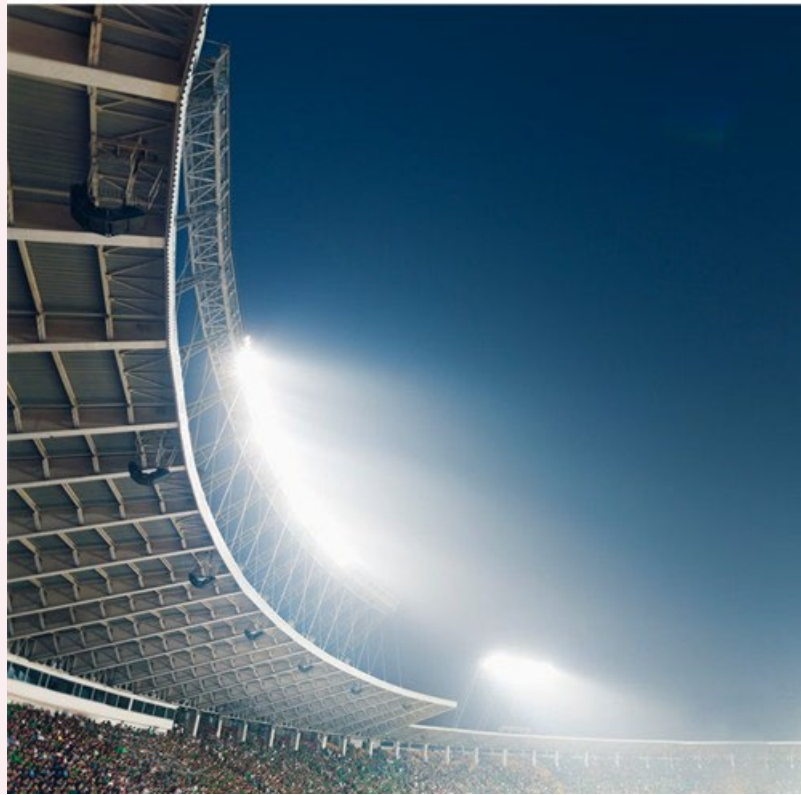


# From Five to Eight: NBA Further Loosens Private Equity Ownership Rules

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Over the past several years, the **NBA, NFL, NHL, MLB, MLS** and **NWSL** have each amended their respective ownership frameworks to accommodate private equity investment to varying degrees. With US sports franchises routinely commanding multi-billion-dollar valuations, **private equity sponsors have become important participants in this exclusive asset class.**

## NBA Makes a Move

Recently, the NBA has taken further steps to liberalize its stance on private equity investment. Historically, the league permitted financial investors to passively hold equity interests in up to five teams, with individual fund ownership of a single franchise capped at 20% and aggregate multi-fund ownership limited to 30%. Following a vote by the league's board of governors, effective December 3, 2025, financial investors may now hold stakes in as many as eight teams.

## Enabling Investment

Although the NBA has not publicly disclosed its rationale for this policy shift, the change is broadly viewed as a means of enabling franchises to access the capital necessary to meet rising valuations. Notably, Arctos is the first to meet the prior limit, following its recent investment in Monumental Sports & Entertainment, owner of the Washington Wizards, which brought its direct and indirect NBA holdings to five teams. There are reports that Arctos has also invested in the Memphis Grizzlies, which will bring its direct or indirect holdings to six teams.

## Alliances on the Horizon

Team owners are increasingly seeking more than mere liquidity; the focus has shifted toward partnering with strategic investors capable of providing growth capital and operational expertise. These partnerships are instrumental in expanding traditional revenue streams, exploring new commercial opportunities and financing multi-use real estate developments, among other growth initiatives. This evolution is driven in part by the stringent limitations imposed by major US professional sports leagues on the use of leverage for team operations and investments. As these dynamics continue to unfold, the industry can expect to see a growing number of team owners and financial investors forging strategic alliances in the years to come.

As a follow-on to our Financial Investors Circle US Professional Sports Leagues article dated September 25, 2024, we have updated the comparative table below to reflect the evolving rules governing financial investor ownership across major US professional sports leagues.

	NFL <sup>xxvi</sup>	NBA	NHL	MLB	MLS	NWSL <sup>xxvii</sup>
<b>PE investment permitted?<sup>ii</sup></b>	Yes (subject to a six-year holding period) <sup>iii</sup>	Yes	Yes	Yes	Yes	Yes
<b>SWF investment permitted?</b>	No (indirect investment through PE funds is allowed, limited to 7.5% of the PE fund) <sup>iv</sup>	Yes (has only been done indirectly through a holding company) <sup>v</sup>	Yes (has only been done indirectly through a holding company) <sup>vi</sup>	No <sup>vii</sup>	No	No
<b>Can financial investors invest in the league itself?<sup>viii</sup></b>	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
<b>What is the cap on percentage ownership in a team by (i) a single financial investor and (ii) multiple financial investors?<sup>ix</sup></b>	(i) 10% (but no less than 3%) (ii) 10% <sup>x</sup>	(i) 20% (ii) 30%	(i) 20% (unless consent provided) <sup>xii</sup> (ii) 30%	(i) 15% (ii) 30%	(i) 20% (ii) 30%	<u>Minority (passive) ownership:</u> (i) 20% (but no less than 5%) (ii) 30%
<b>How many teams in a league can a financial investor own?</b>	Six <sup>xiii</sup>	Eight <sup>xxviii</sup>	Five <sup>xv</sup>	No cap (investments subject to a five-year hold period) <sup>xvi</sup>	Four <sup>xvii</sup>	<u>Minority (passive) ownership:</u> Three  <u>Majority ownership:</u> One
<b>Can a financial investor control a team's operations?<sup>xxviii</sup></b>	No	No	No	No	No (cannot have a board seat or voting rights beyond those required by law) <sup>xix</sup> 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 <sup>xx</sup>	Yes (for majority ownership only)
<b>Beneficial owner percentage ownership cap</b>	No single investor in a fund can own greater than 7.5% of such fund <sup>xxi</sup>	Silent	Silent	Silent	No single investor in a fund can own greater than 25% of such fund <sup>xxii</sup>	Silent
<b>Creditworthiness requirements for financial investors<sup>xxiii</sup></b>	Funds must have \$2 billion in committed capital  No more than 20% of the fund can be invested in a single team <sup>xxiv</sup>	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 <sup>xxv</sup>	Funds must have \$100 million in committed capital.



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