

## **Supporter embedded rights in Club governance**

The financial mismanagement of football Clubs and the decision by many owners, large shareholders and Directors to not run them as a profitable businesses, but as 'going concerns' creates a problem for supporters who want to invest finance safely and securely to benefit their Club.

### ***The problem with 'investor shares'***

In the past supporters often through the vehicle of Supporters' Trusts have bought shares in their Club, which in theory builds up their influence as their shareholding increases in line with the rights offered to different shareholders in a Company.

A common theme at Clubs has been that they lose significant sums of money and other investors have kept them going by putting their money in as debt. The result of this strategy is that the power is vested in those to whom the debt is owed to pay the bills and keep the business alive. The people that loan money to the club can have more influence than the shareholders.

Even if the Club is run as a viable business and investment is in the form of equity rather than debt there is a strong possibility that Supporters' Trusts will find that their shareholding is diluted as they struggle to keep up with subsequent injections of capital. This is likely in all but those Supporters' Trusts who command a majority shareholding and can therefore set a sustainable budget for the Club.

*Swans Trust being a very notable exception as they have retained their 20% shareholding during their rise from the fourth tier to the Premier League - a commitment to run sustainably and a shareholders agreement with pre-emption rights being key to maintain this level of equity.*

### ***"Supporter Shares"***

A different approach would be to consider a separate class of share in a Company which gave certain rights to Supporters, separate to the more commonly seen investor class of share - the reality is that Supporters Trusts don't see buying a shareholding as a financial investment but are more interested in the influence attached to it. On top of that unless a significant shareholding can be achieved (25%+1) and maintained the rights traditionally attached are more about blocking or at a 'nuisance level' as apposed to anything really worthwhile for supporters.

A different class of Share whilst still relatively unusual for football has been utilised before to embed rights for supporters. This could for example incorporate the following;

- The sale or significant borrowing against major assets owned by the Club – including the ground or land around it
- A right of veto over budgets for the forthcoming season and level of debt and liability that the Club takes on
- A right to buy the Club should it become available
- Potentially a right to veto significant interest or dividends to shareholders

- Regular meetings with the Board of Directors/operational staff, including Board representation
- A right to veto over a proposed ground relocation

*Examples in England include Brentford (veto over sale of ground), Wycombe Wanderers (Board representation, sale of Club) and York City (sale of ground, Board representation).*

There are already lessons to be learnt and limitations to be aware of. In an ideal world 'Supporter Shares' would be protected by the football authorities but the reality is that we are still a long way from that taking place. The main problem without this protection remains that poor business practice or a strategy of loading the Club with debt/liabilities that it can't easily meet, might leave supporters being forced into the dilemma of either sacrificing these embedded rights or seeing the Club forced into administration or worse.

The likely outcome would then be that these rights would be lost as a Newco and would be formed with a different shareholding structure.

Also if some of these embedded rights aren't being upheld by the Club is the Supporters' Trust going to have the resources, credibility amongst the supporters and strength to challenge them?

At least by negotiating rights attached to Supporter Shares on principle rather than payment, if these rights are lost it won't be at the expense of the supporters own pockets.