

Proposed Loan to York City Football Club

Additional Comments from Walker Morris

Following receipt of the Deloitte Report we offer the following comments for consideration by the City Council in addition to the points we have previously raised or commented upon in correspondence and at our meeting with you.

Persimmon

The release of the Persimmon control over the disposal of the Bootham Crescent Site requires the obtaining of satisfactory planning permission the costs of which I believe will fall to the City Council. If as an alternative the City Council is minded to seek to secure the release or variation of these controls Persimmon will most likely require payment. Neither of these appear to have been factored into the equation.

BCH

In addition to the need to review possible minority shareholder controls and securing the agreement of BCH as a separate entity to the overall package of proposals, we have previously mentioned that there may be additional monies outstanding against BCH although we understand from Deloitte that they believe such monies to be relatively modest.

Corporate Documentation

We have not reviewed the corporate documentation associated with YCFC or BCH at this stage and in particular offer no comment on the possible impact of the York City Supporters Trust interest which of course can operate to occasion delay and potentially frustrate the objectives and timetable of the City Council.

If the City Council is minded to proceed this is a matter that will require further detailed assessment of this latter aspect as well as the extent to which YCFC can exercise control over BCH to secure the reinvestment of net proceeds in the proposed new stadium.

YCFC

One of the key risks is the insolvency of YCFC as a result of creditor action/withdrawal of support by JMP at any time up to and including the commissioning and operation of the new stadium and the extent to which this will affect YCFC's ability to enter into any ground sharing agreement or pay any rental for such and related to that the City Council's perspective on whether this risk affects its confidence in embarking upon this route.

Funding of the Community Stadium

The nature of Persimmon's control over the site also means that the new community stadium will need to be forward funded (presumably by the City Council) without any assurance that there will be sufficient receipt from its sale.

The Football Foundations agreement to funding will need to be carefully scrutinised as its principal focus is to fund league rather than non-league football ground improvements.

The City Council will need to be satisfied that it can obtain vacant possession of the Huntington site if the proceeds of this site are critical for funding the new stadium.

We note that the Deloitte Report does not address Tax issues - we comment that there may be adverse tax consequences for BCH arising from the sale of the site and generally which have not been factored into the assumption as to what net proceeds may be available for investment in the new stadium.

Conclusion

It is clear that there are a number of features that may adversely impact upon the deliverability of any decision to proceed to implement a new community stadium and in connection therewith to enter into a range of ancillary arrangements including the possible loan funding of YCFC and agreements with other parties including the Rugby Club, the Athletics Club, the Football Foundation.

If the Council is minded to proceed it may wish to consider whether it should allow a period of time within which clarity can be obtained from interested parties as to whether the overall objective is capable of being realised. This may also need discussion with Persimmon. The likely process might envisage time within which the City Council approves costs estimates associated with the provision of the new stadium, its scope and operating parameters and future revenue costs. Additionally, a full appreciation of the downside risks that might arise once any financial support to YCFC had been committed. Also, agreeing Heads of terms with interested parties around a timetable and scope that give much greater confidence that any financial support from the City Council has much greater probability of delivering the overall objective

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