



Leyton Orient Fans' Trust

Disaster Recovery plans – summary for presentation at
Special General Meeting

Thursday 2 March 2017



Background

- Turnover of club – approx. £4m in normal season, mostly season tickets, matchday income and TV rights
- Average home crowd for past 10 seasons – 4,839. Last season 5,332 – down to 4,584 so far in 2016/17
- Club bought by Leyton Orient Holdings Ltd (LOHL) for around £4m – shareholding cost £1.8m, plus prior debt of £2.2m cleared
- Most recent accounts show approx. £9.3m total debt from club to LOHL – cost of purchase plus ‘investment’ to date. Likely £10m+ by now.



Call for change

- Extremely unlikely that club owner is prepared to change the way he runs the club, in particular his propensity to rash and punitive decision-making
- Scenario even more unlikely given recent indicated willingness to sell (tallies with our findings since last summer)
- Now a question of when and how he departs, not if
- Three possible scenarios therefore remain; negotiated sale, administration, liquidation



Scenario 1 – LOHL sells club

- Best solution as it maintains club as going concern; key strengths of location, staffing and secure lease (although cost of lease and operating loss are issues for any owner)
- Likelihood depends on willingness of LOHL to accept an offer that recognises decrease in value of club since 2014, and negotiated settlement on investment (such as, repayments on performance similar to a player sell-on fee)
- LOFT activity includes seeking out possible new buyers/investors, as well as establishing fighting fund if supporter-led consortium viable



Scenario 2 - Administration

- Erratic spending at club since 2014 – debt has grown significantly but appears to be mainly (if not completely) to LOHL
- Recent slashing of wage costs suggests Becchetti is trying to limit operating loss to avoid forced administration before he can sell
- Nevertheless, a forced administration (eg unpaid tax bill) is possible
- EFL insolvency rules require an administrator to market a club for 21 days min., meet with the supporters' trust and provide it an opportunity to bid
- Preferred bidder is required to pay 25p in £ to creditors on exit, or 35p in £ over 3 years, otherwise club receives further 15-point penalty at start of following season



Scenario 2 – Administration (cont.)

- Administration appears not in Becchetti's interests - would lose control of sale process and at least 65% of debt owed to LOHL
- Cannot rule out however that he would put club in administration simply because he can
- LOFT would need to demonstrate to Administrator an ability to raise funds - Administrator can transfer club's share in the League to any preferred bidder
- Significant threat to club status – 12 point deduction (10 in National League), plus further 15 points if no creditor agreement
- Opportunity however to force a sale through and to have a more stable footing going forward



Scenario 3 - Liquidation

- If administration does not lead to a bidder that satisfies the Administrator, liquidation would be inevitable outcome
- In this, worst-case scenario, the only option for Leyton Orient to continue would be as a 'phoenix club'
- While this has some opportunities in starting debt-free, there are significant threats: no direct experience among fanbase at starting/running a club, likely loss of some (possibly many) supporters, and cost of home ground - among others



Phoenix club – the last resort

- If the current LOFC Ltd goes into liquidation, the only way for Leyton Orient to continue would be to re-form a ‘phoenix club’
- LOFT would seek approval from members to form such a club
- If approved, new club would be 100% owned by the trust
- We are planning for such an outcome only as a last resort – it is in no way a preferred outcome for LOFT’s Board
- LOFT has drawn up 3-year business plan for a ‘phoenix club’, refining it continually with help from other fan-run clubs and contacts



'Fighting fund'

- All three scenarios require funds, possibly at very short notice
- We believe therefore that the time is right to launch a fund
- Monies raised through the fund to be held until such time as one of these scenarios comes into play
- If not needed for the next change of ownership, fund to be maintained as insurance policy for the future
- Will now take you through the separate proposal document for the fund...



Any Questions?

- Included are Q&As, we are happy to go into greater detail on all 3 likely scenarios
- We welcome questions from the meeting ahead of voting on the two resolutions from the Board:
- Resolution 1: “That the Society endorses the work to date of the 'disaster recovery' sub-committee and its current plans”
- Resolution 2: “That the Society endorses the setting up of a fighting fund to be used in response to 'disaster recovery' scenarios that may be faced by Leyton Orient Football Club, on such terms as agreed by the Society Board”