

## **SISU'S RESPONSE TO COUNCILLOR DUGGINS' RECENT STATEMENTS**

The recent statement by Councillor Duggins and Coventry City Council's open letter dated 26 March are highly misleading.

The position that the Club finds itself in is largely of Coventry City Council's own making. The Council is wrong in continuing to misstate the history of how the Club has got here, simplistic in continuing to suggest that all will be resolved if SISU were simply to sell up, and disingenuous in continuing to pretend it is interested in helping the Club develop a new stadium.

SISU and the Club have nothing to hide. They would prefer not to have to release another open letter, but in light of the Council's recent communications, they have no choice but to defend themselves against what are very damaging comments.

Councillor Duggins' statement to the House was riddled with errors. Here are just three examples of highly misleading things he said about us that are – on the basic facts – just wrong.

### **Heads of terms WERE signed with the Council – on 2 August 2012**

Contrary to Councillor Duggins' statement, SISU did sign heads of terms in 2012 with the Council on 2 August 2012. We attach a copy of them to this open letter not only to prove the point but so everyone is clear on what the terms might have led to. It is odd that Councillor Duggins doesn't remember, as he was deputy leader at the time.

Why did the heads of terms not lead to the exciting deal they promised? For reasons best known to itself, the Council decided, in August 2012, to cut SISU and the Club out of any deal, going directly to the bank to purchase the debt owed by ACL. This was authorised by the Cabinet on 3 September 2012. From documents that the Council had to disclose to us in the legal proceedings, it is clear now, that the Council never had any intention of furthering the heads of terms. One such example is enclosed email chain dated 18 August – just over 2 weeks after we had signed terms with the Council. They were simply never going to do a deal with SISU. In fact, they were only continuing the drawn-out negotiations with SISU in order to buy enough time to do their own deal with the bank. One possible explanation for this may be because ACL and its shareholders have been intent on bringing Premiership rugby to the Ricoh Arena since early 2012, as can be seen from the attached email dated March 2012.

### **There was no rent strike**

We are pleased that Councillor Duggins has at last acknowledged that ACL received over £850,000 from CCFC during March 2012-March 2013 (paid by the Club and from the escrow account belonging to Club). Why though does he continue to insist that the Club went on a rent strike in an attempt to distress ACL? This is obviously not true.

Indeed, documents that the Council were forced to disclose in the legal proceedings show that it was actually ACL, led by the Council's two directors, which was deliberately delaying any agreement on interim rent so that it could itself go to the Yorkshire Bank and show that ACL was struggling to pay its finance costs.

## **Proposals to acquire ACL**

Councillor Duggins is mistaken about our many offers and letters in respect of SISU's intention to acquire ACL. SISU was eager to acquire, but at every turn the Council has undermined a possible deal:

1. As we have shown, Heads of Terms were indeed signed with the Council on 2 August 2012.
2. SISU renewed its attempts to find a solution for the Club at the end of 2013. A meeting with Ann Lucas took place, letters were exchanged, with SISU suggesting the purchase of a freehold or long leasehold at ACL. Ann Lucas's response makes it clear – despite the veiled language - that she did not want to continue discussions with SISU and the Club.
3. At the time of Wasps' purchase, SISU offered to acquire Higgs' shares in ACL through the option agreement, but in reality Wasps' purchase was structured in such a way that the Club's option for the Higgs' shares was subject to the approval of Wasps. The attached extract from Barry Hastie's report to the Council of 7 October 2014 clearly shows the Council and Wasps' discussions in ensuring the transaction was structured to circumvent the Club's option for the Higgs' shares.

## **SISU's attempts to develop a new stadium**

Since the court-ordered mediation process in March 2018, SISU has attempted to work with the Council to develop a specific site for a new stadium. SISU retained specialist consultants in order to prepare and develop a proposal to acquire the land needed for the new stadium.

It is misleading for the Council to say that SISU has not been proactive.

SISU has provided to the Council four separate masterplans for the site. Yet, it has taken our advisors almost 6 months to get a meeting in order to discuss such a development. The Council's response times even to simple questions can be as long as six weeks, despite regular chasing.

The Council is the owner of the site in question. Councillor Duggins skates around this point referring only to the Council's position as planning authority. SISU is trying to engage with it as the owner of the target site. The Council, however, has dragged its feet for a year now and little progress has been made. If the landowner of the site – a site that would appear to offer many opportunities for re-development – is not interested in engaging commercially with SISU, then there is little that SISU by itself can do.

The Council is incorrect in asserting they have never blocked plans at Butts Park Arena. SISU's efforts to work with Coventry Rugby were stymied by the Council who had also attempted to insert a clause in the lease agreement to “specifically exclude professional association football or training associated therewith”.

## **A tenancy solution at the Ricoh is not viable under the current Wasps' structure**

The Council, and Councillor Duggins in particular, continues to peddle the wrong headed idea that if only the legal proceedings were stopped (and indeed perhaps SISU exited), then the Club's future would be resolved and everything would be rosy.

This is wishful thinking, and ignores the commercial realities that all football clubs and their owners must face.

For the Club to be competitive with other teams in the EFL, it needs access to and control of its revenues, both on match and non-match days. The Council's sale of the Ricoh Arena to Wasps has left the Club a tenant without control over its future at the Ricoh, and no access to these revenues.

Until that situation is resolved, the Club will always struggle to obtain sufficient revenue and will always be at the mercy of the owner of the stadium it plays at. This is playing out now in that Wasps have refused to extend the current licence agreement at the Ricoh. The Club (and SISU too) have no control over this (though it would seem commercially irrational for Wasps to forgo the considerable revenue that a renewed licence agreement with the Club would generate for it).

As an example of the unattractive commercial corner the Club finds itself in, only last week the boardroom and many hospitality lounges were unavailable to the Club on a match-day, despite it being an agreed fixture since last June. Result: more lost revenue.

Although the Club does now receive *de minimis* revenues from match-days (less than £100k), they are negligible in comparison to what other clubs receive so these are not, on any analysis, attractive terms. By comparison, before the Club left Highfield Road, it received at least £1.1million in commercial match-day revenues (i.e. non-ticket revenues).

We estimate that Wasps currently receive approximately £1 million in revenues direct from football club match-days, and a further £1million from other club-related revenues from the casino, sports bar, hotel etc. It is plain that any long term deal whereby the Club plays at the Ricoh as a tenant would lock it into significant commercial disadvantage, which in turn will severely limit what can be achieved on the pitch.

Is that what Councillor Duggins wants for the Club?

Contrary to what the Council states, the vital ability of the Club to access and control its match-day and non match-day revenues at the Ricoh was buried the moment the Council sold ACL – at a huge undervalue - to Wasps. In an ironic twist, revenue that Wasps makes from the Club playing there goes towards servicing the £35m retail bond that Wasps was able to obtain on the back of a post acquisition "revalued" Ricoh, annual interest totalling £2.275m.

### **Our ultimate goal has not changed**

What does SISU want to achieve? To provide the Club with a permanent stadium it can call home, with access to its own revenues and control of its costs. This has not changed. If not at the Ricoh, then at a new stadium.

In his radio interview earlier this week, Councillor Duggins was strident in his view that the "legals" are the block to everything and should be withdrawn, and that if SISU values the "legals" over the Club they should just sell up and go. For the commercial reasons stated above, that is wrong-headed.

In addition, Councillor Duggins' view is illogical.

Had the Council acted in a straightforward manner in its dealings with SISU and the Club, no legal proceedings would have been necessary. The Council (who incidentally would receive a £28m repayment of public money if SISU won its appeal) and Wasps hold the important cards in this game whether the legal proceedings continue or not. So it is disingenuous for the Council to say that all can be unblocked only if SISU drops its legal challenge.