

APPENDIX
PROPOSAL ON THE REORGANISATION OF CUFC HOLDINGS LTD AND CARLISLE UNITED AFC (1921) LTD & INTRODUCTION OF UP TO £1,250,000 OF NEW EQUITY INTO CUFC HOLDINGS

1.0 First Steps

1.1 Major loan (from Andrew Jenkins) to be converted into new equity (details below)

1.2 Trust – 25.4% stake provides a disincentive to new investment. Hence we have been asked to agree to a dilution to our holding, to drop to 10% but no lower, by way of protection in a revised shareholders' agreement. The aim is to provide the trust with a platform to widen its reach to the supporter base as a whole and have the official backing of the club.

2.0 Purpose of New Proposals

2.1 To put the football club on a stronger financial footing and to secure the football ground, the ground will pass into the control of Holdings. Holdings will be governed in a way that protects both the finances and assets of CUFC.

2.2 All monies raised in the new share issue will be held by Holdings and managed by a committee of the board with the aim of managing CUFC cash flow year to year whilst investing in long term projects that will benefit CUFC. The intention is to keep these funds intact wherever possible.

2.3 A revised shareholders' agreement will build in protections for the future. Certain key matters relating to the ground and funds raised will require a 75% majority of the board/ committee/ shareholders.

2.4 The board committee would act as 'trustees' for the ground and all funds raised. Committee to consist of A Lapping, AN Other (another investor), J Nixon, A Jenkins, Trust rep (currently N Steel) and a new independent chair of both Holdings & the committee. Our rep would continue to be elected by the membership.

2.5 CUFC will be granted a lease on the ground on a peppercorn rent. CUFC will run all financial aspects of the club and maintain the stadium, as they do at present. A new CUFC operational board will be appointed which will not consist of anyone who sits on the Holdings board. The Trust are negotiating a process to have a representative attend all operational board meetings, without having a full board member. The constitution of CUFC will not change.

2.6 A new CEO/MD of CUFC will be appointed, a process expected to take 3-4 months. A new marketing director will also be appointed. Both of these will be salaried positions.

3.0 New Share Issue

3.1 Holdings to have a share issue with a view to raising £1,260,000 – primarily from local investors. Approx. 2,800,000 new shares to be issued.

3.2 Equity in Holdings post completion will be:

New investors	45%
AJ/JN/SP	45%
The Trust	10%

	100%

4.0 The Football Ground

4.1 The ground to be held by Holdings who would then hold it akin to a trust asset.

4.2 Holdings owns approx. 93% of shares in CUFC. If ground is to be transferred to Holdings, remaining 7% shareholders must be consulted. They would be encouraged to invest in the share issue. A full review of CUFC's share register to be undertaken and removal any dormant or dead shares.

4.3 Ground would then sit security free unless the committee could see long term advantage to the club by granting security at some time in the future.