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## **THE NEW BRAZILIAN SAF LAW: RESTRUCTURING OF FOOTBALL CLUBS AND INVESTMENT IN NEW FOOTBALL CORPORATE ENTITIES (SAFs)**

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*A new Brazilian Law enacted in August 2021 created a specific type of corporate entity for football clubs (Sociedade Anônima do Futebol, the “SAF”), opening the Brazilian market to new forms of investment and mergers and acquisition (“M&A”) transactions involving Brazilian football clubs, which are now allowed to restructure their debts pursuant to the bankruptcy law.*

### **INTRODUCTION**

On 6 August, 2021, after more than five years of intensive debates in the Brazilian Congress, Law No. 14.193 (“SAF Law”) was enacted.<sup>2</sup> In short, the SAF Law creates a specific type of corporate entity that may be adopted by professional football clubs (the *Sociedade Anônima do Futebol* or “SAF”) exclusively and establishes specific provisions applicable to the SAFs relating to (i) governance, control and compliance; (ii) allocation and restructuring of liabilities; (iii) financing; and (iv) taxation.<sup>3</sup>

The idea is to allow professional football clubs to be incorporated as, transformed or spun-off into SAFs that will take over certain contracts, assets and obligations of football clubs, as well as their respective positions in leagues and championships, under new corporate governance, control and transparency rules. The SAFs would also benefit from tax incentives and be better positioned to obtain investments, both through equity and debt. On the other hand, the original football clubs (if applicable) would be entitled to

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<sup>2</sup> The text of the SAF Law, enacted on August 6, 2021, contained several vetoes by the Brazilian President. Most of the vetoed provisions were later reinstated by the Brazilian Congress, which resulted in the republication of the SAF Law with its final wording on October 6, 2021.

<sup>3</sup> The SAF is also governed by the general corporate rules applicable to Brazilian corporations by Law No. 6.404/1976 (the Corporations Law) and the sports-related provisions of Law No. 9.615/1998 (the *Pelé* Law), both as amended.

settle their obligations under more favourable terms that were not previously available to them.

The incorporation of a new SAF through the creation of a new football club is an expensive option, notably due to the registration fees charged by the State Football Federations and the operational costs. The transformation of the original football club into a new SAF would result in a single entity post-transformation remaining responsible for the settlement of all its existing liabilities pre-transformation, which could reduce the attractiveness of the target company for potential investors. As a result, investors tend to prefer the creation of SAFs through the spin-off of existing football clubs as, in this scenario, the SAF Law provides for the possibility of segregation of liabilities, subject to certain conditions, as further detailed below.

#### **CORPORATE STRUCTURE: GOVERNANCE, CONTROL AND COMPLIANCE**

Brazilian football clubs were historically incorporated as non-profit civil associations, which are mostly self-regulated entities with no detailed governance rules and adherence to compliance practices. This structure has failed to the extent that most of the football clubs are over-indebted and investors rarely see any value in potential targets. The SAF Law, therefore, came as an alternative for football clubs that intend to obtain a market solution for their economic crisis through third-party investments. As expected, investors need clear and high standard corporate governance, control and transparency rules. In this context, the SAF Law provides for the following mandatory corporate governance, control and transparency rules applicable to the SAF:

- (i) minority rights and golden-share-like provisions in favour of the original football club which is transformed or spun-off into a SAF, to ensure protection to, among others, the original club's name, colours, signs, symbol, intellectual property rights and real estate;
- (ii) prohibition of the controlling shareholder of the SAF directly or indirectly holding an equity interest in another SAF;
- (iii) prohibition of an individual being simultaneously a member of any governance body of a SAF and: (a) a member of any governance body of another SAF; (b) a member of the governance entity of any other football club, however organized; (c) a member of any football administration entity (federation, confederation, league, etc.); (d) a professional football player with a work contract with a club in force; (e) a professional coach with a work contract with a club in force; or (f) a football referee in activity;

- (iv) prohibition of an employee or member of any governance body of a shareholder of a SAF also being a member of the Fiscal Board or of the Board of Directors of the SAF;
- (v) mandatory and permanent Board of Directors and Fiscal Board;
- (vi) any shareholder holding an equity interest of 5% or more in a SAF must disclose its ultimate beneficial owner to the SAF and to the relevant football administration entity to which the SAF is subordinated; and
- (vii) mandatory disclosure of the SAF's corporate documents, members of governance bodies and management reports on its website.

#### **ALLOCATION AND RESTRUCTURING OF LIABILITIES**

The SAF Law provides for a series of rules dealing with the allocation of liabilities between the original football club and the SAF. The underlying rationale is to limit the liability of the SAF to allow investments in the football activity, while the existing indebtedness is restructured at the original football club level.

In this context, the SAF Law establishes that the SAF will be liable only for those preexisting debts (*i.e.*, debts generated before the incorporation of the SAF) that are connected to its corporate purpose (*i.e.*, debts relating to football activities) and that have been transferred to it by the original football club ("Preexisting Transferred Football Obligations").

In any case, the settlement of those Preexisting Transferred Football Obligations is the responsibility of the original football club, which remains fully liable for the payment of all of the indebtedness, with its own revenues and revenues that will be transferred to it by the SAF, if and when due.

The original football club can settle the debt directly with its creditors or by means of (i) a judicial reorganization proceeding, pursuant to Law No. 11.101/2005, as amended (Bankruptcy and Reorganization Law or "BRL"); (ii) an out-of-court reorganization proceeding, pursuant to the BRL; or (iii) a centralized enforcement regime ("*Regime Centralizado de Execuções*" or "RCE"), to be further regulated by the Judiciary Branch.

In this particular, the SAF Law has significantly changed the dynamics for football clubs' debt restructuring. Before the enactment of the SAF Law, Brazilian football clubs organized as civil associations were subject to general civil insolvency rules, applicable to all non-profit entities and to individuals.<sup>4</sup> They were not entitled to seek the restructuring mechanisms provided for in the BRL, which are typically available only to corporate entities. Given the uncertainty and length of civil insolvency proceedings, creditors would rather renegotiate their claims than push the football clubs into civil insolvency.

Now, the football clubs are allowed to seek court protection for debt restructuring and even declare their own bankruptcy liquidation. The SAF Law, however, also opened the door for creditors to seek the (involuntary) bankruptcy of football clubs, exposing them to liquidation in case they fail to properly and timely address their debts.

In this context, the SAF Law seems to have inaugurated a new phase for football clubs' debt restructuring, in which the parties will need to cooperate to reach a reasonable compromise. Mediation may play a key role in this particular.

### **Judicial and Out-of-Court Reorganization**

The judicial reorganization proceeding is a well-established restructuring alternative to corporate entities and entrepreneurs, similar to the Chapter 11 under the U.S. Bankruptcy Code. Likewise, the out-of-court reorganization is somewhat comparable to a pre-package agreement between the debtor and its creditors. In both cases, the debtor enjoys a stay of enforcement proceedings and foreclosure of assets for 180 days while it negotiates a restructuring plan with its creditors. The plan must ultimately be approved by a certain statutory majority of creditors in order to be binding on all parties, including dissenting creditors.

In principle, the judicial or out-of-court reorganizations tend to better suit mid-sized football clubs and those with high or relevant indebtedness that need a more comprehensive restructuring to attract investors.

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<sup>4</sup> Civil insolvency is a time-consuming and inefficient court proceeding that aims at liquidating all assets for settlement of all claims according to (not so clear) priority rules.

Associação Chapecoense de Futebol (“Chapecoense”),<sup>5</sup> Coritiba Football Club (“Coritiba”)<sup>6</sup> and Joinville Esporte Clube (“Joinville”)<sup>7</sup> have filed for judicial reorganization, while Santa Cruz Futebol Clube (“Santa Cruz”)<sup>8</sup> and ABC Futebol Clube (“ABC de Natal”)<sup>9</sup> are seeking pre-insolvency mediations<sup>10</sup> that, if successful, may avoid the filing of judicial or out-of-court reorganization. The cases are still in the preliminary phase and no plan or mediation agreement has been confirmed by the relevant courts yet.

Figueirense Futebol Clube (“Figueirense”)<sup>11</sup> filed for out-of-court reorganization before the enactment of the SAF Law and, after several disputes, notably about its standing to seek restructuring, the club obtained court confirmation of its plan, which is being implemented by the club.

### Centralized Enforcement Regime

The RCE is a new proceeding established by the SAF Law, which still lacks crucial regulation by the Judiciary Branch. Notwithstanding, some of the most traditional Brazilian football clubs, including Club de Regatas Vasco da Gama (“Vasco da Gama”),<sup>12</sup> Botafogo de Futebol e Regatas (“Botafogo”),<sup>13</sup> Cruzeiro Esporte Clube (“Cruzeiro”),<sup>14</sup>

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<sup>5</sup> Chapecoense is a traditional mid-sized Brazilian football club, based in Chapecó, State of Santa Catarina, currently disputing Series B of the National Championship.

<sup>6</sup> Coritiba is a traditional mid-sized Brazilian football club, based in Curitiba, State of Paraná, currently disputing Series A of the National Championship. Coritiba has formally created its SAF, but it is still not operational (i.e. assets have not been transferred yet and the non-profit football club is still disputing the championships).

<sup>7</sup> Joinville is a small-sized Brazilian football club, based in Joinville, State of Santa Catarina, currently disputing only regional championships, as it did not classify for the National Championship.

<sup>8</sup> Santa Cruz is one of the most traditional and popular Brazilian football club of the northeast of Brazil, based in Recife, State of Pernambuco, currently disputing Series D of the National Championship.

<sup>9</sup> ABC de Natal is traditional small-sized Brazilian football club, based in Natal, State of Rio Grande do Norte, currently disputing Series C of the National Championship.

<sup>10</sup> Pre-Insolvency Mediation is a new proceeding established by the BRL that allows the debtor to seek court protection to stay the relevant enforcement proceedings for up to 60 days while the debtor negotiates a settlement agreement with the respective creditors through mediation. If the mediation is frustrated, the debtor may file for judicial or out-of-court reorganization and the stay granted in the pre-insolvency mediation will be deducted from the 180-day stay period deriving from the reorganization proceedings.

<sup>11</sup> Figueirense is traditional mid-sized Brazilian football club, based in Florianópolis, State of Santa Catarina, currently disputing Series C of the National Championship.

<sup>12</sup> Vasco da Gama is a traditional Brazilian football club, based in Rio de Janeiro, State of Rio de Janeiro, currently disputing Series B of the National Championship.

<sup>13</sup> Botafogo is a traditional Brazilian football club, based in Rio de Janeiro, State of Rio de Janeiro, currently disputing Series A of the National Championship.

<sup>14</sup> Cruzeiro is a traditional Brazilian football club, based in Belo Horizonte, State of Minas Gerais, currently disputing Series B of the National Championship.

Sport Club Corinthians Paulista (“Corinthians”),<sup>15</sup> Fluminense Football Club (“Fluminense”),<sup>16</sup> Santos Futebol Clube (“Santos”)<sup>17</sup> and Esporte Clube Vitória (“Vitória”),<sup>18</sup> have already filed labour and/or civil RCEs seeking to organize the payment of their debts. Despite being in the preliminary phase, some controversies have already arisen in the RCEs due to the lack of jurisprudence and regulation.<sup>19</sup>

According to the SAF Law, the RCE involves the centralization of all enforcement proceedings against the original football club under the jurisdiction of one labour court and one civil court, as applicable. The original football club must propose a debt settlement plan for payment of the existing labour and/or civil claims in up to six years.<sup>20</sup> The debt settlement plan may involve several restructuring alternatives, some of which are currently already widely adopted and accepted by Labour Courts, such as haircuts,<sup>21</sup> assignment of credits to third parties<sup>22</sup> and conversion of debt into equity.<sup>23</sup>

The original football club enjoys a stay of all enforcement proceedings and creditors are precluded from foreclosing the football club’s assets (including any shares held by it in the SAF), provided the club is current with its obligations under the plan. The RCE also ensures protection of the assets, revenues and rights of the SAF incorporated by the original football club which applied for the RCE during the aforementioned six or ten-year period, as applicable. Notwithstanding this, the SAF is subsidiarily liable for the original football club’s labour and civil claims existing on the date of the SAF’s

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<sup>15</sup> Corinthians is a traditional flagship Brazilian football club, based in São Paulo, State of São Paulo, currently disputing Series A of the National Championship.

<sup>16</sup> Fluminense is a traditional Brazilian football club, based in Rio de Janeiro, State of Rio de Janeiro, currently disputing Series A of the National Championship.

<sup>17</sup> Santos is a traditional Brazilian football club, based in Santos, State of São Paulo, currently disputing Series C of the National Championship.

<sup>18</sup> Vitória is a traditional Brazilian football club, based in Salvador, State of Bahia, currently disputing Series A of the National Championship.

<sup>19</sup> In some cases, the relevant Courts ordered the monthly deposit of certain amounts (20% of the revenue) for purposes of granting the stay of the enforcement proceedings, while in other cases the courts granted the stay irrespective of any payment. Also, in some cases the courts appointed a judicial administrator to verify the activities and financials of the SAF and of the original football club, in order to confirm that the amounts deposited are correct, based on the monthly revenue. In one specific case, there was even a dispute regarding the possibility and form of payment of an obligation that generated a transfer ban.

<sup>20</sup> The RCE and respective debt settlement plan may be extended for four additional years in case the football club proves the payment of at least 60% of the debt at the end of the sixth year.

<sup>21</sup> Holders of labour and civil credits are authorized to accept a debt reduction in their negotiations with the debtor.

<sup>22</sup> The holder of a credit who does not agree with the discount being proposed by the debtor can assign its credit to third parties, which shall be awarded the same level of seniority of the original creditor.

<sup>23</sup> All or part of the debt can be converted into shares of the SAF, provided that the conversion is authorized in the by-laws of the SAF.

incorporation in case of extension of the RCE and respective debt settlement plan. Although the law is silent in this respect, it is debatable whether the SAF would be (subsidiarily or jointly) liable in case of default of the plan by the original football club during the first six years of the RCE.

Additionally, the SAF Law also establishes the mandatory transfer of specific revenues of the SAF (20% of the monthly current revenues)<sup>24</sup> and dividends, interest on equity or other compensation (if any) to the football club and imposes personal liability on officers in case of violation of said rules.<sup>25</sup> On the other hand, the football club must use 100% of the monthly revenues received from the SAF and 50% of the dividends, interest on equity or other compensation received from the SAF for payment of its creditors, according to the debt settlement plan, under penalty of personal liability on its president and officers.

The SAF will be subsidiarily liable for settlement of the claims if the original football club fails to pay them off by the end of the payment period under the RCE (*i.e.*, six years extendable for an additional four years). The extension of the payment period shall be granted, provided that the original club has paid off at least 60% of its debts. During the extension period, the percentage of current monthly revenues to be transferred to the original club by the SAF may be reduced to 15%.

#### Labour Claims:

Despite the limitation of liabilities in accordance with the SAF Law (*i.e.*, SAF is liable for the Preexisting Transferred Football Liabilities and may be subsidiarily liable for the potential unpaid balance of the claims subject to the RCE after the statutory period), there are specific labour provisions that establish broader liabilities.

The Consolidated Labour Laws (*Consolidação das Leis do Trabalho – “CLT”*) provide that companies within the same “economic group”<sup>26</sup> are jointly and severally liable for all

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<sup>24</sup> This percentage may be reduced to 15% in case of extension of the RCE and respective debt settlement plan.

<sup>25</sup> As per Article 10 of the SAF Law, the transfer of revenues by the SAF to the original football club is only mandatory in case the club files for RCE. However, given the wording of the relevant legal provision, one could argue that such obligation is mandatory in any scenario (judicial reorganization, out-of-court reorganization, RCE). There are still no court precedents on this matter.

<sup>26</sup> In accordance with the CLT, whenever two or more companies are under the direction, control and management of another company, and those companies form a group engaging in industrial, commercial or any other kind of economic activity, all of these companies are jointly and severally liable for the labour obligations relating to all employees of the economic group. Labour laws stress that the mere identity of shareholders is not enough for the recognition of an “economic group”, it being further necessary to

labour debts of the companies of the group, even the ones with minor or indirect interest in the debtor.<sup>27</sup> In addition, the CLT also regulates the succession of business from a labour perspective, establishing that (i) the change in a company's legal structure will not affect the vested rights of its employees; and (ii) the change in the company's ownership interest will not affect its contracts with employees. Therefore, in case of transfer of relevant assets from the original football club to the SAF, there is a risk of recognition of labour succession, which also leads to recognition of joint and several liability of the SAF for the labour claims against the original football club.

The general labour liability established in the CLT diverges from the labour liability applicable to SAFs set forth in the SAF Law. In principle, the recognition of economic group or succession of business should not be applied overlapping the liability rules of the SAF Law in labour claims, as the SAF Law is more recent and more specific than the CLT. However, labour claims discussing the SAF's liability and the SAF Law are extremely recent. There is no sufficient case law regarding this matter to constitute precedent.<sup>28</sup>

#### Tax Claims:

Certain claims cannot be restructured under a judicial or out-of-court reorganization or RCE, notably tax claims. As a rule, tax claims need to be addressed separately, either through renegotiation of tax debts or tax settlement agreements. Although the SAF Law generally protects the SAF from succession liability risks, it is highly debatable whether this protection would extend to tax claims, mainly because (i) Article 133 of Law No. 5.172/1966, as amended ("Brazilian Tax Code" or "BTC") provides for succession of liabilities in case of transfer of the goodwill or establishment, except if the transfer involves an isolated productive unit ("IPU") in the context of judicial reorganization; and

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evidence an integrated interest, effective communion of objectives and joint action of the companies. However, in practical terms, Brazilian labour courts tend to adopt a much broader concept of "economic group" than that set forth in the CLT.

<sup>27</sup> This means that any of the co-responsible parties may be required to pay in full the entire award without any limitation and regardless of the size of the investment or the equity one has or owns directly or indirectly in the main defendant. The co-responsible party will, however, have a right of recourse against the actual debtor within the same economic group, which can be pursued in a separate civil action.

<sup>28</sup> To the best of our knowledge, there are less than 10 first-instance decisions dealing with the SAF's labour liability, all of which recognize some form of liability of the SAF (joint and several or subsidiary), according to the CLT rules, in relation to different types of labour claims, including claims that do not constitute a Preexisting Transferred Football Obligation. All decisions are subject to appeals pending judgment by the respective Labour Regional Court. We are also aware of at least one first-instance decision that, based on the SAF Law, recognized the lack of liability of the SAF (joint and several or subsidiary) in relation to certain labour debts of the original football club that do not constitute a Preexisting Transferred Football Obligation. The decision is also subject to potential appeal.



(ii) the BTC is hierarchically senior and more specific than the SAF Law, and would therefore prevail in case of conflict of provisions as regards tax claims.

As a result, in case the original football club fails to comply with the terms of the tax renegotiation or tax settlement agreement (as applicable), there is a chance that the SAF may be held liable for the football club's tax debts, except if the transfer of assets to the SAF resulted from an IPU sale as part of the original football club's judicial reorganization.

Given the above, when targeting highly distressed football clubs, investors should take into consideration the measures already taken by the football clubs to restructure their respective debts, notably (i) the filing of a judicial or out-of-court reorganization or RCE proceeding and the economic viability of the proposed judicial or out-of-court plan or debt settlement agreement, as applicable; (ii) the amount and profile of the labour liabilities and contingencies; and (iii) the renegotiation of tax debts or tax settlement agreements entered into by the football clubs and tax authorities, as applicable.

## **FINANCING**

In addition to the SAF having access to equity-based financing, issuance of bonds and other sources of revenue available to privately held corporations (but not to non-profit civil associations) in general, the SAF Law creates a specific type of debenture issuable by the SAF ("Debenture-Fut"), subject to certain particular restrictions, including use of proceeds in the football activities. The original terms of the SAF Law approved by the Brazilian Congress contemplated a more favourable tax treatment to the Debenture-Fut when compared to standard debentures, but this provision was vetoed by the Brazilian President, and the veto was ultimately maintained by the Congress. So, this tax benefit never entered into effect and the Debenture-Fut is subject to the same tax regime as any other debenture.

## **TAXATION**

One of the most significant provisions of the SAF Law is the so-called Specific Football Taxation Regime ("TEF"), applicable exclusively to the SAFs. It allows for the unified collection of corporate income tax, PIS, CSLL, COFINS and social security contributions at reduced rates, which are far less burdensome than the tax burden on corporations in general, and virtually equivalent to the tax burden on non-profit civil associations. The below table compares the three tax regimes:

Tax	Non-SAF Corporate Clubs	Civil Associations	SAFs
PIS on the payroll	0%	1%	<ul style="list-style-type: none"> <li>In the first five years as from incorporation of the SAF, the total tax rate shall be of 5% (five per cent) over the total monthly revenues of the SAF (with the exception of revenues arising from the assignment of athlete's rights); and</li> <li>from the sixth year as from incorporation of the SAF, the tax rate referred to above shall be of 4% (four per cent) over the total monthly revenues of the SAF (with the inclusion of revenues arising from the assignment of athletes' rights).</li> </ul>
PIS/COFINS on the gross revenue	9.25%	0%	
Services tax levied on top of revenues earned from (i) any form of sponsorship; (ii) licensing of trademarks and logos; (iii) publicity and advertising; (iv) broadcasting of sports events and (v) ticketing	5%	0%	
Social contribution to the social security system (INSS) replacing the 20% on the payroll – levied on top of revenues earned from: (i) any form of sponsorship; (ii) licensing of trademarks and logos; (iii) publicity and advertising; (iv) broadcasting of sports events and (v) ticketing	5%	5%	
Corporate Income Tax / Social Contribution on Profits (IRPJ / CSL)	34%	0%	
Third-party social contributions	4.5%	4.5%	

## IMPORTANCE OF THE SAF LAW

The possibility of conversion of a non-profit civil association into a corporate entity has existed at least since June 2020.<sup>29</sup> Given that, one could wonder why the SAF Law would be relevant or even necessary or, moreover, if it will be effective. The great relevance of the SAF Law for the Brazilian football market is due to the fact that the legal framework did not provide adequate incentives for the transformation of football clubs organized as non-profit civil associations into football corporations.

In this context, the SAF Law is a game changer, as it substantially modifies the legal framework applicable to Brazilian football clubs that now have adequate incentives to take the necessary steps towards professionalism and corporate governance. Specifically, the favourable tax treatment granted to the SAF via the TEF removes the tax burden barrier that impaired football clubs to migrate to an equity-based structure.

<sup>29</sup> In June 2020, a Brazilian normative ruling was issued to authorize the transformation of non-profit civil associations into corporate entities, allowing new forms of investments and M&A transactions involving football clubs. Despite such an important regulatory change, Brazil has only had one successful case of transformation of a football club originally incorporated as a non-profit civil association into a corporate entity (*Red Bull Bragantino Ltda.*, a limited liability company originally incorporated as the non-profit association *Clube Atlético Bragantino*).

Finally, the SAF Law provides for viable alternatives for the structuring of investments in Brazilian football clubs with greater legal certainty and ultimately encourages the development and modernization of the Brazilian football market in the long term.

## CONCLUSION

The Brazilian football market has lacked investment for decades. The football clubs are virtually insolvent and deeply in need of capital injection. The situation reflects the collapse of the civil association structure. In this context, the SAF Law provides, for the first time, a viable and comprehensive option for investing in and restructuring of Brazilian football clubs that are willing to turn the corner.

The expectation is that, in this first moment, the SAF structure will be adopted by mid- or small-sized football clubs, which are not so heavily subject to political disputes over managerial powers and tend to be interesting targets to potential investors. Some of these mid-sized clubs are already incorporating their SAF and seeking court protection for restructuring of their debt, so they are in a better shape for future investment.

In addition, a number of distressed large football clubs are also going down that path, notably Cruzeiro, Botafogo and Vasco da Gama, that have recently incorporated their respective SAFs and sought court protection through RCE. Although negotiations involving traditional and prominent football clubs tend to be more complex and time-consuming, the cash constraints may accelerate certain discussions, as seems to have been the case of Cruzeiro and Botafogo that have already entered into investment agreements with potential investors.<sup>30</sup> The transactions are still pending closing. Vasco da Gama is also in advanced negotiations with a prospect investor.<sup>31</sup>

The (long overdue) SAF Law is expected to cause a very positive impact in the sector, particularly by increasing access to equity and debt financing to the football clubs that decide to adopt the SAF structure and by allowing the original football clubs to address their indebtedness in a more efficient manner.

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<sup>30</sup> Cruzeiro has entered into an investment agreement with Tara Sports Brasil Ltda. ("Tara"), a company controlled by former football player Ronaldo Luis Nazário de Lima, whereby Tara will receive 90% of the SAF's total voting capital against an immediate cash injection of R\$ 50 million and an obligation of R\$ 350 million revenue increase in five years. Botafogo has entered into an investment agreement with John Textor, whereby the investor will receive 90% of the SAF's total voting capital against the cash injection of R\$ 400 million over time.

<sup>31</sup> Vasco da Gama is negotiating a potential investment by the investment fund 777 Partners.

Moreover, the SAF Law has the potential for modernizing Brazilian football and professionalizing the sport, so that it can compete in the current corporate reality. If successful, it can ultimately bridge the gap to international football, taking Brazilian football clubs to the next level of contemporary football, creating their own league, with financial fair play rules.

In a country with over 650 professional football clubs of different sizes, political structures, debt profiles, histories, cultures and fan bases, there are plenty of investment and restructuring opportunities out there, and certainly a long path to modernization and professionalization of the sport.

In any case, it is crucial that the first SAFs are granted adequate legal treatment, in accordance with the SAF Law, as these first cases will likely set precedents and serve as benchmarks for future restructurings and investment transactions.