Ian Charles, co-founder of Arctos, has publicly raised the challenges facing institutional investors in the NFL, which has strict rules governing private equity:

> *"You have to partner with the controlling owner, and then can only get a deal approved four times a year.... Institutional capital cannot solve individual LP liquidity in the NFL today."*[12]

Secondary sales are less challenging in the other leagues, but still problematic. Charles has admitted that the sports secondary market "need[s] a tremendous amount of market maturity" and in the meantime Arctos "never assumed we would be selling to another sponsor" for its exits.[13]

Limited Control, Governance Challenges, and Labor Risks

NFL league rules limit private equity team ownership to between 10–30% in order to ensure that they remain minority owners without control.[14] As explained by NFL Commissioner Roger Goodell, these rules are designed to ensure that "a private equity firm is not going to be sitting in the draft room" or influencing operations. In Goodell's words, the PE stake is "a silent position....They will not be in any kind of decision-making influence in any way."[15] Without majority control, GPs have limited ability to guide the strategic or operational direction of the team. If a team is mismanaged, or if a scandal arises, minority owners lack the ability to drive resolutions which could expose LPs to poor human capital management and ESG practices.

For example, negotiations between concessions workers and their employer, Aramark, at Fenway Park recently broke down. Fenway Sports Group is partially owned by Arctos Sports Partners and RedBird Capital.[16] Tired of low pay and safety concerns regarding alcohol sales at new "grab and go" self-checkout machines, patrons were greeted on opening day this year with bags of peanuts that said "Fenway Pays Workers Peanuts." The concessions workers are actively supporting legislation that would eliminate these machines from large venues in Massachusetts like Fenway Park.

Recommended Actions for Trustees and Advisors

Given the above risks, we recommend trustees take the following actions to safeguard their beneficiaries' interests:

- Consider pausing new commitments to sports-focused private equity funds until a thorough risk review is conducted.
- Demand enhanced disclosures and greater transparency on exit strategies and approaches to governance at sports-focused private equity funds.
- When evaluating sports private equity managers, ask how they oversee their sports portfolio companies on environmental, social, and governance (ESG) matters, with emphasis on labor relations and community impact.
- Reassess fund allocation policy regarding "exotic" or niche assets like sports franchises.

Conclusion

Complex exits, uncertain growth trajectories, and governance challenges pose risks that should give trustees, staff, and consultants pause in making any future commitments in exotic, sentiment-driven sports franchise investments.