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Paul, Weiss Delivers Report To Special Committee Of National Basketball Players Association

Independent Report Publicly Available at www.NBPAReport.com

NEW YORK, January 17, 2013 - Paul, Weiss, Rifkind, Wharton & Garrison LLP today presented an independent report to a Special Committee of the National Basketball Players Association (NBPA) concerning the leadership and business practices of the NBPA.

In April 2012, Paul, Weiss was retained by the Special Committee to conduct an independent internal investigation focusing on allegations of nepotism, conflicts of interest and the potential misuse of NBPA funds. Paul, Weiss was also retained to assist the NBPA in responding to a subpoena from the U.S. Attorney's Office for the Southern District of New York that called for the production of financial and other business records. Since then, Paul, Weiss has conducted its investigation by, among other things, reviewing tens of thousands of documents, including financial records, governance documents and NBPA emails, and interviewing more than three dozen witnesses, including NBPA employees, vendors and Executive Committee members.

"This has been a truly independent investigation – and our report has not been made available to anyone prior to public release today," said Theodore V. Wells, Jr., co-chair of the Litigation Department at Paul, Weiss, who led the investigation. "The report speaks for itself -- and all NBPA members are encouraged to review it."

The investigation focused primarily on the decisions G. William "Billy" Hunter has made as the NBPA's Executive Director, but also considered, to a lesser extent, the actions of other individuals both inside and outside of the NBPA. The core findings of the resulting report state:

Our investigation has concluded that the facts do not show that Mr. Hunter engaged in criminal acts involving embezzlement or theft of Union funds. Nevertheless, in our judgment, the facts do show that, at times, Mr. Hunter's actions were inconsistent with his fiduciary obligations to put the interests of the Union above his personal interests. Further, Mr. Hunter did not properly manage conflicts of interest. We also find that the NBPA's Board of Player Representatives never properly approved Mr. Hunter's current employment contract with the Union as required by the Union's Constitution and By-Laws, that Mr. Hunter was aware that his current contract was never properly approved and that he knowingly failed to disclose this information to the Executive Committee and the Player Representatives. Based on the findings of this report, the NBPA should consider whether Mr. Hunter should remain as the Union's Executive Director and whether new and more effective controls should be enacted to govern the NBPA, its Foundation and its Executive Director, whoever that may be.

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Our inquiry disclosed certain instances in which, in our judgment, Mr. Hunter acted in a manner inconsistent with his fiduciary obligations to the NBPA. As a result, at times he entangled the Union in actual or potential conflicts of interest, failed adequately to disclose those conflicts and took inappropriate advantage of his position as Executive Director. Of most concern, Mr. Hunter:

- Never told the Union's Executive Committee or Player Representatives that his current employment contract, which was executed in 2010, was not properly approved under the Union's By-Laws, even though by at least November 2011 outside counsel to the Union had told Mr. Hunter that the necessary approval had not occurred and remained necessary;
- Obtained the Union's agreement to pay him \$1.3 million for accrued but allegedly unused vacation time (146 days) without adequate independent review of underlying records and without securing independent advice for the Union on its obligation to make the payment;
- Involved family and friends in Union business as employees or vendors without full disclosure and the disinterested approval of the Union's officers and directors; and
- Created an atmosphere at the NBPA that discouraged challenges to his authority, including by allowing the Union's former General Counsel, Gary Hall, to stop former Secretary-Treasurer Pat Garrity from speaking freely about conflicts of interest to the Executive Committee.

Of somewhat lesser concern, but still important, are instances in which Mr. Hunter made decisions that reflect poor judgment, display insensitivity to conflicts of interest, call into question his stewardship of Union resources or raise serious doubts about his interest in the policies and procedures that protect the Union in the orderly conduct of its affairs. For example, Mr. Hunter:

- Considered what would have been a risky investment of millions of dollars in ISN Bank, a failing financial institution, without disclosure to the Executive Committee that his son Todd was then a director of the bank, and spent more than \$80,000 in due diligence expenses before abandoning the transaction;
- Approved a payment by the Union of approximately \$28,000 to cover personal legal fees incurred by Charles Smith, the

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former Executive Director of the National Basketball Retired Players Association;

- Made questionable choices when charging travel expenses to the Union, which at a minimum create the appearance that he has taken undue advantage of the discretion he possesses to travel to destinations of his choosing;
- Pursued speculative and, for the Union, atypical business ventures as potential investments;
- Spent Union funds on luxury gifts for Executive Committee members, including nearly \$22,000 for a watch he gave to Derek Fisher in June 2010;
- Failed to observe principles of proper governance at the Union, including by neglecting to ensure that the NBPA's By-Laws were followed and appropriate systems were put in place to safeguard against possible misuse of Union funds, conflicts and similar risks; and
- Ran the NBPA Foundation, a separate entity through which the Union supports various charitable organizations, without regard for its by-laws or governance standards applicable to non-profit entities.

Among the most significant conclusions of this Report are that Mr. Hunter's 2010 contract was never properly approved under the Union's By-Laws and that Mr. Hunter knowingly kept this information from the Executive Committee and the Player Representatives. As a result, we believe that the Board of Player Representatives and the Executive Committee must now decide:

Should Mr. Hunter remain as Executive Director?

The Player Representatives and the Executive Committee could decide that it is possible for Mr. Hunter to rectify the problems he has created and serve as an effective Executive Director in the future despite the issues of the past. Should they decide to permit Mr. Hunter to continue leading the Union, they may wish to retain independent counsel to negotiate a new employment contract with him in light of the tainted negotiation process that resulted in the agreement signed in 2010. Of course, they could also decide if they wish to approve Mr. Hunter's current contract without any changes.

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But the Union need not keep Mr. Hunter. If the NBPA's Player Representatives and Executive Committee members decide for any reason that the Union deserves a fresh start, they are free to do so. They may choose not to ratify or renegotiate Mr. Hunter's employment agreement, appoint an acting Executive Director and authorize a search for a new Executive Director. Although we cannot guarantee that a court would agree, in our judgment the Union has no obligation to accept Mr. Hunter's current contract as valid or enforceable. We believe that the circumstances of the contract's formation and the lack of proper approval cast serious doubt on Mr. Hunter's ability to enforce it.

The following documents have been made available at www.NBPAReport.com:

1. This press release
2. The Executive Summary of the report (38 pages)
3. The entire report (229 pages), plus the exhibits to the report

Paul, Weiss is presenting the report to the Special Committee and providing it to the U.S. Attorney's Office concurrently with its public release at www.NBPAReport.com.

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