

Leeds Community Homes Share issue withdrawals policy

July 2020

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Introduction

In 2016/17 LCH attracted equity investment through a Community Share Issue, which was successful and raised £360,000. The share issue Prospectus covered the topic of withdrawals; this policy clarifies our position on this and is more specific.

Summary of policy

1. We have now set a limit to withdrawals: 2.5% per annum of remaining capital (*in 2020/21 this will be £9,000, which is 2.5% of £360,000*)
2. We will allow withdrawals on a 'first come first served' basis up to the annual limit agreed
3. We plan to launch a further, open/rolling share issue to facilitate membership churn and future developments
4. This policy will be reviewed annually
5. This policy will be made available to investors via a mailshot, and will be published on our website
6. Investors are invited to give feedback on this policy, and in particular we will welcome hearing views at our AGM, which is planned for September 2020, date to be confirmed

For reference, wording from the Share Issue Prospectus (full document available on request, and is also available on our website)

Relevant wording in our prospectus regarding share capital withdrawal:

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*Directors hope and expect that this first share offer will be the first of a rolling programme of share offers by LCH to achieve its longer-term goals. However potential investors should be aware that **our ability to repay more than a small amount of shareholder funds each year relies on us being able to successfully launch future share offers**. Ideally these share offers will enable us to develop future community led housing projects, however if we can't identify future projects we will launch an open share offer to create a fund to allow for the withdrawal of original investors shares.*

It is for this reason that we will begin work to identify future projects in 2017 – rather than waiting until 2019. In this way we give ourselves every chance of launching an open share

offer in 2019 – to raise further capital and to provide greater liquidity – and thus begin to repay shareholders who wish to be repaid.

Investors should also be aware that we may also be required to suspend share withdrawal in the future to provide finance for a future project. However, as stated above, we will seek to move to an open share offer from 2019 in order to increase the liquidity of members' shares.

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Financial returns

For the first three years after we close this share offer, we do not anticipate paying any interest on your shares, nor returning any of your capital. Our focus will be on using all available resources to further the aims of Leeds Community Homes. From year 4, we anticipate beginning to pay interest on shares, and also anticipate being able to begin returning shareholders' capital.

Interest will accrue from 1 April 2020 on all shares issued as part of this share offer. From this date we expect to pay an interest rate of 2% on shares held. We propose that interest will accrue to members' share accounts.

Provision is made in our Rules to pay interest on share capital at such rates that may be determined by Directors from time to time. The maximum amount of interest that we will pay at any time in the future will be 2% above base rate.

Leeds Community Homes anticipates paying interest gross to investors, unless required to do otherwise by HMRC. Investors should report their gross income to HMRC in their annual tax return.

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Financial risks

*Although shares are withdrawable, this is subject to **three months' notice**, and is at the **discretion of the Directors**, especially if there are insufficient funds to make repayments. The Directors have decided that no investment can be withdrawn for the first three years, in order to give Leeds Community Homes the opportunity to establish itself and to give our first projects the greatest chance of success. Directors hope and expect that this first share offer will be the first of a **rolling programme of share offers** by LCH to achieve its longer-term goals.*

*However potential investors should be aware that **our ability to repay more than a small amount of shareholder funds each year relies on us being able to successfully launch future share offers**. Ideally these share offers will enable us to develop future community-led housing projects. However if we are unable to identify future projects we will launch an open share offer to create a fund to allow for the withdrawal of original investors shares.*

*It is for this reason that we will begin work to identify future projects in 2017 – rather than waiting until 2019. In this way we give ourselves every chance of launching an open share offer in 2019 – to raise further capital and to provide greater liquidity – and thus begin to repay shareholders who wish to be repaid. Investors should also be aware that **we may also be required to suspend share withdrawal** in the future to provide finance for a future project. However, as stated above, we will seek to move to an **open share offer from 2019** in order to increase the liquidity of members' shares.*

We strongly encourage investors to consider their investment to be a long-term commitment to the development of a community-led approach to creating affordable housing in Leeds. An investment in Leeds Community Homes should be considered as a long-term investment, which may generate some financial benefits, whilst providing a range of social benefits to people in Leeds who will be able to access permanently affordable housing.

Returning Capital

As stated above, we anticipate that capital will begin to be returned to investors from 2020, with a limited number of shares being bought back gradually over time. However this is not guaranteed and the decision to return capital will be made by the Directors. Members of Leeds Community Homes will be consulted at the time.

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Although shares are withdrawable, you may not be able to withdraw your shares if Leeds Community Homes does not have sufficient funds available at the time you wish to withdraw them or if the Directors have otherwise suspended the right to withdraw at that time.

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If Leeds Community Homes made significant losses the Directors may need to write down the value of the shares, upon the advice of the auditor or accountant. Should you then wish to withdraw your shares, you will then only receive the written down value of those shares.

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Other notes e.g. re interest:

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Leeds Community Homes anticipates paying interest gross to investors, unless required to do otherwise by HMRC. Investors should report their gross income to HMRC in their annual tax return.”

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Please contact Steve Hoey, CEO at LCH with any questions or comments:

Email: steve@leedscommunityhomes.org.uk

Agreed by LCH board: July 2020

Review of this policy due: July 2021