

Proposed Wembley Stadium Sale

Briefing Q&A

5 October 2018

INTRODUCTION

Since The FA received an offer to buy Wembley Stadium, there has been a huge amount of due diligence undertaken in order to understand what a sale would look like, and achieve, not just in terms of headline value but also for both the stadium itself and for football across England.

This has included developing detailed heads of terms with the current potential buyer and the Public Funders (Sport England, DMCS and GLA) and reviewing with football stakeholders and the Funders how best to invest the money to ensure that every single penny of the net proceeds goes into improving community football facilities.

Here we will explain the details of the commercial deal that is on offer and how the reinvestment would work. We believe we have achieved a good balance - we can protect the stadium as the home of English football, continue to play football fixtures in perpetuity and at the same time unlock value from the bricks and mortar of Wembley Stadium to create £1.5bn of direct additional investment in community football facilities.

We would spend the net proceeds on nothing else and we will ensure every single project is approved by representatives of County Football Associations by giving them ownership and sign off of their Local Football Facility Plans which will be the only route to secure funding.

We don't need to sell Wembley Stadium, but by doing so we have the opportunity for a transformational change to community football facilities. There is good reason to do so:

1. Only 1 in 3 grass pitches are of adequate quality
2. 1 in 6 matches are called off due to poor pitch quality
3. 33 of 50 County FAs are without their own 3G pitch to facilitate football development work and stage important local football events
4. 150,000 matches for 300,000 teams have been cancelled in the 2017/18 season which is the equivalent of 5,000,000 playing opportunities having been impacted this year because of poor facilities

To keep Wembley Stadium within FA ownership and to maintain its status as a world-class sports and entertainment venue will require a high level of capital investment, annually, for the remaining life of the stadium. To date over £82m has been spent on capital maintenance and improvements, with a further £12m to be spent annually on routine capital works in addition to any unforeseen disruptive CAPEX or operational costs. Whilst The FA is currently in a position of financial strength and certainty, should this regress for any reason in the future, such investment in Wembley rather than community football facilities would be felt acutely across the game. It must also be acknowledged that securing a deal of this value, with the agreed legal protections for The FA and stadium would be highly unlikely should we be a forced seller in the future.

The opportunity to sell Wembley Stadium from a position of strength, with guaranteed use of the stadium for FA events and other football events (EFL and National League), and to have the stadium protected and operated by a motivated owner who could invest capex at a higher rate than The FA ever could, are reasons why the deal should be seriously considered.

For more information, please visit www.thefa.com/proposedwembleysale.

HEADLINES OF THE COMMERCIAL DEAL AND INVESTMENT PROPOSAL

1. COMMERCIAL DEAL

Strong commercial terms for a potential have now been agreed in principle with the potential buyer and the Public Funders. This includes:

- An offer of £600m in cash in addition to the retention by The FA of the Club Wembley seat business (valued at c. £300m)
- Guarantees to continue to host all current football events at the stadium (with the exception of England's autumn internationals) in perpetuity
- Guarantees for the quality of both the stadium and grass playing surface
- FA ownership of the rights for ticketing (other than corporate boxes), broadcasting and associated rights for FA events
- A share sale, allowing both Sport England and The FA to retain a share in the stadium company (WNSL) guaranteeing protections and approval rights
- FA and Sport England retaining veto rights on changes to the stadium's name
- FA and Sport England having approval rights for any on-sale of a controlling interest
- Restrictions on the circumstances in which debt can be put against the stadium
- FA ownership of certain sponsorship and branding rights at the stadium for FA events
- A buy-back clause should the new owner fail to meet key conditions with a buy-back price of between £100m and £200m; or between £1 and £200m if WNSL became insolvent

2. INVESTMENT OF THE PROCEEDS

The FA has now agreed in principle with the Public Funders and with football stakeholders how the funds would be spent:

- The National Game, Professional Game and Public Funders have all agreed that 100% of the net proceeds will be invested in community football facilities which meet the requirements of the National Football Facility Strategy
- The net proceeds equate to approximately £590m which will be spent over 20 years and, including interest and match funding, will mean an additional £1.5bn worth of investment in community football facilities
- The money will be held in two separate funds – Wembley Legacy, a fund established by the FA, and a Sport England fund. The Sport England fund, as it contains Lottery money, must be kept separate
- Both funds will only be able to allocate the funds to the Football Foundation for the delivery of community football facility projects. They cannot choose projects or transfer funds for any other purpose
- The Football Foundation will then deliver community football projects based on local needs

- These needs will be defined by Local Football Facility Plans which The FA has commissioned in every Local Authority
- CFAs will agree the Local Football Facility Plans with local stakeholders and the CFAs will approve every plan, prioritising funding in their areas
- This means that no projects can be funded without prior CFA approval
- CFAs can expect to see on average £70m investment in their area; which could equate to:
 - A new CFA playing hub with 3G pitch; and
 - 27 new full-size artificial grass pitches; and
 - 330 sustainable upgraded quality grass pitches to support traditional affiliated football; and
 - 31 new changing pavilions
- The Football Foundation will have specific support added to its executive to provide grant development support for CFA projects.

NEXT STEPS

Should a sale of the stadium be approved, we will immediately commence a broad public sale process and invite indications of interest with a wide range of national and international parties in line with the objective evaluation criteria and objectives set out below. This will ensure that if there is a potential buyer looking to offer a deal on better terms, whether financial or operational, they will have the opportunity to lodge their offer and for us to be confident we only proceed with the best offer.

1. COMMERCIAL DEAL

When we started to negotiate a commercial deal for the stadium, we set out some clear objectives:

- 1. Wembley Stadium to remain the National Stadium**
- 2. Wembley Stadium to remain the Home of English Football (continuing to host showpiece matches)**
- 3. Wembley Stadium to remain the Home of The FA**
- 4. The FA to maximise financial value**

We are now in a position to share the key commercial terms for a potential sale agreed in principle with both the Public Funders and the potential buyer (Shahid Khan).

The combination of legal protections and commercial terms have ensured the deal terms negotiated meet all objectives outlined above, safeguarding Wembley Stadium as the home of English football for the future. We believe this to be a strong and favourable commercial deal negotiated from a position of strength that will protect both the stadium and The FA's long term interests;

The FA to maximise financial value

How much will The FA receive for selling the stadium?

Should we proceed with the terms negotiated, The FA will receive £600m in cash as well as retain the Club Wembley seat business - valued at c. £300m on a net present value (NPV) basis i.e. c.£300m over the lifetime of the stadium.

It is estimated that all in deal costs will be approximately £10m meaning the net proceeds from the sale will be approximately £590m.

No sale funds will be used by The FA to repay Wembley debt (which is already accounted for within the current FA strategic plan).

Does this deal (£900m) represent fair value?

Should the sale be approved, we will run an open sale process to ensure a fair market value for the stadium is being received. Whilst Wembley (the entity) is profitable, when required Club Wembley and CAPEX investment is taken into account, we are effectively selling a cash negative business which, if not sold, would therefore be drawing cash away from other investment opportunities in English football.

Selling Wembley Stadium also comes with a number of commercial restraints for the new owner which may have a significant impact on its value and profitability. Many are outlined in the paper below including naming right restrictions, leveraging debt, restrictions on any future on-sale and a buy back regime.

For clarity, although the buyer will acquire the stadium himself if this deal proceeds, there is no confirmation that the Jacksonville Jaguars, or any other NFL team, will move to London and as such the NFL are not offering any financial support. Should a franchise move to London, a significant relocation fee will likely be payable to the NFL by the relevant franchise owner.

How will the sale affect FA annual finances?

In addition to the huge investment in community facilities that this transaction offers, The FA will be financially better off as a result of the sale against the current strategic plan (up until 2024).

The FA will continue to generate revenues from its retained Club Wembley business and from holding events at the stadium. Whilst there are losses to The FA from taking a maximum of 3 England games on the road and commercial sponsorship risks, the cost savings from not needing to divert cash flow to the stadium – primarily CAPEX and payroll mean The FA would be financially better off without owning Wembley Stadium. The FA also ceases to be exposed financially to significant financial risks presented by ownership of a large stadium: for example, the need to find non-football uses for the stadium when it is not used for football fixtures, and to manage sponsorship and other commercial relationships to cover the stadium's costs. There are also clearly broader non-financial benefits to taking the national game to other parts of the country including improving accessibility to English international football. This is before any consideration is given to the investment opportunities afforded by the net proceeds raised (£590m).

Wembley Stadium to remain the National Stadium

Will Wembley Stadium still be called Wembley Stadium?

Yes. The FA and Sport England will have a veto over any changes to the name "Wembley Stadium". A presenting partner (e.g. "Wembley Stadium connected/sponsored/powered by ...") will be permitted subject to the partner being approved by The FA and Sport England. Specific restrictions exist on presenting partner deals within certain categories (e.g. arms trade, gambling, tobacco would all be prohibited).

Will Wembley Stadium still be available to host major events and football tournaments/finals?

Yes. Wembley Stadium will remain available and be of the requisite standard to host international events - e.g. Euro 2020, Women's Euro 2021, Champions League Finals and World Cup Finals.

Can the new owner just sell the stadium on?

No, the new owner will not be able to sell WNSL or the stadium without consent. Change of control (i.e. selling more than 51% of the shares in WNSL) will require consent from The FA and Sport England as will selling the freehold/leasehold/material assets of the stadium. Any new owner must also meet a "good repute" test.

The new owner may sell a minority share in WNSL (i.e. up to 49%) without consent provided that any minority shareholder meets certain minimum requirements.

There is also upside sharing for The FA should WNSL or the stadium be sold for a material profit within 5 years.

Can WNSL incur borrowings?

Yes, but only with the consent of The FA. Any borrowing will be restricted to the funding of major stadium improvements (costing in excess of £50m) necessary to comply with new rules / regulations and certain advance payment / barter deals as part of sponsorship arrangements.

If The FA does not give consent to a permitted borrowing for CAPEX then it must waive any requirement in the Staging Agreement that requires such CAPEX to be incurred.

Will the deal guarantee Wembley remains a top class football venue?

Yes. The following requirements (amongst others) have been agreed in principle with the obligation on any future owner being:

- The stadium will remain a UEFA Category 4 (or equivalent highest standard) stadium
- The stadium shall be maintained at the level required to host international events (e.g. Euro 2020, Women's Euro 2021, Champions League Finals, World Cup Finals)
- World class facilities will be maintained for spectators, teams, officials, VIPS and the media
- The stadium must comply with certain "Mandatory Technical Requirements" including but not limited to:
 - The pitch shall be of natural turf with limited use of artificial fibres (e.g. Desso)
 - The Royal Box and other VIP areas to be maintained
 - Crowd safety standards to be adhered to
 - The capacity cannot be reduced below 90,000 seats without consent from both The FA and Sport England (any consent will be subject to the changes enhancing the spectator experience and in no circumstances will capacity be reduced below 80,000 seats)
- Any changes to the "Mandatory Technical Requirements" will require consent from both The FA and Sport England

Wembley Stadium to remain the Home of English Football

Can you guarantee that current FA events will remain at Wembley?

Yes with the exception of England's autumn international which would have to go on the road should a full NFL franchise (8 matches) come to London.

Outside of this limited window, FA events will continue to be staged at the stadium - England matches (men's and women internationals), Emirates FA Cup Semi Finals and Final, Women's FA Cup Final, FA Vase Final, FA Trophy Final and FA Community Shield.

EFL and NL events will also continue to be staged at the Stadium - EFL Cup Final, EFL Play-Off Finals, EFL Trophy, National League Play-Off Final.

No anchor tenant other than an NFL franchise¹ (e.g. a Premier League team) would be allowed without consent from both The FA and Sport England.

What commercial deal has been done on staging FA events?

¹ Or other acceptable franchise that emerges from the open and competitive bidding process referred to above

The FA will enter into a Staging Agreement with the new owner to use the stadium on market terms for FA events with an initial term of 10 to 15 years with the option for The FA to extend for further 5 year periods in perpetuity.

Who owns the commercial rights for FA events?

The FA will retain the majority of commercial rights for FA Events.

The FA will sell all tickets for FA events, including General Admission, Club Wembley and VIP hospitality (other than the corporate boxes) and set all ticket prices. The FA will also own all broadcast rights for FA events and retain all associated revenue.

The FA will retain sponsorship and branding rights at the stadium for FA events; in the bowl, along Olympic Way and in Club Wembley and VIP entrances

The new owner will also be entitled to some sponsorship rights for certain parts of the stadium at FA events; in the stadium bowl (above Level 5 only, which is typically outside of television coverage field of view); General Admission concourses and entrances (subject to certain restrictions) and the exterior of the stadium (subject to certain restrictions).

The stadium will own the food and beverage rights for FA events although The FA will retain the right to “buy-back” a proportion of beer pouring rights to facilitate its own sponsorship programme.

Wembley Stadium to remain the Home of The FA

Will The FA remain headquartered at Wembley?

Yes. The FA will lease office space from WNSL on market terms. The FA will continue to have the right to use facilities at the stadium for its own use when required, e.g. Wembley Suite, Great Hall.

The stadium will retain the “look and feel” of a football stadium, e.g. football memorabilia will remain, pictures of historic football events at Wembley will remain, the Bobby Moore statue will remain in place.

For clarity – any additional rent costs over above that we currently pay has been factored into future FA finances and will not come out the £600m.

In achieving the objectives set out above and the respective commercial terms, the following key deal terms have been agreed:

How would the sale be structured?

The stadium would be sold by way of a share sale. Wembley National Stadium Limited (WNSL) is the owner and operator of Wembley Stadium. The FA will sell all ordinary shares in WNSL to the new owner, but Sport England will retain a special A share in WNSL and The FA a special B share. The

special A and B shares secure certain rights and protections, summarised below, in relation to WNSL, its ownership and the operation of the stadium.

What would the special shares allow The FA and Sport England to do?

The rights attaching to the shares would mean that Sport England and The FA have certain approval rights over the stadium such as naming rights or selling the stadium on.

The UK Government (via DCMS) and the Greater London Authority (in each case via Sport England) will retain guardianship rights as well, meaning they too have oversight and influence in the stadium's future.

What happens if the stadium owner fails to deliver contractual requirements/ obligations?

A series of escalating remedies are contemplated if certain conditions are not met, for example:

- If the new owner does not maintain the stadium for FA events (e.g. maintaining the pitch, crowd stewarding, signage, Club Wembley, VIP hospitality areas); then The FA can "take over" the stadium, at the owner's cost, until the issue is resolved.
- If the new owner is in breach of more fundamental conditions (e.g. sells the stadium without consent, materially breaches the "Mandatory Technical Requirements", incurs significant debt, or the stadium is in serious financial difficulty); then The FA can take control of WNSL until the issue is resolved.
- If the issue is not resolved, The FA has the right to buy back the Stadium.

How much would it cost if the buy-back clauses were enacted?

The buy-back price must be a minimum of £100m, but no more than £200m based on a pre-agreed valuation methodology - unless the stadium becomes insolvent in which case the buy-back price will be a minimum of £1 but no more than £200m based on the same pre-agreed valuation methodology.

The commercial terms and contractual protections set out above, we believe, make this a strong and compelling offer for serious consideration. These terms have been agreed with Sport England, DCMS and the GLA and have been possible due to our position of strength in not being a forced seller.

Why is this good deal for Shahid Khan?

Shahid Khan is in the advantageous position of being able to bring with him content – NFL games. The opportunity to secure a foothold in London, a diverse and affluent economy, for an NFL franchise is of significant benefit. London represents a significant opportunity to the NFL. The time zone being uniquely positioned to service the American, European and Asian market make having a presence in London a good fit when considering efforts to grow the fan base.

What happens if the Sale of Wembley Stadium is rejected?

The FA is currently in a position of strength to sell Wembley Stadium. From 2025, if we had to sell Wembley we would likely be a forced seller should broadcast revenue and wider FA revenues decline. Whilst a presence in London and ownership of Wembley Stadium is of the upmost importance to Shahid Khan, we are not the only option both here in London or across the world and there is no particular reason to think that such an offer would materialise again in the future.

In order to maintain Wembley Stadium as 'best in class' and world leading, The FA will have to continue to spend approx. £12m on routine capital works for the remaining life of the stadium, in addition to any unforeseen disruptive CAPEX or operational costs irrespective of wider FA finances.

2. REINVESTMENT PROPOSALS

We now have a concrete agreement from all sides of football and the Public Funders on how the proceeds of a sale will be reinvested into community football facilities.

We outline below the process for the reinvestment and how we can ensure the money goes to where it is most needed.

We now expect that, on average, each CFA region will receive around £70m of community football facilities investment from existing and Wembley funds. By way of example, for each County FA region, this would mean:

- A new CFA playing hub with 3G pitch and;
- 27 new full-size artificial grass pitches; and
- 330 sustainable upgraded quality grass pitches to support traditional affiliated football; and
- 31 new changing pavilions;

How much money will be available for investment?

The deal negotiated is worth £600m in cash proceeds (with additional value of c. £300m retained by The FA for the ongoing benefit of English football). With around £10m of deal related costs, approximately £590m will be available for investment.

Total net proceeds from a Wembley sale is expected to be £590m which, with interest, would provide a total of £920m available for investment over 20 years. When including 40% matched funding would total £1.5bn.

This equates to £75m per year extra funding (over the next 20 years) as a direct result of the stadium sale.

Who does the money from the sale belong to?

Originally, £161m was provided by the Public Funders to support the new Wembley. All £161m will be ring-fenced specifically for community football facilities invested behind the National Football Facilities Strategy.

The remaining £429m belongs to The FA which will also be invested behind the National Football Facilities Strategy.

Will everyone's share be spent on community football facilities?

Yes. We have reached agreement with the National Game, Professional Game and Public Funders that 100% of net proceeds (approx. £590m) will be reinvested into Community Football Facilities in line with the National Football Facilities Strategy.

What is the National Football Facilities Strategy?

The National Football Facilities Strategy was agreed by all sides of football and Sport England in 2017. For the first time we are taking a strategic view to identify the needs of English football in

terms of facilities and pitches. A high level plan was developed in 2017 and now 326 local plans are being developed to get a detailed picture of the needs across each County FA. We have never before been armed with so much detail and data to make a proactive, targeted and tangible difference to community football.

The National Football Facilities Strategy sets out that every project must comprise one of the following:

- New artificial grass pitches;
- Support to improve quality of grass pitches;
- New or improved changing pavilions and clubhouses; and
- Provision of small-sided and recreational football facilities including indoor spaces.

Capital grants for projects could be coupled with revenue funding to support the delivery of the desired football outcomes from such projects.

Can CFAs prioritise investment in their County?

Yes. The FA has commissioned Local Football Facility Plans in each CFA which set out a list of priority football investment projects in the local area. All 326 local authorities and London boroughs will have their own Local Football Facility Plan. The priority projects are identified by local football stakeholders including CFAs, community clubs and leagues and professional community club trusts.

CFAs will lead the strategic development of all Local Football Facility Plans and approve them. Only programmes prioritised in this way will be eligible for funding.

Once a CFA has prioritised local spending, how is it delivered nationally?

The Football Foundation executive will put the Local Football Facilities Plans into a national pipeline of projects. To ensure CFA hubs are prioritised here, a new CFA liaison will be placed into the Football Foundation executive with responsibility for supporting this process and ensuring CFA hub bids are supported and delivered. The projects are then approved by the Football Foundation Board.

Can the Football Foundation board reject the proposals?

Yes it can and, as a charitable body, it will have to if the projects don't meet the criteria set out in the National Football Facilities Strategy. However it cannot replace the projects with its own alternatives though and must invest in the approved pipeline.

Who is on the Football Foundation board?

The National Game and The FA (x2), the Premier League (x2), Sport England and DCMS (x2) and independents (x3) sit on the Football Foundation board. While the National Game or any other party cannot veto investment decisions, the Board can also not approve any projects which have not already been given the green light by the CFAs as part of the Local Football Facility Plan.

How does the Wembley FA fund work?

The funds belonging to football will be transferred on completion of the sale to a newly formed Wembley Stadium Legacy Fund.

The Wembley Stadium Legacy Fund will comprise of the following representatives:

3 x National Game representatives
2 x Professional Game representatives
1 x Sport England representative

No decision will be possible without the consent of at least one National Game representative.

How does Sport England's fund work?

The £120m Sport England share will be transferred on completion of the sale to a new Wembley Stadium Lottery Fund. Sport England's share is only returning to them because their investment into Wembley was originally committed via a Lottery Funding Agreement the terms of which require funds to be returned to a separate pot. The proceeds will still be invested exclusively in community football facilities.

What do the two funds do?

The funds can only decide how much money to give the Football Foundation; they cannot choose which projects to fund and they cannot choose to fund any other types of projects. As the Sport England fund must be used first, all projects which meet Sport England's criteria should automatically be funded from this pot until it runs out.

Why should the Football Foundation be the delivery partner for this investment?

The Football Foundation has been the delivery partner for community football facilities investment for the past 20 years. In that time, it has delivered capital projects worth over £1 billion directly benefiting over 6,400 community clubs and 15 County FAs. The Football Foundation has the proven expertise and experience in allocating funds equitably and to the causes that need them most.

Almost every part of England has received direct investment with 321 of 329 local authority areas having received investment whether it was via a community club, County FA, professional community club trust, school or local authority.

Will the Football Foundation be held to account for the investments?

Yes. Whilst the Football Foundation has an excellent track record for delivering investment into community football, a process review by an independent consultant has been approved to ensure processes are further improved to ensure best execution against priority projects. Future independent process reviews will be conducted every three years. Furthermore, a new reporting approach will be adopted which will see the Football Foundation provide six-monthly reporting to all stakeholders, and include investment impact at County FA level.

Which community football projects will be eligible for investment?

Only projects approved by CFAs through their Local Football Facility Plans will be eligible. This could include County FAs, community football clubs and professional club community trusts. Every project

would still require local funding from the grant recipient, but the Football Foundation would fund between 20% and 80% of total costs, with those projects that provide greater outcomes being eligible for a higher percentage of funding. This is a shift from the current process where the Football Foundation seeks 40% matched funding to support every project irrespective of expected outcomes.

Priority 1: County FAs and Community Clubs

- All Wembley funds to be directed towards community football, not just the National Game share
- Every County FA with its own football playing hub to allow each County FA to drive football development through increased revenues and greater sustainability
- On average, £70m of investment is available per County FA region. By way of example, this would equate to 27 full-size artificial grass pitches, 330 quality grass pitches and 31 new changing pavilions
- With over 2000 community clubs with more than 10 teams and 300 community clubs with over 30 teams, clubs will be the significant benefactor of the investment opportunity set out above
- County FAs driving development and review of local football facility plans today and in the future
- Reducing the average travel time to play by a third with the aim for every player to have a playing opportunity within 15 minutes
- Go to www.thefa.com/proposedwembleysale to see the anticipated investment in your area (available from Tuesday 9 October)

Priority 2: Professional Club Community Trusts

- All 92 professional community club trusts will be eligible for investment to deliver community football and wider community programmes
- Professional community club trusts have always been eligible for funding from the Football Foundation, but, in the past 20 years, only 24 trusts have received funding accounting for 4% of total Football Foundation investment
- For a trust project to be funded there must be full accessibility for community football, including availability at peak times offered at reasonable prices. These projects will have to be identified in the local football facility plans which County FAs will approve

Outside CFA and community club investment, what else will be eligible for funding from the sale?

Any project would be eligible for funding if it meets the community football outcomes set out in the National Football Facilities Strategy and are approved in the Local Football Facility Plans. Other applicants could typically be National League clubs, schools, colleges, universities, local authorities and third sector organisations such as Scouts. Where investment is directed away from football entities, priority will be given to those willing to commit any surplus generated to be reinvested back into football.

Which types of projects are not eligible for investment from the sale?

Every project must offer community football at peak times. No funds are available to support professional clubs' elite or academy squads. Professional and semi-professional clubs will not be able

to seek investment for stadia improvements, but will continue to be able to access the Football Stadia Improvement Fund which will not receive any additional funds from Wembley proceeds.

INVESTMENT PROCESS

PROJECT IDENTIFICATION

