

Chairman's Statement On EGM

As you will see from the attached notice, the club has called an EGM for Thursday 7th March 2024.

My fellow Directors and I became involved in the club following the EGM in June 2021, and I think it is fair to say that we would not have got involved had we been fully aware of what we were taking on. The finances of the club at that time were perilous. We were just exiting Covid, and the club had been relegated from League One. We would certainly have gone nowhere near the club had we been aware of the hostile takeover attempt that followed. Fighting this took a great deal of time and resource, and was a distraction from trying to arrest the downward spiral that the club found itself in both on and off the pitch.

This downward spiral led to the club facing a series of challenges, consecutively, that continue to threaten our very existence. Once a club of our size is on a descending trajectory with League One costs and reducing revenues, an injection of cash is needed to arrest the decline. We got this through the issue of shares. Unfortunately, this is an annual requirement.

That situation has not changed a great deal and the search for an investor has taken up a lot of my time over the past 14 months. We have come extremely close to securing investment on a couple of occasions but have never, for various reasons, got anything over the line. We have also spoken to many investors who have shown interest in the club but never proceeded.

On analysis, the main barriers to investment have been:

1. **The share structure.** Investors want to be able to buy up to 90% of the club in one simple transaction.
2. **Where the investment goes.** Investors want all investment to go directly into the club, rather than outside of the club, to individuals, by way of private share purchases.
3. **Club management.** Overseas investors especially are frightened that they will be left to run the club from afar. They want some continuity during a handover period.
4. **Level of debt.** Investors want agreements on the debt that the club is carrying.
5. **Financial situation.** Investors want a plan to sort out the club's immediate financial situation.
6. **Uneconomical leases.** Investors are simply not prepared to subsidise these.

The club has one major asset, the stadium, but little else of financial value. It is asset-rich and cash-poor. It has no cash to continue operating. I, like all of you, do not wish the club to disappear, so have been subsidising it over recent months and have in total loaned the club £566k. My family has done this to try and buy the time to find investment that can take the club forward. My family has now reached its credit limit and cannot continue to do this. An investor needs to be in place by the end of March.

We are in talks with interested parties, but they will not move forward until the conditions for investment are in place. In an ideal world, we would have an investor in place before calling the EGM, but we do not have that luxury of time. This EGM is essential to achieving the required conditions that an investor wants. If we move to a period of exclusivity with any party before the EGM, we will disclose this to shareholders.

The motion will create 9,000,000 new ordinary A shares.

We are looking for an investor to inject £2m to gain 90% of the club. This can be done in one transaction with all funds going to the club, addressing points 1 and 2 above.

I am prepared to convert my debt into equity and discuss with any investor a phased buyout of those shares if required. This partly addresses points 3 and 4 above. We are in talks with Rochdale Council to address the remainder of point 4 and point 6.

Finally, we are a long way into a cost-cutting exercise at the club to get us to a National League cost base and eradicate unnecessary expenditure. We will continue to make these tough financial decisions over the next month or so whilst protecting, as far as possible, the first team budget. This means that when investment is secured, growth can be achieved with a controlled cost base in place and all efforts can then be put into increasing revenues. This will address point 5.

Let me leave you in no doubt, this resolution needs to be passed at the EGM for us to have any chance of securing the required investment that will ensure the long-term future of our club. If it isn't passed, the threat of liquidation at the end of March is very real. The passing of this resolution does not guarantee saving the club, but it will certainly give it a fighting chance.

To be clear, the existence of Rochdale AFC is at stake. The opportunity to give a long-term future is now in the shareholders' hands.

A frequently asked questions document will be issued to shareholders in the coming days, which will help to explain the proposed resolutions further.