



cutting through complexity™

Project TPO

8 August 2013



Basis of preparation

- The objective of this report is to present an overview of the current situation of the third party ownership (hereinafter "TPO") practice in European football, based on the information gathered from the interviews conducted and from information publicly available. In no case do the content of this document represent a judgment as to whether or not it would be beneficial for the football clubs to adopt a business model based on third party ownership.
- During our work, the interviews conducted with representatives from the different European football included parties such as:
 - Football clubs,
 - Agents and representatives
 - Investment funds
 - Football players and coaches
 - Other parties related to football.
- Additionally, we have obtained certain quantitative data from the following sources of information:
 - Market value: Transfermarkt
 - Number of transfers: CIES football observatory
- The quantification of the market share of the European leagues analyzed were based by the information commented above, being the interviews conducted the main source of information. The market share has been estimated considering only the first division of each country.
- The market share of the TPO practice includes the market share of the most standard TPOs (Financing and Investment TPO – excluding agreements such as the use of rights as guarantees) and has been calculated based on the market value of the players represented by each European league.

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Executive summary

Executive summary

Overview

Introduction to TPO	Third party ownership (hereinafter “TPO”) is usually and commonly defined as the Agreement between a Club and a Third Party, such as investment funds, companies, sports agencies, agents and/or private investors, in accordance to which, a Third Party, whether or not in relation with an actual payment in favour of a club, acquires an economic participation or a future credit related to the eventual transfer of a certain football player.
Types of TPO	<p>The most common types of TPO in Europe are the following:</p> <ul style="list-style-type: none">■ Financing TPO: Sale of part of the economic rights of specific players, for which the club receives an agreed amount.■ Investment TPO: Acquisition of a player by a club, and simultaneously part of the economic rights of the player are acquired by a third party. <p>In addition to the most common types of TPO, other schemes are used in football which, to a greater or lesser extent, affect the cash received by the clubs when a transfer is made, such as: Use of economic rights as guarantees, commissions linked to the sale value of a player (by another club, an agent, the player,...), etc. Types of TPO are described in subsequent pages of this document.</p>
Standard terms	<p>The percentage of ownership in Europe of the economic rights appear to be usually between 10% and 50% and depend upon several factors. In the case of LatinAmerica, this percentage tends to be higher and individuals, such as relatives, usually have a more relevant role.</p> <p>The duration of the investment, from which the economic rights are acquired until they are expected to be sold, is linked to that of the employment contract, and typically ranges from 1 to less than 4 years. The first year is considered to be an “exposure” period, in which the value of the player is expected to increase, and the sale of the player is expected to take place during the 2nd or 3rd season after the investment.</p> <p>TPO is observed to be a practice by which risks and rewards are shared, although investors tend to require a minimum return whether or not the player is transferred within the term of the TPO agreement. This usually includes the initial investment made by the investor to acquire the player's economic rights, plus an interest. In these cases, the risks borne by the investors are usually linked to the club's financial capacity to repay the agreed amounts.</p> <p>The cash flows resulting from TPO operations, from a club and investor perspective, are highly linked to the gain/loss obtained and specific clauses agreed (mainly share of risks and rewards, minimum returns and interest rates). Typically, these operations would not be favourable to the club from a total cashflow perspective (vs. total gain/loss if TPO was not in place), but on the other hand it is a financing tool to obtain cash in advance.</p>

Executive summary

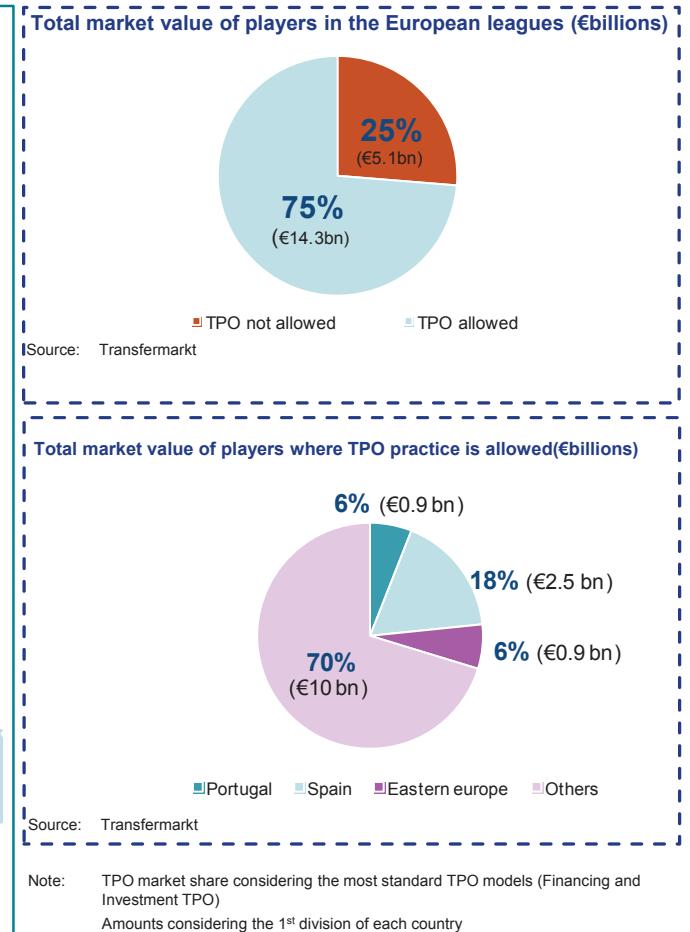
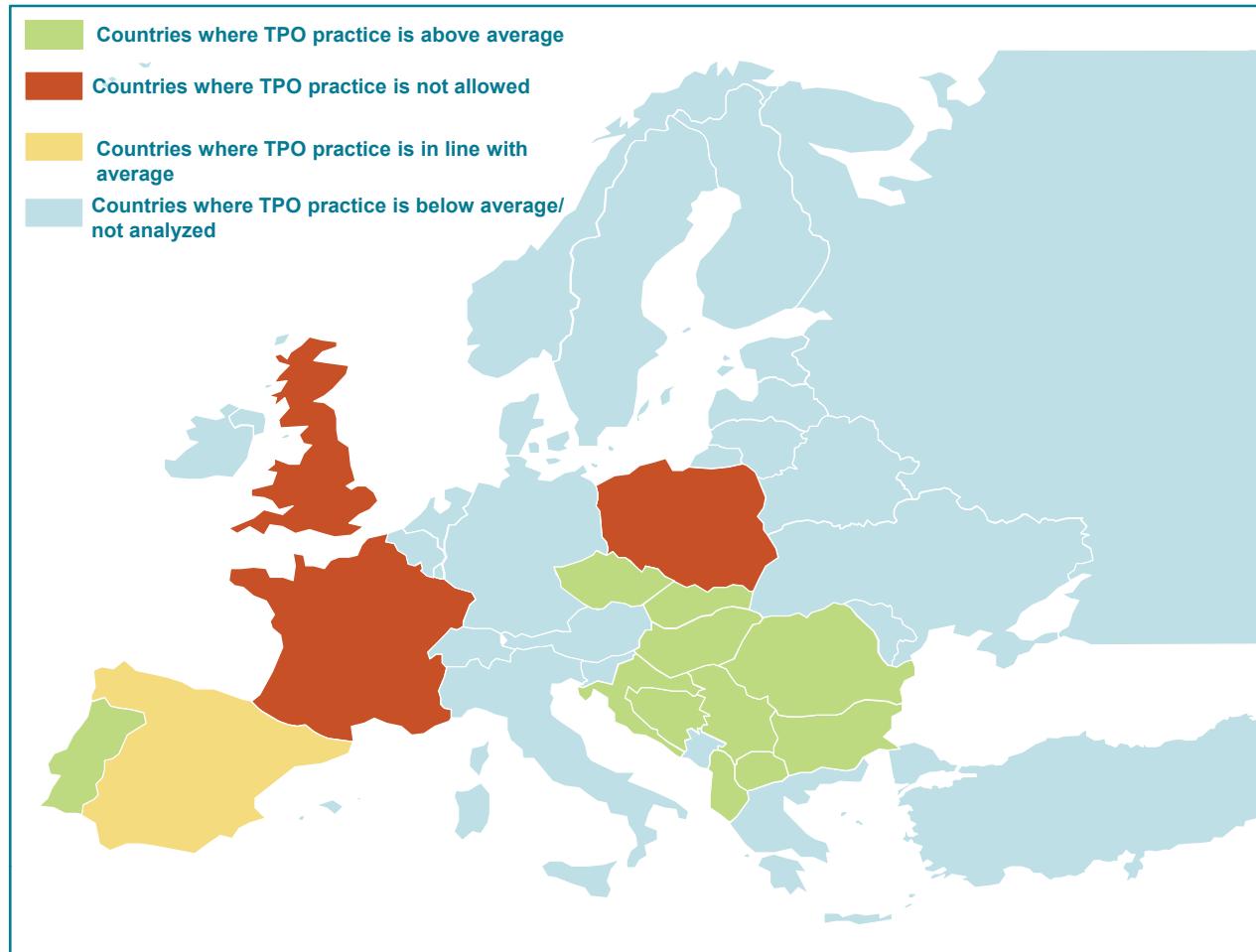
Estimated market share in Europe

TPO – recent trends	<p>TPO is a common practice in South America where the economic rights of most young players appear to follow a TPO model. TPO is not allowed in the UK, France and Poland, which account for approximately 25% of the European players market value. Globally, in the remaining European countries, this practice has not historically been significant, although it appears to be experiencing an upward trend in recent years.</p>
TPO – Estimated market share	<p>Based on the publicly available information and the interviews conducted throughout our work, the following conclusions arose:</p> <ul style="list-style-type: none">■ TPO is a common practice in Portugal, and the value of the players under TPO practice is between approximately 27% and 36% of the market value of the players in the Portuguese league.■ This practice is also very common in Eastern Europe countries (Bosnia, Croatia, Macedonia, Serbia, Albania, Bulgaria, Romania, Hungary, Slovenia and Montenegro), experiencing an upward trend in recent years. TPO market share is estimated to be over 40% of total market value.■ In the case of Spain, the football investment funds have also greatly increased in recent years, and are used particularly by clubs with difficulties in financing the acquisition of new players. The estimated market share of TPO is estimated to be between 5% and 8%.■ In other countries, such as Italy, Germany, Belgium, Russia, Greece and The Netherlands, this practice is believed not to be significant, although the interest from clubs appear to be increasing, specially from clubs with financial difficulties. <p>Taking into account the above considerations, the market share (in terms of market value) of the players under TPO in the European leagues is estimated to be between 5.1% and 7.8% (3.7% and 5.7% if considering those countries in which TPO is not allowed) – the value of third party investments would be between 10% and 50% of the market value of the players under TPO.</p>

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TPO presence in Europe

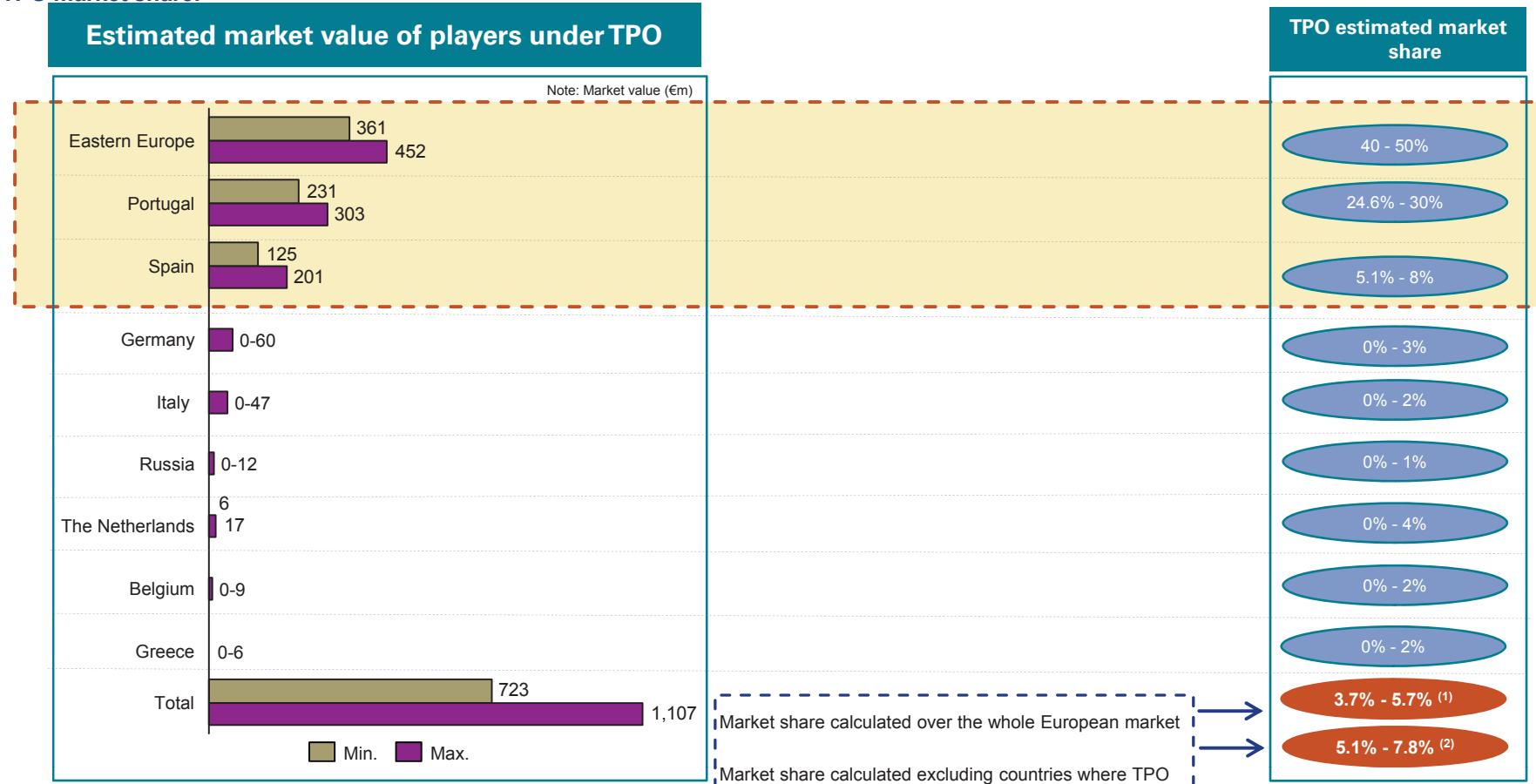
Total market value of players where the TPO practice is allowed amounts to c.€14.3 billions which represents c.75% of the market value of all the European leagues.



Executive summary

KPI's of main TPO European leagues

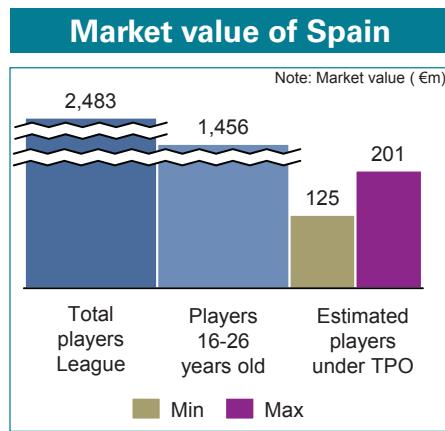
Total market share in Europe is estimated to be between 3.7% and 5.7%. Based on the public information and the interviews carried out, the main European countries where TPO practice is more relevant are Portugal, Spain and a group of countries in Eastern Europe which approximately represents 88% over total TPO market share.



Executive summary

TPO estimated market share by country (market value)

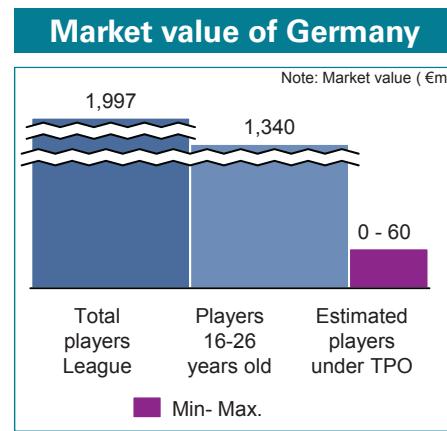
Spain, Portugal and Eastern Europe region (represented by several countries such as Bosnia, Croatia, Macedonia, Serbia, Albania, Bulgaria, Romania, Hungary, Slovenia and Montenegro) appear to be the most active regions in TPO.



Source: Transfermarkt and KPMG analysis



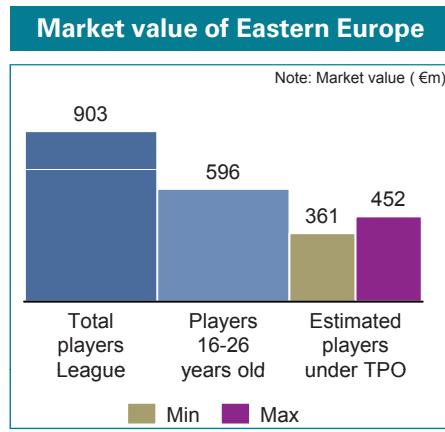
Source: Transfermarkt and KPMG analysis



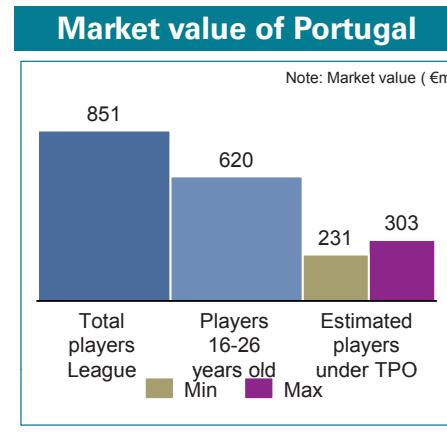
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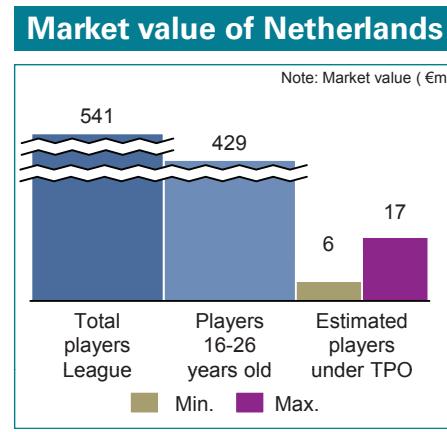
Source: Transfermarkt and KPMG analysis



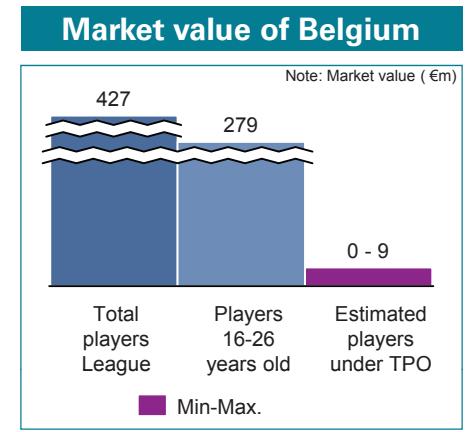
Source: Transfermarkt and KPMG analysis



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Introduction

Definition of TPO – What is Third Party Ownership “TPO”?

Definition	<ul style="list-style-type: none">■ Third party ownership (hereinafter “TPO”) is usually and commonly defined as the Agreement between a Club and a Third Party, such as investment funds, companies, sports agencies, agents and/or private investors, in accordance to which, a Third Party, whether or not in relation with an actual payment in favour of a club, acquires an economic participation or a future credit related to the eventual transfer of a certain football player.■ TPO is a practice which was originated from the conceptual separation of a player’s registration or federative rights from the economic value derived from their registration, commonly known as economic rights. In simple terms, in return for a financial investment in the club, investors are entitled to a percentage of a specific player’s future transfer fee.■ Consequently, TPO entails that a football club does not own all the economic rights, or is not entitled to 100% of the future transfer value of a player that is registered to play for that club and whose federative rights are therefore owned by the club. There are numerous models for third party player’s agreements but the basic premise is that referred to as a player’s economic rights.  <ul style="list-style-type: none">■ In order to understand the concepts underlying TPO agreements, it is necessary to distinguish between the federative and economic rights of football players.
Federative rights	<ul style="list-style-type: none">■ The federative rights of players are the rights binding a professional player to a club by virtue of an employment contract which is duly registered before the respective national association. Therefore, a player’s federative rights allow them to participate on behalf of the sports entity and to represent this entity in competitions. This right is often also called: “<i>right of transfer</i>” or even “<i>right of pass</i>”.■ Only clubs can hold these federative rights, which arise from the employment relationship between the club and the player, and therefore cannot be fractioned or shared with third parties. In this sense, the parties to the relevant employment contracts are, by definition, either clubs or players.■ However, it is commonly accepted that players’ federative rights also have substantial economic value, which is normally referred to as the “economic rights derived from the federative right”.
Economic rights	<ul style="list-style-type: none">■ The economic rights could be defined as any financial rights arising from a negotiation/transfer of the player’s federative rights. In practice, the player’s economic rights include the right to receive any amounts from the extinction of the federative rights, upon payment of any compensation arising from the early termination of the employment agreement, or arising out of the temporary or definitive transfer of the player’s federative rights to a third party.■ Clubs are the natural holders of their player’s economic rights (those under an employment contract). However, economic rights can also be held by third parties other than the club, when contractually assigned by the club .■ The relationship between the third party and the club is a commercial relationship represented by a private contract, which often assigns a future credit related to the transfer of a certain football player → Third party ownership.

Introduction

Definition of TPO – How does “TPO” operate?

How does “TPO” operate?	<ul style="list-style-type: none">Clubs holding the federative rights of players enter into private contracts which are strictly financial or commercial nature with third parties/investors. By virtue of these agreements the third party acquires a percentage of a certain player's economic rights or a share in the economic benefits arising from the player's future temporary or definitive transfer.In simple terms, in return for a financial investment in the club, investors are entitled to a percentage of a specific player's future transfer fee.
Why do clubs enter into TPO agreements?	<ul style="list-style-type: none">For clubs the TPO system represents a new source of financing that supplements traditional sources and a means of financing the signing of new players they could not otherwise afford.The use of TPO in recent years appears to be increasing, as the access to other financing tools appears to be more restrictive. In many cases, TPO is the only financing mechanism which clubs can use, normally implying higher interest rates.In simple terms, the TPO system could be attractive to clubs as a new form of financing and investment, as well as a means to increasing the quality of its squads by signing important players while sharing the burden of investment with a third party.In the same way, TPO agreements could be understood as offering clubs a means by which to improve their short-term liquidity, as occurs when clubs with significant financial needs sell certain economic rights of one or several of their players.
Why do third parties/investors enter into TPO agreements?	<ul style="list-style-type: none">The vision for third parties and investors, and the incentive to invest in football players' economic rights is clear → For investors TPO agreements represent an opportunity to obtain substantial financial profits and benefits with a relatively insignificant level of risk, all the more since the trend shows that TPO agreements commonly contain clauses stipulating a minimum return on the investment, or clauses providing for the payment of interest, even when the player whose economic rights have been purchased is not transferred within the term of their employment contract. Nonetheless, the risk for investors remain in the potential insolvency of the clubs.

Introduction

Description of different types of TPO – Standard TPOs

Introduction	<p>The most “standard” TPO models are summarized below (see other models in the following page); In the case of Europe, the most standard TPO models are financing and investment TPO, over which the market share analysis has been performed. In South America, the recruitment TPO appears to be a common practice.</p>
Financing TPO	<p>Financing TPO: This kind of TPO appears when a club with financial needs related to their regular economic obligations enters into a contractual TPO relationship with a third party, such as a private company or investment fund, by virtue of which the club receives credit from the investor in exchange for a percentage of the economic rights of one or several of its players, whose federative rights are owned by the club. This type of TPO benefits those clubs in need of economic liquidity to balance their accounts, and to be able to cover external or internal mandatory expenses.</p> <p>In this type of TPO the percentage of economic rights acquired by the third party is not determined by a standard but depends on several factors, such as the investment made by the investors, the potential value, foreseen performance and age of the player, as well as the financial needs of the club at the time the TPO agreement is signed. However, it is believed that the percentage of economic rights acquired in this type of TPO generally ranges between 10% and 40%.</p> <p>The duration of this type of TPO is usually linked to that of the employment contract, and may be extended in line with any extensions to the related employment contract.</p>
Investment TPO	<p>Investment TPO: This type of TPO occurs when a club is interested in signing a player whose federative rights are owned by another club, but does not have the necessary financial resources to pay the transfer fee. In this case, the club and the investor interested in sharing the payment of the transfer fee would enter into a TPO agreement by virtue of which the investor would pay a part or all of the transfer fee in return for a percentage of the player's economic rights, with the investor thereby owning a share in the future transfer.</p> <p>When the transfer fee is paid jointly by the club and the investor and the parties are therefore the co-holders of the player's economic rights, the parties agree the percentage of the player's economic rights that the investor would, from that moment, hold. This TPO model is the most commonly used worldwide.</p> <p>In short, the co-ownership of the player's economic rights between the club and the investor creates a sort of joint venture between the two parties, in which they agree to jointly own the player's economic rights and share any future revenues (which will largely depend on the player's performance). In these cases the club has a duty of transparency and of good faith to the investor, and may be obliged to transfer the player when a substantial offer is made, pursuant to the terms and conditions set out in the TPO agreement.</p> <p>It is believed that in the so-called Investment TPO, the standard percentage of economic rights transferred to the third party ranges from 10% to 50%. The percentage will obviously depend on the financial resources of the club at the time of signing the player and thus on the third party investment and financial support provided to the club in this regard. i.e. if the Investor pays €4,000,000 out of a transfer fee of €10,000,000 it would receive 40% of the player's economic rights and would therefore be entitled to 40% of the profit arising from the player's future transfer</p> <p>As usual practice, Third Parties-Investors don't owe more than 50% of a certain player's economic rights.</p> <p>As in the prior case, the duration of this type of TPO is usually linked to that of the employment contract, and may be extended in line with any extensions to the related employment contract.</p>
Recruitment TPO	<p>Recruitment / Incorporation TPO: This kind of TPO, commonly used in South America, arises when a club extends a percentage of a player's economic rights, and therefore a percentage of any revenues deriving from that player's future transfer, to an agent, company, a player's relatives, or even the player himself, for recruiting the player – usually young and not professional – for the club.</p> <p>The economic rights allocated to third parties under this kind of TPO agreement usually range between 10%-20% of the funds deriving from the player's future transfer. In contrast with other TPO models this type of agreement is offered to South American agents with sufficient professional capacity and contacts to recruit a player for a particular club. This kind of TPO is not common in Europe.</p>

Introduction

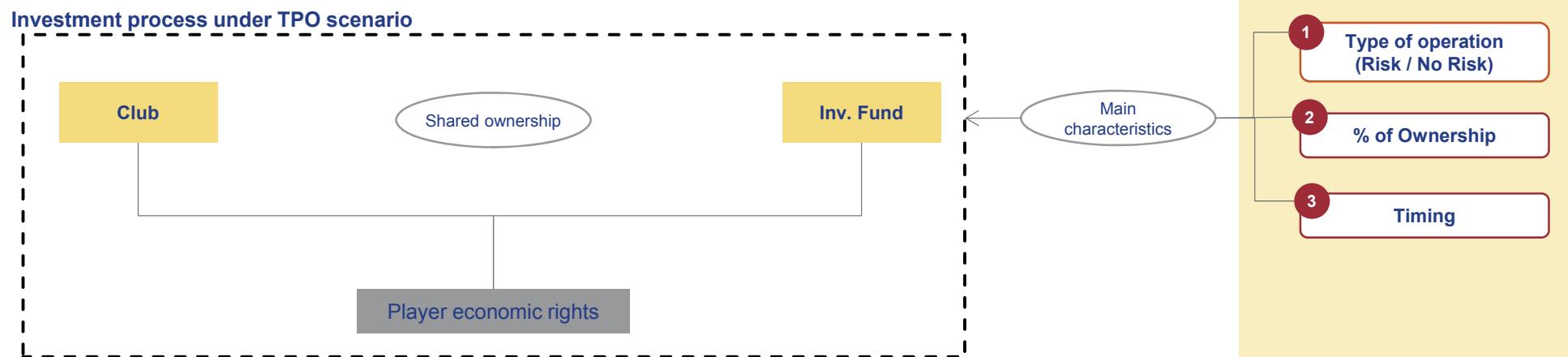
Description of different types of TPO – Other TPOs practice

Introduction	In addition to the standard TPO models described above, which can vary depending on the moment or situation in which the economic rights are allocated to the third party, and on the cause or purpose of the TPO agreement, there are other systems which cannot strictly be considered TPOs, but under which a club owning 100% of a player's federative rights would not be the sole beneficiary of the economic rights arising from that player's future transfer. The following situations could be considered as Non-standard TPOs :
Club-club Co-ownership	Agreements reached between clubs at the time of a player's transfer with regard to a percentage in a future transfer: It is common for clubs involved in the transfer of a player to agree that the club transferring the player would be entitled to a percentage of a subsequent transfer, or to a percentage of the capital gains arising from such transfer. These kind of non-standard TPO models have been generally in use, specially on those cases where the personal and sporting circumstances of the Player leads to believe that the player will increase his potential value within subsequent years.
Club-agent Co-ownership	Agreements between clubs and agent as a result of the signing of a player: As in the previous case, it is common that while negotiating the remuneration due to a player's agent who has been engaged to act on a player's behalf, both parties – the club and the agent – enter into an agreement whereby the agent would be entitled to receive a percentage of any capital gains arising from the player's future transfer. Usually agreements between clubs and agents appear to be carried out through companies belonging to the agent, even though this practice is prohibited by article 29 of the FIFA Agent Regulations.
Accordo di partecipazione Italy	"Accordo di partecipazionE" in Italy: Under this system two Italian clubs may agree to share the profits arising from a player's future transfer. As permitted by article 102 "bis" of the "Norme Organizzative Interne Della F.I.G.C." a club can transfer one of its players to another club in exchange for an interest in the player's economic value. This system, which is similar to the club-club co-ownership scenario described above, has the peculiarity of being governed by the Italian Federation Regulations and the aforementioned article 102 "bis" states that at the end of the season, clubs can agree on the way to settle the participation by taking back the 100% of the player's economic rights. Since the parties entering into this kind of agreement are clubs and not third parties unrelated to football, this practice is considered acceptable to the football governing bodies, and all the more since the "Accordo Di Partecipazione" is regulated by the bodies forming the Italian Association.
Economic rights pledged to secure credit	Another system commonly used in Spain and in Portugal is not strictly speaking a TPO model, but does result in the club, in some way, not being the owner of 100% of the player's economic rights. Under this model the economic rights of players are pledged to secure financing (Spanish taxation authorities, financial and non-financial entities, etc.). Some clubs take advantage of such non-standard TPO models to settle/negotiate their outstanding debts with different public entities. In fact, some clubs pledge 100% of their players' economic rights to third entities as a credit guarantee for their outstanding debts. This non-standard TPO model is being used increasingly by Spanish football clubs, due to their difficult financial and economic situation and consequent problems to settle their outstanding debts directly.
	Moreover, a protocol was signed in Spain a year ago between the Spanish National Professional Football League (LFP), the High Council for Sport (CSD) and the Ministry of Education, Culture and Sports. This agreement includes certain mechanisms whereby clubs receiving offers for their players are obliged to transfer them if they have outstanding balances payable to the taxation authorities (AEAT). However, it is considered unlikely that the most stringent clauses of this protocol will actually be enforced. The main aim of the signatories to the protocol is to establish a plan to reduce the debt owed by the different clubs affiliated with the LNFP to the different public entities in general and the taxation authorities (AEAT) in particular.
Player participation in the transfer fee	While not a standard TPO model, in some jurisdictions, including Spain, in every transfer of the federative rights of a player that generates a financial gain for the selling club, the transferred player, whether they have been transferred on a definitive or temporary basis, is entitled to receive a percentage of the transfer fee. In Spain, this right is established in article 13.a) of Royal Decree 1006/1985 of 26 June 1985, which regulates the special labour situation of professional athletes. Under the terms of this article, if no agreement is reached between the club and the player concerning the economic compensation to be received by the player, the athlete shall be entitled to a minimum gross percentage of 15% of the transfer fee. Usually, this percentage is understood to be part of the new salary of the player.

Introduction

Cash flow analysis – overview

The main characteristics of a standard TPO operation are i) the risk for the investment fund tends to be limited (due to the guaranteed minimum return), ii) the share in the gain obtained on transferring a player is based on the % of economic interest and iii) the average term of investment in a player is from two to three years in the club.



According to the information provided throughout the interviews with football clubs and investors, main TPO characteristics in Europe are as follows:

① Type of operations

In most of the TPO operations that have taken place in recent years, the investment funds tend to minimize the risks through a guaranteed minimum return which in general terms is similar to the amount invested (their risk is mainly linked to the financial health of the club). Nevertheless, in the past and still currently in certain cases, investment funds sign TPO contracts in which the risk/rewards is shared with the club based on the percentage of ownership of the transferred player's economic rights.

② Percentage of ownership

In the majority of the transactions related to TPO, investment funds interest are in the range of 10%-50% of the economic right of the player. However, there are some minor cases in which the fund acquired a majority stake.

According to the explanations received in the interviews performed, the more potential growth of the player's value, the higher the percentage of ownership acquired by the investment fund.

③ Timing of Investment Funds operations

Average period of investment of the player is in the range of 2 to 3 years. The first season is considered a year of exposure of the player to the market.

Introduction

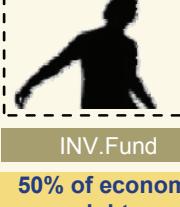
Cash flow analysis – basis of preparation

Introduction to financial analysis of the different cash flows associated with TPO

- The following slides present a financial cash-flow model of the different types of operations carried out by a Club, comparing those with TPO assistance and those without.
- The different types of TPO presented are:
 - TPO Investment: Acquisition of a player in which the club and the Investment fund share a % of interest in the economic rights.
 - TPO Financing: Sale of a percentage of the economic rights of an existing player of a football Club to an investment fund in order to generate cash.
- The analysis shown in the following slides will include three different scenarios shown from a cash perspective
 - Higher selling price than the purchase price
 - Lower selling price than the purchase price
 - Similar / equal selling price to the purchase price – in these cases, a minimum return (equal to the original value) and estimated interests have been included.
- Please note, that for the sake of simplicity, the model without TPO has not included the effect from the associated financing (own resources, bank debt or other types of financial mechanisms) and its corresponding interests and debt repayments.
- In the section “additional information” of this document, an additional financial cash flow is presented which shows two types of TPO (investment and financing) from both perspectives (Club and investment fund perspective). In this respect the cash flow presented reflects the cash cycle upon two assumptions: i) sale of the player and ii) in case the player is not sold, the cash cycle is presented for the following options:
 - Extension of the player’s contract
 - The player ends its contract and becomes a free agent

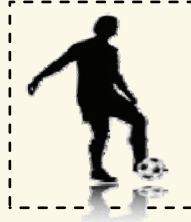
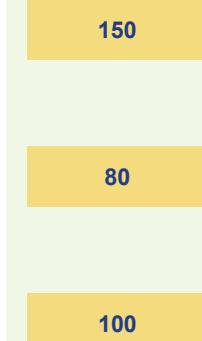
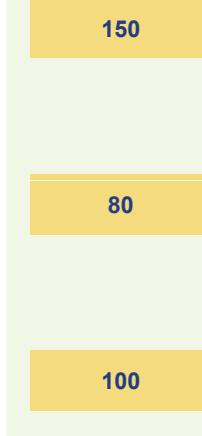
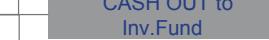
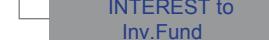
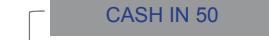
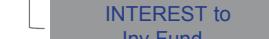
Introduction

Cash flow analysis (Club's perspective) – Investment operation with and without TPO

Type of Operation	Ownership	Timing	Sale Price	Financial Gain / Loss	Cash Flow	Net Cash Operation															
NON TPO OPERATION	<p>Club owns 100% of economic rights valued at 100</p> 	<p>Usually 3-5 years</p>	<p>150</p> <p>80</p> <p>100</p>	<p>GAIN</p> <p>LOSS</p> <p>SAME PRICE</p>	<p>CASH IN 150</p> <p>CASH IN 80</p> <p>CASH IN 100</p>	<table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 100% -100</td></tr> <tr><td>Sale 100% 150</td></tr> <tr><td>Net cash 50</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 100% -100</td></tr> <tr><td>Sale 100% 80</td></tr> <tr><td>Net cash -20</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 100% -100</td></tr> <tr><td>Sale 100% 100</td></tr> <tr><td>Net cash 0</td></tr> </table>	Net cash for the Club	Purchase 100% -100	Sale 100% 150	Net cash 50	Net cash for the Club	Purchase 100% -100	Sale 100% 80	Net cash -20	Net cash for the Club	Purchase 100% -100	Sale 100% 100	Net cash 0			
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TPO OPERATION	<p>CLUB 50% of economic rights</p>  <p>INV.Fund 50% of economic rights</p> 	<p>Usually 1-3 years</p>	<p>150</p> <p>80</p> <p>100</p>	<p>GAIN</p> <p>LOSS</p> <p>SAME PRICE</p>	<p>CASH IN 75</p> <p>CASH IN 40 CASH OUT to Inv.Fund INTEREST to Inv.Fund</p> <p>CASH IN 50 INTEREST to Inv.Fund</p>	<table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 50% -50</td></tr> <tr><td>Sale 50% 75</td></tr> <tr><td>Net cash 25</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 50% -50</td></tr> <tr><td>Sale 50% 40</td></tr> <tr><td>Inv. Fund -10</td></tr> <tr><td>Interests -12.5</td></tr> <tr><td>Net cash -32.5</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Purchase 50% -50</td></tr> <tr><td>Sale 50% 50</td></tr> <tr><td>Interests -12.5</td></tr> <tr><td>Net cash -12.5</td></tr> </table>	Net cash for the Club	Purchase 50% -50	Sale 50% 75	Net cash 25	Net cash for the Club	Purchase 50% -50	Sale 50% 40	Inv. Fund -10	Interests -12.5	Net cash -32.5	Net cash for the Club	Purchase 50% -50	Sale 50% 50	Interests -12.5	Net cash -12.5
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Introduction

Cash flow analysis (Club's perspective) – Financing operation with and without TPO

TYPE OF OPERATION	OWNERSHIP	TIMING	SALE PRICE	Financial GAIN / LOSS	CASH FLOW	NET CASH OPERATION															
NON TPO OPERATION	<p>Club owns 100% of economic rights valued at 100</p> 			  	  	<table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale % n.a.</td></tr> <tr><td>Sale 100% 150</td></tr> <tr><td>Net cash 150</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale % n.a.</td></tr> <tr><td>Sale 100% 80</td></tr> <tr><td>Net cash 80</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale % n.a.</td></tr> <tr><td>Sale 100% 100</td></tr> <tr><td>Net cash 100</td></tr> </table>	Net cash for the Club	Sale % n.a.	Sale 100% 150	Net cash 150	Net cash for the Club	Sale % n.a.	Sale 100% 80	Net cash 80	Net cash for the Club	Sale % n.a.	Sale 100% 100	Net cash 100			
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TPO OPERATION	<p>CLUB 50% of economic rights</p>  <p>INV.Fund 50% of economic rights</p> 			  	     	<table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale 50% 50</td></tr> <tr><td>Sale 50% 75</td></tr> <tr><td>Net cash 125</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale 50% 50</td></tr> <tr><td>Sale 50% 40</td></tr> <tr><td>Inv. Fund -10</td></tr> <tr><td>Interests -12.5</td></tr> <tr><td>Net cash 67.5</td></tr> </table> <table border="1"> <tr><td>Net cash for the Club</td></tr> <tr><td>Sale 50% 50</td></tr> <tr><td>Sale 50% 50</td></tr> <tr><td>Interests -12.5</td></tr> <tr><td>Net cash 87.5</td></tr> </table>	Net cash for the Club	Sale 50% 50	Sale 50% 75	Net cash 125	Net cash for the Club	Sale 50% 50	Sale 50% 40	Inv. Fund -10	Interests -12.5	Net cash 67.5	Net cash for the Club	Sale 50% 50	Sale 50% 50	Interests -12.5	Net cash 87.5
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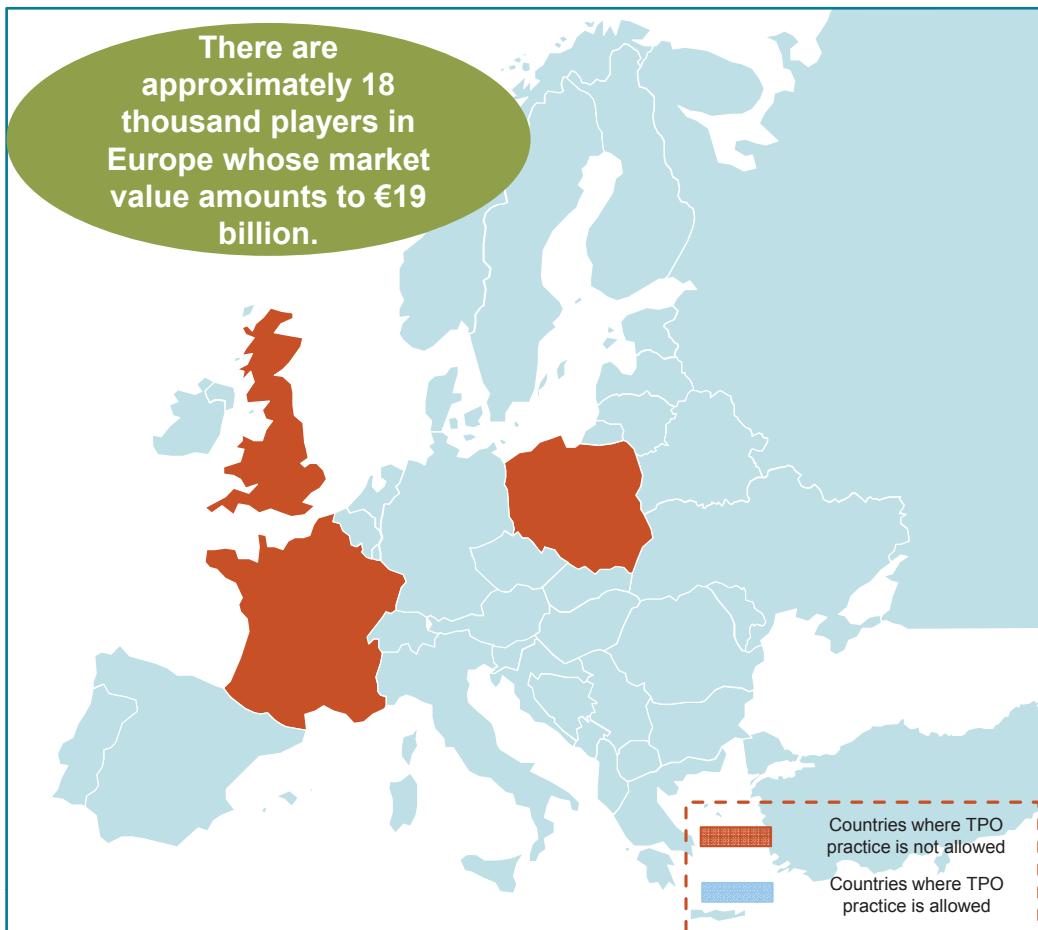
Analysis of the TPO market

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Market share in Europe

Current situation in Europe

The TPO's practice is not allowed in England, France and Poland...



... whose market value amounts to €5 billion, c. 25% of the total market value of all European leagues

League ranking in Europe

Category 1	Category 2	Category 3	Category 4	Category 5
England	Portugal	Belgium	Austria	Belarus
France	Russia	Denmark	Bulgaria	Croatia
Germany	The Netherlands	Greece	Cyprus	Finland
Italy	Turkey	Romania	Czech Republic	Hungary
Spain	Ukraine	Scotland	Israel	Serbia
		Switzerland	Norway	Slovakia
			Poland	Slovenia
				Sweden
				Others

Source: CIES Football Observatory

KPIs of European leagues

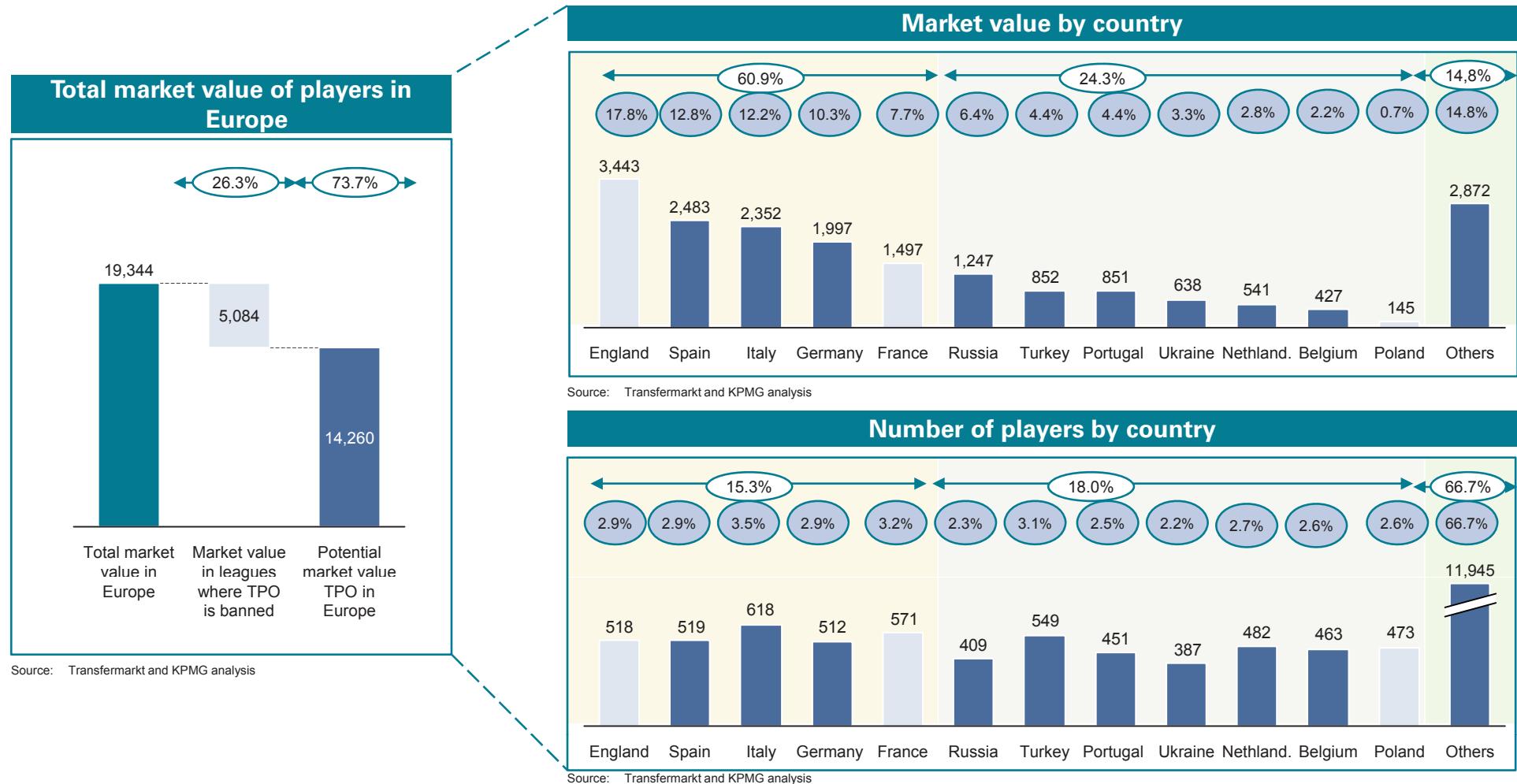
	Category 1	Category 2	Category 3	Category 4	Category 5
Squad members by club (average)	25.7	25.1	24.5	23.7	23.9
Signings (average)	9.1	10.4	9.5	10.1	8.9
Signings /squad member	35.5%	41.6%	38.7%	42.7%	37.3%
Players (total)	2,738	2,278	2,319	2,577	2,703
Market value (€m)	11,772	4,129	1,382	897	726
Market value/players (€m)	4.3	1.8	0.6	0.3	0.3

Source: CIES Football Observatory and Transfermarkt

Market share in Europe

Current situation in Europe by country

The market value of the countries where the TPO's practice is allowed amounts over €14 billion...

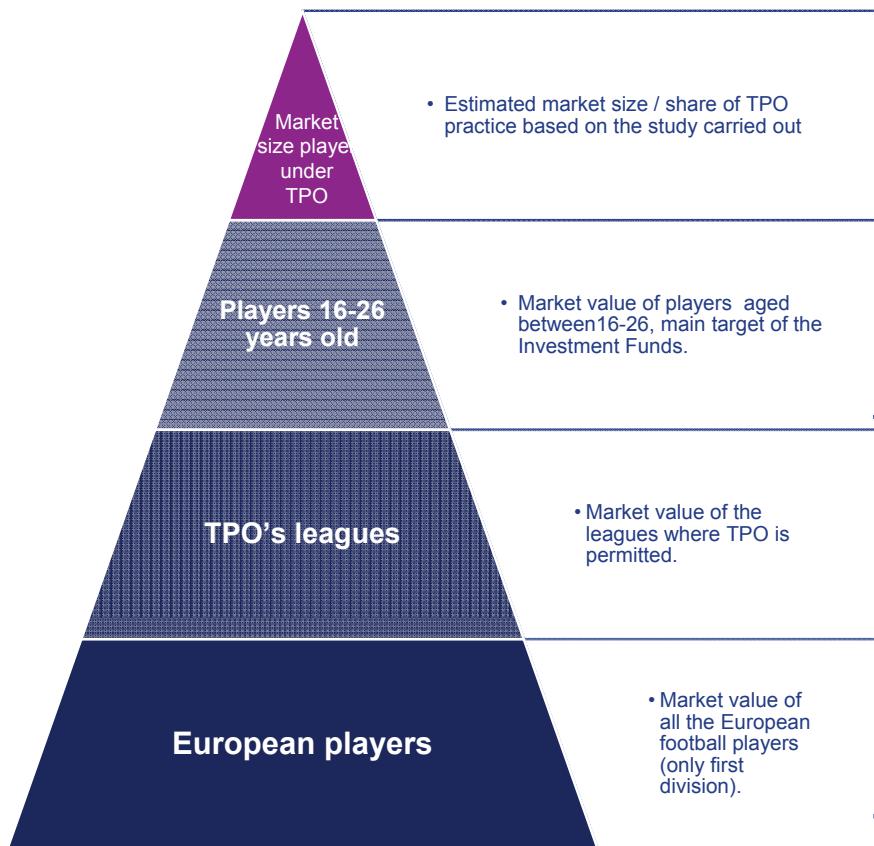


Market share in Europe

TPO estimated market share (market value)

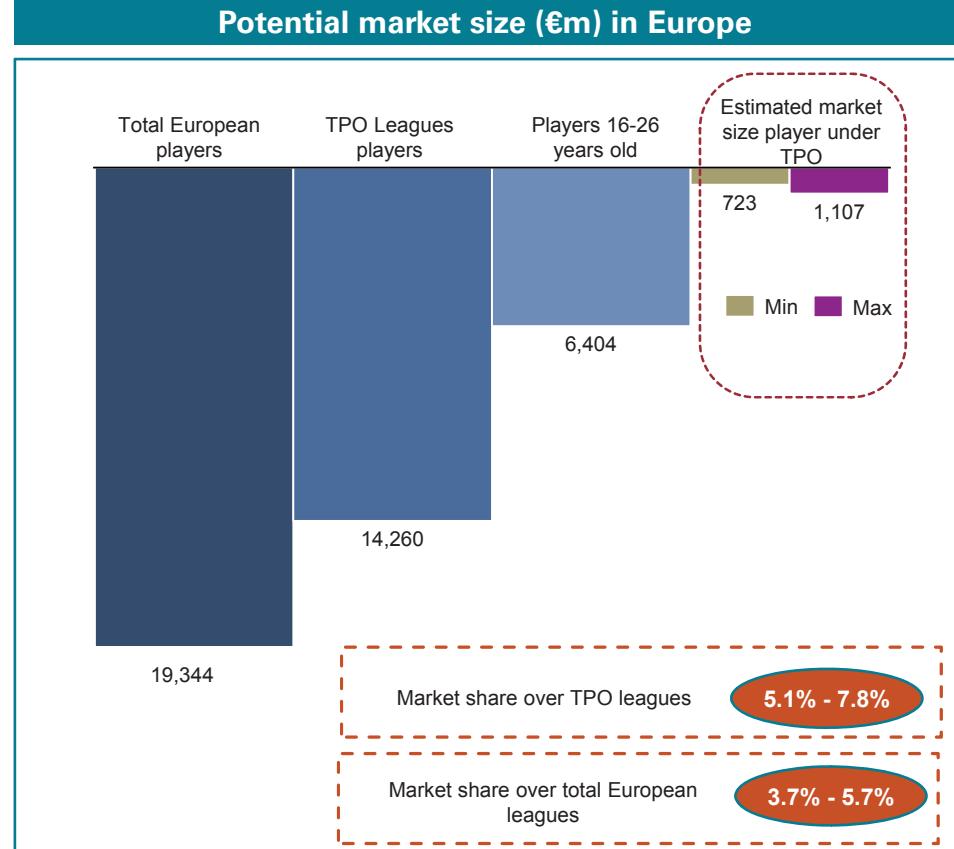
Taken into consideration some assumptions, the potential market value of the players under third party ownership in Europe would be in the range of €725 and €1,100 million approximately...

Main assumptions applied to measure market size of TPO



Source: KPMG analysis

Potential market size (€m) in Europe



Source: Transfermarkt and KPMG analysis

... these figures represent a range between 3.7% and 5.7% of the total market value of Europe

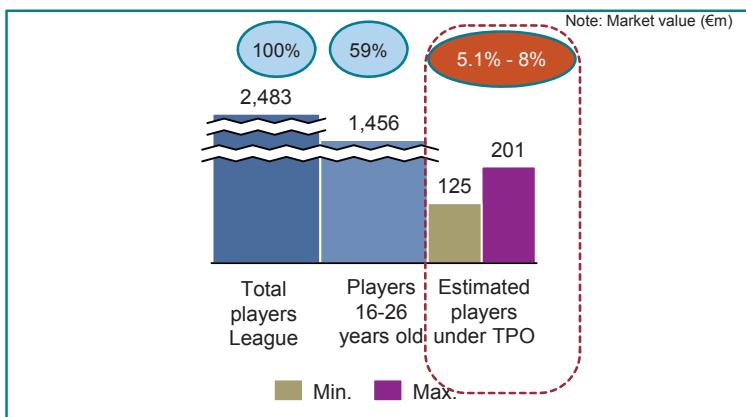
Market share in Europe

Spain –Potential market size of TPO



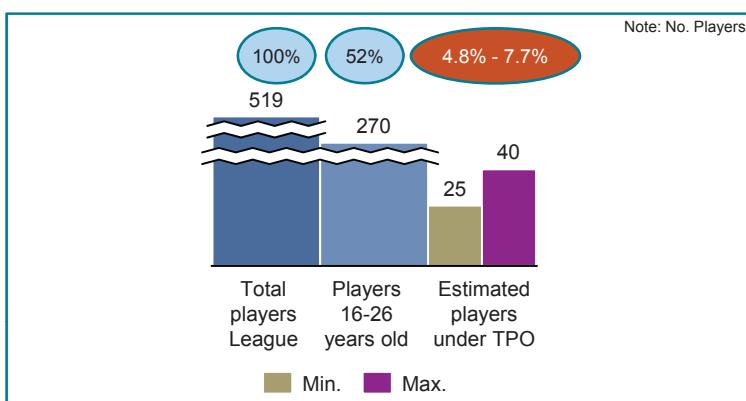
It appears that at least 5 clubs from the Spanish first division are operating with investment funds and 25 players in Spain that represent a market share of 5.1% (in terms of market value) and 4.8% (in terms of numbers of players)

TPO estimated market share (market value)



Source: Transfermarkt and KPMG analysis

TPO estimated market share (No. of players)



Source: Transfermarkt and KPMG analysis

It seems to be a high growth market in recent years driven by the negative current financial situation of the football clubs and the financial sector in Spain

TPO highlights

- It appears that TPO market share in Spain represent approximately between 5%-8% in terms of market value and number of players. These estimates have been sourced from the interviews carried out, and from publicly available information.
- The average % of ownership in TPO agreements usually are between 10%-50% (in general terms the percentage of ownership is linked to the potential future value of the young football player)
- Apparently, the main TPO practices in Spain relate to financing and investment TPO agreements. Other practices in relation with economic rights are also common in Spain, such as the participation from the Clubs and agents in future transfers gains and when the players' economic rights are pledged to secure financing (Spanish taxation authorities, financial and non-financial institutions, etc).
- The interest rates agreed by the investors in TPO operations are above market conditions, but apparently do depend nevertheless on the nature of the transaction (investment/financing) and the short-term needs of the club. Interest rates are around 8%-10%. The high returns are justified by the lack of guarantees (the investors are not provided with guarantees such as season tickets or broadcasting rights as these have usually already been pledged to secure other sources of financing).
- We have been informed that the TPO model is used by at least 5 clubs of the first division of the Spanish league. These clubs are usually medium sized clubs which face financial difficulties or are seeking to increase their short-term competitiveness. TPO agreement are apparently not being used by the top Spanish clubs.

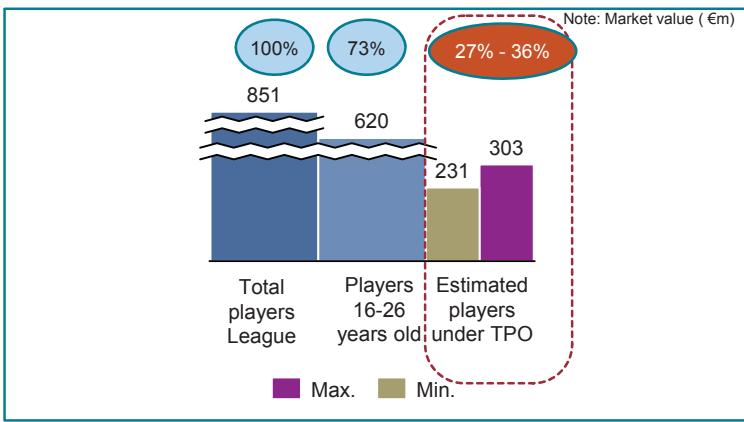
Market share in Europe

Portugal – Hypothesis potential market size TPO



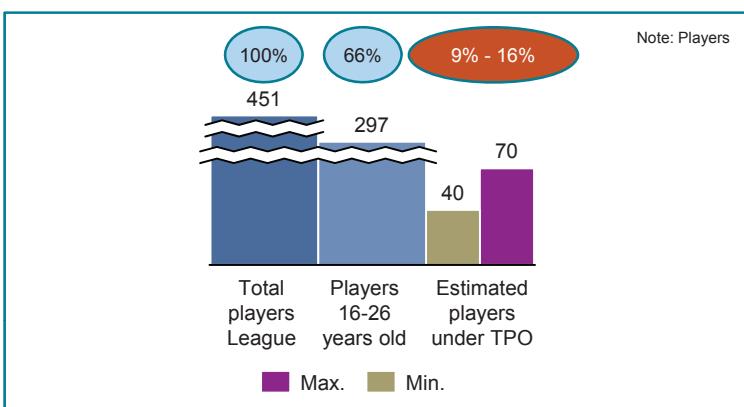
In Portugal, TPO operations appear to be largely concentrated in the most relevant clubs. The players under TPO are estimated to range between 40 and 70 players. In terms of market value, the value of the players under TPO represent a market share of 27-36%.

TPO estimated market share (market value)



Source: Transfermarkt and KPMG analysis

TPO estimated market share (No. of players)



Source: Transfermarkt and KPMG analysis

TPO represents a consolidated business in Portugal, and is one of the key financing tools of the Clubs.

TPO highlights

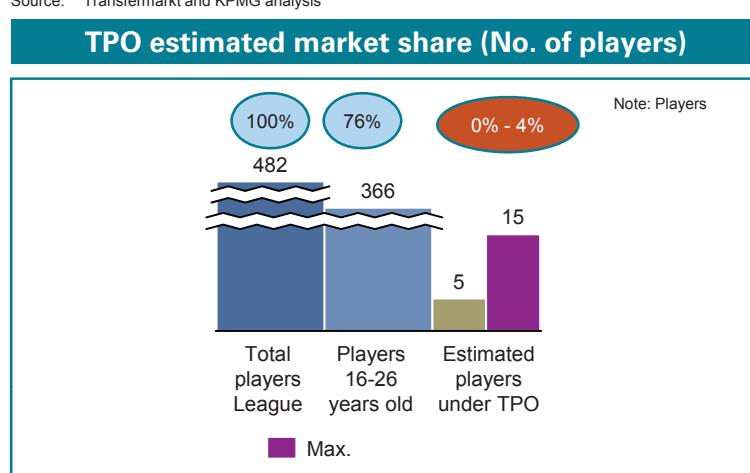
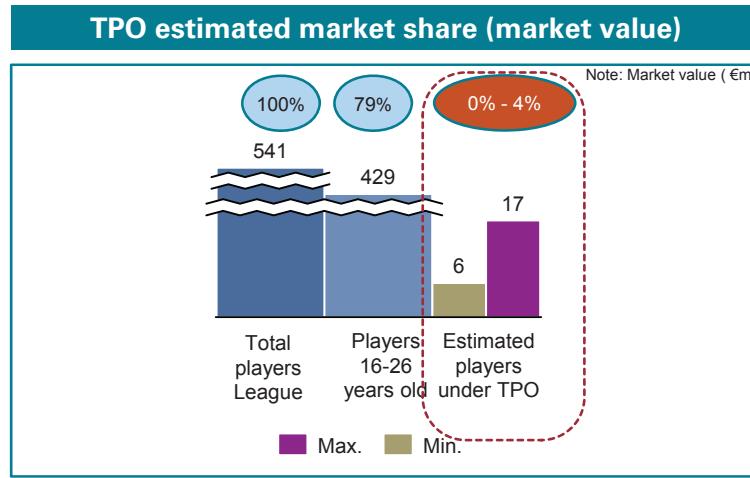
- In terms of market value, Portugal is the most relevant TPO market in Europe.
- In Portugal the use of these operations began in early 2000's. These operations have been largely linked to a Portuguese financial institution and formerly to a specific fund.
- Certain funds were established linked to specific clubs, in which the transactions were exclusively made with players of that club; additionally the clubs may also have a minority interest in these funds. The information of the funds managed by a Portuguese bank is public and can be accessed through the Portuguese exchange market commission.
- Third party investors in economic rights tended to share risks and rewards. This trend appears to be changing with new investment funds appearing, which demand a secured minimum return.
- Main average % of ownership in the TPO is in the range of 10%-50%.
- Public information is available regarding the property of the main football clubs due to their quotation on the Portuguese Stock Market. In this sense there are at least 3 clubs operating with investment funds and 31 players in the Portuguese League. Other relevant clubs may also use TPO as a financing tool, but the associated volume is estimated not to be so relevant.
- Other standard mechanisms which affect the sales of players are the usage of the economic rights of players as a guarantee against Public Authorities and commissions agreed with other clubs or agents in case the player is sold.

Market share in Europe

The Netherlands – Potential market size of TPO



Dutch clubs hold very limited TPO activity. However it appears, there is a slight upward trend in the last two years.



It appears to be a slight upward trend besides minor activity driven by the financing difficulties

TPO highlights

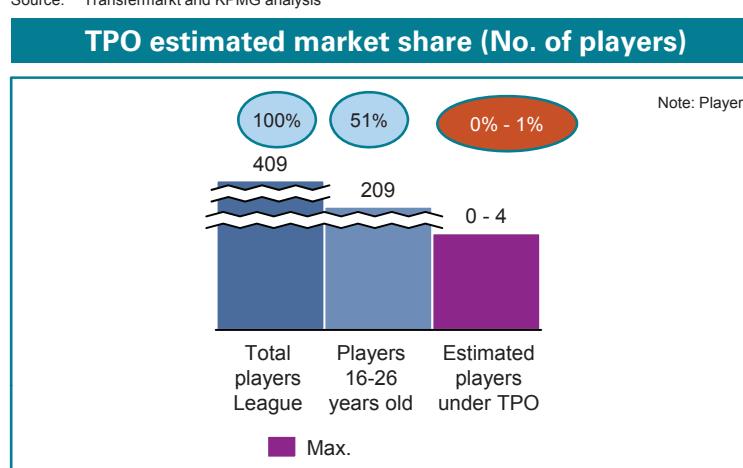
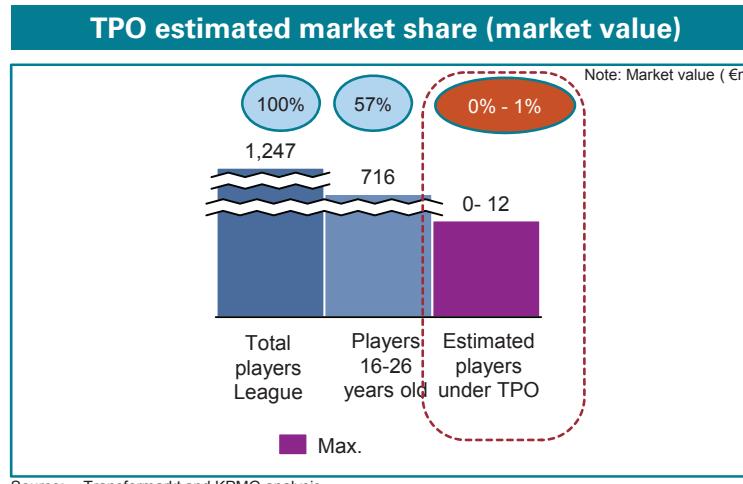
- TPO practice seems to be very limited in the Netherlands and most of the clubs have very little experience in TPO agreements.
- Historically, certain clubs have established funds managed by the own club, in which investors were entitled to receive approximately 25% of future transfer fees, with risks and rewards fully shared. This practice has been used by a limited number of clubs when additional financing was required, and is currently estimated to be used with approximately 5-15 players of the 1st division.
- Additionally, according to the information gathered from the interviews conducted, it appears to be a slight upward trend in the use of TPO investments in the last two years. Additionally, we were informed that the Dutch clubs appear to be more interested in this type of financing.
- The main “target” of the TPO business in the Netherlands are football clubs with financial difficulties, and therefore with difficult access to traditional financing mechanisms.

Market share in Europe

Russia – Potential market size of TPO



In general terms, TPO activity in Russia appears to be very uncommon and rarely used.



TPO appears to be very exceptional

TPO highlights

- In general terms, TPO activity in Russia seems to be very uncommon and rarely used. There is an article in the Russian Law restricting TPO activity, which is very similar to article 18bis of the FIFA regulations. This does not apparently mean that TPO is banned, but for the sake of complying with this rule, Russian clubs are not apparently using TPO. On the other hand, financing from investors is mostly made directly through the acquisition of clubs' shares.
- However, other practices similar to TPO such as the existence of certain selling clauses which stipulate the percentage of a future transfer between clubs are commonly used.

Market share in Europe

Germany – Potential market size of TPO



TPO market share appears to be very low (less than 3%) in Germany



The wealthier financial situation of the football clubs apparently limits the TPO activity

TPO highlights

- According to the interviews conducted, the TPO practice seems limited and estimated to be far below 5% of market share. In this regard, the interviewees indicated that the financial situation of German football clubs appear to be in stronger position than in other European countries, and therefore this financing tool is not so extended.
- From the interviews conducted, top football clubs appear not to be involved in TPO operations. If any, TPO practice is believed to be related to medium sized clubs when signing a new player.
- Another type of TPO practice that was undertaken by two clubs of the German league with cash constraints, was related with the transfer of the economic rights of certain players to a new company owned by a third party (less than 49%) in order to sell these players and therefore generate cash. This situation is not representative of the German market and was an unusual event driven by the precarious financial situation of certain clubs.

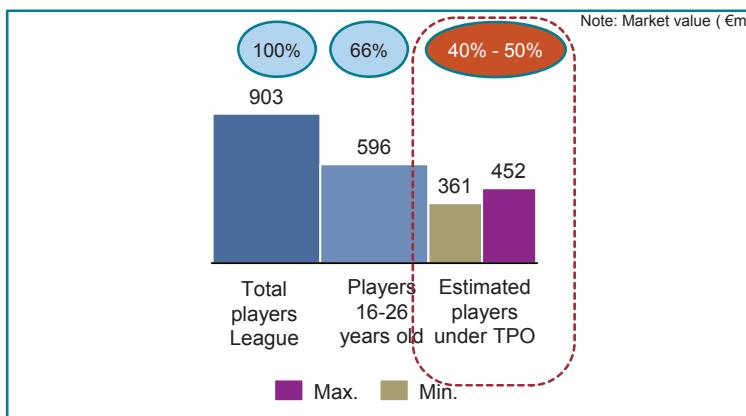
Market share in Europe

Eastern Europe – Potential market size of TPO



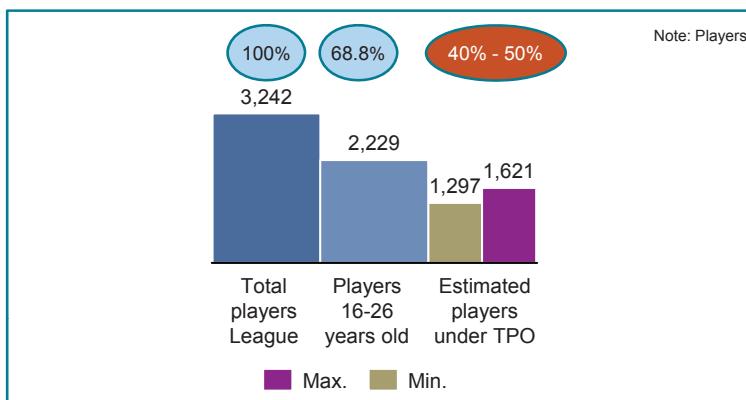
TPO activity appears to have shown an upward trend in the last years, and apparently is expected to grow even more in the following years due to the weak financial situation of the clubs.

TPO estimated market share (market value)



Source: Transfermarkt and KPMG analysis

TPO estimated market share (No. of players)



Source: Transfermarkt and KPMG analysis

From the interviews conducted, Eastern Europe TPO practice appears to be the highest market share in Europe reaching 40%-50%

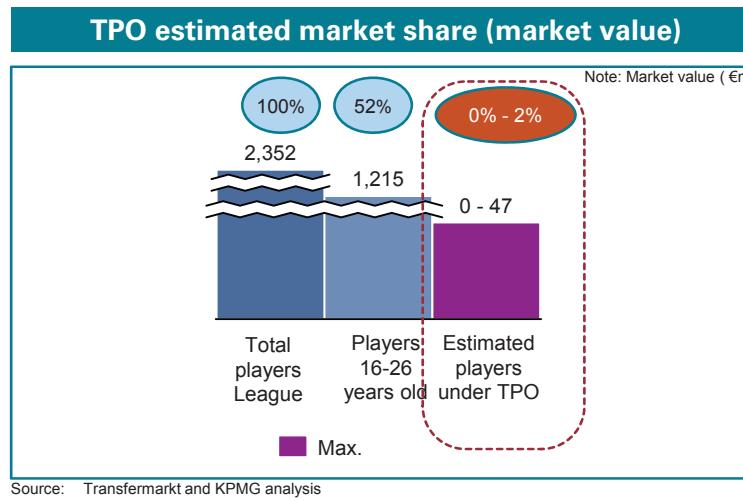
TPO highlights

- This region comprises the following countries: **Bosnia, Croatia, Macedonia, Serbia, Albania, Bulgaria, Romania, Hungary, Slovenia and Montenegro**.
- TPO activity apparently has shown an upward trend in recent years, and is expected to grow even more in this region in the coming years.
- It appears that the reason for the increase in the use of this type of operation is driven by the weak financial situation of the clubs since they generate not enough revenue from broadcasting rights, marketing, etc; in this respect, we have been told that cash from transfers account for around 70% of the clubs' annual budgets.
- According to the interviewees, in these countries TPO activity is mainly related with non-risk operations as a minimum return is guaranteed. The average % of ownership in this type of agreements is estimated to be between 20% and 45%.
- In these countries it is common practice that the football players have their own agents from a very early stage (12 years old). At the age of 18, investment funds usually start to acquire players' economic rights.
- High concentration of funds investing in Serbian football, none of which are local but rather are mainly from Spain, England and Israel.

Market share in Europe Italy – Hypothesis potential market size TPO



Apparently this practice is not common although is becoming more relevant as from the information obtained, investment funds are actually knocking on Italian football club's doors



Minor activity it appears to be experienced

TPO highlights

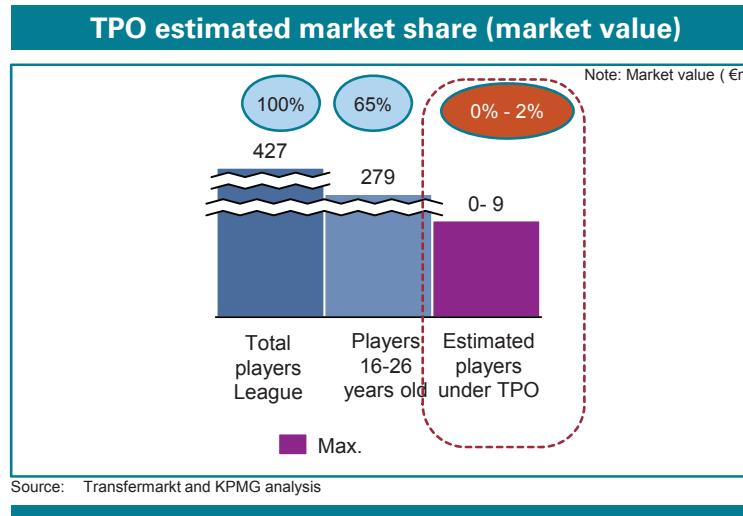
- In general terms, it appears that TPO activity in Italy is very uncommon and rarely used.
- Most common agreement similar to TPO practice used in Italy named "Accordo di partecipazione". Under this model two Italian clubs may agree to share the profits arising from a player's future transfer. This practice is governed by the Italian Federation Regulations. This practice is considered acceptable to the football governing bodies since the parties entering into this kind of agreement are clubs and not third parties unrelated to football.

Market share in Europe

Belgium – Hypothesis potential market size TPO



TPO in Belgium is not expected to be significant – 2% has been estimated to be the upper range.



Residual presence of TPO practice in Belgium

TPO highlights

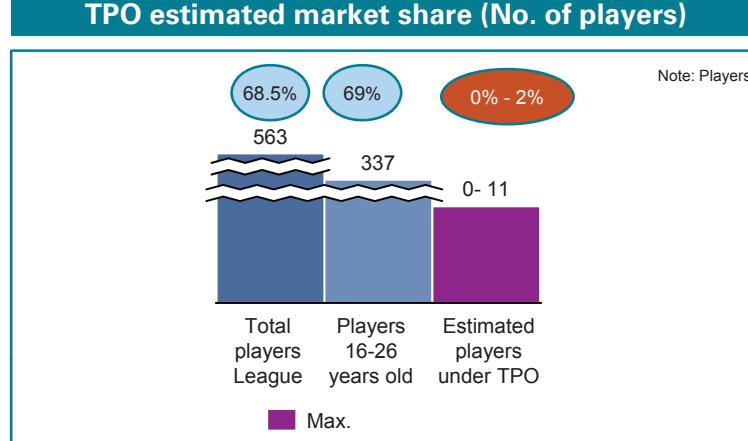
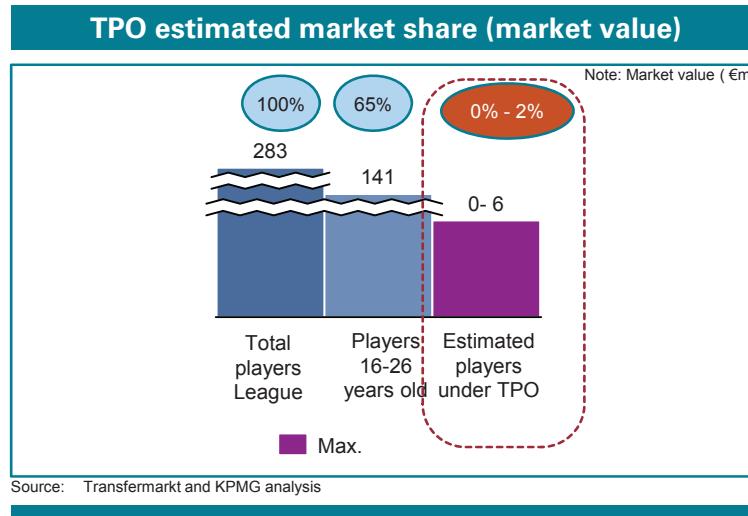
- The use of TPO does not appear to be a common practice in Belgium.
- Based on information publicly available, the Belgian FA keeps a register of football players partially owned by third parties.

Market share in Europe

Greece – Hypothesis potential market size TPO



As in the case of other markets, TPO does not appear to be a common practice.



Apparently, the TPO practice is very uncommon in this region.

TPO highlights

- TPO in the Greek market appears to be a very uncommon practice and used just in exceptional transactions.
- The relationship of Greek clubs with the TPO industry is limited. Based on the interviews performed, TPO operations are only related to the acquisition of Brazilian players whose economic rights were partially owned by third parties before arriving to Greece.

Additional information

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Additional information

TPO model in Latam – analysis

Key considerations regarding TPO in South America

- Third-party ownership practices were first implemented in Latin America, not only with regard to professional football players, but also for amateur youth players with promising football careers, as third parties – such as companies, sports agencies, agents, or even the players themselves – traditionally consider youth players as an important vehicle for generating major profits and revenues when they turn professional, mainly for the following reasons:
 - a) There are a lot of excellent football players in South America, who at some moment in their careers will be involved in important domestic and/or international transfers.
 - b) Clubs in South America do not usually have the economic and financial means to maintain those players in their squads.
- In this context, the financial limitations of clubs have allowed third parties – businesses and organisations – to purchase part of the economic rights of youth players → **third parties financially support new acquisition's expenses in return for a part of a future transfer fee.**
- In the same way, clubs usually receive offers from third parties – investors or sports agencies – to acquire a percentage of a professional footballer's economic rights, so that both parties (club and investor) share a clear objective → **the transfer of the player before the expiry of the employment contract, and a share of revenues arising from a significant transfer fee.**
- Thus, third-party ownership of players' economic rights, has become increasingly prevalent in South America, particularly in Brazil and Argentina, as these are the countries from which higher numbers of players are transferred abroad, mainly to major European leagues.
- Interviews held with different institutions operating in South American football highlighted the following characteristic features of TPO practices in the continent:
 - ✓ TPO agreements are common in South America, especially in Brazil and Argentina, where it is understood to be a practice carried out by agents/companies/third parties. Investors approach young players to place them with clubs in return for a percentage of the player's economic rights, or provide financial support to professional clubs when hiring players in exchange for certain economic rights → The investors later take a share of the profits from the future transfer of the player.
 - ✓ According to the information provided, TPO agreements in South America do not usually contain "minimum return" clauses, or clauses providing for the payment of interest. In these TPO agreements, the investors usually assume several risks in the event that the player is not transferred in the future or is transferred for a lower amount than the investment made → **"Right off"**, which means that the investor's economic rights are lost and the investment does not generate any returns.
 - ✓ As for TPO practice in Brazil, it is believed that **almost 90% of the footballers registered to compete in the Brazilian First Division have their economic rights shared between different stakeholders (companies, private investors, relatives, investment funds, etc.).**
 - ✓ **The percentage of economic rights owned by investors** is estimated to **range from 10% to 50%, depending on the TPO model used and the investor's profile. It must be also noted that third parties and investors are not interested in owning more than 50% of a player's economic rights**, as in this situation the club would no longer be so interested in transferring the player (the amount received by the club in the event of an eventual transfer of the player would be very low) and would therefore prefer to hold onto the player up to the termination of his contract.
 - ✓ Finally, in the same way that TPO practice is common in South America, it is also particularly common for clubs agree on the co-ownership of the economic rights of a player, and therefore share the profits arising from a future transfer of the player's federative and economic rights.

Additional information

TPO model in Latam – analysis (cont.)

Main TPO practices in South America

In this context, the most typical third-party ownership practices in South America, depending on the time and situation in which a player's economic rights are assigned to a third party, are as follows

1. When a youth player is registered with a club as a result of a company's (or individual's) promotion of the player (Recruitment TPO)

In South America, it is extremely common for sports agencies, companies or individuals linked to a young amateur player to acquire a percentage of the player's economic rights when he is recruited/signs for a South American club, meaning that the club and third party share the revenues and hold a stake in the earnings arising from a future transfer.

In this kind of TPO practice, the standard economic rights assigned to a third party range from **10% to 20%**, given that there is no initial financial support or investment by the third party other than the recruitment of the player to the club.

2. When a club is interested in signing a player and third-party investors provide the club with financial support in order to hire the player (Investment TPO)

In this kind of TPO, which has become increasingly common in Europe, when a South American Club is interested in hiring a player, but does not have sufficient financial support to do so, a third-party investor provides the club with financial support, in exchange for acquiring a percentage of the economic rights and, consequently, of the profits arising from any future transfer of the player.

This co-ownership of the player's economic rights between the club and the investor creates a sort of joint venture, whereby the parties agree to hold joint ownership of the player's economic rights and share the revenues, which will depend on the player's performance. In these cases the club has a duty of transparency and good faith with the investor, with the commitment of transferring the player when an important offer arrives, under the terms and conditions set out in the TPO agreement.

3. When a club requires financial support, not to sign a specific player, but simply to comply with its economic obligations, and receives this support from a third party in exchange for a certain percentage of the economic rights of one or several of the club's players (Financing TPO)

According to the information provided, this type of TPO is not as common as in Europe, so the prevailing TPO practices in South America are those classified as "Recruitment TPO" – in which the third party could be the agent, a relative or even the player himself – and "Investment TPO", in which the third parties are usually companies, sports agencies or investment funds.

Additional information TPO model in Latam – analysis (cont.)

TPO regulations in South America: Brazil and Argentina

- Despite the fact that TPO is a common practice in South America, football's governing bodies have also established certain regulations in this respect, mainly in order to prevent abusive, illegal or fraudulent practices by either clubs or third parties in relation to player transfers.
- In **Brazil**, for example, the distinction between federative rights – those that can only be owned by a Club – and economic rights – the economic content of federative rights, which can be owned by third parties – was legally established and defined in **Law 9615/9, known as the “Pele Law”**, which came into force in 1998.

This law contains specific provisions regarding third-party influence in sport. **Article 27-B of the so-called “Pele Law”** reads as follows (free translation from Portuguese):

“Art. 27-B. The clauses of the contracts between sport entities and third parties, or between these and athletes, able to intervene or influence in the transfer of athletes or even to interfere in the performance of the athlete or the sport entity are automatically null and void, except those in accordance with a collective work agreement.”

- This article states that contract clauses signed between sporting entities and third parties, or between third parties and players, that could interfere or influence the player's transfer or performance for the club or sporting association, shall be declared null and void → **Similar wording to FIFA's article 18 Bis.**
- In **Argentina**, the tax authorities have recently – in January 2013 – implemented regulations designed to make professional football contracts and transfers more transparent, and to control the marketing of football players' economic rights, mainly by banning third-party ownership, creating special registers and requiring clubs to conduct transfers through bank accounts established especially for the purpose → **General Resolution No. 3432/2013 (GR 3432), which was published in the Official Gazette on 4 January 2013, issued by the Federal Administration of Public Revenue (AFIP)**, which only applies to professional footballers.
 - ✓ With the aim of avoiding tax evasion and money laundering in the transfer of players, this Resolution requires professional football clubs involved in the transfer of football players to provide the tax authorities with detailed information, such as the list of players whose economic rights are not fully owned by the club, the names of investors that own economic rights and full details of the economic rights owned by such third parties.
 - ✓ To ensure compliance with these requirements, clubs are required to open special bank accounts through which transfers are to be conducted, so that if the information requested by these regulations is not provided or does not match, the transfer will not be approved and the transfer fee withheld.
 - ✓ The Resolution also foresees the creation of a “**Register of investors linked to professional football players**” and a “**Register of agents of professional football players**”
 - ✓ Finally, the General Resolution establishes several tax obligations relating to the transfer of professional footballers. In order to determine the amount to be withheld, the withholding agent has to apply the following tax rates to the total transaction amount:
 - (i) 17.5%, applied to payments from sports entities to investors listed on the ‘Register of investors linked to professional football players’, i.e. any companies or individuals that hold investments in the economic rights of the transferred player.
 - (ii) 35%, applied to payments to investors not listed on the ‘Register of investors linked to professional football players’, or listed investors that have failed to report investments in the economic rights of the transferred player.

Additional information TPO model in Latam – analysis (cont.)

TPO is a common practice in South America.

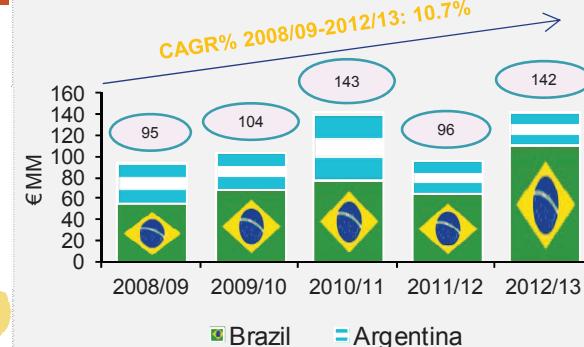
A high number of South American players are recruited every season by European clubs.

Except for certain cases, the TPO structure of the players is no longer continued when joining European clubs.

SOUTH AMERICA



Market value of <26 years old players sold to Europe



Number of expatriates by country of origin

#	2009	2010	2011	2012
Brazil	529	566	524	515
Argentina	239	234	208	188
Total	768	800	732	703

Source: CIES football observatory

Imports of football players from Latin American football represent one of the most important channel of talent players to Europe

EUROPE

Market value of <26 years old players sold from Argentina and Brazil to the following countries:

England:

- €37.4 MM in the season 12/13.

Russia:

- €20.3 MM in the season 12/13.



France:

- €55 MM in the season 12/13.

Spain:

- €59.3 MM in the season 13/14.

Portugal:

- €4 MM in the season 12/13

Additional information

Description of a TPO Contract – key clauses

Introduction	A summary of common TPO clauses are presented below, which is not intended to be an exhaustive list; The clauses are mainly based on models of Investment and Financing TPO (as defined previously), and referred to agreements made on one player (not reflecting contracts/clauses used by global investment operations such as Portuguese clubs' investment funds), and terms such as a minimum return are included. Nonetheless, terms may vary depending on the specific agreements to be reached between the parties.
Parties to the contract	The parties to the contract are usually a, on the one part, the club owning 100% of the federative and economic rights of a professional football player by means of the employment contract signed with the player, and on the other part, a third party – investor (usually an investment fund, company, private investor or sports agency).
Duration	The TPO agreement signed between the club and the investor is usually linked to the duration of the employment contract signed between the club that owns the federative rights of the player and the player themself→ The standard duration of this kind of agreements is usually from three to five years . Additionally, the parties to the TPO agreement – the club and the investor –may agree to extend the term thereof in line with any extensions to the related employment contract.
Definitions	In order to correctly define the rights and obligations of the parties to the TPO agreement, the following definitions are usually provided: <ol style="list-style-type: none"> Economic compensation: this refers to the amount paid by the investor to the club as a result of the acquisition of part or whole of the player's economic rights. Economic rights: this term refers to the financial rights arising from the temporary or definitive transfer of the player's federative rights. Federative rights: this term refers to the registration rights belonging exclusively to the club. Minimum return (when agreed): this refers to the minimum amount to be paid to the third party (investor) whether or not the player is transferred within the term of the TPO agreement. This usually includes the initial investment made by the investor to acquire the player's economic rights, plus interest.
Purpose	The purpose of the TPO agreement is as follows: <ol style="list-style-type: none"> The purchase by the investor of a certain percentage of the economic rights of a player whose federative and economic rights are fully owned by the club up to the signing date of the TPO agreement. i.e. the investor pays the club €500,000 in return for 20% of the player's economic rights. The regulation of the rights and credits the investor would be entitled to receive in the event that the player was transferred to another club before the TPO agreement expired, which would include the agreed percentage (20%) of any amounts received by the club upon the transfer of the player's federative rights, or 20% of any amounts established as compensation for the breach of contract by the player, or 20% of any amounts resulting from the transfer or use of the player's image rights when such amounts are obtained by the club as a result of the transfer or expiry of the Player's federative rights.
Club's obligations in the event of the future definitive transfer of the player	Notwithstanding the general agreement made by the parties regarding the club's obligation to pay the investor 20% of any amounts or compensation arising from the temporary or definitive transfer of the player, TPO agreements usually contain clauses concerning the following kinds of obligations: <ol style="list-style-type: none"> Definitive transfer of the player for any reason, including the payment of the Buy-Out Clause by the player: Should the TPO agreement contain a clause providing for a "minimum return" on the investment, the parties usually agree that in the event of a definitive transfer of the player for any reason, including the payment of the agreed Buy-Out Clause by the player, the club shall pay the investor the higher of the following: (i) the percentage of the player's economic rights acquired by the investor (in this case 20%) applied to the total transfer fee or buy-out fee, or (ii) the minimum return agreed between the club and the investor.

Additional information

Description of a TPO Contract – key clauses (cont.)

Club's obligations in the event of the future definitive transfer of the player (cont.)	<ul style="list-style-type: none">b) Transfer offer and penalty arising from rejecting the offer: As of a certain date (usually as of the season following the signature of the TPO agreement), should the club receive an offer from another club for the definitive transfer of the player for a sum equal to or higher than an agreed amount (i.e. € 10,000,000) and the club refuses to transfer the player's federative rights and, therefore, rejects the offer, the club will be immediately obliged to repurchase the percentage (20%) of the player's economic rights transferred to the investor, for a sum equivalent to 20% of the transfer offer received by the club.c) Freedom to establish the contractual provisions of the employment contract between the club and the player: However, the parties – the club and the investor – usually agree that the club will be totally free to agree the contractual provisions applicable to the employment relation with the player, including but not limited to amendments to the buy-out clause, contract renewals, etc. without the need to report to or request the authorisation of the third party.d) Investor's option to receive the minimum return in the event of modifications to the terms of employment: Notwithstanding the above, should the new terms of employment agreed between the club and the player include an increase in the buy-out Clause equal to or higher than a certain percentage, or an increase in the player's salary equal to or higher than a certain percentage of the salary stated in the player's employment contract at the signing date of the TPO Agreement, the investor would be entitled to the following options: (i) to maintain the economic rights of the player after the modification of the employment conditions under the same terms and conditions or (ii) to request the payment of the minimum return from the club.e) Reacquisition of the player's economic rights by the club: The parties could agree the reacquisition by the club of the percentage formerly purchased by the investor through the payment of several amounts which would vary depending on the date or season of the reacquisition of these economic rights. This reacquisition would be subject to the consent and agreement of the investor. However, even were the club to repurchase the player's economic rights, the parties could agree several obligations arising from the definitive transfer of the player within an agreed deadline (i.e. two complete transfer windows).f) Non-transfer of the player: The parties usually agree that, in the event that the player is not transferred by a certain date (usually the transfer window prior to the expiry of the TPO agreement), the club will pay the investor an amount equivalent to the compensation paid by the investor in order to purchase the percentage (20%) of the player's economic rights, plus interests.g) Transfer authorisation: In order to facilitate the definitive transfer of the player, from the signing date of the TPO agreement the club authorises the investor (under terms which are non-exclusive but applicable worldwide) to promote the definitive transfer of the player through the corresponding FIFA agents. However, the investor will not have the capacity to accept any offer in the club's name or interests, or to negotiate on behalf of the club the economic terms of the transfer, but will be obliged at all times to follow the instructions provided by the club.
Other relevant clauses	<ol style="list-style-type: none">1. Temporary transfer of the player: In the event of a temporary transfer of the player's federative rights, in which it is expressly stated that the transfer is not definitive, the investor would be entitled to receive the agreed percentage of the corresponding transfer price from the club.2. Breach of contract by the player: In the event of a breach of contract by the player that resulted in the termination of this contract, the investor would be entitled to the agreed percentage of any amount established as compensation for the breach of the employment contract.3. Breach of contract by the club: In the event of a breach of the employment contract by the club, the investor would be entitled to the amount established in the TPO agreement as the "minimum return".4. Compulsory insurance: The club is required to contract insurance to cover the death and permanent disability of the player. In this respect, the investor would be entitled to receive an amount equal to or higher than the agreed "minimum return"5. Player's exchange: If the club were to decide to exchange the player for another player on a definitive basis, the investor would be entitled to (i) request the agreed percentage of the exchanged player's economic rights from the club, or to (ii) request the payment of the minimum return by the club, pursuant to the terms established in the TPO agreement.

Additional information

Other matters – Analysis of existing TPO regulations in the most relevant European leagues

Introduction	<p>For the sake of clarity, prior to analysing the TPO regulations currently prevailing in Europe, we shall define the following different scenarios:</p> <ol style="list-style-type: none">1. Leagues which specifically prohibit third-party ownership: The only European leagues in which third party ownership is expressly banned are (i) Premier League (United Kingdom), (ii) Ligue de Football Professional (France), (iii) the Ekstraklasa (Poland).2. Leagues with no prohibitions on third-party ownership, but on third party influence: Contrary to the English, French and Polish leagues, there are other European leagues with no specific regulations banning third-party ownership, but with specific prohibitions on third-party influence, following the mandate of Article 3 a) of the FIFA's Regulations on the Status and Transfer of Players, which rules that article 18 bis on third-party influence is "binding at the national level and must be included without modification in the association's regulations".3. Consequently, most European football leagues have implemented the FIFA's third-party influence clause in their respective national regulations, through the direct incorporation of FIFA's clause.4. Other professional European football leagues, such as the Bundesliga in Germany or the Premier League in Scotland, have decided to introduce a specific provision on third-party influence in their nationally applicable regulations.
England (Premier League)	<ul style="list-style-type: none">■ As mentioned above, the English Premier League is one of the three European leagues in which TPO is specifically banned. In England, TPO of players' economic rights was prohibited at the beginning of the 2008/2009 season, following the Tevez and Mascherano case. The background facts of the case are as follows:<ul style="list-style-type: none">✓ In 2004, the Brazilian Club Corinthians registered both players, Carlos Tévez and Javier Mascherano, whose rights were owned by an investment fund.✓ Subsequently, both players were transferred to West Ham United Club in England.✓ The owners of Carlos Tevez were entitled to decide where and for how much the player could be transferred.✓ Therefore, West Ham was fined €5.5 million for violating Premier League rule V.20 (formerly rule U18) which states that no club should enter into a contract which would allow a third party "to acquire the ability to materially influence its policies or the performance of its teams".✓ The Disciplinary Commission also ordered that the club amended the contract if the players were to continue playing with them.■ As a result of the TEVEZ case → the Regulations of the FA and the Premier League were amended, with the new rules L34 and L35 entering into force from the start of the 2008/09 season to outlaw all forms of third party ownership. These provisions are currently established in Rules U36 and U37:<ul style="list-style-type: none">– Rule U36 provides an exhaustive list of exceptions of when third party agreements can be entered into to, without breaching the Regulations– Rule U37, reads as follows: "<i>In respect of a player whom it applies to register as a Contract Player, a Club is permitted to make a payment to buy out the interest of a person or entity who, not being a Club or club, nevertheless has an agreement either with the club with which the player is registered, or with the player, granting it the right to receive money from a new Club or club for which that player becomes registered. Any such payment which is not dependent on the happening of a contingent event may be made either in one lump sum or in instalments provided that all such instalments are paid on or before the expiry date of the initial contract between the Club and the player. Any such payment which is payable upon the happening of a contingent event shall be payable within 7 days of the happening of that event.</i>"■ English Football Association (FA) → The FA Rules have been complemented by the FA Third Party Ownership Regulations, Article A.2. of which establishes that no third party shall own or carry on owning the economic rights of a player. Moreover, Article B.2. of the aforementioned regulations provides a mechanism whereby clubs can buy out a third party's interest.

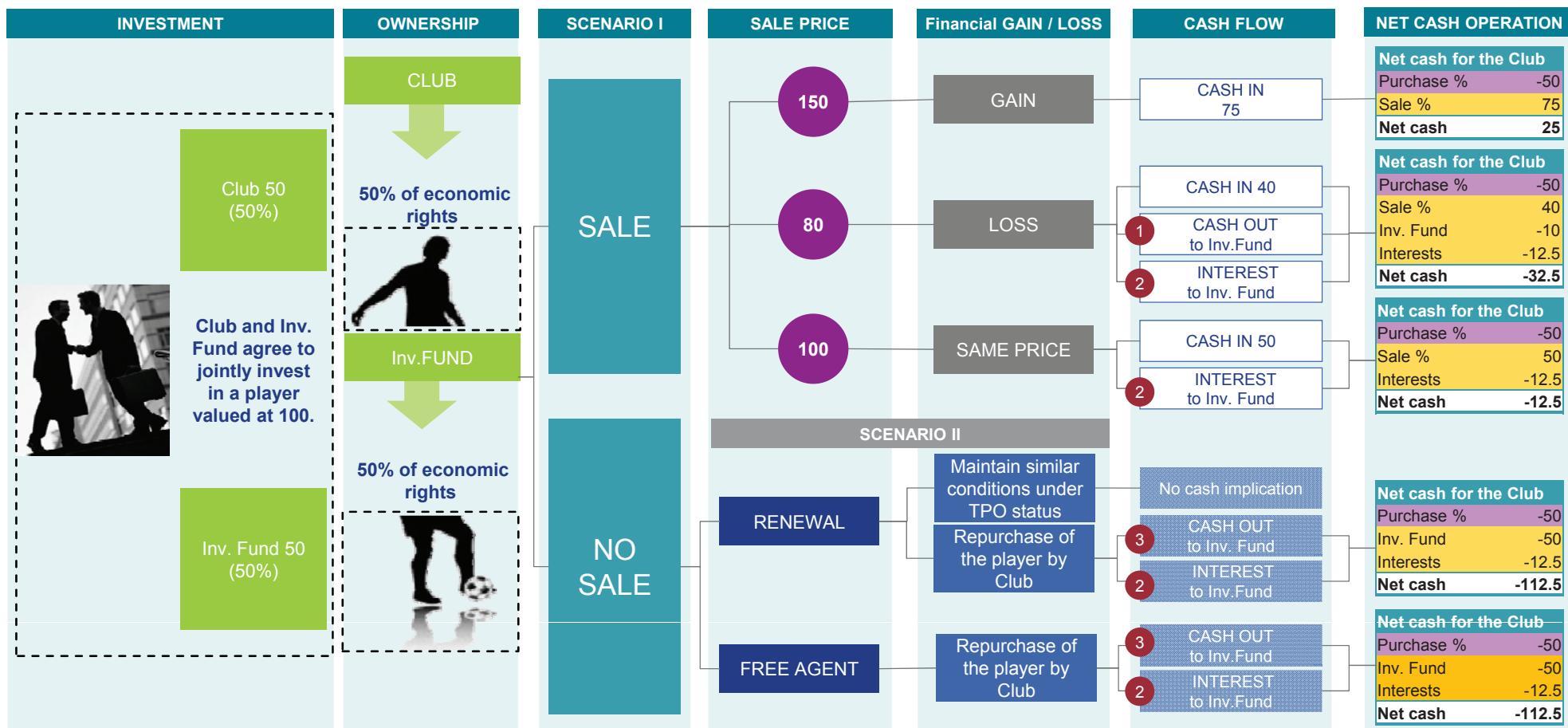
Additional information

Other matters – Analysis of existing TPO regulations in the most relevant European leagues (cont.)

France (Ligue De Football Professionel)	<p>Article 221 of the French Football League's 2011-2012 Regulations deals with the transfer and acquisition of players' economic rights, stating that "a club cannot conclude a contract with any moral or physical persons (with the exception of another club) that directly or indirectly results in such persons acquiring or being granted all or some of the economic rights resulting from the various fees to which the club is entitled when transferring one or more players".</p> <p>The aim of the provision is to ensure that only clubs can be the owners and beneficiaries of the player's federative and economic rights.</p>
Polish Football League	<p>Poland's Ekstraklasa is the latest league to ban third-party ownership. Article 33.4 of the Polish Football Association's Status and Players Regulation states that "clubs cannot sign any contract with a third party which may have an impact on loans or transfers or may create any obligation from clubs towards a third party in case of temporary or permanent transfer of a player".</p>
Leagues with prohibition on TPO influence by transposition of the FIFA rule in the national association regulations	<p>Other European leagues don't have specific provisions on the prohibition of TPO, but have incorporated FIFA Regulation article 18 bis in their national Football association regulations, in compliance with Article 3a of FIFA's Regulations on the Status and Transfer of Players, which rules that article 18 bis on third-party influence is "binding at national level and must be included without modification in the association's regulations".</p> <p>Such is the case of the following European leagues: The Italian Lega Serie A, the Dutch Eredivise, the Spanish Liga de Fútbol Professional (LFP), the Portuguese LFP, the Belgian Pro League, the Swiss Football League and the Danish and Finnish football leagues.</p>
Leagues with specific provisions on third-party influence in their regulations	<p>In addition to those European leagues in which third-party influence has been prohibited through the transposition of FIFA Regulation article 18 bis rule in their national association regulations, there are other leagues which have included specific provisions in their domestic regulations to be applied at a national level, complementarily to the FIFA third-party influence rule. These include the following:</p> <ul style="list-style-type: none">✓ German Bundesliga (DFL). Article 5 of the German League's Regulations on licensed professional players strictly prohibits any kind of third party influence that could affect the independence of clubs while making decisions on sports-related matters.✓ Scottish Premier League. Like the German Bundesliga, this league has created its own rules and regulations to prevent third-party influence or intervention in clubs' decisions regarding player participation, as only clubs owning the federative rights of players can make decisions of this kind. <p>Rule D1.17 of the Scottish Premier League establishes that "A Player shall not be Registered where there is any restriction or condition, howsoever arising, as to when, against whom or on what terms the Player concerned shall or shall not Play".</p> <p>Similarly, Rule D4.8 of the Scottish Premier League establishes that "It is not permitted for a transferor club to stipulate when or against whom a Player so transferred may or may not Play and any such stipulation in any agreement or other document shall be void".</p>

Additional information

Other matters – Financial analysis: Clubs perspective (TPO Investment operation)

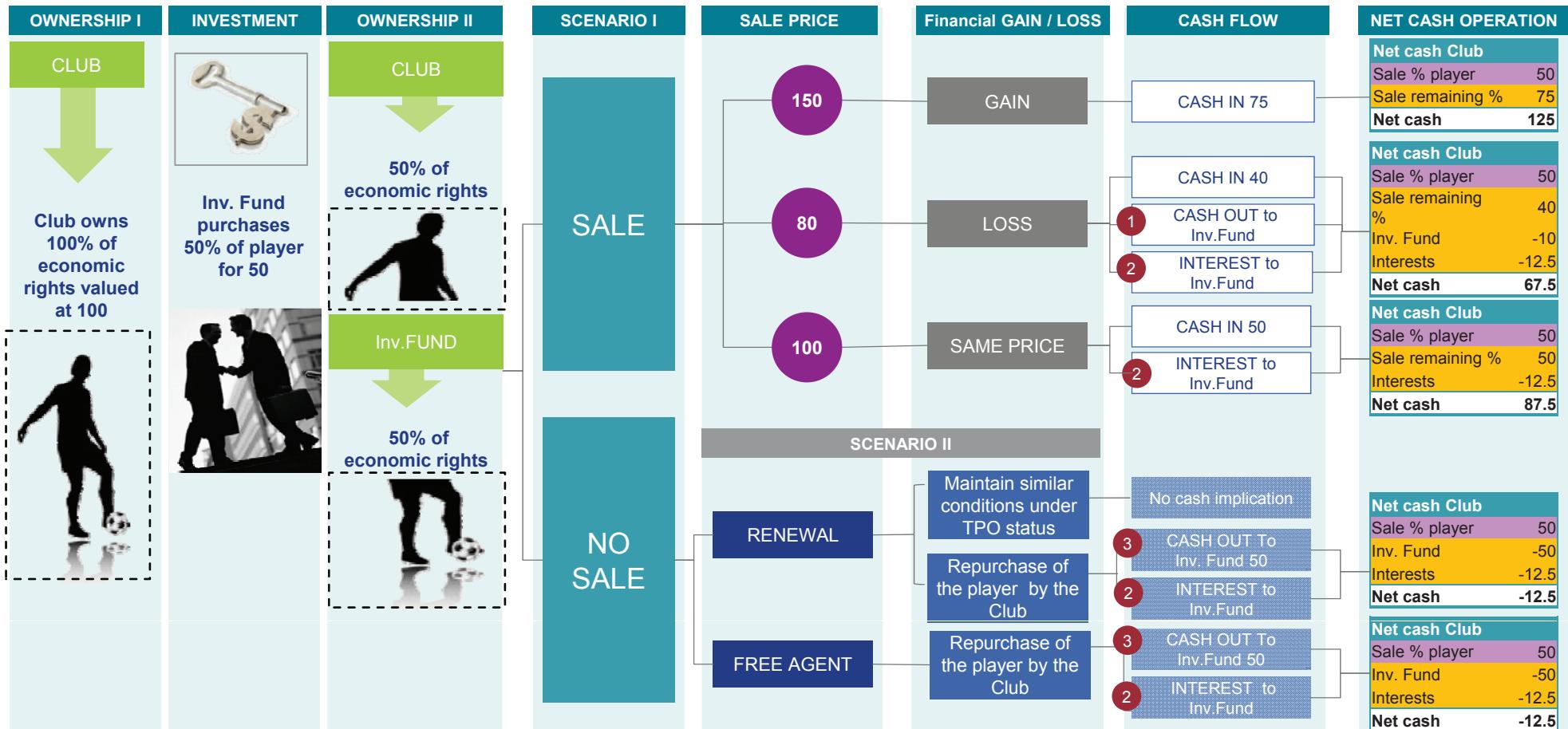


Assumptions:

- ① In general terms, the investment fund has assured contractually a minimum return that normally corresponds to the amount of capital initially given for the purchase of the player.
- ② As an average, the interest rates applied to these type of operations is in the range of an annual 8% to 10%. For illustrative purposes, we have calculated the interest cash out as a 10% annual interest rate applied to an average period of 2.5 years. (in line with the average maturity of a football player under TPO). Interests are not applicable on capital gains following common clauses from most of the contracts analysed
- ③ In these cases the renewal of the player's contract represents the recovery by the club of the player's economic rights pursuant to the terms of their contract. If this occurs the club must reimburse the initial capital provided by the investment fund, and settle the interest accrued (annual 8%-10%).

Additional information

Other matters – Financial analysis: Clubs perspective (TPO Financing operation)



Assumptions:

- ① Similar to that explained in Clubs perspective (Investment operation) slide.
- ② Similar to that explained in Clubs perspective (Investment operation) slide.
- ③ Similar to that explained in Clubs perspective (Investment operation) slide.

Additional information

Other matters – Financial analysis: Inv. Fund perspective (TPO investment operation)

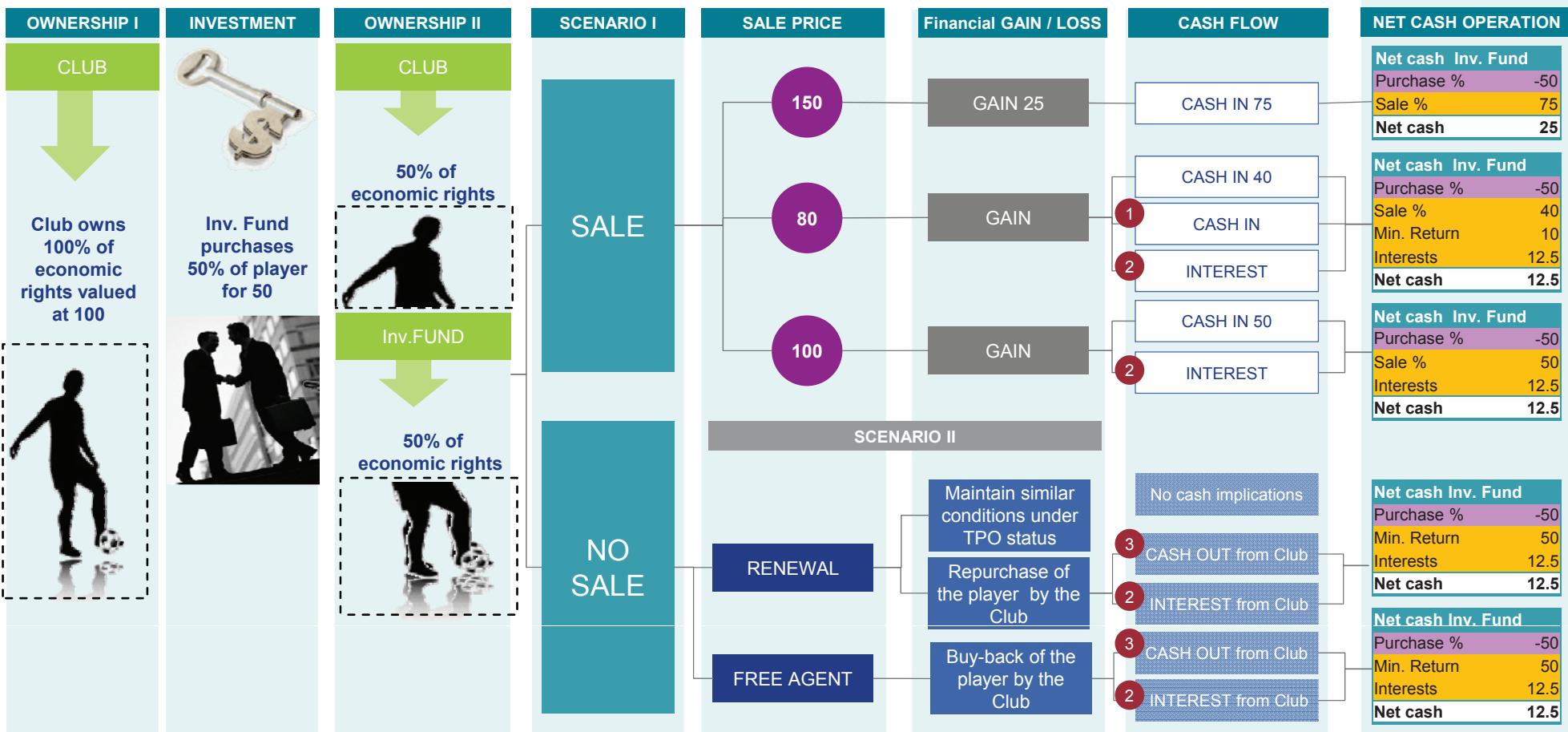


Assumptions:

- ① Similar to that explained in Clubs perspective (Investment operation) slide.
- ② Similar to that explained in Clubs perspective (Investment operation) slide.
- ③ Similar to that explained in Clubs perspective (Investment operation) slide.

Additional information

Other matters – Financial analysis: Inv. Fund perspective (TPO financing operation)



Assumptions:

- ① Similar to that explained in Clubs perspective (Investment operation) slide.
- ② Similar to that explained in Clubs perspective (Investment operation) slide.
- ③ Similar to that explained in Clubs perspective (Investment operation) slide.



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