

Some other Fans' Ownership Models we Rejected

Why doesn't Leeds United just sell shares to fans?

Basically, it is legally prevented from doing so. The Companies Act 2006 prevents a private limited company (which is what the club and its holding company are) from making a general share offering available to the public. Leeds City Holdings Ltd. (the UK based company that actually owns the football club proper) or the football club proper (Leeds United Football Club Limited) could transform from a private company into a PLC (like Arsenal, Man U. etc) but that is costly and there is no sign the existing owners are planning to do that.

Why don't fans just buy shares in Leeds United directly?

They can't buy from the club but, in theory, they can buy from the owners. Leeds City Holdings Ltd is a private company and, by law, it cannot make share offers to the public. However, any fan or fans' group can individually approach the existing owners and make an offer to buy. It needs a current owner to be ready to sell though and the costs of buying and registering just a few shares can be prohibitive. The Leeds United Supporters' Trust (LUST) tried that approach with an owner recently and was told there was no interest.

Much work has been done by other bodies into fans ownership; why do something different?

We have researched information published by various bodies, such as Supporters Direct¹, The Co-operative Society², The Community Shares Unit³, yet find that the suggested models for fan share ownership, whilst satisfactory in some circumstances, are not suitable for a club the size of Leeds United. The sheer size of the investment needed to buy enough shares to have any influence within this club is beyond the means of current supporters' groups. Furthermore, as Supporters Direct points out in section 4.4⁴, there is a key barrier to most schemes and it is very relevant to Leeds United:

"The scope for developing more Fan Share type schemes is dependent on football clubs and their owners making shares available for purchase. There appears to be little appetite currently among club owners to do this."

Leeds United Supporters Trust (LUST) has already tried to engage with the current owners and been rebuffed.

Why reject the model of an Industrial and Provident Society?

In effect, we are not. There is such a society at Leeds United trading as LUST and this organisation and model is fully included in our plans. However LUST has faced two big barriers in getting a fan share scheme off the ground, namely the existing owners and the vast amount of money to be raised to get a significant voice. TogetherLeeds intends LeedsFans LLP to be the way of breaking that logjam and allowing the supporters' trust and all other fans' groups and individuals to invest and become part-owners of Leeds United with the collective clout to affect the way the club is run. Since an initial stake in LeedsFans LLP can be added to over time, individual fans or groups such as LUST can purchase more as their finances allow.

¹Supporters Direct is an organisation that seeks to increase the influence of supporters through ownership and involvement in their clubs and seeks to improve the way the game is run. It actively works with many supporters trusts. It is funded by donations and grants from bodies such as UEFA.

²The Co-operative Group is the UK's largest mutual business, owned not by private shareholders but by over six million consumers. As part of its work in the community it supports football trusts looking to follow its democratic beliefs.

³The Community Shares Unit is supported by the Department of Communities and Local Government (DCLG) and is delivered in partnership by Co-operatives UK and Locality.

⁴Supporter Share Ownership, page 20, section 4.4

Why set up a Partnership⁵(LLP), why not Community Benefit Society?

A Community Benefit Society (CBS) is very limited in the amount of money it can raise due to a share cap. This is recognised by Supporters Direct (SD) and they have lobbied for the limit to be raised. Recently, the cap has been raised recently but still remains as a cap and a barrier to investment. TogetherLeeds supports the model developed by SD and recognises this model will provide a good vehicle for other clubs with lower funding needs. Leeds United needs such a large investment a CBS, even with a raised limit, will not suffice. SD recognises that their CSB model is not directly relevant to Leeds United.

Why a Partnership(LLP) and not a Community Interest Company(CIC)?

LeedsFans LLP is intended to be heavily focused on Leeds United although later work may involve the wider community. A CIC has, by law, many constraints on how it acts with dividends and profits that limit investment more to generous benefactors. Leeds United is a financially large business and LeedsFans LLP needs to be able to attract and work with investors both large and small. A LLP structure allows us to do this and provides much more flexibility for future actions.

Why not do it like they do in Germany or Spain at Barcelona?

There are clubs abroad that are often referred to as operating the 50%+1 principle. This is possible because the football club itself has been set up as a co-operative or mutual organisation. As we know, Leeds United is neither of these and is a private limited company. It would be possible for Leeds United to be changed to a mutual club but it would require the supporters finding enough money first to purchase the club in its entirety from the current owners, clear all the debt and also have the money to run it. However, the biggest barrier to this method is that both the FA and the Football League's rules forbade any club converting in this way until the Law changed in 2014. As yet, no club has tried to do this. Another way for Leeds United to become a 50%+1 club is for it to happen, as it did with Portsmouth, by the supporters' trust buying more than half of Leeds United.

A cheaper way would be to buy half the club from the Administrator should Leeds United ever end up in that position again. If this should happen the trust would need to very quickly have available several million pounds to buy and run the club. The TogetherLeeds group believes that no one supporters' group currently has these large funds available and intends LeedsFans LLP to be a legally registered partnership that pools the funds from supporters' groups and individual fans to facilitate fans buying shares in the club (our initial target is to buy at least 10% of the club as soon as possible. Further investment may allow a greater ownership later).

Why not set up a Private Limited Company or a PLC?

A Private Limited Company is legally prevented from making a share offering to the public. A PLC can do that but it would need £250,000 just to set the PLC up.

More information can be found at <http://togetherleeds.boards.net>

Disclaimer: The document has been produced by the TogetherLeeds group, an informal group of Leeds' fans. Its purpose is to highlight a plan to form a partnership of Leeds' fans through a LLP. The points noted here are intended as a framework for the first executive to build into its Members' Agreement and are correct as at 24th January 2015 but may change without warning. Always refer to the actual Members' Agreement active at the time before joining any partnership. Copyright 2015

⁵The aim of the TogetherLeeds group is to bring together all the fans and fans' groups into a Partnership. The best legal method to do this is to form a Limited Liability Partnership. This is a legal corporate body, similar to a limited company, and allows us the flexibility to achieve our aims for lowest cost.