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Cc: The Chairman <DP@allvey.fsbusiness.co.uk>

Subject: Strictly Private and Confidential

Dear All,

Further to our Director's meeting on Saturday, as authorised, I continued negotiations with Wasps last night. I met with the Owner Steve Hayes and his advisor Jim Clifford who is a corporate finance partner for Baker Tilly; his advisors.

At our meeting on Saturday after the match, we agreed that with the "golden" share in Premier Rugby Ltd ("PRL") being externally valued at £3.6m, that any deal around £3-£3.6m would if possible, represent extremely good value to acquire a Premiership Rugby Club and relocate them to Coventry, recognising also that there was an outstanding £1.5m loan and some negative pre-transaction cash flow that had to be factored in to any deal.

The challenge arising during the negotiations was that the owner was seeking £2m down and £3m deferred or, £3m down clean purely for his "ownership".

With a £1.5m loan from Close Brothers securitised against the PRL shares and circa £1m cash flow requirement between April and June 2012, our budget of £3.6m would only leave circa £1m in the pot for Steve Hayes the owner, to obtain the PRL share.

Where we have got to (after about 5 hours last night) was a potential compromise deal structure as follows:

A newco is setup that purchases the following assets from the current wasps company:

1. Wasps brand name intellectual property.
2. The player registrations.
3. The PRL shares and contracted revenue streams from RFU and PRL.

The consideration paid by Newco to acquire these assets would be £5m for 78% of Newco with the current owner retaining 22% of Newco.

£4m would be payable by Newco's shareholders immediately with a further £1m deferred over ten years at £100k per year to be payable to Steve Hayes by Newco itself.

Steve Hayes's residual 22% of Newco (or convertible loan stock, whatever is simpler) would have a fixed value of £1.5m that could only be exercisable as a "Put" on the basis that Newco achieved an annual free cashflow target (to be agreed but circa £1m-£1.5m pa) that would then in effect only be payable by Newco itself (and not its shareholders) out of its own free cashflow and only then over a 3 year basis ie £500k a year over 3 years and only if the company can afford to pay it.

So in effect, the deal would start with a Newco being set up on a 50/50 shareholding basis with ACL's shareholders contributing £2m each.

The challenge is timescales, and to achieve the above and to give us enough time to launch and relocate the new club to Coventry in time for a September 2012 season start, after our very preliminary discussions on Saturday, I would like to propose the following "starter for ten" for the "How?"

1. End of March 2012 (Their ideal is 23rd): Exchange of contracts for the asset purchase with £1m paid (to cover the April to June cashflow). This would be funded by AEHC cash of circa £750k and ACL cash of £250k (as long as returned prior to May 13 to avoid a covenant breach).
2. July 1st formal completion: CNR loan Newco £3m to enable completion.
3. At some point in future, AEHC to convert an investment from elsewhere of £1.25m into newco equity topping up their investment in total to £2m.
4. At some point in future, CNR convert £2m of their outstanding £3m loan to Newco into equity in Newco.
5. Newco then repays £1m loan to CNR and £250k bridge to ACL.
6. ACL then has a contract to operate and manage future cashflow of Newco.

I think overall, this still represents an outstanding opportunity for both Ricoh Arena and the City of Coventry to bring Premiership Rugby to Coventry. I now need the Director's and Shareholders of ACL to confirm the direction of travel to enable us to achieve an "in principle" agreement with the owner by ideally close of play tomorrow night, with ACL then committing funds to legals and due diligence on the assets that are being acquired asap to enable an exchange during March.

I am very cognisant that this a rapid timescale for which I apologise, but in effect we are very late to this table. The deal will still be subject of course to legals, due diligence and final Board approval but we need as a group to make a decision as to whether we want to pursue this.

Many thanks

Daniel

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