

Basingstoke Makerspace – Bonds Prospectus

Basingstoke MakerSpace Ltd is a Limited Liability Company based in the town of Basingstoke, England. Since 2017 the company has occupied a building at 65 New Road. This building is currently up for sale, for £300,000. The company has attempted to both find suitable alternate accommodation and to raise the funds to purchase the building outright, but neither of these efforts has proved to be financially viable.

There is a “Community Asset Ownership”¹ fund that is available from the UK government to “*help support local people to save local community assets at risk*”. This will provide up to £2,000,000 in grants for suitable applications, the majority of the fund’s grants are for up to £250,000. The primary goal of this fund is to assist community groups to “*take ownership of a physical community asset at risk, such as land and buildings, which benefit local people*”. Clearly this matches the MakerSpace’s current situation.

In order to qualify for such a grant the MakerSpace must raise at least 20% of the purchase price. It is understood that raising a higher proportion of the purchase price will increase the probability of obtaining the grant. Using a reasonable set of assumptions about future operations the company, based on our previous 5 years of operations, it is anticipated that the necessary reserves can be generated over the course of seven years. However, to qualify for this grant the necessary funds need to be available in the short term.

The intention, therefore, is to borrow the funds, from a range of investors, and repay this as the necessary funds are accumulated. It is proposed that a set of 120 bonds, each valued at £1,000, be sold. The participants would benefit from a 6% interest per annum and be repaid over the course of seven years according to the schedule shown on page 2:

The Makerspace is not currently a charity, however it does intend to become one, so it is important that members are not able to exclusively benefit financially. As a result, these bonds will be offered publicly on exactly the same terms to **any** interested parties, regardless of any prior association with the company. It is expected that the majority of participants will be members of the MakerSpace, or investors based in the local area. However, any individual or organisation may take part, as long as their participation is permitted under UK law.

If this bond issue fails to achieve the target take-up, or if the Community Ownership Fund grant is not forthcoming then the whole scheme will be abandoned. In this case any funds submitted will be repaid in full.

¹ Details can be found at <https://www.find-government-grants.service.gov.uk/grants/the-community-ownership-fund-1>



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Suite 2, 65 New Road, Basingstoke, Hants, RG21 7PW

Queries to: admin@basingstokemakerspace.org.uk

Registered in England and Wales, Company Number: 10742431

Registered Address: 5 St Kohn's Piece, Oakley, Basingstoke, RG23 JJQ

1 Bond Details

The issue will allocate 120 bonds each with a purchase price of £1,000. Each bond will be treated as a single item. It may be that some bond holders are consortia, with a number of members each sharing in the costs and benefits. In such cases the interactions must be through a single contact, the way the consortium is internally arranged will be a private matter for its members.

1.1 Payment Profile

With interest each £1,000 bond will repay £1,270 in total. This will be paid over a seven year period.

	Yield per Bond									
	Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Total
	£60	£227	£217	£206	£197	£187	£176			£1,270
Outstanding Balance	£1,000	£1,000	£833	£666	£500	£333	£166			
Interest	£60.00	£60.00	£49.98	£39.96	£30.00	£19.98	£9.96			
Repay		£167	£167	£166	£167	£167	£166			

The bond payments are shown above. Interest has been calculated at 6% per annum on the outstanding balance. The principle will be repaid by six approximately equal payments that are due at the end of each year, except the first. The total to be repaid will be rounded up to the nearest pound (as shown in the table above).

These bond payments will become due on the anniversary of the “Payment Deadline” date (see the event sequence on page 3).

1.2 Allocation Rules

Participants may bid for any number of bonds, up to the whole allocation of 120. In order to ensure the number of bonds issued will exactly match the required total some participants may be allocated fewer bonds than they bid for. Preference will be given to the applicants in the order that their bids were received. The way the actual allocation will be calculated will be to define a limit to the maximum allocation to any participant such that the total allocation matches the subscription.



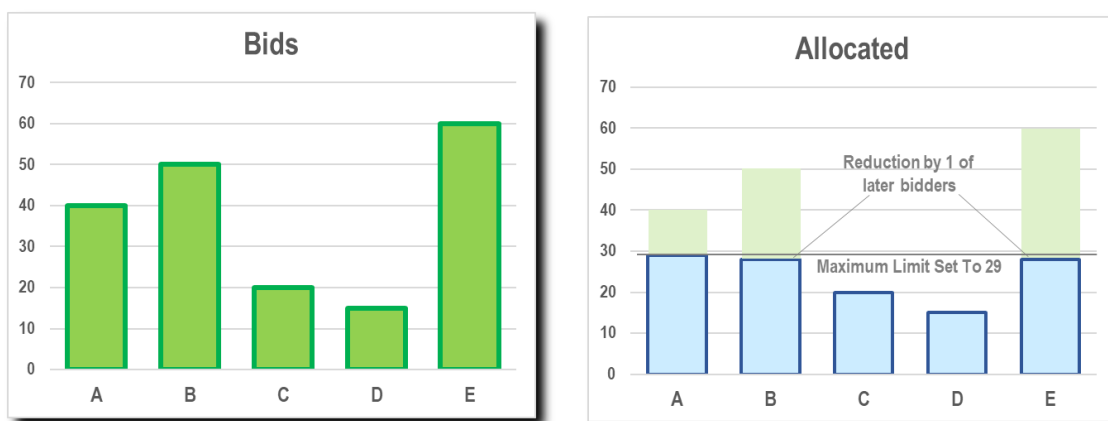
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An example is shown above. In this case there are 5 bidders, who submit their bids in the order shown. Setting a maximum allocation of 29 would affect the A, B and E participants. If those bidders were each allocated 29 bonds then the total would be 122. In order to achieve the correct total of 120 the two whose bids arrived last have had their maximum allocation reduced by 1.

1.3 Tax

The bond holder is responsible for reporting these transactions to the appropriate tax authorities.

1.4 Expressing Interest

Participants should send an email to bonds@basingstokemakerspace.org.uk to express an interest in the bonds. This email should have a form like:

Please register <person@org> to receive details of the Basingstoke MakerSpace bond issue

The string “<person@org>” should be replaced with the appropriate email address. This email can be submitted at any point before the close of bidding. Obviously submitting before the start of bidding will ensure that the participants can register their bids early in the process, with the advantages that accrue from that. Expressing an interest does not oblige the participant in any way.

All the registered participants will be notified by email 7 days prior to the Bid Open date. This notification will explain the bid submission process and list the dates of each of the key events. Events that are not under the control of Basingstoke MakerSpace will be indicated with expected dates.



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1.5 Event Sequence

The expected sequence of events will be as follows:

- **Preparation:** A prospectus will be produced explaining the terms and schedule. Any parties interested in participating will register an email address, and ask for any clarification they require
- **Bids Open:** The start date which is the earliest that bids can be submitted. Potential participants can each offer to purchase a number of £1,000 bonds
- **Bids Closed:** The end date by which all bids must have been received
- **Notification:** The successful bidders will be notified of the number of bonds allocated to them
- **Payment Deadline:** The bond holders will pay their contributions into an “escrow” account before a deadline. This will be repaid if the grant fails
- **Grant Application:** In parallel the grant will be sought, if this application fails then the scheme will be abandoned
- **Grant Payment:** The grant will be paid
- **Building Purchase:** The building will be purchased

The actual dates associated with these events will be formally notified to the registered email addresses at least 7 days before the “Bids Open” date.



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2 Basingstoke MakerSpace Ltd²

The company Articles of Association define the goals to:

- Promote and encouraging technical, scientific, creative and artistic skills through collaboration and education
- Provide and maintain shared community workspace and equipment in Basingstoke and the surrounding areas

These are achieved by having a shared workshop, with a wide range of available tools, these can be used by members 24 hours a day. Since the very start, the MakerSpace has also strived to provide services for free to the wider community.

Every Tuesday evening the space has an “Open Evening” that is free for members and non-members to come and discuss technical issues. About once a month these meetings host an event, such as a talk or demonstration, that any members of the public can attend. Many of these have been recorded and are usually published on YouTube³.

The workshop has a wide range of tools including: laser cutters; 3d printers; wood lathe; metal lathe; band saw; CNC machine; vacuum former; routers; heat press; dye sublimation printer; mill; vinyl cutter; shared drive; VPN; internal web site and many computers. Some of these require formal training before they can be used. Many of them have custom manuals explaining how they are used in the space.

The main benefit that members gain is however not the tools, but rather, the wide range of available expertise. Experienced members are happy to provide advice, assistance and training for those who less familiarity with tools and techniques. The Tuesday meetings are normally packed with members and the public asking for and giving advice on projects.

Another valuable resource is the locally shared files. These are all accessible by members and include: manuals and training guides for tools; project files for a wide range of past projects; presentations previously given at the space; organisational documents such as meeting minutes, user agreements and the articles; a listing of all the MakerSpace assets; and many other files.

2.1 History

Basingstoke MakerSpace started as an informal group meeting in a number of village halls and pubs throughout the North Hampshire area. In April 2016 this was formalised by the creation of Basingstoke MakerSpace Ltd a non-profit, limited liability company. In order to better serve the local community the organisation is intending to become a full charity in the near future.

² The public website <https://www.basingstokemakerspace.org.uk/> provides an introduction to the space. In addition, the video <https://youtu.be/cYqNH0 tXg0> provides a good overview of the organization.

³ The channel is available at <https://www.youtube.com/channel/UCohOzPkrXU7GWCw8oHGcN4w>



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In December 2017 the group took up residence in Maritime House, 65 New Road, Basingstoke. The building at 65 New Road is shared with a homeless charity called “Julian House”, they occupy the front 1/3 of the building with the MakerSpace taking up the remainder.

2.2 The Space



The majority of the space is given over to a large shared workshop, in addition there is a dark room, woodworking area and store room.



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2.3 Assets

The asset register lists more than 440 tools and devices that are available for the use of members. Some of these belong to members who have elected to provide them at no charge. The assets owned by the MakerSpace are a mix of those donated and those the organisation has purchased.

<i>Asset Name</i>	<i>Asset ID</i>	<i>Owned by</i>	<i>Replace</i>
TNX12 Big Laser cutter	00410	MakerSpace	£2000
<i>X-Carve</i>	<i>00021</i>	<i>Member</i>	<i>£1500</i>
Sawgrass SG1000 DyeSub Printer	00418	MakerSpace	£1200
Small Laser cutter	00020	MakerSpace	£900
<i>Record DMS24X Wood lathe</i>	<i>00062</i>	<i>Member</i>	<i>£900</i>
<i>BAS 315 Bandsaw</i>	<i>00139</i>	<i>Member</i>	<i>£750</i>
Metal lathe CUD	00412	MakerSpace	£750
Prusa i3 MK3S+ 3D Printer	00404	MakerSpace	£730
Overlocker MO-734DE 2 needle 2/3/4 thread	00411	MakerSpace	£700
Lulzbot Taz 3D Printer	00014	MakerSpace	£650
Industrial Sewing Machine	00423	MakerSpace	£600
<i>A3 Colour Photo Printer</i>	<i>00349</i>	<i>Member</i>	<i>£556</i>
Axminster C1 micro lathe	00117	MakerSpace	£549
Neutrik Audio test and service system	00030	MakerSpace	£500
Air / Vacuum press and vacuum pump	00388	MakerSpace	£500
Any Cubic 3D Printer	00415	MakerSpace	£500

The listing above shows the most valuable individual assets (all those with replacement costs above £500). This is a fairly reasonable illustration of the range of tools that are available in the space.

The larger tools have customised manuals, formal training and detailed descriptions available to members. Some of the tools cannot be operated until the members has passed a competency test.

2.4 Membership

Since 2017 membership has been formally registered. Members pay £25 per month for 24 hour access to the workshop. The ownership of the company rests in all members that have contributed over the past 5 years. When the company becomes a charity the asset lock will remove this ownership.



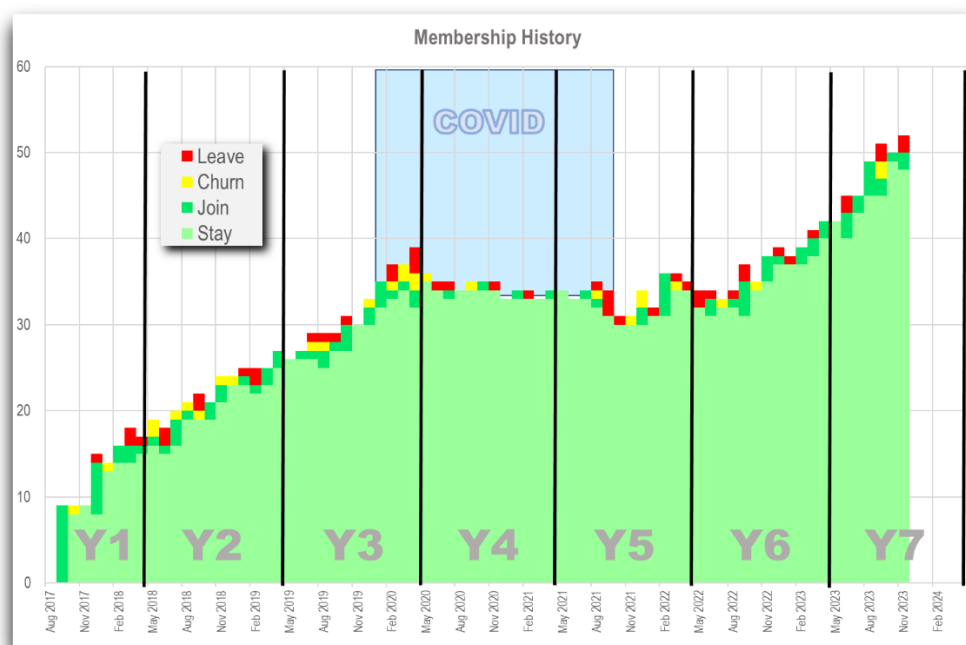
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The plot above shows how membership has grown from 2017 to the present day. In early 2020 the COVID restrictions imposed by the UK government severely restricted the activities of all organisations that relied on shared facilities. The fact that the workshop was not available caused the membership numbers to decline. However, once these restrictions were relaxed the membership continued to expand.

2.5 Governance

The governance of the company is formally laid out in the articles. Between three and nine of the members are designated as “directors”, all directors are unpaid volunteers. Directors are voted for by all the membership at the Annual General Meeting. A clause in the articles means that each year at least one third of the directors must stand down, they may immediately stand for re-election at the next AGM.

The directors take on responsibility for financial management, membership, publicity, training, maintenance, asset management and event organisation. These roles are not formally assigned. A committee meeting is held at least once a month to coordinate the management of the space. These meetings are formally documented.



Basingstoke MakerSpace

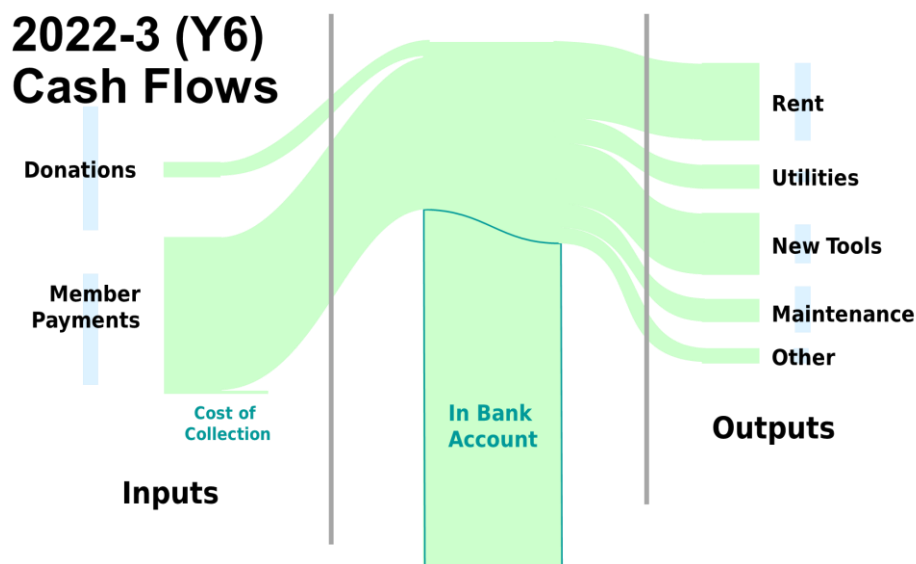
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2.6 Company Financial Plan



The cash flows for year 6 (May 2022 to April 2023) are shown graphically in the picture above. The light blue bars show the equivalent values from the previous year for comparison.

Income		Spend		Profit	
Donation	£1,020.00	Rent	£5,000.04	Income	£10,919.10
Membership	£9,899.10	Utilities	£2,364.82	Spend	(£13,247.79)
Total	£10,919.10	Maintenance	£1,639.18	Profit	(£2,328.69)
		Consumable:	£312.37		
		Publicity	£138.94		
		New Tools	£3,792.44		
		Other	£0.00		
		Total	£13,247.79		

The actual detail of the accounts for the year 2022-2023 are shown above. During this period there were an average of 36 members. Notice that during this year almost £4,000 was spent on the purchase of new tools.



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Income		Spend		Profit	
Donation	£8.00	Rent	£5,000.04	Income	£12,535.50
Membership	£12,527.50	Utilities	£2,993.75	Spend	(£9,258.10)
Total	£12,535.50	Maintenance	£572.84	Profit	£3,277.40
		Consumable:	£590.40		
		Publicity	£35.00		
		New Tools	£66.07		
		Other	£0.00		
		Total	£9,258.10		

The estimated amounts for the same categories of expenditure for the year 2023-2024 are shown above. This was the best guess based on expectations at Feb 2024. The average number of members from May 2023 to Jan 2024 was 48.

If the building were owned by the MakerSpace not only would the £5,000pa rent not be due, but in addition the rent paid by Julian House would most likely be available. This is anticipated to be between £7,200pa and £9,000pa. A small proportion of this £12,000pa would be required for maintaining the building.

As the figure on page 7 shows membership has recently grown at a rate of 12 members per year. It is therefore reasonable to assume that future years will see an average growth of 8 members per year. Given these assumptions the financial trajectory of the company (assuming the bond is accepted and the building is owned) has been estimated for the next few years.

Year Start	Income	Spend	Bond Payments	Annual Profit	End Balance
2024	£20,594.76	£5,624.93	£7,200.00	£7,769.83	£26,588.16
2025	£22,590.60	£5,906.18	£27,240.00	(£10,555.58)	£16,032.58
2026	£24,586.44	£6,201.49	£26,037.60	(£7,652.65)	£8,379.94
2027	£26,582.28	£6,511.56	£24,715.20	(£4,644.48)	£3,735.46
2028	£28,578.12	£6,837.14	£23,640.00	(£1,899.02)	£1,836.44
2029	£30,573.96	£7,179.00	£22,437.60	£957.36	£2,793.80
2030	£32,569.80	£7,537.95	£21,115.20	£3,916.65	£6,710.45
2031	£34,565.64	£7,914.84	£0.00	£26,650.80	£33,361.25

The table above shows the planned finances of the company, using these rather pessimistic assumptions. As the table shows the MakerSpace can sustain all the bond payments without at any point going into debt.



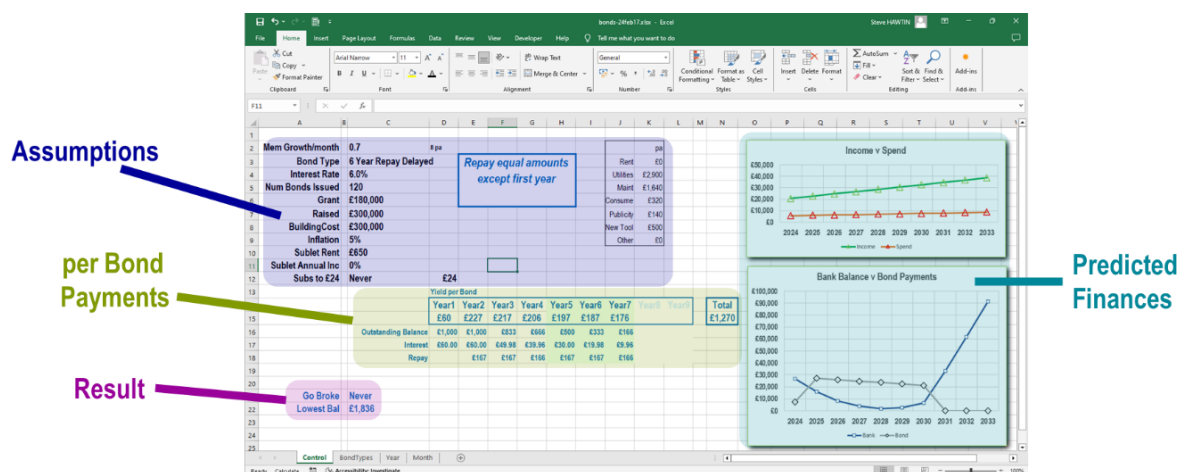
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This is just one case. A model has been created to show the impact of different assumptions, this is shown above. This spreadsheet has been used to ensure that the directors are fully aware of all the impacts that each different assumption delivers. In addition to identifying an optimal approach to setting the bond, this can help ensure that the MakerSpace continues to be financially viable in the face of the inevitable shocks that all businesses are vulnerable to.

3 Risks

As with any investment there are a number of risks, this section lists the most important and explains how they are being mitigated.

3.1 Community Ownership Fund

There is a risk that the Community Ownership Fund will not provide the necessary grant. In this case the bond issue will be abandoned and all monies returned in full.

3.2 Participation

Should there be insufficient participation to reach the desired level then the Bond scheme will be abandoned before any investors have had to part with any funds.

3.3 Basingstoke MakerSpace Ltd

3.3.1 Membership

The membership of the MakerSpace could drop and make the company vulnerable. If the membership fails to grow the necessary income may not be available. This risk will be apparent well before the point of no return. As it becomes apparent that this will be an actual issue alternate sources of income will have to be sought.



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3.3.2 Personnel

The MakerSpace relies on the efforts of unpaid volunteers. One potential risk is that key directors may cease to volunteer to run the organisation. During the last five years the company has had three different chairmen, in each case the responsibilities of this key director were successfully passed over to the new incumbent. There are currently eight active directors, this provides some level of resilience to the inevitable changes that may arise.

3.3.3 Digital records

The company's key records could be lost due to computer failures. The system of record for company documents is provided by one of our sponsors, Kahootz⁴. This provides a secure, cloud based, workspace for all our key digital assets. In addition, these records are periodically backed up to an independent location.

3.4 Building

3.4.1 Physical

If the building suffered some kind of catastrophe it could be that the company ceases to trade. The insurance will need to cover the standard risks and loss of income. It is anticipated that it will be possible to ensure this will service the bond debt in the case of such an event.

3.4.2 Tenant

The financial plan relies on having a tenant that rents part of the building and provides a source of income. The rent being charged is well below market rate for this part of Basingstoke and the space may be of interest to other parties. In addition there may be opportunities to generate alternate income from this space if a suitable long term tenant cannot be identified.

⁴ For details see <https://www.kahootz.com/>



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