

Agenda item 3: Resolutions proposed by the Board

Wimbledon Football Club Supporters' Society Limited ("The Dons Trust")

The Board proposes the following Resolutions to be presented to the Annual General Meeting of the Dons Trust on 30th March 2006.

Resolution 1

"That the Society should exercise its voting rights in AFCW PLC in favour of a special resolution to be tabled at an Extraordinary General Meeting of AFCW PLC on 30th March 2006, authorising AFCW PLC and/or its subsidiaries to enter into, and/or guarantee, a loan facility with Barclays Bank PLC secured by a fixed charge over the leasehold interest of AFCW Stadium Limited in The Fans' Stadium – Kingsmeadow, as more particularly described in the agenda for the EGM dated 7th March 2006."

Resolution 2

"That the Society Board should be authorised, at its discretion and on such terms and conditions as it considers prudent and appropriate, to enter into arrangements for the Society to guarantee the loan facility contemplated by Resolution 1."

The above Resolutions require a simple majority of votes cast to be passed at the meeting. Please find attached a Proxy Form for your use if you are unable to attend the meeting.

The remainder of this paper sets out the background and the Board's reasoning in relation to its recommendations in favour of the above Resolutions.

Resolution 1

Members will be aware that AFC Wimbledon and the Finance Working Group have been working for some time to arrange a bank loan facility for the refinancing of the loan provided by Mr. Khosla as part of the transaction to acquire the lease over The Fans' Stadium – Kingsmeadow in 2003.

After approaching a number of banks, an offer has been received from Barclays Bank PLC to provide a loan facility of £600,000. The bank requires all three companies within the AFCW Group, i.e. AFCW PLC, AFCW Stadium Limited and AFC Wimbledon Limited to cross-guarantee the facility and also requires a fixed charge security interest over the leasehold interest in The Fans' Stadium - Kingsmeadow. The terms and conditions of the facility are further described in a paper prepared by AFCW PLC and attached as an Appendix.

AFCW PLC is seeking shareholder approval for the loan facility and has called an Extraordinary General Meeting on 30th March 2006 for this purpose. In recent weeks, the Dons Trust Board has decided: (i) to give Dons Trust members the opportunity to decide, by way of a resolution in General Meeting, whether the Dons Trust should vote in favour of the bank loan facility at the EGM and (ii) to recommend to members that they should vote in favour of the resolution. This recommendation was arrived at through a majority decision, with nine Board members voting in favour, one voting against and the remainder abstaining or not voting.

In arriving at this decision, the Board took account of the opportunity to create a track record of borrowing that could be useful for financing future investments (such as the opportunity to acquire the perimeter lease at Kingsmeadow) as well as the lower interest rate offered by Barclays as compared with the Khosla loan. Although there are some disadvantages compared with the Khosla loan (e.g. the fixed repayment profile, the need to maintain certain debt service cover ratios and – although this might have arisen anyway - the need to ask Dons Trust Bond investors to agree to postpone repayment of their loans), the Board was of the view that the advantages of refinancing with Barclays outweighed the disadvantages.

The Board's decision to recommend the loan to members was subject to the conditions that: (i) Dons Trust Bond holders should approve postponing repayment of the bonds; (ii) the overall repayment

profile of AFCW's indebtedness would need to be acceptable, taking account of such postponements; and (iii) any drawdowns under the facility would be subject to prior Dons Trust Board approval. This third condition provides a mechanism for the Board to be satisfied that the first two conditions have been met. It also provides a procedure through which the Board and AFCW would reach agreement on how responsibility for servicing incremental borrowings (i.e. over and above the £400,000 required to repay Mr. Khosla) would be shared between DT fundraising activities and AFCW's own operating cash flow.

The Dons Trust Board has informally contacted a number of Dons Trust Bond holders regarding their willingness to agree to postpone repayment of amounts due under the Bond. These contacts will be followed up more formally in due course, assuming that the Barclays loan is approved by DT members and AFCW shareholders.

The Board recommends that members vote in favour of Resolution 1.

Assuming that Resolution 1 is approved by members, then the Dons Trust will vote in favour of the resolution to be tabled at the AFCW PLC EGM. Since the Dons Trust has a controlling stake in AFCW PLC, an affirmative vote by the Dons Trust will ensure that AFCW PLC receives shareholder approval to proceed with the Barclays loan.

In the event that Resolution 1 is rejected by members, then the Dons Trust Board will listen to the views of members expressed at the SGM on 30th March and will decide, in light of that feedback, whether to abstain from exercising the Dons Trust's votes at the AFCW PLC EGM or to vote against the proposed loan.

Resolution 2

The Board understands that the documentation received to date from Barclays Bank does not at this stage call for the Dons Trust to guarantee AFCW PLC's (and/or its subsidiaries') obligations under the loan facility (although cross-guarantees between AFCW PLC, AFCW Stadium Limited and AFC Wimbledon Limited are required).

However, based upon the discussions between AFCW and Barclays to date, the Board considers that there is a reasonable likelihood that the bank will ask for a guarantee from the Dons Trust in support of the facility. In order to avoid the need to call a further SGM in the very near future, should this become a requirement, the Board is seeking authorisation from members for the Dons Trust to guarantee the loan. This recommendation was arrived at through a majority decision, with eight Board members voting in favour, one voting against and the remainder abstaining or not voting.

Since it would be desirable to establish a track record for AFCW PLC and its subsidiaries as borrowers in their own right, the Dons Trust Board has no intention of offering a guarantee from the Dons Trust unless this is a stated requirement of the bank. Any such request would be considered by the Board on its merits, taking into account the terms and conditions of the guarantee and any advantages that might be gained in the overall terms and conditions available under the facility.

It should be noted that the consequence of providing a guarantee would be that, if the borrower defaulted in its obligations under the loan facility, then the bank would not only have the options of foreclosing on its security interest in the Fans' Stadium – Kingsmeadow and/or seeking repayment from other companies within the AFCW Group (as guarantors) but could also seek to enforce the guarantee from the Dons Trust by requiring the Dons Trust to repay the facility. Such a situation could potentially jeopardise the financial solvency of the Dons Trust.

Whilst the Board is therefore not seeking to offer the bank a Dons Trust guarantee of the loan facility, it is asking members to give the Board authority to do so, should the need arise. For the avoidance of doubt, if Resolution 1 is rejected and the bank loan therefore does not proceed, there would be no need for the Dons Trust to provide a guarantee to the bank.

The Board recommends that members vote in favour of Resolution 2.

APPENDIX
TEXT OF LETTER FROM AFCW PLC TO SHAREHOLDERS

Dear Shareholder

Proposed loan from Barclays Bank PLC

Enclosed with this letter is a notice inviting you to an Extraordinary General Meeting of AFCW PLC, to discuss the following resolution:

That, subject to the receipt of written confirmation from appropriate Dons Trust bond holders in relation to deferring their right to repayment of their bond, and the satisfactory negotiation by the directors of AFCW PLC of acceptable terms and conditions with regard to the proposed loan, the directors of AFCW PLC be hereby authorised, pursuant to article 98.2 of the company's articles of association, to enter into loan facilities with Barclays Bank PLC up to a sum of £600,000, secured by a fixed charge over the leasehold interest of AFCW Stadium Limited in The Fans' Stadium - Kingsmeadow.

I write to explain the proposed loan and the issues around it. I hope you are able to make the meeting.

The Proposal

That the board of AFCW PLC be empowered to:

- accept the offer of a credit facility of up to £600,000 with Barclays, secured via a charge on the ground
- draw down on this facility over the coming months as needed to the tune of a total of approximately £400,000 to repay in full the debt owed to Mr Khosla, clearing his charge over the ground
- draw down further amounts up to the £600,000 total to enable further purchases, such as the potential purchase of the perimeter lease, only as approved in advance by the board of The Dons Trust. For the avoidance of doubt, each draw-down would need prior approval from the board of The Dons Trust.

Background

As members know, following our acquisition in 2003, the long leasehold interest in the stadium is owned by AFCW Stadium Ltd and that company owes money to Mr Khosla. Over the time since the acquisition, due to the share issue and the fundraising efforts of The Dons Trust, we have reduced the amount outstanding from £2,400,000 to approximately £400,000.

Interest is charged on the Khosla loan at base rate plus 5% points, currently 9¾%. Since we took on the loan we have been searching for a means of obtaining cheaper finance.

The Offer

We now have an offer of a loan from Barclays. The facility on offer is of up to £600,000 and is available to be drawn down in varying amounts over the year from when we take the first amount.

This loan would be repayable over 10 years at an interest rate of base rate plus 2.5% points, currently 7¼%. Additional repayments may be made at any time without any penalty.

Other conditions apply to the loan. Barclays have already obtained a satisfactory valuation of the stadium to support the loan. They require the security of a charge over the ground, as Mr Khosla currently has. They also require that AFCW PLC, AFC Wimbledon Ltd and AFCW Stadium Ltd provide cross-guarantees – this simply means that all three companies within the AFCW Group would be responsible for the loan.

The other noteworthy condition is in the form of a financial covenant. Under the proposed agreement, we would promise that in each year of the loan, our cash flow would be at least one and a half times our debt service.

Our cash flow in this instance means our profit, adjusted for non-cash items such as depreciation on capital assets, added to the funds raised by The Dons Trust and passed to the PLC. Our debt service is simply the payments to be made to Barclays.

We are confident that we would meet this measure in the first year, according to current forecasts, and we believe that we will be able to manage our finances in future years to ensure that we meet this promise.

The significance of this covenant is that it is a condition of the loan and therefore should we fail to meet this level, Barclays would be entitled to call in the loan. Although it is theoretically possible for this to happen even while we are making all the required repayments, our advice and our belief is that this is very unlikely indeed.

The Issues

Risk to the stadium

The Khosla loan agreement contained no "drop-dead" date, by which the sum borrowed had to be paid back. As long as we pay the interest, the ground is not at risk.

Under the terms of the Barclays loan, the charge over the stadium could be exercised if we fail to make the agreed repayments. It could also be exercised if we fail to meet other obligations under the loan, in particular breach of the financial covenant discussed above.

Although, as stated, the directors believe that the repayments can be met and the covenant can be adhered to, this is a change in the level of risk and shareholders must decide for themselves if they are happy to accept this.

Affordability

Repayments would consist of both capital and interest. Capital repayments due on the existing level of borrowings (i.e. up to £400,000) would continue to be met through the fundraising activities of The Dons Trust, with the interest element being met from the football club. Responsibility for any additional borrowings (i.e. the £200,000 which is not needed for repaying Mr Khosla) would be decided in conjunction with the Dons Trust Board at the time that further drawings were approved. In assessing the affordability of the repayments, the directors have taken into account the current year's budget for fundraising from The Dons Trust, of just under £100,000, and the commitment of the board of The Dons Trust to maintain fundraising at a similar suitable level in future years to support repayments.

There is a significant issue in future years, in that £202,000 of Dons Trust Bond monies are due for repayment in 2008 and a further £77,000 in 2009. A significant proportion of these repayments would have to be deferred for the Barclays loan to be affordable (indeed, there would be a serious issue about repaying the £202,000 even without the loan).

Informal discussions with holders of a large proportion of these Bonds indicate that such a deferral could be made. This would need to be formalised to our satisfaction before any loan could be taken out.

Note that the proposal – and the resolution – authorises the PLC board but does not commit it to doing so. We will review our situation carefully and if any circumstances have changed we may decide not to proceed.

Cost savings

In the first year, taking into account the up-front loan costs and the interest savings, the overall effect on profit will be negligible.

The cost savings in future years are not substantial. We are saving 2.5% on a reducing balance which is a maximum of £400,000. So annual savings will be less than £10,000 and will reduce over the time of the loan.

Track Record

Finance Director Erik Samuelson, the Finance Working Group and two different firms of intermediaries have been working on this project since July 2003. In that time we have approached 17 institutions and have been turned down at various stages by 16 of them. Many simply will not do any loan business with a football club, after the poor financial record of a number of clubs over recent years.

There will come a time in the future when we are in need of loan finance – required significant building works at the stadium being the most likely situation. When that time comes, as it surely will, we do not want to be back at the beginning of a three year process, with no guarantee of obtaining a loan offer.

Having obtained and repaid a loan from Barclays will establish a track record for us which, we hope, will enable any future applications for finance to be examined on their own merits and not dismissed simply because of our status as a football club.

Conclusion

At its most recent meeting on Thursday 23 February the AFCW PLC board voted unanimously to recommend to shareholders that we go ahead with the Barclays loan, subject to the issue with the holders of DT Bonds being resolved satisfactorily.

We make this recommendation believing that the risks are acceptable and that the loan is affordable. While acknowledging that the cost savings are not significant, we believe the establishment of a credit record will prove invaluable in enabling the progress of our club towards reaching our aim of regaining Wimbledon's place in the Football League.