



Football Club United of Manchester

Non-League Club of the Year 2005-2006

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Updates to Community Shares Offer Document

And

Revised Business Plan Forecast and Capital Cost/Funding

For

FC United Community Shares Offer Document

February 2014

Update to Community Shares Offer Document
February 7th 2014

The following information updates some key aspects of the FC United Community Shares Offer Document ('Share in Football's Community').

The new financial, timetable and project team information provided in this update replaces the information in the Offer Document. Except where new information is provided, the Offer Document continues to apply and you should read it and the information in this update together in deciding whether to buy shares.

The document which starts at page 10 is the original FCUM Community Share Offer Document which sets out the history of the project, the thinking behind it and the terms on which shares are offered. Shares to the value of £1.7m were bought on the terms set out in the document and share certificates were issued on 23rd September 2013. The offer remains open and, because the project is now under way, the escrow arrangements in the offer document are no longer required. If you apply for shares and your application is accepted you will become a shareholder or acquire further shares immediately and a share certificate will follow in due course. Over the period since the original document was issued in November 2011 there have been a number of changes to the project and its timing – this update provides the latest information which is accurate as at February 2014.

1. Current Status of Share Scheme

The first tranche of community shares was issued on 23rd September 2013 and members who bought shares before that date have been provided with their share certificate.

The share scheme remains open. Now that the development is going ahead, people whose applications for shares are accepted will be come entitled to shares immediately and the payment can be used by FC United immediately. It is envisaged that the 2nd tranche of share certificates will be issued in April 2014.

2. Capital Cost and Funding

Both the capital cost and capital finance package for the development (Section 5, p.11 of the Offer Document) have been revised. These are provided in Section 6 of the Business Plan which follows.

3. Projected P+L and Provisions for Repayment

FC United has undertaken considerable work in revising the projected 5 year forecast, based on developing knowledge about the business and opportunities. This projection and the assumptions on which it is based are contained in Sections 1-5 of the Business Plan which follows.

4. Timetable

The original timetable indicated in the Offer document was extended and the project is now confirmed as going ahead. The build started in November 2013.

The timetable for the development is now:
Contracted construction period – max. 44 weeks
Completion date: August/September 2014 tbc.

5. Board and Project Team

In Section 8 of the Offer Document the board of FC United is listed along with the project team. This has changed somewhat since the issue of that document and is currently as follows in the table below.

FC United of Manchester Board February 2014		
Board member	Board role	Professional Role
Adam Brown	Stadium Development	Director of Research, Substance (research cooperative)
Pete Burke	Development Fund and Branches	Project manager
Alan Hargrave	Matchday	Head Teacher (retired)

Des Lynch	Supporter / Volunteer Liaison	Senior Projects Worker and Volunteer Co-ordinator, Manager, Wood St Mission
John Nicholson	Community	Lawyer, Kenworthys Barristers
Steve Pagnam	Merchandise	Businessman
Kate Ramsey	External Relations / Partnerships	Partnering and Collaboration Manager at Greater Manchester Police
Phil Sheeran	Matchday Ops; FCUM TV / FCUM Radio / ICT	General Manager, Motorpoint Arena, Cardiff
Mike Sherrard	Promotions / PR / Events	Independent Financial Advisor
Tom Stott	Membership	Former Rochdale Borough Councillor
Alison Watt	Football (team, management)	SHOT Operations Manager, NHS

The development project team (FCUM) is:

- Andy Walsh: General Manager
- Adam Brown: Board member
- Dave Payne: Project Management (formerly MCC Planning)
- Barbara McGloughlin (formerly MCC Planning, urban regeneration MCC)
- Dominic Sagar (architect) – Design

The professional project team (external) is:

- Legal: DWF LLP: Kevin Jaquiss, Tom Wainright, Tiffany Cloynes
- Project management: Frank Whittle Partnership Nick Wiley, Daniel Thompson (QS)
- Architects (now novated to contractors): Taylor Young: Alan Simpson, Stephen Hughes
- Structural engineers (now novated to contractors): Scott Hughes Partnership, Ian Scott Hughes, Kris Clark
- Planning: Ludlam Associates: Kath Ludlam
- M+E: BCM Consulting: Brian Morris, Andy Brookfield, Ryan Began
- Highways: Singleton Clamp: Jim Budd
- Contractors: Thomas Barnes

6. Applications

A new application form is included at the end of the Offer Document and is also available on the Community Shares web page, or from the club. Whereas previous applications were made to DWF (Cobbetts) and payments were kept in an escrow account, because the project is now live, applications should now come directly to FC United. If you apply for shares and your application is accepted you will become a shareholder or acquire further shares immediately and a share certificate will follow in due course. For new applicants, the minimum purchase of £200 still applies. Further:

- Please read the terms on which payments are made on the new application form which follows this update and follow the instructions on the application form.
- It is also important that you read the conditions of the share offer in Section 6 ('The Community Share Offer') of the original offer document which follows.

7. Other Information

Should you require any other information or further updates on any information pertaining to the FC United Community Share Offer, please contact FC United on: office@fc-utd.co.uk or

The Board of FC United of Manchester, February 7th 2014.

FC United 5 Year Business Plan
Summary P+L and Commentary on Assumptions
February 7th 2014

1. Introduction

The Business Plan forecast for the new ground at Moston contains a number of assumptions based on FC United's last eight years of operation and knowledge of the opportunities and likely performance at the Moston site. The opening of the new ground and community sports facility creates new areas of operation for the club and both additional revenue streams and additional costs. The development of a new facility will present some exciting challenges for the club as we scale up our operations to enable us to deliver our ambition of a sustainable fan-owned football club. The revenue targets we have set in the business plan will require a focused effort and the employment of new staff but we believe the targets we have set to be realistic in the current economic climate.

A summary P+L forecast for 5 years (including this year) is provided in Section 5; and an updated capital cost and funding in section 6.

It should be noted that this plan is correct at time of publication (7.2.14). However, the development of our plans for Moston is obviously an ongoing process and as such this should be considered work in progress. Minor amendments may happen as the performance for this year is known month on month; and a further full review of the business plan will take place in a few months time as we approach occupancy. Nonetheless we regard this as our current plan and both achievable and prudent.

2. What is Included and Excluded?

- i. The business plan includes five years – the current, projected outturn for this year 2013/14 – and the first four years of occupancy in the new stadium facility. This takes it up until the end of June 2018.
- ii. This is a revenue business plan – it does not include the capital costs and expenditure being made this year in the build.
- iii. However, it does include the following which is the servicing of finance for the build:
 - a. Provision for the repayment of Community Shares from August 2017 (3 years after occupancy as per the terms and conditions on the share offer) at a rate of 10% of total share capital per year;
 - b. The payment of up to 2% interest on shares from that date;
 - c. The repayment of borrowing from MCC
 - d. The repayment of Loan Stock borrowing
- iv. We fully expect our fundraising to continue however the Business Plan does not include any Development Fund income/expenditure following occupancy.
- v. The Business Plan also does not include any Community Programme income or expenditure as it is intended that this is self-funding with no impact on the main profit and loss account.

3. Key Assumptions - Revenue

A number of assumptions drive the revenue forecasts. A brief summary of those assumptions is provided here. They are:

- i. Match attendance / gate receipts
- ii. Matchday revenue
- iii. Non-sports facility hire and events
- iv. Sports facility hire

3.1 Matchday Attendance (Gate Receipts)

The new ground will have a positive initial impact on attendance at home games which we forecast to be sustained at a moderate level for the first four years in the ground covered by this forecast. This initial increase and subsequent growth will require a sustained effort of promoting our club and the continued development of our links within the local area and the communities of Manchester. We also hope to re-attract those who have reduced or stopped attendance in recent years. Progress on the field of play will also be important in this initial period.

Table 1. Turnover from Gate receipts

	Year 1 (£) (Current year)	Year 2 (£) (first year in ground)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Average match attendance	1820	2310	2426	2547	2674
Percentage increase		27%	5%	5%	5%
Gate & Season Ticket Revenue	211,090	268,123	281,570	295,596	310,376

3.2 Other Matchday Revenues

A home of our own is the opportunity the club has been waiting for both to make a real difference to the matchday for supporters whilst gaining a financial benefit that can be reinvested in the club with the retention of supporters' matchday spend which currently goes elsewhere. This additional spend will be used in sustaining and developing our club, being a leading example of good practice in supporter ownership and supporting our ambition to be of wider benefit to our communities. We have been cautious in our expectations in this area, based on the experience of others, working on an average spend of less than £2 (net of VAT) on food and beverage per supporter attending each game.

Table 2. Turnover from other matchday revenues

	Year 1 (£) (Current year)	Year 2 (£) (first year in the ground)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Away games, Friendlies & Cups	28710	30,000	31,500	33,075	34,729
Function room & Concessions	24,000	77,861	86,641	96,362	104,792
Online Shop / Merchandise	73,820	66,902	70,247	73,759	77,447
Programmes	28,814	31,695	33,280	34,944	36,691
Ground Advertising		30,000	31,500	33,075	34,729
Sponsorship	66,680	79,184	83,143	87,300	91,665
Donations Raffles & Travel	56,246	53,800	56,490	59,315	62,280
Academy Coaching	34,607	30,000	30,900	31,827	32,782
Membership	38,531	38,531	41,581	45,834	51,289
Car Parking	3,253	2,875	3,019	3,170	3,328
Total	354,661	440,848	468,301	498,661	529,732

NB Extraordinary element of kit sponsorship in Year 1 Merchandise figures.

3.3 Function Space Facility Hire Income (Non Sporting)

The FC United first team will only be playing at the ground for between 23 and 30 games per season. This is only equivalent to one month of the year. During the other '11 months' of time, the ground will be a community facility open to hire by our members and the general public. The business plan contains calculations on the minimum expected use of the ground for a variety of events. The function room design provides maximum flexibility (divisible into small, medium, large rooms) and creates opportunities for the following events:

- As a venue for our own FC United events such as our successful sporting dinners and popular theme nights;
- As a venue for community events and hires;
- As a facility that can be hired privately by the general public;
- As a venue for meetings and conferences.

Careful planning and promotion of the opportunities the ground provides will bring in valuable revenue. We have made some modest forecasts on the number of events and potential revenue, leaving room for expansion.

Table 3. Turnover from Function Space (non-matchday, non-sporting)

	Year 1 (current year)	Year 2 (first season in the ground)	Year 3	Year 4	Year 5
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Number of events		46	54	57	60
FC United club events		23	25	27	28
Total	19,000	£209,882	£240,802	£263,486	£287,259

3.4 Sports Facility Hire

The development provides new and redeveloped sports facilities. These will provide a venue for:

- FC United teams
- FC United Community programme
- Moston Juniors FC
- Community sports activity (including non-football sports, training events etc.)
- Private hire
- Medical facilities
- ‘Soft’ sports use of the function room space

We expect that other sporting opportunities will present themselves as the promotion and knowledge and experience of the facility grows

Table 4. Turnover from sports facilities

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Pitch Hire		55,760	57,433	59,156	60,931
Tournament & Sports events		16,500	17,325	18,191	19,101
Dance/fitness classes		7,200	11,520	12,960	14,400
Medical suite rental		4,800	4,800	4,800	4,800
Total	84,260	91,078	95,107	99,232	

4. Key Assumptions - Costs

Of course, alongside this increased revenue will also be the increased costs of running the new facility. Table 5 summarises the cost of sales related to facility hire and matchday revenues.

Table 5. Total Cost of Sales

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Total	328,716	306,487	330,729	351,915	373,432

4.1 Staff Costs Summary

Alongside existing football wage costs (managerial staff, coaches, players etc.) and club administration staff costs, the new facility will require a much expanded staff base. Total staff costs will go from a forecast £215,345 this year (2013/14) to £463,342 next year (2014/15). The staff structure and wages will be the subject of a full review and consultation between now and occupancy, but for the purposes of business planning, includes the following:

- General Manager
- Club Admin
- Office Admin
- Facilities Manager
- Facilities Deputy
- Commercial/partnership (inc. fundraising, merchandise)
- Grounds staff
- Catering and Bar Manager

- Part time chef
- Bar Deputy and P/t Staff
- Security and matchday safety staff
- Sales assistant
- Accounts and financial administration
- Apprenticeship opportunities

Table 6. Summary total staff costs

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Total	215,345	463,342	477,243	491,560	506,307

4.2 Other Overheads Summary

Alongside increased staff costs the business plan also includes increased overheads for the facility. These include:

- Pitch & General Maintenance Fund
- Rates
- Water
- Electricity
- Heating
- Insurance and Professional Fees
- Other Overheads

Table 7. Summary overhead costs

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Total	40,159	70,770	74,309	78,024	81,925

5. Summary P+L

The 5 year summary P+L forecast is provided below.

FC UNITED		Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
FIVE YEAR ANNUAL FORECAST SUMMARY		Budget	Forecast				
PROFIT & LOSS ACCOUNTS							
				<-----Year Ended 30 June----->			
		2014	2014	2015	2016	2017	2018
		£	£	£	£	£	£
TURNOVER		567,446	584,751	1,003,113	1,081,751	1,152,850	1,226,599
Cost of Sales		273,702	328,716	306,487	330,729	351,915	373,432
GROSS PROFIT		293,744	256,035	696,626	751,022	800,935	853,166
GROSS MARGIN		52%	44%	69%	69%	69%	70%
Overheads (ex. Depn and g'will)		281,675	255,504	534,112	551,551	569,584	588,232
EBITDA		12,069	532	162,514	199,471	231,352	264,935
Depreciation		8,463	11,146	7,734	170	0	0
Goodwill Amortisation		126	126	126	126	126	126
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		3,480	(10,740)	154,653	199,175	231,225	264,808
OPERATING PROFIT		3,480	(10,740)	154,653	199,175	231,225	264,808
Interest on MCC loan		0	12,500	30,750	32,595	30,000	30,000
Interest on loan stock		0	1,500	9,000	9,000	8,250	4,500
Interest on community shares		0	0	0	0	38,000	38,000
PRE-TAX PROFIT		3,480	(24,740)	114,903	157,580	154,975	192,308
Tax		0	0	0	0	0	0
POST-TAX PROFIT		3,480	(24,740)	114,903	157,580	154,975	192,308
Community share accrual		0	0	60,000	90,000	90,000	121,000
Asset replacement accrual		0	0	45,000	45,000	45,000	45,000
RETAINED PROFIT		3,480	(24,740)	9,903	22,580	19,975	26,308

6. Capital Costs and Funding Update February 2014

Costs

COST ITEM	Cost
Construction	£4,411,000
N Vics Danebank	£191,000
Pitches	£551,000
Contingency, fees and misc	£312,500
VAT provision	£80,000
Sub-Total	<u>£5,545,500</u>
Additional saving	£6,000
Total as at Nov 2013	<u>£5,539,500</u>
Additional Anticipated Costs (Feb 2014)	
Additional revenue to support project	67000
Additional cost of grant funding delivery	90000
Road surfacing, upgrade to pitch etc.	25000
Total additional	182000
Total as at Feb 2014	<u>£5,721,500</u>

Funding

FUNDING	Current	To be raised	Total Target
Community Shares	£1,792,000	£108,000	£1,900,000
Development Fund	£201,586	£98,414	£300,000
Sport England	£918,000		£918,000
FF FSIF	£150,000		£150,000
FF Community	£500,000		£500,000
Manchester City Council Grant	£550,000		£550,000
Manchester College 1	£300,000		£300,000
Manchester College 2	£150,000		£150,000
MCC Loan	£300,000		£300,000
SIB Grant	£303,000		£303,000
New Grant Funding (tbc.)	£90,000		£90,000
Loan Stock	£300,000	£300,000	£300,000
Total	<u>£5,554,586</u>	<u>£506,414</u>	<u>£5,761,000</u>

NB:

- Additional MCC borrowing (£200k) available if required due to LS shortfall.
- Additional contingency of £39,500 if all targets met.

Application for FC United Community Shares (Feb 2014)

Terms on which payments are made

1. The information provided in application forms will be dealt with in accordance with data protection legislation and will not be disclosed to any third party except for the administration of the share scheme; for preventing crime; to the police, if required by law; to any relevant regulatory authority, if required by law, including HMRC; or with the permission of the person concerned.
2. Applications will be processed in the order in which they are received and may be accepted or rejected at the absolute discretion of the Board of FC United. Any application rejected will be returned to the applicant together with a cheque for application monies received without interest.
3. By completing and delivering an application form you, as the applicant:
 - 3.1 offer to acquire the number of capital funding shares in FC United specified in the form on the terms and subject to the conditions set out here and in the offer document (and any updates to that) and subject to the Rules of FC United;
 - 3.2 confirm that in making the application you are not relying on any information or representation other than those contained in the offer document (and any updates to that) and this application form and agree that no person shall have any liability in connection with your application for any information or representation not contained in the offer document (and any updates to that) and application form.

Please complete the form overleaf.

By signing it you confirm that you have read the offer document (and any updates to that) and accept the terms set out there and here. When you have completed and signed the form please send it to:

Community Shares, FC United of Manchester, Hope Mills, Pollard St, Manchester M4 7JB

To buy shares please either enclose a cheque for the value of shares you wish to buy or make a bank transfer to the **FC United Ground Project** account the details for which are:

Sort Code: 08-60-01

Bank Account Number: 20310466

Please quote your name and reference **CSST2** so that your payment can easily be linked to your application for shares.

Your payment must come from a UK clearing bank account in your name and, to comply with anti-money-laundering laws and regulations, you must complete this form with your full name, address and date of birth. By signing this form you agree to us using this information to carry out an electronic identity check and to provide any other information we require to carry out our obligations.

1. Your details

Full Name.....

Address.....

Date of Birth.....

Telephone.....

Email.....

We aim to provide the most cost efficient service as possible for members and we aim to protect the environment. For these reasons our preferred method of communication is via email. **Tick this box if you do not wish to receive information by email**

2. Payment method: Please tick one option. Cheque Bank transfer

3. Are you an existing member of FC United of Manchester?

Yes Membership No.:..... No

If No, please confirm that you wish to join as a member by ticking this box. (If you do not join as a member then you cannot invest in the share scheme)

In addition to your payment for Community Shares you must pay an annual additional membership fee (currently £12) to become a member..

4. Payment:

Please enter the amount you wish to put into the scheme: £.....

I am not a member and need to also pay annual membership fee of £12 .

Total: £.....

5. Additional Purchase:

This is my first purchase.

This is my **not** my first purchase, it is my..... purchase.

Signed..... **Date**.....



Share in football's community

FC United of Manchester community share offer document. November 2011

FC United Limited ('FC United') Community Share Offer

This is a landmark opportunity to invest in a club bringing football back to the heart of its communities.

FC United is a member owned football club which is planning to build a stadium and community facility in Moston, North Manchester.

The development will cost £4.5m and we are seeking to raise a minimum of £1.6m from this Community Shares offer. This is a revised offer from one issued for a previous scheme in 2010. We are inviting you to join us, be part of this exciting development and help make football history.

The offer is open from November 1, 2011, to December 31, 2011.

Raising capital through Community Shares is a unique development in English football. It has been recognised as being of national importance offering a real alternative to the way football is run and financed and offering genuine social benefits to local communities.

We are asking anyone who shares our vision to be part of it. By doing so you will be supporting a better way for football - one that is owned and run by supporters and committed to wider community and social development and financial sustainability.

Please join us in this exciting development and create a positive and lasting legacy in Manchester as well as in sport, for generations to come.

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The Society and the Board accept responsibility for the information contained in this document. To the best of the knowledge of the Society and the Board (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its substance.

Prospective investors should read the whole text of this document and should be aware that the intended outcomes of an investment in the Society are speculative and involve significant risk. Prospective investors are advised to read in particular, the sections of this document headed "The Community Share Issue" and "Contingencies and Risks" (pages 12 and 15).

Our share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman. A community benefit society is registered with but not authorised by the Financial Services Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

As the whole of your investment could carry a risk, please consider it carefully in the context of the complete share offer document, and if needed seek independent advice.

FC UNITED LIMITED COMMUNITY SHARE OFFER

LAUNCH DATE: November 1, 2011

CLOSURE DATE: December 31, 2011

Legal Advisers:

Cobbetts LLP
58 Mosley Street
Manchester
M2 3HZ

Accountancy Advisers:

RSM Tenon
Parsonage Gardens
Manchester
M3 2LF

FC United is a Community Benefit Society incorporated under the Industrial and Provident Societies Act 1965. Registered with the Financial Services Authority. Registered No: IP29969R



1. Introduction to FC United

FC United of Manchester is a community football club owned and democratically run by its 2,500+ members. Its corporate structure is a Community Benefit Society and membership is open to all, with everyone an equal co-owner holding one voting share in the club.

The club was founded in 2005 and is a semi-professional football club, currently playing in the Northern Premier League. The club averaged crowds of 2,000 in 2010/11 – several times the league average – and boasts many on- and off-field achievements. This includes three consecutive promotions, cup victories and in 2010/11 a thrilling run to the FA Cup second round proper, overcoming professional Football League opponents along the way and achieving national TV and press coverage.

The club is unique in English football in having its obligations to its fan communities and local communities written into its Company Objects (the constitution is available on our website). The club was awarded Cooperative UK's Cooperative Excellence Award in 2009 for its cutting edge work with local communities.

FC United seeks to change the way that football is owned and run, putting supporters at the heart of everything. It aims to show, by example, how this can work in practice by creating a sustainable, successful, fan-owned, democratic football club that creates real and lasting benefits to its members and local communities.

The proposed development of the Ronald Johnson Playing Fields into a community football ground, sports and non-sports community facility, which we are asking you to support, is a vital element of our plans for the club's and the area's future. This is a future in which we intend to work with every branch of the local community for the benefit of all.

Many football clubs' major developments place their club in huge debt or place the club in the hands of major investors. With your support via the Community Share Offer, we can show a better way. The FC United Board believe that your investment will be for long term benefit and will help FC United succeed in its mission, creating significant social, environmental and financial returns.

2. From Newton Heath to Moston

In 2010 we issued an offer of shares to develop a site in Newton Heath, Manchester. We raised a commitment of just under £1.3m of the initially targeted £1.5m by February 2011.

Due to unforeseen circumstances beyond the club's control, we were unable to proceed with that site, a decision made by the City Council (who owned the site) in February 2011.

Since then we have developed plans in conjunction with Manchester City Council on an alternative site at Ronald Johnson Playing Fields in Moston, North Manchester. Situated about a mile from the previous site, in an area in need of investment, improvement and new community facilities, this offers an exciting new proposition for both the club and the community.

For those who committed money to the previous offer, which is safely held in an Escrow account, we are asking you to transfer that commitment to the new offer and if you can, consider additional share purchase in the scheme.

For those who are new to the offer, we are asking you to now join us in this development.



3. The Moston development - a sustainable home for us and our communities

FC United has been ‘homeless’ since its formation, but has nevertheless achieved a great deal. We now have ambitious plans to build a new home with facilities for local community development in Moston, less than three miles from Manchester city centre.

With our own ground and community facilities we believe that we can achieve great things – making the club sustainable and also able to fulfil its ambitions as a beacon of a better way for football, delivering genuine community development.

The plans for our new home will include:

- A 5,000 capacity football stadium designed to reflect the views of fans and be sympathetic to the local area
- New and regenerated community sports facilities including a 3G artificial turf pitch, changing rooms and grass pitches
- A club house with multi-functional spaces for use by local community groups, young people, as well as supporters

The plans include a partnership with Moston Juniors Football Club who will be the ‘anchor’ junior club on the site.

3.1 Sustainability and growth

The Board believe that the development will help make the club sustainable and allow it to grow whilst maintaining its core principles of democratic fan ownership.

Based on prudent estimates our Business Plan (which is available at fc-utd.co.uk/CommunityShares) outlines how the club will prosper through new income. The Business Plan has been scrutinised by Manchester City Council as well as club auditors, RSM Tenon.

The club will reinvest surplus money into its primary purpose as a community benefit society, enabling it to better develop work with a range of communities in and around Moston and Manchester as well as club members/co-owners. Using sport as a gateway, the Board believe that it will lead to ongoing personal and collective development in education, volunteering and physical activity, helping to underpin community cohesion in the area. This will provide a sustainable, community focused approach for the future of the club and the area.

3.2 Council and local support

We have high level support from Manchester City Council as well as local support, most notably from Moston Juniors Football Club, who are partners in the project.

i. Manchester City Council

Manchester City Council have been partners in helping to shape the proposals to date and are seeking to obtain Council Executive approval in November 2011 to progress the development. This will include agreeing terms to grant a long term lease on the land to the club at peppercorn rent. They have approved an 'in principle' capital allocation of £750,000, £200,000 of which has been used to fund fees related to site development and planning. The City Council have also contributed significant 'in kind' support, including considerable senior staff time, to making this development happen and will be a long term partner in sports and community development at the site.

ii. Moston Juniors

The lease for the site is currently held by Moston Juniors FC who have agreed to hand over their existing lease on the land in return for guaranteed use of new and improved facilities and a new mutually beneficial partnership deal with FC United.

This is described in a partnership agreement between MJFC, FCUM and Manchester City Council and will be underpinned by a legally binding usage agreement.

iii. Local Partners

FC United are also working with a wide range of local educational and community groups to develop a sustainable, mutually beneficial partnership with the area.

These include St Matthews School, St Mary's School, the Creative and Media Academy, Manchester College, Moston Miners Community Arts Centre, Whitemoss Youth Club and others.

3.3 Local benefit



Our partnerships with Moston Juniors Football Club, local schools, Manchester College and Manchester City Council along with ongoing consultation with local community groups will help us utilise the facilities to underpin the area's needs in terms of health, physical activity, youth engagement and education.

Our Summary Business and Community Use Plan outlines the ways in which the facility will engage local people, provide sporting and non-sporting opportunities for community development and increase participation in both sporting and non-sporting activities. It is available at www.fc-utd.co.uk/CommunityShares.

The site development also represents a significant commitment by FC United to Moston and the people that live in the local area, and the club's Board hopes that it will act as a catalyst for ongoing local improvements. The development plans include: a capital development of £4.5m, increased footfall of upwards of 2,000 people to the area per home match providing spending in the local area and delivery of FC United's community outreach work, helping local residents, young people, and local organisations.

The Board believe that the development will result in significant improvements to the site and we are working closely with leading building design consultants to ensure the building is as environmentally friendly as possible. Low carbon technologies and grey water harvesting are under consideration alongside a Green Travel Plan which will, so far as possible, encourage use of public transport and other alternatives to private car use. We have undertaken an extensive community consultation on design and use and are committed to the involvement of communities in the running of the site.

3.4 Management - ensuring community benefit

There will be three 'layers' of site management that will oversee delivery of local community benefit:

i. FCUM Board: The facility will be developed, owned and managed by FC United of Manchester. The Board of FC United of Manchester will take overall management responsibility and be responsible for any future on-site development. It will be owned by the club's members and membership will remain open.

ii. Operations Advisory and Monitoring Board: There will also be an Operations Advisory and Monitoring Board to ensure that outcomes sought by all partners are met. It is proposed that membership of this will be: FCUM, MJFC, MCC and grant funder representatives.

iii. Community Forum: We will establish a Community Forum which will meet regularly during each year to ensure there are no problems running the site and to allow a voice for community groups and individuals in the area as well as input into the programming of activities on site.

We will use sport to lead to ongoing personal and community development in education, volunteering and physical activity and as an aid to community cohesion. We are committed to building on the award-winning outreach work that the club is renowned for, becoming an integral part of the Moston area, contributing to its ongoing regeneration and helping to change local lives for the better.

Every aspect of the development will be made with our fan and local communities in mind, in order to make a tangible difference to those we engage. Regardless of age, race, gender, sexuality or ability, we will involve people and put their interests at the heart of what we do.

Our promises will be underpinned by:

- An irreversible Asset Lock that is in place in FC United's constitution means that the site cannot be sold in order to distribute surpluses to its members/co-owners. This is unique in English football (details below)
- A lease agreement with Manchester City Council that specifies the delivery of community benefit
- A legally binding partnership agreement with Moston Juniors FC delivering a unique football development plan for the area
- Grant funding agreements which will specify community sports outcomes to be delivered
- Regular reports on community use and outcomes made publicly available
- An Annual Report outlining performance

Please join us in creating a positive and lasting legacy in Manchester and sport as a whole for generations to come.

4. Current status and outstanding issues

In just seven months since work began on this site, the club, its project team and partners and council have delivered:

- i.** A detailed design plan (RIBA Stage D) for the entire site.
- ii.** An affordable scheme costing £4.5m. These costs have been confirmed through a tender process with contractors which has identified 3 potential suppliers.
- iii.** Full planning permission, granted on October 27th 2011.
- iv.** A funding package to meet the build costs (detailed below).
- v.** A draft Heads of Terms with Manchester City Council outlining the terms of the proposed lease.
- vi.** A partnership agreement with Moston Juniors FC.
- vii.** A sport development and Football Development Plan approved by Manchester County FA.

We have a number of steps to go through before work on the site can commence.

- i.** Lease Agreement: We need to finalise the Heads of Terms with Manchester City Council and anticipate agreeing a lease with legally binding agreement to lease by the end of November 2011.
- ii.** Council Executive Approval: Executive approval and grant funding is expected by the end of December 2011.
- iii.** Agreement of grant and other funding (see next page).



5. The capital funding package

Working closely with project managers, Frank Whittle Partnership, who have undertaken a full tender process, we have confirmed a budget of £4.5m. All professional fees to date have been met by Manchester City Council. **Our capital funding package is as follows:**

Source	Target	Status/notes
FCUM Community Shares	£1,600,000	£1.28m committed in previous scheme in Escrow account, £0.12m in pledges. Deadline December 2011
Development Fund	£250-300,000	Over £400,000 raised. £250,000 spent on fees (Newton Heath). £10,000 on standing order p/m. £100-150,000 to raise by December 2011
Manchester City Council	£550,000	£750,000 allocated to project, awaiting Executive sign off pending planning decision. £200,000 contributed to fees to date. Decision December 2011.
Sport England (Iconic facilities fund)	£750,000	Stage one approval given. Funding approval December 2011
Football Foundation. Stadia improvement fund	£150,000	Decision March 2012
Football Foundation. Community facilities fund	£500,000	Decision March 2012
Identified funder	£300,000	Confidential at time of publication: decision due November 2011
Other funding TOTAL	£400,000 £4,500,000	Exploring various sources

Our unique approach as a football club and the amount raised through this share offer is a significant factor in securing the backing of public bodies for this project and we are asking for your involvement and support in making it happen.

We are asking for support from all those who share our vision and belief that a football club set up by supporters, owned and run by supporters and committed to wider community development can be both socially successful and financially sustainable. Joining us in this will help to create a legacy in Manchester for future generations and help re-shape how football more broadly is organised and financed.

6. The Community Share Issue

FC United is the first football club to issue 'Community Shares'.

Community Shares are shares issued for a community purpose. The concept has been developed through a joint initiative of the Development Trusts Association and Co-operativesUK with support from the Department for Communities and Local Government and the Cabinet Office.

We have adopted principles which they have established for share offers of this kind. The words "Community Shares" do not, however, have any legal meaning and your rights if you buy Community Shares in FC United are those set out in this part of our offer document.

The Community Shares we are issuing are Capital Funding Shares issued by the Board as permitted by our constitution. The terms which the Board has approved for the shares are as follows:

- 1.** The value of the shares is £1.
- 2.** The shares can only be bought and held by members of FC United who are 16 years of age or are a corporate body or firm. They are not transferable. No voting rights attach to the shares.
- 3.** The minimum purchase of shares is £200 and the maximum is £20,000.
- 4.** Unless extended by the Board, this offer is open from November 1, 2011, to December 31, 2011.
- 5.** Interest up to 2 per cent per annum above clearing bank base rate may be paid on the shares with effect from the third anniversary of the date on which FC United takes occupancy of the completed stadium site (but not for any period before that date) subject to the following conditions:
 - (i)** Any payment of interest must be from trading surpluses and is at the discretion of the Board having regard to the long term interests of FC United, the need to maintain prudent reserves and the society's primary commitment to community benefit;
 - (ii)** The Board may, having regard to the principles set out in the preceding subparagraph, pay no interest or interest at a rate lower than 2 per cent per annum above clearing bank base rate.
- 6.** The shares are withdrawable with effect from the third anniversary of the date on which FC United takes occupancy of the completed stadium site subject to the following conditions:
 - (i)** Applications to withdraw shares will be made on a form to be approved by the Board. The form will set out the timetable and procedure to be adopted by the Board in deciding whether to permit withdrawals and in deciding where necessary which withdrawals to permit;
 - (ii)** All withdrawals must be funded from trading surpluses and are at the discretion of the Board having regard to the long term interests of FC United, the need to maintain prudent reserves and the society's primary commitment to community benefit;
 - (iii)** The Board will not permit more than 10 per cent of the total value of the shares issued to be redeemed in any financial year.
- 7.** On the solvent dissolution or winding up of FC United, holders of the shares will have no financial entitlement beyond payment of outstanding interest approved by the Board and repayment of paid-up share capital.

6.1 Membership

Everyone who has Capital Funding Shares will need to be a member of FC United.

Due to the fact that the shares do not carry extra voting rights, the One Member One Vote principle of the club will remain absolutely sacrosanct. Whether investments are small or large, everyone will have an equal say. The full rights, role and responsibilities of members are set out in the Rules of FC United which are available at www.fc-utd.co.uk but the following points are drawn to your attention:

- Under the terms which apply to Capital Funding Shares you must be and remain a member of FC United for so long as you hold the shares
- **If you are an existing member** you need to provide your membership details on application
- **If you are not an existing member** you need to join at the time of application. The first £1 of the annual membership fee will be used to buy an ordinary share in your name
- Members are required to pay an annual membership fee which is agreed by a members' vote and payable each year
- If you fail to pay the fee you may cease to be entitled to member benefits

The minimum share purchase of £200 has been set at what the Board considers to be the minimum amount possible given the administrative costs of the share issue. If you cannot afford the minimum investment you are asked to contact the club. For more details see www.fc-utd.co.uk/CommunityShares

If you would like to invest more than the maximum £20,000, please contact the club to discuss other options we have.

The offer set out in this document is only open to UK residents. If you live abroad and would like to buy shares, please contact the club. If you live abroad and bought shares in the previous scheme, please include a note to this effect with your application.



6.2 Moratorium and provisions for repayment

A moratorium of three years on interest payments and withdrawals of shares has been set in order to help the important early stages of the development and to ensure the sustainability of the club.

The Business Plan envisages that by the fourth year of occupancy of the site, we will have built up the reserves needed to pay interest and permit the withdrawal of up to 10 per cent of the Capital Funding Shares per year from Year 4. It is, however, fundamental that, before making payments to shareholders the club delivers the community benefits which are the reason for its existence. A summary table for the net profit and loss is provided below, indicating the hugely positive impact that this development will have on business sustainability.

	Year 1	Year 2	Year 3	Year 4	Year 5
Turnover	£871,956	£932,127	£1,014,003	£1,068,426	£1,140,530
Overheads and cost of sales	£694,574	£749,763	£785,661	£823,354	£862,932
Sinking Fund	£45,000	£45,000	£45,000	£45,000	£45,000
Operating surplus	£111,382	£137,364	£183,342	£200,072	£232,598
Post tax profit	£82,219	£100,878	£134,970	£152,742	£175,393

This creates an overall post tax surplus of £646,202 over the first 5 years.

Share repayments begin in Year 4 at a *maximum* of £160,000 (10 per cent of total share capital). With another repayment at the same level in Year 5 and 6 (a total of £480,000) as well as potential dividend payments in Years 4 and 5, this allows a cushion of £130,000 in projected surpluses.

An indicative table below shows how this provision for share repayment might be accommodated within the cash flow. More detail is provided in the Business Plan Summary.

	Year 1	Year 2	Year 3	Year 4	Year 5
Provision for community shares repayment	£70,000	£80,000	£100,000	£110,000	£120,000
Potential dividend payments				£30,000	£30,000
Retained profit/loss	£12,219	£20,878	£34,970	£12,742	£25,393

6.3 Asset lock

The constitution of FC United contains a statutory asset lock which cannot be removed by members' resolution and which restricts the ability of the society to use or deal with its assets other than for the benefit of the community. In particular:

- the only payments which can be made to members are the value of withdrawable share capital or interest on withdrawable share capital
- the company's assets cannot be transferred except to another organisation whose assets are similarly protected.

This means that the value of the club's assets, including its interest in the stadium is secured for community benefit and cannot be 'demutualised' or cashed in. This reflects the club's commitment to its purpose and the basis on which the Capital Funding Shares are being issued.

6.4 Tax relief benefit

Our share issue has been given advance approval by the HMRC Enterprise Investment Scheme (EIS). Subject to personal circumstances this allows individuals to claim tax relief of up to 30 per cent on the amount that they purchase in the share scheme. Benefits will depend on personal circumstances and you should seek professional advice. However, this is a potentially very significant benefit to those buying shares as you may be able to claim £150 back for every £500 shares bought.

7. Contingencies and risks

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Society's plans, goals and prospects. The Society's actual results and operations could differ materially from those anticipated in such forward looking statements as a result of many factors including the risks faced by the Society which are described in this section and elsewhere in this document.

These statements and the assumptions that underlie them are based on the current expectations of the Board and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual results will not differ materially from those described in this document.

7.1 Offer timetable

The offer period will be from November 1, 2011, to December 31, 2011. The Board of FC United may close the offer before this date or extend the offer beyond it.

7.2 Development timetable

Given that Planning Permission is now secured, the timetable for development is dependent on securing other funding and finalising lease and licence agreements. There are three potential scenarios:

Scenario 1 – Best Case: Lease agreement with Manchester City Council, planning permission and all funding secured by March 2012. Build starts March 2012, completion November 2012. Trading commences November 2012.

Scenario 2 – Medium case: Lease agreement with Manchester City Council, planning permission and funding secured late Spring 2012. Build starts Summer 2012, completion Spring 2013. Trading commences Spring/Summer 2013.

Scenario 3 - Worst Case: Failure to secure lease agreement and/or funding. In these circumstances the project does not proceed and the funds raised will be dealt with as set out in the section overleaf headed “Provisions”.

7.3 Risks

There are a number of risks associated with the development of the project. They are set out as follows with suggested mitigation/comment:

- i.** Failure to agree a lease with MCC and MJFC. Highly unlikely given close working relationship, existing commitments and existing Heads of Terms agreements.
- ii.** Legal challenge to the project. All provision possible has been made to avoid this and any challenge may delay but is unlikely to prevent the project proceeding.
- iii.** Funding targets are not met. Potential to delay start of project and pursue alternative funds.
- iv.** Costs over run. Unlikely given close costing of project to date. Construction costs will be confirmed following tender process by the end of November 2011

There are also risks for those buying shares in the ongoing operation of the development once constructed:

- 5.** The running costs of the stadium being higher than anticipated and in excess of those budgeted and/or the projected uplift in revenue from the stadium project does not materialise. The Business Plan has been estimated on a very conservative basis and is based on extensive knowledge and research of similar operations.
- 6.** A failure to deliver the community benefit outputs. The club has an extensive track record of delivery of community benefit and we have in place several checks and balances to ensure that community benefit on this site is a priority and is regularly evaluated.

7.4 Provisions

Funds raised via the share issue will be held in an Escrow Account until sufficient capital has been raised and other conditions have been met for the project to proceed. Funds will not be transferred into the club until the project can go ahead.

If lease, funding targets or other conditions are not met by March 31, 2013, and the project is delayed, refunds from the Escrow Account will be available should investors wish. These will be subject to an administrative charge of 5 per cent. Progress reports to all those supporting the development will be issued as and when appropriate.

8. Board and development team

8.1 FCUM Board

The board of FC United is democratically elected by the members. It is served by Andy Walsh (General Manager) who is in overall charge of the project and Lindsey Howard (Club Secretary). The Board of FC United has extensive expertise within its ranks. and members are:

- Dr Adam Brown - Director, Substance social research company
- Alan Hargrave - Head Teacher, Gorse Hill Primary School, Manchester (retired)
- Martin Morris - Corporate Account Manager for a global contact centre software company
- Steve Pagnam - Co-director, European Tubes Ltd
- Phil Sheeran - General Manager, Cardiff International Arena
- Mike Sherrard - FSA registered Independent Financial Adviser, Sherrard Financial Management
- Julian Spencer - Senior Advice Worker, Rochdale Borough Council
- Alison Watt - Operations Manager, SHOT (serious Hazards of Transfusion), NHS Blood and Transplant
- Rob Nugent - Finance Manager, ANS Group
- Chris Hammond - Prince's Trust TEAM Programme Manager - North West
- Paul Farrell - MD of McGarry Memorials (Manchester) Ltd

8.2 Project Board

Adam Brown and Andy Walsh sit on the stadium Project Board along with FC United members Barbara Mcoughlin and Dominic Sagar. The design team working with the Project Board includes professional expertise as follows:

- Frank Whittle Partnership: Rob Hughes, Nick Wiley, Daniel Thompson
- Taylor Young: Alan Simpson, Stephen Hughes
- Scott Hughes Partnership, Ian Scott Hughes, Kris Clark
- Ludlam Associates: Kath Ludlam
- BCM Consulting: Brian Morris, Andy Ringland, Ryan Began
- Singleton Clamp: Jim Budd

9. Supporting Documents

A number of supporting documents (including all those specifically mentioned in this document) are available at www.fc-utd.co.uk or on application to Lindsey Howard at the club. These include:

- Summary Business and Community Use Plan
- Guide to Buying Community Shares
- Planning application documents