

EFL MEETING WITH READING SUPPORTER GROUPS – 16 JANUARY 2024

Representatives of the EFL, Reading supporter groups, the Football Supporters' Association (FSA), along with MP James Sunderland, met on Tuesday to discuss ongoing developments at Reading FC. The meeting provided an opportunity for the supporter groups to pose questions to the EFL across multiple subjects relating to the Club and also for the EFL to provide some context and background into the decisions that have been taken, its rules and a status update on current issues.

This was the latest in a series of supporter meetings, after the EFL had met representatives of the Supporters Trust at Reading (STAR) in November and December 2023.

The attendees at the meeting were:

EFL: Rick Parry (Chair), Trevor Birch (CEO, EFL), Nick Craig (Chief Operating Officer, EFL), Mark Rowan (Chief Communications Officer, EFL), John Nagle (Head of Policy, EFL), Andy Pomfret (Head of Supporter Services, EFL), Chris Osborne (Head of Content, EFL)

Reading Supporter Groups: Sarah Turner (STAR Chair), Matthew Batten (STAR representative), Dave Harris (Club 1871), Matt Lansley (Club 1871), Adam Jones (The Tilehurst End), Caroline Parker (The Tilehurst End), Alex Everson (Elm Park Royals), Paul Mann (Elm Park Royals), Greg Double (Sell Before We Dai), Eleanor Flood (Sell Before We Dai), Nick Houlton (Sell Before We Dai)

MPs: James Sunderland MP, Bracknell, Representative from Matt Rodda MP's office

Football Supporters' Association: Ashley Brown (Head of Supporter Engagement and Governance), Jane Hughes (EFL Network Manager), Jess Grundy (EFL Network Manager)

The meeting gave STAR a further opportunity to ask a number of questions of the League and a summary of the discussions is as follows:

Introduction

The EFL began by stating that its overall objective was to see a sale of the Club if the current owner is unable or unwilling to fund it adequately and meet his day-to-day obligations. The League noted that the current funding issues were having a very profound effect on the Club, its staff, and other stakeholders, including supporters and this was not something they wanted to see. The message and tone given was very much in the same vein as the statement issued by the League in the 24-hour period prior to the meeting.

The EFL outlined the challenges in trying to balance out the different interests that it has to protect in the context of its relationship with the other 71 Clubs, whilst looking to protect the overarching objective of ensuring that the Club (or any Club) can find an owner who can be a custodian – one that is desperately required in order to look after the Club as a community asset moving forward.

In the context of the role as a regulator, the League then explained the recent disciplinary history regarding the breaches of the Profitability and Sustainability rules, and the failure to comply with the terms of the agreed business plan that was implemented as part of the first breach, as a result of not achieving the player sales that were necessary. It was clarified that the business plan was set and agreed with the Independent Club Financial Reporting Unit, which is an independent body that sits apart from the EFL Executive. They are the people in receipt of the Club's financial plans, forecasts and

accounting records. The League, however, has stressed that it is for all Clubs to ensure that they comply with these requirements.

Sanctions

The issue of sanctions was then addressed and the League was clear that member Clubs had agreed that sporting sanctions were appropriate in cases where Clubs failed to pay their players. They say another key consideration when determining the approach was to ensure that breaches like that don't happen again and that was the reason for the introduction of the 125% of the forecast monthly wage bill for all staff (not just players) to be deposited into a designated bank account. At various points, fan reps reiterated that supporters feel helpless, hence their actions, and ultimately aren't influenced by Regulations, calling for sanctions to be minimised given the challenging situation the Club is in. A question was raised as to whether fans could provide evidence or submit to any Disciplinary Commission considering penalties for the recently abandoned fixture. The EFL outlined that any evidence provided needs to be relevant but would consider the request and report back.

More broadly, the EFL explained the rationale for adopting the sporting sanction approach is down to the principle that Clubs should pay all of their financial obligations as and when they fall due. If they do not, that is a very strong indicator that a Club has committed too much on player wages and is gaining a sporting advantage over their competitors, compared to a Club who sign players and incur costs at a level they can afford to. In addition, were the League not to apply their regulations consistently, then other Clubs, particularly those competing in the same division, may be unfairly disadvantaged.

Alongside those rules, there is a further provision in the EFL regulations known as the '30-day rule' and this relates to the ongoing proceedings facing the Club, which are expected to be heard by a Commission in early February. Essentially, this means if a Club accrues more than 30 days of default on payment of financial obligations relating to, for example, loan wages, transfer fees and HRMC, then these measures kick-in. After ten days it is a warning, after 20 days a financial penalty and after 30 days the Club becomes subject to fee restrictions for three transfer windows. After 45 days the Club will be referred to an Independent Disciplinary Commission which will then determine an appropriate sanction.

Disqualification

In December 2023 when the Independent Disciplinary Commission judgment was published against Mr Dai, it was clear that the EFL had pushed for a period of disqualification but the Commission did not agree. It was explained that during the proceedings, all the arguments had been considered, including Mr Dai's insistence that he was intending on selling the Club, and as a result based on the facts available at that time the Commission had concluded, as it was entitled, that a disqualification was not appropriate.

It was then asked, based on his failure to comply with the order, could disqualification be sought now. The League explained that was not part of the order of the Commission and financial penalties had been applied but the League was considering next steps in the context of the continuing default. It further explained the provision in the Owners' and Directors' Test in respect to disqualifying conditions and in this context a sports governing body ban. Without the commission ordering a disqualification, the breaches already identified relating to the deposit account do not result in disqualification under the Owners' and Directors' Test.

It was then asked whether there were other circumstances which could lead to disqualification under the Owners' and Directors' Test. The League explained that the Test was publicly available on its website and all conditions were set out but noted that a wide number of disqualifying conditions were

added in June 2023 and would not apply to events which predated the introduction of those Rules, for example, wider company insolvencies or unpaid judgment debts.

If a ban was to be imposed on Mr Dai then he would be served with notice and have 28 days to exit the Club. In those circumstances the League would then work with the Club to manage the exit, acknowledging that it is a short time frame to sell a Club. If, in the event he refused to divest his shares, the League could use the powers available in its regulations to suspend the Club from playing in its competition. The EFL were clear, however, that their powers are limited to the framework of the regulations, whilst the Club is a company in its own right and ownership of shareholdings in companies are matters for company law, but nevertheless the EFL remains committed to being part of the solution.

Sale of the Club

The EFL confirmed that it was aware of interested parties. Discussions are ongoing and the League now has to consider how it can aid and facilitate those discussions to bring the matter to a conclusion. Again, the League was cautious in stating that Reading is legally a private limited company, and the shares can only be sold by the shareholders.

Change of Control 2017

The EFL addressed the challenges to their approval of Mr Dai in 2017. They confirmed that he was not subject to disqualification by a sports governing body, including the Premier League, at that time. The issues relating to Hull City were different circumstances as a result of a different ownership group and therefore the League had an obligation to consider the application as per the regulations at the time. When they were presented with the Reading application, and based on the absence of any disqualifying condition, alongside ample evidence of source and sufficiency of funding, as a result they passed the test. Since then, over £200m has been invested into the Club by the owner but it is clear he no longer has the ability or motivation to continue. The question was asked if the issues noted occurring in relation to foreign Clubs would count against approval under the terms of the test in 2024. The League confirmed that those insolvencies would count against any new application.

Transfer of Players

The EFL, when asked directly if they could effectively impose a reverse registration embargo on the sale of outgoing players until the Club is in new ownership, confirmed there were no provisions for this in the rules. The regulations provide the EFL with the ability to stop a club from registering an incoming player in circumstances where they have not met their financial obligations. They did confirm that they could consider how to safeguard the proceeds received from the sale of any outgoing transfers.

Port Vale Match Abandonment

The EFL confirmed that they have written to the Club for its observations with regards to the event of last Saturday afternoon. They confirmed that there are past precedents where matches have been abandoned as a result of pitch incursions by fans. They pointed to the fixture between Blackpool and Huddersfield a number of years ago when Blackpool were sanctioned initially by the Football Association and then by the EFL. It was stressed by supporters that further sporting sanctions would only harm the Club and its supporters. The EFL understood the sentiment and noted the position but stated it had the duty to uphold the regulations.

Future Protests

With all parties acknowledging prolonged matchday disruption is ultimately not in the team or EFL's interest, the EFL sought to understand what future protest plans may be. The EFL flagged that the impact of potential points deductions and relegation would ultimately reduce the value of the Club and attractiveness of the Club to a prospective buyer. Ongoing match disruption could lead to further sanctions and mean games have to be rescheduled at a busy time of the season further putting the Club at a disadvantage. The League reassured fans that they understand the strength of feeling, the message is clear and aligned with our position, so it did not consider further disruption to fixtures was necessary.

Westminster View

James Sunderland MP commended fan groups for mobilising and coming out to support the Club. He recognised that the EFL is trying to be part of the solution but urged all parties to "leave no stone unturned" in efforts to help force an ownership change. Wider support within Westminster was referenced and the will of politicians to implement the Football Governance Bill outlined, though acknowledged that any legislation will likely be more relevant for the future as opposed to Reading right now.