve the facility. Community consultation supports the idea of a community owned pub in the absence of anything else happening that would keep the pub at the heart of the village.

There are now over 60 community pubs across the UK using the same membership model. All of them are trading successfully and none have closed. You can be part of this movement that invests in local communities and provides local services. You also have the opportunity to get a drink in your very own community pub!

What is the future for the pub?

We plan to refurbish and revitalize the pub and run it for the benefit of the residents of Exelby, the surrounding villages and visitors to the area. It will be a village and destination venue once more. Once in community ownership the pub will be let as a tenancy to a person(s) who has the aptitude and attitude to grow a business that will thrive.

The Green Dragon will become far more than just a pub. It will provide a range of services to the village and to visitors to the area and support other local businesses, those taking part in sport and leisure activity and tourism through the service that it provides. The pub will provide a venue for social gatherings, cultural activities, a place to meet people and exchange information, promoting the cohesive and friendly community of Exelby.

We intend to establish a shop/delicatessen and develop a café facility, offering a range of services to meet the diverse needs identified in our community consultations.

What is the Relationship Between EGDCP Ltd and One North Property Ltd

No Director of EGDCP Ltd has a financial interest in One North Property Ltd. Working with One North Property Ltd has enabled EGDCP Ltd to meet the condition of sale made by Ei Group that the site is sold in its entirety.

How do I become a member of Exelby Green Dragon Community Pub Ltd?

Simply by completing the application form at the back of this prospectus.

Members are asked to invest a minimum of £500 up to a maximum of £100,000 in multiples of £500. Each member will have an equal say irrespective of how much they invest. The initial directors that have formed the Society are accountable to the membership and will, in future, be elected by them. Members receive a regular newsletter and they are encouraged to attend the Annual General Meeting and other

special meetings that may be called from time to time. There are many more opportunities to get involved and participation is actively welcomed.

How much needs to be raised?

We aim to raise at least £300,000 from shareholders. We have agreed a purchase price of £200,000 and calculated provisional refurbishment costs at a high-end maximum of around £190,000 to enable it to be traded as a successful public house. In total, £390,000.

We have secured, or are in the process of securing, grants and loans to bridge the gap between the amount of investment anticipated and the sums required to purchase, refurbish and re-open the Green Dragon.

If insufficient funds are raised to go ahead, investments will be returned with no loss to potential members and the purchase will not take place. The share offer may remain open for a short time if it is close to target but this will be for no more than one month.

What are the likely returns?

It will be a profitable business and represents a fair investment opportunity that will offer a financial return to the members of the Society. We hope to be able to pay at least a 1% return from year one (after covering necessary expenditure and accruals) growing to 3% in Year 3 and possibly more in subsequent years as the business grows but not exceeding 5% or 2% above the base rate of the Bank of England whichever is the greater. See the financial projections for more detail.

Your investment will not only be a financial one. We are seeking active members who will contribute to the Society and support the pub and all its associated activities.

We believe that the business will be profitable, but if it is not, the Society will own an asset – the building and land associated with it - which can be sold to return funds to investors. Your investment is in the building and land – the bricks and mortar, not in the licensed business.

What if we are over-subscribed from people wishing to invest?

If a greater sum than required can be raised there are two possible things that can happen:

- A limit could be applied to maximum individual investments to match the overall budget requirement. This might mean some preference for smaller investors, say those wishing to invest up to £5000 and a proportional allocation for those above. A figure would be set once we know the overall level of investment, or
- Increase the budget requirement so that we can invest in other assets that have been identified to support the overall viability of the pub and still achieve a return for investors.

Additionally, a waiting list would be put into operation.

What if we do not attract sufficient interest from investors to complete the purchase of the Green Dragon?

We do not know how much a share offer might raise until we try. If we do not attract the anticipated level of interest together with grants and loans, there will be insufficient funds to acquire the freehold. In this case the purchase will not go ahead.

The money from potential shareholders will be collected and banked, but no share certificates will be issued. If, at the deadline that we set, insufficient shares have been purchased, the share issue will be halted and all those who have invested will have their investment returned to them.

What if many Shareholders want to withdraw their investment at the same time?

The directors intend to sell shares and attract grant aid and loans that will allow the Society to buy the building and refurbish it. In subsequent years, the Society will aim to build up a reserve from the rent prior to payment of interest to shareholders. By the end of the third year this reserve fund should stand at around £30,000. The reserve fund will be held in a separate account and will not be used to run or develop the business but to cover future liabilities and contingencies. There will be a separate fund for repairs and renewals that fall to the responsibility of the landlord.

To allow for this, shareholders must agree not to withdraw funds for the first three years, to allow the business to establish itself. After that they will be required to give three months' notice if they wish to withdraw shares.

So, the earliest that any shares can be withdrawn is three years and three months after the business has been launched. As the business grows, each year a proportion of the expected surplus will be added to this reserve fund (up to a maximum of £40,000 to be decided by the Board in consultation with members). This is illustrated in the financial section of this prospectus. If a shareholder gives notice that they wish to withdraw shares, then shares of the same value will be marketed and can be acquired by new or existing shareholders. Ideally, new shareholders from a waiting list will be found to replace those shares that are to be withdrawn and there may be a time limit on any refund to allow this to happen. If they cannot be replaced, then the reserve fund can be utilized.

Will the three-year rule be strict?

Whilst the Society asks that every member commits their investment for at least three years, if, for a pressing reason, a member needs to withdraw their shares in advance of these deadlines, then the Board has the power to allow this and will make every effort to facilitate it.

What if a lot of shareholders want to withdraw?

Providing that the business is successful and pays interest in line with the financial predictions it is unlikely that large numbers of shareholders will wish to withdraw their shares at the same time. This is the experience of other community owned pubs.

If several shareholders did seek to withdraw their investment the business might have to close, and the assets would have to be sold to return the shareholders' funds. Our business plan demonstrates that this eventuality is unlikely, as the business has every chance of success and we will also maintain a waiting list of potential new investors. Also, an investment in a business that you use regularly and that is run by people that you know and trust is a reasonably safe investment.

Might there be a further share offer?

This may happen to raise funds for:

- Any shareholder who wishes to withdraw, or
- If there is a need to invest additional capital to develop the business further.

What if the business is not viable?

If, at any stage, the prevailing market conditions are so unfavourable that, despite best efforts and the support of local users, the business does not develop in the way anticipated, then the directors will be forced to close the pub and offer it for sale currently as an Asset of Community Value. Options for the future use would have to be considered to make the asset saleable at a price that should be more than sufficient to pay back shareholders in full and provide a high level of interest for the last year. This is not an outcome that we seek as the priority is the future of the pub. However, this possible course of action should give investors the security they need in the unlikely event of the enterprise being unsuccessful.

What if the costs of improving the building are higher than the allocated budget or more work is needed?

We have undertaken an initial survey of the internal and external condition of the pub with some provisional budget figures estimated at the higher range of potential costs. As we progress, more detailed estimates will be obtained to refine the costs. We are also hoping to attract volunteers to help. A number of people have already indicated they are willing to contribute in this way. Should costs be materially different from the figures used to build up the business plan then the project will be re-assessed, and any significant changes revised. Works have been put in a priority order and we are confident that the essential works can be completed within the budget provision.

Can people group together to buy shares?

No, shares must be held by a nominated person or a recognised group or corporate body.

Can members pass on their shares to others?

No, shares can only be sold back to the Society at the price at which they were bought. The only circumstance in which they can be transferred is as part of your estate when you die or in the case of bankruptcy.

How do the directors ensure that the tenant is running the business successfully?

The successful tenant will be expected to have a business plan as part of the recruitment process. This will be monitored periodically to see that it is being delivered or needs changing as the business responds to demand and grows etc. The Board will support the tenant (without interfering in the day to day running of the business) and may offer mentoring to help with the start-up nature of the business. The Board will be able to make suggestions on behalf of the community and ensure that the tenant positively seeks user feedback and attracts new customers.

Will a prospective tenant be put off by the thought of having around 200 members who want a say in how their pub is run?

Having 200 shareholders gives a base of committed customers who will be investors and want to ensure the success of the project. The tenant will be responsible for the day to day running of the pub and the decisions that go with that. As with any enterprise, the tenant will be expected to react to customer feedback and experience to support the growth of the business. The Board will reflect the wider shareholder voice through its relationship with the tenant.

Why should someone who does not live in Exelby be interested in investing in EGDCP Ltd?

Why not? British pubs are an 'institution' and if not supported they will be lost. A community owned pub is a successful model that has achieved national and international interest elsewhere. We don't see why we should be any different. Uniquely investors will also own a traditional country pub and bit of Yorkshire which will always have a premium attached to it!

Further Information

Thank you for taking the time and trouble to read this prospectus. We hope you are as enthusiastic as the Directors about the future of the Green Dragon under community ownership and wish to invest.

Additional Information is available on our website at www.exelbygreendragonpub.co.uk

Or by contacting

John Walker
Garth House
Exelby
DL8 2HD

01677 423410 or 07791 128 183

Email: egd@gm.co.uk

How to invest

Please complete if you would like to invest in and become a member of Exelby Green Dragon Community Pub Ltd

Name	First Name	
	Surname	
Company or group name (if applicable)		
Address	No. or house name	
First line		
Second Line		
Village, Town or City		
Post code		
E mail		
Telephone	Home Mobile	

I wish to purchase shares as follows (Minimum 1 share, Maximum 200 shares):

No. of shares @ £500 each		Total Value of shares (No. of shares x £500)	£
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Please make cheques payable to:

Exelby Green Dragon Community Pub Ltd.

Or make a bank transfer to our account with the Co-operative Bank

a/c no. 65843309

sort code 08-92-99

Please reference your payment with your surname and first initial

Signed	
Date	

Completed forms and cheques should be returned to:

John Walker, Secretary
 Exelby Green Dragon Community Pub Ltd
 Garth House
 Exelby
 Bedale
 North Yorkshire
 DL8 2HD

CLOSING DATE Friday, 31st August 2018

By buying these shares, I agree to all the information disclosed here being held on a computer database in compliance with EU General Data Protection Regulations (GDPR). I understand that this information will be used by the Society only and will not be passed to third parties.