

## Co-operative Assistance Network Limited

### Loan Stock Issue No. 1. Description, Terms and Conditions

The purpose of this Loan Stock Issue is to provide medium term finance to enable CAN to make investments necessary to pursue its **mission “To support the development of co-operatives and social enterprises”**.

It has been decided to raise finance in this way because:

- A significant proportion of the work carried out by CAN is pro bono, on behalf of clients who cannot afford to pay for the services.
- Funding regimes have become more tightly controlled and more specific on the regulations that ensure that major contractors on projects cannot make profits from their involvement and that payments are made in arrears and upon proof of output.
- The above means that the majority of the work undertaken by CAN is either at cost or at a loss and the generation of surpluses for re-investment is problematic.
- However, it is necessary to ensure a quality service for clients by carrying out continuous development of resources, product and personnel.
- Although CAN creates surpluses capable of servicing borrowings, constant repayment of principal on short-term loans puts pressure on cash-flow. There is a need for capital on a longer-term basis to bring predictability and stability.
- We believe that the development of a market in Loan Stock is a necessary part of the development of the co-operative sector. As well as people willing to buy Loan Stock, it requires co-operatives like CAN to issue it.

#### Information about CAN.

- CAN is a workers co-operative. All workers are entitled to become members after completing a probationary period of not more than one year.
- CAN is a Company Limited by Guarantee. Its members are its guarantors. The guarantors each undertake to contribute up to one pound in the event of the company being unable to meet its obligations to creditors. **The total value of these guarantees has never been, and is never likely to be, a significant amount.**
- CAN is a common ownership company. Its assets cannot be distributed to members but in the event of the company being wound up its resources are applied first to paying any creditors (including those who hold loan stock) and any residual assets have to be transferred to some other common ownership organisation with similar objectives. Members of CAN have no personal ownership rights over this capital. Nobody can take an equity stake in CAN or benefit financially from asset growth. This loan stock, with its fixed return, is the closest you can get. **Loan stock confers no ownership rights, no**

**voting rights, no right to benefit from equity growth**, just a good rate of interest and an opportunity to support the CAN mission.

- CAN has been trading since 1989. It has made an operating profit most of these years but since profit making is not its mission, it has accumulated retained profits, and therefore its asset base, very slowly, at a rate around £2,000 per annum.
- When CAN has needed to make investments in infrastructure it has previously used two main sources of finance: sweat equity (delayed payments of wages to members) and loans from the Industrial Common Ownership Fund (ICOF). This Loan stock will provide a third source of capital. It is designed to provide a part of a balanced financing strategy, it is not designed to eliminate those other sources of finance
- CAN's bankers are The Co-operative Bank Ltd. We have had a very good working relationship with them over the last fifteen years and they have always provided temporary cash-flowing facilities for us as and when required.
- CAN reports on its social outputs, annual accounts, and those accepted into membership of the Co-operative and elected as Directors at [www.can.coop](http://www.can.coop)

### **Conditions of Loan Stock**

- CAN Loan stock can be purchased by individuals, registered co-operative societies, registered co-operative companies or fully mutual organisations such as Mutual Pension Funds and Friendly Societies.
- Whenever you make the purchase, it will be deemed to be the start of the next quarter. CAN quarters are different to most organisations. They start on the 1<sup>st</sup> of June, September, December and March.
- A unit is valued at £350 but can be purchased at a discount of £100 for £250.
- They are redeemable after five (5) years for £350.
- **This means you receive a return of 7% annual percentage rate**
- **N.B. Under the Income and Corporation Taxes Act of 1988 income tax will be payable on this return.**
- No investor may hold more than 30 units (£10,500 redemption value). This rule is put in place to prevent the co-operative nature of CAN becoming distorted by responsibility to particular investors.
- **Stock can only be sold or transferred to investors who qualify under the terms of this notice and who register with CAN as suitable investors..**

### **Who can Apply**

- This notice does not constitute a general invitation to the public to invest. The investment is only open to people, societies and companies who are actively part of the community of interest supporting co-operative principles, common ownership and the CAN mission.

**How to apply:** Fill in and sign the attached form and send to: Finance Dept. at: CAN, 1 Brunswick Place. Southampton SO15 2AN.