

Status Quaestionis:

Updates on the ALK/VSL ownership structure Chester Perry

Since the last report on the ownership structure of our club and the broader ownership group there have been a number of changes: One of the UK entities has been voluntarily dissolved and seemingly replaced by another directly linked to the already known Jersey-based Velocity Sports Ltd; a second Jersey entity (which has been hiding in plain sight all along, though seemingly serving little purpose until now) was identified following the discovery of a way to access certain files for the Jersey entities. A recent filing suggests that this entity will play a more prominent role in the structure going forward. Together, these documents provide new and extensive insight in regard to the nature of the ownership model and structure of the offshore element of the overall group. Meanwhile, on the vaunted technology investment front there has only been minor change.

The Technology Investments

For all the talk we have seen regarding ALKC and ALK/VSL interests in technology investment, there is actually very little evidential support of it, at least on public view. Media-hyped stories and excitable social media chatter have seen nothing resulting from the press announcements of prospective 'Digital Securities' with INX Limited or the "NFT and blockchain opportunities" with YellowHeart. More disappointingly, the same can be said of the promised share trading facility on Assetmatch.com that was to be launched in late October 2021, a promise made in writing to the small shareholders on October 4 2021. It has never materialised, and there has been no statement or mention as to why this is since.

A new, 3-year, naming rights partner/sponsorship with Rapidz (a Singaporean 'payments solution company [that] offers payment, blockchain [yes, that includes NFTs] and digital finance experiences, and propels the crypto ecosystem to a broader audience') for the FanZone was announced the day before the season began. It does not appear to be a technology development for the club, at least at this stage.

The only concrete evidence of actual technology investment remains with Player Lens Limited and AiScout owner Project 23rd Century Ltd. Nothing has changed in regards to Player Lens – ALKC still holds 25 shares out of the 6,744 issued that the confirmation statement dated February 17, 2020 said they acquired: significant figures left the Player Lens boardroom last year and the company appears to be in stasis, with rivals like TransferRoom appearing to be much more successful. This leaves us with the investment in Project 23rd Century Ltd whose AiScout and AiLab technology is deeply embedded at our club, particularly in assessing the development of Academy members and scouting for the Academy. It is worth restating the specifics of that holding and detailing the changes.

- **Project 23rd Century Ltd** (No 10911841) owns AiScout, of which a confirmation statement dated August 10, 2020 and filed on October 8, 2020, states that ALK Capital (the date means it has to be the LLC though it is not stated) held 7816 Class B (non-voting) shares out of 556,508 such shares, with 1,333,334 Class A (voting) shares also in distribution at that time.

New share issues as a result of seven different share sales in the autumn and winter of

2021/22 raised in excess of £2.5m and resulted in a new total of 1,185,451 Class B shares in circulation with no change to the Class A figure. A confirmation statement dated April 12 2022 stated ALK Capital then held 46,895 Class B shares.

Three more share sales (involving 12 transactions) indicated another round of funding in the summer and autumn of 2022. They saw a further 234,233 Class B (non-voting) shares issued for a total sum of £6,844,190.78 raising the number of issued Class B shares in circulation to 1,419,684. According to a Confirmation Statement dated April 12 2023, ALKC did not take part in this funding round which saw their holding diluted to 3.3% of this class of share. Again, there was no change to the issued number of Class A shares

A significant feature of that last funding round was the arrival of a new investor, Lighthouse Sports Partners LLC, which has acquired 183,430 Class B shares or a holding of 12.92% of that share type for an outlay of over £5m in mostly new, but some existing shares. That entity appears, it is still not certain, to be linked to the Private Equity group Lighthouse Partners LLC which operates out of Palm Beach in Florida – a hotbed location of recent investment in English and European Football.

The AiScout/AiLab technology was still winning football industry awards in 2022, as the product set expanded. It is developing market share, too. In October of last year, a 5-year, partnership deal with Chelsea's Academy (the place where much of the initial testing of the AiScout prototype occurred) was sealed. In May this year, a partnership with MLS was announced, all MLS clubs will be making use of the entire product set. Based on the prices paid for shares in the 2022 funding round, ALK's stake can be valued at circa £1.4m, that is at least 3 times more than they likely paid for their investment, a very healthy return, with expectations of growing much further.

Changes to ALK/VSL group companies registered in the UK

While highlighting the late filing malaise in 'Updates from Companies House' (STWHA 262 – a situation that remains outstanding 5 months later), I mentioned that Velocity Sports Partners Limited, an entity directly owned and controlled by Velocity Sports Partners LLC (VSP) registered in Delaware, was being voluntarily dissolved. This was completed in June. A new entity has been created, seemingly to replace it, but the purpose it will serve is not currently known:

- **Velocity Capital (UK) Holdings Ltd** (No. 14755517), hereafter VCHL, is the wholly owned subsidiary of Velocity Sports Ltd (Jersey), hereafter VSL. It was incorporated March 24 2023 with a paid £10 capitalisation of 1,000 shares. It has three directors: Alan Pace, Stuart Hunt and Michael Smith, with Pace registered as a Person with Significant Control. It is stated that Pace holds more than 50% but less than 75% of the voting rights either directly or indirectly, probably reflecting his position in VSL. The registration at Companies House shows the business type as being 'Activities of other holding companies not elsewhere classified'.

A change worthy of note, has occurred at the other UK registered company that falls under the direct ownership of VSL, Kettering Capital Limited (KCL), an entity in the direct chain of control over Burnley Football Club. Previously, VSL was named as the Person [entity] with Significant Control, but on April 13 2023 this changed to Alan Pace (in line with all the other ALK/VSL group companies registered in the UK), Most significantly, this change was backdated almost two and a half years to KCL's incorporation date of October 26 2020. Again, it is stated that Pace holds more than 50% but less than 75% of the voting rights either directly or indirectly.

Was this change enforced by the EFL as part of its ongoing appraisal of issues at the club while it was under transfer embargo? Given we are now able to deduce that group companies outside the direct purview of the club are not (currently) subject to the EFL's and Premier Leagues rules regarding group accounts and UK government regulatory disclosure, as I thought at the time of our transfer embargo, perhaps not. Does the reason go back to investigations Matt Hughes was referring to in his (much derided) *Daily Mail* article of September 8 2022 about a Jersey financial institution being the ultimate owner of Burnley Football Club and that an investigation into that claim initiated by the Premier League was passed over to the EFL upon relegation? Possibly, though without an official explanation we will never know for certain. That ownership claim made by Hughes was ultimately wrong, as I will demonstrate later, but the article did illustrate how convoluted and complex the spider's web that is the ALK/VSL group's structure is to understand and the confusion it causes for those who try to unravel it.

Access to registered documentation leads to new discoveries in Jersey

VSL in Jersey is long known to us in relation to the ownership group, even the club's website has since September 2021 told us about it and how it featured in the hierarchy (see Fig.1 below).

Burnley Football & Athletic Company Limited is wholly-owned by Burnley FC Holdings Limited, of which 83.97% of its entire issued share capital is owned by Calder Vale Holdings Limited, a company incorporated in England and Wales ("Calder Vale").

Calder Vale is owned, through a wholly-owned subsidiary, by Velocity Sports Limited, a company incorporated in Jersey. ALK Capital LLC and Velocity Sports Partners LLC are the only persons or entities owning 25% or greater of Velocity Sports Limited. ALK Capital LLC holds and controls the voting rights of Velocity Sports Limited, and Alan Pace, Michael Smith and Stuart Hunt are each directors. The persons having a significant interest in Velocity Sports Limited, and therefore Burnley Football & Athletic Company Limited, are Alan Pace (50.382%), Michael Smith (16.794%) and Stuart Hunt (16.794%).

Fig.1: the corporate position of VSL Jersey, as described on the BFC website

Unfortunately, that statement provided almost all the information we had on VSL, barring its incorporation date and Jersey Financial Services Commission Registration Number. That situation changed in late April, following access to certain company documents in Jersey. The information these documents have provided forms the basis for much of what follows.

- **Velocity Sports Ltd** (No. 132376) is registered in Jersey, and was incorporated September 28 2020. There was an initial share allotment of 10,000 shares at a value of £1 each. Registration documents give no record of shares being issued, who the directors were or who owned the company. The incorporation document was filed by Appleby Global Services (Jersey) Limited.

A Special Resolution dated December 24 2020 and filed January 14 2021 increased the available share allotment to 1,000,000 all still at a value of £1 each. Significantly it stated that three shares had been previously issued: one to ALKC, one to VSP, and one to the then unknown Velocity Sports Feeder Ltd (Jersey), hereafter VSFL. The document went on to introduce 4 distinct classes of share: Class A; Class B; Management Share and Incentive Share, each was to maintain its nominal £1 value with: the share allocated to VSP to be redefined as

Class A; the one to VSFL as Class B; and that of ALKC as a Management Share. This document was lodged and signed for by another Appleby Global Services company, AGS Corporate Secretary (Jersey) Limited acting (and may still be, we don't know) as company secretary.

Documents not made available by the Jersey Financial Services Commission include: records of Capitalisation; Financial Reports/Accounts; and Confirmation Statements. This means we do not know how many more shares have been issued or to whom, effectively guaranteeing that we may never know all the corporate/individual identities of the ownership group. Consequently, we can only know the names of individual investors when they are shared by the ownership group themselves. It is why, for instance, we do not know if the August 2nd announced (though still to be registered at Companies House) new Burnley FC Holdings Limited (BFCHL) director Vlad Torgovnik is a member of the ownership group, though the suspicion is that, he is. It is a situation that includes Adrian Bettridge, identified as a BFC board member in 'Mission to Burnley', but he is neither a director or employee of the club.

The Special Resolution at VSL provided an abundance of insight and useful information, mainly in a significantly revised Articles of Association. First, it is worth looking at what they have to say about the different share types as they form an extensive and detailed element of the articles, and outline how ALK will maintain overall control of the ownership group, even as their holding dilutes.

ALKC and VSP are limited partnerships, shares are not issued within themselves (they do not produce consolidated financial statements either). So, the talk of shares in VSL being distributed to individuals is somewhat confusing, particularly as we believe new investors are joining ALKC or (more likely) VSP not VSL. That there is such extensive reference in the revised VSL articles to shares, share types, even each shareholder's ability to trade, bequest or offer as security part or all of their shareholding in the enterprise, appears to indicate that partners in ALKC or VSP hold personal shares in VSL. In practice, the ability to trade shares is heavily restricted: shareholders are obliged to offer them first to the Company, then the Management shareholders. Only if these offers have been declined in full or part can remaining shares be transferred to another party and that still requires the express written approval of the directors, who remain free to block any sale.

What is clearly evident in these documents is that **ALKC has taken every legal course to protect its position as managing partner**. Consider the voting capability of each share class, we see that the voting rights for Class A and Class B shares are restricted to specific areas outlined in the articles at one vote per share. Management shares are allocated 100 votes per share on all matters. Incentive shares carry no voting rights but, directors can convert them to any other class of share.

Notably, Incentive shares can be awarded to employees and service providers, and are retained while service continues, though they must be returned, without cost, once that service has been completed/terminated. It sounds like they are there to provide a bonus if dividends or other profits are collected. Appleby Global Services, in some guise, may have held/hold such shares. As may other entities. 'Mission to Burnley' appeared to show a number of such entities, providing advisory services to the owners at a deeply engaged level. Though not identified as such, that appeared to include MUD Analytics Limited, of whom our manager is a co-owner alongside Lee Mooney, who featured a number of times in boardroom scenes wearing full Burnley FC staff kit across the series.

Other things to note about VSL shares is that **Management shares must always make up a minimum of 25% of the total of issued shares** and that **Class A and B shareholders must accept, prior to joining, the anticipated likelihood that their shareholding will be diluted at some future point as others join the group**. It is likely, that the issue of new Management shares to maintain the prescribed issued share proportions are granted, rather than paid for, given the right to such issue is stipulated as being at the directors' discretion.

In light of the circumstances which contributed to last season's EFL transfer embargo together with the failures to meet legally stipulated filings at Companies House for group companies, the introduction of a 'Cause' clause to these revised articles is of particular interest:

Cause: means a determination of the board of Directors in good faith that a Class A Shareholder, Class B Shareholder or Incentive Shareholder's action or inaction constitutes:

- I. The commission of any act constituting financial dishonesty against the Company or any affiliate (which act would be chargeable as a crime under applicable law); or
- II. Any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment which, as determined in good faith by the board of Directors, that would:
 - a. Materially adversely affect the business or the reputation of the Company or any affiliate with their respective current or prospective customers, suppliers, lenders and/or other third parties with whom such entity does or might do business; or
 - b. Expose the company or any affiliate to a risk of civil or criminal legal damages, liabilities or penalties; or (iii) any material misconduct, or conduct detrimental to, violation of the policies of the English Football League, the Premier League, the English Football League Championship, the English Football Association, FIFA, or any other league, organisation, or tournament in which the club(s) in which the Company has an interest (directly or indirectly) competes or with which it is affiliated;

Note: *Holders of Management shares (which we assume constitutes those who form the board of Directors at the Company), by their absence in the above definition, are not subject to the 'Cause' clause. That said, the primary purpose of any Articles of Association is to prescribe the activities and limits within those activities that can be exercised by the directors of the Company, the directors are bound by law to do so. Consequently, we should probably read this as inclusion of specific shareholder actions into the articles rather than an exclusion of the actions of Management Share shareholders, particularly when we note that each year the accounts of the club are published there is a statement about the directors needing to essentially abide by the same rules.*

The articles later make specific reference to the penalties that can be applied should 'Cause' arise, defined as a 'redemption event'. It all sounds rather dramatic, but actually appears to be very much a boilerplate set of statements, and likely rather conventional within American groups of this nature. It broadly resembles the approach taken by the Glazer family at Manchester United, though there, voting rights differences are 10:1 not 100:1 with nominal value rights of 10:1 not 1:1. It must also be acknowledged that those 2nd class Manchester United shares are freely traded on the New York Stock Exchange without director influence, interference or blockage.

I include the full 'redemption event' clause below, by way of an example of just how much legalese these inquiries have had to fight their way through, it is particularly challenging at times for those of us not having the required training or experience. The ultimate penalty for breaching the 'Cause' clause is the forced transfer of shares with no profit permitted and possibility of actual material financial loss retained if the shares have lost value since they were acquired.

9 Transfer of Shares

9.4. If the Company determines, in its sole and absolute discretion, there exists sufficient Cause in respect of a Holder (in each case, a "**Redemption Event**"), then, subject to the Law, the Company shall have the right and option upon occurrence of a Redemption Event to redeem and cancel some or all (as determined by the Company) of the Shares belonging to the Holder at the lesser of:

- a. The original price paid by the Holder; or
- b. The current fair market value of such Shares as of the date the Company elects to exercise its redemption rights, as determined by the Company in its sole and absolute discretion (the "**Redemption Price**").

Such redemption right of the Company shall be exercised by the Company by giving the Holder written notice of its intention to exercise such redemption right and the relevant Shares shall immediately thereupon be redeemed and cancelled. Upon such notification, the Holder shall promptly surrender to the Company, free and clear of any lieu or encumbrances, any certificates or other evidence of ownership representing the Shares being redeemed. Upon the Company's receipt of the certificates or other evidence of the ownership from the Holder, the Company shall deliver to him, her or them a cheque for the Redemption Price (or arrange such payments as may be agreed between the respective parties); provided, however, the Company may pay the Redemption Price by offsetting and cancelling any indebtedness then owed by the Holder to the Company. In lieu of exercising such rights hereunder, the Company may require the Holder to transfer such shares to a transferee approved by the Company by delivery of any certificates or other evidence of ownership representing the Shares being redeemed together with a duly executed transfer power for the transfer of such shares to the transferee.

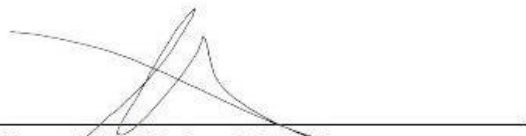
As we now know, VSL is not the whole story of the ownership group's presence in Jersey. There is another entity there, that sits above VSL, revealed in the Special Resolution filed in January 2021. VSFL has been there as long as VSL. Fortunately, we can access similar documentation to that at VSL, the most informative of which was filed in April this year.

- **Velocity Sports Feeder Ltd** (No. 132377) is registered in Jersey the Channel Islands, it was incorporated September 28 2020. There was an initial share allotment of 10,000 shares at a value of £1 each, but no record of any shares being issued, or who owned the company. The incorporation document was filed by Appleby Global Services (Jersey) Limited.

A special resolution dated April 4 2023 and filed April 20 2023 acknowledges that a single share had been issued to ALK Capital LLC previously. The document went on to introduce 3 distinct classes of share: Class A; Class B; and Management Share, each was to maintain its nominal £1

value and the share allocated to ALKC was to be reclassified as a Management Share. This document was signed by Mike Smith on behalf of ALK Capital LLC, (Picture 1, below).

Everything that we saw about the different share classes in VSL (barring the absence of Incentive Shares) is stated in a revised set of Articles of Association at VSFL, which serves to emphasise their standardised nature. That goes as far as the inclusion of the same 'Cause' clause, this time for just for Class A and Class B shareholders. The timing of the filing suggests that VSFL is about to play a more prominent role in the group.

Velocity Sports Feeder Ltd	
(the Company)	
<hr/> Written Shareholder Resolution <hr/> <hr/>	
<p>We, the undersigned, being the sole shareholder of the Company who would, at the date of this resolution, have been entitled to vote upon it had it been proposed at a general meeting at which we were present, hereby resolve, pursuant to Article 95 of the Companies (Jersey) Law 1991, as amended (the Law) and the articles of association of the Company, to pass the following resolutions as special resolutions:</p>	
<ol style="list-style-type: none">1. "That the memorandum and articles of association of the Company attached to this resolution be and are hereby approved and accepted as the memorandum and articles of association of the Company in substitution for and to the exclusion of the existing memorandum and articles of association of the Company."2. "That: the 1 ordinary share of £1.00 currently issued by the Company to ALK Capital LLC shall be hereby reclassified as a Management Share."	
<p>We also confirm, acknowledge and agree that to the extent that any of the special resolutions proposed in this resolution are a variation of the rights of any class of member of the Company, such variation be and is hereby approved.</p>	
 _____ Signed by Michael Smith For and on behalf of ALK CAPITAL LLC	 4 April 2023 _____ Date

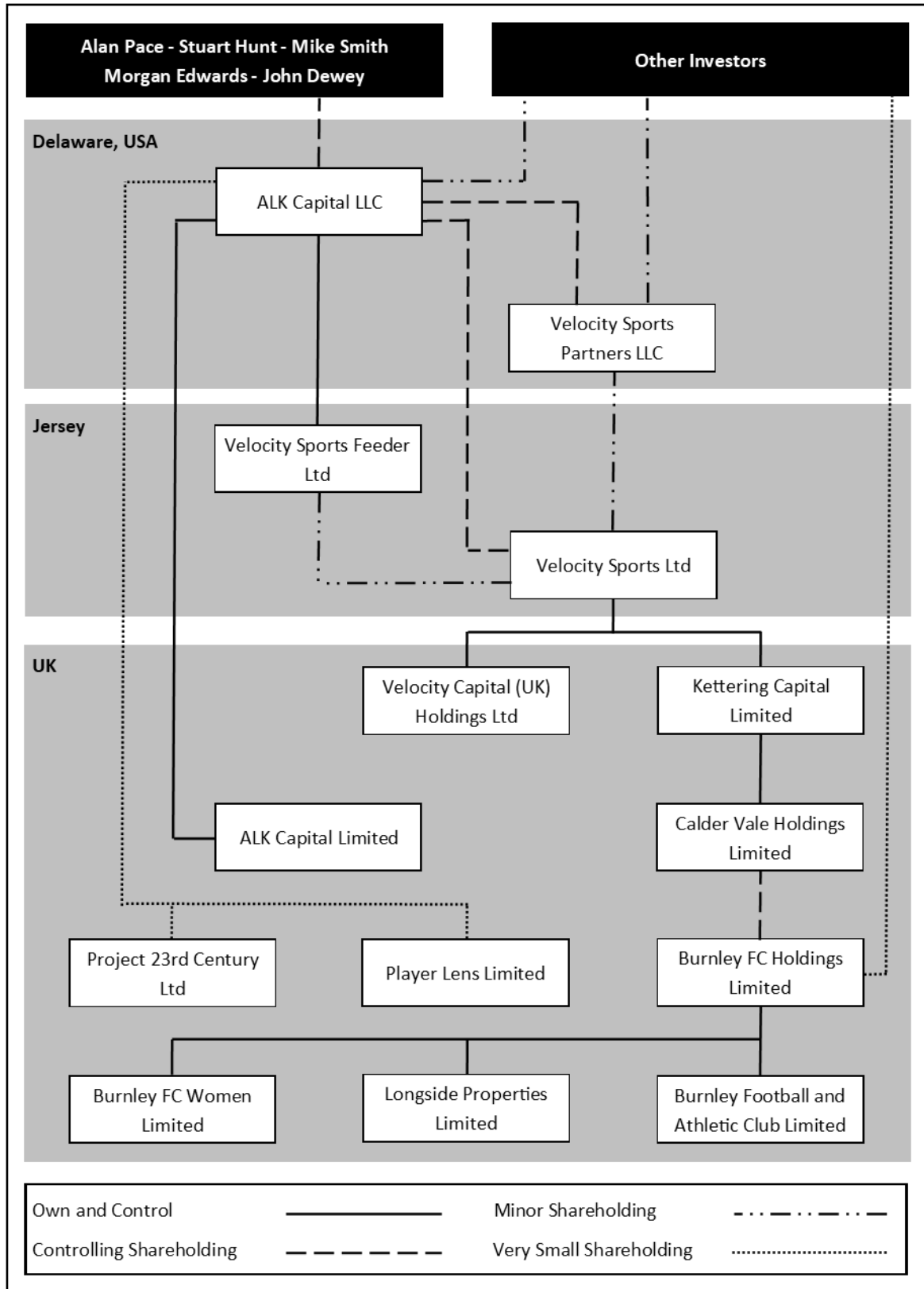
Picture 1: Velocity Sports Feeder Ltd Special Resolution authorisation

A revised understanding of the corporate structure of ALK/VSL and the club's place within it

Picture 2, on the next page offers a new, much more complex and detailed diagram charting the structure of the ALK/VSL organisation as far as it is now understood to be. Know that the 'Other Investors' box incorporates a broad swathe of interests: from the remaining small shareholders in BFCHL, to the likes of Dave Checketts and Antonio Para, through minor investors like Malcolm

Jenkins, the Watt family and Dude Perfect and onto the other unknown investors, some of whom were seen but not named in 'Mission to Burnley', particularly the boardroom scenes.

All are investors in the club's majority ownership group *not* the club per se. This is a point many consider trite and do not like me to make, but until new capital funds arrive at the club with new shares allocated to named individuals (or even the group via CVHL) it remains true.

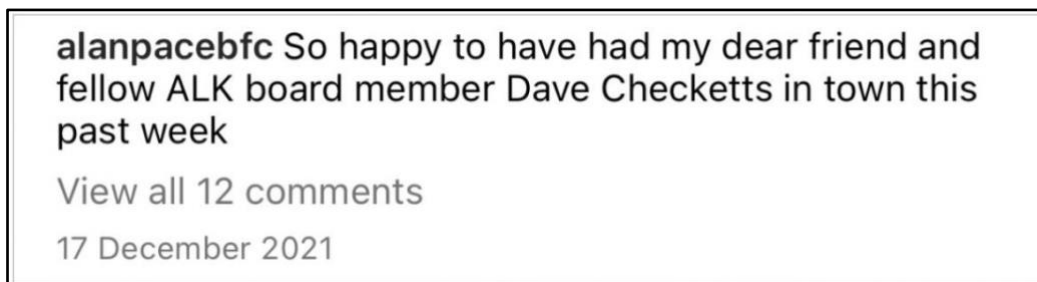


Picture 2: The ALK/VSL organisation structure as currently understood

It is not possible to say the structure presented above is a complete one, at least without confirmation from ALK/VSL or their representatives. Also, it does not appear possible to add further detail or expand on it without further disclosure from the same sources. Most who see it tend to ask the same question. *Is it really necessary for an organisation that owns a football club to be so complex?* In short, the answer is a resounding No, as the previous ownership group clearly proved. The situation as we understand it appears to answer the question by saying: “Only if you want to spread the liability, grow the financial strength and capabilities of it while seeking to maintain absolute control and minimise the publicly accessible information pertaining to it.”

Investigations appear to have run their course

Football is a business like few, if any, others: clubs belong to fans in all but legal claim. It is a failing in the game’s regulation that this investigation has been necessary. There is still much that remains unknown. Yet, I believe this, almost 3-year long journey of inquiry into the nature, structure, organisation, membership, actions and purpose of the group we now refer to as ALK/VSL has drawn to a close. Little else of significance likely remains in the public sphere. That does not mean there won’t be details that have been missed or things that will not be revealed in the future. In May, I was presented with evidence from December 2021 that Dave Checketts is an investor and board member in ALKC, apparently from Alan Pace’s Instagram account (see Picture 3 below).



Picture 3: Alan Pace Instagram post acknowledging Dave Checketts as an ALK board member

Investigations closing do not mean that we should stop being vigilant about what goes on in the background at our club. Far too many have shown that it is much too easy to be distracted by positive events (there have been many), assume that results are all that matters and unwittingly join an advocate army that champions and justifies the owners every action/inaction. Such people forget that it is possible, reasonable, acceptable, even desirable, to be critical of the board for certain actions while being thrilled by what we see on the pitch and offering praise where it is deserved. Treat this statement from Alan Pace at the post-takeover introductory press conference of January 5 2021 as a direct invitation to act in this way, particularly if you see contradiction in it.

“I hope that they [the fans] will see that we are fairly open, I like to think very open, and we like to communicate because we like to hear. I have no problem and I actually encourage it, when I do something silly, tell me...if I do something really stupid, probably don’t tell me right away...”

Transparency and disclosure within football is an issue that is increasingly finding political favour within government and even the general public, hence the Fan Led Review of Football with its potentially game-changing recommendations, the subsequent government White Paper and the intention to introduce an Independent Football Regulator. Embrace the need for such transparency and challenge those who seek to hide what is your right as a supporter to know about your club.