

The Fox Inn Ryton Community Pub Limited Share policy and procedures

In anticipation of forthcoming share issue and subsequent purchase of the Fox Inn, Ryton, this is the proposed share policy. As at 11 May, this is dependent on (1) approval from Community Ownership Fund of the grant applied for; and (2) successful launch of our share offer. This policy is intended to provide clarity to prospective shareholders of the future share policy. This policy will only be implemented once the conditions described above have been met.

Introduction

The Fox Inn Ryton Community Pub Limited (the Society) is a registered society under the Co-operative and Community Benefit Societies Act 2014 and owned by its shareholders (Members). A community share offer raised funds to establish the society and purchase The Fox Inn, Ryton.

The share prospectus required that Shares must be held for a minimum of three years. After that, a shareholder could apply, by giving three months' notice to the Management Committee (the Committee) to withdraw some or all of their shares and to have the original purchase price returned. Withdrawal would be at Management Committee's discretion and depend on such things as profitability, available reserves and the long-term interests of the organisation and community. It was also highlighted that based on current projections it was unlikely there would be sufficient funds available to cover any large-scale withdrawal of shares in the medium term and shareholders were therefore encouraged to think of their shares as a long-term or permanent investment in the community.

General policy statement

As set out in the Society Rules (the rules) share capital may be withdrawn without penalty at the discretion of the Committee. The Rules also allow the Committee at their discretion to specify a maximum total withdrawal for each financial year or to suspend withdrawals.

This Share Policy sets out the Society's position on share nominations, donations and withdrawals, reflecting the Rules and advice from the Financial Conduct Authority (FCA) and the procedures and the general principles of how requests will be handled by the Committee.

Financial Conduct Authority

The FCA sets out a number of tests of whether a society is meeting its conditions for registration, which include that it should only allow the withdrawal of shares if:

1. It has trading surpluses that match or exceed the value of shares involved; and

2. The committee believes the society can afford to pay its debts, considering:
 - (1) all of its liabilities (including whether it will be able to pay its debts at the date of withdrawal and for a year after that, any contingent or prospective liabilities); and
 - (2) the society's situation at the date of the transaction.

Share valuation

Shares will never be worth more than their nominal £250 face value, and may under exceptional circumstances have a lower value attributed by the Committee upon advice of an auditor or accountant.

Conversion of shares to donations

Noting that many Members purchase shares in community organisations for non-financial reasons, with a view to realising a social rather than a financial return, some members may regard the monies paid to purchase their shares as a donation. In such circumstances the Society provides an option to surrender some or all of the share value back to the Society, in which case those shares would be cancelled and their value becomes a donation. To retain membership of the Society a minimum £250 share must be retained.

Transfer of shares

Shares are not transferable except by death or bankruptcy. This is in line with the legislation which govern Community Benefit Societies and with our FCA aligned rules.

Share withdrawal requests

Shares are withdrawable by members who have held them for a minimum period of 3 years at the sole discretion of the Management Committee and in accordance with the Society rules.

Following approval of the Society's annual accounts for the previous year the Committee, after consultation with the Society's Accountants and Auditors, shall agree (subject to sufficient reserves being available) an amount of funds (the "Repayment Fund") to be set aside for the repayment of share monies. The amount, which will be determined by the Committee in its sole discretion, will be informed by:

1. the financial return from the previous year
2. new share purchases
3. the FCA tests as incorporated into our rules; and
4. the total value of withdrawals requested

Following the approval by the Committee of an annual Repayment Fund, shareholders will be informed of this and applications for withdrawal can then be made. Application for withdrawal shall be made on not less than 3 months' notice on a form provided to members

stating their options and a deadline will be given to interested parties to respond to the Company secretary with the completed form.

Share withdrawals will be allocated on a pro rata basis rounded down to the nearest whole share so that withdrawals will be limited to the value of the Repayment Fund in each year. Members may request withdrawal of any unpaid balance that remains by making a new application in the following year(s). (e.g. if the total value of share withdrawal requests is less than the amount set aside in the Repayment Fund all requests received that year will be fully satisfied, but if the total value of share withdrawal requests is twice that of the Repayment Fund half the amount requested that year will be paid out)

Withdrawals will be made each year as soon as possible after the amount of the Repayment Fund has been agreed by the Committee.

It is recommended that Members retain at least one £250 share in order that they can have a say in how the Society is run. Those who withdraw all their shares will cease to be Members and will therefore not be able to vote in the election of Committee members or on other matters at Members 'meetings.

Share options on the death of a member

Members can inform the Society of how they would like it to treat their shares in the event of their death by completion of a nomination form.

Members can nominate a person (aged 16 or over) or organisation including the society itself to whom they wish their shares to be transferred to on their death. (In the case of the Society being nominated those shares would be cancelled and their value become a donation.) The Society will respect our members wishes insofar as the law, our rules and policies permit.

What happens to the shares if the member has chosen not to complete a nomination is determined by the terms of the members will and of any formal supporting documentation. If the shares are not specifically mentioned in the will then they will fall into the residue of the estate to be dealt with as such. If the member does not leave a will, the rules of administration of intestate estates will apply.

If members choose not to nominate anyone their executors will deal with the shares as part of the administration of the estate and can apply to have them transferred or withdrawn. The shares can be transferred anyone aged over 16 years including existing members (Unless it takes them over the maximum threshold however existing members would not get an additional vote). Shares may alternatively be withdrawn in accordance with the withdrawal policy and current repayment fund arrangements on the instruction of the executors.