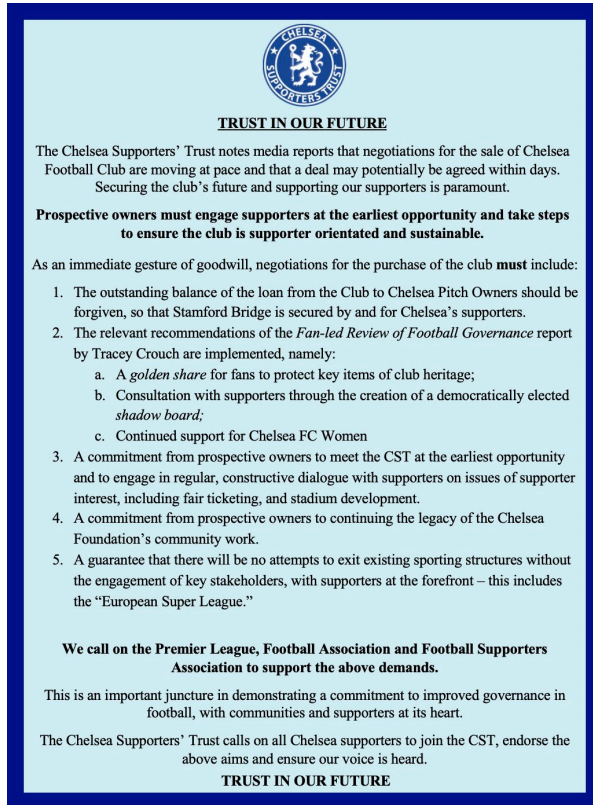


Sale of Chelsea FC - Frequently Asked Questions

The Chelsea Supporters' Trust (CST) Board has compiled the following set of Frequently Asked Questions (FAQs) to help our members better understand terms used and how the sale process works. This updates and builds on the Q&A we produced a couple of weeks ago, which related to our statement of 4th March (below). It will be further updated and expanded as events unfold.



1. What was the Crouch Report? Why is it so important?

Following the Spring 2021 attempt by leading Premier League clubs to join the proposed European Super League, which ended in a humiliating climbdown by the clubs as the proposal unravelled, the UK government asked Tracey Crouch MP, ex Sport Minister at the Department of Culture, Media and Sport (DCMS), to head a Fan Led Review of Football Governance (FLROFG).

The final FLROFG report, published in November 2021, made the following strategic recommendations:-

1. to ensure the long-term sustainability of football, the government should create a new Independent Regulator for English Football
2. to ensure financial sustainability of the professional game, the Independent Regulator for English Football should oversee financial regulation in football
3. new owners' and directors' tests for clubs should be established by the Independent Regulator for English football replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets
4. football needs a new approach to corporate governance to support a long-term sustainable future of the game

5. football needs to improve equality, diversity and inclusion in clubs with committed Equality, Diversity and Inclusion Action Plans regularly assessed by the Independent Regulator for English Football
6. as a uniquely important stakeholder, supporters should be properly consulted by their clubs in taking key decisions by means of a shadow board
7. football clubs are a vital part of their local communities. In recognition of this, there should be additional protection for key items of club heritage
8. fair distributions are vital to the long-term health of football. The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football
9. women's football should be treated with parity and given its own dedicated review
10. as an urgent matter, the welfare of players exiting the game needs to be better protected — particularly at a young age The Government is currently considering the proposals.

We continue to strongly believe that the sale of Chelsea FC is an ideal opportunity for the relevant recommendations to be implemented, ensuring that supporters have a real say in the future of the club. The full FLROFG report can be seen here <https://www.gov.uk/government/publications/fan-ledreview-of-football-governance-securing-the-games-future>

2. What is a 'Golden Share'? Why would it be applicable in the sale of Chelsea FC?

A 'Golden Share' could be used to give veto rights to a club's supporters over reserved items to protect items like the ownership of a club's stadium, badge, location and colours and so enable supporters to protect their club's heritage. More detail can be found in the FLROFG report.

It could be held by 'a democratic legally constituted supporter group' such as the CST and would help ensure that the heritage of the club, so important to supporters, was sacrosanct. It would provide a genuine and crucial safeguard against a new owner seeking to go against decades of tradition, held dear by supporters. **There is no monetary value attached to a 'Golden share', and it does not provide economic rights to the holder.**

Our proposal is for a legally-binding and irrevocable 'Golden Share', which would give supporter representatives a right to veto decisions made on items such as; **the location of the club's stadium, badge, kit colours, name, continued support for Chelsea FC Women** and any proposal to join a new competition such as a **European Super League**, and so enable supporters to protect their club's heritage.

3. What is a 'Shadow Board'? Why would it be applicable in the sale of Chelsea FC?

The FLROFG report explains that a 'Shadow Board' is a 'board' of a number of diverse supporter representatives which would discuss the business and strategy of the club in more detail than other forms of engagement. A shadow board is not a formal legal board, so members would not risk the liabilities of a full company director but would be expected to discuss a wide variety of matters in detail with the club. The FLROFG recommends that the Shadow Board be engaged and consulted on (without limitation):

- a. The club's strategic vision and objectives;
- b. Short, medium and long-term business plans;
- c. Operational matchday issues of concern to supporters;
- d. Any proposals relating to club heritage items;
- e. Marketing, merchandising and sponsorship plans and performance. This would not involve consultation or approval on specific contracts or proposals but, for example, the club Commercial Director should meet the Shadow Board at least once per season to explain the club's

commercial strategy and how the club is performing in relation to such strategy. Similarly, the club Marketing Director would be expected to present once per season on the club's marketing strategy and performance;

f. Stadium issues and plans; and

g. The club's plan for broader supporter engagement. The effective implementation of such a body would clearly enhance supporter dialogue with the club hierarchy post-sale.

4. What is Chelsea Pitch Owners and what does it own?

Chelsea Pitch Owners (CPO) own the freehold of the Stamford Bridge pitch and the name 'Chelsea FC.' CPO was set up by then-owner Ken Bates in 1993 to prevent Stamford Bridge from being redeveloped for purposes other than football. CPO is a safeguard unique in top-level football, ensuring that the club will continue to play at Stamford Bridge.

Through a wholly owned subsidiary (Chelsea Stadium Limited), CPO own the freehold of the footprint of the current stadium. The physical evidence of this is seen in the change in brick colour on the ground in places such as outside the megastore. This indicates the boundary. The stadium is leased back to Chelsea, who pay a nominal rent to CPO. There are now over 13,000 individual CPO shareholders and we would actively encourage as many CST members as possible to purchase a share <https://www.chelseafc.com/en/cpo/buy-ashare> .

Given recent events, the CST board are currently liaising closely with the CPO board and will continue to do so as the sales process continues and once the new owners are in situ.

5. Will the existence of CPO not put off potential buyers?

The existence of CPO should hopefully deter potential purchasers who want to buy the club but with the unstated intention of selling the highly-desirable land in SW6 and moving the club elsewhere. We see this as a significant positive, hopefully ensuring only those potential purchasers with the genuine interests of the club and its heritage at heart will try to buy the club.

The club tried and failed to buy back the CPO shares in 2011 (they need the support of 75% of CPO shareholders to do this), and there are concerns that a new purchaser may try this again. If they do, the CST will actively campaign against this, and we would expect any such attempt to again fail.

6. Is the CPO loan the same as the reported £1.5bn Roman Abramovich has loaned the club?

Chelsea FC loaned CPO the money to pay for the freehold, and they are duty-bound to repay this to the club. CPO lease the ground to the club for a period of 199 years starting in 1993. The remaining value of the loan is a reported £8m. This is totally unrelated to the loans the owner has made to the club, which he announced will be written off.

7. Could the new owners of Chelsea FC 'call in' the existing CPO loan?

The loan agreement allows for the loan to be called in if the CPO fails to make "all reasonable endeavours to continue to raise funds" to pay off the loan. This is of course a pretty subjective narrative and open to interpretation so nothing in law can be ruled out, however CPO is confident that it meets the criteria of doing (more than) enough to satisfy the terms of the loan. Recent advice given to CPO has been that the lease and loan documents are in good shape and unlikely to be reasonably challenged

8. What Is the Difference Between the Chelsea Foundation Trustees and Chelsea Supporters' Trust?

The Chelsea Foundation, set up by Chelsea FC, brings together their Football In The Community and Education departments along with their other charitable and community activities, including the international work and anti-discrimination projects. It has six trustees, who the owner's original

statement on 26th February stated would take over 'the stewardship and care of Chelsea FC'. That was superseded by his statement of 2nd March when he announced he would sell the club. Although the CST support many of the aims of the Chelsea Foundation, there is no direct or organisational link between the two organisations and no CST board member is a Chelsea Foundation trustee.

9. What is the 'special licence' under which Chelsea FC must now operate?

Details of the special licence and the conditions that the club has been placed under can be found at <https://www.gov.uk/government/news/chelsea-fc-granted-licence-to-continue-operating> . The Government has confirmed that there is a process for Chelsea FC to apply for an amended licence, as was the case when a broadening of ticket sales by the club was announced on 23rd March. The CST Board will continue to press the appropriate authorities to allow Chelsea supporters to attend all our matches, home and away, in England and overseas.

10. What stakeholders have the CST Board been engaging with regarding the sale of the club?

We have engaged with, and continue to engage with, government ministers, politicians on both sides of the House Of Commons, senior DCMS officials, members of football authorities and other key stakeholders, stressing the relevance and importance of our key asks. We have also been extremely vocal in the media.

11. How are the CST Board involved in the process of the sale of Chelsea FC? Have the CST Board seen any/all of the bids for the club?

While the CST board are seeking to influence the process, the decision over who Chelsea FC's next owner is will be made by Chelsea, the Raine Group and the UK Government. The CST has no legal role or direct say on this decision – which is a commercial matter for Chelsea FC which must also be compliant with the sanctions imposed by the UK Government on Roman Abramovich. We are, however, in dialogue with a number of bidders.

We sent an open letter to prospective bidders inviting them to contact us for dialogue, and a number have done so. None of the formal bid documents submitted to the Raine Group by 18th March have been seen by members of the CST Board. However, in our dialogue with prospective bidders they have shared their detailed thinking on a number of key aspects of their bids. The CST Board must emphasise that some of the details of our discussions with prospective owners are clearly commercially sensitive. Where we have been asked to treat discussions confidentially, we will of course respect that and we seek at all stages of this process to act with total integrity. No credible organisation would do otherwise.

In any such dialogue we have stressed the criticality of the 'golden share' and the fundamental role of CPO. We are pleased to say that we have been successful in receiving commitments on our key asks from more than one bidder and we believe our expectations should be adopted by all bidders – this would go some way to provide assurance that they have the club's best interests at heart. But, perhaps of greater importance than our asks for greater fan representation and protection of the club's heritage, any new owners must share the inclusive views of Chelsea FC and our diverse support base. We will challenge any prospective owner where there are concerns over their commitment to these values and we would expect the UK Government and appropriate football authorities to do the same. It is absolutely right that anyone seeking to own Chelsea FC is subjected to full rigour in terms of their history and public statements.

12. Do the CST Board have a preferred bidder?

At this stage we are not aware of the details of all the bids, so it would be premature and foolish to identify a preferred candidate. Once the shortlist is known, we will be actively seeking to be involved in the process from thereon. Our primary concern is that any owner must have the best interest of Chelsea supporters at heart, and must demonstrate a commitment to our values. It may be that we do identify a candidate we believe would be the best fit to take Chelsea FC

forward embracing our asks and the club's heritage. In the event that such a candidate is identified, we will endeavour to seek the authority of our membership before backing a single candidate.

13. Why did the CST Board issue a statement specifically about the Ricketts bid?

Because of the amount of negative publicity surrounding the Ricketts bid, and following dialogue with members of that bid team, on 25th March the CST Board issued a statement specifically about that bid. This statement can be found here

<https://chelseasupporterstrust.com/16318-chelsea-supporters-trust-statement-25-3-22/>

14. What can CST members do to help?

We need CST members and Chelsea supporters to be as vocal as possible. You can help by writing to your MP, by spreading the Trust's key messages on social media and by contacting as many people as possible to advise them of the key asks in any sale of the club:

- The Government must resolve the situation as quickly and transparently as possible
- The Government must implement the recommendations of the Fan Led Review - including by ensuring Chelsea fans are given a golden share by the new owners of the club
- The CPO must be protected in all circumstances

Roman Abramovich's tenure at Chelsea is ending, and our focus must clearly be on what comes next and ensuring the new owner commits to providing and building a sustainable future for the club, at the same time respecting and embracing our heritage.