



November 2005

## Update in brief

As you can see from the following articles the Fourth AGM of the United Trust, which is a full member of Supporters Direct, was held in Carlisle on August 21st 2005.

Board Elections resulted in Al Woodcock's re-election, and the return of Martin Horne and Martin Hudson to the Board.

On September 14th, the Board met and co-opted David McNay and Bob Holmes to the Board, these positions will be held until the next AGM. With the co-opted members the Board returned to its full compliment of eight elected and four co-opted members.

Despite the Trust Board expressing a clear willingness to negotiate on the issues surrounding the Share Purchase Agreement, discussed **at length** during the recent AGM, at which Mr. Story was present, and an invitation to put into writing any offer made by him there has been no follow-up directly or via Solicitors.

It is with concern the Board of the Trust has still not received a copy of the Accounts for CUFC Holdings, (a company created by Michael Knighton) whose AGM is to be held on November 10th 2005. It is a clear requirement under Company Law that sets of Accounts, approved by the relevant Company Directors, and then subject to Independent Audit, are made available to all shareholders 21 days prior to the AGM in question.

However,

- the door to negotiations opened once again at the AGM remains firmly open, at the starting point of a minimum effective shareholding of 25.1% of the Football Club
- negotiations need to be in the presence of lawyers for all concerned parties
- the Trust re-affirms its willingness to involve either the Cooperatives Union or the services of ACAS in order to arbitrate, this course of action was taken as it was made clear by Mr Story at the AGM that he would not negotiate with any member of the Trust Board.
- the greater the percentage arrived at the greater the capital injection to the Football Club's finances - why when we have the money to pay for shares would anyone wish to limit the capital injection into the football club. Surely £800k is better than £500k?

Please note that any negotiated settlement arrived at by the Trust Board and Mr. Story would of course be put to the general membership for your approval prior to being accepted.

## Resume of the Annual General Meeting of the Society held on 21 August 2005 in the Lakes Court Hotel, Carlisle

The Chair welcomed the members to the meeting and introduced those on the platform.

### Formal Agenda

The formal part of the meeting consisted of the Secretary asking the meeting to accept the notice of the meeting - this was accepted.

The Chair asked the meeting to receive the report of the Society Board and the audited financial statement for the period ending 31 January. She then invited members to ask questions on this part of the agenda.

A question was asked about the constitution of the Society and the possibility of an audit to be carried out by an independent body. The Chair stated that this was in hand and that Supporters Direct had agreed to carry out an audit at the request of the board, this audit would be reported on at a later date.

Item 2 on the agenda.

The Chair asked if there were any questions on this item - there were none.

Item 3 on the agenda to re-appoint Saint & Co as auditors.

The Chair asked if there were any questions on this item - there were none.

Resolution 4 - to authorise the Society Board to fix the remuneration of the auditors.

The Chair asked if there were any questions on this item - there were none.

Resolution 5 - to confirm that Kate Rowley is to remain the Trust's representative on the Board of Carlisle United AFC 1921 Limited

### The Chair then addressed the meeting

Kate Rowley gave a speech which outlined the main points of the current dispute over share purchase.

She pointed out the Trust was formed to guard against the influence of individual owners such as Michael Knighton. Anyone joining the Trust had to do so to support such principles. She challenged anyone present to disagree with that aim.

An agreement reached in March 2003 with John Courtenay and Toplion Sportswear gave the Trust the chance to achieve a 49% shareholding in three separate

tranches. This was supported by all the voting members in the original ballot held in the autumn of 2002.

Events occurred in the first half of 2004 that were designed to change the share options available to the Trust, but the reasons behind these changes were apparently different to those presented to the Trust Board and its members. John Courtenay had expressed a need to raise new finance for the club and proposed a share issue, with the shares to be relinquished by the Trust to enable this to take place. But a statement made by him in December last year cast doubt on the real intention behind this initiative:-

*"Fred Story did not want the Trust to have a holding of 49% or anything like that. Before I sold the club to him he made this point and I asked the trust to forego its right to 49% and accept (when paid for) 25.1%"*

Thus the Trust Board were of the belief that the previous owner had misled us into accepting a reduced share option. A vote was made of Trust members to approve this, but subsequent negotiations with him came to nothing as Fred Story took over in July of that year.

#### **6 points to remember**

Kate denied any suggestion that the Trust were 'anti-Story' and were willing to work with any owner but made the following points:

- Fred Story promised to match £ for £ money raised by the Trust and then said that he was no longer in a position to do this and to find another backer.
- Having found that new backer in Brooks Mileson, Fred contacted him and demanded that he should not support the Trust financially.
- He then claimed the 2003 agreement was "fundamentally flawed"
- Lawyers checked the agreement and it was found to be legally sound.
- A media campaign was waged to paint the Trust and its board in the worst possible light with attacks on individuals and unsubstantiated allegations made.
- Money was demanded from the Trust on more than one occasion even after the whole agreement had been subjected to a public challenge.

#### **Misinformation in the local press**

Kate refuted suggestions that the Trust were not true supporters of the club and that, contrary to claims in the local newspaper in its editorial, Trust members had been willing to help after the floods but had been turned away. Trust members had also volunteered their time in the ticket booths for more than two years.

A brief explanation was given for the delay in the AGM taking place. Claims had been made in the press that a 'marked' ballot had been sent out to a member, with a North East postmark. 14 photocopied pre-marked ballots had been received from the offices of Story Construction, and these were being examined and the circumstances investigated. The ERS had then been brought in to supervise the election.

#### **Legal fees**

Despite claims that the Trust's legal fees were being paid for by Brooks Mileson, Kate revealed that a Carlisle-born businessman Bruce Corrie had donated £30,000 and she herself handed over a cheque for £26,500 on the day. Other large donations had been received and Brooks had agreed to allow the interest on his donation to be used.

#### **CUFC land**

The issue of the proposed land transfer from CUFC to John Courtenay was briefly touched on. The land was reported to be worth only £250,000, yet with planning consent in place could be worth many millions. The club's land assets should be retained, explained Kate, and John Courtenay paid the £250,000 he says the land is worth.

In summing up, Kate reminded the members that the board of the Trust had over 400 years of combined support and had devoted hundreds of hours to helping the club in the four years since the Trust was formed.

#### **The floor was then opened to questions**

##### **25.1% offer**

Fred Story was present at the meeting and stated that he believed in the fans owning a 25.1% stake in the actual football club but that he was unwilling to allow the present Trust board to have such a stake.

The following question was asked by Norman Steel "If that offer (referring to the 25.1%) is genuine that has been suggested from the floor please put that in writing, send it to our solicitors and perhaps, just perhaps, we can move forward on this".

Reply from Fred Story - "No , No" "I think you misunderstand Norman, I believe in fans' ownership of Carlisle United 1921 to have a minimum of 25.1%. I believe in direct representation of the fans. I do not however have confidence that this Trust is fit to represent those fans and so it will not be the Trust at this football club."

The Trust board stated that they would be willing to enter into negotiations but would appoint ACAS or the Co-Operative Union to represent them, to take away the issue of 'personalities'.

A member stated his belief that a 40% permanent stake would be in the long-term interests of the club as he and other fans present would not live forever but an arrangement was needed to safeguard the club's future.

#### **Ballot papers**

Further allegations were made about 'marked' ballot papers being sent to a member. Mike Cheshire for the Trust pointed out that the first ballot was immediately abandoned when irregularities were discovered, these irregularities being discovered by the Trust prior to disclosure in a newspaper article resulting in the whole process being handed over to the ERS. An ERS representative was present to handle all voting on the day.

### Conditions on gift of money

It was claimed 'conditions' had been applied to Brooks Mileson's donation. The only condition was that if all £600,000 was to be handed over, a 40% non-dilutable shareholding should be forthcoming. The Trust Board were quite willing and able to negotiate over clauses in the agreement but the concept of a non-dilutable shareholding was non-negotiable.

### Board Members

Steve Pattison questioned the democracy of the board and asked why a certain member had been co-opted to the board of the Trust. This was answered by the member in question who detailed his experience over many years in the area of union representation.

## **C**urrent situation re elected members

On 8th November The Chair of the United Trust received an email and copy of a press release from Martin Hudson and Martin Horne whose election to the board of the trust had been as a result of their success in the recent elections (August 2005). The following is the manifesto on with both candidates stood for election.

"As ex members of the United Trust board we believe that members should be given an opportunity to have a definitive say in terms of the current protracted and acrimonious negotiations for shares with CUFC and its owner Fred Story. The recent vote on share acquisition does not, we believe, go far enough in terms the Trust a mandate to continue with its current stance on share purchase. We would prefer to see Trust members given a choice between the 2003 agreement based on acquisition of 20/20/9 and a new agreement for the minimum share requirement to give the Trust a non controlling interest at 25.1% based on the same price pro rata. We are standing purely on the basis of giving the members of the United Trust this fundamental choice and if elected will make a vote on this issue our first and immediate priority."

The objectives of both candidates was never a possibility because in all discussions both informally and in the presence of lawyers Mr Story specifically precluded any question of the trust acquiring a non-dilutable 25.1% in the football club.

Martin Hudson and Martin Horne attended two full Board meetings of the Trust, the last of these the position of the trust was reiterated as follows:

- The equivalent of shares in Carlisle United (Holdings) Limited that would equate to a minimum of 25.1% of shares in Carlisle United (1921) Limited should the Holding company be dissolved.
- No dilution of shares
- Trust elected representative on the Board of CUFC

All those attending this meeting (including the members who have since offered their resignation from the board)

agreed that the three points were the basis for any negotiations.

Whilst the 'Agreement' contains other negotiable conditions it is generally agreed that the above three are the fundamental areas to address.

It is therefore surprising and disappointing that the two members specifically make reference to the 25.1% their manifesto and press coverage prior to the election but have now decided to stand down from the Board so soon after being elected.

Whilst stating in their press release the media and on the message board that neither support the current legal action in any form and have no wish to be associated with it Martin Horne is listed amongst the witnesses on behalf of Mr Story in the proceedings.

## **Four Four Two - December issue** **"Get fans on every Club's Board"**

Since the Government established Supporters Direct to help fans from trusts and play a part in the running of their clubs - a radical idea just four years ago - trusts have been formed at 134 clubs in England, Wales and Scotland. Indeed 13 clubs are actually owned by trusts, including York, Chesterfield, Exeter City Rushden and Diamonds and Stockport. Trusts are an idea whose time has come, a way of extending support from handling money over to a club owned and run mostly by one businessman, to one which is a true membership sporting club.

Most of our clubs started this way, but became limited companies to protect the members from being personally liable for the debts. However in the 1990's companies and then plcs, became a vehicle for owners to make personal fortunes (Martin Edwards made £93 million from Man United shares) while many clubs have become commercially hard-faced, and distant from their fans.

The idea is regarded with great suspicion by many clubs, particularly the ig clubs which are all companies, mostly owned by a single businessman. This means they are usually run to make money for that owner, are effectively up for sale as Manchester United were to Malcolm Glazer, and tend not to be run in the interests of the fans.

Where a trust exists, we recommend that supporters get involved with it, and clubs work with the trusts, providing at least one seat on the board of directors to an elected representative. Giving fans a vote and a voice, and representation at board level, should help clubs to be run in the interests of fans, and nurture the next generation, not price people out.

In the lower leagues, this has come to work well at many clubs, and it remains the model at Real Madrid, Barcelona and other top clubs abroad which have maintained the membership tradition, with fans electing the president. What are our clubs scared of?

# Supporters Direct Conference 2005

Over **180 delegates from 134 trusts** throughout England, Wales and Scotland attended the conference which was opened by Philip French, Chief Executive of Supporters Direct. Philip welcomed the delegates to the 5th National Conference, present were 2 government ministers, representatives of UEFA, the football league and MP's. Philip reported that **13 clubs** are now in the ownership of Trusts.

He stated that Supporters Direct and Trust in particular are at the forefront of debates regarding the type of game supporters wanted for their clubs and the future of their (the supporters) clubs. The potential of Supporters Direct and the Trust Movement is enormous.

Phil went on to say that the Trust Movement has a genuinely historic opportunity to be the drivers of a radical transformation, working together with their communities. He acknowledged that the Trust movement is raising the standards of corporate governance in financial management at clubs.

## Guest Speakers

**Gerry Sutcliffe MP** - as a supporter of Manchester United, Bradford and Bradford Bulls he emphasised the need for the community to be involved in football clubs through the Trust movement.

**Richard Scudamore** spoke about the perceived reduction in numbers at football matches - he said this was not the case, a number in the audience disagreed with him. He also spoke about price capping. It was common practice in the Premiership and was cascading to the lower divisions where clubs were charging away supporters more to enter the grounds than that charged to the home supporters. He stated that the authorities would be taking no action on this, this did not go down well with those present.

One issue that he did raise was single ownership of football clubs. There is obviously concern that one person holds the destiny of a club in their hands no matter what league they are in - The opinion was that single ownerships are a thing of the past and must not be encouraged. Joint ownerships with Trusts playing a large part in the club is the way forward.

**Andy Burnham MP** - was instrumental in the setting up of Supporters Direct nationally. One of the issues touched on by Andy was the involvement at a strategic level of Trusts in their clubs. He stated that the need for Supporters' Clubs was diminishing with the increase of trusts.

What was blatantly obvious from the conference was that maximising the income from the supporter was not the main object for any football club it was the involvement of the supporter..

## Quote

In 2003 the President of Real Madrid, Florentino Perez gave an interview to a newspaper. He was riding high, having just swiped Beckham from under Barca's nose. It was natural to ask one of Spain's leading industrialists whether he had plans to de-mutualise Real and take it to market. In the light of events at Old Trafford, his astonishing reply bears reading and re-reading.

"No-one believes in plcs more than I do. I've got one that is very big in the Stock Market," he began. "But football, when you really come down to it, belongs in the sphere of human emotions. Real Madrid is a kind of religion for millions all over the world. You can't have that in the hands of one individual. It's as if the Catholic Church belonged to one person. It wouldn't be right."

One owner of a football club stated "I had the option to sell the club to outside investors and to recoup some of my losses in so doing, but felt that the local fan-based ownership would be the better option for the club. I believe that clubs at this level should be owned by their fans and their community." - Brian Kennedy Rushden & Diamonds.

## List of board members

Kate Rowley (Chair)  
Mike Cheshire (Secretary)\*  
Norman Steel  
James Boyle  
Chris Fuller  
Helen Fuller  
Alastair Woodcock  
Les Robinson\*  
David McNay\*  
Bob Holmes\*

Martin Horne  
Martin Hudson

Above 2 have offered resignations but not accepted yet.

\*indicates co-opted member

## AGM of CUFC (Holdings) Limited

Two members of the board of the Trust attended the AGM of CUFC (Holdings) Limited which was held on Thursday 10 November 2005 at Brunton Park. Accounts in relation to this company had not been received by the Trust prior to that meeting and therefore it was adjourned for a minimum of 21 days to allow inspection of the accounts. When this, the adjourned AGM has taken place you will be informed of the outcome.