

Ask LOFT - June 2017

Question: Is administration in the best interests of the long term viability of the club's survival?

Question: Is the ball coming round to being in a buyer's court as we near the court date? (The rationale is that if the court decision is to put the club into admin then FB will get "very little")

Answer: We can't give a simple answer to this.

Administration is an absolute last option (short of liquidation), to the extent that it incurs a 10-point penalty to the football club and, more importantly, it limits the extent to which the debts apparently owed to Leyton Orient Holdings Ltd (i.e. Becchetti) can be negotiated.

Furthermore, it significantly removes Becchetti's incentive to negotiate as he is the largest creditor, and once the club is in administration, the way in which the National League operates in terms of clubs in administration would give him more strength than he has now in the negotiation of the transfer of ownership of the club.

On the other hand, an administration would be a reliable mechanism to deliver transfer of ownership, to the extent that he would no longer be involved in the sale process. It's an extremely close and difficult decision.

Regarding a potential sale, our view at this time is that there is at least one credible buyer for the club with an offer on the table and that this offer remains. As such, the ball remains with Becchetti to execute the sale.

Question: What will happen if the club isn't sold and Becchetti has paid off all the debt? What's next?

Question: Can Becchetti liquidate the club on 12th if there is no buyer?

Question: what determines whether the club is placed into administration or liquidation? Are both outcomes possible following the court date?

Answer: If the debt is paid off then there is no compulsion for Becchetti to do anything. However, we understand that he is no longer willing to fund the club on an ongoing basis. As such, it is to be hoped that a transfer of ownership of some form would happen in any event.

If he has paid all the creditors off then yes, he could enter a voluntary liquidation at any time, although he would almost certainly face court action from minority shareholders if he were to try. LOFT now has Power of Attorney to represent over 144,000 shares so we would be at the forefront of action to oppose any such move by Becchetti.

If he has not paid off his creditors then it is a decision for the court in terms of whether this would occur and it is a real possibility that the court could order the winding up of the club. In making this decision, the court will take account of a variety of factors, but significant will be (1) whether the promised £1m cash injection is ever forthcoming, and/or (2) If there is a realistic prospect of the club being passed to new owners so that the creditors can be paid.

One of the outstanding issues is whether or not the sale of the club is in fact being hampered not because of the absence of a buyer but because Becchetti is dragging his feet. Depending on how the case goes on Monday, we will be looking to take precisely this point to the court at the hearing.

Question: If the club is still in the ownership of Becchetti at the time of the court hearing on the 12th, and the Club is wound up or put into administration, would any of the potential buyers be able to rescue the Club by buying all or parts of it?

Answer: In the event of an administration, the administrator would seek to sell the club as a going concern on the basis that this almost always represents the best deal available to the creditors. As such, the administrator would listen to all serious offers for the club.

Whereas National League rules do not require an administrator to speak to the club's Supporters' Trust in the way that EFL rules do, we would of course do all we could to aid the club in coming out of administration, including using the Regeneration Fund under the mandate given by LOFT's members in establishing it.

Question: The Becchetti family is the largest creditor. If the club goes into administration do they have to accept an administrator's offer either from sale of the club assets/new buyer offers. If they reject what happens then?

Answer: This is a very good and technical question. In theory, as the largest creditor they could almost certainly reject any proposed deal that the administrator could arrange, short of being paid in full. On the other hand, the club currently has almost no assets (an insolvency event would render the players contracts unenforceable and they would be free to leave) and as such if the club were liquidated then Becchetti would almost certainly receive no money at all.

Under normal circumstances one would therefore expect the largest creditor to accept the best deal on the table, but given Becchetti's track record it is a matter of concern that he would allow the club to be liquidated rather than accept a deal.

Question: Will there be a vote on how to spend the regeneration fund* if a new owner takes over? *aside from some money being returned to donors.

Answer: We're very aware of the fact that many people – LOFT members and otherwise, O's fans and fans of other clubs round the world – donated to the fund on the premise set out back in March.

We would therefore seek first and foremost to meet with any new owner, to discuss

<p>whether and how the fund could be used within the mandate given by LOFT's members, to help the club recover from the damage done by the previous owner.</p>
<p>Question: If FB has paid bills but due to the way he has handled wages to staff and other creditors can court strip him of club.</p>
<p>Answer. No.</p> <p>However, we understand that the wages and creditors that have been paid, were from accounts that are not connected to the club and as such it is possible that HMRC, the EFL, the FA and indeed the National Crime Agency may be interested in the origin of such funds. In the event that the club were to be liquidated, it is likely that the Insolvency Service would investigate such a claim.</p>
<p>Question: Can the court adjourn again if he's paid the bills</p>
<p>Answer: If the bills have been paid then the court will dismiss the application outright unless further creditors appear under 'substitution' procedures. If this is the case then the court would likely adjourn to allow the club to settle with the new creditor.</p>
<p>Question: Should a custodial sentence for fraud be deemed as reason enough to not pass a fit and proper persons test and prevent ownership of an historic football club the same way as it would prevent you from being a cashier in a bank, or are Orient not worthy of even the most basic of safeguards in light of the errors made by allowing one alleged fraudster in to our club the last time?</p>
<p>Answer: As a matter of policy, LOFT's board believes that any new owner should have no problem in signing up to the 'Fit and Proper Orient' principles recently published on our website. We are of course not able ourselves to prevent a sale to any potential owner, but it is to be hoped that any potential owner would consider not only our published principles but also the vociferous opposition by, ultimately, the entire fanbase against how Becchetti ran the club.</p> <p>We do have some concerns about the way in which the EFL's rules (aside from the much-maligned 'Owners and Directors Test') were applied to Leyton Orient over the past 3 years. We have presented our concerns in detail to the EFL's Chief Executive, Shaun Harvey, and we will update in respect of this as soon as we have any tangible progress in this matter.</p>
<p>Question: Has Hearn added himself to the order?</p>
<p>Answer: We can't speak for more than Mr Hearn has said himself publicly on the matter.</p> <p>We hope that as many creditors as possible come forward for the hearing next week, as we believe the uncertainty of not knowing who the potential creditors might be is as destabilising as the existence of such a large creditor list. As such, if all creditors were to be represented it would be able to create certainty for any potential buyer.</p>

<p>Question: What is LOFT's position and plan of action for the court hearing should nothing change between now and the 12 June?</p>
<p>Answer: If there is no genuine credible evidence on 12 June that a sale process with a credible buyer is ongoing, LOFT would be seeking an administration order (such an application can be made to the court at any time and does not require the petition hearing for that purpose) in order that the transition of the club can be made.</p> <p>Our position therefore is to seek an adjournment pending the sale of the club ONLY IF there is genuine credible evidence that such a process is ongoing with a properly credible buyer. We will be taking this point with the court on Monday.</p>
<p>Question:</p> <p>If we end up having to start again and form a new club</p> <ol style="list-style-type: none">1 what have you got in place to get things rolling2 would the current intended buyer be asked to come on board.3 is the trust set up to have elections for the directorship of a new club committee that would involve all supporters in and out of the trust.
<p>Answer: We should stress as always that forming a phoenix club in the event of liquidation is absolutely the last resort – our focus is 100% on preserving the current Leyton Orient Football Club Limited. Indeed, LOFT's board has not held any discussions at all about the phoenix club scenario since prior to the Special General Meeting of 2 March, where the recovery plan was discussed with members.</p> <p>That recovery plan details financial planning at Steps 4 and 5 as well as detailing practical administrative tasks – given that all our efforts have been directed elsewhere since March, the plan would need to be updated and completed.</p> <p>In such a scenario we would of course seek investment by personal or corporate entities interested in funding the long road to recovery for the football club.</p> <p>If LOFT's members vote to form a successor club, that club would be a new limited company with 100% of its shares owned by the Trust. We would imagine however that LOFT's members would wish to debate and agree on what the make-up of the successor club's board should be, in order to be inclusive and representative of the whole fanbase.</p>
<p>Question: What sort of timeframe would we have to get a team together if Becchetti stays in charge? And how long would a new owner have, after buying the club off of Becchetti? I was just wondering which league we would be playing in, in either case? And I would like to say a big thank you to all of you at LOFT. Great work!</p>
<p>Answer: This is really a question for Mr Becchetti, but we believe there are zero management controls in place and obviously a lack of funding, so building a team under the current regime seems very improbable.</p> <p>A new owner's possible timeframe will of course depend on when any such deal is completed. Pre-season typically starts on or around the end of June (approximately</p>

6 weeks before the start of the season), although many clubs have already started planning since the end of last season.

At the moment, we have been relegated from League Two to the National League. We can find nothing in the NL rules that would bar Leyton Orient from competing within that league. The club has submitted the membership forms and appropriate payment(s) to compete in the National League for the coming season.

Aside from submitting the membership forms, each club in the NL is required to submit a budget by 14 June – i.e. AFTER their AGM. We have spoken to the NL and our understanding is that they appreciate this can be difficult for clubs, so we don't expect Leyton Orient to be thrown out of the NL on 15 June if this hasn't been submitted. Nonetheless, an approved budget has to be in place by the start of the season so that they can be assured a club can fulfil its fixtures (and to avoid the thorny issue of games being rendered null and void during the season); if not, then a club would not be permitted to start the season.