

ROUND ONE

GENERAL FACTS FOR BOTH TEAMS

“THE SPOKESMAN”

Clayton Kershaw is a young starting pitcher with the Los Angeles Dodgers. Prior to being drafted by the Dodgers in 2006, he was named the Gatorade National Baseball Player of the Year. His Major League career began in 2008 and he has been a starter for the Dodgers since his arrival in the Major Leagues. Throughout Kershaw’s young career, he has been regarded as one of the best young pitchers in baseball and has appeared in the playoffs during two seasons.

As of the end of the 2010 season, Kershaw has made a total of \$3.14 million through salary from his baseball exploits, including his initial \$2.3 million signing bonus in 2006. Kershaw will reach free agency for the first time following the 2013 season and like many players, he is looking to increase his profile before reaching free agency. Off the field, Kershaw has not yet had an opportunity to capitalize nationally through sponsorships and endorsements as much as he or his agent believe he should be able to and he is currently exploring his available endorsement opportunities aggressively.

For the Dodgers, Kershaw has been one of a number of bright young stars on the team. Entering the 2011 season, Kershaw was the top starter for the Dodgers, and his statistics support him being named the Opening Day Starter. While the Dodgers certainly value his skills and contribution to the team, they may not be able to afford the salary Kershaw will command when he reaches free agency, due to the ownership interest in the club being tangled in legal battles in several courts.

Recently, a company called FRS has approached a number of athletes in order to gauge their interest and demands to become endorsers of a new “wellness drink.” According to the FRS website:

“The advantage FRS Healthy Energy® has over other energy drinks is simple. Instead of using lots of caffeine and sugar to give your body a lift, FRS activates your body's own energy-producing mechanisms, so you can stay at your best longer without the fear of crashing. In other words, you get the energy you need to turn possibility into reality, whether you're shooting for a championship or just trying to make it through your workout.”

FRS opened for business in 1997 and has grown steadily since the company’s inception. The company is currently worth \$100 million, not quite Fortune 500 status, but it is a respectable and growing company. FRS claims to use a new formula different from other energy drinks such

as Red Bull and Five-Hour Energy and has used a different business model as well. FRS has chosen to grow slowly, by spending advertising dollars in places where a large amount of people would be exposed to the advertisements, but cost a minimal amount of money, rather than purchasing billboard or television advertising space for premium dollars.

Many players in professional sports have signed contracts in recent years with energy drink and athletic performance companies. While some big name athletes have signed endorsement deals with companies such as Gatorade and PowerAde, others have taken non-traditional endorsement deals with new, unproven companies that have paid them with stock rather than just a flat rate payment every year.

Separately, it has been reported that some athletes have been able to land endorsement deals for an extended period of time. For example, New York Yankees Shortstop Derek Jeter has been an endorser of Gatorade for a number of years and his profile allowed him to earn an estimated \$7 million in endorsements in 2006 alone.

Other athletes have taken unconventional approaches to earning money in endorsement deals. In one well-known case, New York Mets All-Star Third Baseman David Wright agreed to endorse a new product from a company called Glaceau named "Vitamin Water." In exchange for endorsing the new competitor to Gatorade in 2004, Wright was given .5% of the company. The company (based in Queens, NY) wanted to develop a long-term relationship with a New York star, and they settled on Wright.

When the company sold Vitamin Water to Coca-Cola in 2007 for \$4.1 billion, Wright received a payment of around \$20 million, making this deal one of the most lucrative endorsement contracts in recent history.

More recent endorsement deals have also changed the landscape of traditional endorsement deals. Another baseball star, Alex Rodriguez, decided to endorse Zico Coconut Water, and was an investor in the company. However, he also had ties to Zico's rival company, VitoCoco. This type of product has become popular in the Northeastern United States and has yet to reach high sales numbers throughout the rest of the country.

Another recent athletic endorsement that has made noise was the endorsement of Sheets Energy Strips by basketball star LeBron James. The unique part of this situation was that the parent company, Purebrands, lists James as a co-founder of the company and the company immediately launched a nationwide campaign featuring James in 2011.

Unlike Zico or Sheets, FRS has used several athletes as endorsers, and signed a number of athletes, including Tim Tebow, Quarterback for the National Football League (NFL) team Denver Broncos, Lance Armstrong, cyclist and Seven-time Tour de France Champion, and Derek Fisher of the National Basketball Association (NBA) team Los Angeles Lakers. FRS has also signed five MLB players with major league experience.

In recent weeks, the negotiations between Kershaw and FRS have slowed down. Kershaw has begun speaking with other sports drink manufacturers such as Gatorade, PowerAde, and Red Bull. FRS has been looking for other baseball players that can be used as endorsers of the FRS brand. FRS and Kershaw have decided to have their lawyers sit down one more time to see if negotiations can get back on track and a deal can be reached that will benefit both sides.

Kershaw has already informed FRS that he is looking for a product to endorse that can provide financial, as well as exposure benefits, to increase his profile as he approaches free agency. FRS has informed Kershaw and his agent the company wants to come to an agreement with players that use FRS products and are willing to grow with the company.