Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

5 Must-Know Facts About Ballmer's $2B Clippers Bid

By **Karlee Weinmann**

Law360, New York (May 30, 2014, 2:55 PM ET) -- Former Microsoft CEO Steve Ballmer on Friday confirmed his $2 billion bid for the Los Angeles Clippers, setting a record price for sports team sales and potentially resolving part of the legal battle brewing between the National Basketball Association and disgraced franchise owner Donald Sterling.

The offer won approval from the league after Ballmer said in a statement that NBA Commissioner Adam Silver worked "collaboratively" with him throughout the bidding process. The NBA had suggested earlier that it would endorse a sale at the right price, to an attractive buyer. Three-quarters of the league's 29 other owners still need to sign off on the deal.

Here, Law360 runs down the five things you need to know about Ballmer's bid.

A Deal Is Born

Sterling's wife, Shelly, who shares ownership of the team, began fielding bids herself earlier this month after the league made clear its intentions to force a sale after a recording surfaced of her husband on a racist tirade. In the fallout, the NBA slapped Donald Sterling **with a lifetime ban** and a $2.5 million fine, the maximum allowed under league rules.

By shifting Clippers ownership to Ballmer, both the league and the Sterlings could cut ties with the league to help close out the scandal.

"I am delighted that we are selling the team to Steve, who will be a terrific owner," Shelly Sterling said in the joint statement. "We have worked for 33 years to build the Clippers into a premiere NBA franchise. I am confident that Steve will take the team to new levels of success."

A Rescue Line for Both Sides

With **high-profile legal armies** assembled, both the NBA and Sterling were bracing for an all-out legal war over plans to pry the Clippers from the disgraced owner's hands. Earlier this week, Donald Sterling promised to contest a forced sale, the next step in the league's heavy-handed punishment plan praised by fans and players.

While the sale issues appear resolved by the Ballmer bid, Sterling's attorney on Friday confirmed that the ousted owner would sue the NBA for $1 billion, reportedly on the grounds that the league's sanctions violate his constitutional rights, antitrust laws and constitute a breach of fiduciary duty.

Attorneys have widely said the outgoing owner's chances for a courtroom win are slim, but any prospective action could drag out the conflict. Having a deal agreement with Ballmer in place will likely ensure that both sides can press ahead with sale plans, even as other issues work their way through the courts.

Ballmer's offer comes days before a Tuesday vote — now canceled — for the league's owners to decide whether to force a Clippers sale, a prospect Sterling previously hinted would be the centerpiece of his legal arguments.

His pledge to file a suit confirmed **long-running speculation** that Sterling would live up to his litigious reputation to fight the NBA-imposed penalties. Earlier this month, the billionaire tapped well-known antitrust attorney and longtime adviser Max Blecher **to helm the effort**.

In a response to the league's charges against him, Sterling earlier in the week **took specific aim** at the planned owner vote, saying it was marred by public comments other owners made in the wake of the scandal. Mark Cuban, who owns the Dallas Mavericks and is one of the league's best-known faces, stirred up controversy over the weekend when he said he has prejudices of his own.

The public relations disaster triggered by the recording, and amplified by comments from Cuban and others, prevents a fair sale process under the NBA's proposed framework, Sterling argued in his 32-page response.

"If the Sterlings are forced to sell their interest in the Los Angeles Clippers, they will face vast and unavoidable financial consequences," the response said.

The Sale Process

Shelly Sterling appeared to bear down on **her rumored plans** to steer the team's sale in recent days as the clock ticked down to the NBA's vote on whether to force the deal, a route that would have stripped her and her husband of a say in the transaction.

To take full control of the sale, Shelly Sterling acted as the sole trustee of the the Sterling Family Trust, the entity which technically owns the team. Reports surfaced on Thursday that experts recently found her husband to be "mentally incapacitated," effectively removing him from the process and — at least for the moment — quieting concerns that he would contest his wife's move.

A **handful of other suitors** lobbed bids, including a $1.6 billion pitch from a group led by media magnate David Geffen that included Oprah Winfrey and Oracle Corp. CEO Larry Ellison, according to news reports. A separate investor group based in Los Angeles reportedly offered $1.2 billion.

In the days after the NBA said it would bounce Sterling, a slew of prospective big-name buyers expressed interest in the franchise. Beyond Ballmer and Winfrey, rapper Sean "Puff Daddy" Combs, boxer Floyd Mayweather Jr. and real estate tycoon Don Peebles suggested they could join the chase.

Record-Setting Price Tag

Even if other bidders had pounced, it's unlikely that they would have beaten Ballmer's historic offer, the second-highest price ever paid for a U.S.

professional sports franchise. The $2 billion selling price blows past the previous record for an NBA team, set earlier this year in the Milwaukee Bucks' **$550 million sale**.

The Clippers had been widely expected to bring in more than $1 billion, virtually guaranteeing an enormous payout for Sterling, who forked over just $12.5 million for the franchise in 1981. The metrics for calculating a team's worth have shifted substantially over the past three decades, and the Clippers are a case study in how to generate a maximum payout.

For starters, the team's hometown is one of the biggest cities in the U.S., translating to a robust built-in fan base and audience for the team's games. Coupled with its healthy run, underpinned by playoff appearances in each of the last three seasons, the Clippers' geography will prop up a **mammoth media rights deal** that will only sweeten its value.

The Clippers' current contract ends soon, and skyrocketing rates for broadcast rights have already shown their ability to drive team prices to unprecedented highs.

The prospect of a record-setting media deal anchored the **jaw-dropping $2.2 billion sale** of the Los Angeles Dodgers baseball team in 2012. The buyer group, led by Guggenheim Partners LLC, shut down critics months later when Time Warner Cable Inc. agreed to pay up to $8 billion annually in a 25-year deal to carry Dodgers games, lining the pockets of the team's new owners.

Like the Dodgers, the Clippers stand ready to capitalize on increased demand and competition among networks eager to add sports to their programming mix. With more viewers than ever using services to record shows and watch them later — often fast-forwarding through commercials — the guarantee of a real-time audience for sporting events puts a hefty premium on advertising.

Ballmer's Basketball Background

The Clippers aren't the first team to land in Ballmer's crosshairs as he tries to crack into the exclusive club of NBA owners.

Last year, the billionaire joined hedge fund manager Chris Hansen in an effort to buy the Sacramento Kings. The group's doomed play was aimed at taking over the team and **relocating it to Seattle**, which has been without an NBA franchise since the SuperSonics moved to Oklahoma City in 2008 and were rebranded as the Thunder.

But the Ballmer-Hansen campaign ran into trouble even after the buyer group signed a binding purchase agreement with the former Kings owners, Las Vegas' prominent Maloof family. Sacramento officials and the NBA **squelched plans** to move the franchise, one that manages to consistently sell out home games despite its middling record.

Steve Ballmer is represented in the latest deal by a Covington & Burling LLP team led by Doug Gibson, Scott Roades and Peter Zern, including Rob Heller, Jeff White, Mike Francese, Ben Block, Don Elliott and Doris Blazek-White.

Shelly Sterling is represented by Pierce O'Donnell and Bob Baradaran of Greenberg Glusker Fields Claman & Machtinger LLP, with Bank of America Merrill Lynch acting as financial adviser.

Bank of America Merrill Lynch is represented by a Kirkland & Ellis LLP team including David Fox, Rick Madden, Andrew Herman and Bianca Levin-Soler.

Other counsel information for the parties was not immediately available.

--Editing by Sarah Golin and Katherine Rautenberg.