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APRIL 2023



THE DEALS ISSUE

IT SEEMS NO ONE IS WILLING TO PUT UP WITH
A SLUMP IN DEALS FOR TOO LONG.

2023 DEALMAKERS OF THE YEAR



MARCO MASOTTI



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PAUL, WEISS, RIFKIND, WHARTON & GARRISON

One of the biggest deals in the history of sports closed in just 89 days amid oligarchs, sanctions, uncommon buyer requests, and the oversight of multiple governments.

It took lawyers from Paul, Weiss, Rifkind, Wharton & Garrison and Sidley Austin for client Clearlake Capital, along with Latham & Watkins on behalf of an investor group led by businessman Todd Boehly, to shepherd a consortium of investors who took ownership over the storied Chelsea Football Club.

Paul Weiss' Marco Masotti and Matthew Abbott represented private equity firm Clearlake on the M&A and financing aspects of the deal while Sidley Austin's Mehdi Khodadad handled the U.K. compliance aspects of the \$3.1 billion deal.

Russia invaded Ukraine on Feb. 24, 2022, immediately calling into question the ownership of Chelsea by billionaire Russian oligarch Roman Abramovich, who purchased the club in 2003 for 140 million pounds. Since then, Abramovich loaned the club \$2 billion in an expensive ownership streak that saw it win five Premier League titles and two European Championships at the cost of weekly losses averaging 900,000 pounds. Before Abramovich was officially sanctioned by the U.K. government on March 10, prospective buyer and Swiss billionaire Hansjörg Wyss told Swiss newspaper Blick that Abramovich was looking to offload the club—quickly.

“Our counterparty wasn't just Chelsea, but the U.K. government, which reviewed every deal term to ensure that Mr. Abramovich, a sanctioned individual, wouldn't receive any economic benefit from the sale,” says Abbott. “A major challenge for our client Clearlake was to make certain that the agreed-upon terms carefully avoided triggering any potential sanction-related concerns.”

Khodadad notes the U.K. government also put pressure on the deal, allowing Chelsea to operate under a special license until the end of May while it got to work auctioning off the club.

Clearlake formed a consortium of investors interested in purchasing the team, whose sale proceeds would support victims of the war in Ukraine. The group also included Boehly and Mark Walter—co-owners of the Los Angeles Lakers and the Los Angeles Dodgers—and Wyss. With Boehly and Clearlake sharing control and governance of the club, the consortium went up against more than 200 other bidders and eventually was included in the final four contenders.

The deal was one of the first by a private equity fund in a major sports team and its terms were unique for such an investor. The new owners could not take management fees, dividends, or take on substantial debt, nor could they sell the team within 10 years. They also had to agree to make an additional \$2 billion investment in the team to support the team foundation, the women's team, and the 1 billion pound overhaul of Stamford Bridge stadium.

“Clearlake Capital was investing a private equity fund, which typically have finite lives,” says Masotti of Paul Weiss. “An important aspect in positioning Clearlake as the preferred bidder was ensuring that both Chelsea and the U.K. government understood that Clearlake was committed to the team for the long term.”

The deal closed May 28, 2022, just before the team's temporary operating license was set to expire.

—Dan Roe