



Crisis planning pointers for your Supporters Trust

If there is a change of ownership the Trusts role could be anything from consulting and galvanising supporters, to becoming the new owners, to helping to find a friendly benefactor, to applying a degree of pressure for supporter involvement/due diligence to potential buyers.

Whatever the role you end up playing that will be helped by the following...

Establishing the appetite from supporters/community

Consult supporters on what they want the new ownership structure to look like (e.g. don't care who owns the club, want supporter involvement, want supporter ownership)

See Sky Blues Trust for current consultation - <http://www.skybluetrust.co.uk/>

SD can share standard surveys and support you in meetings to explain different options of supporter involvement/ownership

Establishing the severity of the crisis

What's required is a report of the Club's finances and related matters, covering the financial sustainability of club based on statutory accounts, and other publicly available information. You also want it to cover the ongoing performance, benchmarking and expectation for the club under different ownership models.

I think it can help in two ways

- To shed light on the current plight of the club
- To understand what type of ownership model might be possible/realistic if the club changes ownership, and to prepare for it

It would be better to have access to information from the club/administrator but a fair amount can be pieced together from what's publicly available and alongside benchmarking data we can pull together.

If it's administration

If the club went into administration there are different rules depending on the sport and league that a club plays in.

For example in the EFL some fairly recent changes to the rules on insolvency are designed to take some of the power away from the previous owner, and the Supporters Trust would have a right to meet the administrator at least within 21 days. Football creditors need to be repaid in full whereas other creditors can be paid either 25p in the £ immediately or 35p in the £ over a max 3 year period.



See the link here for more - <http://www.football-league.co.uk/news/article/2015/football-league-clubs-focus-on-the-future-2483914.aspx>

In the National League the rules are much harsher. As well as football creditors needing to be repaid in full, so do all other creditors albeit there is a 3-year period to repay.

<http://www.thenationalleague.org.uk/articles/league-rules-1013?page=0>

Rulebooks should be available online for all leagues and sports, as each will have a different framework.

Maintaining a relationship with the owner (if possible)

One of the intended benefits of the new EPL/EFL rules on structured dialogue between supporters and club leaders is that supporters should meet with the owner, Directors and/or senior staff at least twice a year. The Supporters Trust must be invited and it provides an opportunity to build rapport but also gain access to important information and discussion about the business and the continued involvement of the owner.

<http://www.supporters-direct.org/news-article/structured-dialogue-commitments-for-supporters-and-club-leaders-in-the-premier-league-and-english-football-league>

Having resources to call on

Maintaining some working capital is essential. If it can be achieved having people saving for the eventuality would be even better.

Even if membership numbers have dipped when there hasn't been a crisis, having a database of wider contacts and a suitable CRM system to communicate is very helpful. Knowing the skills and appetite to get involved in something is even better.

Identifying all the key stakeholders and approaching them to work with the Trust, be they other supporters groups, the local authority, community groups etc will really help. You don't want to be fighting each other when the club is in crisis.



If supporter ownership is possible

Key requirements for a supporter owned club

We suggest for a community buy-out to be successful the following principles are critical to the new ownership of the Club:

- It must be able to be run as a profitable business
- It must consult the supporter community before taking on significant liability or risk
- It must allow all supporters, rich or poor the opportunity to invest safely in the Club
- It must aspire to pay a fair return on investment and it must harbour the ambition, be it long term, to pay back any investors (large or small) should they want their investment returned upon certain financial performance indicators being met
- It should provide a genuine democratic voice to the supporter community
- It should ideally provide the opportunity for majority control by the supporter community if the appetite and finance exists.
- It must retain enough ownership by the supporter community to enable the Club to take advantage of business benefits of community ownership

When will you ask for money?

- Once you are confident that there is the appetite to take majority control of the club through pledges and financial backing from larger investors/Companies who are comfortable with the principles laid out above
- Once you have concluded Due Diligence of the Club and know what level of capital funding you need to purchase the Club, addressing liabilities and historic debt
- Once you have an ongoing sustainable operating model which will enable a competitive team

Making this work

- A Bid Team is given delegated authority to work on the Community buy-out and a Club run to these principles
- The Bid Team will undertake due diligence of the Club and sign a non-disclosure agreement
- The Bid Team will continue to take advice from Supporters Direct and its consultants on how a community buy-out can be best achieved and will prepare potential models that fit the principles.



The success of a community buy-out is wholly built on the credibility and trust that the community has in it, therefore the delegated bid team will;

- Commit to providing a weekly update by email on progress as far as a NDA will allow towards these goals sent via a briefing to subscribers
- Not deviate from the principles without further consultation of the supporter community

Examples of SD Support

- Provide support during the consultation with supporters – surveys/public meetings/meetings with potential investors etc
- Financial assessment to include bench marking and comments on related matters
- Provide advice as to whether conditions have been met to progress further with the proposal
- Draft a community share prospectus to fit with your business plan and financial projections
- Support all community engagement actions
- Apply for funding from the Fans Fund for additional professional services
- Use our crowdfunding platform to take and manage funds
- Provide consultancy on the governance structures if and when the takeover is completed

Buy A Club using community shares offered in the Supporters Trust

A typical approach is detailed below;

1: Understand the appetite Consult with core supporters seeking support for community ownership

Method – Survey Supporters, Open Meetings

Note: don't get obsessed with the figure pledged, it's the 'appetite that is important' – pledges are just that, others will back the scheme; some will be waiting for more detail

2: Pre share offer

Get money in the bank to show firmer commitment for community ownership

Method – Pre share offer document

Unless negotiations are at a developed stage and a price has been agreed to buy the Club then a pre share offer document should be circulated asking for money to be paid into a secure holding account.



This could be the full amount or a deposit to show commitment beyond a pledge.

Note: this is about showing you are serious to other potential backers/the administrator, but money should remain in the holding account until you are ready to provide a detailed share offer document.

3: Full offer document

Time to lay everything out to investors including terms of their investment

Method – Offer document

If;

- a price has been agreed
- due diligence completed
- you know the target figure you need to raise to purchase the Club
- you have a figure to provide enough working capital to fit with the budget

You can release a full offer document including financial projections for how the Club will

operate. If it's not 100% control, heads of terms/shareholders agreement should be in place to protect the position of community ownership and your investment.

You need to seek permission of those who already hold money in the holding account and invite others to deposit money to meet the target.

Note: this money will remain as a deposit and will only convert into shares in the CBS once the minimum target has been reached, and an agreement is made to purchase the Club. If it isn't, money should be returned or individuals could be written to seeking permission to put money into a different scheme.

4: Buy the club

Do the deal which will give the CBS at least a majority shareholding if not full ownership

Method - Convert the deposited money into Community Shares in the CBS.

Use the money to purchase the Club and provide sufficient working capital.

Time to send out share certificates to investors and make them aware of any other benefits they are entitled to.

Useful links

Find out more about community shares here



PROMOTING SUSTAINABLE SPECTATOR SPORTS CLUBS
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http://www.supporters-direct.org/wp-content/uploads/2013/12/Community_Shares_Guidance_web_pomp.pdf

Business advantages of supporter ownership here

<http://www.supporters-direct.org/wp-content/uploads/2012/07/Business-Advantages-of-Supporter-Community-Ownership-in-Football-Briefing-4.pdf>