



Matthew Southall
Charlton Athletic Football Club
The Valley
Floyd Road
Charlton
SE7 8BL

Our Ref: 825.5

13 March 2020

By: Post & Email [mfsouthall@aol.co.uk, ms@investinsport.co.uk]

Dear Sirs


**OUR CLIENT: BLOOM PROPERTIES LIMITED
MATTER: OUTSTANDING INVOICES AND BREACH OF CONTRACT**

1. We act for Bloom Properties Limited ("**BPL**") and write in relation to the outstanding sums due and payable in relation to services that have been provided by our client to you and your subsequent breach of contract.

Background

2. BPL acts by its sole director Laurence Bassini. BPL's primary business concerns investment in and development of residential and commercial properties. However, as a result of Mr Bassini's extensive network and experience in the football industry, BPL is also concerned in investing in and the acquisition of professional football clubs. The services provided by BPL in the football industry include, *inter alia*: sourcing potential investment opportunities in football clubs, introducing investors to football clubs, brokering deals concerning the investment in or acquisition of football clubs.
3. According to documents filed at Companies House, East Street Investments Limited ("**ESI**") is a limited company that is the majority shareholder of Charlton Athletic Football Company Limited ("**CAFCL**"). You are a statutory director of both ESI and CAFCL.
4. CAFCL is the corporate entity behind Charlton Athletic Football Club ("**Charlton Athletic**"). Charlton Athletic is a professional football club that currently participates in the English Football League (the "**EFL**") Championship.
5. You and Mr Bassini have been business associates for a number of years. You were involved in the purchase of another club, namely Bolton Wanderers.

Old Pump House 19 Hooper Street E1 8BU
Floor 1 31 Princess Street Manchester M2 4EW
WWW.BRANDSMITHS.CO.UK

- 
6. On or around 29 November 2019, ESI agreed to purchase a controlling stake in CAFCL, meaning that you had agreed a deal to purchase Charlton Athletic. On or around 2 January 2020 it was announced that ESI's purchase had completed, attaining EFL approval and that you were installed as the Chairman of Charlton Athletic (the "Takeover").

The Agreement

7. You were introduced to Charlton Athletic by Mr Bassini who had previously been involved in discussions to purchase the club from its previous owner, Roland Duchatelet. You agreed that in the event you were involved in the successful purchase of Charlton Athletic you would pay to Mr Bassini and/or BPL a fee.
8. In August 2019 you (in your personal capacity) entered into an agreement with BPL entitled 'Introducer's Agreement' (the "**Agreement**"), a copy is enclosed at Annex A. The Agreement stated that;

"Upon satisfactory completion of the ownership and EFL approval of the Client, the Client agrees to pay the sum of £1,250,000:00 plus VAT to Bloom Properties Limited.

This will be paid as per the terms of the Invoice provided."

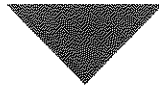
Note that 'Client' was defined as "*Matt Southall (East Street Investments Ltd).*"

9. The Agreement went unsigned, that however bears little significance to its validity in that your conduct affirmed its valid execution (see the clear dicta in cases such as *Reveille Independent LLC v Anotech International UK Ltd [2015] EWHC 726 (Comm)* and *Maple Leaf Macro v Rouvroy [2009] EWCA Civ 1334*, the latter of which held that the fact that a draft contract leaves a space for a signature does not mean that a signature is a condition of acceptance).
10. There was a clear course of conduct which demonstrated that you and BPL were acting in accordance with the Agreement. There exists substantial correspondence and witness evidence in that regard. See for example the WhatsApp message sent by you to Mr Bassini on 17 October 2019 which stated:

"I need you to help me close Charlton this week Laurence. Big dough in it for us. See forwarded email."

A copy of this message is enclosed at Annex B.

11. Further, you forwarded to Mr Bassini an email chain which included your correspondence with Lieven de Turck (Mr Duchatelet's advisor) which contained the terms and negotiation of the agreement to purchase Charlton Athletic (Annex C).



12. In addition to the above, a witness, Mr Glenn Thomas, has confirmed that you had instructed BPL on the terms outlined in the Agreement. Mr Thomas witnessed and was party to conversations pertaining to Mr Bassini and BPL introducing you to and assisting you in the completion of the Takeover.
13. Therefore, there is a clear course of conduct which shows that pursuant to the Agreement, our client provided to you the services and knowhow so as to enable to you to be introduced to Charlton Athletic and conclude the Takeover. Our client's fee as expressly set out in the Agreement and confirmed by you is £1,250,000 plus VAT, £1,500,000 (the "**Fee**").

Invoices and novation

14. Pursuant to the Agreement our client is entitled to the Fee. However, it became apparent that you are not a man of significant means and so you made several representations to Mr Bassini in that you would be unable to; (1) pay the Fee in one instalment and (2) that the Fee would instead be paid by Charlton Athletic's corporate entity: CAFCL.
15. Mr Bassini on behalf of BPL and you, in your personal capacity, and as a director of CAFCL (and ESI) agreed to a novation of the Agreement in which the obligation to pay the entire Fee pursuant to the original Agreement was transferred to CAFCL, who were at that point obliged to pay the Fees to BPL. It was agreed that the Fee would be paid in instalments as outlined in the invoice dated 1 December 2019 (the "**Invoice**"), Annex D.
16. Pursuant to the Invoice CAFCL were due to pay our client: £250,000 plus VAT on 1 January 2020 (Annex E), £125,000 plus VAT on 15 January 2020 and £125,000 plus VAT on 15 February 2020.
17. At the date of this letter CAFCL is indebted to our client in the sum of £500,000 plus VAT, £600,000 (the "**Debt**").
18. The novation of the Debt is evidenced in correspondence and is also witnessed by Mr Thomas. Further, it is averred that you offered Mr Bassini a permanent job role at Charlton Athletic whilst exploring means of satisfying the Debt and/or paying the original Fee.
19. As the Chairman of Charlton Athletic, a director of its holding company CAFCL, a director and person with significant control of ESI (the majority shareholder of CAFCL) it is without doubt that you had the authority and capability to action the novation.
20. Whilst such a novation may have been to serve your own personal interests, that is unsurprising given the recent media surrounding your involvement with Charlton Athletic and your dealings with its other directors and shareholders. That is not our client's concern. Whether such novation was in breach of your director's duties is also a



matter for you and your own personal liability.

Breach

21. As outlined above, the Takeover completed and EFL approval was confirmed meaning that the Fee was due and payable.
22. In breach of the Agreement and the novation of the obligation to pay under that Agreement, you and CAFCL have failed to pay the Debt.
23. BPL has unequivocal evidence that you are aware of CAFCL's liability in respect of the Invoices and that they are due and payable. Further evidence will undoubtedly come to the fore once you have submitted your personal electronic devices to your appointed solicitor for the purposes of disclosure.

Interest

24. Interest will accrue to the Debt at 8.25% under the automatic application of the Late Payment of Commercial Debts (Interest) Act 1998 (the "**1998 Act**"). The total amount of interest owing at the date of this letter is £6,470.03 and continues to increase daily at a rate of £113.
25. Our client is entitled to charge a further fee of £100 under section 5A of the 1998 Act.
26. The total sum currently due to our client in relation to the Debt plus interest is therefore **£606,570.03**.

Next Steps

27. Our client is pragmatic and considering Mr Bassini's previous relationship with you would have preferred to resolve this dispute, however your conduct to date strongly suggests this is not possible and our client will not tolerate this matter dragging on any further.
28. To avoid our client taking further action, our client requires you or CAFCL to pay the sum of **£606,570.03** by no later than **4.30 pm on 27 March 2020** to the following account:

Bank name:	HSBC Plc
Account name:	Brandsmiths SL Limited
Account number:	53667596
Sort code:	40-02-44
IBAN:	GB 42HBUK 40024453667596
BIC:	HBUKGB4140F



Reference:

825.5

29. Should you or CAFCL fail to comply with the above, then our client may proceed to issue proceedings in the High Court for payment of the Debt, interest, its legal costs, plus all further and any other relief it may be so advised to claim. Alternatively, our client may commence insolvency proceedings which could unfortunately impact upon Charlton Athletic's season. Note that in either event proceedings may be commenced without further notice to you or CAFCL.
30. As legal proceedings are pending you are obliged to take proper and appropriate steps to ensure that no relevant documents, including electronic documents, which are in your control are altered, lost or destroyed.
31. You and CAFCL are advised to take legal advice in relation to this letter.
32. We look forward to hearing from you by the above deadline.
33. In the meantime, all our client's rights are fully reserved.

Yours faithfully



BRANDSMITHS

T: 0161 464 9237

W: brandsmiths.co.uk

E: davids@brandsmiths.co.uk

Enc. Annexes

Annex A

August 2019

Introducer's agreement

Between: Bloom Properties Limited

And

Client: Matt Southall (East Street Investments Ltd.)

Reference: Charlton Athletic FC and associated ownership. (CAFC)

This agreement dated as per the signatures below confirms that Bloom Properties Limited acted as the introducer and conduit between the above named Client and the property known as CAFC

Upon satisfactory completion of the ownership and EFL approval of the Client, the Client agrees to pay the sum of £1,250,000:00 plus VAT to Bloom Properties Limited.

This will be paid as per the terms of the Invoice provided.

This agreement has been agreed and signed by the legal representatives of both parties.

Bloom Properties Limited

Signed

Witness

Dated: 18th August 2019

Matt Southall
(East Street Investments Limited)

Signed

Witness

Dated: 18th August 2019.

1

Annex B

All ok?

Yes

[Handwritten mark]

You feeling better?

I need you to help me close
Charlton this week
Laurence. Big dough in it for
us

See forwarded email.

Mon 21 Oct



Annex C

From: Matthew Southall <ms@investinsport.co.uk>
Date: 20 Oct 2019 at 19:31:35
Subject: Fwd: Proposed Purchase of Baton 2010 LTD (Charlton Athletic Football Club)
To: Laurence Lambert <laurence.lambert@elex.be>

Matthew Southall
+44 7921 335921
Sent from my iPhone

Begin forwarded message:

From: Matthew Southall <ms@investinsport.co.uk>
Date: 15 October 2019 at 19:39:04 BST
To: Lieven de Turck <ldt@elex.be>
Subject: Re: Proposed Purchase of Baton 2010 LTD (Charlton Athletic Football Club)

Hi Lieven

Thank you for your reply. I cannot see any issues here, but please see responses below:

2. Happy to assist to make it as tax efficient as possible whilst novating any liability CAFC may have in respect of any amounts lent to it by the seller or associated companies.

4.2. If this is possible, the EFL may require a longer term given the situation the likes of Coventry City have seen themselves face, we will take advice from our solicitors in relation to this.

5. Ok. In relation to inflation mechanism, I would prefer an independent valuation as it is impossible to put a value of inflation on it, however, if you have a suggestion please let me know.

Agreed, I will solve the ex directors loans. If we have to

pay them off this will not be an issue. Ideally these conversations will take place between signing the SPA and completion (EFL approval). The ex directors have had many conversations over the years with numerous parties, with a signed SPA this will signify our intent and allow meaningful discussions with them.

Please let me know your thoughts in relation to the inflation mechanism at your earliest convenience so I can forward to our solicitors for inclusion in the SPA. I'm hoping to have first draft to you tomorrow.

Kind regards

Matthew Southall
Sports Investment Group
+(44) 7921 335 921

On 15 Oct 2019, at 19:02, Lieven de Turck <ldt@elex.be> wrote:

Hi Matthew,

See below my answers.

1. ok

2. writing off is 1 option but as we need to move the stadium from CAFC to CAH (or other vehicle) in a tax friendly way the written off figure can differ. Currently I'm checking with our tax consultant

3. ok

4. ok

4.2. we should put this also on 5 years lease

5. ok but the payments under 3 will not be deducted.

Secondly we agree on inflation mechanism OR an independent valuation. We prefer the inflation.

Please note that the ex directors loan will be solved by the buyer.

I will arrive in London on Wednesday afternoon.

With kind regards

Op ma 14 okt. 2019 om 17:28 schreef Matthew Southall
<ms@investinsport.co.uk>:

Lieven

Thank you for coming back to me.

I am in agreement with both of your points so please allow me to outline Heads of Terms which upon agreement shall be forwarded to our solicitors to prepare the SPA.

Heads of Terms

1. The buyer (Sports Investment Group Ltd) will pay £1 (the "consideration") for the shares in Charlton Athletic Football Company Limited ("CAFC").
2. At completion, the seller shall procure the write-off by it any amounts lent to CAFC (whether such amounts have become due for repayment or not). Such loans are currently in the region of £62,000,000.
3. In addition to the amount referred to above, the Seller shall also be entitled to:
 - 3.1. £1,500,000 upon retaining status in the EFL Championship season 2019/20
 - 3.2. £1,500,000 upon retaining status in the EFL

Championship season 2020/21

3.3. £8,000,000 upon promotion to the Premier League before 30 June 2022

4. The seller shall grant the buyer a lease for the use of (the "assets"):

4.1.1 Sparrows Lane Training Complex; and

4.1.2 The Valley Stadium

4.2 The lease shall be a 'Self Repairing' lease for a duration of 15 years at an annual rental rate of £200,000, payable on a quarterly basis. The buyer shall be responsible for all maintenance and running costs of the assets including but not limited to alterations and requirements under EFL, FA or FIFA regulations.

5. The buyer has the option to purchase the assets at an agreed amount of £50,000,000 (excluding any payments that may have fallen due under 3.) within 5 years of completion. In addition, a rate of inflation shall be calculated by way of independent valuation and payable at the time of the transaction.

The proposed transaction is conditional on the parties agreeing, signing and exchanging a legally binding Share Purchase Agreement incorporating all of the terms of the proposed transaction.

Please confirm the above is in order as agreed and I shall forward to our solicitors to begin drafting the Sale Purchase Agreement.

Kind regards

Matthew Southall
Sports Investment Group
+(44) 7921 335 921

On 14 Oct 2019, at 15:34, Lieven de Turck <ldt@elex.be>
wrote:

Hi Matthew,

As discussed on the phone I would let you know the
feedback of the owner.

In case we limit the option period to 5 years the inflation
issue will become more manageable. Than we can agree
on a simple inflation mechanism during this period or
alternative an independent valuation (based on clear
definitions at completion) at the execution of the option.

Concerning the payments made under the sale and
purchase we believe the payment for promotion to
Premier league until june 2022 (previous owner) should
stay as well as the 2 payments for staying in
championship.

I will be in London on Wednesday and Thursday.

Regards

Op ma 14 okt. 2019 om 09:14 schreef Matthew Southall
<ms@investinsport.co.uk>:

Thanks, if call you then.

MS

On 14 Oct 2019, at 06:33, Lieven de Turck
<ldt@elex.be> wrote:

Ok 10am london time

Verstuurd vanaf mijn iPhone

Op 13 okt. 2019 om 21:56 heeft Matthew Southall
<ms@investinsport.co.uk> het volgende geschreven:

Sure, 10am?

Matthew Southall
+44 7921 335921
Sent from my iPhone

On 13 Oct 2019, at 19:04, Lieven de Turck
<ldt@elex.be> wrote:

Hi Matthew,

Let us call tomorrow.

I have other inputs as well.

regards

Op vr 11 okt. 2019 om 13:56 schreef Matthew Southall
<ms@investinsport.co.uk>:

Lieven

Thank you for your quick response.

That's fine, I would assume the club would be liable for

any costs such as EFL requirements, I am happy to agree this list which can be scheduled in the Sale and purchase agreement and do not see any issues here.

Happy to agree the option value of £50m excluding any payments made under the sale and purchase agreement (for the avoidance of doubt this does not include rental payments under the terms of the lease). In terms of inflation, I would suggest that in the event we do look to exercise this option, an independent valuation will be undertaken and any increase in value over £50m shall be payable.

Kind regards

Matthew Southall
Sports Investment Group
+(44) 7921 335 921

On 11 Oct 2019, at 11:35, Lieven de Turck
<ldt@elex.be> wrote:

Hi Matthew,

Thanks for your mail. Below please find my comments:

The owner is fine with the annual rent amount which needs to be a net amount for him. Therefore we need to agree on an extensive list which party is responsible in case of big maintenance / investment. I'm not talking about the normal wear and tear. Example: in case EFL is asking for more floodlights, who is responsible. I believe we can agree on such a list.

Secondly the value of the option should be 50M. We can work with a valuation report. Also we need to

include an asset inflation rate as 25 years is a long period.

With kind regards

Lieven

Op do 10 okt. 2019 om 23:18 schreef Matthew Southall
<ms@investinsport.co.uk>:

Lieven

As discussed on the call yesterday, following the review of the data we are now able to try and finalise the remaining points in relation to the acquisition of the club.

Lease - I propose a 25 year lease on the stadium and training ground with the club to cover all maintenance and running costs etc. Given the significant amount of this during season 18/19, and with the increase by £400,000 this current season, I would propose an annual charge of £200,000 payable on a quarterly basis, which would generate Roland £5m over the term of the lease.

Agreed Sale price - The club shall have the option to purchase Charlton Athletic Holdings Ltd and all of its associated assets at any point during the term of the lease for an amount of £40m. The previously agreed contingent payments *remain* as detailed in the initial proposal (£1.5m for 2 seasons retaining Championship status and £8m upon promotion to the Premier League)

I trust Roland will find the above satisfactory to allow

us to proceed as we would like to conclude the acquisition before months end. If this is acceptable I would be grateful if you could confirm at your earliest convenience and I shall instruct our solicitors to begin drafting the SPA.

If there are any points above you wish to discuss please let me know as I am available all of tomorrow.

Kind regards

Matthew Southall
Sports Investment Group
+(44) 7921 335 921

On 5 Oct 2019, at 14:03, Lieven de Turck
<ldt@alex.be> wrote:

Matthew,

The visit on Monday is confirmed. You can ask for Emma. She will host you.

I will upload some more info in the data this weekend.

regards

Op do 3 okt. 2019 om 15:57 schreef Matthew Southall
<ms@investinsport.co.uk>:

Lieven

I have reviewed the updated data room, thanks for this.

Paul, Lee and Shaun shall be attending the ground

Monday morning at 10:30am to meet with the accountant.

Please find the below list of information required (some is contained in the updated VDR) for us to complete our due diligence, if you could forward on to the relevant individuals ahead of attendance Monday that would be greatly appreciated so as to save time.

- a) A trial balance as at today's date
- b) A balance sheet as at today's date
- c) Budgets for y/end June 2020, including calculations and explanations
- d) Monthly management accounts for the period from July 2018 to date, including explanations for significant variances from budget
- e) The cashflow forecast for y/end June 2019 showing forecast v actual, including assumptions and explanations
- f) The cashflow forecast for y/end June 2020 showing forecast v actual (to date), including assumptions and explanations
- g) A projected balance sheet for 30th June 2020, including calculations and explanations
- h) Any longer-term budgets going beyond June 2020
- i) Any longer-term cashflows going beyond June 2020

j) Full year - presumably unaudited - accounts for the y/end June 2019

k) Aged creditor listings at today's date (including commentary for all unpaid items outside terms)

l) Aged debtor listings at today's date (including commentary for all unpaid items outside terms)

m) A schedule of all non-trade debtors, aged if possible

n) A schedule of all non-trade creditors, aged if possible

o) A schedule of prepayments as at today's date, including calculations

p) A schedule of accruals as at today's date, including calculations

q) A schedule of all contingent payments (particularly player and agent payments and any payments due to past directors) potentially outstanding at today's date

r) A schedule of all current staff salaries, including players and management

s) A schedule of any bonuses and pay increases due to players and coaching staff and the conditions which they crystallise under

t) A breakdown of season ticket sales for 2019/20

- u) A breakdown of commercial income for 2019/20 (to date and projected)
- v) A breakdown of exec box sales for 2019/20
- w) Copies of contracts with external catering suppliers
- x) Copies of contracts with external kit suppliers
- y) Copies of contracts with main shirt sponsor
- z) A schedule of operating and finance lease commitments for 2019/20 and dates of termination
- aa) A breakdown of all monies owed to HMRC, including any fines and interest
- ab) A summary of all ongoing litigation involving the club

Kind regards

Matthew Southall
+44 7921 335921
Sent from my iPhone

Best regards / Met vriendelijke groeten

Lieven De Tuock

Moblie: +32 (0) 486 09 82 67

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Best regards / Met vriendelijke groeten

Lieven De Turck

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Best regards / Met vriendelijke groeten

Lieven De Turck

Mobile: +32 (0) 486 09 82 67

Annex D

Bloom Properties Limited Invoice

Bloom Properties Limited.

Invoice No. CHPC/001
Invoice Date: 1st December 2019

166 College Road
Harrow
Middlesex.
HA1 1RA.

Bill To: Matt Southall
Charlton Athletic Football Club
Address: The Valley
Floyd Road
London
SE7 8BL.

Invoice Data 1 **£1,250,000.00** **£1,250,000.00**
Consultancy fees in relationship to the introduction
and assistance in the purchase of CAFFC

Payment Terms as agreed:

1. 250,000.00 upon receipt of this invoice (plus VAT)
2. 125,000.00 15th January 2020 (plus vat)
3. 125,000.00 15th February 2020 (plus vat)
4. 125,000.00 15th March 2020 (plus vat)
5. 125,000.00 15th April 2020 (plus vat)
6. 125,000.00 15th May 2020 (plus vat)
7. 125,000.00 15th June 2020 (plus vat)
8. 125,000.00 15th July 2020 (plus vat)
9. 125,000.00 15th August 2020 (plus vat)

Invoice Subtotal	£1,250,000.00
Tax Rate	20.00%
Sales Tax	250,000
TOTAL	£1,500,000.00

Make all payments to payable to Bloom Properties Limited

To: Metro Bank
Sort Code:23-05-80
Account Number: 25809564

please note any late payments will attract interest of 10% per annum if not paid within 3 working days of due date.
Thank you for your business!

Annex E

Bloom Properties Limited Invoice

Bloom Properties Limited.

Invoice No. CHFC/001
Invoice Date: 1st January 2020

166 College Road
Harrow
Middlesex.
HA1 1RA.

Bill To: Matt Scuthall
Charlton Athletic Football Club
Address: The Valley
Floyd Road
London
SE7 8BL

Invoice Data 1	£250,000.00	£250,000.00
Consultancy fees in relationship to the introduction and assistance in the purchase of CAFC		

Payment Terms as agreed:

As per agreement dated 1st December 2019 invoice 001

Invoice Subtotal	£250,000.00
Tax Rate	20.00%
Sales Tax	50,000
TOTAL	£300,000.00

Make all payments to payable to Bloom Properties Limited

To: Metro Bank
Sort Code:23-05-80
Account Number: 25809564

please note any late payments will attract interest of 10% per annum if not paid within 28 days of due date.

Thank you for your business!