

THE NEW PROPOSAL

Executive Summary

- The concept of fan ownership of professional football clubs is widely supported (not least by the UK Government and Uefa). However, to achieve a successful takeover / buyout of the club, the bankers and the current owners have to be persuaded that what is being proposed by the fans is a viable option in the current circumstances. *ShareLiverpoolFC* with *Spirit of Shankly* – and the support of *Supporters Direct* – have such a proposal.
- Today we publish an outline plan of the structure and overall financing of any takeover *that stacks up financially, gives the bank a return, and also gives the present owners a positive way out.*
- We understand that RBS & Wachovia are expected to extend their credit line to the current owners. In our view, this is only a short term (and expensive) fix for LFC. The only real solution for the Club is long term (equity/loan stock) financing that isn't supported by short term bank debt.
- *The combined financial resources of tens of thousands of Liverpool fans can deliver this for the Club.*
- ShareLiverpoolFC (an Industrial and Provident Society Company) has been structured specifically to act in this role and has a high level of public / fan awareness as a possible fan buy out vehicle, with a database of thousands of fans prepared to subscribe funds towards a buy out. Also, its Constitution is designed to allow for a high level of democratic control by the fans.

HOW DOES THE NEW PLAN WORK?

- Our detailed proposal (*which you can download at www.shareliverpoolfc.cm*) focuses solely on a possible new group structure and a re-financing of the existing bank debt of some £350 million; its ongoing servicing and repayment, based on the current financial performance of LFC.
- The plan only intends to set out the broad principles behind a possible structure which enables fans to participate in the ownership of the Club. As such it is meant to start a discussion with the Club's bankers and owners, and is not intended as a fully developed proposal.
- We set out the current capital of LFC and then how the capital structure of a new holding company (formed to acquire LFC) would look under our proposal. Initially, through the new holding company, ShareLiverpoolFC (SLFC) would have a 60% equity interest in LFC. This would rise to 71% on acquisition and conversion of the LFC loan stock it is proposed the banks would acquire in exchange for £100 million of their current debt. It is also proposed that the banks' loan stock would be acquired by SLFC in equal

annual instalments over about twenty years, being funded by dividends from LFC.

- *This would deliver 'fan ownership' of Liverpool FC to a broad base – and at the same time offer sound returns to investors.*

WHERE WILL THE MONEY COME FROM?

- **£150 million from the fans through SLFC.** This cash would be derived from:
- **Attracting up to 25,000 fan-shareholders (it could be many more), each paying £500 for a single, vote-bearing share; delivering £11 million plus in equity, and**
- **£140 million from fans who are able to provide more than £500.** [This would comprise 'subordinated loan stock' in SLFC, offered at a 2% return annually.]
- **£100 million from one or more commercial investors, through a Commercial Investors Holding Company.**
- **£100 million from the banks.** [Issued as 'convertible loan stock' and offered at 2% return annually.]

CAN IT WORK?

- On its own, SLFC currently has nearly 10,000 registered members – over 6,000 of whom are prepared to subscribe £5,000 for a share under the original proposal.
- Originally, over twice this number expressed interest via the SLFC website. However, as no specific proposal has been put to fans to date, many who originally showed interest in the concept have not registered their financial support and probably won't until they see a specific plan.
- It is not thought unrealistic to project that membership of SLFC would be at least 20,000 if a specific proposal was agreed with the banks and the current owners, as fans would then think it realistic that a transaction might happen – and much larger numbers will be able to take part with a much lower 'entry fee': *down from £5,000 a share to £500.*
- Spirit of Shankly has over 2,500 members. It is believed that there is very little overlapping of membership between the two groups.
- We have evidence that a significant number of Liverpool FC fans would contribute *more* than the £500 share price, were there an opportunity such as the suggested loan stock.