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WHOLE NEW BALLGAME

For Steve Ballmer's Next Act, A \$2 Billion Impulse Buy

BY MONICA LANGLEY

LOS ANGELES—Thirty minutes before meeting the basketball team he bought for \$2 billion, Steve Ballmer was pacing a Starbucks parking lot on Wilshire Boulevard.

His black Chevy SUV was headed to Beverly Hills, where he would face the players and coaches of the Los Angeles Clippers for the first time. He had never been to an event like this, he said later, and felt both elated and anxious.

To avoid arriving early, he stopped for a giant ice tea. "What are the dynamics with basketball stars?" he asked himself as he paced. "I'm used to software developers."

The former Microsoft Corp. chief executive had worked stealthily to clinch a deal, attending a game with the league commissioner, getting back-channel

help from former Walt Disney Co. Chief Executive Michael Eisner and meeting secretly with both Clippers owners, Donald Sterling and his estranged wife, Shelly Sterling.

His Clippers purchase had closed five days earlier, but watching the billions exit his bank account had been strangely anticlimactic. Now, just before the Aug. 17 dinner, he felt the weight of what he had done. "I don't have the first clue about being an owner" of a sports team, he thought.

Arriving at the Spago restaurant in suit and tie, Mr. Ballmer shook hands with Clippers players he had admired: all-stars Chris Paul and Blake Griffin; center DeAndre Jordan; forward Matt Barnes. There were halting comments, polite laughter and much cellphone checking. Clippers Coach Doc Rivers was struck by the body language: "They were suddenly

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Stuart Palley for The Wall Street Journal

Steve Ballmer, who retired from Microsoft in February, is back to his boisterous ways as the Los Angeles Clippers' new owner.

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all nervous."

That Sunday evening became a turning point for a team roiled by Mr. Sterling's bitter fight to keep it. Even more, the dinner marked a personal transformation for a 58-year-old man who was once among the business world's most admired and feared leaders.

By night's end, the players were swayed by the new boss. "Kind of chill," forward Reggie Bullock described him. Two days later, Mr. Ballmer would sit alone in a Clippers office to send an email that closed one last door he had left open to his old life at Microsoft.

Mr. Ballmer, in a series of exclusive interviews during his first week with the Clippers, told of the behind-the-scenes drama leading to his transformation into a rookie sports mogul.

For decades, Mr. Ballmer saw himself as an extension of Microsoft. He roomed near co-founder Bill Gates at Harvard University and was Microsoft's first business manager. He helped turn it into a global force, taking the reins in 2000. He ran a profit machine but missed trends in the Internet and mobile devices.

He retired in February amid calls for faster change, leaving Mr. Ballmer—still Microsoft's largest individual shareholder and a board member—without a clear path after 34 years at a company he called "my fourth kid."

In an atypical glum mood, Mr. Ballmer retreated to his home overlooking Lake Washington and watched 100 episodes of "The Good Wife" in two weeks. Then he busied himself playing golf, giving speeches, studying Hebrew and preparing to teach an M.B.A. leadership course. He and his wife, Connie, decided to spend some of their roughly \$22 billion net worth on civic endeavors.

Then, two months after Mr. Ballmer retired, the world heard the recording of Mr. Sterling telling his girlfriend not to bring black people to Clippers games, prompting National Basketball Association Commissioner Adam Silver to banish him from the game.

Mr. Ballmer loved basketball. He was his Harvard team's statistician, coached some of his three sons' teams and played pickup basketball at Microsoft. After the SuperSonics left Seattle, he twice tried unsuccessfully to bring a pro team to the city.

As the scandal broke, one son phoned him. "Dad, pay attention," he said. "The Clippers will sell."

Mr. Ballmer quickly set sights on the team. He phoned friends who owned part or all of NBA teams for advice. The day Mr. Silver announced Mr. Sterling's punishment, a friend who is part-owner of the Golden State Warriors, urged Mr. Ballmer to attend that night's Clippers-Warriors game. "Get your face out there," he said.

The Clippers won an emotional playoff game. "I've got to get this done," Mr. Ballmer, who had just watched the Clippers in person for the first time, told friends there. "How isn't clear—yet."

He faced competition. Entertainment moguls Oprah Winfrey and David Geffen, along with Oracle Corp. CEO Larry Ellison, had



In his first days with the Clippers, Steve Ballmer displays his famed cheerleading style among fans of the team he bought for \$2 billion.

What It Costs to Hold Court | The 10 most recent NBA franchise sales

Team	Date	Price	Buyer(s)*
L.A. Clippers	August 2014	\$2 billion	Steve Ballmer
Milwaukee Bucks	May 2014	\$550 million	Wesley Edens, Marc Lasry
Sacramento Kings	May 2013	\$535 million	Vivek Ranadivé
Memphis Grizzlies	October 2012	\$377 million	Robert Pera
New Orleans Hornets	June 2012	\$338 million	Tom Benson
Philadelphia 76ers	October 2011	\$280 million	Joshua Harris
Detroit Pistons	June 2011	\$325 million	Tom Gores
New Orleans Hornets	December 2010	\$300 million	NBA
Golden State Warriors	July 2010	\$450 million	Joe Lacob, Peter Guber
Washington Wizards	June 2010	\$550 million	Ted Leonsis

*Majority owners

Sources: NBA; staff and news reports

The Wall Street Journal

expressed interest. "Oprah? How do I compete with her?" Mr. Ballmer asked his advisers.

"Pay Dodge money," one told him, referring to the record \$2 billion a group paid in 2012 for the Los Angeles baseball team. The latest NBA franchise to sell, the Milwaukee Bucks, had just gone for \$550 million.

Mr. Ballmer compiled spreadsheets to determine profit in three years. Among the factors: revenue from sponsorships, ticket sales and local and national media with two media contracts coming up soon—and costs including NBA fees and players.

"I priced it at a multiple of earnings, based on what I think I can do to make this work," Mr. Ballmer said. "It's aspirational, high-achievement, high-performance, but not insane."

He attended a Clippers game on May 11, where Mr. Silver invited him to his own seats. Portland Trail Blazers owner Paul Allen, Microsoft's co-founder, had told the commissioner "how smart and passionate Steve was about basketball," Mr. Silver told the Journal, "and what a terrific owner he would make." Mr. Silver,

who was talking to all bidders, suggested Mr. Ballmer work directly with the Sterlings rather than wait for the NBA to act.

Mr. Ballmer wanted to approach Shelly Sterling personally, not through lawyers. Mr. Eisner said Mr. Ballmer had approached him earlier to be his "unofficial agent" to introduce him among key Los Angeles figures. Mr. Eisner, who long had season seats next to the Sterlings, said he called Ms. Sterling to vouch for Mr. Ballmer.

Ms. Sterling agreed that Mr. Ballmer could phone, she told the Journal through her transaction lawyer, Bob Baradaran. Mr. Ballmer phoned on May 24 at around 7 a.m. They agreed to meet the next day, which turned out to be the day before other bidders met her. After hanging up, she phoned a girlfriend and asked: "Who is Steve Ballmer?"

Ms. Sterling's first question after Mr. Ballmer arrived at her Malibu beachfront mansion: Would he move the Clippers to Seattle?

"The answer is no," he told her. It would destroy value to move the team, and "I'm committed to

L.A. I love L.A."

Mr. Ballmer had a deal sheet prepared for her, but he decided to try bonding first. It worked. "Steve charmed Shelly with his passion about basketball and a future Clippers championship," said Mr. Baradaran. Importantly, she told her lawyer, Mr. Ballmer was one person, not a group, and "this isn't a toy for him."

They continued over dinner at Nobu, the sushi restaurant, where they discovered they both had relatives from Ukraine.

Despite the newfound rapport, Mr. Ballmer's attorney, Scott Roades, said he warned him that bidding for the Clippers was escalating into "a very competitive and fast-paced process." He urged Mr. Ballmer to be available to Ms. Sterling's lawyers and bankers.

To stay in the game, Mr. Ballmer remained in town, sending out his laundry from his hotel room. As the deadline neared, his \$175 billion bid was the highest. Ms. Sterling's lawyer asked for \$2 billion, courtside seats, parking spaces and the title of "owner emeritus." Mr. Ballmer agreed and threw in the title of "Clippers #1 Fan."

Afterward, she told Mr. Baradaran: "Steve is my favorite. I would have considered a lower bid to get him as the owner."

On May 29, the two signed the term sheet, hugged and sent the document to the NBA for approval.

Ms. Sterling had signed without Mr. Sterling's consent, claiming authority under the family trust after two doctors found her 80-year-old husband had symptoms of declining mental capacity. Mr. Sterling sued to block the sale.

"I was suddenly stalled," Mr. Ballmer said. On July 21, he visited Mr. Sterling at his Beverly Hills home. Over an hour, Mr. Ballmer spoke of his hopes for the team and city, and made a "valiant effort to see if Mr. Sterling would give up," said Mr. Sterling's lawyer, Max Blecher.

"I've never wanted to sell the team, and I still don't want to," Mr. Sterling told Mr. Ballmer, according to Mr. Blecher. "It's nothing personal against Mr. Ballmer," Mr. Blecher said. "His anger is directed at the league."

The probate-court judge on Aug. 12 confirmed Ms. Sterling's authority to sell. Mr. Ballmer got the news on vacation in Montana. He had already put the funds in escrow. Walking along a lake as his sons slept that morning, he gave transfer orders by phone.

He checked his account. He was, indeed, \$2 billion poorer and told himself: "Now I know I own the Clippers!" Still, he told his family, it seemed anticlimactic.

Now, five days later, he was the most high-profile NBA owner but still felt unsure. Pacing the Starbuck's lot, he pumped his fist to snap back into his confident persona.

At Spago, tensions eased as he and the Clippers dug into dinner. Mr. Ballmer, taking off coat and tie, found common ground with Coach Rivers over golf. Mr. Griffin,

who had studied up on the new boss by watching online videos of Mr. Ballmer's famously exuberant sales meetings, jumped into the discussion.

By night's end, the hoops stars were recounting locker-room shenanigans and late-night card games. As Mr. Ballmer got up to leave, Mr. Rivers stopped him to say: "We had to go through a lot of stuff, a lot of bad stuff, but it was worth it to get us to this day."

The players jumped up to shake Mr. Ballmer's hand. Mr. Paul made plans to golf with him. "What we loved is how competitive he is," Mr. Paul said later. "And that he said he will miss some of our games if they conflict with his son's basketball games. I have two kids, and that means a lot."

Just before leaving the restaurant, where he was delayed for cellphone photos, Mr. Ballmer whispered to Mr. Rivers: "Tell me how I did, tomorrow!"

Coach Rivers received texts from most of the players after dinner. "Thanks for tonight," one texted. "Been here a long time. Never had such a meaningful dinner with the owner before."

The morning after the dinner posed other challenges: meeting the staff and impressing Clippers fans. "I've got to find my voice," he said in his SUV.

He entered the Clippers' office the next morning to talk with most of his roughly 130 new employees. "Just over 100?" he said. "When I left Microsoft, we had 100,000 employees."

Standing before them, he demonstrated his gung-ho cheerleading style of old. Actual cheerleaders surrounded him, in Clippers red. "The past is the past," he told the employees, almost yelling. "The Clippers are hot! Get after it—sponsorships, ticket sales...I didn't buy this team to be mediocre! It's show time!"

As the fan event began, Mr. Ballmer waited alone in the arena tunnel while players were introduced. He jumped up and down, pounded the walls and pumped, his fist. Then he burst out to the music he had selected: Eminem's "Lose Yourself."

The crowd watched the bald man in khakis and Clippers cap lose himself in chest-bumping and high-fiving fans on his way to the stage. "Nothing gets in our way! Boom! Keep coming," he screamed. "We're the hard-core Clippers!"

The players laughed, delighted. The next morning at the Clippers training facility, Coach Rivers told Mr. Ballmer a wall would be moved to give him a larger office. "Just give me that small office," he replied. "As long as it overlooks the practice courts."

Then Mr. Ballmer asked to be alone. For a moment, he was again back at the company where he had spent 34 years of his life. On his Microsoft Surface tablet, he wrote emails and proofread a letter to his successor.

Then he touched his screen, dispatching the letter. With that, he resigned from Microsoft's board.

As he emerged, team members were milling about. "It's done," he said. "Now I'm a Clipper first. Microsoft is second."