Confidential

Club Purchase Proposal

J Coward, M Westcott, G Kruger, J Healy, M Parsons, A Forsyth.

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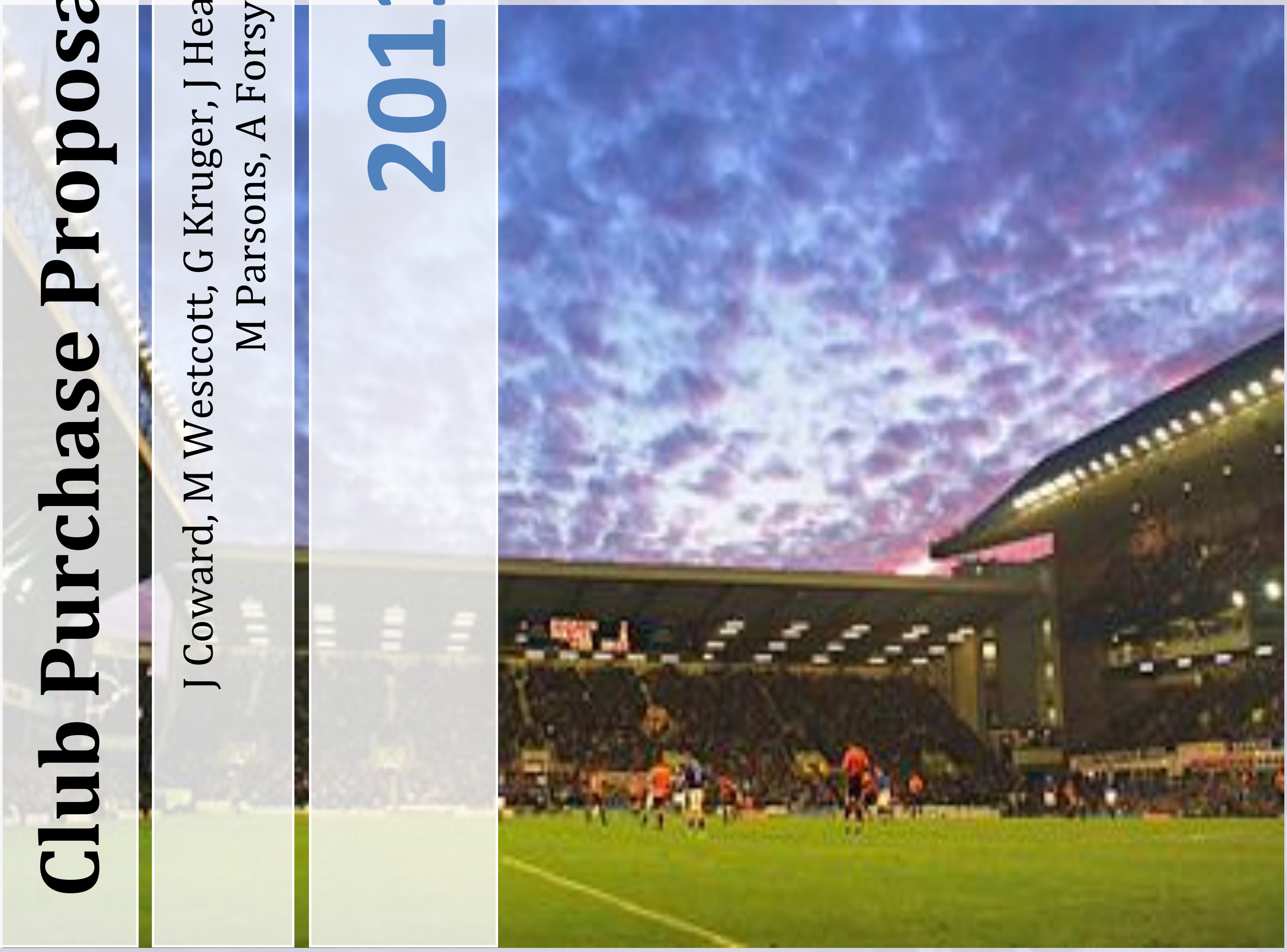


Everton Football Club : The People's Club Returns

returnofthepeoplesclub@hotmail.co.uk

CONTENTS.

SECTION 1

EVERTON FOOTBALL CLUB: RETURN OF THE PEOPLE'S CLUB BUSINESS PLAN

Preface

This plan is built by several founders of Everton Football Club: The Peoples Club Returns. We are building this plan as we believe the current shape of Everton Football Club is at a junction point. We hope with this plan we can affect change in the current system to allow the following.

1. Provide a stable platform for Everton Football club to move forward in both on and off the pitch plans.
2. Provide a Platform for a CEO and the club manager to progress forward as a business and a club.
3. To clear the debt of the current regime.
4. To provide a working capital each year to progress the club forward.
5. To provide ideas to an elected board.

Recent history has shown Everton Football club is the closest team to breaking the monopoly of the big four clubs. But with other clubs taking the leash they have moved forward, leaving us behind. Without our ability to be active in the transfer market, this has hampered the team, it has frustrated the fans. We are at the junction point that could define the very fundamental the club has lived in it's entire history. In this plan we hope to show how it is possible to move the club forward in all aspects of the club.

Everton Football Club has a long and glorious history; we have over come many obstacles in our history and have always been on the forefront of technology. But to be able to move forward then changes must happen.

The only way for the club to be open with it's supporters, for the passage of information and the clarity of the whole club is for the fans to own and manage the club. This is a passionate sport and passionate and historic club starting to fail. Breaking the hearts of fans. Don't wait for something that may happen become the change itself.

Introduction.

Everton Football Club has a long history, being one of the founders of the football league and founder of the premiership. I could give you pages of information of firsts, trophies and glory this club has had. But where do I draw the line. So I give this opportunity to you to research the history of the club. In essence Everton is one of the defining clubs of modern football. Creating the first ever purpose built stadium. We have had European success and lots more.

This plan is not designed to point finger to bad management of the club. I believe they have done the best for the club with what they had when they took over from Peter Johnson. It is designed to hopefully show a way to be able to progress forward. It will not be a fix overnight but a gradual transformation hopefully back in to glory.

Our current system has been to push the boundaries to get in to the champions league. A great idea and still clubs follow this golden trial. But as people have seen with out a cash rich owner this is not reality. We have come close several times but only ever managed to break in to it once being knocked out in the qualifying rounds. Because we kept trying year after year this has taken a heavy toll on our squad and finances. Having to sell most of the clubs assets. We have had to have a sell before we can buy policy. Now this is not bad in it self if the players do not fit or the money is right. But we can not keep going like this. Trying to take a step forward but falling 2 behind. The current board do not have the financial weight as most of the teams in the league but we still keep performing week in week out. Why. Heart, Passion and support.

This plan is devised upon several Everton supporters' research and commitment to the club. We have spent a vast amount of time researching fans take over's and more.

The most prominent being Barcelona. The most successful club in the world. Now dreams are to attain the height of that club. But reality checks. It depends on the fans. With the right environment the sky is the limit.

This plan is broken down in to several parts.

1. The investment fund, Gathering funds.
2. The investment fund, Running the fund.
3. Acquisition of the club.
4. Club employees.
5. Club income.
6. Club expenditure.

Even with Everton long and glorious history this COULD be the most defining part of our history. A part every fan should be able to grasp and hold a prayer to. One that could bring back glory to the club.

IF AT ANY PART THE CLUB IS TAKEN OVER BY ANOTHER PARTY THE FUND WILL VOTE TO CONTINUE ON WITH THE PLAN OR; CEASE TO TRADE. IF THE FUND CEASES TO TRADE AT ANY TIME FOR ANY REASON ANY FUNDS TRANSFERRED IN TO THE FUNDS ACCOUNTS WILL BE TRANSFERD BACK IN FULL. THE SOLE INTENT OF THIS FUND IS TO PURCHASE IN PART OR IN FULL EVERTON FOOTBALL CLUB.

The Issues.

Everton are stuck in an abnormal place. The current chairman has placed all he can into the club. There are several problems in this situation although the cloud is not black there does not seem to be a silver lining either. With out a rich person / family or business to come in then the chances are Everton will be in a very bad way and soon. To clear all the problems at once will take a large fund. This in today's world is not a viable option. The club has been up for sale for over 10 years with little prosperity coming in to the club. Thankfully the board have had the wits to refuse sale to some people. This leading other clubs in to financial ruin (Portsmouth). This we do not want to see at Everton. The main problems are.

1. The stadium is the one of the most expensive stadiums to run due to it's age.
2. The squad is very threadbare.
3. The debts are large.
4. Not enough income is coming in and too much going out.
5. There is no working capital for the club. Looking at that.

Broken down separately the club is not too bad. Compared to other clubs were in a better position but do not have the cash rich owners. The board have done all they can in seeking glory to attain more funds but have just lacked that final blow several time. Coming close to the Champions league, F A Cup glory losing in the final. I feel now is the perfect time to try and take the control back to the fans.

This fund will not solve all problems in an instant. But hopefully we can install a ground base to work from. Bringing in a stable environment to Everton FC is paramount. Providing the staff with a safe and constructive environment and removing worries will aid the team on the pitch and contribute to a better working environment.

The fund will not be able to tackle all the problems at first go, but we will work with the necessary parties to be able to construct a plan to move forward. If the plan to own the club happens then there are plans in this proposal to be able to make that happen.

In a quick summery we need all Everton fans to do more than the majority. Take one step beyond there lives and take control of the club.

You may wonder if this is a new venture but no. There are many clubs that are becoming owned and run by there fans. Wimbledon FC moved there base to Milton Keynes, the fans clubbed together and bought the old stadium and are now close to being back in the football league. Bournemouth football club are fan's owned. The chairman stated if the fans could get together they could have the club at a discounted rate due to him wanting the best for the club. In a matter of months they owned the club.

Now you are thinking that there small clubs. They are, and should it should be easy to attain the funds to buy them, and in reality your right. Lets look at the Biggest club in the world. No not Manchester Utd but Barcelona. You may ask why, but they are now fully owned by the fans. 170,000 of them. It works well very well the most successful football club in Europe. One of the biggest grossing club in the world and a pinnacle of management and players.

Now it will be hard to get there but they did it. Like this fund, they decided time had come and the fans wanted to get together to buy there club back from the owners. The created a fund and slowly bit by bit bought the club they loved. I would like to say that is it. But in reality it is more than that. The board gather ideas from it members as to what can be done to improve the club. They voted in favour last year to have a charity on there shirts, Charging the gross amount of £0. Yes free. They built their training facilities so fans could watch. Members can get to watch for free, some people have to pay around £5 to watch. Not only that the fund paid for the training facilities well 80% of it, the rest by the club.

The statues that are attached to this document are based on how there fund is run. They pay around £150 per year and this gets used to run the fund and help Barcelona football club. As they say it is more than just a club it is a family from the ground up. They took their time and had patience and bought the club bit by bit. Being one of the largest clubs in the world it would take time. To be a part of it there are no regulations any one can be a member, but to be able to make changes in the club you have to be a paid member of adult age.

There are a lot clubs fan based owned, over 10 in the football league UK. It is becoming a more common practice in modern football. So it does work. These clubs have started to gain the benefits of being fans based. Having the chance to hear your voice heard in your beloved club, the ability to change how the structure works. No I am afraid you will not be able to pick the team next week.

Like the Barcelona fund this started in the same way. A few fans having a discussion, then putting things down on paper. Leading us to where we are now. On the brink of greatness or falling to nothing………. It is up to you.

SECTION 2

1. The investment fund, Gathering funds.

Always the hardest part is convincing people to part with there hard earned cash. I know this will be the biggest problem but I hope to show you a structured way for the club to move forward.

Our plan is to create an investment fund. The sole purpose of this fund is the ownership of Everton Football club in part or in full. This may take a few years depending on the success we have. WE would like to be able to fully take over from day one but this fund is not design to only access that way. We would like to be able to purchase 100% of the shares at day one but this plan would also work with up purchasing part of the club with the idea to purchase the rest of the shares over time.

There will be two steps for the following break down.

1, The investment fund Pre offer

2, The investment fund Post offer

We have split this as the fund will run slightly different during these two periods.

1, The fund as mentioned is going to be flexible. We want every one to have the option to have input in to the fund. So this first part will be designed as one time investment period. This means you can put in what you want. This period may be 6 months or a couple of years. This depends on you and the rest of the investors. You can invest as much or as little as you chose. The investment will not be taken straight away (unless you choose to) but on the 'PROMISE' you will release the funds when we are in the position to make an offer for the club.

You will also be asked if you wish to join the club as a fully paid member this will be discussed in the post offer part.

The lower limit is not the minimum you can put in to the fund or the maximum. It is a rough guide to what is available. Minimum investment shall be £500 a lot to most people. The fund will not be active from day one but it will set out contracts to be signed to release the funds at such a time the fund will be in a position to start negotiations with the current owners. Most likely to be around the £100 Million mark. There will be several levels to the investment fund providing greater chance to achieve our goals.

Please note the fund will not ask for funds until the time were in a position to achieve of main goals. You may wish to transfer the funds sooner this will be adhered to via a contract.

Investment of.	Benefit	Merchandise	Standard
£500 - £2500			Welcome pack, Stadium Tour,
£2501 - £5000	Shirt	5% Reduction	Welcome pack, Stadium Tour,
£5001 - £10,000	Signed Shirt	5% Reduction	Welcome pack, Stadium Tour,
£10,001 - £25,000	Home & Away signed shirts	10% Reduction	Welcome pack, Stadium Tour,
£25,001 - £100,000	Named plaque in the Stadium	10% Reduction	Welcome pack, Stadium Tour,
£100,000 and over	Named plaque in the Stadium	15% reduction	Welcome pack, Stadium Tour,

As advised if you chose to invest in this opportunity then a contract will be drawn up for all parties to sign. This will include the following.

- Our statement to use the funds only in the purchase, investment in to Everton football club. Not for our own use in any manner.
- Shown details of both parties to include contact details, amount to invest ETC
- Our agreement to not take the funds but to give you 60 days notice
- 60 days notice if for you to transfer the funds in to the account as we will be in a position to start negotiations. Please note if this transfer fails in any mean then the agreement will be voided and your inclusion in the fund may be withdrawn.

2,

Once the club has been in full or part purchased by the fund the second phase will start.

Replacing the investment stage will be a yearly subscription fund. All members will then only pay a yearly subscription of £240 (dividable by 12 of £20 per month). If estimations are correct we can achieve EST. 100,000 subscriptions per year. Giving the fund and estimate of £24 million per year to add to the capital of Everton Football Club. One off payments and monthly subscriptions will be available to all members. Only members **who** pay the subscription fee will be able to have input in to the club and be able to vote at all fund discussions. People will still be able to invest as much as they wish in to the fund but the lower cap is £240 per year. Honourable members and select individuals will be exempt from this fee due to the nature of there work.

Please note as with the fund's first major discussion period will be a MAX one year after completion of purchase of part or full of Everton Football Club. This will be to elect the governing officials of the club. This will follow the guidelines attached in the statues document attached. These will only be elected from fully paid members of the fund, and only members of the fund can vote.

2. The investment fund, Running the fund.

We believe that the club should be run by the fans. The founders have discussed the best way for this to happen is to run the fund till a purchase in part or in full. One year from this date, in accordance with the statues. Elections will be held to vote in to office the president, Vice President, Secretary, Vice Secretary, Treasurer, Vice Treasurer and elected board members. This will work in allowing the fund to receive first yearly subscriptions to ensure elected people are current members in to the roles.

We have drawn up the statues for the fund which is very closely modelled on the way the Fans manage the Barcelona fund. So we know this works. A copy should be included in this pack. If it is not included in this pack please contact one of the original members there details are in the Appendix of this document.

Once the board members have been elected then the fund will continue with the statues are regulation to there governance.

During the fund's involvement with the club members are allowed to discuss matters to move the club forward, to advise on situations. The fund will have no direct control over the team, selection, transfers etc. The fund is to be structured to provide support to the club in any way possible. This will be along the line of supplying funds for transfers, new training pitches ETC.

If you invest in to the fund all members will receive a welcome pack(this will include club rules and regulations, fund rules and regulations, information about the fund and it's members, Members card and other related information), a stadium tour.

The fund will not only be governed by it's own rule's and regulations but the rules and regulations of the Football Association, Fifa and the country's law they reside in.

3. Acquisition of the club.

When the fund achieves it's goals we will contact all investors to transfer the funds, when clarification to the amounts then we can start negotiations with the club.

- Barclays bank have recently valued the club at £80 million
- Debts are est. around the £40 - £55 million mark (this includes the overdraft
- New stadium is estimated to cost up to the point of £250 million
- Working capital would need to be around £20 million
- Playing squad investment would initial be around £30 million
- Purchase of Finch Farm around £10 million
- TV Channel costs to be around £50 million

In total this would be around £500 million. This were not going to reach. Items like the stadium can be removed from the initial plan as this will need a lot of work and planning to succeed. Even investment in the playing squad and Finch farm can be held back if required to use the fund more effectively. The main priority will be to Buy in part or full the club and clear the debts and have some working capital. This would equate to around £150 million. A lot easier to achieve. With the fund's design the other aspect that need addressing can be achieved in time with an EST. 100,000 fans paying the £240 per year fee is £24 million per year extra the club could have access to.

SECTION 3

We as the starting members would like to be able to keep the current structure of the club for the foreseeable future. I would like to believe all members of the club have the best interests of the club in there heart. But after the interim period to elect the funds governing members this could be discussed. We would hope that if we could purchase the club in part of in full that we could take the pressures off the executives, manager, staff and players. Allowing them the confidence to push the club forward and in time back to the glory days.

I do not believe the club would need re-structuring in any way. Please see later for increasing income and decreasing expenditure for more clarification to aiding the club financially.

4. Club Income.

Current plans to increase revenue in to the club will not at this time affect ticket pricing in any form. This will be for the board and it appointed members to discuss after the election period. The plans held here are to look at brining extra cash flow in. Ideas are

- To look at sponsorship the influx of sponsorship funds will be vital to Everton Football Club. Incentives will be looked at to increase sponsorship revenues by Virtual selling, Training kit sponsorship, megastore retail revenue and match day options.
  - Virtual Selling (this will work in conjunction with Everton TV, You see this more comman in Amercian sports areas on the pitch I.E. 18 yard area's, centre circle can take a print of a sponsor's logo.
  - Training kit, Manchester have just sold the rights to sponsor the training kit which differs from there main kit. With this to increase viewing can be introduced on the TV channel and DVD's in such a format as 'Training with the Pro's' ETC
  - Sponsorship of the kit and ground can be looked at in more details. Finding ways to bring in more or higher rates.
  - Megastore to be looked at in more detail to increase range and P&P offers
- Finch farm options to bring this back in to Everton Football Club ownership. At this time Finch farm is a rented option for the club. This was in line with Everton Football club wanting the best facilities. With the lack of funds the facility was built by another company which is now rented back to Everton football club.
- Creation of a Sky TV / Virgin Media channel. This is to work in partnership with several other ideas. But working on the Juventus plan of showing live matches via the TV channel thus putting our live football out to more world wide fans. With this in mind advertising rights can be sold for the channel as well as other options. Charging a monthly option to be viewed on Sky / Virgin options.

With these plans we aim to increase global options and reach for the brand of Everton Football club. Hopefully opening options in markets and countries not seen by English football. These are ideas the founding members have discussed. One the fund has been created and the governing members have been elected then the fund can provided ideas to vote on and progress through the clubs channels.

5. Club Expenditure.

As with every takeover there will be a major effort to stream line processes and finance. With this there are no plans to restructure Everton Football Club or make staff / players redundant. We need to build on what we have to move forward. We may have to re-think areas and how contracts are employed and the services we and the clubs affiliates are structured, with out affecting the business model. Items affecting this plan are the possible purchase of finch farm. This will have to be looked at in detail as current rent information will have to be compared to running cost ETC.

Stadium.

In a perfect world we will be able to afford this but plans will be made to look at future plans. Goodison Park is an old stadium costing more than most to run and maintain. This is mostly the part why Everton football Club are in the problems they are now. A stadium with a lot of partial view seats, costing more each year to run and maintain. Only reaching 80% capacity most games (Ave. 36,000) we will look to work with the current board for relocation sites. Looking in to possibilities of keeping it in Liverpool City will be the only option. A great city that has provided much for the club. Site like Bellfield will be investigated for potential re-location. The club and fund will have to look at this with a long term plan. Current stadiums like the new Juventus and Shalke stadium will be investigated due to there low cost (£100 and £120 million).

This will be one of the main problems the fund will have to manage from day one. But we will aim to work with all available options to keep the identity of Everton Football Club. Working with the council, local business and residents to aid the club. We will look at all options to refurbish and possibly relocate. This will not be a quick fix but if the fund is run effectively then with a continuous income the fund could potentiall afford a possible stadium with in a 5 – 10 year period if first projections are correct.

SECTION 4

Current Financial state.

While professing to provide David Moyes with “Every available penny”, the reality is that the level of funds for the manager had dissipated over the past few years. Indeed, the net spending has been in the negative over the past few seasons, adding up to £20 million sales proceeds. With respect to the board, they have broke the clubs transfer record three times between 2006 and 2008. First for Andrew Johnson £8.6 Million, Then Yakubu for £11.25 Million and finally Marouane Fellaini £15 million.

However, since then Moyes has had to sell to buy. Everton’s last major spurge came in the summer on 2009 as the proceeds from Joleon Lescott’s transfer to Man City. The purchase of Diniyar Bilyaletdinov £10 million, Jonny Heitinga £6 million and Sylvain Distan for £4 million. In terms of having to purchase the best all the time this is not a factor as Moyes has been very astute in the transfer market. Buying the likes of Tim Cahill, Mikel Arteta, Phil Jagielka, Steven Pienaar and Seamus Coleman for a combined £10 million. Well just shy of.

The lack of transfer activity has become more prominent in the last two seasons with only Newcastle spending less. In fact the three sides just promoted from the championship have comfortably outspent Everton. Closer to home, it must be especially gut wrenching that Liverpool have splashed out over £100 million on new players in 2011. In contrast, Everton have sold Pienaar, Arteta, Yakubu, Beckford and Vaughan. With only two noticeable loan signings of Royston Drenthe and Denis Stracqualursi.

There is one ray of light with the transfer market, with Everton keeping there most valuable player at the club till January at least. With the likes of Jagielka, Baines, Fellaini and co being watched by other notable clubs for the past few years.

Although Everton’s financial problems may not have attracted the media coverage of some other clubs, the fact is that their business model is bust. Essentially, their strategy has been to run the club at a loss every year in a gamble to achieve success and to fund this by steadily increasing their debt, but now the banks have stopped extending them credit.

Even with healthy turnover of £79 million, they reported a loss of £3 million. In fact, they have only managed to record a profit once in the last eight years; this was only due to the sale of Rooney to Man UTD in 2005.

Since then Everton have suffered a total loss of £30 million: 2006 £11 million, 2007 £9 million, 2008 Broke even, 2009 £7 million, 2010 £3 million. Over half of that has been due to interest payments, which have risen to £4.5 million in 2010.

As operating losses have increased since then, the importance of player sales becomes even more evident. The key point is that if Everton do not repeat player sales at the same level as 2010, namely around £20 million, then it is extremely doubtful that they will break even in the future. This is unlikely to be music to your ears, but that is the harsh reality.

Given the above, it might seem a little crazy that chief executive Robert Elstone said that this was "A healthy set of accounts", but in comparison with some other clubs, you can sort of see what he means. Everton are by no means the only football club that struggles to balance its books and their £3 million loss made them one of the better financial performers in the Premier league.

There were only four clubs that made a profit last season (Arsenal £56 million, Wolves £9 million, WBA £0.5 million and Birmingham £0,1 million). With that there was only one club that made a smaller loss than Everton, Blackburn Rovers. Half of the Premier league made losses over £15 million, while the loses at the clubs that finished in the top three places in 2010/11 were stratospheric; Man City £121 million, Man Utd £80 million and Chelsea £70 million. However, the difference between those clubs and Everton is their owners have largely covered there losses.

Everton's revenue of £79 million places them in a strange position. On one hand, this is the eighth highest in England and only one position behind Aston Villa, who enjoy the 20th largest in Europe, according to Deloitt Money League.

On the other hand, the problem is that their revenue lags way behind other major clubs. It's significantly benifits the "sky Four"(man Utd £286 million, Arsenal £224 million, Chelsea £201 million and Liverpool £185 million). These clubs regularly benefit from the champions league riches. So compared with the teams around Everton (Man City £125 million, Spurs £120 million and Villa £90 Million) with the gap expected to grow still wider when the 2010/11 results are published.

The other issue with Everton's revenue is that it is not growing. Elstone recently boasted "we have signed record sponsorship deals and hugely increased our income", but the reality is that any growth is almost entirely due to broadcasting revenue. This has risen from £28 million in 2007 to £50 million in 2010, but this has little to do with the club, being almost entirely due to the distributions from collective sale of Premier league TV rights.

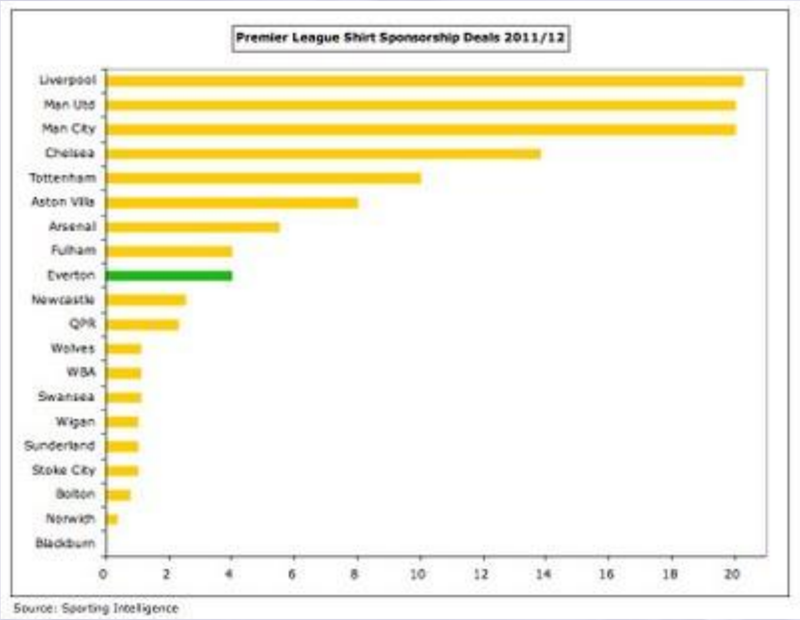
In 2010 Everton's TV revenue of £50 million was £43 million from the premier league plus £4.2 million for reaching the last 32 in the Europa league. The Premier league distribution has risen every time a new three year deal is signed, as can be seen by the substantial increase in 2008, and there will be a similar £7 million increase in 2011 to just under £50 million, mainly due to the substantial increase in overseas rights.

Although the money was not so high 20 years ago, the ban on English clubs following the Heysel tragedy has undoubtedly cost Everton dearly. In fact, in his own slightly chaotic fashion, Kenwright pinpointed this issue in his chat with the supporters, "You can see the problem in football. United, Arsenal, Chelsea, they get double out TV money, placement money plus Champions league."

Of course, that's not Everton's only problem, as can easily be seen by looking at their mach day revenue of £20 million, which is about one-fifth of Manchester United and Arsenal. Fair enough, their stadiums are considerably larger than Goodison Park, whose capacity is only 40,600. However, Anfield is not that much larger and Liverpool still earn more than twice as much as Everton. Even more striking is that Spurs generate nearly double Everton's gate receipts, though their ground is actually smaller.

Looked at another way, each home game at Everton produces less than £750,000, compared to more than £3.5 million at United and Arsenal, despite what Kenwright described as a "magnificent level of support." Average attendances have indeed held reasonably steady, though they did fall to 36,039 in 2010, but it's the lack of decent corporate facilities that has really hurt Everton's match day income, which actually fell £3 million in 2010 to £19 million. Even though there were three more home games, the previous season included a fair bit of money for the run to the FA Cup Final.

Although Everton have improved their commercial operations in the last few years, the revenue remains fairly feeble at £10 million. To place that into perspective, this is less than a third of Tottenham's £32 million. Although the club complained that it was difficult to compete commercially with clubs "regarded as having a greater international profile", such as Manchester United, Liverpool and Arsenal, Everton are surely at least as attractive a proposition as clubs like Spurs and Villa.

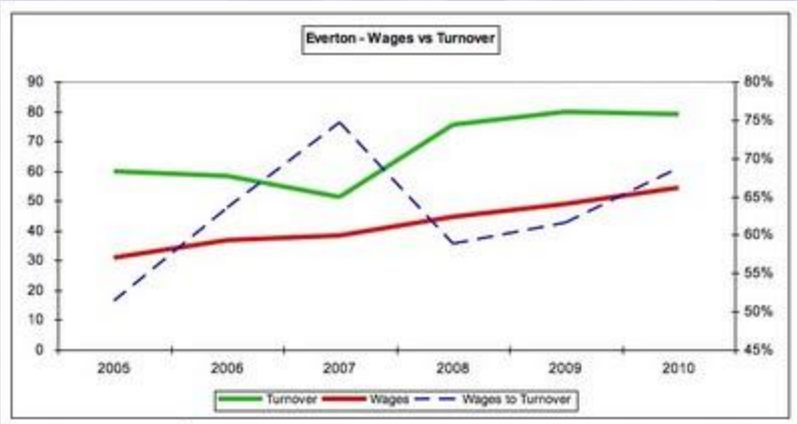


To be fair, the club outsourced its merchandising and catering operations in 2006 and its retail business to Kitbag in 2009, which means that their reported income is around £7 million lower than it would be if these activities were still in-house, but the relatively small sponsorship deals should still be questioned.

Everton have enjoyed a long-term shirt sponsorship deal with Chang Beer, which has been extended no fewer than four times, the latest running until 2014. This increased the annual payment from £2.6 million to £4 million (partly performance-related), but this is still only half as much as Aston Villa's new £8 million deal with Genting and a lot less than Tottenham's £10 million deal with Auresma. Of course, Liverpool and Manchester United are in a different commercial league altogether with their deals worth £20 million per annum.

The 10-year Kitbag deal is expected to generate more than £30 million over the duration of the contract. As part of the agreement, Everton switched kit suppliers from Umbro to Le Coq Sportif, the brand worn by the team during one of its most successful season in 1984/85, which should generate a further £3 million. This also led to the refurbishment of the megastore opposite Goodison and the

Everton Two store, which boasts the inspired address of "Everton Two, Liverpool One", as the latter is the name of its shopping complex location.



£ mlns	2005	2006	2007	2008	2009	2010
Turnover	60.0	58.1	51.4	75.7	79.7	79.1
Wages	30.8	37.0	38.4	44.5	49.1	54.3
Wages to Turnover	51%	64%	75%	59%	62%	69%

Like all other football clubs, the main reason for the cost growth is the wage bill, which has surged 76% (£23 million) from £31 million in 2005 to £54 million in 2010. This has caused the crucial wages to turnover ratio to rise during this period from 51% to an uncomfortable 69%, which is only just below UEFA's recommended upper limit of 70%, though it would come down to "only" 64% if the outsourced operations were included in the club's turnover.

Elstone commented that this "simply serves to underline our commitment to both signing the best available players and to securing the long-term future of those already at the club." In 2009/10 Everton effectively replaced one international player (Lescott) with three arrivals (Bilyaletdinov, Distin and Heitinga), so had to cover two new salaries plus the loan cost of Landon Donovan. In addition, there were new contracts for Louis Saha, Tim Howard, Jack Rodwell, Joseph Yobo and Phil Jagielka.

There's no doubt that it would be difficult for any club to remain competitive without participating in the salary "arms' race", a point that Moyes stressed in the summer of 2010, when he warned the directors that Everton risked losing their key players unless they broke the wage structure. This led to more contract extensions for Mikel Arteta, Tim Cahill, Leighton Baines, Seamus Coleman and Victor Anichebe. Arleta's salary alone was reported to have increased from £45,000 to £75,000 a week.

Wages - Premier League 2009/10			
£ mlns	Wages	Wages to Turnover	Wages League
Chelsea	173	82%	1
Manchester City	133	107%	2
Manchester United	132	46%	3
Liverpool	114	62%	4
Arsenal	111	50%	5
Aston Villa	80	88%	6
Tottenham	67	56%	7
Portsmouth *	65	108%	8
Everton	**54**	**69%**	**9**
Sunderland	54	82%	10
West Ham	54	75%	11
Fulham	49	65%	12
Blackburn	47	82%	13
Bolton	46	86%	14
Stoke City	45	76%	15
Birmingham City	44	78%	16
Wigan	39	91%	17
Hull City	38	81%	18
Wolves	30	49%	19
Burnley	22	49%	20

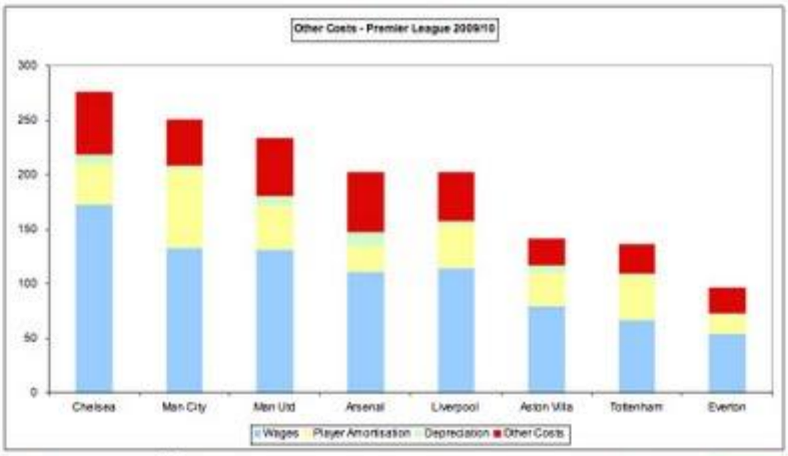
* 2008/09 Results

Note: Birmingham's wages pro-rated to give 12 months

In fairness, Everton's wages of £54 million are nowhere near the highest in the Premier League with five teams having wage bills more than twice that level: Chelsea £173 million, Manchester City £133 million, Manchester United £132 million, Liverpool £114 million and Arsenal £111 million. Other teams challenging for Europa League places also pay a lot more, such as Aston Villa £80 million and Tottenham £67 million. In short, Everton's wage bill could be described as mid-table, so any league placing higher than this should be considered a bonus.

The other aspect of player costs, namely amortisation, has also been rising – from £10 million in 2007 to £17 million in 2010. When a new players is bought, football clubs do not write-off the cost immediately, but instead book it onto the balance sheet as an intangible asset and write it off over the length of the contract, as the assumption is that the player would have no value after his contract expires, since he could then leave on a "free".

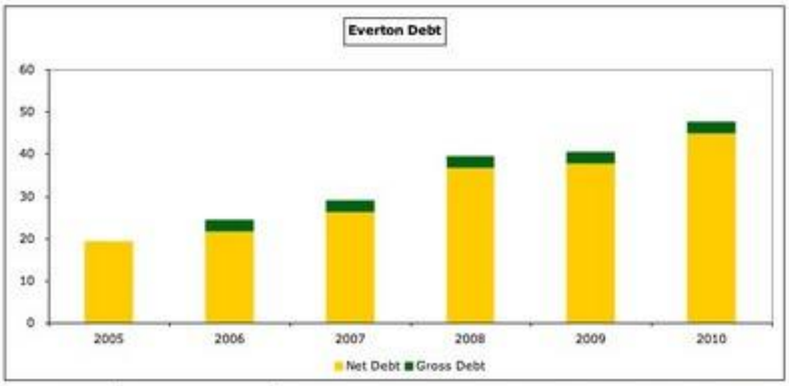
As an example, John Heitinga was bought for £6 million in 2009 on a 5-year contract, so £1.2 million amortisation is booked to the accounts in each of the next five years. Over time amortisation costs can have a real impact, which is what has happened at Everton. The 2010 charge of £17 million might be low compared to a big spending club like Manchester City (£71 million), but it's a lot in the context of Everton's £79 million revenue, though it's likely to fall following the lack of transfer activity.



£ mlns	Chelsea	Man City	Man Utd	Arsenal	Liverpool	Aston Villa	Spurs	**Everton**
Wages	173	133	132	111	114	80	67	**54**
Amortisation	38	71	40	25	40	31	39	**17**
Depreciation	9	4	9	12	3	6	3	**2**
Other Costs	57	42	54	55	44	25	27	**24**
Total Costs	276	251	234	203	202	142	137	**97**
Other as % of Costs	21%	17%	23%	27%	22%	18%	20%	**25%**
Revenue	210	125	286	224	185	90	120	**79**
Other as % of Revenue	27%	34%	19%	24%	24%	28%	23%	**30%**

Everton's other operating costs of £24 million are a similar level to Tottenham £27 million and Aston Villa £25 million, but they seem very high in relation to the size of the club. They represent 25% of total costs, only surpassed by Arsenal (due to the Emirates effect) among the leading eight clubs, and 30% of revenue, only below Manchester City, whose ratio will fall following their certain revenue growth.

The massive increase from £12 million in 2007 to £21 million in 2008 is unexplained, though it should be noted that theses costs averaged £17 million in 2005 and 2006. Part of the rise is certainly due to higher expenses at the Finch Farm training facility compared to Bellefield, but the lease here is no higher than £1.5 million. Kenwright did not exactly clear up the ambiguity of what is included here, when the Blue Union put the question to him, "When you say other operating costs what do you mean? I don't know, I have no idea."



£ mlns		2005	2006	2007	2008	2009	2010
Within 1 year	Bank Overdraft			1.3	12.2	4.0	5.1
	Bank Loans					10.0	11.0
	Other Loans	0.5	0.6	0.7	1.0	1.2	0.9
	Finance Lease & HP	0.1	0.1	0.2	0.2	0.1	0.0
> 1 year	Bank Loans						6.0
	Other Loans	27.6	27.0	26.8	26.1	25.3	24.5
	Finance Lease & HP	0.1	0.2	0.1	0.1	0.1	0.1
Gross Debt		**28.3**	**28.0**	**29.2**	**39.5**	**40.7**	**47.6**
Cash at Bank		8.7	3.4				
Treasury Deposits			2.8	2.8	2.8	2.8	2.8
Net Debt		**19.5**	**21.8**	**26.4**	**36.8**	**37.9**	**44.9**

The chairman was equally vague last year when discussing the club's debt, "I do not understand why football clubs have such big debts, it is a mystery. Our debt is a big debt and a worrying debt, but it is manageable because of our performance on the field… but it is too much debt that every year is going to be added to." That part's certainly true, as the net debt has more than doubled from £20 million in 2005 to £45 million in 2010. It rose to £7 million last year alone.

The debt has been rising because the club has been spending money that it does not have on strengthening the team. As Elstone put it, "our pursuit of success has stretched our finances." The result of this risky strategy is clear to see, as the club is burdened with a 25-year loan from Bear Sterns (now at £25 million), which has the advantage of being long-term, but carries a high interest-rate of 7.79%, leading to annual payments of £2.8 million. The only way that Everton can manage to pay this is by increasing its bank debt, so the club has built up bank loans of £17 million and an overdraft of £5 million.

Although Everton's debt is by no means excessive compared to other football clubs, the problem is that they appear to have no realistic way of paying it off. That is why the bank has capped the club's overdraft at £25 million, which has meant that the £8 million received for the sale of Bellefield last December and the proceeds from this year's player sales have gone directly to the bank.

Furthermore, the loans are covered by the securitisation of future revenue (TV money and ticket sales). The accounts also note a potential sting in the tail with up to £12 million of contingent liabilities for transfers, which are payable dependent on future appearances and loyalty bonuses.

Everton's total liabilities are actually £95 million, leading to net liabilities of £30 million, so £50 million of value has been lost in just over a decade, as the balance sheet had net assets of £19 million in 1999. Most of the club's assets have been sold off, which also increases costs for higher rents, while Goodison's value is declining.

The only substantial assets left are the players themselves with a book value of £45 million, though Elstone points out that accounting conventions mean that players are recorded in the balance sheet way below market value. This is certainly true, especially as nothing has been included for home grown players, and the respected *Transfer markt* website lists a value of £120 million. However, the problem is that for the club to access that value, they would have to sell those players.

Everton - Cash Flow

£ mlns	2005	2006	2007	2008	2009	2010	Total
Operating Profit/(Loss)	0.0	(8.4)	(10.9)	(5.5)	(6.8)	(17.7)	(49.3)
Amortisation & Depreciation	11.6	13.0	12.1	14.0	14.8	18.6	84.2
Working Capital Movements	1.6	8.3	1.5	2.1	1.6	0.5	15.8
Operating Activities	**13.3**	**13.0**	**2.7**	**10.6**	**9.7**	**1.4**	**50.7**
Interest Received/(Paid)	(2.7)	(2.3)	(2.7)	(3.8)	(3.9)	(4.5)	(19.9)
Player Registrations	11.7	(13.2)	(4.1)	(15.7)	(5.8)	(3.5)	(30.6)
Capital Expenditure	1.6	0.3	(0.5)	(1.2)	(1.0)	(0.3)	(1.2)
Before Financing	**23.9**	**(2.2)**	**(4.6)**	**(10.1)**	**(1.0)**	**(6.9)**	**(0.9)**
Purchase of Investments		(2.8)					(2.8)
New Loans/(Loans Repaid)	(13.6)	(0.3)	(0.2)	(0.8)	(0.8)	5.7	(10.0)
Net Cash Inflow/(Outflow)	**10.3**	**(5.3)**	**(4.7)**	**(10.9)**	**(1.8)**	**(1.2)**	**(13.6)**

The cash flow statement underlines the fundamental problems with Everton's business model, as the cash flow has been negative for the last five years. Take last year, when the club's revenue was just about at record levels, they sold Lescott for an incredible £22 million, they took out net new loans of £6 million – and yet there was still a net cash outflow of £1 million.

So is there anything that Everton can do? Is there a blueprint for success?

I can see four possibilities:

(a) be successful on the pitch;

(b) cut costs;

(c) build a new stadium;

(e) focus on youth.

(a) As we have seen, higher places in the Premier League produce higher merit payments, but to make a meaningful difference to the revenue, Everton would have to qualify for the Champions League on a regular basis. Although they have managed that once during Moyes' tenure, thus proving that it's not impossible, this objective seems further away than ever today with the traditional "Big Four" being supplemented by Manchester City and Spurs.

Furthermore, fourth place does not guarantee qualification to the lucrative group stages, but only to a qualifying match, where the luck of the draw plays a huge part. Everton would be only too aware of that, as they were (unluckily) eliminated by Villarreal in such a tie in 2005.

(b) All football clubs could cut costs, but this approach would almost certainly condemn Everton to a regular struggle against relegation. To achieve break-even, Everton would have to reduce the cost base by £15 million, assuming that £10 million profit is made on player sales each year.

Assuming that operating expenses are reasonably fixed, that would mean cutting the wage bill by nearly 30% to £39 million. Only three clubs had a lower wage bill that that in the 2009/10 Premier League – and two of those were relegated. If Moyes has been fighting with one arm tied behind his back up to now, this would be tantamount to also binding his legs together.

(c) A new stadium would help address the low match day income, but it appears no closer now than when the search first started 15 years ago. A proposal to build a stadium as part of the King's Dock regeneration was scrapped in 2003 when the club failed to raise sufficient money, while the government rejected the planning application to build a new 55,000 capacity ground as part of a retail park in Kirkby, on the outskirts of Liverpool.

On the face of it, this was a real blow to the club, as they had been putting all their energies into this scheme with former chief executive Keith Wyness going so far as to describe it as "the deal of the century", because Tesco were going to pay a proportion of the construction costs, leaving Everton to fund the remainder by selling Goodison Park and Bellefield and charging for naming rights at the new stadium.

However, the rejection might just have been a blessing in disguise, as many fans never warmed to the idea of moving to Kirkby, prompting the formation of the "Keep Everton in Our City" (KEIOC) campaign. In addition, the financials did not seem to add up, as the assumptions behind the funding looked optimistic, while a study performed by Deloitte on behalf of Everton estimated a paltry £6 million extra profit a year and that was based on the club almost filling the 50,000 stadium every match.

The focus appeared to have switched to improving Goodison, especially after the announcement of a £9 million office and retail development, funded by partners, which will free up space inside the stadium for profitable corporate facilities. Elstone admitted that it was unrealistic to expect the club to be inside a new stadium within five years, later adding, “there is a shortage of a viable funding model”, which had always been obvious to most rational analysts.

However, to the surprise of nobody, this viewpoint was contradicted by Kenwright, who recently said, “There are six sites we’re looking at, three of which we’re really keen on: Edge Lane, Speke and another one.” Even with the support of Liverpool Council, who have proposed using the rapid transit Mersey rail line to ease transport access, the only viable way forward for a new stadium would be if a new owner were prepared to fund the construction.

(d) Probably the most realistic policy would be to focus on developing young players at the technically advanced Finch Farm academy, counting on profitable sales at a later stage. Everton are renowned for having a brilliant youth system that has produced the likes of Rooney, Rodwell and Ross Barkley. As Moyes pointed out, the flip side of not spending money on buying new players is that youngsters will always get an opportunity at Goodison.

Although Bill Kenwright might be a great bloke, as he admitted himself, he is “a pauper when it comes to other chairmen.” The harsh reality is that the current owners have not put any money into Everton football club, which is in stark contrast to other benevolent owners, e.g. £187 million at Fulham, £115 million at Sunderland, £85 million at Bolton, £52 million at Wigan and £43 million at Stoke.

In the last annual report, Kenwright stated, “I continue to work tirelessly to find that rich and generous benefactor”, but he has been looking to attract other investors for years without success. He maintains that “no-one can sell the club better than me”, despite all evidence to the contrary, such as the recent admission that Everton allowed one potential investor to conduct due diligence in the belief that he was the head of ICI in the Far East, even though that company was taken over three years ago.

Some have questioned whether Kenwright is actually serious about selling the club, but, in fairness, there are many clubs searching for a benefactor and the tough economic climate has not helped.

Even David Moyes has got involved, suggesting that Everton would be an attractive investment, as they “could be very close to being very good for not an awful lot of outlay. It might not be one of those clubs that needs £300-400 million to turn it around.”

He might have a point, but to do the job properly would require investors with very deep pockets. First, they would have to buy out the directors’ shares, which an investment bank estimated would cost £75 million, but they would also have to repay the loans £45 million, fund a new stadium £250 million, buy new players £50 million and inject working capital to cover losses £50 million. That doesn’t leave much change from half a billion.

Clearly, a selling policy would not prove universally popular with the fans, but it is not necessarily a negative strategy, as plenty of clubs have flourished by adopting such a business model, e.g. Porto, Lyon and Udinese. The other advantage for Everton is that they are quite close to operating this way in any case. At least it would be more under their control, rather than crossing their fingers and hoping for a new owner and/or stadium.

For many years, Everton under Moyes have been punching above their weight, but even the manager has embraced a new sense of caution, suggesting that it would be "a struggle" for his team to finish in the top half of the table this season. He added, "We have to be careful in what we believe Everton are capable of achieving."

No matter how much Everton's passionate following wants the club to return to its former glories, this will be virtually impossible unless there is a dramatic improvement in the financial position. The fans really do deserve better from the board: a clear, coherent strategy would be a step in the right direction

SECTION 5

Supporters groups.

Supporters are what make the club and this fund. We plan to work more with all supporters clubs across the globe, this will work with the global plan to increase Everton Football club image. Plans to include possible completions and football tournaments will be looked at improving the relationships with all fans is paramount to this fund.

Playing Squad.

The fund will have no direct responsibility with the playing squad. This will rely on the manager alone. Acquisitions or sales will be managed by the CEO and manager. But the fund will apply funds if required on the basis of availability. The playing squad is a major point to the fund and keeping the best players and attaining the best players will be a constant requirement of the fund. We will look to invest in more opportunities for young players and plan to increase the academy's reach. Youth are our future and the future of the club is the most important aspect of the fund.

Every business plan starts off with an idea. Build income, decease expenditure. This is part the part in life. We at a junction in the technological world. We are at a junction in the football world. It will take a large part of the fans to make this work. With the fans working closely with the club anything is achievable. This great club can be great again. Everton is more than just football, it is families, it is life, and it is religion. Even with Liverpool Football Club our histories have been intertwined from the start. If this proposal works then Everton football Club can become one of the main players in modern football, achieve glory on and off the pitch. It can become a great retailer in all aspects. This will only be achievable if the fans come together. This idea was talked about. There were ideas it has been said for over a year but no one has stepped forward with a plan. A structured way to move forward as a club. Now there is.