



November 13, 2023

Mr. George Cooke  
Chair, OMERS Administration Corporation Board of Directors (OAC)  
100 Adelaide Street West  
Toronto, ON  
M5H 0E2

Dear Mr. Cooke,

**Subject: OMERS C\$546.8 million minority stake in Kilmer Sports Inc. (KSI)**

I am writing to you not only as the Executive Director of COTAPSA but also as an OMERS pensioner who is concerned about the sustainable growth and security of our pension fund. The recent announcement of OMERS acquisition of a minority indirect stake in MLSE through a minority position in Kilmer Sports Inc. has prompted questions and concerns among our members.

While the OMERS CEO's media release paints an optimistic picture of community engagement through the "exciting and unique opportunity" for members to connect with iconic sports teams, the primary concern for OMERS contributors, we think, remains the financial returns on their investments. Such sentiment, although appealing to some, cannot overshadow the need for detailed disclosure regarding the valuation and terms of this considerable transaction. As beneficiaries with our retirement savings at stake, we would like a clear understanding of the investment rationale. The notion of "significant long-term upside," absent any corroborating analysis from independent third parties, does not suffice for those of us whose futures hinge on these decisions. It is unusual, and indeed concerning, to see a premium paid for a non-controlling minority interest in a privately-held company—an investment structure, as we understand, that typically commands a discount due to the inherent limitations on influence and liquidity. We advocate for investments that are not just thrilling in their narrative but are underpinned by prudence and transparency.

As you are aware, the inability to affect operational decisions within KSI or MLSE adds a layer of risk, as it subjects our investment to the strategic choices made by others, without an avenue for OMERS to assert its perspective. This dynamic is particularly troubling given the size of the investment and the potential impact on our fund's financial health—a factor OMERS has often cited in the past as a reason to pass on investment opportunities.

This is also massively at odds with at least a decades' worth of rhetoric and public posturing by OMERS about the centrality of the "direct drive" approach to the management of the plan's private investments, about how the same investment teams that sign the deal to invest in a

particular business on behalf of the plan are responsible for the governance of the OMERS stake in that business. What happened to 'direct drive' here?

You will recall, as will many OMERS members, the debacle of the plan's last major foray into a sports-oriented investment, namely the private equity financial calamity known as GolfTown, aka Golfsmith. What happened to the expensive lesson of Golfsmith?

Furthermore, the absence of information regarding an exit strategy raises questions about OMERS ability to realize the value of this investment when necessary. As we understand it, the complexities of withdrawing from a privately negotiated minority position could significantly affect the returns and, consequently, the secure retirements of OMERS members.

Considering these points, we seek clarity on the following:

- Was the OMERS Board unanimous in its approval of the C\$546.8 million transaction?
- What measures were taken to ensure that the extraordinary premium paid for this investment will result in proportional value growth and returns for OMERS pensioners?
- What provisions are in place to protect OMERS stake and ensure liquidity in an investment that offers limited control?
- How does this investment align with OMERS strategy of safeguarding and growing pensioners' funds, especially considering the potential implications of long-term commitment and opportunity cost?
- What steps will OMERS take to enhance communication and transparency around significant investment decisions that impact the future of our pensions?

For us, as members and retirees who rely (alongside our families) on OMERS for our retirement security, it is crucial to have confidence that investments are made with prudence and foresight. While we appreciate the strategic necessity of diversifying and strengthening our portfolio, it is our right and interest to be well-informed and assured of the fund's governance and decision-making processes, especially regarding such a large transaction.

I eagerly await your response and expect a more comprehensive disclosure regarding this investment's valuation, terms, and strategic fit within OMERS portfolio.

Thank you for your attention to this matter.

Sincerely,



Mike Major  
Executive Director

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