Majority Rule

Vote twice to have your say on majority fan ownership, and how we manage future funding, and investment in our Club.

WHAT ARE WE VOTING ON?

We're asking all members to vote on whether we can allow more investment from outside owners while keeping the club majority-owned by us - the fans.

This means changing the Trust rules to allow a new minimum level of fan ownership of 50.01% - our majority rule.

The Dons Trust rules currently mean we must have a minimum level of 75% of the voting rights in the Club. We are proposing this change to maintain, uphold and support majority fan ownership while allowing further investment from minority shareholders.

Doing this would involve a change in rights and abilities for the Trust and other shareholders. It is designed to protect majority fan ownership while enabling the club's growth and securing our financial future.

WHY ARE WE VOTING?

The Dons Trust board, the board of AFCW PLC, the team behind the Plough Lane Bonds and the finance committee all believe that now is the right time for members to make this decision to give us all greater clarity and the ability to plan for our future.

We believe the potential reduction in our share ownership to be worth the trade-off for the greatly increased financial flexibility provided by making more investment equity available and stabilising the finances of the Club.

We recommend that members vote in favour of this resolution.

Football finances have become even more challenging for League Two and League One clubs. As outlined in the recent financial update League Two clubs were running at an average operating loss of £2m last season. The Club currently has around £10m of debt, primarily owed to fans and members through Plough Lane Bonds.

The current cost of that debt, the annual interest, is £400k a year. £3.4m of bonds are due to be repaid or refinanced in 2025 and have £3.3m due in 2027.

The likely outcome is that the cost of borrowing over the next five years will increase from current levels. Any replacement of bonds through external debt is likely to require securing any borrowing against the stadium which is something we want to avoid.

Further equity investment could be used to replace expensive debt, while removing any need for external borrowing that would enable us to invest to grow.

We would like the opportunity to explore avenues for minority equity investment that would not undermine but rather support our growth as a fan-owned club.

HOW ARE WE MAKING THIS DECISION?

A change like this in the Trust and Club ownership structure is a restricted action in our rules. This means that for the change to be approved members need to vote twice and meet the criteria laid out in the Dons Trust constitution.

Following the Trust rules, a first vote will be held from 28th October 2024 – and will be discussed at an in-person and hybrid Special General Meeting.

For the change in structure to pass, this first vote must satisfy the following criteria:

i) at least 50% of the total membership vote on the resolution.

ii) at least 75% of the votes are in favour of the resolution.

iii) the number of votes in favour of the resolution represents at least 40% of the total membership.

If this first vote passes, then there will be a second meeting on 25th November 2024 to confirm the identical proposal.

At the second meeting, the proposal must be approved by two-thirds of those voting and at least 50% of the total members.

The proposed change is brought to members based on an unwavering commitment to the principle of fan ownership as well as practical considerations to protect the Trust's role as majority and controlling shareholder.

The Trust's majority shareholding allows it to own the club on behalf of our members - the fans.

WHY ARE WE VOTING NOW?

Several Dons Trust boards have previously committed to giving members a vote on this issue. In 2022 the board said it would consult with members.

During the consultation in 2023, most members gave either outright support for 50.01% ownership, or a willingness to consider 50.01% ownership based on further information. It is now the time to give members that chance to vote.

For the Club and Trust to have a clear strategy on and off the pitch we need to know what avenues are open for finance and debt management. One-off income, mainly through player sales, has enabled redemption payments for bonds due in 2025, but it cannot be guaranteed this revenue can or will be replicated in the run-up to 2027 bonds.

Market conditions have been tough since the return to Plough Lane - partly down to the impact of Covid and previous challenges with senior management. Revenues for both matchday and non-matchday are not yet at the level the boards would like.

Our new MD and his staff are implementing a variety of plans for growth and we expect revenues to improve, but the burden of debt management cannot fall on this alone, especially as we also look at the same time to

increase the amount of money available for football costs and investment projects.

The articles of association of the PLC have been updated to add new and stronger protections for the Trust as majority shareholder.

These protections include:

- Greater Trust control over the appointment of directors
- Setting a maximum any individual shareholder can own at 15%
- Specifying a minimum level of Trust voting control at 50.01% in the plc articles themselves.

(This is on top of the separate Trust constitutional protection of a minimum shareholding level).

These articles could not be changed again without the agreement of Trust members as majority shareholders.

WHAT NEXT?

If these votes pass, then the Club and Trust will be able to look for and negotiate with possible investors about becoming minority shareholders.

Nothing will change immediately - there is not currently a specific investor waiting in the wings.

If the votes do not pass, then the Club will plan for its financial future accordingly and explore all avenues around refinancing, especially the 2027 bond redemption window, without recourse to significant equity investment.

The boards believe the pressures of sourcing replacement debt financing and increased borrowing costs will have a negative impact on the available playing budget and our chance to improve Plough Lane and other projects in future years.

The decision on whether to remain with a minimum of Trust voting rights at 75% plus 1 share or drop this to retaining 50.01% share ownership is entirely for members to decide through this democratic process.

WHAT ELSE?

Further background information can be found online here and there will be several events and opportunities for members' enquiries and discussions.

The DT board will be keeping an FAQ updated online and welcome any further questions from members before and during the voting period.

Questions can be submitted via contact@thedonstrust.org