

2012 NSLNC **FINAL ROUND**

“The Eye of the Storm”

GENERAL FACTS FOR BOTH TEAMS

Directions

The parties have agreed to tackle the issues below during this negotiation. While each side may have other individual interests that are important, the parties agree that the issues listed below need to be discussed in order to get the basic structure of any deal in place. It is up to each side to determine the order of importance and any deal must be within the parameters given to each side. Bruce Pearl is represented by his agent and his lawyer. The Storm are represented by their general counsel and assistant general manager. If an agreement cannot be reached, the best deal possible for each side must be brought back to the decision makers.

The Parties

WNBA

In 1996, the National Basketball Association (“NBA”) decided to create a league for professional women players and named the new league the Women’s National Basketball Association (“WNBA”). While the NBA originally owned WNBA teams, six of the league’s twelve teams are now independently owned, including the Seattle Storm. However, the WNBA was not the first professional league for women. The first league was called the American Basketball League and lasted for three years before folding in 1998 due to the success of the WNBA.

Since being formed, the WNBA has seen attendance and television revenues rise, and interest in the sport grow. In no small measure, the success of the WNBA is related to the abilities and attention focused on women's college basketball and the premier programs at the University of Connecticut and the University of Tennessee (“UT”). Many players from these two college powerhouses have come into the WNBA and have been a large reason why the league has grown, six franchises are now independently owned, and increased revenue from special events, playoffs, and television coverage.

Seattle Storm

The Storm are one of only three teams that do not share an arena with an NBA franchise. Ownership was fearful that attendance would drop following the NBA Seattle Supersonics

relocating to Oklahoma City for the 2008-09 season. At the time, the Storm were owned by the same owner as the Supersonics and were slated to also be relocated to Oklahoma City. However, the Storm were sold to Force 10 Hoops LLC, an ownership group consisting of three businesswomen in Seattle, and they vowed to keep the Storm in Seattle. Force 10 Hoops quickly became leaders in the WNBA in how to market the team to the community of fans of the women's game. Their marketing efforts have paid off with steady increases in tickets sold, attendance, support from the city and the team securing a local television deal to broadcast their games.

The Storm have won two WNBA titles (2004, 2010). The team has been coached by Brian Agler since 2008, who has been a WNBA coach since 1999. He is considered one of the top coaches in the WNBA, but his success has drained him physically and emotionally. Agler has recently told Storm management that he wants to spend more time with his family and he has asked for permission to pursue a coaching job closer to his Ohio home, which the Storm have granted.

The Storm consistently perform well and are poised to make another championship run. Since 2010, the team has been fifth in league attendance, well ahead of the League's average attendance. The Storm's success is in no small part to the family friendly environment that has been created. The Storm have a dance squad composed of all kids and the squad leads other kids in dancing on the court during time outs, which has become a fan favorite. In addition, the team is consistent with its marketing identity focusing attention to the Seattle weather including the team name, a mascot named Doppler, and the team newsletter titled "Stormwatch." The Storm were also able to partner with the local software company, Microsoft, in 2010 and made the Microsoft company "Bing" a featured sponsor.

In addition, ESPN recently reported that the Pac-12 women's basketball tournament is headed to the Pacific Northwest next spring at the Storm's home area, Seattle's Key Arena. Pac-12 Commissioner Larry Scott had the following to say about the city: "Seattle is one of the most prolific women's basketball markets in the country. We're very much looking forward to building a dynamic atmosphere in Seattle and making it one of the premier conference tournaments in the country. They are a model franchise in the WNBA that's consistently been one of the leaders in attendance. . . We're focused on providing our student-athletes with a wonderful tournament experience and we're delighted they will play on the same floor as the two-time WNBA champions."

The Storm also made news following their 2010 WNBA league championship when they presented the President of the United States, Barack Obama, with a championship ring when they were invited to visit the White House to celebrate their championship. While the Storm were widely admired within the basketball world for their marketing efforts, this act gave the Storm and the WNBA exposure on a national level. Their White House visit included comments from

the President about the Storm's performance on the court, as well as their community outreach efforts.

Bruce Pearl

Over the last decade, the basketball programs at the University of Tennessee has been one of the premier programs in both the men's and women's game. The recently departed coach of the Lady Vols, Pat Summit, set the record for the most wins among coaches for women's college basketball prior to her departure for health reasons. She worked very closely with UT's men's coach, Bruce Pearl, while he coached the Volunteers from 2005 until 2011 discussing strategy, personnel, and recruiting extensively for each of their teams. Coach Pearl was loved by his players as well as the players on the women's team and he spent numerous hours speaking with Coach Summit and reviewing game film of the Lady Vols to make his men's team better.

Pearl was forced out as coach at Tennessee following a recruiting scandal that took place at his home in Knoxville in 2010. He has always been a personality built to draw media attention, and his players have been loyal to him. After leaving Tennessee, he took a job outside of basketball as the Vice President of Marketing at H.T. Hackney Co. in Knoxville. Pearl is staying involved with basketball as a co-host of the national college basketball radio program "Sirius XM College Basketball Today," and he has also secured a position as a college basketball analyst on ESPN. Pearl is finding his corporate job to be less challenging than coaching and he wants back in the action. While he is very personable and has been successful in marketing, he wants to be more involved with basketball. He finds himself missing the pressure and the excitement of being on the sideline and coaching players to get the best out of them. Part of the reason Pearl settled into his current corporate role with H.T. Hackney Co. is that he has been friends with the head of the company for a number of years and so he could stay in the Knoxville area while his two daughters played high school sports. Now, his youngest daughter is leaving for college and is heading to the University of Oregon, where she is committed to being a walk-on for the Lady Ducks basketball team. Pearl is divorced, but gets along amicably with his ex-wife, and they share custody of their kids.

Pearl and his ex-wife both have attended most of their daughter's basketball games since Pearl left UT and since 2011 he has become more interested in the women's game. He likes the women's game because the women focus on fundamentals, are typically more disciplined than their male counterparts, and the players are more responsive to coaching. Pearl now wants to pursue a career in the women's game because he believes it will be challenging and also because he thinks he can be successful.

Another aspect of Pearl's life that he has focused more attention since leaving coaching is his faith. Pearl and his family are Jewish and his faith has always been important to him, in fact, Pearl was honored by being named the head coach of the men's 2009 World Maccabiah Games team. He currently works with at-risk kids in the community at the Knoxville JCC, and he has

been a fixture at charity events run by the synagogue in which he is a member. Recently, Pearl has asked his agent to look for jobs so that he can return to coaching at some level. He is seriously considering taking a job in the women's game if the job and the circumstances are right.

Issues to be Negotiated

Length of Contract

In order for a deal to be reached, one critical area to be discussed is the length of the contract. In the WNBA, typical coaching contracts last between two and four years, and the contracts are typically guaranteed. In the men's game Pearl is used to, coaching contracts can range from two to five years, and often include team options for additional years. In the college game, contracts typically last for a longer period of time so a coach's success can be determined by the performance of the coach's recruits.

The Storm and Pearl need to find a deal that meets both of their needs. While a deal that is too short is not good for either side, a deal that is too long can also harm each side's interests. The representatives at the table need to determine what these parameters are, and also what will determine the requirements for any details relating to possible lengths to the agreement.

Salary

While salary for major college coaches may be in excess of \$5 million per season, the WNBA does not generate the revenue that high-powered collegiate men's programs generate. In the men's game Pearl is used to, coaching contracts can range from a few hundred thousand dollars into the millions of dollars per season. Unlike the contracts of NBA coaches, details of WNBA coaching contracts are typically not publicly disclosed, but it has been speculated that the average coaching salary for a WNBA coach may be only a small fraction of the average NBA coach (the average WNBA player is paid about 1/40th of their NBA counterparts).

While other considerations in this negotiation are also important, the amount of money included as part of the base salary, bonuses, etc., is crucial. Pearl wants a deal that will compensate him fairly keeping his experience and performance in mind, and the Storm want to keep Pearl's pay within their budget. Both sides believe that if the salary and other terms of this deal can be reached, then Pearl can be successful as the head coach of the Seattle Storm.

Marketing

One area that is important is marketing. The Storm are very active in the Seattle community and host and co-sponsors numerous events in Seattle during the season and in the off-season. Storm players are often seen around the community and most players volunteer at local organizations. While Agler has been the coach of the Storm, he regularly holds clinics at the Boys & Girls Clubs of Seattle, gives speeches at local schools, and also attends team-

sponsored functions. Agler hosted a weekly radio call in hour on the team's radio network, and also had a weekly half hour television show which he would sit down and discuss the team and its past week and upcoming schedule that would air prior to a Storm game.

While Pearl coached at the University of Tennessee, he occasionally would attend Boys & Girls Club events sponsored by UT, and since his contract did not require more than five designated university events each year, Pearl had more time to dedicate to his volunteer work at the Knoxville JCC. Pearl would also speak with the radio broadcast crew prior to each of the Volunteers games, but much of this was recorded at various times during the week when Pearl was available.

Both sides understand that community involvement is important. While Pearl and the Storm have ideas of what should constitute the community involvement commitments of the head coach, the details of these commitments and how the two sides can meet each other's needs must be determined.

Future Interests

The Storm and Pearl each have a vision for the future and the goals each is trying to reach. Each side has specific agendas relating to the future, and these interests are of vital importance of each side. While many of the other interests boil down to money, the interests of each side for the future may be more complicated.

All of these topics will need to be discussed and agreed upon in order to reach an agreement. Both sides have already expressed an interest in having Pearl join the Storm, but the devil is in the details of this agreement.

CONFIDENTIAL FACTS FOR BRUCE PEARL

Coach Bruce Pearl has been a successful NCAA coach of many men's basketball programs, including his most recent six years as head coach of the University of Tennessee. While Pearl was extremely happy and successful in Knoxville, this dream job lasted only until he was ousted in 2011 after a major recruiting scandal. He is looking for a fresh start and the Seattle Storm have a legacy and a potential future that interests him greatly.

Pearl is currently earning \$186,000.00 annually working at H.T. Hackney Co., a paltry sum compared to his annual salary he received under his last contract at the University of Tennessee. Under his last contract as coach of the Volunteers, Pearl earned \$900,000 his first year of the deal and \$1 million during his final two seasons as the Volunteers Head Coach. Pearl has been smart with his money and is willing to coach for less than the money he was making as a college coach, but he would like to be paid for what he is worth, and he believes that he is a top-tiered coach in the game of basketball at any level.

Length of Contract

Pearl is aware that his coaching stock at the NCAA level dropped when the Tennessee program was sanctioned by the NCAA for recruiting and ethical violations in 2010 and 2011. However, Pearl would ultimately like to return to coaching at the collegiate level in either men's or women's basketball. However, since he has been away from the sport for a year and he has not been around the game, he wants to show prospective schools that he still has what it takes to coach a program at a high level.

Pearl also wants to stay in the Pacific Northwest to be close to his daughter with whom he shares a bond in basketball; Pearl is very close with her and he is looking for job security to keep him in the Pacific Northwest through the time his daughter is in school. While Pearl was smart with his money, money is still an issue and he would like the opportunity to interview for collegiate jobs in the future if they are higher paying and are located in the Pacific Northwest.

Ideally, Pearl would like a contract as long as possible with a minimum of four years, with an opt-out after the second year. But more importantly, Pearl would like a contract that provides him with enough job security to justify leaving his comfortable marketing job to move across the country while still allowing him to be open to future opportunities to re-enter the Division 1 college game, especially on the men's side. He is willing to trade-off some compensation for the flexibility he wants after two years; he is also willing to accept conditions on the opt-out that would limit what kind of offers he could entertain and that would prevent him from leaving the Storm in a bad position.

Compensation

Pearl understands that the financial situation of the WNBA and the Storm are very different from the major men's college programs and he is not looking to break the bank on this contract. WNBA coaching salaries are not widely reported on, but Pearl has been told that market value for an average coach in the league is around \$200,000.00 per season. He is willing to promote the WNBA on his radio show (for which he has three years remaining on his contract) in order to prove that he is an "above-average" coach for the league.

The average WNBA player makes \$35,000 per year; the top players make \$95,000-101,000. Nonetheless, Pearl recognizes his value to the team and community and this salary under the Storm would be far less than the \$1 million he was making at UT in his final season. Thus in a perfect world, Pearl is looking to make \$450,000 per season, and believes that the team can make more than the difference up by the added visibility he brings.

Pearl understands that this amount may be difficult for the Storm to budget, but Pearl wants to be paid as much as he can without hamstringing the team. He is willing to be creative with the Storm in order to make a deal happen, but he believes that he is worth far more than the average market value for other WNBA coaches because of his history in the sport, and his personality. Thus, he will not accept a deal with a total lower than \$415,000 per year under any circumstances, and any bonus included must be based on incentives that he feels are likely to be attainable. Pearl is used to having performance incentives for playoff appearances, conference championships, and wins in each playoff round and is willing to include these bonuses as a part of his total compensation if the bonuses are reasonably attainable each season.

Similarly, he would consider any bonuses based on marketing attainable so long as they do not take away from his previous commitments too much. Pearl will also be willing to accept non-monetary additions to the contract that will help him with his move across the country or to find another marketing job, as long as they are attainable and do not conflict with his other interests regarding the length of the contract and his work with Sirius/XM and the JCC.

Marketing

Public appearances and marketing efforts are something that Pearl has enjoyed his entire career. He is willing to participate in any appearances he is asked to make on behalf of the team as long as it does not take away from his time coaching or his radio program, and as long as he is compensated for his efforts.

Pearl was compensated well at UT in part because of his involvement in community events. Pearl currently hosts basketball camps, and mentors at-risk youth at the Knoxville JCC, and he would look to do the same in Seattle if he becomes the coach of the Storm. Pearl is aware that he will be required to participate in team sponsored community events and he is willing to

do whatever is necessary, but he will not give up his time working with kids at the JCC for which he has become very passionate. He is very much looking forward to heading some programs in Seattle that have been successful in Knoxville and does not want to give that up.

Future Interests

The primary interest Pearl has in coaching the Storm is to be close to his daughter and to reshape his public image. Pearl has thought about returning to coaching at a number of levels, and his preference is working in the women's game after watching his daughters play since he left UT. While he would like to be close to his daughter while she attends Oregon and plays basketball, he loves Tennessee and would like to stay in the area if he could coach a small college program and keep his job at H.T. Hackney. Pearl has approached the Athletic Director at a local D-2 school in the Knoxville area about coaching the women's team, which would allow him to remain in his current home (a home that has lost substantial value in the last few years) and keep his marketing job.

However, Pearl does like this job and feels that a local small college job would give him the fodder to speak with clients about basketball without feeling as if he is at the company as a sideshow. Pearl would like to pursue this opportunity because it would allow him to coach in the women's game and he would like to go back to UT at some point if the university would have him back. He believes with his track record and added women's experience on his resume, the a new UT athletic director may be willing to bring him back at some point in the future if he can show that he can be successful. On the other hand, he realizes that if the money is right, the position would be perfect for not only rehabilitating his image, but for potentially enhancing it.

If Pearl cannot return to UT he would like to vault into a head coaching position with a professional men's team, or major college program on the men's or women's side, and he believes this step gives him the best opportunity to reach those goals. He looks at the recent example of former WNBA coach Bill Lambert's move to the men's game as a perfect example of how he can use this experience to reenter the men's professional game.

SEATTLE STORM CONFIDENTIAL FACTS

The WNBA has recently implemented a new financial program to assist WNBA franchises to bring in big names in the basketball world to the women's game. This focus has primarily been on coaches. The Storm generates an estimated annual profit of \$20 million. However, this does not leave ownership open to opening the floodgates to pay a coach. The WNBA and the Storm are in agreement that Pearl's responsibilities include being a role model in the community, hosting camps, public speaking, and growing the fan base and game.

Length of Contract

The Storm are looking to sign Pearl to a shorter contract because they want to make sure that he is successful and if he does not win, the team wants to be able to get out of a bad situation. The Storm would like to sign Pearl to a contract of 2-3 years, with a team option for a renewal if benchmarks are met (e.g. attendance figures, wins/losses, playoffs/championships). In any deal longer than three years, the Storm want to have an option or series of options, but in no case will the Storm sign a deal of longer than five years. The Storm consider Pearl a great fit for the team and believe that his personality and former public relations work will be great for the Storm. The key to this deal is that star player Sue Bird has recently begun discussions about her desire to coach the team following her playing career, which she thinks will end in three or four seasons. The Storm believe that she would need to spend a year as an assistant coach before taking the reins, and she has said she is willing to do so.

The Storm wants to put a face on their franchise that is outspoken and energetic. In addition to providing some media hype, the Storm are looking for a coach that can keep the Storm playing at a high level to generate more interest in the team within the region. However, the Storm also appreciate the style and success that the current head coach Brian Agler has brought the team. The WNBA has made some buzz in other coaching hires including former NBA bad boy Bill Lambier, and Paul Westphal, a coach who won titles in both the NBA and WNBA. However, those coaches burned out after a few seasons, and with the coaching contracts in the WNBA being guaranteed, the franchises lost sums of money that the franchises could not afford to lose because of the low profit margin. While others have concerns with Pearl's recent NCAA trouble and his strong personality, they want to make sure that these are not indications of possible issues in the future and these are issues that must be addressed.

However, one thing that greatly concerns the Storm would be Pearl leaving the team for greener pastures early in the contract. While the Storm are not insistent on an extremely long contract for Pearl and in fact would rather not have him for more than four years, the Storm are looking for a pledge of loyalty to the organization for the life of the contract. The Storm see college coaches leaving programs quickly after any kind of success for more money and more prominence elsewhere. The club feels that if they are going to commit an above-average salary to

a coach, this coach should be obligated to stay with them for the life of the contract. The Storm do not want to prevent Pearl from attaining his dream job if it were offered to him, but a major reason they are looking at Pearl is to have stable coaching until Sue Bird retires in three years, is assistant coach for one year, and becomes full-time head coach in four years. If Pearl were to leave before then, it would be highly disruptive to the team and would probably require them to put Bird in as a player-coach as well as hire an experienced head coach to mentor Bird and serve as head coach for one to two years. Thus, if the Storm were to consider giving Pearl an opt-out, the team would require substantial monetary compensation from Pearl or his new team. In addition, for Pearl to exercise any opt out, he must be able to prove to the organization that his decision to leave is about something other than money, so there would have to be limitations on the right to opt-out.

Compensation

Base Salary

The Storm cannot pay out a base salary of more than \$300,000 under the current revenue that is being generated, but this number does not include the bonus structures available or other opportunities. The team needs a minimum of a two year commitment from any coach that is going to be hired, but needs a way out of a bad deal, and also needs a way to keep the coach longer if he is a success.

The Storm are aware that Pearl has made a lot of money in basketball, but the club is not going to pay him just to pay him. The Storm have a tight budget for a coach and do not want to be tied into a deal that will result in the team losing money. The team currently is paying Coach Brian Agler \$190,000 a season, and he has won a WNBA championship recently. The Storm want to keep the cost of the coach minimal, as the average player makes between \$35,000-\$100,000, and the club does not want a coach that will make more than the entire roster. The Storm are willing to pay a higher price if the pay is incentive based, or if Pearl is willing to make all the public relations events, promote the team, and wins basketball games, but the Storm want to remain as close as possible to a \$200,000 base salary. The assistance from the league will help in this area, but the more that the coach makes, the more it will cost the Storm.

Other Compensation

The league also provides teams additional compensation (if agreed to in a coaching contract) for winning the conference championship and for the league championship. The league provides \$20,000 for coaches who win each conference championship and an additional \$30,000 for the coach whose team wins the WNBA championship. The WNBA will not match any other bonuses. The Storm are willing to match these in a compensation structure for Pearl, but the team does not want to throw any additional bonuses in a contract without first trying to keep the base compensation as low as the team can.

The Storm know that if Pearl is successful as the coach of the Storm, there is a strong chance he could be in demand quickly by opportunities that can pay more. While their budget for a head coach is set, the ownership group is excited about the opportunity to grab a big name coach like Pearl and its members are willing to be creative in order to bridge gaps in salary.

While any additional money outside of the base salary, performance bonuses and a small moving allowance (\$10,000 max) are not allowed under WNBA regulations, many of the owners have contacts with various Seattle-area businesses that they may be able to use to make sure Pearl is comfortable with his move to the Northwest. This would allow the Storm to provide Pearl with rental housing for the life of his contract worth \$30,000 per year, or a part time job with a local marketing firm that would pay him an additional \$50,000 per year. The Storm do not want Pearl to over-commit himself so they will only allow Pearl to take the part time job if he cannot receive any bonus for marketing appearances.

Regardless, the ownership group absolutely refuses to employ their contacts for a coach who can just leave the team early into the contract. Ownership has made it clear that total value of the amount that can possibly be paid to Pearl cannot exceed \$400,000 including all bonuses. However they are willing to pay the \$10,000 moving allowance and, if he is willing to commit to at least three years, the free housing and marketing job.

Marketing

The Storm realize that Pearl is a media magnet and will bring excitement to the court. However, it takes more than news reports to generate interest in a team. The club has routinely held monthly events at the Boys and Girls Club, holds six basketball camps at local youth centers (which a current contact exists that the team will not break), and holds food and clothing drives for local charities. The Storm want Pearl to attend as many of these as possible to generate public awareness for the club and to ingratiate Pearl into the community. The Storm are willing to provide a financial incentive for Pearl to attend events, but the club requires that at a minimum any coach attends 12 community events at a minimum. If Pearl attends or generates a total of 20 community events then the club is willing to pay Pearl a bonus of up to \$25,000 for these events.

Future Interests

The Storm have thought about bringing in a young coach, or former WNBA star such as Lisa Leslie. However, the drawback is that these names are not usually thought of outside the women's game, and would not likely be a beacon for the media and drive attendance. The Storm have been in negotiations with Paul Westphal a former Seattle Super Sonics Head Coach and former player Gary Payton. While Westphal is an established coach, he lives in the Los Angeles area and has not coached since 2006 when he was the head coach at Pepperdine University. Westphal has expressed that if he does take the job, he would be willing to sign a contract of \$200,000.00, and would only want a two-year contract. The Storm like this option because he is

still a name in the Seattle area and may boost ticket sales initially. However, he would likely not draw much national media attention, he would not bring the energy the team is looking for in an ideal candidate, and having him leave in two years would create problematic timing.

Pearl makes a good candidate to be the next coach of the Storm because the club is looking to bring in a big name to take the lead of the club for the next few years. The club wants a stopgap coach to head the organization until star player Sue Bird is ready to retire and start her coaching career. At that time, the Storm want to make Bird the coach of the team. Discussions with Bird have indicated that she is looking to retire following the 2015 season, and at that, time wants to be an assistant coach for one season before becoming a head coach.

The Storm see this as a big win and a move that will keep the Storm in eye of the Seattle community. By bringing in a coach with the high profile of Pearl, the club can increase awareness of the team for the next three to four seasons, and then create another wave of attention by removing Pearl and bringing in a former star player to coach. The team does not want to extend the deal with any coach to the point that Bird would have to veer from this timeframe.