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FINANCIAL INVESTORS CIRCLE US
PROFESSIONAL SPORTS LEAGUES

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For many years, the ownership of US professional sports franchises was the preserve of wealthy individuals. However, that began to change in 2019, when Major League Baseball (MLB) eased its ownership and investment rules to permit financial investors to invest in its teams. Major League Soccer (MLS), the National Basketball Association (NBA), the National Hockey Association (NHL) and the National Women’s Soccer League (NWSL) soon followed suit and by early 2024, over 30 sports teams across these leagues had received some degree of financial investor backing.¹ In August 2024, the National Football League (NFL) changed its ownership rules, becoming the last US major sports league to permit investments by financial investors. Notably, the NFL has taken a more conservative approach than the other US professional sports leagues.

With US sports franchises routinely being valued in the billions of dollars, financial investors are some of the only economic actors capable of making, and willing to make, these investments. In so doing, they are injecting liquidity into an asset class which was historically illiquid and are supporting a burgeoning secondaries market for the benefit of the sector as a whole. Recent multi-billion-dollar transactions involving financial investors such as Arctos Partners, RedBird Capital, Ares Management, CVC Capital Partners, Sixth Street Partners and the Qatar Investment Authority are only further evidence of this point.

Given that the influx of financial investor money into US professional sports looks set to continue at pace, it is important that prospective sports investors understand the investment guardrails that each league has in place. Below, we have compiled a table which does just this – comparing and contrasting the rules on financial investor ownership across each of the US professional sports leagues that have attracted financial investors.



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	NFL ^{xxvi}	NBA	NHL	MLB	MLS	NWSL ^{xxvii}
PE investment permitted? ⁱ	Yes (subject to a six-year holding period) ⁱⁱⁱ	Yes	Yes	Yes	Yes	Yes
SWF investment permitted?	No (indirect investment through PE funds is allowed, limited to 7.5% of the PE fund) ^{iv}	Yes (has only been done indirectly through a holding company) ^v	Yes (has only been done indirectly through a holding company) ^{vi}	No ^{vii}	No	No
Can financial investors invest in the league itself? ^{viii}	No	No	No	No	Yes (investors hold their equity in the league and not a specific team, but must be affiliated with a team)	No
What is the cap on percentage ownership in a team by (i) a single financial investor and (ii) multiple financial investors? ^{ix}	(i) 10% (but no less than 3%) (ii) 10% ^x	(i) 20% (ii) 30% Player Investments: Players are permitted to invest up to 5% in a team through an NBA-approved fund ^{xi}	(i) 20% (unless consent provided) ^{xii} (ii) 30%	(i) 15% (ii) 30%	(i) 20% (ii) 30%	<u>Minority (passive) ownership:</u> (i) 20% (but no less than 5%) (ii) 30% <u>Majority ownership:</u> (i) Up to 100% (ii) Not permitted
How many teams in a league can a financial investor own?	Six ^{xiii}	Five ^{xiv}	Five ^{xv}	No cap (but investments in multiple teams are subject to a five-year hold period) ^{xvi}	Four ^{xvii}	<u>Minority (passive) ownership:</u> Three <u>Majority ownership:</u> One
Can a financial investor control a team's operations? ^{xviii}	No	No	No	No	No (cannot have a board seat or voting rights beyond those required by law) ^{xix} ROFO and Drag Rights: Controlling owners must have first negotiation rights if a financial investor chooses to sell and the right to compel a sale of the financial institution's interest in the event of a larger team sale ^{xx}	Yes (for majority ownership only)
Beneficial owner percentage ownership cap	No single investor in a fund can own greater than 7.5% of such fund ^{xxi}	Silent	Silent	Silent	No single investor in a fund can own greater than 25% of such fund ^{xxii}	Silent
Creditworthiness requirements for financial investors ^{xxiii}	Funds must have \$2 billion in committed capital No more than 20% of the fund can be invested in a single team ^{xxiv}	Private equity sponsor must have \$750 million in assets No more than 25% of a fund can be invested in a single team.	No specific requirements (reviewed on a case-by-case basis)	No specific requirements (reviewed on a case-by-case basis)	Private equity sponsor must have \$500 million in committed capital No more than 10% of the fund can be invested in a single team MLS teams cannot make up more than 25% of the fund ^{xxv}	Funds must have \$100 million in committed capital.

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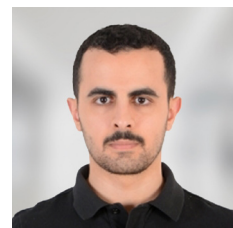
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