

Fellow Shareholder

We write to offer our thanks to those shareholders that have supported our petition to convene an Extraordinary General Meeting of Everton Football Club. We also wish to provide you with an update to the events that have occurred since we originally sought your support to petition the club for an EGM.

As you will no doubt be aware, the Destination Kirkby proposals have been 'called in' by government office and the resulting public enquiry is scheduled to commence on the 18th November 2008 meaning that the decision to confirm whether or not the scheme will proceed is unlikely to be known until July 2009. The club has previously stated that a delay of 12 months could seriously undermine the viability of the proposals due to increased construction costs and we believe that it is of the utmost importance that the club take this opportunity to review the situation, free itself of the constraining exclusivity arrangement and consider other potential alternatives as of course there is no guarantee that a protracted and detailed examination of the Kirkby proposals will lead to the scheme being approved by the Secretary of State.

Both Tony and I met with our new acting CEO Mr Robert Elstone on the 14th August to discuss the protocol to be observed on the night of the EGM. Mr Elstone has stated that the purpose of the EGM will be strictly related to the stadium issue as set out in our petition and that questions from the floor in relation to other concerning issues such as investment, transfers and the like will be out of bounds on the night. We would urge shareholders to heed this demand as it has been indicated to us that the Chairman is within his rights to cut short the EGM should it stray from the purpose of the meeting. Mr Elstone has acknowledged that the stadium relocation issue has been divisive and has generated much passion on both sides of debate however it has been stressed that the Chairman will cut short the meeting should it become unruly or abusive. We would remind shareholders that the purpose of the meeting is to determine if relocating to Kirkby will be in the best long term interest of Everton FC and as such we would request that shareholders remain respectful of the Chairman, the board and their advisors as they respond to our questions.

In light of the above, we are concerned to report that we have been advised that the board will not give shareholders the opportunity to endorse the Kirkby proposals on the night with a traditional 'show of hands' vote but will rather go straight to a poll vote. For the record, the Articles of Association of the Everton Football Club Company Limited state "*A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of the show of hands a poll is duly demanded.*" A poll vote would ensure that should Mr Kenwright, Mr Earl and Mr Woods wish to continue with the Destination Kirkby proposals they will be able to do so regardless of the wishes of the 1,500 or so minority shareholders. We find this stance somewhat surprising as one would think that the board would be confident that shareholders will be appreciative of the merits of the Destination Kirkby proposals and its benefits to the long term prosperity of the club and endorse the boards proposals. We believe that the board, whilst demanding respect from the floor, should equally consider the wishes of minority shareholders who wish to safeguard the best interests of Everton Football Club. We believe that it is important that the board take this opportunity to listen to the concerns of shareholders and Evertonians who are not convinced about the wisdom of the Destination Kirkby proposals now that the facts are known. We would remind the board that Evertonians were furnished with few facts during the original ballot process and the club promised Evertonians a 'world class' and 'effectively free' stadium. It is clear that the board will fail to deliver on these promises and subsequent independent surveys have concluded that the Evertonian community would not have endorsed the Destination Kirkby proposals had they known what we know today. We believe that Destination Kirkby is a risky venture that will present Everton Football Club with a very uncertain future. Evertonians want what is best for the long term success of the club and as such if the scheme was genuinely the best possible solution to the stadium issue it would attain unanimous support, unfortunately the Destination Kirkby proposals have divided not united the fan base.

A further development that has occurred since we submitted our EGM petition to the club on the 18th July 2008 has been the sudden resignation of Keith Wyness shortly before the 'call in' was announced. A number of articles have appeared in the media linking Mr Wyness' departure (http://www.timesonline.co.uk/tol/sport/football/premier_league/everton/article4467155.ece) to the growing behind the scenes influence of retail tycoon Sir Philip Green. Further articles (<http://www.guardian.co.uk/business/2008/aug/03/everton>) suggest that Everton Football Club will be sold if the Destination Kirkby proposals are approved. Both Tony and I are concerned that these reports suggest that the board are pursuing the Kirkby proposals in order to enhance the short term value of the club prior to a sale. Indeed Section 8.6 of the 'Proposed Stadium For EFC' report by DppLLp state that "*The Directors of the Club recognise the need to strengthen the balance sheet in the short term*"

We would also advise that we have been in negotiation with the club concerning the wording of the resolution to be put to the vote at the end of the EGM. Our original intention was to request that a fresh ballot be put to Evertonians based upon the known facts in relation to the Destination Kirkby scheme however this proposal was declined by Mr Elstone. We are disappointed that the board have declined this request citing that Evertonians have already been consulted on the matter; however we would point out to Mr Elstone and the board that the information provided by the club at the time of the ballot did not, in our view, reflect the reality of the Destination Kirkby scheme. Having discussed the matter through our solicitors we believe that we are close now to agreement with the board and it is hoped that the resolution to be put forward for a vote at the end of the evening will be worded as such:

"In the best interests of the Everton Football Club the shareholders of the company request that the board extricate the club from the exclusivity agreement with Tesco followed by the immediate withdrawal from the Destination Kirkby scheme and forthwith commence negotiations with Liverpool City Council to ensure that the club can redevelop Goodison Park or relocate to a central location of the clubs choice within the city of Liverpool."

We trust that the board will not reject this proposal and will afford shareholders the opportunity to have a show of hands on this resolution.

Finally, the Chairman and the Board, when requesting order and respect at the EGM, must remember, as one Goodison official recently proclaimed, "respect is a two way street." It is hoped that the board will not use their authority to dismiss the concerns and wishes of minority shareholders. The club has recently promoted the notion that Everton FC is the 'Peoples Club' and as such should give Evertonians the opportunity to endorse or reject the Destination Kirkby proposals now that further facts have come to light..

Should the board fail to reconsider their current position and offer a 'show of hands' vote to shareholders on the night of the EGM we have taken this opportunity to enclose a further petition calling for another EGM to debate the specific off field affairs of the club. Should you wish to support us we would request that you complete the attached requisition form and present it to either Tony or myself on the night of the EGM or alternatively email a scanned copy of the requisition to mark.grayson@hotmail.co.uk or post your signed copy to:

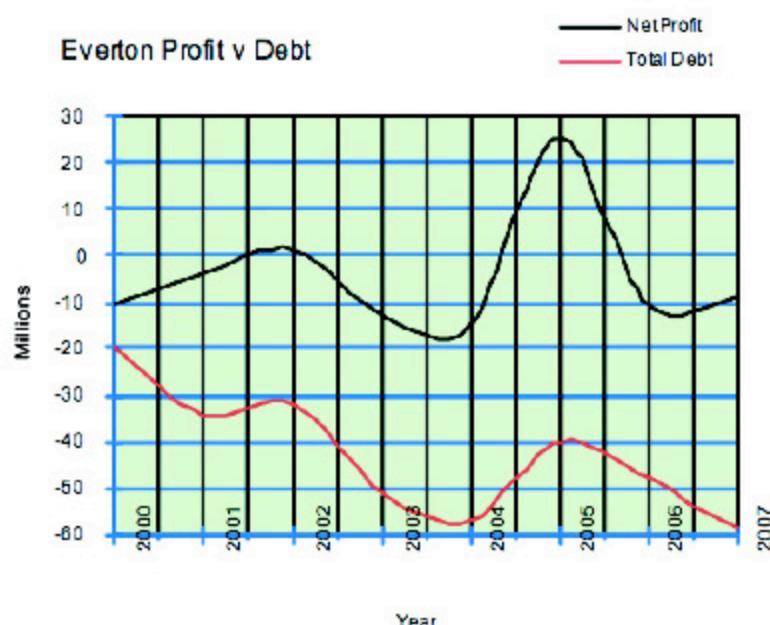
Mark Grayson c/o PO Box 118, Aigburth, Liverpool, L17 6WX.

Once again, thank you for your support.

Mark Grayson and Tony Bennett, August 2008

The Business Plan - Should Evertonians be concerned?

Everton supporters have unanimously welcomed the incredible transformation, under David Moyes, from perennial relegation fighters to re-establishing their rightful place as members of the elite in English football. Unfortunately this contrasts greatly with their performance off the field; starved of outside investment the management team had little choice other than to introduce cost cutting strategies that have included the outsourcing of their catering and merchandising operations, the disposal and mortgaging of tangible assets to fund day-to-day business requirements and the securitisation of intangible assets such as the annual TV and merit payments to provide much needed funds for the manager.



Evertonians are concerned that these strategies will eventually lead to a complete inability to compete in the transfer market. Many of these strategies were outlined in a three-year business plan, sadly, despite vast increases in media and merit payments, as can be seen in the chart on the left, this strategy has failed to improve Everton's financial standing. In fact, save for the sale of Wayne Rooney which can be seen in 2005, it could be argued that the financial standing and prospects of the club today are perhaps worse than at any time in the last eight years with little hope of improvement as the asset base runs out and financial institutions review their lending criteria due to the credit crunch.

Part of the problem is undoubtedly the inability of the club to generate sufficient revenue from attendances, corporate hospitality and commercial activities. To address this the board proposed a move to Kirkby, highlighting that the extra capacity and improved corporate areas would generate a net contribution of £10M per annum for the manager, many supporters opposed this as in their view the plan would be unlikely to achieve these objectives.

Following representations by Tesco the board of Everton entered into an exclusivity deal preventing the club exploring alternatives to their Kirkby project, however shareholders and supporters believe that this agreement is not in the best interests of the club and that other proposals should be explored and developed.

The Destination Kirkby project was presented as a cost effective solution for a club with limited financial resources; the project is heavily reliant upon the size of the associated retail development as this provides a £52M cross subsidy to build the stadium, allegedly making possible the acquisition of a £130M stadium for £78M.

Supporters and shareholders believe that the board of the club should immediately extricate itself from this exclusivity deal, identify potential sites within the city and make an approach to the City Council with a view of obtaining their support for a new Everton business development plan. Such a business plan should be for the long term benefit of the club and not merely a device to add short term value to the club.

It is clear that the club needs to resolve the stadium issue for the benefit of team building however the business plan for Kirkby is unclear and the benefits to the long term prosperity of the club very much uncertain. It is essential that a new stadium will generate increased and sustainable revenue for the future prosperity of the club however the Kirkby proposals offer great risk for very little return. The table above right illustrates the transfer spending that the board has afforded to David Moyes since May 2002.

Season	Additions in year	Disposals in year	Profit/(Loss) on transfers
2006/07	19,549,000.00	12,181,000.00	(7,368,000.00)
2005/06	17,547,000.00	10,535,000.00	(7,012,000.00)
2004/05	15,398,000.00	26,906,000.00	11,508,000.00
2003/04	4,313,000.00	4,246,000.00	(67,000.00)
2002/03	13,304,000.00	2,182,000.00	(11,122,000.00)
Net Spend period 1/6/02 to 31/5/07			(14,061,000.00)
Average Spend per Season			(2,812,200.00)

As can be seen above, the board have been unable to support David Moyes with a transfer budget befitting one of English football's most well supported clubs. The above figures, taken from the club's own accounts, highlight that the business side of the club has generated a meagre average net transfer spend of just £2.8m per season from average attendances of 37,000. Due to the accessibility problems with the site it is questionable how the Kirkby proposals, with the potential to sell just an additional 10,000 seats, will improve this situation if the club fails to attain significantly increased attendances.

At best, assuming that the proposed ground attains capacity crowds for every home league match, the club could optimistically hope to generate an additional £8.9m on the basis of an additional 13,000 seats being sold at £35 for all home league games. A further £1.25m could be generated if the 25 additional executive boxes were sold at £50,000 each however these most optimistic figures will have to be offset by servicing the significantly increased debt and the other 12 or so outstanding loans that currently exist against property and assets. We believe that this is a risky business proposal requiring regular capacity attendances however where will the increased revenue for transfer funds come from should the stadium fail to attain regular capacity crowds? The planning documents state that the club will not be able to hold concerts and the like so how do the board expect this additional commercial income to be generated? The board must remember that over 10,000 Evertonians have already registered their opposition to the Kirkby stadium proposals so who will replace these supporters if they decide not to attend matches in Kirkby? What will happen to the club if it fails to regularly achieve capacity attendances?

The business plan associated with the ground move clearly raises many questions about the future prosperity and status of the club.

As minority shareholders, we acknowledge the potential to increase the value of our shareholding in the short term as the valuation of the club will no doubt be enhanced by the £52m retail subsidy to be derived from the Destination Kirkby development. However, we did not buy our shares for profit and we are concerned that the benefits of the Destination Kirkby development will merely provide the opportunity for short term financial gain rather than the long term prosperity of Everton Football Club?

Aside the value of the major shareholders' bloc shareholding; shares are currently changing hands for £1,300 per share and with 35,000 shares available this would suggest that Everton Football Club is currently valued in the region of £45m. Should the Destination Kirkby scheme be approved and the £52m subsidy become available to the club would the board anticipate that the club's value will more than double? As the stadium is phased to be built before the retail element of the development; what mechanism has the board put in place to ensure that the retail subsidy is available to the club to offset stadium construction costs and increase the value of the club?

We have noted comments in the media stating that investors are waiting to buy the club should the Destination Kirkby development proceed. As a consequence do the board believe that it would be prudent to sell shares shortly after they had been enhanced by a retail subsidy or would the board recommend that shareholders retain their shares despite the potential for the value of the club to later subside should the newly completed ground fail to attain capacity gates and generate the revenue that was previously anticipated by the board? If shareholders were intent on making a profit from their shareholding would they be wise to sell their shares after they had been enhanced by a retail subsidy and before any potential problems with insufficient attendances and revenue became apparent?

We would like to take this opportunity to remind shareholders of the words spoken by Bill Kenwright at the 2004 EGM.

"tonight we've got gathered together some of the most passionate Blues. That's why you own shares, I own shares, and we own shares. Not for profit or involvement. So, it might amaze you to know this but I welcome tonight's meeting because I know the sole reason it has been called is to improve Everton Football Club. Finally, because Everton is a passion for us I expect passion tonight"