

# New stadium: your questions answered

**As promised, we have endeavoured to answer the questions posted to us in an [Open Letter](#) from fans following the release of last week's Dons Trust statement.**

**Some of the questions have been amalgamated in order to avoid unnecessary repetition – and some cannot be answered as fully as we would like at this stage. We have made it clear where this is the case.**

**We have attempted to be as full, frank and forthright as possible. It must be stressed, however, that negotiations are still ongoing and circumstances can change both suddenly and unexpectedly. Naturally, we will update you should that occur.**

**(Please note that text in red has been added since the original version of this document was published.)**

## GENERAL QUESTIONS

*Q: As members we are highly concerned about the very short timeframe for a massive decision to be made before the end of January. What options are there to extend this timeframe, either with a short-term funding solution, or else by putting in place alternative arrangements (eg groundshare) for the club for the start of the 2020 season and therefore postponing the completion and opening dates for Plough Lane? What has been explored to allow the membership more time to approve any potential new club structure?*

A: We fully understand this concern, and we definitely don't want to bounce members into rushed decisions, but time is simply not on our side.

As you all know, our new home is currently under construction; we don't want to halt or slow down that work because, ultimately, delays lead to more cost. Worse, they could even endanger the entire project. None of us want that.

Our construction company, Buckingham, have told us we need to commit in January, so they can press ahead and commit to their own sub-contractors, etc. We have to assume this is a real deadline.

Theoretically, we could push back the date we physically move into Plough Lane. However, if we leave it too long, there is a real danger we could miss all next season at our new home. At some point, the Football League could even rule we've left it too late and therefore can't move in until 2021/22.

At this stage, we don't have another ground to play in during 2020/21, notwithstanding recent press reports about Chelsea's willingness to let us stay at Kingsmeadow. Ground-sharing might become an option – as might moving into a bare-bones version of our new stadium (more below).

Theoretically, we could seek short-term funding to complete the stadium, in the hope we can eventually replace this with a longer-term loan on favourable terms. Indeed, this is an option we have been pursuing vigorously for some time now but, frustratingly, there is no guarantee we can get it. The reality is:

1...We haven't yet got an offer of a development loan that we can rely on;

2...We may not be able to borrow as much as £11million;

3...There is no guarantee we will be able to refinance a short-term loan of that amount quickly once the stadium is completed.

*Q: Why have the club issued a statement that contradicts the Dons Trust letter in certain areas and why was the Dons Trust statement timed to be sent two days after the conclusion of the election process? Who was responsible for the club statement and was it approved by the Dons Trust Board?*

A: The club statement was absolutely not intended to contradict the Dons Trust statement, but to present the options more succinctly to a wider audience. If this has caused confusion, then we apologise unreservedly. If there are any conflicts between the two, then please refer to the Dons Trust statement. For the record, the club statement was shown to the Dons Trust Board.

There was absolutely no hidden agenda behind the timing of the statements and the election process. Rather, a slow culmination of events which slowly brought us to where we are now. For example, we were expecting, just a few weeks ago, that one or more offers of finance were imminent but those particular leads dried up and we have continued to approach further lenders in the hope of reaching a positive breakthrough that might have dramatically altered our position.

It wasn't until October's board meeting that we agreed to alert members to the situation. The paperwork couldn't be completed until just before the Gillingham game but, rather than sour that, we decided to hold off until after the match.

In short, it was a balancing act. We didn't want to alarm commercial partners, and fans, especially when we were still vigorously pursuing all the potential finance options.

*Q: Is there a risk that Buckingham walk away from the project if they feel that we are making the "wrong" choice? Presumably they have a responsibility themselves to avoid projects which might collapse in terms of funding?*

A: Buckingham Group Contracting Limited are an excellent partner to work with and have bent over backwards to accommodate different design requests as the scope of what we can afford has evolved.

We have no reason to believe Buckingham will walk away from the project, but – understandably – they need a contract for the works they are to perform and they need to be confident they will be paid.

*Q: If a loan of £11m is proving difficult (or impossible) to obtain as per the original plan, what amounts are possible?*

A: We have been asking our broker and potential lenders the same question ourselves – and we still don't know the answer. Whatever the figure is, it is likely to be constrained by the proportion they'll lend against the valuation of the stadium.

*Q: Would a loan of £5m be likely, if the £6m gap is found through equity financing or investment other than debt financing?*

A: All we can say with certainty is that our cash flows could cope very comfortably with a loan of £5m, and indeed we think £7m can be serviced if need be (assuming a 15-year commercial mortgage). It is clear to us that lenders would be comforted if we were able to raise £6m ourselves, especially if it came predominantly from high-net-worth shareholders with deep pockets rather than a large number of shareholders with no significant individual stake.

*Q: What are the parameters based on the negotiations and discussions so far?*

A: We have been working with a loan broker who works extensively with football clubs. He's talked to a number of lenders about us over a considerable period of time and gave us confidence that the money would be forthcoming and, at various points during the development of the project, has obtained non-binding letters from potential lenders indicating their interest in lending to the project. However, a number of factors got in the way:

1...Lenders were not willing to get into specific details until we had finalized core issues like planning permission, our design, the construction contract, valuation and our business plan, etc. Accordingly, we couldn't even test the details of our financing proposals with lenders until a few months ago;

2...As costs rose – and therefore the amount we needed to borrow increased – the period we needed to repay the loans got longer. This proved a deterrent to some lenders;

3...The economic climate has changed since our broker's early discussions with lenders. Recent developments at Bury and Bolton hardened attitudes towards football clubs;

4...We are now facing a much tougher borrowing climate than, say, 12 months ago, and there's little doubt Brexit uncertainty hasn't helped. Whenever there are signs of economic downturn, development lending (i.e. lending against assets that are not yet completed) tends to be one of the first taps the banks turn off.

Initially, our focus was on finding a commercial mortgage loan – spanning, for example, 15 years – that would let us draw down the money in the latter stages

of construction and then repay it over a number of years once operation of the new stadium began.

When this turned out to be less readily available than expected, we extended the net to look at short-term development loans which would be refinanced on completion of the stadium. These usually carry higher interest rates but, once the stadium is successfully completed and in operation, it should potentially be easier (and cheaper) to replace them with a longer-term commercial mortgage.

We also pursued the possibility of long-term lease arrangements with institutional investors; indeed, we are continuing to explore this – along with all the other alternative options. Whilst we have been turned down by a number of parties, we still have irons in the fire, some of which are quite promising and which we continue to pursue as hard as we can. However, turning these indications into concrete offers is a slow process, and our January deadline is drawing ever closer.

On the plus side, it is worth saying that none of the lenders we have presented to have raised particular concerns with our business plan.

*Q: What is the maximum loan we have been offered and on what terms?*

A: At the time of writing, we have one indicative proposal for a loan of £10 million (but no more than 50% of the stadium value) for six to 12 months at an interest rate of 0.75% per month. The proposal is subject to a valuation of the stadium and further due diligence by the lender, and we ourselves need to conduct due diligence into the lender (a non-UK company that is not a bank).

*Q: Have the FCB and DTB consulted with fans and interested parties who work in finance about other routes to supply the 11 million (or part thereof) through funding and financing routes that don't resemble standard mortgage or debt financing routes? We know of at least one fan who approached the club with a proposal along these lines who has never had a meeting so we would like to know what avenues have been explored here and can be explored urgently now?*

A: Our fans have been really helpful throughout this project, offering invaluable advice about planning, legal services, construction, etc. We've been extremely grateful to use this support whenever we could.

A number of fans have also approached us with ideas for finance – indeed, one of the most promising avenues we are currently exploring came this way. Several supporters with relevant contacts and ideas have introduced themselves to us since the SGM papers went out and we are following up with a number of them.

## **OPTION TWO QUESTIONS**

*Q: Why is no further crowdfunding route permissible for 12 months? Was this a condition of doing the first crowdfunding through Seedrs?*

*A: First and foremost, we believe we have pushed this to the maximum. That the share issue raised just short of £2.5m – when, let’s be frank, the team was struggling – was a great achievement, and we’re grateful to those fans who participated, as well as to the wider crowdfunding community. To ask them to do it all over again, after just a month or so, is simply a request too far.*

*(Please note that the reference to a 12 month waiting period in the original letter was incorrect - apologies. The 12 month limitation relates to the amount of equity that can be raised without issuing a prospectus.)*

*Q: Why did the FCB and DTB delay so long before announcing the crowdfunding? Why did they decide to go down the Seedrs route rather than a community share issue? The Back in Two Ticks documentation (September 2015) stated the club would pursue both a bank loan and a community share issue. What happened to this plan and why did it take four years for any crowd funding to start even as the funding gap grew?*

*A: Firstly, a change in tax rules meant a community share issue would no longer qualify for the Enterprise Investment Scheme incentives we originally anticipated. We felt crowdfunding would bring in a broader range of people willing to invest in the project and thereby increase the amount we could raise.*

*Crowdfunding needs to be timed to have an impact. We couldn’t launch it without first having a clear budget and a final stadium design, with a contract ready to go.*

*Q: Are there any concerns that an attempt to raise a different kind of investment that gives some form of control to other investors under "option 4" undermines or contradicts the statements made in the invitations to invest given through the Seedrs process? What likelihood do the DTB and FCB place on some Seedrs investors requesting the withdrawal of their investment given this material change to circumstances? Do they have any suggestions or proposals to mitigate this risk?*

*A: The crowdfunding campaign underlined how much we all want to return to Plough Lane and we are eternally grateful to everyone who invested. Over 5,000 people supported us, we raised nearly £2.5m, and that contribution is invaluable right now. We recognise, however, that circumstances beyond our control have shifted. We cannot - indeed, we won’t - ignore that.*

*Above all else, our priority is to do the right thing by our own fans.*

*Accordingly, and naturally, we are hoping that none of our supporters, or indeed anyone who invested in us, will choose to cancel their investment in the Club.*

However, once we have the clearest picture possible of what the next steps for the Club will, Seedrs will offer every investor the opportunity to withdraw their investment should they wish to. That being said, should the total amount raised fall below £2m, the campaign will be deemed to have failed, and therefore no funds will be eligible to be transferred to the Club, and all investments will be returned to investors.

*Q: Is there a risk to the Seedrs' crowdfunding money in toto, given this extract from the call for investment: "The club is working towards finalising the contract for the construction of the stadium, including taking steps to satisfy itself that the proceeds of the equity raised, taken together with the debt finance it is seeking and other resources available to it, will be sufficient to cover its commitments under the construction contract with Buckingham Group Contracting Limited. The funds paid by investors to Seedrs as part of the crowd funding will be held by Seedrs until the construction contract with Buckingham is signed."*

*A: We are continuing to work with Seedrs to ensure that the funds raised from our fans and the wider community can be transferred to us. Seedrs has a fiduciary responsibility to protect investors, and therefore we are continuing to work closely with them to ensure we that any changes to our plans do not negatively impact any investors, no matter the amount they invested. Seedrs will be communicating to each investor individually once we have provided further clarity on the next steps to get the stadium built.*

## **BASIC STADIUM QUESTIONS**

*Q: Please can you provide a detailed breakdown of the additional £10m of works that are required for the full phase one version of the stadium.*

*A: The full phase-one stadium has a budgeted cost of £31.5 million (excluding finance costs). This comprises:*

- 1...Buckingham design & build contract of £26m (key elements are the West Stand, semi-permanent stands and the pitch);*
- 2...Provision for further options to be added to the contract of £1m;*
- 3...Works outside Buckingham's scope (e.g. IT, furniture, fixture & fittings): £1m;*
- 4...Consultants, legal, contingency, etc: £3.5m.*

The above costs include not only the work that Buckingham have already performed but also historic costs associated with the development of previous designs and planning, etc. We will not be publishing the detailed capital budget for the stadium.

*Q: Can you provide more details of what the "rudimentary" design of the £22m stadium option would look like?*

A: There's no disguising it won't be pretty. We will be left with a stadium that is a bare skeleton of what we all hoped for. We are still ironing out details with Buckingham but, as an indication, the current proposal would likely mean:

- 1...Removing the semi-permanent stands and associated drainage, foundations, mechanical & electrical plant, WCs, concessions, turnstiles, etc;
- 2...Covering the external areas of the site in a binder layer of tarmac only;
- 3...Only completing those internal areas of the stadium that are critical to a football match (e.g. changing rooms). In these areas, the finish of the walls will be blockwork, rather than plastered, and there will be no ceilings or carpet tiles. Internal partitions and doors will not be installed in other areas, and there will be no facilities such as bars, fans' zone, conferencing & banqueting, etc.
- 4...Fewer architectural features in the façade of the building;
- 5...Removing window and door designs from the West Stand and replacing them with basic cladding;
- 6...Fewer lifts;
- 7...Removal of photovoltaic energy generation;
- 8...Reduced metalwork on the second and third levels of the West Stand, making these levels unusable and reducing our capacity to 3,260 seats;
- 9...Reduced boundary walls.

Whilst all these omissions could potentially be added in later, when we can afford them, it's clear that the bare-bones version of the stadium is not what we want to build. It would even have a lower capacity, and fewer facilities, than Kingsmeadow. However, we continue to negotiate with Buckingham as to what can be added in so as to create a more usable (albeit still bare-bones) stadium.

*Q: Would it meet EFL standards?*

A: We are investigating this issue.

*Q: If a rudimentary stadium was developed, what are your projections for our annual playing budget, and how does that compare with our current playing budget and those that we had when we were in League Two?*

A: We do not yet have a proposed budget for this scenario but, if the basic stadium looks something like Kingsmeadow with fewer facilities, then the playing budget will be substantially worse than the budgets we had in League Two.

A basic stadium would leave us with no income-generating facilities. There would be no conference or banqueting suites, our main bar and fans' zone wouldn't be built and we would be unable to expand our club shop.

Realistically we would have to brace ourselves for relegation – potentially back into the non-League.

*Q: Have we approached Merton Council for a loan as local authorities have aided other community sporting assets?*

A: Yes, we did approach the London Borough of Merton with such a request, and indeed for a guarantee of a loan or a lease. The council have been very supportive of our return to Merton and we continue to liaise with them. However, we have not been able to get their agreement to provide, or guarantee, a loan at this stage.

*Q: Do we currently have an agreement with a brewery for the pub that was due to be built into the design? They often make loans for fitting out venues.*

A: Not yet. We are in discussions with a brewery about a deal for the pub, which would include a licence and revenue share in exchange for some capital investment towards the fit-out of the pub. However, it is hard to imagine the amount of money they would be willing to contribute would make any significant inroads into the cost of the stadium.

*Q: Why have we not explored further long-term loan possibilities from within the fanbase or other investors outside of commercial lending, especially if allied to an understand of how much could plausibly be borrowed commercially with a specific targeted shortfall to address? Have we explored a number of smaller loans from fans aggregating to a significant percentage of the shortfall?*

A: As already discussed, we have looked at a range of debt and lease options. We decided against pursuing multiple forms of funding from fans in parallel, choosing instead to focus everyone's attention on the crowdfunding campaign.

We could potentially revive the Dons Trust Bond (taking advantage of various regulatory exemptions available to Community Benefit Societies). The Dons Trust would then borrow money from its members, but its ability to repay those loans would be contingent upon receiving cash from AFC Wimbledon/TWIOF (the stadium company) after any other borrowings have been serviced. Depending on how much money TWIOF is able to borrow in its own right, any such loans from members would therefore be relatively risky.



## **HISTORICAL QUESTIONS**

*Q: Given this statement from the BITT documentation (2015) what reasons do the FCB and DTB give for not raising these significant problems to the fanbase for so long? And why has this undertaking been broken?*

*"It is the intention of the Football Club Board and the Dons Trust Board that all the necessary funding is committed by the time the club enters into a binding contract for the construction of the new stadium. As noted in Section 3, AFC Wimbledon is not obliged to proceed with the sale of Kingsmeadow until it is satisfied that it is or will be sufficiently certain of the cost of delivering the new stadium and that it has sufficient financial resources to meet that cost."*

A: As already explained, the problems we are currently facing have not been apparent for a long period of time. Our belief was that, with the funding from Merton Catalyst and the sale of Kingsmeadow, the balance of finance to be raised would be modest and manageable. Indeed, our broker has gone out to test that proposition in the market at various points during the development of the project.

However, problems first began to appear in summer 2018, when our contractor at the time came back with a price significantly higher than the original first-stage tender. We responded immediately by switching to Buckingham but then costs rose further in 2019, for reasons explained elsewhere in this Q&A.

We did receive a non-binding indication of lending terms at various points during the development of the project, including a tender for the construction in 2017; accordingly, we did not think raising the funds would be a problem. However, our broker was clear that we should not approach the market for an actual offer of finance until we needed it, as any offer would only be valid for six months anyway. Raising the money before completing the sale of Kingsmeadow would therefore not have been possible. Difficulties in raising the finance have therefore only emerged recently.

*Q: When did the DTB and FCB know the total shortfall needed was approaching £11 million and no longer likely to be an amount that could be borrowed on the plan currently in place and stated publicly?*

A: The stadium cost has crept up at various points over the years but, for a long time, the view was that debt of £7m would be adequate to fund the basic works, with the crowdfunding helping to fund optional extras such as rail-seating or a concourse between the South and West stands.

It became apparent in February, 2019, that the construction cost had increased, due to a number of factors such as the ground conditions at the site and the need for more steelwork.

Work continued on refining costs – for example, removing the northern end of the West Stand – and by the time we launched the crowdfunding campaign, the

total project cost was around £30m (excluding finance costs), leaving us £12-13m short. This was explained in the documentation supporting the crowd funding.

This didn't trigger any alarms at the time: we were hopeful the share issue would raise at least £5m, leaving us with a manageable and realistic target of around £7m to borrow. This all seemed achievable and reasonable but, of course, we couldn't know for sure what the crowdfunding campaign would raise until it was over.

Even then, we took precautionary measures, seeking members' approval to borrow up to £11m at the September SGM.

*Q: What were the headline figures of expected build cost and expected finance available at the key moments in the process - especially related to Dons Trust board discussions and member interactions (Back in Two Ticks campaign, launch of crowd-funding, etc)? Can the DTB provide information as to how the expected project finances have changed since the opportunity for the club to return to Plough Lane first arose?*

A: We compare below the figures at the time of the launch of the 'Back in Two Ticks' campaign to sell Kingsmeadow (we have some figures from July, 2015), the launch of the crowdfunding (figures shown are for July, 2019) and our current figures (as of November, 2019). Note that this is not a like-by-like comparison of the stadium cost, as the scope of what is being built varies significantly from 2015 to 2019 (and a bit from July, 2019 to November, 2019). The headline figures (excluding finance costs) were:

<b>(£m)</b>	<b>Jul 2015</b>	<b>Jul 2019</b>	<b>Nov 2019</b>
<b>(A) Project cost</b>			
Stadium delivery	25.0	29.5	31.0
Contingency	1.0	0.5	0.5
Total budget	26.0	30.0	31.5
<b>(B) Funding</b>			
S106 from Merton Catalyst	14.0	14.0	14.0
Contribution towards creche	1.0	-	-
FSIF grant	-	0.2	0.2
Sale of KM	7.5	7.6	7.6

<b>(£m)</b>	<b>Jul 2015</b>	<b>Jul 2019</b>	<b>Nov 2019</b>
Less:			
Costs	-	-0.1	-0.1
Repay bank loan	-0.5	-0.3	-0.3
Kingstonian	-1	-1.2	-1.2
Retained for operating budget	-	-2.4	-2.4
Net proceeds from KM	6.0	3.6	3.6
Absorbed by past years' P&L	0.4	0.3	0.3
<b>Sources of funding</b>	<b>21.4</b>	<b>18.1</b>	<b>18.1</b>
<b>Net funding requirement (A – B)</b>	<b>4.6</b>	<b>11.9</b>	<b>13.4</b>

*Q: Why has the club waited until the eleventh hour to ask for donations?*

A: We did not wish to compete with our crowdfunding campaign. We wanted as many people as possible to participate in that, although it became apparent that there were some overseas fans – particularly in the USA – who were not able to participate for legal reasons. We subsequently gave them the opportunity to donate and we will now be considering other avenues for those fans who didn't participate in the crowdfunding.

*Q: Can the FCB and DTB present clear and thorough details of how the current funding has been sourced and whether any of it is at risk?*

A: The funds currently available to us are:

- £14m of S106 contributions from Merton Catalyst. This money is already being paid to us on a month-to-month basis as work proceeds. There is no reason to believe that this money is at risk so long as we continue to spend it on a stadium in conformity with our planning permission;
- The remainder of the £7.6m from the sale of Kingsmeadow to Chelsea. £500,000 of this remains to be paid to us once we vacate Kingsmeadow. An element has been spent on subsidising the playing budget to give us the best chances of remaining in League One ahead of the move to the new stadium (see table further above);
- Over £2.4m from the crowdfunding campaign;

- One particular individual has pledged £0.75m of equity, to be paid to us in 2020 (this is not one of the external investors we are currently talking to about taking a larger stake).

It must be stated that our financing plan assumes we will not be required to repay existing grants from the Football Stadium Improvements Fund and that we will be able to seek a further FSIF grant of £200,000. We are in the process of checking this won't be compromised if we proceed with the basic version of the stadium.

*Q: Is it true that, at one stage, as has been rumoured, Galliard were prepared to build a stadium for the club to take ownership of? If so, where are any minutes from when this was discussed and why was it ruled out? And if this did happen, why were the members not given the option to discuss and decide?*

A: We don't believe Galliard were ever seriously interested in building the stadium. As a matter of courtesy, they were invited to do so, but declined the opportunity.

*Q: Why or how did we not seek the loans before we started the construction process?*

A: We did, but were advised that seeking finance too early would not be helpful as lenders would not commit more than six months in advance. Lenders expect to see a finalized design, and be certain all planning permissions and construction contracts, etc, are firmly in place.

We started the process as soon as we reasonably could.

*Q: Who decided and approved the decision to top up the playing budget from the Stadium Contingency Fund? And why?*

A: In March, 2018, a proposal was brought to the Dons Trust board by the football club board to increase the playing budget by £500,000 for each of the next two seasons.

This was to be funded from the contingency funding within the stadium budget and, if the contingency were used up, from the proceeds of crowdfunding. At the time, and given the estimated stadium costs, this seemed affordable.

The club's playing budget at the time was one of the lowest in League One. Nobody wanted to see us drop into League Two - especially before moving into the new stadium. We also felt relegation could damage our chances of getting a loan. We also expected to recoup some of this funding through increased commercial income.

This proposal was agreed at the DTB meeting on 9 April, 2018. The 2018/19 budget was then approved at the DTB meeting on 10 May, 2018. That budget showed a loss for the year of around £1m.

In fact, the operating loss for 2018/19 (leaving aside stadium-related costs and revenues) was in the order of £1.3m, as a result of under-performance in a number of areas of the club, including commercial fundraising, merchandise, functions and overheads.

Recognising the under-performance against budget in 2018/19, the playing budget for 2019/20 was reduced, and those areas of the budget for the previous year which, in hindsight, may have been over-ambitious, adjusted to more reasonable levels - producing a budgeted operating loss for the year of around £1m.

The net effect of the above is that, assuming that we achieve our budget in 2019/20 (which we are currently on course to achieve) the club's losses for the years 2018/19 and 2019/20 (plus a bit of an allowance for arrangements at the start of the 2020/21 season) will have used around £2.4m of the proceeds of the sale of Kingsmeadow - a figure which substantially exceeds the remaining contingency within the stadium budget.

*Q: Who decided and approved the decision to gift Kingstonian £1m? And why?*

A: This issue was debated between the football club and Dons Trust boards ahead of the process of seeking members' agreement to the sale of Kingsmeadow, back in 2015.

The view, at the time, was that, for moral and reputational reasons, we should help Kingstonian provide for their future at a stadium away from Kingsmeadow. We therefore decided to make a donation over and above the minimum level of buy-out provided for in their licence agreement with us.

We were open about that when we sought members' approval to sell Kingsmeadow, although the amount was kept confidential so as to give Kingstonian the opportunity to negotiate the best possible deal for a future ground.

*Q: Why has there not been any consultation process with members or fans at all about the new stadium, despite promises being made since 2014 that this would happen?*

A: The physical footprint of the stadium is very constrained, with relatively few design choices for any meaningful consultation. However, the intention was always to finalise the budget for the basic stadium, ascertain the funding available and then consult how to spend any surplus (which was expected to be the money raised from the crowdfunding) on a number of 'optional extras' such as rail seating or an upper concourse connecting the South and West stands, etc.

However, as the costs crept up, the amount of funding available for optional extras withered away. Indeed, we are now using the proceeds of the crowdfunding towards meeting the cost of the basic stadium.

We do still intend to consult about the matchday experience – in fact you may have seen recently that AFC Wimbledon and the Dons Trust have partnered with inCyyte, who have been working with us on launching our new comms platform which will help us engage with you and get your opinions on making best use of the new stadium.

## **EXTERNAL INVESTORS QUESTIONS**

*Q: Who are these potential investors?*

A: We are working with a group of predominantly locally based people who are interested in the long-term future of the club. None of them has a long-standing association with Wimbledon FC or AFC Wimbledon. They are clear that we should put in place an enduring structure that supports the club in the short and long term and that is not dependent upon personalities. We want to discuss the principles of external investment with our members first; it would be unfair to subject the investors to public scrutiny until the broader issues have been aired.

*Q: What major changes do they want? And why?*

A: There are two key changes to our structure the investors are looking to make.

First, they are uncomfortable that the Dons Trust can automatically block AFCW PLC from issuing additional share capital without going through a cumbersome 'Restricted Action' voting process.

The need to issue additional share capital could arise (and arise quickly) if, for example, there is a shortfall in the business plan and money needs to be injected in order to meet our commitments to lenders or other creditors.

Equally, it could arise because the time is right to expand the stadium. The investors' concern is that the Dons Trust might wish to block capital raising, in order to retain a particular level of ownership of the club - even though that might not be the right decision for our survival and development as a whole.

In an extreme situation, the investors might be the only people able to inject money to keep the club afloat but be blocked from doing so except on terms that are disproportionately favourable to the Dons Trust.

To counter this risk, the investors want changes to be made to the shareholder and board arrangements so, if it is right to issue fresh share capital, then that can happen without the approval of the shareholders.

Secondly, the investors want to be represented on a newly-structured AFCW PLC Board. If they are going to inject substantial capital, they understandably want to protect their interests by having a say in how the club is overseen and run.

AFC Wimbledon is a growing club and managing a larger operation will demand business acumen. The investors offer business skills the DTB may lack from time to time.

The details of the reconfigured Board are not yet agreed but a possible structure would be:

- Between seven and nine directors – three Dons Trust members nominated by the DTB, three directors nominated by the investors and the CEO of the club and up to others;
- The Boards of the subsidiary companies (in particular AFC Wimbledon and TWIOF) to be made up of exactly the same people as the new AFCW PLC Board;
- The executive team to comprise the football club's CEO and other senior executives appointed by the CEO (for example, the finance director).

The Dons Trust would still have a substantial say in the running of the club because it would have three DTB nominees on the AFCW PLC Board. They would not, however, comprise the majority of the directors on that Board, and there would be no 'Restricted Actions' to prevent a share issue from proceeding.

The Dons Trust would also be at liberty to participate in any future share issues (in common with the other existing shareholders). It would not, however, be able to veto the share issue from proceeding in order to avoid its own overall stake in the club becoming diluted.

The Trust would still exist and it would still have control and veto rights over the club's 'Crown Jewels' (explained in more detail below). The Trust would remain the cultural heartbeat of the club – but it wouldn't be able to approve operational decisions in the same way it does at the moment.

The new investors, however, are not insisting on controlling the Board. If agreed – and all this is subject to ongoing negotiation - there will be a Board of between seven and nine which no one party can automatically dominate. The DT will be very much alongside the new investors, with just as much power from day one.

We recognise that this is a significant change in the governance of AFC Wimbledon and it is a choice for members to make. We are keen to hear views from a wide range of members at our SGM on 9 December and subsequent open meetings.

*Q: How much capital are they willing to provide? And on what terms?*

A: This is still a matter for negotiation but, if all the current group come on board, it will total somewhere in the region of £7.5 million. If these investors do come on board, it is possible other people individuals will also wish to invest in the future.

*Q: What return are they expecting on their investment?*

A: As far as we are aware, the investors are not expecting any particular level of return. They recognize that they are making an illiquid and long-term investment in a business that offers no immediate prospect of substantial dividends or an exit route.

*Q: Why didn't any of these investors stand in the recent DTB election?*

A: These are investors with a profound sense of community. They want to see our club restored to its rightful place in Wimbledon and, as such, the timing is right for them. They are businessmen, not lifelong Wimbledon fans. Investing in a company, and making decisions as a director of that company, are very different activities to serving as an elected member of a football supporters' trust.

*Q: Why didn't these investors invest via the Seedrs crowdfunding?*

A: This platform simply wasn't right for the substantial sums of money at stake here. For example, our rewards packages weren't tailored for people potentially ready to invest millions of pounds.

Such investors want a say in how the company is run; they focus carefully on considerations such as valuation and governance. These were not issues the crowdfunding campaign could embrace in detail.

*Q: What specific aspects of the way in which the club is currently run do the prospective external investors dislike?*

A: We believe the investors admire what AFC Wimbledon has achieved over the years, as a fan-owned club. However, they have some concerns as to how their interests would be protected if they invested as minority investors in the existing structure (as explained above).

They also believe that the structure that has served us well to date, in getting us to where we are now, may need to be changed if we are to make further progress as a football club.

*Q: Who from the football club and Dons Trust Board has already met these investors and what discussions have been had with them?*

A: There have been a number of meetings over recent months. At least six representatives of the three boards have met with potential investors, including Dons Trust board members Mark Davis and Edward Leek. Arrangements will be made for other DTB members to meet them.



*Q: What due diligence has the DTB carried out on these investors?*

A: Limited to date, but we will ensure this is addressed at the appropriate time. The people we are talking to are not complete strangers to us, and one of them is a well-known business leader.

*Q: To what degree are DT members able to carry out our own "fit and proper person" test?*

A: Members will get to hear from the investors in due course and will know who they are by the time any Restricted Action vote is brought forward. It isn't clear how DT members would set about performing due diligence or how they would be qualified to perform this.

*Q: What past involvement have these investors had in football clubs in general and in Wimbledon FC or AFC Wimbledon in particular?*

A: None of them has a long-standing association with either Wimbledon FC or AFC Wimbledon. As stated above, however, we do not want to reveal their identities or backgrounds until this issue has been fully debated by our membership.

*Q: What is the level of ownership that they require, and what is it ownership of?*

We are still negotiating the valuation for their investment, so it is too early and confidential to say. Based on current negotiations, AFCW PLC would still have a majority of the economic and voting rights after the new investors come on board.

*Q: Would this investment be directly in AFCW PLC?*

A: Yes, that is the proposal.

*Q: The club statement says these investors "would also expect a substantial say in how our business is run" - what does that mean in operational and shareholding terms?*

A: As already explained, they would be represented on the Boards of AFCW PLC and its subsidiaries, but would not be members of the executive team.

The Board would approve key decisions of the football club that are not of a day-to-day nature within the remit of the executive team. However, there are certain major decisions over which the Dons Trust would have veto rights. These 'Crown Jewels' represent the core tenets of our club and would include:

1...Selling the stadium;

2...Relocating the club;

4...Changing the club's name, colours or badge.

*Q: In broad summary how much control (compared to the de facto 75% currently) would the DT maintain? Given the club statement only refers to control over "any future decisions to relocate or rename our club... and veto over any sale of the land, ground or stadium" - what other control would the Dons Trust retain?*

A: The veto rights that would be available to the Dons Trust are still under negotiation, but the minimum we would expect to see are set out above.

The Dons Trust would still be a significant (and, for the time being, we expect majority) shareholder in AFCW PLC. We would expect to see a strong bond maintained between the club, the Trust and its members.

*Q: What do the AFCW PLC articles of association say about the number of shareholders needed to vote in favour of different resolutions (e.g. what sort of vote requires 75% of shareholders to vote in favour and what sort of vote requires just a simple majority)?*

A: The AFCW PLC articles are fairly standard under the companies act. The list of shareholder resolutions and the majority required is set out in the legislation and is attached in appendix 1.

In general, a shareholder vote of 75% is required to change the articles and gives general powers to issue shares and disapply pre-emption rights. This last item is important as it is often how share issues are carried out in private companies – shareholders agree who will invest and how much, rather than carrying out a formal pre-emption rights' process, which is drawn out and more costly.

50% is the threshold for appointing and removing directors, and so is important to the composition of the board. Note however that we would look to agree specifically with investors how directors can be appointed, rather than relying on the more general rules in the articles / companies act.

*Q: What scope is there for the DT to buy out the investors in future?*

This is still to be negotiated but, in general, investors do not want to invest in a structure which is similar to a loan. Instead, they want to work over the long term to help a business strengthen and grow. A structure such as redeemable shares is unlikely to be acceptable, therefore.

*Q: What protections can we have in place to ensure control is never diluted further, especially beyond 51%?*

A: After detailed discussions with a variety of investors, it is clear we cannot expect them to plough in the substantial sums we are looking for and yet also accept a lock on 51% of the votes.

*Q: What lock will there be on these investors being able to sell on their shares?*

A: This has yet to be negotiated but it is an issue we are fully aware of.

*Q: Can the Dons Trust Board confirm that as a restricted action any change to facilitate the outside investment referred to in option 4 would require two votes, the first of which would need 75% of votes cast in a 50% turnout, with over 40% of total members voting in favour?*

A: The short answer is 'yes!' We haven't yet worked out exactly how to structure the restricted action, i.e. whether to approve a restricted action or to vote to remove particular restricted actions. However, the proposals would almost certainly represent a Category A restricted action, the first step of which requires a level of turnout and approval as set out in the question.

*Q: When would the first and second votes be held if the end-January timescale for a final decision cannot be altered?*

A: We haven't yet decided that there will be a Restricted Action vote. We don't yet have the timetable fully mapped out. If a Restricted Action is to proceed in January, we will be working over the coming weeks to launch that early in the New Year as it would be counter-productive to do it over the Christmas period.

*Q: What is the DTB's contingency plan if the votes do not get the numbers required under the constitution and we reach the end of January without a new structure in place and outside investment not secured or a loan in place?*

A: Our current contingency plan is to proceed with the bare-bones version of the stadium. This could be upgraded at a later date to the phase-one build that we have been contemplating. But it will be a pretty rudimentary stadium until then, and there is a risk that our operating budget will result in relegation.

Our first document to members outlined four options. Number one was simply to carry on as we are – and, in many respects, that's what we are continuing to do. We are working flat out to seek alternative finance solutions and we will keep doing that. However, we're mindful that this is taking longer than expected in the current climate and, even if we do get what we were looking for all along, that may not be within the timetable that we need.

*Q: What is the cut off for joining the DT before taking part in any vote and what protections are in place to prevent a hostile attack through loading the membership with those in favour one way or other when a concrete proposal is brought?*

A: No cut-off date has been set. It's not clear that there is a constitutional mechanism for suspending membership, and it's not clear that would be the right thing to do, although we would, for practical reasons of testing whether the conditions of a Restricted Action vote are met, state a date on which people need to be a member in order to vote.

We do want AFC Wimbledon fans who aren't members of the Trust to join, so that their views can count.

Our prior experience of Restricted Actions gives little reason to suspect people will join the Trust in order to vote in bad faith. Although there are no particular mechanisms in place for checking this, it's not the case that anyone is allowed to join the Trust.

Our rules [with some clarifying text added] state: "Membership is open to any person firm or corporate body who or which:

- a. is a supporter of the Club [AFC Wimbledon]; or
- b. has an interest in the game of football in the Area [the London Borough of Merton and the surrounding area]; and
- c. agrees to be bound by these Rules and Rule 6 [profits or surpluses of the society not to be distributed to members] and 104 [application of remaining property after dissolution or winding up of the Society] in particular."

## Appendix 1

### MATTERS REQUIRING SHAREHOLDER RESOLUTIONS

The tables below set out those matters that are required to be passed as special resolutions and ordinary resolutions under the Companies Act 2006.

#### Matters requiring a special resolution (75%+1):

Amendment of articles of association.
Change of name.
Application of Welsh company to be registered in Wales.
Application of Welsh company to be registered in England and Wales.
Re-registration of private company as public.
Re-registration of public company as private.
Re-registration of unlimited company as limited.
Reduction of the notice required for a general meeting of a traded company from 21 days to 14 days.
Disapplication of pre-emption rights: private company with only one class of shares.
Disapplication of pre-emption rights: directors acting under general authorisation.
Renewal of general authority to disapply pre-emption rights.
Disapplication of pre-emption rights by special resolution.
Renewal of special resolution to disapply pre-emption rights.
Disapplication of pre-emption rights: sale of treasury shares.
Disapplication of pre-emption rights in relation to specified allotment.
Reduction of share capital in connection with redenomination of share capital.
Reduction of share capital by special resolution accompanied by solvency statement.
Reduction of share capital by special resolution confirmed by the court.
Purchase of own shares from capital.
Purchase of own shares from capital for the purposes of or pursuant to an employees' share scheme
Opting-in resolution in relation to takeovers.

Opting-out resolution in relation to takeovers.

**Matters requiring an ordinary resolution (50%+1):**

Removal of directors.

Approval of director's long-term service contracts.

Approval of substantial property transactions.

Affirmation of substantial property transaction made in contravention of section 190.

Approval of loans to directors.

Approval of quasi-loans to directors.

Approval of loans and quasi-loans to persons connected with directors

Approval of credit transactions.

Approval of related arrangements.

Affirmation of breach of sections 197, 198, 200, 201 or 203.

Approval of payment by company for loss of office.

Approval of payment in connection with transfer of undertaking.

Approval of payment in connection with share transfer.

Quoted companies: Approval of remuneration payment to a person who is, or has been a director of the company.

Quoted companies: Approval of payment of loss of office to a person who is, or has been a director of the company.

Ratification of acts by directors.

Power to make provision for employees on cessation or transfer of business if not authorised to be sanctioned by a board resolution.

Election of chairman of a general meeting (if the articles do not state who may or may not be chairman).

Election of a proxy as chairman of a general meeting (if the articles do not state who may or may not be chairman).

Authorising political donations or expenditure.

Quoted companies: Approval of directors' remuneration report.

Quoted companies: Approval of directors' remuneration policy.

Members' appointment of auditors of private company.

Members' appointment of auditors of public company.
Fixing of auditor's remuneration who is appointed by the members.
Removing auditor from office.
Authorisation of a liability limitation agreement.
Withdrawal of authorisation of liability limitation agreement.
Power of directors to allot shares (unless already authorised by articles of association).
Renewal, revocation, variation of authority to allot shares.
Approval of agreement for transfer of non-cash asset.
Authorising sub-division or consolidation of shares.
Authorising reconversion of stock into shares.
Redenomination of share capital.
Authorising the directors to determine the terms, conditions and manner of redemption of shares (unless already authorised by articles of association).
Authority for off-market purchase for the purposes of or pursuant to an employees' share scheme.
Authority for off-market share buyback contract.
Verifying, revoking or renewing authority for off-market share buyback contract.
Variation of contract for off-market purchase.
Release of company's rights under contract for off-market purchase.
Authorising company to make a market purchase of its own shares.
Cancelling redeemed debentures.
Approval by transferor company of articles of new transferee company in the case of merger by formation of new company.
Approval by transferor company of articles of new transferee company in the case of division.
Agreement to sending or supplying documents or information to members by making them available on a website.