

# SURESPORTS

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## LENDING

## Key Credit Issues

### Key Credit Issues and How SSL Mitigates Them

#### **Credit Risk: Borrower will fail to meet their payment obligations regarding the terms agreed with the bank**

- Mitigant: All of our Borrowers' repayment schedules are customized around the period in which the Borrower is paid. Therefore, all payments to credit coincide to when the Borrower receives their money.
- Mitigant: All payments come directly from the team, all salaries are backed by the four major leagues, which derive a bulk of their revenue from TV contracts.

#### **Market Risk: Risk in losses in on- or off- balance sheet positions that arise from movement in market prices**

- Mitigant: The length of our loans are tied to known absolute values of the Borrower's contract.
- Mitigant: Due to the shortness of most credits there is minimal exposure to external market conditions.

#### **Operational Risk: Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events**

- Mitigant: All contracts are form letters and subsequently standardize the lending process.
- Mitigant: Each individual team is backed and sanctioned by the league as a whole. Therefore, each team will always be able to make payroll.
- Mitigant: Paydays are standardized for each team.
- Mitigant: Revenue sharing is overseen by the league.
- Mitigant: The leagues have all been in existence for a minimum of 70 years.
- Mitigant: The NFL, NBA, NHL, and MLB are in one of the most publicized industries. Scandals are possible, but there is no record of them impacting payroll.

#### **Liquidity Risk: Risk of a Player not being able to have enough cash to carry out their day-to-day operations**

- Mitigant: Direct deposit of the Borrower's salary will be sent directly from the team to the bank. The bank will auto debit the account on the agreed upon payment dates which will coincide with the dates that the Borrower receives their salary.
- Mitigant: Upper borrowing limit of 30% of guaranteed contracts and 10% of non-guaranteed contracts.

#### **Reputational Risk: Risk of damage to a Player's image and public standing that occurs due to some dubious actions taken by the Player**

- Mitigant: Signed contracts are not based off of public perception of the Borrower.
- Mitigant: A separate dishonor and disgrace policy, underwritten by Lloyds of London, is assigned to the lender for the amount of the loan. The policy covers contract termination for any egregious act against the team, the league, or society in general.



## Key Credit Issues (*Continued*)

### Key Credit Issues and How SSL Mitigates Them (*Continued*)

#### **Business Risk: *Risk arising from a Player's long-term business strategy.***

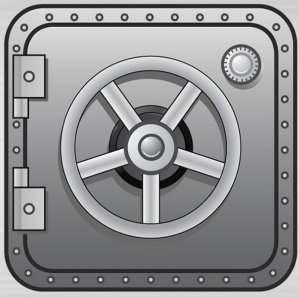
- Mitigant: The Borrower's primary source of income is from their professional athlete contract.
- Mitigant: According to Forbes, PwC projects 4.8% annual growth in the sport industry over the next five years, from \$53.6 billion in 2012 to \$67.7 billion in 2017.
  - » Projected trends are driven by major North American professional leagues, including Major League Soccer, along with top-level intercollegiate sports.
  - » The projection shows a healthy increase from the sports industry's 3% annual growth rate resulting from the economic fallout of 2008.
- Mitigant: According to Forbes, the average NFL team is now worth \$2 billion, 38% more than in 2014.
- Mitigant: According to Forbes, the average NBA team is worth \$1.25 billion.
  - » NBA franchise values have tripled over the past four years thanks to soaring sponsorship and TV deals (both local and national).
- Mitigant: According to Forbes, the MLB was worth \$36 billion as team values hit a record \$1.2 billion average.

#### **Systematic Risk: *The possibility that default or failure by one financial institution can cause domino effects among its counter parties and others, threatening the stability of the financial system as a whole***

- Mitigant: Each league has a CBA in place. Therefore, the business cannot systematically change.
  - » The NFL has a CBA in place until the last day of the 2020 League Year.
  - » The NBA has a CBA in place until the last day of the 2017 League Year.
  - » The NHL has a CBA in place until September 15, 2022.
  - » The MLB has a CBA in place until December 1, 2021.
  - » The MLS has a CBA in place until January 31, 2020.

#### **Moral Hazard: *A person, a group (or persons), or an organization is likely to have a tendency or a willingness to take a high-level risk, even if it is economically unsound***

- Mitigant: Sure Sports Lending wants to ensure that their suppliers are repaid. Therefore, Sure Sports Lending has a significant moral hazard.



## Key Credit Issues (*Continued*)

### Lender FAQs

#### **What if the Borrower gets hurt?**

- The Borrower has adequate personal resources to retire the proposed loan

#### **How do we actually recoup loan payments?**

- Direct deposit of the Borrower's salary will be sent directly from the (Team) to the Bank
- The Bank will auto debit the account on the agreed upon payment dates which will coincide with the dates that the Borrower receives his salary

#### **What if the player is kicked out of the league or incarcerated?**

- A separate dishonor and disgrace policy, underwritten by Lloyds of London, is assigned to the lender for the amount of the loan
- The policy covers contract termination for any egregious act against the team, the league, or society in general

#### **What if the player redirects his direct deposit?**

- The loan documents will express that redirection, or discontinuation of direct deposit is an event of default
- The loan documents include a waiver of jury for disputes or events of default as allowable by state and federal law
- The loan documents provide for the player's consent to wage garnishment as an acceptable provision to cure default

#### **What if the player runs into additional financial problems (over-leverages) during the term loan and becomes insolvent?**

- The Bank has first right of refusal on all additional debt and failure to do so is an event of default
- By the Lender maintaining direct deposit and sweeping out the applicable loan payments on the day of payroll, the Lender is repaid immediately, leaving the player with the residual to deal with his subsequent obligations, habits, hobbies, etc.
- The Lender also requires that a credit report be pulled quarterly, so any additional leverage, which is an event of default, allows the Lender to serve the team directly and be ahead of all non-federal judgments
- The loan documents will state that the Borrower is not allowed to take on any additional unsecured debt
- Any secured debt over (Amount) will need to be approved by the Lender Bank