



MEMO

FROM: Spirit of Shankly – Liverpool Supporters Union

TO: John W Henry / Tom Werner New England Sports Ventures

DATE: 17th December 2010

RE: What The Supporters of LFC Can Do For You

Thank you for the opportunity to contact you to discuss the issues contained within this briefing.

There are many different elements we wish to address although we recognise that some are more pressing than others.

In order to assist we have broken the briefing down into a number of component parts as follows:

- 1. The Spirit of Shankly, Liverpool Supporters' Union – the ongoing relationship between the Club and the Union (Page 2);**
- 2. Ownership of the Club and the questions that supporters would like answered (Page 4);**
- 3. Supporters' Issues as detailed by our members (Page 7);**
- 4. The Stadium (Page 10);**
- 5. Supporter Investment (Page 11).**

We have just seen the end of what was a three year nightmare for this Club and its supporters. As we discussed, when we initially met with yourselves, the supporters feel “disenfranchised” and you have the opportunity to reconnect the Club and its support, not only through what happens on the pitch, but also through the transparency of your bid and the details of how you intend to structure the business of the Club going forward to avoid a repetition of the problems of the last three years.

We recognise that you have kindly responded to some of the “internet” groups who were formed (and have now disbanded) to oppose the ownership of Hicks and Gillett, as well as the recent LFCtv phone in, but we would ask to meet with you and/or Tom Werner as the new Chairman to discuss the issues within this briefing and to establish an ongoing dialogue with the Spirit of Shankly on behalf of our members (the supporters).



SPIRIT OF SHANKLY

Spirit of Shankly (SOS) is the major independent supporter organisation currently representing tens of thousands of LFC supporters.

SOS is an Industrial and Provident Society which was established in 2008, whose purposes are to represent the supporters of LFC over a broad range of issues which includes investment in the Club. SOS is made up of nearly 10,000 full subscribing members and 40,000 associate members.

SOS established its aims soon after it was created they are as follows:

Constant Aims

- To represent the best interests of our members and by extension the best interests of the supporters of Liverpool Football Club on both the local and international level.
- To hold whoever owns the football club to account.

Short Term Aims

- To institute a functioning structure for the Spirit Of Shankly.
- To create long lasting relationships with all aspects of Liverpool FCs supporting community.
- To improve the quality of service for Liverpool FCs supporters.
- To improve the standard and value of travel arrangements for Liverpool FCs supporters.

Medium Term Aims

- To work with any relevant agencies to improve the area of Anfield.
- To build links with grassroots supporter groups.

Long Term Aim

- To bring about supporter representation at board room level.

Ultimate Aim

- Supporter ownership of Liverpool Football Club.

You will see that SOS has as a primary and constant aim that it will always hold any owners to account. To be a critical friend to the Club, to influence Club policy that affects supporters and to see the Club and local area thrive. It is SOS's intention to facilitate supporters in forming an investment group (not limited solely to Union members)

We would like to invite either Tom Werner and/or yourself to address one of our meetings (possibly January/February 2011) to meet our members – our meetings are organised and properly managed affairs and we feel that this level of engagement would only benefit the Club and yourselves.

You made it clear when we met in October that without the Union's work, and Liverpool supporter's commitment and efforts you might not have acquired Liverpool Football Club. We feel that the commitment to the Club that we showed then should now be translated into a new relationship between the supporters and Club via a formal recognition by the Club of the union.



We acknowledge that there are supporters' clubs throughout the world, but understandably these groups have little or no role in dealing with **all** of the issues that are raised by supporters. Additionally, we are aware from our own experience of them and fully understand the reasons why, that they are also very reticent about any criticism of the Club as they rely upon the Club for ticket allocations and other benefits. This is an entirely reasonable position for them to take.

PROPOSAL

- 1. Tom Werner and John Henry meet with the representatives of the SOS as soon as mutually convenient to discuss this briefing;**
- 2. Tom Werner and/or John Henry agree to address our next general meeting (January/February 2011);**



OWNERSHIP

We were engaged in the recent sale process of LFC and took part in meetings with Barclays Capital and the Club to the extent that we know that the criteria listed below were crucial considerations in deciding which offer for the Board to accept.

Our members have asked us (and it is a primary objective of the Union):

- To hold whoever owns the football club to account.

We appreciate that this resulted in the campaigns and action that we had against the previous owners, but our request to you is put in a positive spirit and is aimed at allaying the justifiable fears we have following the last three years. Indeed, SOS hopes that we can now all unite behind the club, and in the words of Bill Shankly, “be proud to say that we are Liverpool”

We appreciate that much of what you have said has to be taken on trust and while that trust is there we seek responses against that we can measure against in the future.

The “Barcap criteria” are a good starting point for you to engage with supporters and answer the questions that they have about the background of your bid – the stadium solution that formed part of this is addressed separately.

Price

We feel that it is important that the detail of what was actually paid to purchase the share capital of the Club is placed before the supporters. This information allows the supporters to see the sums being invested and to monitor the promises being made by any new owners.

Certainty

While this criterion related to the provenance and deliverability of funds, it equally applies to the supporters wanting to know how the purchase funds will be applied and from where they are coming. This was a crucial area that the original 2007 Board tried but failed to address.

With Liverpool supporters, you are dealing with a large and financially savvy supporter base which is not prepared to turn up to matches, buy the shirt or TV subscription and meekly leave matters to the owners. There is a huge swell of opinion that will not let the last three years be repeated and that will seek detailed information to hold any owners to account.

The reports we have received have mentioned no debt burden being placed primarily upon the Club (other than “stadium debt”). It has been assumed that the share purchase funds come from either cash reserves, borrowed funds or a combination of the two from within NESV with LFC becoming part of the group of NESV as a wholly owned subsidiary.



If the funds are borrowed in all or part at group level then supporters would ask what assurances there are about any borrowing not being moved to the Club level and secured specifically against the Club's assets rather than the totality of the group assets.

A further question that arises is that as part of a larger group, the overall health of that entity is essential for LFC in terms of ongoing investment. How will this operate? If LFC trades profitably can its profits be applied elsewhere within the group or are they ring-fenced for LFC? What if LFC suffers a downturn? How will the group support LFC in those circumstances? Does LFC have any undertakings/commitments to the group that it has to fulfill, financial or otherwise?

Capital Structure

As mentioned above it is assumed that LFC will be a wholly owned subsidiary of NESV. The real area of interest for supporters here is the delegation of powers to the local Board in terms of what powers are held at group and local level.

In addition, as can be seen later, this also has a relevance to the powers of the Board, its voting rights among its Directors and the implication for any supporter investment.

Players' Trading Account

SOS takes a very traditional "LFC" view of playing matters. We demand success on the pitch. It is the reason the Club exists - "to win trophies". No other reason.

As such we know the part supporters have to play in doing just that, supporting. We have traditionally asked our Club to give our managers the best chance of competing and you will be asked just the same.

What we do not do, is to publicly seek the removal of managers or players. We expect the Club to have appropriately qualified and experienced football people making these decisions on our behalf.

We also accept that investment in players should come from a sustainable and sensible business plan, not unfettered, unwise and unlimited spending. However, we do expect the profits made by the Club to be primarily and significantly invested on the pitch with the aim of achieving on the field success. Money leaving the Club by way of interest payments, "expenses" or unreasonable dividends will just be a repeat of the nightmare we have just experienced.

Fit and Proper

The Directors and Owners test from the English Premier League that you have passed is all well and good. Our last owners passed that too. For Liverpool supporters the "fit and proper" test as it used to be known is deeper rooted.

We want owners who recognise the culture of Liverpool Football Club, who understand its history and what has made us what we are. We want them to recognise the fact that while time



moves on taking the best of the past and adapting it is what this Club has done and it was this that gave us our success.

Modest and quiet management in the Boardroom should contrast with the passion and will to win on the terraces and pitch. If we have the right owners and trust is rebuilt then no one is asking for constant reports from the Boardroom, trust will allow supporters to get on with supporting and leaving the Board to manage. You do your bit and we will do ours.

QUESTIONS

- 1. What price was paid by NESV to purchase the share capital from the previous owners?**
- 2. Was any further consideration paid for the Club or any of its assets?**
- 3. Can you give an unequivocal undertaking that any borrowings incurred at group level will not at any time in the future be secured upon the assets of Liverpool Football Club?**
- 4. Can you clarify your approach to paying dividends from profits of LFC?**
- 5. Can you give an explanation of the possible application and use of profits made by Liverpool Football Club?**
- 6. Are there any circumstances in which further funds from the NESV group would be invested in Liverpool Football Club?**
- 7. What powers, if any, over Liverpool Football Club are retained at a group level?**



SUPPORTERS' ISSUES

While the aim for supporter investment and ownership within LFC are detailed later, in the short term the issues we would like the Club to address (taken from our members' views) are as follows:

Ticketing

- Season Ticket Waiting List – Ian Ayre promised some news and transparency about the season ticket waiting list by the end of 2010. Is this still going to happen?

Everyone who considers themselves upon the list (and there are concerns about its management and credibility over the years) wishes to know where they are placed upon it.

This will allow people to estimate, based upon the ultimate stadium solution and the Club's current stated policy that ratios between ticket categories remaining the same, whether they are likely to be able to obtain one in the medium or long term.

- Ticket Prices – we believe that this is likely to be the major issue in the short term and into next season. There is a concern that ticket prices are likely to rise and that the inexorable disenfranchisement of young and local supporters will continue – exactly the supporters that have formed the backbone of this Club for over 100 years. Something must be done to address this issue.
- Ticket Allocation – this clearly links with ticket prices. While supporters recognise that allocations to travel companies can be lucrative to the Club (and the Club's financial success is linked to on the pitch success) there remains an underlying tension that the balance of tickets available via these sources is too great and more should be made available on general sale. The club must find a way of reconciling the "local-global" dichotomy that is threatening to make it a stranger in the city whose name it bears. We suggest Liverpool should be a "Global Club with a Liverpool Heart". Properly reconnecting the club with the city would make it truly a footballing superpower that the global supporter base would be proud to be associated with

Travel

- Coach – the Union runs the cheapest travel by coach to away games (including some European matches). The Club needs to recognise that it has some control over its travel partners about costs and needs to be more proactive in controlling the prices that supporters are being asked to pay.
- Planes –The Club needs to be more involved in setting the prices charged by organised groups to the benefit of supporters. Recent trips to Italy for us and Manchester City fans have differed in cost by a sizeable amount, even though they were by the same travel operator.



- Thomas Cook – as LFC’s current travel and package partner they are able to control the cost of tickets, travel and packages that they sell to supporters.

We expect the Club to represent the supporters’ interests in a more determined manner over the costs being charged as we feel the balance between return to the Club and Thomas Cook is weighted too heavily against the supporters.

- Supporters’ rights, comfort and safety – you will no doubt have started to understand the culture of football support. You will also have gained knowledge of the development of that culture, particularly over the last 50 years.

The Union remains at the forefront of protecting our supporters’ rights – for instance the policing and stewarding that our supporters suffer at some grounds is nothing short of scandalous and we expect our Club to step up and support and protect our supporters. This would include pressure on local police forces and other Clubs about the way our supporters are treated.

15th April

This date has huge resonance to the Club and its supporters. We would like to see the Club make it inviolable Club policy, publicly communicated to the Premier League, FA and UEFA that there are no circumstances in which Liverpool Football Club will ever play on that date, even at the risk of sanctions and expulsion from any competition.

Regeneration

- Review of stadium solution – see below
- The Football Quarter – the Union has worked with Keep Everton in our City (KEIOC), an Everton FC Fan Pressure Group, over the last year on The Football Quarter.

This is a concept to help regeneration over the Anfield / Walton area based around a hub of two separate stadia for LFC and EFC to help further the needs and demands of the Community, Clubs and City.

We would want to meet separately with representatives of LFC (EFC have already met with us), to discuss The Football Quarter and what it could provide in enabling a solution for all stakeholders. There was an open letter that was sent to Christian Purslow in March 2010. He failed to respond or even acknowledge the approach.



QUESTIONS

- 1. By what specific date will the Club disclose its current season ticket waiting list policy and the place upon any list occupied by individual supporters?**
- 2. By what date will the Club disclose any ticket prices changes (not just season ticket prices) and what criteria is it planned to apply to any changes?**
- 3. Would the Club consider revisiting the pro rata redistribution of tickets between corporate, travel companies and general sale?**
- 4. Will the Club (in the same way Arsenal do) establish a portion of general sale tickets to be reserved for the local postcode area?**
- 5. Will the Club apply a criterion to their future contractual relationships with their travel partner that sees the price of the travel element being a key issue when selecting that travel partner?**
- 6. Will the Club commit to allocating a senior member of the Club's staff to work with the Union in representing travelling supporters' interests and safety both within the UK and abroad? This would not be limited to the current liaison that takes place prior to matches but we would seek support in relation to complaints to other Clubs and the police where our supporters have been mistreated.**
- 7. Will the Club formally resolve at Board level to communicate to the Premier League, FA and UEFA that there are no circumstances in which Liverpool Football Club will ever play on 15th April, even at the risk of sanctions and expulsion from any competition?**
- 8. When will the Club meet with The Football Quarter Working Group to discuss the role The Football Quarter could potentially play in solving the stadium challenge and helping regeneration for the local Community and City?**



STADIUM SOLUTION

The supporters have always been concerned about the move from Anfield. It is an issue that you presumably addressed over Fenway Park. We have no experience of what criteria you applied to the baseball stadium but we would urge you to see this challenge as different in many respects due to some different dynamics over supporter attitudes, the impact locally and the local and national political dimension to any decision.

We are concerned that no reliable or recent review has been done for the Club's needs and the case for and against a refurbished and new Anfield. We would ask that this is done as soon as possible in a transparent and professional manner. Supporters' views should play a large part in any decision taken by the Club.

Currently our members have given us a mandate to oppose any form of ground sharing with Everton Football Club. We will be looking to refresh that mandate as part of our own survey that we will be carrying out amongst our members.

QUESTIONS

- 1. Will the Club publicly announce now that there are no circumstances in which it would consider a ground share with Everton FC?**
- 2. If not, why not, and what are the circumstances in which a ground share might be considered?**
- 3. Will the Club be carrying out a review of the decision between a new ground and a refurbished ground?**
- 4. If so, when will that be completed and what consultation will take place with supporters?**
- 5. What criteria will be adopted, and in what order, when a decision is made about staying or leaving Anfield?**
- 6. When does the Club envisage being in a position to give any indication about its preferred option?**



SUPPORTER INVESTMENT

When we met with you we understood that supporter investment would be something that would be on the agenda with NESV. We have already mentioned comments about supporters being “disenfranchised” and you need to be in no doubt about the disconnection that exists between the Club and the supporters after the last three years.

This is the best opportunity that this Club has had to mend the unique relationship that exists with its supporters through allowing supporters to once again own part of their Club. Spirit of Shankly and Share Liverpool FC were working upon a majority bid for the Club but always envisaged that a minority stake might be an alternative if a new owner secured the Club.

The main stumbling block relating to credibility was that under the previous owners the Club would not get behind any supporter investment scheme so what we are now suggesting is a unique collaboration between the Club and supporters with the Club backing a scheme to see supporters take an agreed stake within the Club supplying real benefits to both the Club and supporters.

What we do NOT want to see is a “nod” to the supporters in terms of a representative who is consulted by the Club on an ad hoc basis. The work we have done in relation to supporter ownership makes it very clear that there are thousands of people interested in owning a small part of the Club, who want a formal and proper voice representing them while working in conjunction with the majority owners in driving the Club forward.

The plan is to offer shares in an investment vehicle at £500 each. These could be purchased directly or through supporters saving in a Spirit of Shankly Credit Union which has been created and will allow those of more modest means to save up for their share.

Clearly agreement would have to be reached with you about what share you would make available but a figure of 10% would be the proposed minimum. Valuation of that share would need to be agreed and also any attached conditions to the investment, such as allowing the investment share to increase as future investors and current investors continued to invest and preemption rights if there was to be a disposal of the Club in the future.

The investors would seek to elect a member of their group to the Board who would have full rights of a Club Director. This Board member would be subject to the Board rules and regulations and would need to recognise the responsibilities that go with being a Board member.

The benefit for the Club is that it gets further investment – that investment might be applied to the stadium solution for instance. The investment could continue year on year, with supporters continuing to invest in the Club on an annual basis. This would see the Club cement a proper relationship with the supporters, while the supporters get a degree of control over the future of the Club, the opportunity in time and when appropriate to increase the shareholding as well as protection against disposal of the Club to unwanted owners and a voice on the Board of the Club representing supporter investors.



In addition to bringing a unity of purpose between supporters and owners, we would hope to work towards a majority supporter ownership in line with your timeline for realising the value of your investment. We acknowledge that this may be many years down the line, however, an exit strategy usually begins on day one and we feel that a positive working relationship with a shared common end game can only be good for the Club, the owners and the supporters. After all, none of us envisage going anywhere soon!

QUESTIONS

- 1. What are your views and intentions regarding supporter Investment?**
- 2. Will you enter into preliminary negotiations with us on a formal investment by supporters backed by the club?**
- 3. If you are not in a position at this point to enter into preliminary negotiations please confirm why not now and when you might be able to?**

Conclusion

We are grateful for the opportunity to engage with you and we hope you see our requests for information as nothing but positive.

You have a wonderful opportunity here at Liverpool Football Club, reasonable returns and an increase in your investment are not anathema to supporters but we will expect to be listened to more than we have, to be involved and most importantly to see our team back at the top where it belongs.

We look forward to meeting you again soon to discuss these issues in person.

