

DUNFERMLINE ATHLETIC FOOTBALL CLUB

HALBEATH ROAD, DUNFERMLINE, FIFE KY12 7RB
t: 01383 724295 e: enquiries@dafc.co.uk



Pars United Q&A – East End Park

What was the background to the purchase of East End Park?

When initially formed in April 2013, the stated aim and strategy of Pars United was to try and ensure that DAFC could continue to play matches at our spiritual home, East End Park.

At that time, we knew that East End Park was owned by East End Park Ltd (EEPL), a subsidiary of Charlestown Holdings Limited, and after some investigation identified that the lease in place between DAFC and EEPL was subject to a rental of £300,000 per annum. This was contrary to the perception that a rent free option was available on the ground, in actual fact the rent had never been collected. So at this stage, we had to consider the option of negotiating with EEPL but we understood that East End Park was being used as security for a £12m loan from Lloyds Banking Group (LBG).

However, East End Park Ltd went into administration on 28 May 2013, with KPMG appointed as administrators. We then had to consider how best to approach KPMG who were acting on behalf of LBG, to avoid East End Park falling into the wrong hands. Our initial hope was that LBG might provide a funding mechanism such as a long term mortgage to allow Pars United to acquire the ground.

The wind was taken from our sails, only a few days later, when BDO (who were the administrators for DAFC) and KPMG jointly announced that they were looking for offers for both DAFC and East End Park. Not only that, but all interested parties had only 10 days' notice to submit their offers together with proof of funding, to become "preferred bidder".

Pars United requested an early meeting with both BDO and KPMG to discuss the matter, and it was made clear that LBG would not be in a position to assist the purchase of East End Park which was a view shared by other lenders we approached, as there is no longer an appetite to lend to Football Clubs.

Therefore, it left us with no other option but to seek funders who had to "step up to the plate" on behalf of the Pars Family. A number of Pars Patrons underwrote this, and generously funded the purchase of the Stadium.

So how was East End Park actually purchased?

During our discussions with KPMG, on behalf of LBG, it was apparent that they were not only interested in, but very supportive of, our vision to create a community ownership structure at DAFC. They also accepted that East End Park was only valuable as a football ground, and needed DAFC as its tenant! However, it was made clear to us from the outset, which we readily accepted, that a single owner type scenario was not acceptable, notwithstanding any altruistic motive. Therefore, Pars United designed a carefully thought out community ownership structure which not only protects DAFC, but satisfies both KPMG and Lloyds Bank.

Diagram A: 'Pars United Corporate Structure', provides an overview of how this was ultimately achieved.

Why was East End Park purchased via another company?

We were conscious of the fact that both DAFC and East End Park were formerly part of a complicated group structure, so had no desire to replicate this. That said, Pars United wanted a structure which meant that the necessary investment from those funding the purchase of East End Park would not come through the existing company, Pars United Limited (which is now a Community Interest company – PUCIC), which would subsequently own DAFC, because that could have led to the shareholdings of certain shareholders in PUCIC being so large as to call the desired broad ownership model into question. In particular, it would have substantially reduced the percentage shareholding held by the PST, which we did not want to see as they represent many hundreds of Pars supporters.

Furthermore, a tax cashflow advantage arose out of setting up another company. The new company will carry on the letting business hitherto carried on by East End Park Ltd whereby the ground is let to the Club under a formal lease. The fact that the new owner is, like East End Park Ltd, the landlord allows for the acquisition of the leased stadium to be treated as the "transfer of a going concern" which removes VAT.

A new company Pars United (East End Park) Limited (PUEEPL,) was formed to buy East End Park from KPMG. Having created PUEEPL, the funders put sufficient money into that company to allow the purchase of East End Park, together with sums to meet the stamp duty land tax arising on the acquisition and necessary expenses including legal fees.

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Can other Pars fans share in the ownership of East End Park?

Yes absolutely, this is not a closed shop at all. Some of the existing funders saw themselves as underwriting the purchase of the Stadium and so they would be happy to dilute their existing stakes.

It is hoped that further supporters who would be interested in sharing in the community ownership of the Stadium, will come forward.

Any Pars fan who would be interested should contact parsutd@aol.com to arrange a confidential discussion.

What protections are built in to safeguard DAFC?

Pars United determined that no-one could invest only in the ground, and all funders are also shareholders in PUCIC. This was on an agreed 1:3 ratio, in other words for every £3 a funder invested in PUEEPL they were required to contribute a minimum of £1 into PUCIC to further capitalise DAFC.

In addition, the funders invited PUCIC to purchase a separate class of shares for a nominal amount. This gives PUCIC 25.1% of the votes and the ability to block any Special Resolution. PUCIC can appoint two out of three directors and thus have day to day operational control of PUEEPL rather than the funders, who have the other class of shares. Naturally, the funders' class of shares carries the right to a dividend which will come from the rental income.

PUEEPL has taken on East End Park Ltd's role as the landlord under the existing lease, and will quickly move to amend the terms of that lease to give the Club the right to occupy the ground for 30 years. The first 12 months of the amended lease will be rent free to assist the Club further. In years 2 to 5, the annual rent will be £40,000. From year 6 onwards there will be five yearly adjustments to the rent at a fixed rate equal to 3% per year.

In the event that the Stadium is ever sold (which is not the intention) PUEEPL must first use the free proceeds to build, or acquire, a Stadium to DAFC's reasonable requirements, and will enter into a new 30 year lease. Any surplus left after meeting the costs of the new Stadium would be shared 50:50 between PUCIC and the funders. As a Community Interest Company, the PUCIC surplus, if any, would be reinvested in the football club and not available for distribution.

What aspects of the arrangement cannot be shared at this time?

At this time, the purchase price paid by PUEEPL must remain confidential, along with the names of the Patrons who kindly purchased the Stadium on behalf of the Pars family. This was agreed with KPMG, who have also insisted on an "anti-embarassment clause" to prevent the Stadium being sold in the next few years.

This is because the acquisition has been carried out at a substantial discount to the carrying value of the ground in the accounts of East End Park Ltd. An independent indicative valuation was obtained before purchase.

Did Pars United have any other offers to buy East End Park?

After becoming preferred bidder, Pars United did receive a number of offers from people who were prepared to finance the purchase of East End Park. One offer in particular was very generous. However, all of these offers were not in line with our own vision and the mandate agreed with KPMG. To reiterate, KPMG, on behalf of Lloyds Banking Group, had to be content that the Pars United Structure to acquire East End Park was in line with community ownership, to ensure no one person owned the Stadium.