

David versus Goliath: The Fight to Save Professional Tennis in Indian Wells

In late 2004, the Pacific Life Open was in danger of being sold to a group from Shanghai, China. The tournament, one of the premier stops on both the women's and men's professional tennis tours, had been played in the Coachella Valley since 1974 and at the Indian Wells Tennis Garden since 2000. Were its days on American soil numbered?

In late 2004, Charlie Pasarell and Raymond Moore were sitting in the Indian Wells Tennis Garden offices when they received a fax from International Management Group (IMG) chairman and CEO, Teddy Forstmann. IMG was an ownership partner with Moore and Pasarell (PM Sports Management) for the Pacific Life Open, one of the premier events on the professional tennis circuit. The Open was played annually at the Indian Wells Tennis Garden, situated in the beautiful Coachella Valley in Southern California. Moore and Pasarell stared blankly at the fax, which contained a term sheet signed by Forstmann and a group from Shanghai, China. The foreign investors wanted to buy the tournament and move it overseas, and IMG was pushing for a quick sale.

To say that PM Sports Management had invested a lot in the Pacific Life Open would be an understatement. The two former professional tennis stars had been integral to the growth of the tournament from its humble beginnings into one of the premier stops on both the men's and women's professional tours. Moore remembered back to 1979 when the head of the Association of Tennis Professionals (ATP) Butch Buchholz declared that the Coachella Valley "was not a market for professional tennis." PM Sports Management navigated the tournament through many highs and lows. Only three years before, they were faced with the economic fallout from September 11th, 2001 as

well as the bankruptcy of their only media partner, International Sports and Leisure (ISL).

The offer from Shanghai was significant – \$44 million for the tournament sanction – but it had never been about the money for PM Sports. During lean years in the early 2000s, they fought tooth and nail to ensure that the tournament still delivered a world-class experience to both players and spectators. As the partnership with IMG was an equal 50/50 split, each partner had to agree to all contractual terms for any deal to be finalized. Moore and Pasarell both knew the potential that the tournament possessed (not only from a tennis perspective but the location and venue was ideal for expansion into real estate, arts, and entertainment), but Forstmann and IMG were not interested in owning an asset that was not generating a positive return.

Moore and Pasarell thought about everybody else involved – the bondholders they could pay back with the money from Shanghai, the relationship they had forged with the city of Indian Wells, who relied heavily on the tournament as an economic driver, the passionate volunteers and fans, and the players. To them, it was about so much more than just the money. But to Forstmann and IMG, it was entirely about the money.

Case prepared by Jeff Angus, Andrew Green, and Lena Macomson, under the direction of Paul Swangard, Managing Director at the University of Oregon's Warsaw Sports Marketing Center. This case is written as the basis for class discussion rather than to illustrate effective or ineffective management of a situation. Direct quotes and relevant information was obtained during in-person interviews at the 2014 BNP Paribas Open in Indian Wells, California. Copyright 2014.

TOURNAMENT HISTORY

The Indian Wells Tennis Tournament was first played in Tucson, Arizona in 1974 under the ownership of the Association of Tennis Professionals (ATP). It did not take long for the tournament to experience its first setback though, as a 100-year flood hit the tournament in only its second year of operation after it moved to the Coachella Valley in 1976. Houses and restaurants were washed away in heavy rains that cascaded down the steep mountains nearby, and the tournament was cancelled.

The ATP (and its CEO Butch Bucholtz), unable to replace the lost ticket and television revenue, decided to terminate the event. Bucholtz believed that the tournament was too small to achieve long-term viability, and the flood merely expedited an inevitable outcome. Additionally, he did not believe that the Coachella Valley was a market for professional tennis.

At this time, Charlie Pasarell had just retired from his distinguished career as a professional tennis player (see Exhibit 1 for his biography). He had taken up work locally as director of tennis for the Landmark Land Company which operated out of the nearby La Quinta Hotel. Not wanting to see the tournament (then named the Congoleum Classic) leave the Valley he was so fond of, Pasarell convinced Landmark to take over ownership of the tournament. On a handshake arrangement, the ATP issued Pasarell and Landmark a sanction for the tournament. Back then, tournament sanctions were typically one-year deals issued by the governing body (the MIPTC – Men’s International Professional Tennis Council) without any sort of long-term guarantee.

Starting in 1980, Pasarell directed the tournament from the tennis club built at La Quinta Hotel and Golf resort. His passion for the sport and respect for players enabled the tournament to grow very quickly at the new venue. Like most tennis tournament venues at the time (outside of the Grand Slams), La Quinta was a private facility that hosted the tournament. Without a large capacity stadium, the tournament quickly outgrew La Quinta and Pasarell was left searching for a new home by 1985.

Pasarell’s lifelong friend Raymond Moore (see Exhibit 2 for his biography) had recently left the professional tennis circuit, and Pasarell persuaded him to join in a partnership to help grow the tournament. They formed PM Sports Management, and with eight others helped construct a world-class tennis facility at the Grand Champions Resort. They had a vision for financial success.

“We had guys that were hotel experts, guys that were real-estate experts, and Charlie and I were ostensibly the tennis experts. We had a concept where we wanted to build luxury hotels around golf and tennis.”

In 1986, the facility was completed. Moore elaborated on some of the early struggles that the team faced at its new location.

“Then we made our big mistake. We tried to operate the hotel. And even though we had two English guys who were experts in hotel management, they’d only run two small hotels in England. We quickly found out that to run a 350 room hotel, and this was 350 suites, it was impossible to go against Hyatt or Hilton because they had marketing offices around the world, they had the reservation pieces in place. Whereas we were a one hotel entity. It was unbelievably difficult and expensive to market the hotel.”

The hotel operated at a 44 percent occupancy rate during the first two years (while needing 59 percent to break-even). The ownership group lost close to \$30 million. Both their funds and appetite for hotel management had run out. The hotel was sold for pennies on the dollar to investors from Colorado, who brought in the Hyatt to serve as the management company. After only one year of managing the hotel, the Hyatt was able to drive the occupancy rate up to 64 percent.

Relieved of the hotel management duties, Pasarell and Moore moved forward to focus on PM Sports Management and running the tennis tournament. They entered into a lease agreement with the new owners of the Hyatt Grand Champions to continue to serve as tournament host. Despite their struggles as hotel managers, the tournament continued to gain popularity because of Pasarell and Moore’s efforts and expertise in the world of tennis. With their dedication to fan engagement, media coverage, and player satisfaction, the tournament thrived throughout the 1980s.

COMBINING OF THE MEN’S AND WOMEN’S EVENTS

In 1992, Pasarell and Moore entered into a lease agreement with IMG for the sanction of a women’s professional tennis event, then titled the Virginia Slims Masters, with the idea of combining the men’s and women’s events together at the Hyatt location. Initially, the men’s and women’s events were scheduled during consecutive weeks with the WTA (Women’s Tennis Association) event held the week preceding ATP’s. The WTA, concerned about playing second fiddle to the men’s event, was resistant to Pasarell and Moore’s efforts to create a single tournament entity.

By chance, a rain delay in 1995 pushed the WTA final from Sunday into the Monday of the men's tournament. The day was almost entirely sold out, whereas the women's final for the cancelled Sunday event had been only 50 percent sold out. Any resistance from the WTA or questions about the profitability of a combined event was quickly dispelled. In 1996, with the cooperation of IMG, the WTA, and the ATP, the men and women's tournaments ran concurrently.

Attendance grew immediately. According to Moore though, "It wasn't very long before [the combined tournament] presented financial challenges." Without ownership of its venue, the tournament (which was now sponsored by Newsweek) was not realizing revenues from sources such as parking and food and beverage. The lease agreement with Hyatt was a further drag on the bottom line. Players were demanding higher purses and better off-court amenities for their families. The future of the tournament started to become cloudy once again. Undeterred, PM Sports set out to find a new site that they could own outright and build into a world-renowned tennis and entertainment venue.

After an extensive search that took them to places such as Rio de Janeiro and South Africa, PM Sports settled on a Las Vegas location. However, arduous talks over construction timelines removed Nevada as a viable option quite quickly. After returning to the drawing board, a parcel of land located in Indian Wells was brought to the attention of PM Sports. Piecing 22 parcels of zoned farmland together (totaling 189 acres), Moore and Pasarell purchased what they envisioned as the tournament's future location.

Pasarell and Moore knew that they would need outside financial assistance, as their shaky balance sheet would not be able to support their grand visions. Pasarell boarded a plane to Cleveland to meet with IMG president Mark McCormack (see Exhibit 3 for his biography) at the company headquarters. Pasarell proposed a 50/50 ownership split with PM Sports and IMG for the new tournament venue if IMG helped to secure the necessary financing.

McCormack, an avid tennis fan, was more than willing to join into a partnership. He had developed a strong relationship with PM Sports after they combined the ATP and WTA sanctions many years before. With the strength of IMG behind them, PM Sports began to search for additional financing.

Fortune struck in the form of Swiss company International Sports and Leisure (ISL). In 1998, ISL was the largest sports marketing company in the world and

had decided to expand into the professional tennis circuit. The company was owned privately by the Dassler family, who founded and owned Adidas (see Exhibit 4 for more background on ISL). Moore knew that they could not say no to ISL's offer.

"ISL came in and formed a new entity in tennis called the Master's series. They took what they thought were the nine best tournaments in the world and persuaded us to pool ... our commercial rights, our sponsorship rights and our TV rights. For that, they would pay us a fee. Of course they were very protracted negotiations. You had nine different entities here. The Italians are very different from the Germans and the Germans are different from the French and the French are different from us. But finally, ISL put so much money on the table we couldn't turn it down."

The lucrative ISL deal gave the tournament approximately triple the money from their previous commercial rights agreement. PM Sports and IMG signed a ten-year pact with ISL worth \$11 million per year for five years, and then \$9 million per year for the final five years.

With these cash flows now secured, the search for financing became much easier. With the ISL deal guaranteeing future revenues, the Teachers Insurance and Annuity Association's College Retirement Equities Fund (TIAA-CREF), the largest teachers' union fund in the world, became the chief source of financing for the construction of the Indian Wells Tennis Garden.

However, the terms of the agreement were not the most favorable to PM Sports or IMG. The annual payments from ISL would be considered contractually obligated income (COI), and such were pledged as receivables to TIAA-CREF and put into an untouchable lockbox. The deal also stipulated that all income from the tournament was handed over to TIAA-CREF for the first two years of play in the new stadium.

Construction of the new venue began in 1998 and was completed in March of 2000 (see Exhibit 5 for more on the Tennis Garden). During that time, PM Sports and IMG purchased additional land around the construction site, bringing their total ownership to an expansive 189 acres. The Hyatt Grand Champion Tournament was renamed from the Newsweek Champions Cup to the TMS Indian Wells Tournament as the professionals finally hit the court at the Indian Wells Tennis Garden in 2000. With a maximum capacity of 16,100, the Tennis Garden became the second largest open-air tennis facility in the world. The tournament finally had a permanent location to call home. During the first two

years at the Indian Wells Tennis Garden, \$16 million in profit was contributed to the TIAA-CREF lockbox. PM Sports and IMG built it, and people came.

TROUBLE, AGAIN

However, the pattern of short-lived success continued for the tournament. PM Sports had overcome obstacles in the past, but nothing would prepare them for what was to come in 2001. That summer, ISL declared bankruptcy, sending shockwaves throughout the sports marketing world. After investing hundreds of millions of dollars into the FIFA World Cup, ISL was unable to maintain a positive cash flow from its operations. Sponsorships, TV contracts and commercial rights fees that ISL once owned now floated in uncertainty.

The team at Indian Wells began to think worst-case scenario: what would happen to their financing arrangement without ISL's guaranteed cash flows (\$11 million for that year and \$80 million over the remaining length of the deal)? The tragedy that occurred on September 11th, 2001 struck only a few short weeks after ISL declared bankruptcy. That day changed the world in unthinkable ways, and for the Indian Wells team, they had no sponsors, no media partners, and were now also facing one of the worst economic and social events in American history. Moore knew that the tournament was in real trouble.

"There wasn't a single company in US in the wake of 9/11 that would...like to sponsor a tennis tournament. No one was flying, we were less than six months out from our tennis tournament and we were in big trouble. 2002 was the first year we ran our tournament with almost zero sponsorship. We went from \$11 million to almost zero."

The tournament lost \$6 million in 2002 after generating significant profits in both 2000 and 2001. TIAA-CREF released the \$16 million back to the tournament, and this enabled PM Sports Management to pay their current debts. With the contractually obligated income from ISL no longer secured, TIAA foreclosed on the tournament. The first mortgage payment was a sum of \$50 million and was owed immediately. PM Sports Management did not have that kind of equity, but IMG did. Mark McCormack stepped up and saved the tournament, securing financing to cover the amount owed to TIAA.

In the subsequent two years the tournament's performance improved, but the financials remained in the red. And just when a break-even point was within striking distance, misfortune struck again. Mark McCormack, in good health, passed away unexpectedly

in May of 2003. PM Sports knew that their relationship with IMG would never be the same, as IMG was taken over by a board of trustees. No avid tennis fans, no lifelong relationships, and no one willing to step up and save the tournament. At the end of 2004, McCormack's family decided to sell IMG to Forstmann Little, led by well-known Wall Street maverick Ted Forstmann (see Exhibit 6 for his biography).

Forstmann Little borrowed \$750 million to buy IMG and immediately looked to cut ties with all underperforming assets. This quickly led them to the front door of PM Sports and Indian Wells, and Forstmann revealed his intentions to sell the tournament as quickly as possible. Moore knew that Forstmann was not to be reckoned with.

"Ted Forstmann was a bottom line CEO, relationships and history were inconsequential to him; all that mattered was the bottom line."

IMG WORLDWIDE INC. (IMG)

Mark McCormack, an American lawyer, an Army Veteran, and a successful amateur golfer, founded the International Management Group (IMG) in 1960 (For more on IMG, refer to Exhibit 7). McCormack's first client was Arnold Palmer, and Jack Nicklaus and Gary Player soon followed. IMG subsequently moved into the tennis world, signing then-17-year-old Bjorn Borg in 1974. McCormack's passion for golf and tennis guided IMG's strategy throughout the next few decades.

McCormack and IMG entered into a partnership agreement with PM Sports in 1992 by combining the WTA sanction that IMG owned with the ATP sanction that PM Sports owned. This partnership led to the creation of a combined tournament held annually at the Hyatt Grand Champions Resort. McCormack's relationship with PM Sports was born largely out of his love for the game of tennis and respect for Moore and Pasarell, and it only strengthened over time.

McCormack was arguably the key to the Indian Wells Tennis Garden deal coming together in 2000. Without IMG's influence, the financing necessary for construction never would have been secured.

"Charlie and I didn't have the balance sheet to support a \$77 million construction, and Mark McCormack did. He stepped up. So without Mark McCormack, this wouldn't have been here."

IMG was given a 50 percent equity stake in the Indian Wells Tennis Garden in exchange for securing the \$77 million in required financing. And after ISL declared bankruptcy in 2001, McCormack stepped in and saved

the tournament from complete collapse. With IMG's assets and reputation, he was able to secure bridge financing to help the tournament survive through a turbulent end to the 2001 year.

McCormack tragically passed away in 2003 at the age of 72, and IMG was sold to Forstmann Little in 2004. After McCormack's death, IMG was run by co-CEO's Bob Kain (see Exhibit 8 for his biography) and Alastair Johnston, who had a combined 60 years of experience at the company. Forstmann had built a reputation on Wall Street as a leveraged buyout expert – he bought struggling assets, stripped them down, and made them perform. Under his leadership, IMG experienced a radical culture shift that changed the company's relationship with PM Sports significantly. Gone were the days of Moore or Pasarell simply calling up McCormack to get a deal done. Gone was the passion for the sport of tennis from IMG's ownership, and with Forstmann came an unwavering focus on financial performance. Moore remembered one of his early meetings with Forstmann in which IMG's new owner told him to “never fall in love with the asset.” In this case, that asset was the tournament (the Pacific Life Open at this time).

Now every contract and financial detail had to pass through IMG's board of trustees. And because of this financial focus, underperforming assets under the IMG umbrella were targeted for disposal. One of the first assets Forstmann focused attention on was the Pacific Life Open. Although the tournament was improving in annual performance every year from 2001 to 2004, there were still trailing losses.

Forstmann found a buyer from Shanghai who was willing to offer \$44 million for the Pacific Life Open tournament sanction, and he signed a term sheet and sent it over to PM Sports, hoping Charlie Pasarell and Raymond Moore would do the same.

INTERNATIONAL SPORT AND LEISURE MARKETING AG (ISL)

Established in 1982 by Horst Dassler (son of Adidas founder Adi Dassler), International Sport and Leisure (ISL) entered the world of professional tennis in 1999. The Swiss-based sports marketing company signed an unprecedented 10-year, \$1.2 billion deal with the ATP. ISL invested significant money into several of the more prominent tennis tournaments, including Indian Wells. ISL's investment of \$100 million over 10 years helped PM Sports and IMG to secure financing for the construction of the new Tennis Garden. At that time, ISL was already working successfully with established and prestigious sports properties, including FIFA and the International Olympic Committee. ISL had revolutionized FIFA's

marketing business by connecting the property to global brands on an unprecedented level. For the Indian Wells tournament, ISL sold all sponsorships and handled all of the television and media rights in exchange for an annual payment of \$10 million.

Commenting on the ATP deal, ISL managing director Daniel Beauvois was optimistic.

“We know we will probably lose money in the first year. But we are confident we can make this event work. Some existing deals are precluding us from approaching new sponsors, but when these expire - in the coming year - we will be able to intensify our activities.”

However, just one year into the relationship, ISL stunned the ATP (and Indian Wells) by declaring bankruptcy. On the surface, the announcement was a surprise. How could the largest and most successful sports marketing company on the globe suddenly implode? Soon after, it was revealed that ISL had outstanding debts approaching \$300 million. They overreached with the ATP deal and this news left the professional tennis world reeling. Indian Wells was in trouble. They had used the ISL cash flows as collateral to secure the financing for the new facility.

To their credit, PM Sports and IMG were able to successfully recover from the ISL news, signing a three-year title sponsorship agreement with insurance company Pacific Life. According to Pasarell, the collapse of ISL made PM Sports smarter, tougher, and more motivated than ever to succeed.

THE ASSOCIATION OF TENNIS PROFESSIONALS (ATP)

Prior to 1968, many of the biggest worldwide tennis tournaments were available only to amateurs. Referred to as the Grand Slam events, these included the Australian Open, French Open, Wimbledon Championships and the US Open. Prize money didn't exist, and the only way for players to monetize their talents was by collecting appearance fees at exhibitions and other events.

Struggling to keep amateurs from turning professional and also from taking money under the table, the Wimbledon Championships announced they would become a professional tournament in 1968, ushering in the “Open Era.” This allowed professionals to play alongside amateurs in many previously restricted events and subsequently raised the caliber of competition and the earning potential of professional tennis players. In 1970, the Grand Prix was formed. This unified 27 major tournaments around the world into one circuit and used a cumulative scorekeeping

method to encourage participation in each tournament. It concluded in a bonus-earning championship round at the end of the year.

At this time, promoters represented professionals and most players were contracted to two tours: the National Tennis League or the World Championship Tennis. The entrance of the Open Era resulted in ferocious battles between promoters, preventing contracted players from competing in specified tournaments. In order to better represent the athlete voice, top professionals formed the Association of Tennis Professionals (ATP) in 1972. These players gained seats at the Men's Tennis Council (MTC) alongside tournament directors and representatives of the International Tennis Federation to administer the Grand Prix.

Jack Kramer and Cliff Drysdale led the organization of the ATP with a goal of improving the game for players, fans, and all stakeholders. They also worked to standardized discipline codes and prize money distribution. They debated the option of creating their own circuit, but without the financial security and confidence, they partnered with tournament directors and the International Tennis Federation (ITF) to form the Men's International Professional Tennis Council (MIPTC) in 1974.

For many years the Grand Prix operated with many other competing circuits, and the MIPTC guided the game to tremendous progress. But by 1986, players were unhappy. They were drained with the number of tournaments on the calendar, unhappy with how the game was being marketed, and frustrated by regularly seeing its three council representatives outvoted by a total of six ITF and tournament representatives. At the 1988 US Open, ATP CEO Hamilton Jordan held the now infamous "press conference in a parking lot" where he outlined the problems and opportunities facing men's tennis. With the support of over 85 of the top 100 ranked players, plans for the new ATP Tour began to develop.

By 1988, 24 players – including eight of the top ten – signed contracts to play the ATP Tour in 1990. At this same time, tournament directors voiced their support for the players and joined them. In what became a unique partnership in professional sports, they gained an equal voice in how the circuit is run. With this model, prize money, attendance, and revenues grew very quickly. In 1989, the ATP and tournament directors joined forces to organize the ATP Tour. The Tour established regulations that required all Championship Series events would have to be played in a permanent tennis facility.

The inaugural 1990 ATP Tour was sponsored by IBM and featured 76 tournaments in 28 countries. Prize money averages increased 50 percent year over year. The next year, the first packaged television rights deal for men's tennis was sold, and 19 tournaments were broadcast worldwide. In 1993, the Tour expanded to Doha and Dubai, and prize money averages increased an additional 23 percent. By 1998, professional men's tennis was broadcast to over 200 countries.

Along with a new logo, in 2000 the ATP Tour changed its name to simply ATP. In the same year, the ATP's nine premier events were integrated into the Tennis Masters Series – a move that proved highly profitable. In 2003, the ATP sanctioned 68 events that awarded over \$90 million in prize money to stars like Roger Federer, Andy Roddick, and Andre Agassi.

WOMEN'S TENNIS ASSOCIATION (WTA)

In the late 1960s, female tennis players earned just eight to 40 percent as much as their male counterparts at comparable tournaments. It didn't take long for a powerful faction of female players to unite and campaign for equality. In September 1970 – a full two years before the passage of Title IX in the United States – women's professional tennis was launched when nine players signed \$1 contracts to compete in the newly created Virginia Slims Series. The inaugural 1971 series included 19 tournaments (all based in the United States) with prize money totaling \$309,100. That year, Billie Jean King became the first female professional athlete to cross the six-figure earnings threshold.

Soon after, she founded the Women's Tennis Association (WTA) in 1973. That same year, the U.S. Open offered equal prize money to the men and women for the first time. The WTA signed its first television broadcast contract in 1975. Also in 1975, Colgate assumed sponsorship of the summer circuit from April to November. In 1979, Avon replaced Virginia Slims as the sponsor of the winter circuit and offered the largest prize fund for a single tournament in WTA tennis history – \$100,000. The Colgate Series (eventually renamed the Toyota Series in 1981) and the Avon Series merged in the 1983 season when Virginia Slims returned and purchased full sponsorship rights for WTA events. By this time, players like Martina Navratilova were earning more than \$1 million in a single year. A few years later, in 1990, Kraft General Foods replaced Virginia Slims as title sponsor, and the Tour's annual prize purse increased to \$23 million.

By 1991, Monica Seles became the second player to pass the \$2 million mark in season's earnings – out-earning the men's leading earner that year. After merging with

the Women's Tennis Council in 1995, the WTA as it is known today was formed. In 1999 – just 25 years after the WTA's inception – Steffi Graf retired with a record \$21.9 million in career prize winnings. 2001 proved to be another landmark year for the WTA when the Australian Open returned to equal prize money for men and women. Most recently, the 2003 WTA Tour included 59 sanctioned events that awarded over \$53 million in prize money to players like Venus and Serena Williams, Kim Clijsters, Justine Henin-Hardenne, and Jennifer Capriati.

Today the WTA administers sanctions for 54 events, four Grand Slams, and competes in 33 countries.

THE CITY OF INDIAN WELLS

Indian Wells is an event-driven destination located in the Southern California desert. The median age of the town's 3,816 permanent residents is 67 years old, and the city derives approximately 60 percent of its annual revenue from Transient and Occupancy Taxes. These event-driven cash flows allow for the redevelopment of infrastructure and enhancement of amenities for local residents. The Indian Wells tennis tournament contributes the greatest share of any event in the area, and the marketing, tourism, and financial benefits reach hotels, resorts, restaurants, retail operations, and other amenities and attractions throughout the entire Coachella Valley.

When the relationship between PM Sports and the City of Indian Wells formalized in 1999 (see Exhibit 9 for more), tournament and city officials combined resources and set out to achieve a shared goal: to turn Indian Wells into the world's ultimate tennis destination.

For more information on Coachella Valley demographics, refer to Exhibit 10.

THE PLAYERS TOURNAMENT

Pasarell's goal was always to have Indian Wells as the favorite stop on tour for the professionals. As a former professional himself, he knew the importance of providing world-class competition and amenities to attract the world's best. Linda Chaney, the Director of Players Services at Indian Wells, described the importance of making Indian Wells a 'players' tournament.'

"Some of the players were sleeping in their cars, including Andre Agassi. Charlie would see that and drawing from his prior experience, he wanted to put a program together above and beyond what anyone else does. So we created a complimentary

hospitality program. Today we give more tournament complimentary nights to a player than anybody else in the world."

Singles players in the main draw, male or female, were provided ten nights at an Indian Wells hotel – win or lose. Doubles players received five nights and players in the qualifying draw received two. If a qualifier made the main draw those two nights were converted to ten. As long as the player remained in the draw, they were provided housing. This policy started as goodwill but turned into a tremendous marketing tool as well. Many top players remained in Indian Wells after finishing playing to train at the Tennis Garden or to enjoy the rest of the tournament.

Amenities to players extended beyond just rooms for the players. The tournament provided a complementary car service that mimicked the hotel program, and for qualifiers or players without a car there exists a transportation committee that works from 6:30 am to midnight (and often beyond) providing transport. According to Chaney:

"We take them to dinner, to the grocery store, take them shopping, to the movies, dropping them off, picking them up... we're really here at their beck and call."

Even throughout the numerous crises that affected the tournament, PM Sports was committed to delivering the very best service to its important assets – the players.

CONCLUSION

Moore and Pasarell did not want to sell the tournament to Shanghai, but they knew that the \$44 million would solve the tournament's financial problems. The land that the Indian Wells Tennis Garden was situated on was incredibly valuable and could easily be rezoned for commercial use and sold for a significant profit. But they both had envisioned a future for the Tennis Garden as a multipurpose facility with tennis, concerts, arts, and other sporting events. And attendance for the tournament was growing (see Exhibit 11). But would that be enough? Without the tournament, professional tennis was done in Indian Wells. PM Sports Management owed \$39 million to bondholders, and the money from Shanghai would allow them to pay off all debts and collect a modest profit in the process. But this never was about money for either of them. Pasarell's vision had never wavered – he wanted to create the best tennis experience on the planet for both fans and players. California was by far the most popular location in the country for tennis participation

(see Exhibit 12), and PM Sports knew that attendance would continue to grow if they could continue to build a tournament that attracted the very best players.

The future of American tennis was at stake. If one of the most prominent and historic tennis tournaments in the country could be sold to an overseas buyer, what would it mean for other important stops on the ATP and WTA tours? Shanghai had caught the attention of both the ATP and WTA with their new state-of-the-art \$200 million tennis facility. Would the Coachella Valley and city of Indian Wells be able to continue to provide world-class amenities for its citizens without its key economic driver? And, perhaps most importantly – was PM Sports prepared to wage a ‘David versus Goliath’ battle with Ted Forstmann and IMG? Moore and Pasarell had the right to refuse the term sheet, but IMG had significant power and influence to “convince” them otherwise.

Exhibit 1—Charlie Pasarell



Charlie Pasarell. Courtesy: UCLA Athletics. Pasarell to be Enshrined in International Tennis Hall of Fame. Courtesy: UCLA Athletics Release: 07/11/2013

Charlie Pasarell is best known as the past tournament director, managing partner, and former owner of the BNP Paribas Open in Indian Wells, California, but his contributions as a tennis industry leader have spanned all levels of the sport and have been a driving force in the growth of the tennis for more than 40 years. Originally from San Juan, Puerto Rico, Pasarell has been a longtime resident of California. Pasarell's leadership activities were preceded by a successful playing career in which he achieved the No. 1 ranking in the United States in 1967. He was a member of the United States Davis Cup team for five years, including the championship team in 1968. Pasarell won 18 singles titles, including the U.S. National Indoor Championships in 1966 and 1967. He was the NCAA Singles and Doubles champion in 1966 as well, playing for UCLA.

A focus of Pasarell's tennis career has always been finding ways to utilize the game to give back to the community. At the height of his playing career, Pasarell partnered with Arthur Ashe and Sheridan Snyder to launch National Junior Tennis League. The goal of the organization was to have a positive impact on

at-risk children by introducing them to tennis to keep them off the streets and to encourage them to stay in school. Today, the program continues to be the largest grassroots tennis program in the United States, with more than 950 chapters.

In 1971, as tennis was in the pivotal transition to the Open Era, Pasarell and a group of his fellow players founded the ATP, with the goal of giving players a voice in the structuring the new professional game. Over the years, Pasarell has remained highly active in the leadership of the organization and the development of men's pro tennis. He served as an active board member in the critical early years, from 1971 - 1978. When the Men's International Professional Tennis Circuit became the ruling body of men's tennis from 1986-1990, Pasarell served as a tournament representative on the board. When the ATP World Tour began in 1990 Pasarell was once again elected by the tournaments to serve as their representative, and he was re-elected to the position every year for 20 consecutive years, until he retired in 2010.

In 1981, Pasarell took over as tournament director of the ATP World Tour event in the Coachella Valley of California. At the time, the event was struggling and in danger of being removed from the region. Under Pasarell's leadership, the event has grown to be the largest two-week combined ATP and WTA tennis tournament in the world and the most well-attended tennis event after the four Grand Slams. The tournament has grown from 30,000 attendees to more than 370,000, and the television broadcast has grown from reaching 25 million homes to more than one billion homes worldwide. The growth has necessitated new, state-of-the-art tennis facilities, taking the venue from a 7,500-seat stadium court to a 24-court, 54-acre complex including a 16,100-seat main stadium, seven smaller stadiums, and 44 luxury suites.

Exhibit 2—Raymond Moore



Born in 1946 in South Africa, Raymond Moore enjoyed a successful professional tennis career as a player, coach, and administrator before joining with Charlie Pasarell to form PM Sports Management. Known more for his doubles prowess as a player, Moore won eight doubles titles during his career and was a runner-up 12 times. He participated in 12 Davis Cups while representing South Africa, leading the nation to a title win in 1974. Prior to South Africa's win, the Davis Cup had been won by either Australia or the United States in every year since 1936.

Moore was a quarterfinalist at Wimbledon in 1968 and again at the U.S. Open in 1977. Ranked as the number one South African player for several years, Moore reached the rank of number eight singles player in the world in 1969. On September 23rd of that year, Moore snapped Rod Laver's 31-match winning streak, beating the Australian tennis great in the second round 7-5, 3-6,

6-2. At that time, Laver was the best tennis player in the world. Moore's aggressive playing style brought him victories over some of the world's top players, including Laver, Arthur Ashe, Bjorn Borg and Stan Smith. Moore and Ashe went on to become very close friends throughout their playing careers.

Moore worked tirelessly to put his tennis fame to good use during his time on the professional tour. As a South African, he grew up under apartheid rule. At the 1973 South African Open, Moore (who was not playing) made a point of sitting in a section previously reserved for blacks. That tournament was the first under apartheid rule to have integrated seating. Moore eventually quit the South African Davis Cup team in 1978 as a way to express his opposition to the apartheid. Moore was living in South Africa when Nelson Mandela was arrested and jailed, and he correctly predicted that Mandela would one day lead South Africa out of the apartheid.

After retiring from the professional tour, Moore coached the Swiss Davis Cup team in addition to coaching individual players. He also created a junior development tennis program for South Africa before turning his energy to the administration side of professional tennis. He also served as the ATP President from 1983 through 1985 and has spent many years on the ATP's Board of Directors. In 1986 Moore was elected Chairman of the MIPTC, the governing body of men's professional tennis, and served two terms.

Moore has been involved in the Indian Wells tournament for over 30 years, serving as both an owner and a managing partner.

Exhibit 3—Mark McCormack

OWNER, CHAIRMAN, AND CHIEF EXECUTIVE, IMG



Mark Hume McCormack was born Nov. 6, 1930, in Chicago. When he was six, he was hit by a car and fractured his skull, and his doctor barred him from contact sports. His father, a well-to-do publisher of a farm journal, introduced him to golf, and he played occasionally with his godfather, the poet and historian Carl Sandburg. In college, Mr. McCormack played in the United States Open, the United States Amateur and the British Amateur championships.

He earned a bachelor's degree in French from William and Mary in 1951 and a law degree from Yale in 1954. He served in the Army in 1955 and 1956 and was hired by a Cleveland law firm in 1957. In 1958, as a young Cleveland lawyer, Mr. McCormack began booking exhibitions for the golfer Gene Littler. Other professional golfers soon asked him to review endorsement contracts.

In 1960, he made a handshake deal with Palmer, whom he knew from college days when Mr. McCormack played for William and Mary and Palmer played for Wake Forest. With that, Mr. McCormack became a full-time athletes' representative. He soon added two other young golfers: Jack Nicklaus, who had just turned pro, and Gary Player of South Africa. "If they had all shot 80 from that moment on," Mr. McCormack said years later, "I wouldn't be sitting here today." Instead, they dominated golf for years, and McCormack's business grew.

Mr. McCormack emphasized IMG's broad horizons. "I am not an agent," he told *The Saturday Evening*

Post in 1968. "An agent is someone who books bands. I'm a manager, not only of people, but of things, of concepts, ideas."

His success with IMG led to criticism that he was a brutal competitor. Hughes Norton, an IMG executive, said: "We're I.B.M., the 1927 Yankees, whatever. Everybody hates us." Mr. McCormack shrugged off that image, saying, "We're a business without any competition, really."

Along the way, Mr. McCormack wrote books about business management and golf, including "What They Don't Teach You at Harvard Business School" (Bantam, 1984), which sold more than a million hardback copies worldwide.

His workload never diminished. He arose at 4:30 in the morning and immediately started to work. He did not use computers or e-mail, instead keeping his daily schedule and notes on a yellow legal pad. He traveled extensively around the world for business meetings and maintained six homes, the main one in Orlando, Fla., in the same gated community in which Woods lives.

Business Age said in 1994: "McCormack invented the sports business. It was he who first realized that, within the golden triangle of sport, sponsorship, and television, lay vast wealth just waiting to be tapped." It was said that "without his ruthlessness and marketing skills," his clients "would be a great deal poorer."

In 2002, *Forbes* listed Mr. McCormack as the 209th richest American, estimating his worth at \$1 billion. *Golf* magazine called him "the most powerful man in golf." *Tennis* magazine said he was "the most powerful man in tennis." *Sports Illustrated* cited him as "the most powerful man in sports." And *The Times of London* wrote that he was "one of the 1000 people who have most influenced the 20th century."

McCormack suffered a heart attack on January 16, 2003. He passed away in New York on May 16, 2003 at the age of 72.

Exhibit 4—International Sport and Leisure Marketing AG (ISL)



Horst Dassler

In the early 1970s, former adidas CEO Horst Dassler watched a Wimbledon final between Ilie Nastase and Stan Smith. There was huge interest in the match and it was broadcast to people all over the world. Dassler had a thought: Why not capitalize on the attention and sell the empty space on the shirts to the company willing to pay the highest price? This idea would help Dassler and his partner Patrick Nally revolutionize the financial foundation of international sports.

Dassler founded ISL in 1982 to develop international sports marketing programs on the same basis as the relations that already existed with the International Football Federation (FIFA). The company became involved with the International Olympic Committee (IOC) with whom it created The Olympic Program (TOP). ISL employed around 160 people all over the world including at the Lucerne headquarters and offices in Tokyo, London, Barcelona, Paris, Atlanta, and Stamford. In the 1980s and 1990s, ISL was the most influential sports marketing agency in the world, and it made billions of dollars thanks to its monopoly of commercial rights. As the new millennium approached, ISL faced increased competition. More companies wanted a larger piece of the pie, and the international sports federations that ISL represented began hiring internal marketing experts to take charge of their own business operations and reduce expenses.

As a result, ISL lost the Olympic Games in 1995. To maintain its market position, ISL began buying billions of dollars in TV rights in a variety of sports across the world. This massive rights-grab culminated in 1999 with the largest ever marketing and television contract in tennis with the Association of Tennis Professionals (ATP) – a deal worth \$1.2B over 10 years.

These television deals had the potential to generate enormous returns for ISL, but the high price tags left the company without enough liquid assets to make guaranteed payments. In other words, ISL over-extended, and they were broke. The immediate cause of ISL's liquidity crisis was the ATP contract. Contrary to expectations, it was difficult to sell television rights for the nine Masters tournaments on the European market. In 1999, ISL Worldwide managing director Daniel Beauvois admitted, "We know we will probably lose money in the first year. But we are confident we can make this event work. Some existing deals are precluding us from approaching new sponsors, but when these expire in the coming year, we will be able to intensify our activities." Despite this outward-facing optimism, insiders estimated that ISL would lose between \$50M to \$70M in the first year of the deal alone. In January 2001, ISL came clean with the ATP and admitted that it could not pay what it owed.

FIFA had a great interest in seeing ISL through its financial crisis, and the organization put itself at implicit risk by lending ISL money guaranteed in the individual sponsor contracts to the World Cup. To buy itself time, ISL raised \$66M by selling their marketing rights to the 2002 and 2006 World Cups to a self-created company called ISL Football AG. Though creative, the tactic was not enough to keep ISL afloat. On the brink of bankruptcy in April 2001, ISL asked courts for three-months respite arguing that an unnamed investor was ready with a bailout package as a last-second save. The unnamed investor appeared to be the French Vivendi-group. However, after a close reading of its accounts, Vivendi declined ISL's offer. Finally, on May 21, 2001, ISL was declared bankrupt with a debt of \$300M.

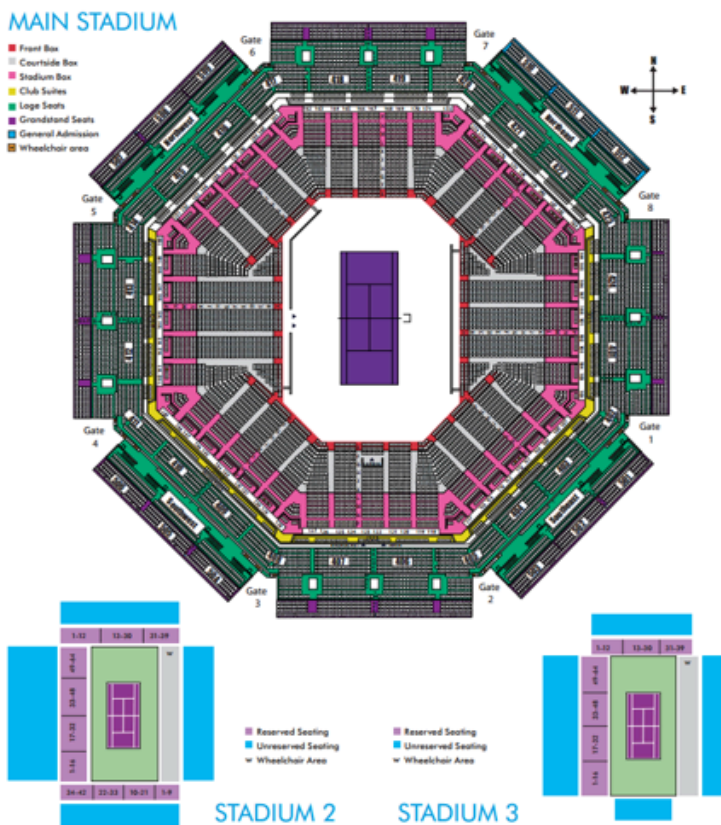
Since the bankruptcy, ISL's former partners, including FIFA, have come under investigation for accepting millions of dollars in illegal payments in exchange for the guaranteed delivery of marketing and sponsorship rights to ISL.

THE TOP PROGRAM

The TOP program was conceived after the 1984 Olympic Games in Los Angeles (which were the first commercially and financially successful Games) as a response to growing concern over a number of factors affecting the Olympic Movement. There was a need to ensure financial stability and independence, a need to diversify revenue streams (which, at the time came almost exclusively from television rights), the need for balanced distribution of revenue within the Movement, and the need to control the use of Olympic symbols and prevent uncontrolled commercialization of the Games. The Commission for New Sources of Financing was created in 1983, and two years later the TOP program was launched.

ISL was integral in identifying the Olympics' five-ring symbol as the most powerful visible symbol in the world of sports. ISL envisioned a worldwide sponsorship program (known today as The Olympic Partners Program) involving various multinational corporations. The TOP program increased Olympic sponsorship revenues dramatically and brought greater value and protection for official partners.

Exhibit 5—Indian Wells Tennis Garden



Clark Construction completed the 352,000 square-foot Tennis Garden in 2000. It contains 16,100 seats, 60 suites, and space for up to 4,000 additional temporary suites. Its main features include three levels of seating, 12 broadcast booths, a 108-seat pressroom, an interview room, a dining room, a lounge, locker rooms, and a box office.

Source: https://tickets.bnpparibasopen.com/images/2013_stadium_map.pdf

Exhibit 6—Teddy Forstmann



Theodore Forstmann was born in Greenwich, Connecticut in 1940. His father inherited Forstmann Woolen Co. from his own father (who was one of the world's richest men). However, the wool business would go bankrupt by 1958. Forstmann played goalie on the ice hockey team at Yale University during his undergraduate years, and he would later earn a juris doctorate from Columbia Law School (which he financed through gambling proceeds). He was a prosecutor, but quickly realized his passion and ability for the game of leveraged buyouts.

Mr. Forstmann founded Forstmann Little in 1978 with his younger brother, Nicholas, and Brian Little. Under Forstmann's leadership, Forstmann Little & Co. made 31 acquisitions and significant investments that returned more than \$15B of profits to investors. In addition to IMG, some of the firm's investments include Gulfstream Aerospace, Dr. Pepper, The Topps Co., Stanadyne Corp., Community Health Systems, Ziff Davis, Yankee Candle, General Instrument Corporation, Citadel Broadcasting, and 24 Hour Fitness.

While playing golf in the late 1980s, Forstmann inadvertently coined the term for which he became best known. His golf partner asked what it meant for a company to be taken over by a buyout firm. "It means the barbarians are at the gates," replied Forstmann. The term became part of Wall Street lore and was connected inseparably to the private equity industry that Forstmann pioneered and flourished in. Forstmann had an eye for "the deal" but is also well read, a great athlete, and a committed philanthropist. In addition to supporting education and youth-oriented initiatives, he donated millions to the Republican Party.

Exhibit 7—IMG Worldwide Inc. (IMG)



IMG Worldwide (previously International Management Group) was built from the ground up by Mark McCormack. Today, IMG is the world's largest sports talent and marketing agency. In 2002, the consisted of over 2000 employees in 85 offices throughout 35 countries. IMG's individual clients include Tiger Woods, Peyton Manning, Venus Williams, and Martina Navratilova. IMG also represents corporate clients and offers a variety of related services with divisions devoted to collegiate sports marketing, sports programing production and distribution, consumer products licensing, and sponsorship and media consulting (IMG Consulting).

IMG is credited with having invented the field of sports management. While representing VIP clients may be how IMG gained its own fame, the company is involved in several other aspects of sports promotion. It provides many of its clients with venues in which to compete by managing sports events through it IMG Events and Federations. And when athletes need training, they can take advantage of IMG's various sports training and education operations, offered via IMG Academies. The company continues to expand internationally, organizing basketball, baseball, golf, and rugby events across Asia, Australia, and Europe. It is also looking to crack the China and India media markets.

HISTORY

When McCormack, a former amateur golfer, went to Yale Law School in the 1950s, he didn't desert golf entirely. In his free time he set up paid exhibitions for pro golfers he knew from his days on the links, and, in 1960, one of these players asked McCormack to manage his finances so he could concentrate on his game. That player was Arnold Palmer. McCormack went above and beyond the call of duty by signing Palmer to endorsement deals and licensing his name and image. In just two years, Palmer's annual income skyrocketed from \$60,000 to more than \$500,000. This fiscal triumph became the bedrock of IMG's business.

Throughout the early and mid-1960s, IMG signed up more big-name golfers and stars from other sports including Jackie Stewart (auto racing) and Jean-Claude Killy (skiing).

The addition of foreign stars such as Stewart (Scotland), Killy (France), and Gary Player (South Africa) allowed IMG access to global markets. In the late 1960s, as television began to bring sports and its stars into living rooms around the world, IMG used its clients to promote products and services internationally. In 1967, McCormack created a new division of IMG – a TV production company that filmed and distributed sporting events called Trans World International (TWI). The next year, IMG signed a contract with Wimbledon's organizers to coordinate video and television licensing.

IMG's entrepreneurial spirit came to the forefront with a vengeance in the 1980s. In addition to managing athletes, sporting events, and sponsors, the company began to skip the middleman and create the sports itself. IMG debuted the Skins Game in 1983 (a golf invitational featuring four of the sport's top athletes playing for high stakes). IMG also created Saturday afternoon sports staples such as The Battle of the Network Stars that featured sports or TV stars competing in a series of events such as the tug-o-war and obstacle courses.

By the 1990s, McCormack had situated IMG to take advantage of almost every aspect of televised sports events. Typically, an IMG event involved working with the athletes, the sponsors, and the television distribution rights. The company continued to expand its clientele beyond sports adding names such as musician Placido Domingo. By 1997, IMG also counted the Rock and Roll Hall of Fame, the Americas Cup, and the Mayo Clinic as clients.

IMG teamed up with Chase Capital Partners (now J.P. Morgan Partners) in 1998 to form IMG/Chase Sports Capital, a private equity fund expected to raise some \$200 million to invest in the sports industry. The next year, IMG demonstrated a well-honed knack for capitalizing on its clients appeal by staging a televised golf match between clients Tiger Woods and David Duval – and again in 2000 between Woods and Sergio Garcia. Also that year, IMG tried to create a new cable network between TWI and the New York Yankees, but the New York Supreme Court blocked the deal, saying

it violated the Yankees current deal with the MSG Network.

Mark McCormack passed away in 2003 at the age of 72. He was replaced by two company executives, Bob Kain and Alastair Johnson, who began a corporate restructuring. As a result, IMG sold of real estate (including buildings in New York and Sydney, Australia) and discontinued its Artists Division. In 2004, IMG was acquired by investment firm Forstmann Little & Co. for \$750M.

Exhibit 8—Bob Kain



Bob Kain graduated from University of Virginia in 1971 where he was a four-year letterman in tennis. Shortly thereafter, he began a career in the tennis management and event business. In 1976 he was hired by IMG to be a tennis agent and proceeded to build IMG's tennis business. Men clients included Laver, Borg, McEnroe, Lendl, Sampras, Agassi, Federer, and Nadal. Women clients included King, Evert, Navratilova, Goolagong, Seles, Capriati, the Williams sisters and Sharapova.

IMG also represented Wimbledon, U.S. Open, Australian Open, and French Open. Additionally, IMG owned the two biggest tournaments in the world outside the

Grand Slams (Miami and Indian Wells) and many more.

In 1984, Kain created and built IMG's figure skating business. Clients included Scott Hamilton, Kristi Yamaguchi, Dorothy Hamill, Peggy Fleming, and Torvill and Dean. Along with Scott Hamilton, Kain co-created Stars on Ice, the most prestigious skating tour in the world. It is currently in its 27th season of touring in the US, Canada, and Japan. IMG also produced numerous network television skating events and represented the International Skating Union.

In 1987, Kain engineered the purchase of the 27-acre Nick Bollettieri Tennis Academy. He was Chairman of IMG's Academy business and oversaw the development of the tennis academy into the 280-acre IMG Academies—home to over 800 full-time elite student athletes from over 40 countries. The sports include tennis (Bollettieri), golf (David Leadbetter Jr. Golf Academy), soccer, baseball and basketball. It is the largest elite sports training academy in the world.

Kain also oversaw the building of IMG Fashion, the #1 model agency and fashion event promoter in the world. Kain became President and COO of IMG North and South America in the 90's. In 2003, the Founder, Chairman and CEO of IMG, Mark McCormack, passed away and Kain became President and co-CEO.

Exhibit 9—Indian Wells City Agreement

NAMING RIGHTS

October 29, 1998 Sponsorship Agreement with all 9 amendments

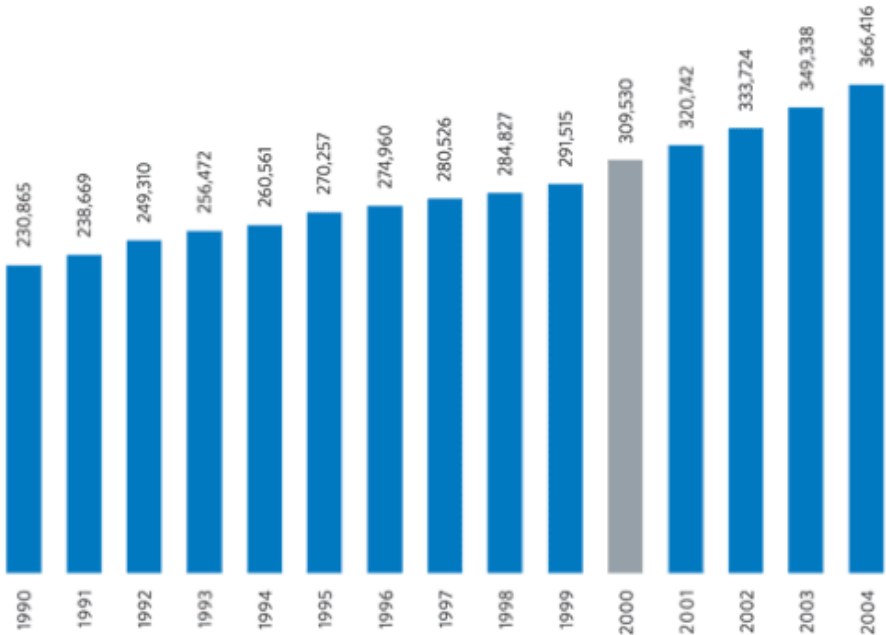
- 1. Sponsorship:** City shall be a sponsor of tennis facility and tournament
“Sponsorship fee” changed to “Naming Rights Fee” and “Tennis Entities” changed to “Desert Champions” (Third amendment)

 - 2. Term of Agreement:**
 - 2.1** Initial Term: Conclude on December 31, 2012 unless terminated sooner in accordance with the terms hereof (Second amendment)
 - 2.2** Extension of Term:
 - (a) Automatic 10 year period extension unless tennis entities notified by city in writing before (Second amendment) (Nov 15, 11 letter) (Feb 17, 12 letter) (Feb 27, 12 letter) June 30, 2012 (April 2, 12 letter) that city elects not to extend term;
Automatic 10 year period extension unless tennis entities notified by city in writing before January 1, 2022 (Second amendment) that city elects not to extend term
City gives courtesy notice accepting automatic renewal for first extension term (June 22, 2012 letter)
 - (b) City may exercise its rights in respect to second extension term only if it's exercised its rights in respect to first extension term
-
- 3. Naming Rights Fee:** Inducement to construct/operate one or more hotels on land, Naming Rights fee will increase for first and second extension terms. Increases based on aggregate number of hotel rooms.
 - 3.1** Payments:
 - (a) Initial term - \$2,500,000;
 - (b) First extension term - \$2,500,000; increase of \$250,000 if land annexed by City and if there are 350 qualifying hotel rooms
 - (c) Second extension term - \$2,500,000; increase of \$250,000 if land annexed by City and if there are 350 qualifying hotel rooms; increase another \$250,000 if land annexed by City and if there are 500 qualifying hotel rooms
 - (d) Calculation - Multiplying scheduled increase applicable to that number of qualifying hotel rooms by a fraction whose numerator is the number of tournaments remaining to be conducted during that extension term and whose denominator is 10. Example: $\$250,000 \times 8/10 = \$200,000$
 - (e) Naming Rights fee paid in US dollars directly to tennis entities.

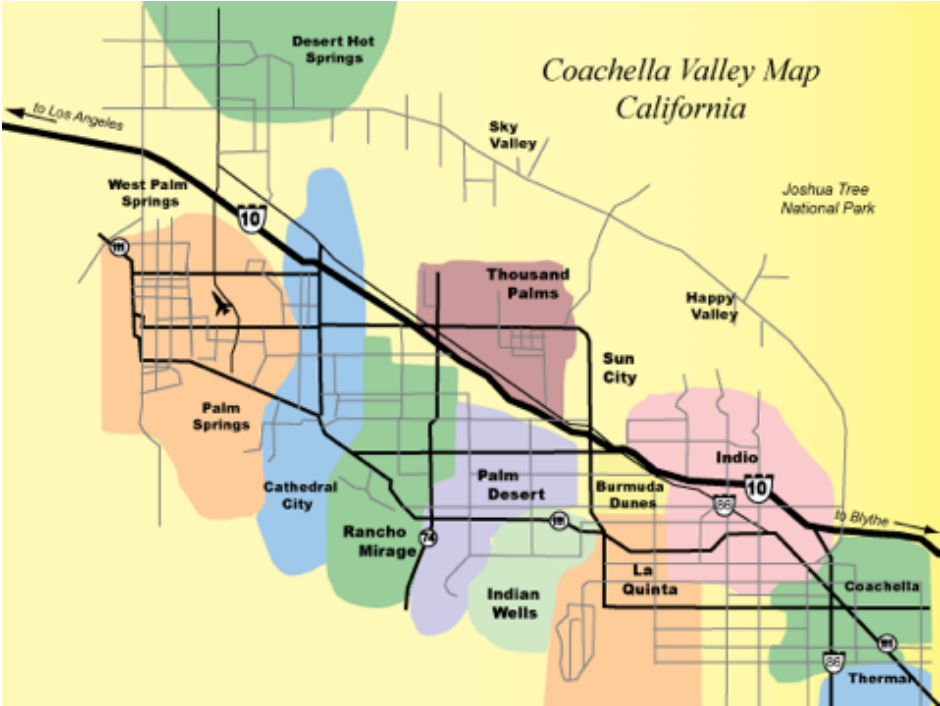
- (f) For first and second extension term, naming rights fee shall be subject to the amount of admission tax received by City for events during the last year of the immediately preceding term. For each extension term
- (i) if City received admission tax equal or greater than \$1,000,000 (targeted admission tax) during the last year of the immediately preceding term, no adjustments shall be made as provided in section 3.1.(b) and (c)
 - (ii) if City received admission tax less than targeted admission tax during the last year of the immediately preceding term, the naming rights fee shall be adjusted accordingly and calculated based upon the percentage of targeted admission tax received by City.

Example: First extension term, if City received 70% of targeted admission tax during last year of initial term there is no increase to the base naming rights fee of \$2,500,000 in respect of qualifying hotel rooms, City shall pay a naming rights fee of \$1,750,000 ($\$2,500,000 \times 70\%$) For second extension term, if City receives 80% of targeted admission tax during last year of first extension term and there are 500 qualifying hotel rooms, City shall pay a naming rights fee of \$2,400,000 ($\$2,500,000 + 500,000 \times 80\%$) (Third amendment)

Exhibit 10—Coachella Valley Population Data



Source: California Department of Finance, 2010



Source: http://www.sandpiperrealestate.com/briefcase/87820_1082010122247PM95617.gif

Exhibit 11—Tournament Attendance Numbers

Data received from tournament executives

TOURNAMENT ATTENDANCE HISTORY

**Select Tournament Sessions Rained-Out*

2004	267,834
2003	209,905*
2002	213,792
2001	207,476
2000	187,431
1999	151,477
1998	148,960
1997	142,957
1996	140,890
1995	125,143 (men)
	38,025 (women)
1994	103,057 (men)
	35,398 (women)
1993	71,480 (men)
	35,067 (women)
1992	64,369* (men)
	38,927 (women)

Exhibit 12—Tennis Participation in US

All data and figures taken from the Sports Business Research Network (<http://www.sbrnet.com/>)

TENNIS: PARTICIPATION BY GEOGRAPHIC REGION (% OF PART)

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
New England (5.1% of U.S. Pop.)	5.7	5.5	4.4	5.3	3.7	4.7	5.5	5.8	2.5	9.1	3.3	8.6
Middle Atlantic (14.0% of U.S. Pop.)	18	13.6	18	15.4	15.1	13.8	17.1	17.5	16	13.3	11.5	14.2
East North Central (16.5% of U.S. Pop.)	17.3	17.8	15	16.3	16	14.9	15.5	17.4	16.5	11.9	21.2	14.5
West North Central (7.1% of U.S. Pop.)	6.3	5.4	6.6	6.4	8.1	6.1	6.4	6.8	7.3	5.7	6.4	9
South Atlantic (18.8% of U.S. Pop.)	19.1	18.3	20.1	22.7	22	19.8	18.3	16.2	21.7	20	21.5	19.8
East South Central (6.2% of U.S. Pop.)	5.4	5.6	4.2	6.3	5.7	5.6	5.5	5.7	3.1	4.6	7.5	2.3
West South Central (11.1% of U.S. Pop.)	10.1	10.1	9.2	10.2	8.6	8.8	9.8	10	10.5	12.9	8	9.1
Mountain (6.3% of U.S. Pop.)	5.5	6	5.7	4.7	4.9	5.5	4.9	4.2	6.2	6.5	4	8.7
Pacific (14.9% of U.S. Pop.)	12.5	17.7	16.9	12.7	15.8	20.8	17	16.6	16.2	16	16.5	13.7
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100
Base (participants in mil.)	14.2	11.6	12.6	11.5	11.1	11.2	10.9	10	10.9	11	9.6	9.6

TENNIS: PARTICIPATION BY TOTAL AGE GROUP (% OF PART)

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
7-11 (8.5% of U.S. Pop.)	7.1	8.1	9.2	10.4	9.2	10.7	10.5	8.5	6.7	8.9	10.4	9.7
12-17 (9.9% of U.S. Pop.)	17.4	18	17.9	18.1	15.9	17.9	19.8	16.2	18	18.7	21.5	23.4
18-24 (11.0% of U.S. Pop.)	23.8	18.6	19.7	18.8	15.6	18.5	18.5	18.4	13.6	16	12.1	13.6
25-34 (15.4% of U.S. Pop.)	21.7	22.9	21.6	22.9	23.3	19.8	18.9	18.4	20.7	16.6	24.2	15.1
35-44 (18.2% of U.S. Pop.)	16.6	14.9	16.7	16.5	19.4	17.6	15.7	17.8	19.8	18.4	16.8	16.7
45-54 (14.6% of U.S. Pop.)	7.7	10.1	8.5	7.4	9.8	8.4	9.9	8.3	11.2	12.5	7.1	12.6
55-64 (9.3% of U.S. Pop.)	3.9	4.1	4.1	2.8	4	3.3	4.2	7.7	4.9	4.1	4.5	5.3
65-74 (7.1% of U.S. Pop.)	1.9*	3.3*	2	2.2	1.9	2.2	1.8	3.3	3.3	2.1	2.5	1.6
75+ (6.0% of U.S. Pop.)	N/A	N/A	0.2	0.9	0.7	1.5	0.7	1.6	1.9	2.7	0.9	2
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100
Base (participants in mil.)	14.2	11.6	12.6	11.5	11.1	11.2	10.9	10	10.9	11	9.6	9.6

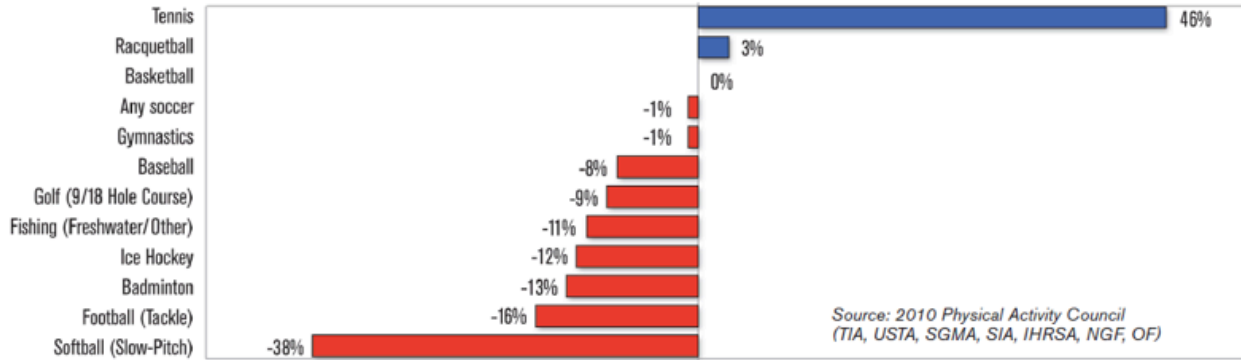
TENNIS: PARTICIPATION BY HOUSEHOLD INCOME (% OF PART)

ITEM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Under \$15,000 (17.0% of U.S. Pop.)	11.8	10.8	11.2	9.2	9	5.7	7.9	7.5	6.4	5.5	2.2	5.7
\$15,000-\$24,999 (13.2% of U.S. Pop.)	9.8	12.9	11.9	10.6	5.9	10.3	7	6.8	7.3	5.6	7	8.1
\$25,000-\$34,999 (13.4% of U.S. Pop.)	12.3	9.1	10.6	12.9	10.8	10.4	11.2	10.9	8.3	5.4	4.6	8.2
\$35,000-\$49,999 (16.0% of U.S. Pop.)	18.2	17	16.3	21.1	16	17	15.1	17.1	13.4	14.5	13.7	11.5
\$50,000-\$74,999 (19.0% of U.S. Pop.)	26.5	29.8	25.5	23.7	21.6	26.5	26.2	25.8	22	19.7	24.3	16.9
\$75,000+ (21.4% of U.S. Pop.)	21.4	20.4	24.4	22.6	36.6	30.2	32.7	31.9	42.6	49.3	48.2	49.6
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100
Base (participants in mil.)	14.2	11.6	12.6	11.5	11.1	11.2	10.9	10	10.9	11	9.6	9.6

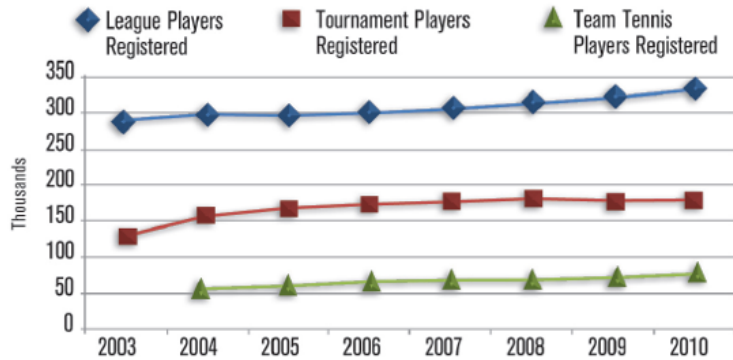
Exhibit 13—The Tennis Marketplace

Source: 2010 Tennis Industry Association: State of the Industry Report

Tennis is the Fastest Growing Traditional Sport 2000-2010



Numbers of Players playing in USTA League Programs, Tournaments and Team Tennis Programs



Tennis Participation (Millions) by Play Frequency

