

**April 18, 2008**



An Interview With:

## **COMMISSIONER DAVID STERN**

COMMISSIONER DAVID STERN: You know, we've just concluded two days of meetings of the NBA Board of Governors. It was a very productive meeting. There was a fair amount of reporting that had to be done with respect to the season which we just completed, the exciting basketball that we finally had a chance to talk about; new teams in the playoffs, the exciting race in the West, and the increase in our television ratings across all of our networks, local regional sports networks and local over-the-air stations. It was the first time in a long time that we were up across the Board in all five categories.

You know, we spent some time briefing the owners on our China initiatives and the opportunities for extraordinary growth in retail and arenas and progress being made with respect to negotiations and discussions about a league in China at some time in the future.

We had a relatively extensive report on NBA Digital, which is going to be run out of Atlanta in a joint venture with Turner Broadcasting, which will include NBA TV, which is being programmed with Turner talent and Turner expertise; NBA League Pass and NBA.com and NBA Wireless all under the name of NBA Digital, which is going to have extraordinary resources behind it, compliments of Turner.

We passed an enhanced revenue-sharing program for our teams last year, and the program currently expired was \$30 million a year of additional revenue sharing beyond what we do, and for the next three years, it will be \$49 million, and that was passed by a large margin.

And finally, the NBA Board of Governors approved the move of the Sonics to Oklahoma City pending resolution of the litigation that is now

pending to determine whether the Sonics are required to play out the remaining two years of their lease; or, whether they are authorized by the court to fulfill the terms of the lease by making a payment of rent without playing out the remaining two years of the lease.

You know, we think that the support for the NBA demonstrated by the fans, government leaders and business community of Oklahoma City over the last three years has been extraordinary, and that the Board of Governors expressed confidence that the level of local support will result in success for the relocated franchise in Oklahoma City whenever that is.

I'm happy to take questions.

**Q. What was the vote today, and if there were some people who didn't vote in favor, what were their concerns?**

COMMISSIONER DAVID STERN: Actually the vote was 28 in favor and two against; the two teams that voted against it were Dallas whose principal owner is Mark Cuban, and Portland, whose sole owner is Paul Allen.

**Q. And their concerns?**

COMMISSIONER DAVID STERN: I think that Mark's concerns have been expressed in the media and about market size and the like and, you know, that's it. Portland simply voted no and did not express any -- expressed itself, but we knew they were going to be voting no.

**Q. Was there any discussion in this ownership committee about the prospect of once again for the third time in seven years moving a franchise from a larger market to a smaller market; those two previous moves, there's questions now about the viability long-term of those franchises in Memphis and in New Orleans. Was there any talk about this**

**concern with downsizing with these franchises?**

COMMISSIONER DAVID STERN: You know, I think there was a discussion which indicated that the Board is familiar with the issue, but they focused on the likelihood of success of the Sonics in Oklahoma City; and really, in Oklahoma, because it really involved discussion about Tulsa, as well. And the judgment was that the prospect of continued further losses in Seattle without an adequate arena really rendered that discussion with no good answer other than the movement of the team to Oklahoma at this point.

**Q. Did the Board discuss the possibility of expansion or the future of NBA in Seattle with the possibility of voting on the relocation of the team?**

COMMISSIONER DAVID STERN: I would say that the Board is mindful that Seattle is a first-class city whose fans historically have been terrific fans, and still are, but whose infrastructure has not been willing to participate in an arena, and I guess I would say without going further that we're mindful that if Seattle had a first-class arena, that would really be good for their prospects.

**Q. How will the negotiation and the pending litigation affect Seattle's chances of having an expansion team?**

COMMISSIONER DAVID STERN: I don't even want to go there other than to say that we are hopeful that Seattle and the Sonics -- we were hopeful; we don't think that's currently in the cards because of certain expressions that we've heard, that the strategy is to inflict as much harm on the Sonics in Seattle so that something will change.

And so, it doesn't seem that likely to us that there will be negotiations. But we did encourage -- and so be it; then it will just depend upon the court decision, and if the team is required to stay in Seattle for two more years, it will.

But we have been encouraging of the Sonics, and I think they have followed that encouragement to have them both agree to pay rent for the two years if they could move, and to pay off the remaining bonding that would be somewhere in the neighborhood I believe of \$25 million; if, in fact, even at the end of the two years whether they play it or pay it. But I'm not sure that's currently in the cards, so we'll have to wait and see that.

**Q. If the folks in Seattle are able to solve the arena situation and come up with an arena that meets the NBA standards, does that enhance the possibility of keeping the NBA in Seattle?**

COMMISSIONER DAVID STERN: I must say, I don't want to talk about the future, now. I don't think that's a constructive time.

As far as the Board is concerned, basically the report is that there were four sort of successive attempts to deal with some aspect of public funding for the arena, and each one failed under previous ownership and under existing ownership.

So I'm just not sure that it pays to talk about that now. In the future, if there is a building, or the prospect of a building, I think there will be circumstances under which we would love to engage Seattle or King County in a dialogue.

**Q. Were there concerns, discuss discussions along the owners based on the release of the e-mails of the members of the Sonics ownership group recently that maybe they had not made a good faith effort to keep the team in Seattle; how did that play into this issue?**

COMMISSIONER DAVID STERN: I would say that the 28 -- I would say all 30 teams -- no one amongst the 30 owners questioned the good faith of Clay Bennett, the leader of the franchise, and accepted his assurances that he had acted in good faith.

You know, there may be issues and litigation that require testimony, documents, etc. and, all of that is forthcoming and that's where we'll be following that and participating to some degree as witnesses or producers of documents. But that did not play any role. There was no questioning of that issue. There was a statement by Clay and my sense is there was an acceptance of his statement.

**Q. For all of the fans back in Seattle who are watching this live right now, what do you want to say to them, to the fans who have supported the Supersonics franchise in Seattle for 41 years, and let's settle it once and for all with Key Arena, there is a \$300 million propose all out will; is that a significant proposal and could that solve the problem?**

COMMISSIONER DAVID STERN: Actually there's no proposal out there right now, and I don't think you would mean to misrepresent

that to me, would you?

**Q. The \$300 million proposal that the state legislature did not want to get involved in and they talked about getting involved in January --**

COMMISSIONER DAVID STERN: That would be the fourth -- that would be the fourth -- I'll let you finish. Go ahead.

**Q. The Key Arena remodel plan that's out there is a viable proposal.**

COMMISSIONER DAVID STERN: The Key Arena model has been available for four years, and never been acted upon by anybody.

So I would say to the fans of Seattle, we very much appreciate your support. We think you have a great city. We think King County is great and we think that Washington is great and we are very sad that the absence of a first-class facility, or even a funded, voted-upon plan for one wasn't able to be put together by whoever's responsibility it is, collectively for this day now to occur.

**Q. I just want to clarify the City of Seattle believes this \$300 million Key Arena proposal, if it was funded, would be good enough to house an NBA team going forward in the future. Would Key Arena, if that proposal ever finds the funding for it -- it's been talked about for several years, but would it be something that would be viable for an NBA arena in the future?**

COMMISSIONER DAVID STERN: I'm not going to talk about how many angels you can fit upon the head of a pin, because that's a perpetual subject that gets discussed and discussed and discussed, and nothing ever gets done, and hasn't been done.

I know there have been I think four attempts to get this done, and there have been all kinds of statements about it, last-minute attempts to do it, but the orderly processes here, which were teed up again and again and again and again, unrelated to the fans who have been great fans and good supporters just never got anything done.

And now, as the vote comes up, the recriminations begin, and that's very sad, but I think the facts are what they are, which is this team is destined to lose \$30 million a year there. They are prepared to lose it for two more years if that's what the city insists upon exacting. But the Board of Governors has voted to move them to Oklahoma City.

**Q. If the Sonics are held to that specific performance clause by the courts, how concerned are you, especially the way the rhetoric has stepped up about the team playing two years in that market?**

COMMISSIONER DAVID STERN: I think we are prepared to, and the resolution specifically makes reference, to the fact that we will play there subject to the order of the court, that's it.

You know, I think it will be what it will be, which is there will be probably reduced attendance; although I think there will be some good support for the team in the two years, and then it will move after that. You know, it will make the parting somewhat less amicable, but so be it.

**Q. Will you encourage Clay Bennett to maybe make another offer, even if it's unrealistic that you think just to get out of this now, or will you just tell him, deal with the litigation, and if it's two years, it's two years?**

COMMISSIONER DAVID STERN: My own sort of experience in matters like this, reading the tea leaves and the rhetoric, is that former Senator Gorton is intent upon a torched-earth policy, and that's been pretty much bought into.

And so, you know, obviously my dealings with the Governor and the County Executive and speaking with the House, have been cordial and I think intelligent, and I even understand the Speaker's determination and others that this is not an expenditure that they wish to make. That doesn't make their policy wrong; it's just their choice.

I'm sorry that the infrastructure in Seattle city itself had not come to us formally with something earlier, but it wasn't meant to be. And so the prospect is that between -- and we know the two Senators, U.S. Senators, Murray and Cantwell, our dealings have been most cordial with them, as well as the governor and the County Executive and the speaker and others.

I think that Senator Gorton and the mayor are determined to exact whatever pound of flesh is possible here, and they will, and then the team will leave at the end of whatever period of time the court says it is required to stay for, and that will be it, period. We are always open to discussion.

We've had many discussions, shall we say, behind closed doors with certain components of the community in an ongoing attempt to see

whether we couldn't have this team stay, all with the encouragement of Clay Bennett on behalf of the Sonics.

And so I've been there myself; we've engaged in other conversations, and it just wasn't to be.

**Q. You said Seattle was a great city great fans, but if even great cities with great fans can lose their long-time team, what does that say to other cities?**

COMMISSIONER DAVID STERN: Well, I guess since most of our cities, the great majority have state-of-the-art facilities that enable their teams to compete in our league, I think it says congratulations to them; the fact that Oklahoma City could get a tax through that the citizens of King County got through, or the legislature, for football and baseball, and which are currently being used to fund those arenas; that's a good thing to be able to get through. That's all.

And we had successful votes in San Antonio, Houston; we have Oklahoma City, Orlando. I mean, there's been a string, usually with the support rather than the opposition, of the city leaders, and that wasn't to be in Seattle, despite the fact that at the State level, the Governor had originally expressed support for it and tried to be helpful. The County Executive (Ron) Sims was helpful.

But what we ran into was sort of a dichotomy where for whatever purposes or reasons, the city itself was until the very last moment hostile on the subject; and the state legislatures, faced with a variety of funding needs, made a decision that's left to its discretion. And I don't have an argument with that; it's just reality. So cities have to make their choices.

**Q. But should other cities be fearful?**

COMMISSIONER DAVID STERN: No. Because our cities for the most part -- Orlando just did what Seattle declined to do. San Antonio, Houston and the like, and in Orlando, it was a private/public partnership; significant contribution to the team, significant contribution by the city, and they were able to forge a building alliance, and that's what we were hoping would happen in Seattle, it wasn't to be.

And we understand that. In fact, there are possibilities in other cities where we are trying to look for other ways to get it done, and I do know that Clay Bennett looked for other ways with respect to developers and the Muckleshoot Tribe

and others to see whether there wasn't another way to get something done.

But in each case, it came back to legislation that wasn't available to be passed, because of other needs, and I don't have an issue with that. But that's where we find ourselves as a result of that.

**Q. Can you talk about, was it the relocation committee presentation or planning presentation at the meeting?**

COMMISSIONER DAVID STERN: Both. The relocation committee had been represented in Oklahoma City by three of its members, and they made a recommendation to the relocation committee which then recommended unanimously that this be approved.

And then on behalf of the relocation committee, a report was made that wholly apart from the sort of demographics, statistical analysis, metrics and the like there, was a gathering of community, business, private, municipal government support at the state and local levels in Oklahoma City that was very, very impressive, and that this ownership group in that city is very likely to be very successful.

And the Board, you know, there was discussion for a while, and then the Board voted, 28 to two, to pass the resolution approving relocation subject to all of the order of the court and judicial determinations.

**Q. Just with NBA teams, how would you classify arena financing these days in this market? Is it that owners require public help because they pay so much for teams, or they would just rather somebody else chip in for what they want to do?**

COMMISSIONER DAVID STERN: I would say that the economics of team ownership at the present time, except in very unusual circumstances, in most circumstances require some kind of public assistance. Sometimes it's tax abatement; sometimes it's infrastructure improvement; sometimes it's direct cash paying off the bonds. That's the model that seems to work. That's the model that has been most effective over the years, and that's the model that we have been lucky enough to be successful with.

And in that case, it becomes up to each city to make the decision whether that's a good investment or not. Those are done all the time,

whether an auto mobile plant relocates somebody or whether someone makes some investment for some cultural addition to the city, that's what happens, and those are fair decisions for politicians to make and decide either way.

**Q. I believe we've discussed the auction rate crisis and cities have mismanaged the money so badly; is that paradigm broken? Should there be a new model?**

COMMISSIONER DAVID STERN: Well, I must say that we are at a stage of our development where we have a pretty good set of state-of-the-art arenas. You know, there are now only three construction projects now in the works. One is Orlando, one is what will or won't be done with respect to Madison Square Garden, and one is the move of the Nets to a planned new building in Brooklyn; and some negotiation going on, a fair amount and investigation in Sacramento about a possible building for the Kings.

And other than that, we don't have anything on our agenda that causes us to revisit that issue and sort of opine to you whether anything like that is broken or not, because it's really not on our -- it's not currently on our agenda with respect to building programs.

**Q. Commissioner, beyond the Ford Center improvements, what was it really that convinced the Board that Oklahoma City is a legitimate NBA market?**

COMMISSIONER DAVID STERN: Well, it was a very long presentation that the committee received in Oklahoma City. But they were greatly impressed with the turnout of the present and two former mayors, the mayor of Tulsa, the present Governor and the previous Governor; the heads or representatives of all of the universities; all of the energy industry; the aviation industry; of course the community itself, the explanations about the depth of the market; and even a little bit of learning about if you drive fast in Oklahoma, and most people apparently do, how close Tulsa is and how many citizens of Tulsa will consider the team to be, and did consider the Hornets when they were there, to be a state franchise.

So there was enormous enthusiasm from that perspective, and sort of an outpouring of corporate, government and private support, and educational support, and we got a pretty good education as to the aviation industry, the education industry, aerospace, not to mention energy.

And I think that there was a lot of time spent in the presentation to the committee when they were in Oklahoma City that Oklahoma City is not simply thriving because of only the energy industry, but that it's much deeper than that.

**Q. It was just two or three years ago that you went to Olympia in Washington and argued on behalf of the owners there for Key Arena, and I'm not sure if it's ever been explained, but what exactly is wrong with that building and why doesn't it work for the NBA?**

COMMISSIONER DAVID STERN: I don't want to claim too much expertise other than to say that it's the smallest footprint in the league with one of the lowest amounts of suites, the smallest amount of additional amenities and generally is not viewed in its current state as an arena that can support team on a going-forward basis.

You know, miracles can happen, but with respect to that site or that building, etc., and so I don't want to ever say never, never, although my sense of the learning here, that the rent-in proposal was one that was really going to be a good one.

But whatever happens with Key, now or in the future, is not going to happen with respect to the team that is currently located there. That team has now been approved by the Board of Governors to move to Oklahoma City.

**Q. You've mentioned a number of times the importance of Tulsa's buy-in to this plan to bring the NBA to Oklahoma City. Based on that, would you have a preference would you like to see this team be called Oklahoma City or Oklahoma? Does it matter to you?**

COMMISSIONER DAVID STERN: I'm going to leave that to the politics of Oklahoma. I would guess that the current group would be under significant incentive and pressure to make it an Oklahoma franchise, and that would be a good thing.

But I wouldn't want to put any undue pressure on the ownership group. Although, there was a lot of discussion about the market size of Tulsa; its accessibility to Oklahoma City, and its support of many events in Oklahoma City, and the mayor was there to speak in favor of the application.

So there was some discussion in our meeting about what the actual size of the market

is, whether it's simply the Oklahoma City market, or whether you add the additional numbers from Tulsa and it's suburbs, you really see a much larger market than just the Oklahoma City market.

**Q. You know, several years back at one of these when you were announcing the move of the Hornets from Charlotte to New Orleans, you left a very strong impression that you remain committed to the market in Charlotte and you wanted to do whatever it takes to get basketball back in that city because you thought it was a viable basketball city. You're not saying any of the same kind of things about Seattle at this time. Why is that?**

COMMISSIONER DAVID STERN: Well, at the time, I was reflecting what the view of the Board was; that on the way out, there had been a meeting with leaders of the Charlotte community who wanted to talk about their understanding of why things didn't work. But how they very much wanted to move lots of mountains to make them work in the future, and the Board felt that it would be a good thing to leave open the door and be very encouraging of that.

I'm trying hard to on the one hand, not close the door, but I'm giving this press conference in the face of a scorched-earth policy that has been announced by the former Senator who is leading the charge in the State of Washington to inflict as much possible injury on our team as he possibly can engender, and that didn't move the committee to be similarly inclined with respect to the State of Washington at this time.

**Q. So it's personal?**

COMMISSIONER DAVID STERN: No, not personal at all.

**Q. You're not taking it personally, what's going on between you and the people in the legislation?**

COMMISSIONER DAVID STERN: Not me, no. Not at all. You just asked me why the presentation of Charlotte was, well, we'll do this, and this and this, please don't leave. The presentation from Washington is: We're going to kill you.

It's not personal. There's no agenda. There's no place to have a dialogue about what the future might hold. So that's why we voted -- that's why the owners voted. I'm here to report the owners' vote and try to capture the discussion as best I can, but nothing personal at all.

It's just as it relates to the report from the Board and what's in the newspapers. They all understand what's going on here, and they are really focusing on their partner, the team, that depending on what the court rules. And if the court rules that the lease will be paid, it will be paid and the team will move. If it rules that it can't, it will stay.

If there's a negotiation before the court decides, I think the team would still be encouraged to both pay and pay down the bond so they can leave. But there's no basis for having that discussion at the present time, because it's not where the atmosphere is at this time.

But you know, we are not ruling out anything, but it's just not at this time.

**Q. There's been so much discussion about good faith and best efforts between Mr. Bennett and his group and the City of Seattle and you believe he was acting in good faith over those negotiations, but over the last week there have been several e-mails, including an exchange between you and Mr. Bennett and e-mails between Mr. Bennett and his -- have you had a chance to read through those?**

COMMISSIONER DAVID STERN: My response, as I have been reminded, wasn't lengthy at all. So your predicate is --

**Q. Have you read through those e-mails --**

COMMISSIONER DAVID STERN: No.

**Q. -- especially between Mr. Bennett and --**

COMMISSIONER DAVID STERN: Live or not, I don't like to be interrupted, and I'm not going to interrupt you. So why don't we just go to the next question.

**Q. Now that this day, this vote, is behind us, is the league going to take sort of any action, more of an active role in saying, let's have a speedy resolution, whether that's guaranteeing Seattle an expansion franchise, or what's the role?**

COMMISSIONER DAVID STERN: We'll have to wait and see when things calm down here and see where we go from here. Right now there's no speedy resolution on the horizon. There's a

contested trial, a pretty hot atmosphere, and there's nothing that we are going to be able to do at the current time.

And with respect to the various issues about good faith and the like, I'm getting ready to yield the table to Clay Bennett, because I'm sure you'll have some questions for him.

**Q. Did the committee say the Board of Governors set a relocation fee, and what was that?**

COMMISSIONER DAVID STERN: Yes, there was a relocation fee, and the relocation fee is \$30 million.

**Q. Can you talk about whether they will continue to be named Sonics, which is a team and title indigenous to the Washington area? The league has let indigenous names go to where they don't belong --**

COMMISSIONER DAVID STERN: I think that any discussion of that before the determination of the court, it would be premature.

**Q. Would you prefer the Sonics be named for the city --**

COMMISSIONER DAVID STERN: I don't have a preference. I think that my preference would be somehow in a very difficult situation have as many happy people as possible or get as close to that as you could, so let's leave that until we sort out what the variations obligations are of these parties as they are determined by the court and/or negotiations.

Thank you very much. I'm going to invite Clay Bennett up here to answer any questions that you may have.

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