NOLA + Krause House
Make the Pelicans a Fan Controlled Team

GOALS

1. Keep the team in New Orleans
2. Lead the league in revenue
3. Create the most passionate fanbase in all of sports
4. Empower New Orleans with regenerative patronage

WHAT'S THE REALITY OF THE PELICANS BUSINESS?

In 2019, The Pelicans set their franchise's record for revenue capturing $224 million but were ranked 27th in the NBA in terms of home revenue (source). In 2021, the team only generated $181 million which was good for second to last place behind Indiana earning $179 million (source). New Orleans is a particularly tough market with the second smallest market size with a local population of 1 million. The region's economy faces many challenges as Louisiana has the second most poverty and 4th lowest income in America (source). Due to the hardship of the economy, Louisiana has been contracting in population since 2016 (source). Not to beat a dead horse but on an expanded set of criteria (healthcare, education, crime, etc) US News ranked Louisiana as the least desirable State in America (source).

The Pelicans generate the second lowest revenues in the Association but that's highly corollary to their market and the interest which can be generated from it. When measuring fan engagement across all NBA teams using factors such as attendance, social media activity and internet intent, analysis found the Pelicans to have the lowest engagement in the league. Due to the challenges with the size of the fanbase, the contracting population and financial hardship of the city, finding ways to improve the financial health of the franchise will always be an exceptional challenge.

FAN OWNERSHIP

The key to creating a successful franchise is to extend an open invitation to the 2 billion basketball fans across the planet is to make the Pelicans *the Internet's Hometeam*.

The blueprint for a globally loved team can be found in the world's most popular sport, soccer. Several examples of 'fan controlled teams' exist and outperform traditional ownership models in terms of success on and off the field:

- Winning Championships: UEFA Champions League (best teams in Europe) is dominated by fan-controlled teams who have won 41% of the championships (28 of 67 titles).

- Value Creation: Three of the five [most valuable soccer teams] in the world are fan controlled; 1. Real Madrid 2. FC Barcelona 5. Bayern Munich

A fan controlled team creates the opportunity for fans to purchase a yearly membership which entitles them to governance power and perks like preferred access to tickets and experiences. As sports teams can be resource intensive on the public sector, this governance model strikes a balance between owners and their team's community. To prevent teams from extracting too much value from the public, Germany instituted the '50+1' rule as a law which requires that fans hold a majority of the voting rights for professional soccer teams. German teams maintain exceptional grassroots support as members have a democratic bond with their team and can enforce accountability by voting for the team president and budget. This keeps the interests of fans relatively grounded; highly engaged fan owners see themselves as participants and stakeholders, not consumers.

Prominent Fan Controlled Teams in 2022

	PELICANS	REAL MADRID	FC BARCELONA	BAYERN MUNICH	BVB
VALUATION	$1.5B	$5.1B	$5B	$4.2B	$1.8B
REVENUE	$181M	$761M	$692M	$726M	$402M
OPERATING INCOME	$24M	$90M	-$17M	$102M	$20M
# OF MEMBERS	tbd	100,000+	223,000	293,000	154,000
MEMBERSHIP COST	$25 + $10/vote	€149 local / €35 international	€195	€60	€62
GOVERNANCE	20+ decisions	Team President Budget	Team President Budget	Team President Budget	Team President Budget Uniforms

FAN OWNERSHIP IN NOLA

We propose the New Orleans Pelicans transition to a fan controlled team where governance is 50% held by private owners and 50% plus 1 additional vote is owned by a membership of engaged fans. This means the team is structurally beholden to their supporters and will accomplish the #1 goal of keeping the team in the city while also attracting great financial and socio economic benefits to the region.

Our fan ownership proposal takes the 50+1 model that is already thriving in terms of community support & financial performance and offers some meaningful improvements:

- Debt: FC Barcelona is the second most valuable soccer team in the world but has run up billion dollar debts that strains ownership in a league without a salary cap. Debt is the critical weakness of existing fan owned teams. In the NBA where teams are often profitable, an agreement should be made by the private ownership group to be the only party that can take on debts from player expenses so that the team is able to pursue their full potential every year. Infrastructure improvements would be an acceptable form of debt as long as financing improvements are approved by the fans.

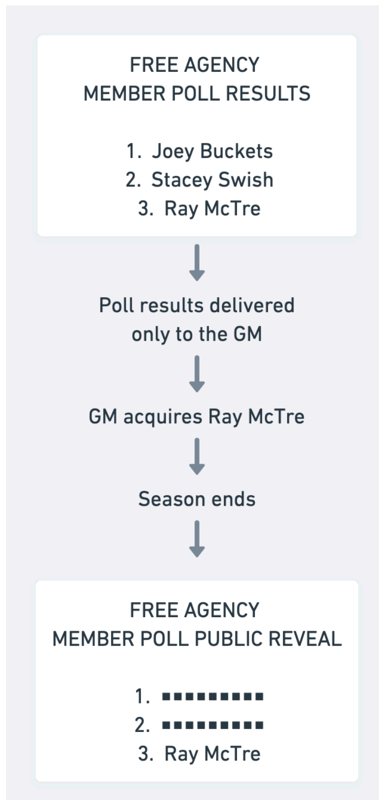
- Voting Power: Is attained by creating positive contributions to the team or community.

    - Membership = $25/year (includes 1 vote)
      *Required to participate in governance
    - Purchasing team governance votes = $10 per vote
    - Buying team goods = 25% of spending converts to voting tokens (spend $40 to earn 1 vote)
    - Attending a homegame = 1 vote per month
      *Going to 1 game in December = 1 vote. Attending 4 games in December = 1 vote
      *All fans are equal. A vote is equally earned by sitting courtside or in the upper deck
    - Volunteering for a local charity = 10 votes per hour contributed
    - Working on a public goods project = 5 votes per hour contributed

- Member Governance: Meaningful decisions to vote on will create a deeper connection between fans and the team.

    - Team Governance - 3 year terms
        - President
        - GM
        - Coach
        - President of Non-basketball Operations
    - Budget
        - Team salary
        - Operational expenses
        - Capital investments
        - Ticket prices
    - Brand
        - Uniforms
        - Brand updates

- Member Polls: Official polls conducted serve as a guide to management and the full tallied results will only be shared with the General Manager. The GM is free to act as they see fit and can use Member Polls as a barometer for gauging the interest of the fanbase. At the end of the season, all poll results will be redacted except for real world outcomes of the players impacted with the team which overlapped with member voting. For example, in the Free Agent Poll, members express everyone they'd like to be acquired but the GM acquired just the third most popular option. Here, the poll only reveals that the third preference was chosen and no one will know who the first and second choices were. Releasing some information discloses how closely the GM acts in connection with the intentions of the teams fanbase without revealing the full tally.



Life cycle of a Member Poll

    - Player Acquisition Polls
        - Draft
        - Undrafted free agents
        - Summer league roster
        - International pool
        - Off-season free agents
        - Trade candidates
        - Trade deadline
    - Roster Polls
        - Off-season roster cuts
        - In-season roster cuts

        - Trade deadline trade candidates
        - Contract extensions (no disclosure)
    - Season Awards
        - MVP
        - Best defensive player
        - Greatest impact in the community
        - Play of the year
        - Performance of the year
        - Turning point
        - Surprising performer / future star
        - Personal favorite (full disclosure)

- Member Benefits: Fans will be recognized for their contributions by unlocking exclusive access, discounts, rewards and reputation.

    Community: Membership gated online community

    Election Parties: Grand scale live and online event to celebrate the year to come

    Team Rewards: Reduced price tickets, preferential access to tickets, discounted concessions and merchandise, drawings for authentic game memorabilia.

    Content: Exclusive team access, game breakdowns, pregame prediction games, postgame streams with the team

    Member Gated Commerce: Exclusive access to merchandise, collaborations, limited drops and early access to new releases.

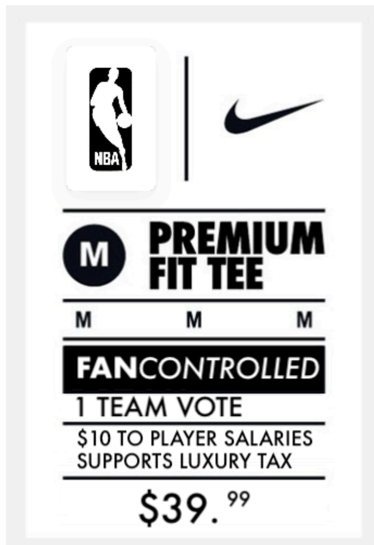
    Local Loyalty: Loyalty network with no costs or overhead for local businesses. Members will value being recognized and direct their spending to mission aligned local businesses.

    Fitness: Player and team guided online instructions for nutrition, physical health, mental health and of course basketball training.

    NFT Game Souvenirs: Game moments captured from the fans perspective. Cameras are placed in each seating section and record 1 key play. Fans can mint the highlight of the game using their ticket and the NFT will be rendered according to the perspective the fan witnessed it from.

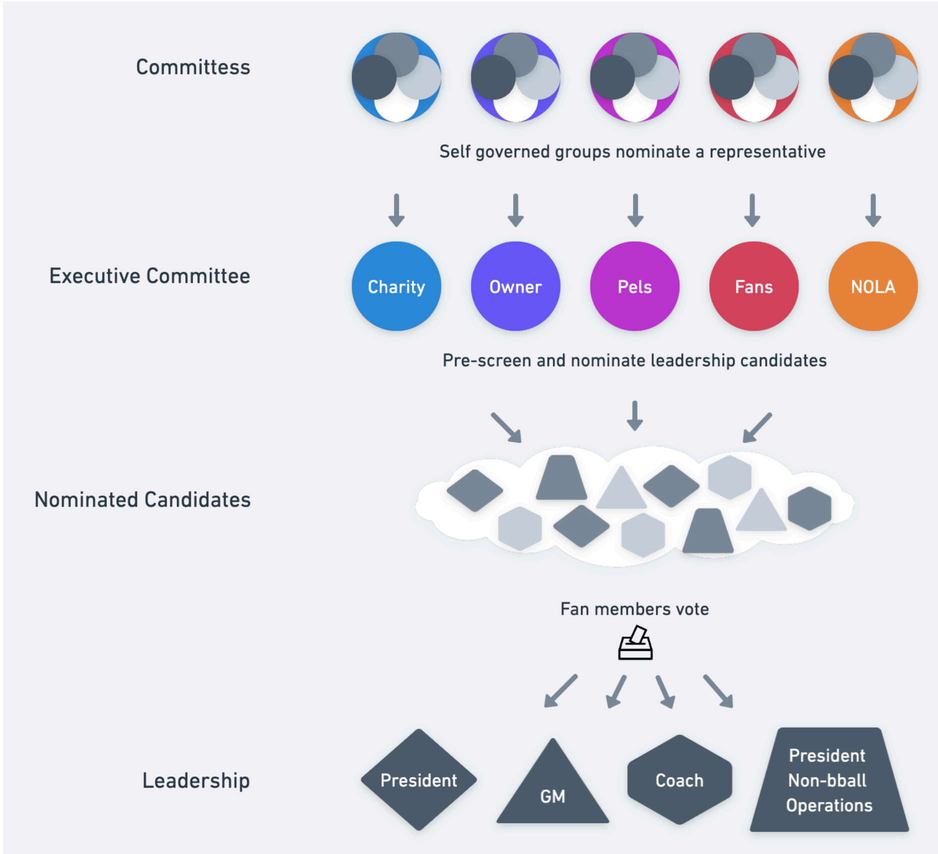
- Retail Support: All fans can see how their spending impacts the team. The yearly budget will determine how much revenue is needed to pay for the player salaries and if the team can afford to spend over the salary cap. Under a retail disclosure program, goods and services sold by the team will detail the portion of each sale which counts towards player salaries. On product sales tags, a dollar figure for salary contributions will be proudly displayed. When a fan considers purchasing a team hat, they'll understand spending $32 contributes $8 towards player salaries. Fans can now connect every purchase with the pursuit of a championship. As sales occur a public tally indicates if revenues are strong enough to acquire additional talent. A running tally can rally the fans to make a purchase at a key time when the team's budget is in need of revenue before approving player acquisitions.

Reinforcing that voting rights can be earned from purchasing team goods unifies messaging across i) enabling spending on future player salaries and ii) the voting rights to voice where those funds should be spent.



Retail Tag Example

GOVERNANCE
To create a balanced and protected organization, we propose a bicameral governance model with two chambers of representatives; Executive Committee and Leadership Operations.The Executive Committee represent the will of 6 distinct stakeholder groups who will recruit, evaluate and nominate the best candidates while the Membership base will make the final call as to who will win in the position.



Election process for a Fan Controlled Team

Executive Committee**:** 5 groups elect a representative to form major governance decisions and proposals.

- Pelicans Basketball: Primary interest is to create a highly competitive team
- Community Trust: Responsible for driving and managing volunteering activity to charities
- Co-owner: Responsible for ensuring the team stays financially prudent
- Fans: Assure the team stays relevant with the fanbase
- New Orleans: Assure the team stays committed to the city

Leadership Operations: Nominated by the Executive Committee and voted in by members. They will act independently and be responsible for hiring roles under their direction.

- President
- GM
- Coach
- President of Non-Basketball Operations

Elections are held for all four Operating Leads and depend on them to make independent informed decisions on how to carry out their daily responsibilities. Elected Operating Leads will serve for a term of 3 years. 1 Election occurs per year with both presidential positions being up for voting on the same year. Early termination requires 3/5ths of the Executive Committee to propose a change for members to vote on the final outcome.

Once a leadership role is actively serving their term they have full autonomy to operate their role and department to their fullest capacity. Their decisions around staffing and operations must live within their budget. Fans or members have no method to collaborate in the day-to-day decisions but can make their voice heard and will be encouraged to vote again at the end of each position's 3 year term.

FAN VOTING

The executive committee carefully crafts proposals with the best options for fans to vote on the outcome. Fans accumulate votes from financially supporting the team and/or volunteering - this assures the signal quality from elections is always from the people who care the most about the team.

Votes earned are spent when they vote on a proposal. Once a vote is cast, the voting token is burnt and can not be used again. Fans can direct any quantity of their voting tokens towards a single proposal or spread it out over multiple ones so they can concentrate their energy towards matters that are most meaningful to them. If a fan earns 10 votes, they can spend all 10 votes on their favorite coaching candidate or vote across 10 different proposals. Votes have an infinite shelf life and can be saved for years when highly interesting proposals make it onto a ballot. Votes are not transferable between members.

Every month a member attends a game, they receive 1 vote (1 vote max per month even if they went to 7 games). This assures the local community always has a say on the team's largest decisions. Fans that wish to vote on additional proposals will need to earn them through acts of goodwill or by supporting the team.

FINANCIAL IMPACT

New Revenue Streams

Membership and Voting - Memberships is a subscription product that gives fans predictable future income while selling governance votes has exceptional margins.

Content Production - Creating content will drive engagement. Over time, content production should be a revenue driver as it creates more opportunities to bring sponsors closer to stories and VOD desire content from valuable IP.

Sponsorships - Expanding the audience will be a massive boon to growing the quantity and value of brand sponsors. Offering category exclusivity on a global basis to companies within specific industries, such as airline, beverage, travel and entertainment. A best case example of a global sports brand is Manchester United who has averaged $200 million in yearly sponsorship revenue over the past 5 years.

Food - As fans exist all over the country, promoting virtual dining options across 2,000 delivery restaurants allows for Pelican's themed meals like Louisana Fried Chicken and Zion Wings creates a deeper experience on gameday that's available to millions of fans.

Partner Commerce - Going beyond Fanatics licensing, producing collaborations with limited supply from trendy brands will lift the Pelicans brand while keeping it relevant with distinct international markets like Brazil and Germany.

Ownership Splits

When governance is controlled by the fans, ownership of the team can be divided in 1 of 3 ways:

1. No Change: 100% maintained by existing ownership group
2. Shared Ownership: A portion owned by new or existing owners and the remaining splits owned by a local charitable trust. Converting the original principal investment against today's Forbes valuation would retain 18% of the team in the hands of meaningful organizations. The benefit to keeping the trust as active minority owners is they can leverage the brand and relationship with the Pelicans to promote their causes.
3. Community Owned: 100% of ownership converted to a local charitable trust. All future profits are split amongst the entities which Gayle Benson selects.

- STAKEHOLDER INTERESTS -

FANS

Problems: Cost of pro sports fandom is outpacing wages
Feeling disconnected from their local team

Benefits: Governance enables fans to feel heard which drives powerful engagement.
Earning governance through volunteering create lasting experiences
Opportunities to create products and services around the local sports economy

Safety: For this venture to be a success it must be completely safe.

a) Theft without the possibility of recourse can discourage people from feeling safe and confident in their actions. In our system, governance tokens are linked to the identity of the fan that earns them and are not transferable. Tokens exclusively represent voting power and hold no monetary value. With this simple structure, concerns of losing funds via theft or user error are eliminated.
b) Cryptocurrency is a volatile asset with price fluctuations that can cause financial harm but that is not related to this endeavor as tokens hold no

monetary value. The token proceeds are given to the community thus the project only represents positive upside.

c) Environmental impact is often raised as a concern with crypto mining. The voting tokens created will run on a carbon neutral chain where transactions are automatically offset by consuming carbon credits through Klima Infinity. Additionally, volunteers will be incentivized to improve and restore the local environment so this alliance is designed to be a net benefit to the planet.

CITY OF NEW ORLEANS

Problems: Lack of economic prosperity
Team operations extract capital from local citizens and their government
Public goods lack sustainable funding

Benefits: NBA franchise is an economic engine that can energize an economy
Other prospective owners may have to extract greater value to keep the team competitive
Sports are a bonding agent in a time of great division
Rebrands the city as a coordinated community that builds for the inclusive benefit of all

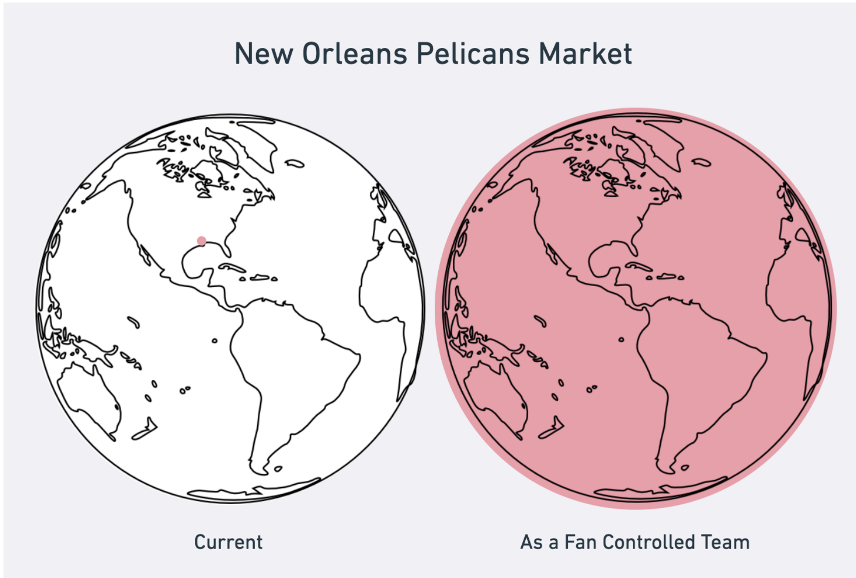
Approach: International membership contributions boost team revenues which benefits the community

PELICANS

Problems: Seeking a permanent solution between future ownership and New Orleans
Competing as a small market against wealthier teams

Benefits: Expanding fanbase through membership provides a stronger foundation to build from
Team is unmovable as fans are in control
Fan empowerment rebrands the team as a positive entity that welcomes everyone
Athletes desire to play here as it gives them more recognition on a global stage

Approach: Boldly debut fan governance
Focus on operational excellence and financial prudence



NBA

Problems: International growth is tough when 1.7 billion fans outside the US can not attend games

Expanding revenues
Fan support falls when teams perform poorly
Attendance drops when the visiting team is from a small market

Benefits: Engage a global fanbase by extending meaningful membership benefits
Passion derived from governance will create irrational exuberation for commerce
Increased goodwill stories coming from dedicated fans volunteering for votes

Approach: Membership local chapters will spring up driving more interest from other markets
Community from membership will expand the broadcast and streaming audience

CO-OWNERS

Problems: Investing in a small market faces competitive imbalance
A large amount of low risk capital that needs returns which outpace inflation

Benefits: Expanding the fanbase significantly benefits the team’s valuation
Operating income will greatly expand generating more significant budget surplus

Need an option for a fan owned team

Chart comparing Fan Control (pick the staff) and Fan Owned (experiences)

Need a section explaining how fans are compensated for things like creating media or designing merch.