

Music Venue Properties
Dorset House
5 Church St.
Wimborne
BH21 1JH

5 April 2023

Dear Investors,

Thank you for supporting the “Own Our Venues” campaign and becoming a member of Music Venue Properties. This is one of the most revolutionary schemes to secure the future of cultural spaces ever proposed anywhere in the world, a truly groundbreaking project. Thanks to you, we are able to move ahead and make it a reality. In this letter we aim to update you of the next steps and your options regarding your investment.

Against the backdrop of extremely challenging circumstances, we have managed to secure £2.32m of finance via a mix of community share investment, grants, donations and loans. Though this total fell just short of our initial minimum target of £2.5m, the board of MVP met last week and decided that there is a sensible pathway for embarking on the next stage of the project with the funds raised including your investment.

Not only are we confident that a £2.32 model is a viable and sound proposition, we strongly believe that it offers a springboard to more finance that will allow us to complete the pilot project and buy all nine venues before the end of this year. We already have an offer of additional match funded loan finance available from the Arts & Culture Impact Fund and we are already deep in discussions with other funding partners to help unlock this.

As per the Share Offer Document It is a responsibility of Music Venue Properties that “Any revision of the minimum target will be advised to all investors and anyone who doesn’t wish to invest on any new terms can have their funds returned” and so we are contacting you to inform you of this revision.

If you feel happy to continue then you do not need to take any action. On Tuesday 18th April you will be made a member of Music Venue Properties and your investment will be drawn down by the Society.

In the weeks leading up to the end of the campaign, we carried out additional extensive financial analysis as part of our loan application process to Nesta to apply for the Arts & Culture Impact Fund. This established that it would be possible to successfully go ahead with the purchase of four venues if we had a minimum of £1.8m including the loan.

This was primarily due to two factors (i) the larger than expected amount of grant & donations we had received (£680k) and (ii) a funding agreement from Music Venue Trust to invest a minimum of £50k a year for the next five years into Music Venue Properties and that MVT would not seek interest or capital repayment on this investment.

We have provided further information and financial projections within this document that outline the current position and how we plan to continue the project with marginally less funds than initially proposed. We hope these will indicate that MVP can continue and begin to purchase properties in the next few months.

We are able to confirm that the Community Shares Unit (who award the Community Shares Standard Mark) have reviewed this correspondence and believe that it sufficiently explains all key changes to the Share Offer.

If you decide that you no longer wish to invest then please email us before 23:59 on Monday 17th April - ownership@musicvenue.com and we will arrange that the platform you invested through returns your investment.

This is a huge moment for the grassroots music sector, where the community has come together and demonstrated just how important these venues are to our towns and cities and that we are prepared to do whatever it takes to give them the future they deserve.

We hope that you will continue the journey with us and the other investors. Together we can Own Our Venues and bring real change to venues across the country.

Yours Sincerely



**Mark Davyd
CEO Music Venue Trust
On behalf of the board of
Music Venue Properties**

Appendix 1 - Further information and projections

Sources of funding

Table 1 below illustrates the current mix of finance we have managed to secure for Music Venue Properties.

Whilst there is now £650k worth of loan finance (with an APR of 4.52% when averaged out), there is over £680k of donations and grants which require no paid return (interest or capital).

We believe that this actually puts us in a much stronger position as the cost of finance has now dropped from 3%, in our original projections, to 2.87% (Supporting information below in “Cost of finance” section

Investment source	Type of investment	% of Total	Amount	APR	Capital Repayments	Venue Purchase Requirements
Crowdfunder & Ethex	Community Shares	40.12%	£930,110.00	3% - 4%	Yes, possible from Year 5	None
Music Venue Trust	Community Shares	2.16%	£50,000.00	3% - 4%	None	None
Nesta Arts & Culture Impact Fund	Loan	21.57%	£500,000.00	4.50%	Yes, repayable over 7 years	None
Preston City Council	Loan	6.47%	£150,000.00	4.60%	Only required if The Ferret is sold or no longer a GMV	Must be used towards purchase of The Ferret
Various	Donation	5.95%	£138,000.00	None	None	None
The Ferret Crowdfunder	Donation	1.94%	£45,000.00	None	None	Must be used towards purchase of The Ferret
MVP Crowdfunder	Donation	0.22%	£5,137.00	None	None	None
Arts Council England	Grant	21.57%	£500,000.00	None	None	Must be used towards the purchase of English GMVs

Table 1 - Current Sources of Funding for MVP - March 2023

Conditions Precedent on Nesta Arts & Culture Impact Fund Loan

This loan has been approved in principle, but there are three conditions precedent.

One has already been achieved due to the amount raised via the Share Offer.

The remaining two are:

- Sight of and satisfaction with final cultural lease

The cultural lease is that name we are giving to the lease that we plan to issue to tenant venues. A&CIF want to ensure that the lease is actually supporting the operators that run them in the way that we described within our Share Offer Document.

- Sight of and satisfaction with financial due diligence report

We will be creating reports for each venue for the board's consideration ahead of each purchase. A&CIF want to ensure that the reports cover everything they would expect to see in such a document.

MVP would not spend any Community Share capital - instead using only donations - until we have met the remaining two conditions.

In the highly unlikely event that MVP was unable to draw down the loan, we would email investors with a new set of financial projections and you would be given the same opportunity to reevaluate your investment, with an option to withdraw if necessary.

Charges on properties

Arts & Culture Impact Fund will require a first charge on all properties, and Preston City Council will require a second charge on The Ferret.

In practice this means if MVP fails and we are forced to liquidate our assets (e.g. sell the venues we own), then the Arts & Culture Impact Fund loan will need to be satisfied first, followed by Preston City Council (using only proceeds remaining from the sale of The Ferret). After these two loans have been satisfied we would then return community share capital to investors.

We have to make you aware of this situation because it was not in the original Share Offer Document, but again, we would stress that in the event that MVP did fail the underlying value of the properties should allow share capital to be repaid.

Cost of Finance

The ongoing cost of finance is now expected to be lower than it was for initial projections.

Originally it was 3% as it was to be funded through Community Shares, however the larger than expected donations and grants, which require no return, has made the model more sustainable. This has allowed us to obtain loans from Nesta (500k) and Preston City Council (150k) and yet still reduce the overall cost of finance.

The cost of finance raised is now 2.96% if we pay investors 4% APR and 2.54% if we pay investors 3% APR.

4% Workings

Fund Source	Percentage of Total	APR	Weighted APR
Donations & Grants	29.68%	0.00	0.00
Community Shares	42.28%	4.00	1.69
Nesta A&CIF Loan	21.57%	4.50	0.97
Preston Council	6.47%	4.60	0.30
			2.96

3% Workings

Fund Source	Percentage of Total	APR	Weighted APR
Donations & Grants	29.68%	0.00	0.00
Community Shares	42.28%	3.00	1.27
Nesta A&CIF Loan	21.57%	4.50	0.97
Preston Council	6.47%	4.60	0.30
			2.54

Further details of the financial projections including Profit & Loss, Balance Sheet and Cash Flow can be found in Appendix II

Other changes between initial and current updated projections

- Voids are now modelled at 4% (previously 0%)
- Survey cost (per venue) now modelled at £3,000 (previously £1,250)
- Legal cost (per venue) now modelled at £2,000 (previously £900)
- Rent to value percentage is now 6.5% (previously 6.75%)
- Community Share Interest now modelled at 4% APR (previously 3% APR)
- Sources of funding changes detailed on page 2 (previously completely funded via Community Shares)
- MVT £50k investment per year included years 1 - 5 (year 1 included in initial raise)

What happens next? - Pilot Project (Phase One)

We will identify approximately six venues to purchase. Given the “venue purchase requirements” given in the funding table above by Preston City Council and The Ferret crowdfunder then, we will be looking to prioritise the purchase of The Ferret amongst these 6.

The Ferret will be included in a combination of £1.6m worth of English venues as this will allow us to meet the requirements of the Arts Council England grant. We would expect to be able to purchase four venues with this initial £1.6m. We would then use the remaining amount to purchase one or two other venues.

It is essential to the financial model that we are able to use all of the donations and grants, but after the initial four properties we will be choosing the remainder based on a number of factors with the most important being the situation with their current landlord.

We originally projected that a £2.5m raise would result in the purchase of six venues. The attached financial projections show that it is still possible to purchase six venues using the amount we have raised. There are various six venue combinations that will achieve the same, but investors should be aware that the final decisions on which venues to move forward with have yet to be made, and it's possible that in a scenario where no further money can be raised that MVP may elect to purchase five venues instead of six.

MVP are also delighted to confirm that Music Venue Trust have formally agreed to invest at least £50k per year for the first five years. MVT has indicated that it will not seek interest on these shares (or look to withdraw them) and that this agreement will renew at the end of year 5. As a precautionary measure our financial projections include interest accrual and the ongoing investments ceasing at the end of year 5.

Please note that all of our plans are subject to financial due diligence and the results of legal & structural surveys to be carried out.

Pilot Project (Phase Two)

MVP has already secured a second £500k from the Arts & Culture Impact fund which we are able to draw down by securing grant funding. We will be looking at various grant funding options - particularly in Scotland and Wales where discussions are currently ongoing - and talking to larger music industry organisations who have yet to donate. We know from experience that having match funding really helps to leverage grant funding. We will also move to an Open Share offer so that members of the music community can continue to become a part of our Community Benefit Society. There has already been significant demand from members of the public who missed out on the investment deadline.

(Please note we have not modelled Phase Two within our projection as we are not able to include unconfirmed grant finance).

Balance Sheet

	Opening Apr-23	Year 1 Mar-24	Year 2 Mar-25	Year 3 Mar-26	Year 4 Mar-27	Year 5 Mar-28	Year 6 Mar-29	Year 7 Mar-30	Year 8 Mar-31	Year 9 Mar-32	Year 10 Mar-33
<i>Properties Purchased in Year</i>		6	0	0	0	0	0	0	0	0	0
Properties Held at Year End	0	6	6	6	6	6	6	6	6	6	6
Fixed Assets											
Venue Freeholds	0	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700
Other items	0										
	0	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700	2,085,700
Current Assets											
Cash at Bank	0	132,758	164,278	198,009	284,465	320,317	252,315	181,239	169,525	175,436	177,995
Trade Debtors	0	13,196	8,797	13,196	13,196	13,196	13,196	13,196	13,196	13,196	13,196
Other Debtors	0	0	0	0	0	0	0	0	0	0	0
	0	145,954	173,075	211,205	297,661	333,513	265,511	194,435	182,721	188,632	191,191
Current Liabilities											
Short Term Loans	0	0	0	0	0	0	0	0	0	0	0
Trade Creditors	0	-5,908	-6,353	-6,555	-6,600	-6,705	-6,811	-6,917	-7,023	-7,128	-7,247
Taxation Creditors	0	0	0	0	0	0	0	0	0	0	0
Other Creditors	0	-32,991	-21,994	-32,991	-32,991	-32,991	-32,991	-32,991	-32,991	-32,991	-32,991
	0	-38,899	-28,347	-39,546	-39,591	-39,696	-39,802	-39,908	-40,014	-40,119	-40,238
Net Current Assets	0	107,055	144,728	171,659	258,070	293,817	225,709	154,527	142,707	148,513	150,953
Fixed Assets less net Current Assets	0	2,192,755	2,230,428	2,257,359	2,343,770	2,379,517	2,311,409	2,240,227	2,228,407	2,234,213	2,236,653
Long Term Liabilities											
Long Term Loans	0	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000	-150,000
Mortgages		-453,634	-389,333	-322,076	-251,729	-178,152	-101,193	-20,698	-4	-4	-4
Net Assets	0	1,589,121	1,691,095	1,785,283	1,942,041	2,051,365	2,060,216	2,069,529	2,078,403	2,084,209	2,086,649
Financed By: -											
Share Capital	0	980,110	1,068,003	1,159,479	1,254,680	1,353,760	1,351,030	1,347,900	1,342,221	1,333,780	1,322,356
Donated Restricted Reserves	0	450,000	450,000	450,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Revaluation Reserve (Restricted)	0	16,544	49,671	82,798	115,925	149,052	182,179	215,306	248,433	281,560	314,687
Reserves - B/fwd	0	0	142,467	123,421	93,006	71,436	48,553	27,007	6,323	-12,251	-31,131
Reserves - YTD		142,467	-19,046	-30,415	-21,570	-22,883	-21,546	-20,684	-18,574	-18,880	-19,263
	0	1,589,121	1,691,095	1,785,283	1,942,041	2,051,365	2,060,216	2,069,529	2,078,403	2,084,209	2,086,649
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Designated Funds		1,615,522	1,646,696	1,680,826	1,718,046	1,758,496	1,802,328	1,849,696	1,837,263	1,804,136	1,771,009
Free Reserves		-26,401	44,399	104,457	223,995	292,869	257,888	219,833	241,140	280,073	315,640

