



## **Community ownership proposes non distributed co-op**

The group behind Our Knights One Chance has announced a business and financial model that will shore-up the future of the Newcastle Knights.

Under a non-distributing co-operative, the group aims to raise an initial \$20 million with up to 40,000 founding owners or shareholders. Each share would cost \$500.

The co-op business plan (2017 to 2020) forecasts the club would maintain positive cash flow, allowing it to operate a competitive approach to acquiring and maintaining quality players, sponsorships and ongoing community support. It projects revenue increase by 28% in the initial years of trading.

The trading projections are based upon the information available and recognise the club would experience losses for the initial two years but anticipates a modest profit in year three. The group believes having surplus funds from year one and with prudent management, the entity would continue to trade profitably on the back of participation of owners. By the third year of operation the group hopes to have the ability to direct funds towards other enterprises and assets that benefit the community.

The plan would see increased spending on elite development, grassroots development, improved science and elite recruitment. This will be done by investing a sustainable 60% of total revenue that is made possible as a consequence of increasing revenues under the co-op structure.

Further share releases would allow others to purchase normal shares that would assist the continual funding of the club.

Owners/shareholders would elect a board that would oversee the entity and ensure the club maintains viable business and financial models. The board structure includes seven individuals and would see four people represent founding shareholders/owners and would be elected by shareholders. One person would represent newer shareholders/owners and again would need to be elected by shareholders. A further two people would be appointed for their specialised skills.

Group spokesperson, Rob Tew, said a co-operative model reflected what the community wants for the club.

"A wholly community-owned model will provide benefits to the members, the club and the wider community. We believe ownership will break the existing inertia and re-establish relevance with the community," he said.

"An engaged ownership will increase home-game attendances, which in turn will increase revenues and assist with making home games an exciting and enjoyable experience. The experience of sharing your game day with other owners, knowing you are making a contribution to the success of a regional icon, will engender a community aspect to the day's entertainment," Mr Tew said.

Shareholders would also be given benefits that include a range of tailored packages including discounted goods and services, co-owner discounts from selected businesses, one season membership and a game-day seat to the equivalent of \$125 seating per share purchase (i.e purchase two shares you receive the equivalent of \$250 seating).

The incentive of season membership will be offered to foundation owners. Foundation owners will receive an equivalent of \$125 seating per share, provided they are also financial members of the club. It means those who are not in the first or foundation 20,000 shareholders would be eligible for seating incentives in year two and must maintain their season membership to be eligible.

By staging the incentives over two years the plan allows costs to be absorbed while also strengthening other areas of the business.

"We must first prove to the NRL that this model is sustainable and acceptable to our community. People who want to see this initiative move to the next step must demonstrate their support of the proposal by registering at the Our Knights website. We are targeting registration of 20,000 individuals and businesses to convince the NRL to take our region seriously and allow us to move to the second phase of capital-raising and then into the third business-management phase," Mr Tew said.

Register at <http://ourknights.com.au/register/>

**Co-Operative Ltd 3 year Plan Draft Financial Forecast**

	NRL Ownership	Community Ownership		
	2017*	2018	2019	2020
<b>\$m</b>				
Income	21	26.9	30.4	31.2
Expenditure	-24	-28.2	-30.8	-31.0
Share Incentives**		-2.5	-2.5	0.0
<b>Operating Cash flow</b>	<b>-3</b>	<b>-3.9</b>	<b>-2.8</b>	<b>0.2</b>

**(ii) Other Co-Operative Cash Flows**

Net Share sale proceeds		17.0	2.5	0.0
Net co-op running costs		-0.1	0.0	-0.3
Centre of Excellence				-7.5
<b>Net Cash-flow</b>		<b>13.1</b>	<b>-0.4</b>	<b>-7.7</b>
<b>Bank Balance</b>		<b>13.1</b>	<b>12.7</b>	<b>5.1</b>

**Assumptions:**

Season ticket holders	12000	20000	30050	3204	Reflects share incentives of 15,000 season tickets in both 2018 & 2019 and expected buy-ins from owners.
Average home crowds	14500	20161	25688	2678	
				5	Reflects increased season ticket holders

NRL Grants increased to 127% of Salary Cap from 2018 onwards

Football Operations increased expenditure - \$2m 2018 & \$1.5m 2019

40000 shares sold @ \$500/share

\*Estimates based on best available information

\*\* Each \$500 share sold will entitle the owner to a season ticket to the value of \$125 in 2018 or 2019. Two shares = \$250 equivalent value and so on. Our Knights believe this is key to breaking the inertia.

