

CUFC HOLDINGS LIMITED ("CHL")

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED (CUAFC)

Proposal on the reorganisation of CHL and CUFC 1921 Ltd and the introduction of up to £1,260,000 of new equity into CHL (revised)

1.0 First Steps – following the writing off of the FS loan.

To enable new money to be brought into CHL, the following must happen:

1.1 Andrew Jenkins Loan

This loan has supported cash flow and cash shortfall in the past. The Andrew Jenkins loan is to be converted in its entirety to new equity (see below).

1.2 Pioneer Loan

This loan to be capped and rescheduled.

1.3 Trust

The disincentive to new investment is the control currently vested in the Trust by way of "negative control" contained in the Shareholder Agreement. The introduction of new money/shareholders will have the effect of diluting the Trust investment unless they take up and pay for new shares. A consensual change would be the preferred way to dilute the Trust shareholding to 10% and agree to a new Shareholder Agreement. The aim is to provide the Trust with a platform to widen its reach to the supporter base as a whole and make it the official club going forwards.

1.4 A formal and legal review exercise is conducted and benefit of reports signed over to the new investors.

2.0 Purpose of New Proposals

1. To put CUAFC on a stronger financial footing long term and to secure that the football ground is held long term with the control of CHL which in turn will be governed in a way that protects both the finances and the assets of CUAFC.
2. The monies raised in the new share issue would be held by CHL and managed by a Committee of the Board with the aim of managing CUAFC cash flow year to year and investing in long term projects for the good of CUAFC. The intention would be to keep the funds intact wherever possible.
3. A new Shareholder Agreement would be entered into which will build in protections for the future. For instance, certain key matters relating to the ground and the monies raised will require a 75% majority of the Board/Committee/Shareholders.

4. The Board Committee, which would act as "trustees" for the ground and the monies raised would comprise Andrew Lapping plus Robin Brown, Andrew Jenkins, John Nixon and one Trust member (Norman Steele). XXXX would become chairman of CHL and Chairman of the Committee.
5. No board member will be entitled to retain his position for more than 5 years without review by the Board. SP will leave the CUFC Holding Board after an EGM to approve the new structure and shareholdings.

The aim is that all interests will be properly represented but that no one party has an absolute block on the future of the club.

The Board will act akin to a "Family Board" in big family owned companies. They will be the guardians of the football ground and the fund to see CUAFC through cash flow shortages and will have as their principal focus the long term health of the club.

6. CUFC 1921 Ltd will continue as the Executive Company which runs all other aspects of the football club day to day. CUFC 1921 Ltd will be granted a lease of the ground on a peppercorn rent. CUFC 1921 Ltd will run all financial aspects of the club and maintain the stadium as they do at present. The shareholding and constitution of CUFC 1921 Ltd will not change.
7. JN will step down as MD when a new MD is recruited. He will assist with the handover and provide support. This process could take three to four months.
8. A new marketing director will also be appointed as soon as possible.
9. The overall aim is to give the club long term stability and de-leverage the dependence on any one individual to shore up CUFC 1921 Ltd's day to day funding. No shareholder will be entitled to hold more than 24.9% of CHL equity (save for AJ) and there will be rules to prohibit individuals working in concert to secure control. AJ's shareholding will be subject to special rules which prohibit acting in concert with other shareholders and have maximum voting rights of 24.9%.

3.0 The Funding Proposal

1. The "First Steps" are agreed.

2. The steps are agreed to implement the "Purpose of new Proposals".

3. At that stage, CHL will have a share issue for new shares with a view to raising £1,260,000. AL will lead this fundraising.

4. The equity in CHL post completion will be:

New money	45%	
AJ/JN/SP		45% (split broadly, 37%, 7% and 1%)
Trust	10%	

	100%	

4.0 The Football Ground

1. It is envisaged that for the long term security of the club, the ground should be held by CHL who could then hold it akin to a trust asset.

2. CHL owns 93% of the shares in CUFC 1921 Ltd but if the ground is to be transferred up to CHL, the remaining 7% shareholding will have to be consulted and taken along with CHL's proposal so far as possible. They would be encouraged to invest in the share issue. A full review of CUFC 1921 Ltd's share register will be undertaken to improve efficiency and remove dormant/dead shares.

3. The ground would then sit security free unless the Committee could see long term advantage to the club by granting security at some time in the future.