

JAZZ.COOP NEWCASTLE

BOND OFFER DOCUMENT



SECURING THE FUTURE OF TYNESIDE'S COMMUNITY-OWNED
LICENSED MUSIC VENUE AND LEARNING CENTRE

CONTACT

GENERAL

Jazz.Coop is the trading name of Pink Lane Jazz Co-op Ltd, a registered society under the Co-operative and Community Benefit Societies Act 2014, reg no 31981R

Email: info@jazz.coop

Website: jazz.coop

Facebook: [@jazz.coop.uk](https://www.facebook.com/jazz.coop.uk)

Twitter: [@JazzCoopUK](https://twitter.com/JazzCoopUK)

MAIN TRADING PREMISES

The Globe
11 Railway Street
Newcastle upon Tyne
NE4 7AD

REGISTERED OFFICE

Pink Lane Jazz Co-op Ltd
71 Highbury
Newcastle upon Tyne
NE2 3LN

BOND APPLICATIONS

FOR ONLINE APPLICATIONS

<https://jazz.coop/bond-application-form/>

FOR ENQUIRIES ABOUT BOND APPLICATIONS

bonds@jazz.coop

DIRECTORS' DECLARATION

Due care has been taken in preparing this bond offer document, a process which has been overseen by the directors of Pink Lane Jazz Co-op Ltd, who can vouch that the information it contains is in accordance with the facts and that there are no omissions likely to affect its import.

This bond offer is exempt from regulation and therefore does not require authorisation by Financial Conduct Authority. If the business fails you have no right of complaint to the Financial Ombudsman or the Financial Services Compensation Scheme.

Approved by the board on 24 February 2020.

BACKGROUND

In 2014 something extraordinary happened in North East England. Some 200 people who love jazz and other music bought The Globe, an old pub in Newcastle, to create the UK's first bar/music venue run by a cooperative committed to live music.

We've achieved a lot since then. The Globe now hosts a wide range of music and dance gigs - jazz, blues, rock, reggae, drum n bass, punk, funk, goth, folk, country and more. There are also regular courses, workshops and jam sessions. The Globe is a place where musicians can learn, develop and share their skills.

We now have over 225 members who own shares in the coop and manage The Globe through an elected board of directors, a full-time paid venue manager and volunteers who help to staff the two bars, run the sound and light systems and help keep the building maintained.

All this has been done without any grant aid or public funding, but we have had the benefit of personal donations, loans and sponsorships. We now want to replace some (or all if possible) of the commercial loans with finance raised through issuing bonds. This document sets out the rationale for issuing bonds and the details and conditions of the proposed issue.

THE VISION

A new venue manager has been appointed with a brief to increase the range and frequency of music and to widen the use of the building. We aim to increase the use of The Globe both during the day and evenings, creating a focal point for established and developing musicians, performing artists, poets and comedians, making full use of the brilliant resource that is The Globe. We also wish to develop further the use of the two performance areas into rehearsal spaces.

We believe that live music is for everyone and that all genres and modes of expression have their place. With support from the Newcastle Arts and Culture Fund, we have developed *Making Music Together*, a community project that takes music making into areas of the city which have fewer opportunities to listen to, study and play music. We are in the process of converting this project into a registered charity so that we can increase its access to a wide range of funding opportunities.

Replacing the current commercial loans with bonds will free some of our income to support this vision.

JAZZ.COOP BONDS

Bonds are a form of borrowing that allows investors to loan money directly to the business and receive a fixed return over a set period of time, with the initial investment returned at the end of the prescribed duration. They are in effect IOUs which the business sells to investors.

Jazz.Coop initially intends to offer five-year bonds with investors earning annual interest payments during the life of the bond. At the end of the term, the investors can either receive their initial investment back or reinvest it in further bonds.

These bonds confer no voting rights or other control over the cooperative. Interest on these bonds is paid annually. Unlike some loans, the capital is repaid in full at the end of the term rather than as regular repayments.

Although Pink Lane Jazz Co-op Ltd (trading as Jazz.Coop) is regulated by the Financial Conduct Authority, **this issue is not regulated**. Jazz.Coop bonds are invested in at risk and are not subject to any financial compensation schemes. However, bondholders will have the security of knowing that the value of bonds issued will not exceed the value of existing commercial borrowing. **The overall value of Jazz.Coop's indebtedness will not increase**. Bonds issued will not be secured on the property, but the value of the bonds issued will always be well within the market value of The Globe, which the cooperative would be able to sell as a last resort. As a registered society Pink Lane Jazz Co-op Ltd is exempt from the Financial Services and Markets Act 2000 regulations, meaning it can make this offer of these bonds to the public.

PURPOSE OF THE BOND ISSUE

The board has been pleased to note an improvement in the trading position of Jazz.Coop. The most recent statutory financial accounts show a profit of £2,086 (31 January 2019). In 2019/20, despite a downturn in the entertainment market, the cooperative's draft end of year accounts show a profit of £2,236 (31 January 2020).

Replacing the commercial loans with bonds will reduce interest payments by £3,100 per annum which will help profitability. It will also aid cash flow; this will help allow the venue manager to develop new initiatives to attract more customers with consequent growth.

TABLE 1 SCHEDULE OF BORROWINGS TO BE ADDRESSED BY THE BOND ISSUE

Borrowing	Original value	Value at 31/01/20	Rate of Interest	End date	Security
Loan 1	£75,000	£58,559	6% or 3% over base rate whichever is greater	2029	Premises
Loan 2	£30,000	£24,539	6% or 4% over base rate whichever is greater	2029	Premises
Loan 3	£15,000	£11,009	8% or 4% over base rate whichever is greater	2023	Premises
	TOTAL	£94,107			

Our current commercial lender, Co-operative & Community Finance, is extremely supportive of Jazz.Coop, however the board believes it should seek to replace all or some of these borrowings by offering bonds. All monies raised through a bond issue would be used on a £-for-£ basis to reduce other borrowings. **Thus, the overall indebtedness of Jazz.Coop would not increase**. The advantage of the bond issue would be less onerous annual interest payments (approximately half of what we pay now) and a break in capital repayments during which period we would expect the improvement in our trading position would continue.

TABLE 2 RESULTS FROM CERTIFIED ACCOUNTS (year end 31 January)

Accounting year	2014/15	2015/16	2016/17	2017/18	2018/19
Trading income	£14,655	£28,284	£49,281	£100,827	£116,826
Cost of sales	-£10,404	-£18,638	-£31,272	-£58,589	-£47,518
Gross profit	£4,251	£9,646	£18,009	£42,238	£69,308
Administrative expenses	-£14,385	-£12,009	-£29,327	-£65,053	-£66,325
Other operating income	£10,323	£12,293	£10,317	£7,384	£6,012
Operating profit	£189	£9,930	-£1,001	-£15,431	£8,995
Interest payable	£7,258	£8,467	£9,111	£7,384	£6,909
Net profit / loss	£6,996	£1,467	-£10,112	-£24,374	£2,086

A copy of the certified accounts for 2018/19 is available on the Jazz.Coop website

<https://jazz.coop/wp-content/uploads/2020/03/20190131-Jazz.Coopaccounts.pdf>

Jazz.Coop intends to continue what it is doing and increase the use of the building by

- broadening the range of events and genres of music offered
- offering it for use to the local community and community organisations
- developing daytime use for music and arts education

TABLE 3 FINANCIAL FORECASTS

Accounting year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Trading income	£99,000	£109,250	£114,713	£120,448	£126,471	£132,794
Cost of sales	£30,000	£32,775	£34,414	£36,134	£37,941	£39,838
Gross profit	£69,000	£76,475	£80,299	£84,314	£88,529	£92,956
Administrative expenses	£63,000	£64,890	£66,837	£68,842	£70,907	£73,034
Other operating income	£2,800	£1,320	£1,452	£1,597	£1,757	£1,757
Operating profit	£8,800	£12,905	£14,914	£17,069	£19,379	£21,679
Interest payable	£4,884	£1,500	£3,000	£3,000	£3,000	£3,000
Other finance expenses	£1,680	£1,704	£1,729	£1,756	£1,783	£1,783
Net profit / loss	£2,236	£9,701	£10,185	£12,313	£14,596	£16,896

Notes

These headline figures are taken from five-year financial projections using the following headline assumptions:

1. Trading income is based on a 9% increase as the renewed focus materializes in sales in 2020/21 and 5% pa thereafter.
2. Expenditure in 2020/21 and onwards is increased from 2019/20 actual expenditure annually by 3%.
3. We expect the cumulative profit over the six years 2019 – 2025 to be £66,000. This will be applied to fund the repayment of our estimated 50% payback of the £100,000 bond issue.

Jazz.Coop's principal asset is The Globe building which was valued in September 2018 by Magnus McGillivray at £172,500 market value as a building rather than as a music venue or going concern with tenant. The view of our accountants is that, with the licence and as an established music venue, the property is worth £223,500 as in the certified 2019 accounts

THE OFFER –

AMOUNT TO BE RAISED, OFFER WINDOW, INTEREST RATE PAYABLE

Jazz.Coop is looking to raise a maximum of £100,000 through the issuance of five-year bonds. Each investor may invest a minimum of £500 and a maximum of £20,000.

Bonds will be offered during a fixed two-month window. If the total amount raised does not meet the target of £100,000, a further bond issue window may be opened at any time at the discretion of the board.

Jazz.Coop will pay an interest rate of 3.5 % per annum each year the bond is held. Interest will not be able to be capitalised (i.e. added to the bond value) – a bank transfer will be made to the bank account notified to Jazz.Coop on the bond application form. Interest payments will be made within 28 days of the anniversary of the date on the bond issue certificate.

SECURITY

Jazz.Coop bonds cannot be traded and are not listed on any market. This means they must be held until they mature and cannot be cashed in early.

The bonds will be offered with the capital to be repaid in full on the fifth anniversary of the bond's issue date (i.e. at the end of five completed years).

Bonds may be redeemed in full at the end of the fixed period or reinvested in another bond Issue (as available at the time of redemption).

This bond issue is not regulated by the FCA, there is no right of complaint to the Financial Ombudsman Service, nor any access or entitlement to the Financial Services Compensation Scheme.

In the event of Jazz.Coop failing to honour the annual payments of interest, the bondholder will become entitled to request the full redemption of the bond.

Should Jazz.Coop cease to trade, go into administration or otherwise be liquidated, the bondholders will be entitled to full redemption value of their bonds including interest owed. Full value being repaid will be subject to the overall value of assets (principally the premises) at the point of closure/realisation.

Bonds are not tradeable or transferable and would pass to the bondholder's estate on death.

CONSTITUTIONAL RIGHTS

The holding of a bond does not confer on the bondholder any rights in the governance of Pink Lane Jazz Co-op Ltd.

REPAYMENT OF BONDS

We are committing to one bond issue in 2020. We hope to raise a maximum of £100,000.

We intend to use the capital raised through the bond issue to repay the three loans from Co-operative & Community Finance totaling £94,107 (see Table 1 on page 4.)

While we are currently able to make the regular monthly repayments to CCF totaling over £13,500 each year, replacing these loans with bond capital will improve Jazz.Coop's cash flow situation and increase our profits.

During the life of the bonds Jazz.Coop will make regular allocations of funds to ensure that bondholders who wish to redeem their holdings after five years can be repaid. We anticipate that about 50% of bondholders will wish to reinvest their capital (roll over their bonds after their first investment period).

JAZZ.COOP

If necessary, we will carry out a follow up bond issue, or seek a new mortgage/loan, to raise the funds to repay those bondholders who are redeeming their loans.

If all other options fail, we could sell The Globe on the open market. This would enable us to repay bond holders but is our least preferred option as we would be in a position of needing to find premises again.

BENEFITS OF INVESTING IN JAZZ.COOP

The benefits of purchasing Jazz.Coop bonds include

- Making an ethical investment
- Helping to develop new and varied opportunities for the performance, learning and listening to jazz and other forms of music at The Globe and across Newcastle and Gateshead.
- High accountability: you know exactly where your money has gone.
- Supporting the UK's first bar/music venue run by a cooperative committed to live music.
- Supporting the further development of a unique part of the cooperative movement.

FREQUENTLY ASKED QUESTIONS

WHO CAN PURCHASE BONDS?

We will accept investments from individuals, corporate bodies and nominees of unincorporated bodies, firms or partnerships. Individual investors must have reached the age of 16.

DO I HAVE TO BE A MEMBER OF JAZZ.COOP TO PURCHASE BONDS?

No, the purchase of bonds is open to anyone wishing to support the venture.

HOW DO I PURCHASE BONDS?

You may apply for bonds either on our website or by post.

- To apply online go to <https://jazz.coop/bond-application-form/>
- To apply by post please complete the form at the end of this document

You may pay for bonds either by cheque or bank transfer. Our bank account details are on both application forms.

DOES HOLDING BONDS GIVE ME A VOTE?

Bonds carry no rights to participate in the management of Jazz.Coop. However, anyone who supports the objectives of Pink Lane Jazz Co-op Ltd can purchase shares (a minimum of £200) and thus become a member who has a vote at cooperative general meetings and can stand for the board of directors. You do not have to be a member to buy bonds and you do not need to buy bonds to become a member.

WHEN DO I GET MY BOND CERTIFICATE?

We will be issuing bond certificates on the receipt of cleared investments at the end of the bond issue window, preferably by email, but also by post if requested.

WHEN DO I GET MY MONEY BACK?

When you invest in bonds you agree a fixed period after which we will return your original investment. Your money is at risk and is not covered by any financial compensation scheme.

WHEN DO I RECEIVE INTEREST?

You will receive your interest payment within 28 days of the anniversary of the date on the bond issue certificate. This will be a simple payment of interest on the amount invested and not a compound interest payment, e.g. the proposed 3.5% interest rate will yield £17.50 per year on a £500 investment.

You may decide to waive receipt of your interest payments if you wish.

WHAT HAPPENS IF YOU DON'T SELL ENOUGH BONDS?

We hope that we will be able to raise sufficient funds through a single issue of bonds, but if we are unable to raise the required amount, we will consider a second issue of bonds in 2020.

WHAT HAPPENS IF JAZZ.COOP CLOSES?

If the cooperative decided to wind up, all its assets would be sold and its debts would be met from the proceeds. If there was more money left after meeting all its debts, including repayment to bondholders, then the remaining funds would be returned pro rata to the shareholders in order of preference. If there were insufficient funds to meet debts (insolvent liquidation) then an administrator would have to manage the process of allocating assets to creditors including bondholders.

WHAT ELSE CAN I DO TO HELP?

We need all sorts of volunteer help to keep Jazz.Coop functioning efficiently. Our major source of income is the sale of alcoholic and non-alcoholic refreshments, and we employ a venue manager and part-time bar staff to serve in our busiest times. We do require volunteers to help run the bars in less busy times.

We also need volunteers to open and close the building for training courses, workshops, rehearsals and other bookings of the building.

The venue manager is responsible for programming the majority of music and dance events in the main bar. Volunteers are responsible for organising jazz, folk and other gigs, courses and workshops that happen in the upstairs bar and sometimes in the main bar.

We also need people who can help with the planning, budgeting, fundraising, project management, administration and maintenance of the building.

Please contact us on info@jazz.coop if you can help with any of the above.

TERMS AND CONDITIONS

1. ISSUE

This offer of bonds was agreed by the Pink Lane Jazz Co-op Ltd Board on 24/02/2020 and is known as Bond Issue 2020 and is open from 07/03/2020 to 11/05/2020. Bond certificates will be issued on the on receipt of cleared investments at the closure of the bond issue window, preferably by email, but also by post if requested. Bonds will mature five years from the date of the certificate. The issue is to be of a maximum of £100,000 worth of bonds. Bonds will be non-transferable. The minimum amount that can be applied for is £500 and the maximum is £20,000.

2. INTEREST

Interest shall be paid on the bonds at 3.5% per annum. Interest payments will be made by bank transfer within 28 days of the anniversary of the date on the bond issue certificate.

3. CERTIFICATES

Certificates will be given to show the issue of bonds.

4. REPAYMENT OF BONDS

The bonds shall be repaid in full on the maturity date as stated on the bond certificate.

5. REPAYMENT ON DEFAULT

Pink Lane Jazz Co-op Ltd shall repay the bonds in full immediately, if it:

- I. is in breach of these conditions; or
- II. is overdue on any payment by 28 days or more; or
- III. passes a resolution for winding up or goes into liquidation or has an administrative receiver appointed over any of its assets or has an administration order made against it or an effective instrument of dissolution is made by the members of Pink Lane Jazz Co-op Ltd.

6. GENERAL

- I. These conditions shall not give the lender any rights to attend meetings or participate in any way in the management of Pink Lane Jazz Co-op Ltd.
- II. Bonds may not be transferred by the lender. In the case of the death of the bondholder, the bond(s) will pass to the bondholder's estate.
- III. Bondholders shall receive an electronic copy of the certified annual accounts of Pink Lane Jazz Co-op Ltd.

7. ORDER OF CREDITORS

Bondholders rank with unsecured creditors in a winding up.

MORE ABOUT PINK LANE JAZZ CO-OP

BACKGROUND

Pink Lane Jazz Co-op was formed in early 2013 by a group of local residents, jazz lovers, musicians, poets and others who were inspired by Keith Crombie and the Jazz Cafe he set up and ran for many years until his untimely death on 29 December 2012.

CO-OPERATIVE SOCIETY

Pink Lane Jazz Co-op Ltd was registered as a cooperative society on 5 March 2013 (registered number 31981 R)

OBJECTIVES

The objectives of Pink Lane Jazz Co-op Ltd are to carry on the business as a cooperative and to carry on any other business, trade or service and in particular to:

- Continue the commitment to live jazz, poetry, dance and related arts established by the Newcastle Jazz Cafe in Pink Lane from 1991 to 2012.
- Support the rehearsal, performance, promotion and development of jazz, poetry, dance and related arts.
- Support relevant education and training.
- Provide services and facilities for appropriate use by members and the community.
- Manage venues to help to deliver these objectives.

MEMBERS AND BOARD

There are over 225 members of the cooperative.

The cooperative is managed by a board of directors who are elected by the membership. The current board of directors comprises:

- Tom Adams
- Graham Alder
- Nick Ball
- Harry Husaini
- Debra Milne (co-chair)
- David Parker (co-chair)
- Joan Parker (treasurer)
- Kevin Wright

The secretary is Michael Howard.

MORE ABOUT THE GLOBE

GENERAL DESCRIPTION

The Globe was built in 1911. It is a two-storey purpose-built public house of traditional brick construction with a rendered façade. It has a pitched timber-framed roof with slate covering. On the ground floor there is a large bar area, kitchen, and lift (installed in 2014). Upstairs there is a good size smaller bar with access to a large roof terrace, male and female toilets and an accessible toilet, and a store room. There is also a two-room cellar.

The Globe is located on the western edge of Newcastle city centre in a commercial/industrial area, and is a 10 minute walk from Central Station. It is very near the Newcastle Arena.

The Globe was bought by Pink Lane Jazz Co-op Ltd on 30 April 2014.

LICENCE

The Globe is licensed to sell alcohol to the following times

Sunday, Monday, Tuesday, Wednesday midnight

Thursday 2am

Friday, Saturday 3am

POSTAL APPLICATION FORM

Please complete this form and post it with a cheque (or date of bank transfer) to
The Secretary, Pink Lane Jazz Co-op Ltd, 71 Highbury, Newcastle upon Tyne NE2 3LN

YOUR DETAILS

If you are applying on behalf of an organisation please provide the organisation name, registered office address and registration number.

Your name:

Organisation name (if applicable):

Organisation registration number (if applicable):

Address:

.....

Email: Tel:

YOUR INVESTMENT

The minimum investment is £500, and the maximum is £20,000. Please specify the amount you wish to invest

in words: **pounds** and figures: **£**.....

INTEREST

Interest will be paid on bonds at 3.5% simple interest per annum. You may choose to waive your interest payment or have it paid into your bank account once a year. Please tick which applies.

I wish to waive the receipt of interest on this bond purchase.

Please make interest payments to the following account

Bank name: sort code: account no:

PAYING FOR YOUR BOND

You can pay for your bond in two ways. Please tick which applies.

I enclose a cheque with this application form. **Please make cheques payable to Pink Lane Jazz Co-op Ltd.**

I have made a payment to your bank account (account number 65719226, sort code 08-92-99).

Please include your name+ BOND as the reference. Please insert date of transfer here

SIGNATURE

By signing and returning this form, I confirm I accept the Terms and Conditions set out in the Bond Offer Document.

Signed: Date:

Data Protection: Pink Lane Jazz Co-op Ltd will use these details to contact you with regard to your investment and to update you on the performance of the cooperative. Your details will not be passed to a third party.