



Morton Club Together Community Ownership

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Introduction



The purpose of this prospectus is an addendum to the email which provides the detail on the new deal for Cappielow. We firmly believe that the new deal presented in the email along with our proposal here of how Greenock Morton will be run in community ownership presents the best deal for the future of the club.

Background



MCT announced in July 2020 that a high-level agreement had been secured with the club's present majority owner, Golden Casket, to examine options to transfer the majority shareholding of Greenock Morton to community ownership.

Following this announcement, MCT outlined a number of key topics that we intended to examine as part of a due diligence exercise to conclude whether community ownership, through the guise of MCT, is both realistic and a correct fit for the future of the club.

MCT focused on a number of key themes which we believe are key to developing a business plan which is realistic and covers most of the key points involved in running the club.

A number of MCT volunteers and members were engaged in helping to work on these items over the period to date and the board of MCT extend our warm thanks and praise for their time and input. We also thank the time and assistance from all staff at the club whom MCT have increasingly worked closely with since December 2020.

Key Themes



Legal

Financial

**Governance
&
Culture**

**Commercial
&
Marketing**

**Infrastructure
&
Operations**

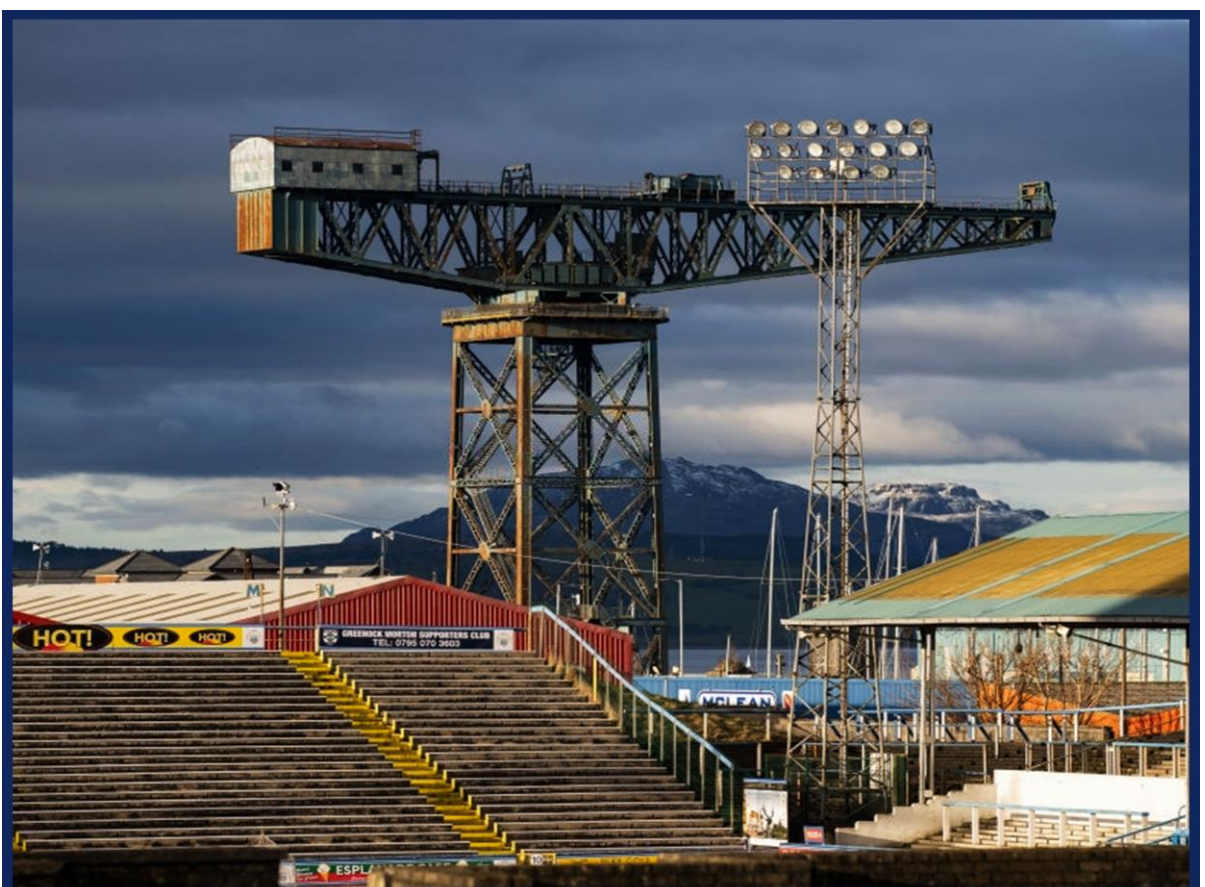
The work on some of these items is still underway however we are at a point where there is sufficient detail to develop our outline business plan. Many of the items are in fact iterative and will continue to be developed and enhanced in the future should members agree that Community Ownership should proceed.

Our Key Objectives



MCT has some key objectives that will form part of the overarching future for the club. If community ownership progresses we want to work with fans to refine the objectives further into a clear vision statement for the club. However, our objectives in our planning to date are largely covered in the following items:

- Have a financially sustainable business model for the club based on a breakeven model by the end of Year 3 (2023/24);
- Increasing fan satisfaction with the club through better communications and having an input to how the club is run;
- Embedding the club further into the Inverclyde community;
- Ensuring the club is open and inclusive to people of all genders, ages, abilities and backgrounds;
- Maximising the potential for income to the club from varying sources;
- Ensuring that a clear pathway opportunity exists between grass routes football and the first team;
- Support and maximise the resources available for our first team



It is well known that in recent years the club regularly accrues annual losses. This situation is something that is both a risk and a challenge to curtail, and over the past season the club has started to move to address this.

The financial fallout from the Coronavirus pandemic has resulted in the club having to take several steps to reduce outgoings, many of which were in line with MCT initial assumptions in July 2020.

Our Finance Team has spent a lot of time working with the Financial Director at the club and have gained a significant amount of information about the workings at the club and the key financial pinch points.

Thanks to this, our Finance Team have developed a new method of reporting and recording financial information at the club, so budget management can be understood and strategically reported on across the club. This should lead to more informed financial decisions and allow the club to respond more quickly to changes in the financial position.

In essence our financial business model is based on the following:

- Having a first team squad based on quality, not quantity.
- Maintaining initiatives such as MCT contributions.
- Having greater individual responsibility around managing budgets.
- Increasing income streams from all avenues, notably third-party sponsorship arrangements.
- Developing and marketing club related initiatives and products that are popular and in demand by the fanbase.

MCT has identified that there is a need to ensure that strong and prudent fiscal management is understood and applied by everyone at the club. This includes the board, the staff and the management team.

Reporting on financial performance is something that will be a recurrent agenda item at board meetings and support will be given to staff to ensure that they get the most out of the budgets allocated but do not waste financial resources.

At present our financial business plan is based on a budget which is in line with the budget for the last season fans were permitted to matches; 2019/20. With the present season yet to conclude there are some variables that impact the financial planning. Our team have forecast a budget for all scenarios, and we have confidence on the viability. It should also be noted that our assumptions for the season ahead, as will be the approach for further seasons, are based on conservative estimates. For example, our projected income for prize money will not be overstated and we base income on early exit from cups and lower finishes in the league.

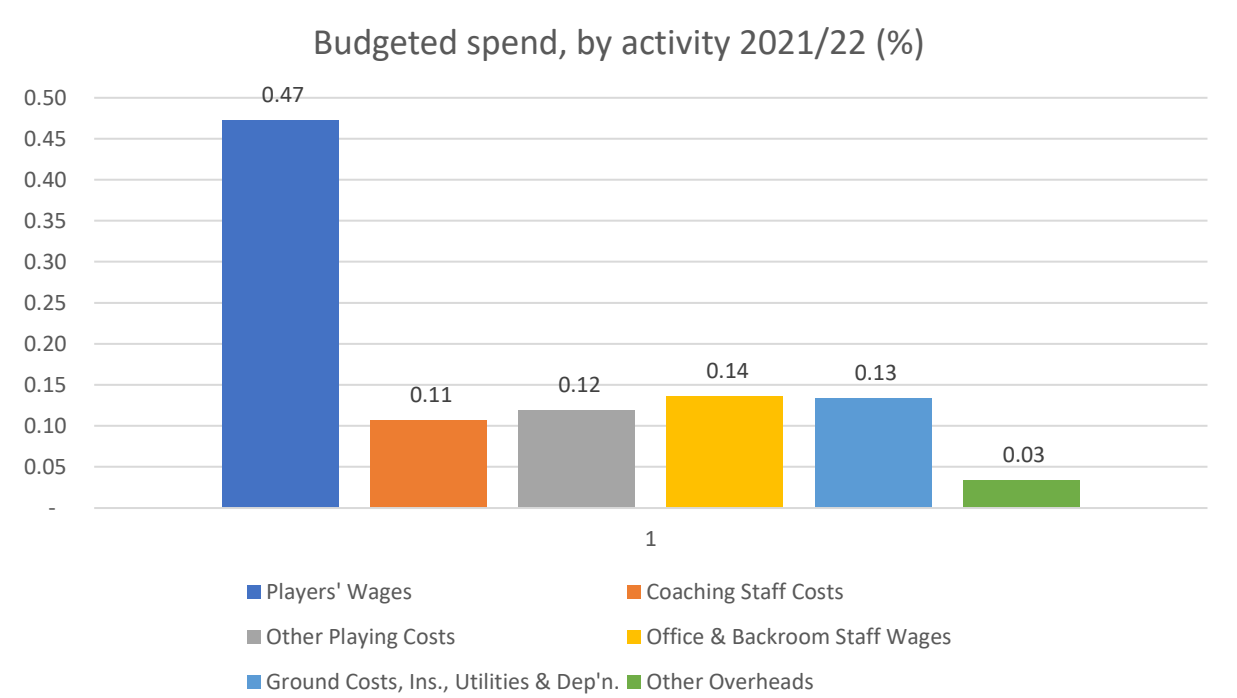
MCT have been able to secure additional funding, notably via our Patrons initiative, and it is our intention to use these generous benefactions to hold in reserve a modest contingency fund to help deal with any unforeseen one-off expenses. Our aim is to actively manage this contingency and where the opportunity arises increase our contingencies, through sensible increments, but still be balanced against the needs to support a competitive team on the pitch.

We are confident that by Year 3 of community ownership (2023/24), the club will be operating in a way that it is able to break even, or indeed make a profit, without the contribution of Patron income. In years one and two, this Patron money will help to bridge the gap as we go through the initial transition period.

It is important to highlight that we cannot adopt a cavalier financial attitude which allows for over the market wages for playing squads, inflated transfer fees or operating a bloated squad of players. The future of the squad would be largely seen as being one which is based on a smaller squad consisting of predominately quality players backed by a strong and competitive contingent of youth players.

For the 2021/22 season we are forward planning a budget based on the 2019/20 season, using an income of just over £1m which is generally in line with recent historical income streams. .

In general, the club budget is shown as follows in terms of where each £1 in expenditure is intended to be spent.



Expenditure, especially on the first team, is our highest outlay with approximately 70p in every £1 of income supporting our on the pitch endeavours. We believe that this profile will be similar in years to come. However, we do aim for our net income will increase in time so that the overall sums spent on the area above can improve.

The support which fans give to the club through things such as season tickets, paying at the gate and merchandising is hugely important as every penny does count at this level of the professional game.

However, in order to ensure that our first year does not place the future of the club in jeopardy, we are at the present time planning based on recent conservative assumptions. For example, our projected income for prize money will not overstated and we base income on early exit from cups and lower finishes in the league.

It is also very important to highlight that for season 21/22 we fully expect the club will commence in credit at the bank. Therefore, for the first time in many, many years the club will start without debt hanging over our heads.

This positive step is largely down to:

- The balance of the grant made to Championship clubs by the Government
- Current MCT Member contributions, and
- MCT Patron Scheme

We firmly believe that with this positive financial position allied to a more controlled level of spending, the club can thrive and meet our objectives of being financially sustainable.

Whilst we will start 21/22 with a financial buffer in place we do need to recognise that the upcoming season is still uncertain through the impact of Covid 19 and that this buffer may well be required to ride out the end of the financial impact of Covid on Scottish Football. Nevertheless, we have considered this impact and believe we are able to contain any residual impact to the club.

It should be noted that our planned approach, particularly on financial management, has been approved by the current majority shareholding of club as this was one of the key tests that MCT were required to demonstrate we could suitably manage.

From the information gathering exercise MCT believe that an opportunity exists to make improvements in the marketing, communications, and commercial side of things at Greenock Morton. All three of these elements are very closely linked together and will be a key focus of MCT to develop and strengthen.

First and foremost, we will commit to making a notable improvement in communications from the club. As a community owned club, we will look to be always open and transparent. We will share what we can and provide timely updates on a regular basis. We will utilise the club's website, social media channels and email to better engage with fans.

MCT also believe that the Cappielow matchday experience could be improved upon and we will be looking to do that. We want fans to feel welcomed and valued when they come through the turnstiles.

From an arm's length, we supported the process of selecting a new Supporter Liaison Officer and will look to work closely with Steven to receive and act on feedback from supporters. We believe this role is another important link between supporters and the club.

In recent years, the club's marketing has been at times disjointed and MCT believe that the opportunity to maximise the club's revenue potential will be an important area. We will look to promote all aspects of Greenock Morton whether that be season tickets, kits, merchandise or the promotion of individual matches themselves.

MCT has a strong marketing and commercial team. Using the skills and experience of our team we aim to provide support to the hard working and valuable work that staff at the club carry out to understand what has worked in the past financially, and what perhaps hasn't.

We also hope to promote a culture where ideas suggested by staff and fans are assessed and given the opportunity to come to fruition.

A recent example was the festive offer, where two home games around Christmas could be purchased for a slightly discounted price of £25. MCT proposed this to the club with a built out campaign and content plan leading up to the end of the sale period. That's how we want to approach things – agreeing a concept that we think will appeal to fans and bringing that concept to life with a plan to deliver the overall aim.

Two examples of projects already close to launching are our 2021/22 season ticket campaign, and there will be two exciting kits launched for the upcoming season. We believe these kits will be hugely popular amongst fans. We look forward to sharing further details around both of these projects in the coming weeks, assuming community ownership is given the green light by members.

By improving club communications, our presence, and social media output of the club, we will make the club more appealing to potential sponsors. We have already started to develop existing and new commercial partnerships within the Inverclyde community and beyond. We are also pleased to say that these conversations have already started with positive outcomes.

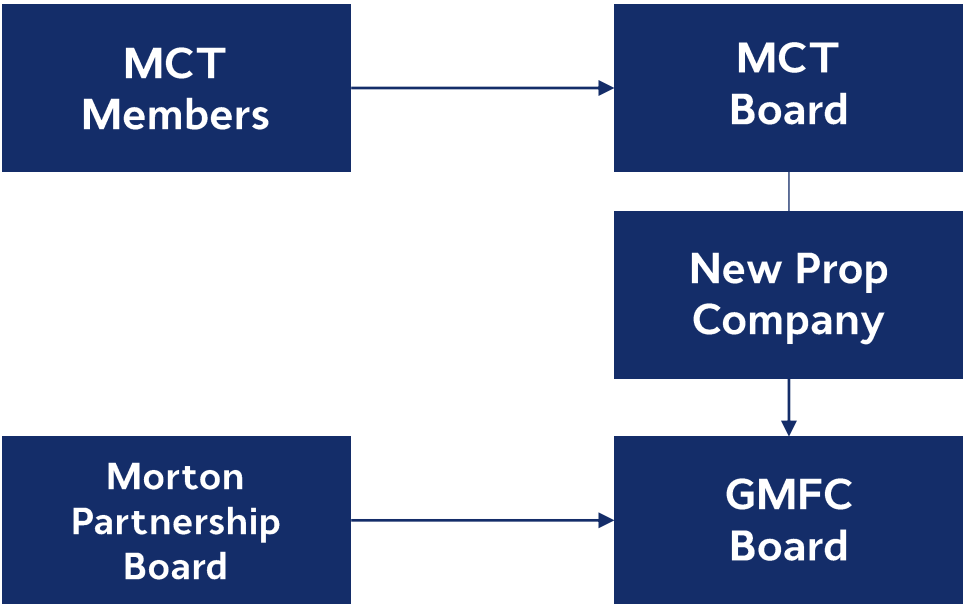
Overall, it is our intention to ensure the club is communicating with fans effectively, promoting what we can offer and providing commercial offerings that appeal to fans.

Given the financial culture outlined previously any improvement in how we communicate and market the club has a significant positive bearing on the financial landscape of the club.

Governance concerns the way companies and other organisations are managed and run. It covers key relationships between an organisation’s owners, its board of directors, senior management and stakeholders. Our suggested governance framework seeks to ensure that powers and responsibilities are allocated appropriately, and that decisions are made in the correct way. It means having the right people, structures, behaviours and organisational culture in place. By achieving this we aim to have a healthy, positive and successful club culture.

However, our governance framework must ensure that the exercise of power brings with it, meaningful accountability, and therefore it must have appropriate checks and balances.

Whilst the focus of the governance proposals is on the two corporate entities (MCT & GMFC), we believe there is also a place for another more informal grouping, representing some of the key stakeholders in the wider community. The “**Morton Partnership Group**” would reflect our clear aim to nurture and strengthen the Club’s roots within the Inverclyde Community. The structure of the club ownership would be as follows:



As both MCT and GMFC will be separate but related entities there is a need for a board structure to be put in place for both companies.

The general consensus is that MCT as majority shareholder would have the majority board membership.

However, MCT must not become involved in the day-to-day running of the club, as this would compromise the governance framework and potentially makes the club inefficient on day to day decision making.

The suggested GMFC board structure is based on:

- 4 MCT nominated Members
- 3 Non MCT Members.

We anticipate that board members will be a mix of people who will operate on a non-executive basis or an executive basis. Both these roles will be minus any remuneration.

These board spaces are expected to be filled by individuals who have a balance of good time availability mixed with either good all-round skill and experience; or a specific skill which may be of help to the club. For example, a Chartered Accountant, Solicitor or experienced senior business executive. Effectively, we will require board members to have skills which can bring an enhanced level of support to the workings of the club and ensure that the autonomous running of the club is safe and reflective of the intended strategic direction.

It is the aim that for any board position needing to be filled will require individuals having to meet a core set of competencies and, in the event of having more than one candidate per available post, have their credentials voted on by MCT Members (in the case of MCT Nominees).

MCT, by having the controlling interest in GMFC, will require to continue in the longer term future as an entity.

It is recommended that the board continues with the present number of 5 Directors. In line with the GMFC board there is an expectation that any Director vacancies are filled based on a competency framework where candidates are required to demonstrate their suitability. By requiring this it will help ensure that the boards operate effectively and can use the relevant skills of individuals to move MCT forward.

We are also presently considering developing Associate Directors which will allow for individuals who may be interested in becoming Directors to shadow individuals. This will help to allow Associates to understand the culture and strategic direction of MCT and GMFC and potentially develop into Director positions in the future. By developing this type of role we aim to support the notion of transparency and ensure that proper succession planning is in place for the management of MCT and GMFC under the guise of community ownership. This will also help individuals to understand the requirements of being a board member and ensure that people who may be inexperienced are identified early and provided with the relevant level of support or guidance.

Board and General Ownership Responsibilities



We highlighted earlier that one of the key risks is related to the financial management of the club. However, a similar risk relates to how board members operate especially in relation the management of the club's assets, such as Cappielow.

MCT will be looking to include specific controls, through the articles of association of the New Property Company, to help further protect Cappielow.

Under our proposal a pathway exists for MCT members to become a board member of both MCT and GMFC. Therefore, it's vital that any person or body who may have intentions which are less than honourable are unable to control how MCT or GMFC operate to serve their own interests.

Similarly, any particularly significant board decisions would require member approval. For example, if we decided to invest significantly in the ground we would expect to seek member approval before making any decision that could place in jeopardy the future of the club or it's assets.

Similarly, we would also stress that board members of both organisations (MCT and GMFC) will be required to sign up to a board protocol which details the behaviours, actions and values that are expected of a board member, as well as the ramifications if individuals do not meet these standards.

Fundamentally, our principle of one member one vote is something we wish to ensure is protected through good governance so that key decisions and strategies are always taken solely with the interest of benefit to the club.

The Future of MCT



As MCT will be the controlling organisation of GMFC there is a need to evolve the reason for being of MCT. We have established good contact with clubs in similar positions in Scotland and also abroad and engaged in some fruitful ideas on what MCT mission is following the move to community ownership.

In essence, MCT will be required to continue as it will be the controlling interest in GMFC, albeit, with some distance however there will be a need to highlight any strategic objectives that the club should pursue. Some of these are as follows:

- To ensure that Morton is run in a financially responsible manner;
- That Morton build deeper relationships in working in varying capacities across Inverclyde;
- That Morton develop a clear pathway between grass roots, youth and first team football;
- That MCT members, as owners of the football club, will continue to contribute financially to the betterment of the club in meeting key objectives.

The final point above is worth expanding upon. As mentioned earlier, GMFC under MCT ownership will not be reliant on a single benefactor who bankrolls the club. The main benefactors going forward are all of us as fans and MCT members.

Therefore, it is recommended that MCT will seek members to continue, where possible, to maintain subscriptions to support the club. In effect, MCT members will be the club's lender of last resort. As outlined in our plan for 21/22 the club will commence with a positive bank balance which has been assisted in no small way by MCT contributions.

It is the intention that any funds raised are openly and clearly managed in a transparent manner so that members know where their contributions are being used. At present MCT member subscriptions are channelled to the first team budget. However, going forward we would see this being a more inclusive and innovative process where members can suggest and support initiatives that funding may go towards at the club.

This could be things like the first team playing budget, ground improvements, supporting youth or women's teams, buying equipment or services for the club or even a mixture of items. We believe that by widening the range of use of MCT subscriptions to include member opinions is a positive way to ensure that member input and cohesiveness is maintained for the future.

The concept of community ownership requires us to play a wider role in the community. We are proposing to facilitate and run this group, to be made up a wider network of people, organisations and agencies across Inverclyde who may wish to deepen their relationship with and have an influence on the direction of the club.

This Group, when developed, should strengthen relationships with key partners, such as Inverclyde Leisure, Inverclyde Council and Inverclyde Chamber of Commerce as well as key initiatives and the Morton Youth Academy.

This group would be a sounding board, a think tank, a vehicle for two-way engagement and for the development of new ideas and initiatives.

At least one board member of GMFC should be part of the group so that a meaningful link between the club and the community is in place. Community ownership means that every MCT contributor is an owner of the club, not just a fan of the club. With this change from fan to owner brings responsibility in safely protecting one of the oldest professional football clubs in Scotland.

The Partnership Group will also be augmented by relationships that MCT have established and developed. For example, MCT are in discussion with Greenock Morton Community Trust (GMCT) so that we can both help each other with our aims. The work of organisations such as GMCT is inspiring and vital to many people in the community and MCT are keen to learn and work in partnership to further enhance our role in the community.

As mentioned at the commencement of the prospectus and in the accompanying email we have reached a compromise on a share transfer which will allow the club and Cappielow to remain locked together.

The condition of our home is one which requires specific attention as the asset is also potentially the club's largest liability. We know that Cappielow is our spiritual home and on those special match days the ambience and spirit around the ground is hard to match, particularly in comparison to several other modern stadia that have been built over the past quarter century.

Despite these emotional links, it shouldn't be ignored that the ground and the curtilage of the stadium is aged and in varying states of repair. Experienced MCT members have had increasing access to inspect items of the ground and associated documentation, and the issue over the condition of Cappielow will require careful monitoring in the coming seasons.

MCT has identified a number of items which are being further investigated by competent external professionals and are presently developing a life cycle plan on some of the key components of the stadium. There are a number of items which are either close to or surpassed normal life cycles and are at risk of becoming obsolete. Some of these items have been included for attention as part of our Year 1 budget (21/22) and further items will be included for subsequent years.

From an MCT standpoint we understand the natural friction that can occur between investment in infrastructure and investment in the playing squad. As fans, we want to see the team have success. However, MCT strongly believe that for the club to be successful and sustainable we will need to find the balance so that resources are targeted to the areas of the club that are in greater demand.

This issue links back to the earlier message on how budgets are effectively managed going forward and the expenditure requirements are clearly linked to our business plan needs.

In general, we believe that the stadium is able to continue to function and be fit for purpose to meet the necessary legislative requirements through continued investment.

That being said, there are some fundamental issues which challenge the ability to get the maximum potential use from the ground and to maximise the use of the ground for the players, staff requirements and other possible wider uses. Specifically, the main stand requires further thought on the best options for the future.

Therefore, over the coming seasons we believe that it is vital that a feasibility exercise is carried out to examine options around a full-scale redevelopment of the stadium or other options which may be available. This feasibility exercise will include potential legal structures and funding requirements and opportunities that could exist to support a scheme of such scale.

Whilst this may sound somewhat grand and some may say fanciful, we do not believe the scale of the task should be a reason for not investigating options and with increasingly necessity being the mother of invention in relation to Cappielow.



It was identified early in the process that despite MCT having our own skilled legally qualified team members who have led the development and investigation of a number of aspects, we recognised the need to utilise the skills of an external firm of solicitors.

To that end we have been successful in engaging with Sheppherd and Wedderburn who are one of Scotland's leading law firms to provide expert advice in relation to the transfer. Much of the work in relation to our legal consideration relates to the ownership of Cappielow. Work will also be completed in relation to the necessary checks and balances around items such as our governance arrangements so that any risks are managed properly going forward.

Through our short time assisting the club, we have already become more aware of the governing requirements of running a professional football club in Scotland through ongoing dialogue with the relevant authorities.

We are pleased to say that in discussions with football authorities our knowledge and respect of the game has increased and we believe the club is now already well on the way to an improvement in the relationship with the key stakeholders governing Scottish Football.

Much of this prospectus, and our diligence process, has focussed on several things that relate to our football club. However, we have not highlighted anything that relates to the core of Morton, which is football itself.

The simple reason for this is that MCT are fans, and despite everyone having a keen opinion on the team on a match day, this matter is better being developed by football experts and certainly once the management team for the future is known.

However, what has become clear over the last 12 months is that it is important to have a clear dialogue between the board and football management at the club and ensure structures and procedures for squad building are clear to everyone involved to ensure that the budget is used efficiently, and a balanced squad is put together.

We also believe that the positive support and development of youth players is an issue which Morton cannot ignore going forward. A successful youth model not only helps the club succeed on the pitch but also off the pitch through potentially lucrative transfers. A good youth system is also important from a morale standpoint as all fans get that little extra sense of pride when a young Lyon, Strapp or Hynes type of player is blooded and grows successfully into a first team regular.

Beyond the first eleven, it would also be our hope to support other football such as the women's game or the younger community teams. As a community-owned club, it is important that we promote the game and opportunities for everyone.

Overall, we will look to use relevant expertise to develop a strategic outlook for the footballing operations at the club following transfer of ownership.

The Next Steps



The accompanying email to this prospectus lays out why we think the present deal on the table is the best for the future of the club.

If members agree that this is the case then the final legal negotiations surrounding the complicated transfer of the club and the title of Cappielow will commence. This process will take a number of weeks to complete.

However, MCT have developed a Day One Plan and we are presently working on the basis that the transfer occurs. Therefore, if the majority of members wish ownership change to take place we will continue with working on items ready for day one of community ownership including:

- Securing the football license from the SPFL for next season
- Preparing Cappielow to meet the requirements of authorities to allow fans into the ground if restrictions allow
- Having a 2021/22 budget in place irrespective of the 2020/21 league outcome
- Rollout of our ticketing strategy for the new season
- Unveil our exciting 2021/22 strips
- Continue with the development of the club staff structure
- Ensuring the relevant systems are in place to run the business side of the club
- Complete our sponsorship agreements
- Putting in place our new board structures

We hope that many of the items in this prospectus provide you with some helpful information on what we hope to achieve at MCT. Many of the vital issues are fundamentally in place for community ownership. As we said at the beginning many of the items in this prospectus will always be under review and members and fans views are always encouraged and welcomed.

Acknowledgements



We would like to thank you MCT Members for being part of the last exciting and challenging two years as fans of Greenock Morton Football Club and irrespective of the outcome on Community Ownership you should be immensely proud that in already helping to collectively Move Morton Forward.

MCT would also like to extend our thanks to the following clubs, companies and partners for the provision of valued advice and assistance.



SHEPHERD+ WEDDERBURN





Morton Club Together

Moving Morton Forward