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MLB

The Padres Owe Fernando Tatis Jr. \$340 Million. He Owes an Investment Fund Millions From His Payday.

As an 18-year-old, Tatis made a deal with Big League Advance, which advances pay to minor league players in exchange for a slice of their MLB earnings. Now it's time to pay.

By [Jared Diamond](#)

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Fernando Tatis Jr. was 18 years old, just a low-level prospect from the Dominican Republic trying to work his way up in the San Diego Padres farm system, when he made a financial deal that would impact his entire baseball career. And it wasn't with the Padres.

Tatis signed a contract with Big League Advance, an unusual investment fund that pays minor-league players money up front in exchange for a share of their future MLB earnings.

Tatis, now 22 and widely viewed as one of the sport's best young stars, today knows what those earnings will be. He agreed to a record-setting 14-year contract with the Padres on Wednesday night worth an eye-popping \$340 million, the third-highest total in MLB history.

His new contract also creates a significant obligation for Tatis: to pay a sizable chunk of his new bounty—perhaps close to \$30 million—to Big League Advance.

Tatis's arrangement is the most high-profile payday yet for Big League Advance and the unorthodox financial instrument it has created.

Big League Advance began raising money in 2015 and made its first investment in a player in 2016. The company's founder and CEO, Michael Schwimer, is a University of Virginia

graduate who pitched in 47 games for the Philadelphia Phillies in 2011 and 2012.

Investors in Big League Advance include Cleveland Browns executive Paul DePodesta and Marvin Bush, the son of the late President George H.W. Bush. Schwimer says the company has invested more than \$150 million in nearly 350 players so far, none more prominent than Tatis. Many of them never played in the major leagues at all.

Schwimer declined to reveal how much the fund gave to Tatis as a minor-league player or how large of a stake Big League Advance has in his major-league earnings.

However, he said Big League Advance's average pact with players is for around 8%. In the case of Tatis, that would add up to \$27.2 million. Representatives for Tatis declined to comment.

"It's 2021, and this is the first time we've seen it pay off in an actual way instead of a theoretical way," said Schwimer, who turned 35 on Friday. "We've been living in a theoretical world for a while, and this is the first real move for us."

Big League Advance uses a proprietary algorithm to project the performance and earning potential of players, in order to establish a set amount it would be willing to pay a player in exchange for each percentage point of future MLB earnings that player is willing to give up.

For instance, if Big League Advance offers a minor-leaguer \$100,000 up front for 1% of his earnings, that player can then decide to accept \$500,000 in exchange for 5% or \$1 million for 10%. A player valued as highly as Tatis could receive a couple million dollars from Big League Advance. In his first two seasons with the Padres, Tatis earned less than \$800,000 in salary.



Padres shortstop Fernando Tatis runs onto the field during a spring training game in 2018.

PHOTO: AP

The Big League Advance payouts aren't loans. If the player never reaches the majors, he doesn't have to reimburse the money, and Big League Advance loses its stake. When a player turns into a MLB star like Tatis, Big League Advance receives a huge payout. In effect, Tatis is now funding a bunch of minor-leaguers who will never make it. It's similar to a venture capital fund that backs lots of startups that fail, in return for a gigantic payday from getting in early on a company like Facebook or Uber.

"We know we're going to lose money on over 80% of the players we do deals with," Schwimer said. "We know that going in. But it's all worth it because of finding a Tatis."

These sort of income-sharing agreements are controversial. Not long after Big League Advance began investing in players, the general counsel for the MLB Players Association sent a memo to agents that said, "Many of you have asked whether the Association has endorsed or otherwise approved BLA and its products. The answer is categorically 'no.'" It went on to advise players and agents to "proceed with caution."

Agents have criticized Big League Advance's business model, with some accusing the company of preying on young players who are often Latin Americans who live in poverty and might not fully understand the ramifications of their agreements. Young minor-leaguers historically have made less than \$10,000 for the entire season, though MLB recently announced MiLB salaries will increase in 2021 anywhere from 38% to 72%.

So far, legal attempts to nullify deals with Big League Advance have failed.

In 2018, catcher Francisco Mejía, then with the Cleveland Indians, sued Big League Advance in an effort to escape his obligations, alleging that the company used unconscionable tactics to convince him to sign away 10% of his MLB earnings for \$360,000. Mejía ultimately dropped the lawsuit, apologized and agreed to pay a portion of Big League Advance's legal fees.

Schwimer pushed back against the idea that players are uninformed when they decide to sign with his company. He said all players are told to consult with their agent, attorney or financial adviser before committing.

"I would not be able to sleep at night if any player signed a deal like this and he did not fully and completely understand it," Schwimer said.

In the case of Tatis, Schwimer said he traveled to the Dominican Republic to discuss the arrangement with him and Tatis's father, who played in the majors from 1997 through 2010. Tatis had been traded to the Padres from the Chicago White Sox for veteran pitcher James Shields a year earlier and wasn't yet considered the can't-miss prospect he would turn into.

In their meeting, Schwimer said he told Tatis to envision the possibility that he makes \$500 million in baseball and to think about how much he'd have to pay to Big League Advance if that happened. Schwimer didn't deal directly with Tatis's agent. After thinking about it, Tatis and his family "ultimately decided that it was the best decision for them at the time," Schwimer said, with Tatis opting for security at the expense of maximizing his earning potential.

He made the same choice, albeit on a different scale, by agreeing to his long extension with the Padres this week. If he continued to perform at a high level and waited until free agency to sign, he likely would've garnered more than the \$24.3 million annual salary he's getting over the life of the contract.

"He told me, 'I think it's going to help and improve my chances of being the best baseball player that I could be,'" Schwimer said. "I'm going to use this money to invest in myself to make myself the player I'm going to be."



Fernando Tatis played in the majors from 1997 through 2010.

PHOTO: AP

Ultimately, Schwimer believes that Big League Advance serves a key role given how little minor-leaguers are compensated and how few pan out. Though Tatis will wind up paying millions to Big League Advance, many players who sign deals with Schwimer wind up paying nothing. If minor-leaguers—many of whom are at or below the poverty line—were paid better, fewer prospects would feel compelled to sign with Schwimer.

That's one area where Big League Advance and the MLBPA agree: Entry-level compensation is likely to be a topic when the union and league negotiate a replacement for the current collective bargaining agreement, which expires in December. For now, however, some minor leaguers will be desperate for money—and Big League Advance could look like an attractive option.

“It’s not sexy to talk about how poorly minor leaguers are treated,” Schwimer said. “But I’m going to continue to stand up for them and continue to defend this option if they choose that they want to do it.”

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