

TO: Krause House Community

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SUBJECT: International League Exploration - Phase 1 Report

Executive Summary

The International League Exploration Committee (ILEC) evaluated 4 international leagues: Canadian Elite Basketball League (CEBL), British Basketball League (BBL), National Basketball League Australia, and Ligue Nationale de Basket (LNB) Pro A France. We discussed criteria and metrics for scoring each league and developed a scoring system for deeper analysis, which included quantifying opportunity from a global brand perspective and reach, readiness for crypto-based business models, and the opportunity to own a stake in a team that can win. Can the team and league be able to drive enthusiastic participation from fans, locally and globally, with Krause House ownership models?

ILEC conducted a total of 20 interviews over the period of approximately one month. We interviewed executives at the league leadership level, including commissioners of two of the leagues we targeted, CEBL & NBL Aus. We met with private equity firms with existing ownership positions in international leagues and teams, such as LNB A. We also interviewed the head of basketball at a leading UK-based sports agency to gather on-the-ground intelligence for the BBL.

We learned three things:

1. International basketball teams and ownership groups are open to investment, team sales, new franchise opportunities, and are Web3-curious, but lack strategy for incorporation of fan ownership, tokenized fan engagement, NFT programs, and crypto-based commerce, in general.
2. Some leagues and front office personnel are skeptical and confused regarding implications for allowing a Decentralized Autonomous Organization (DAO) to own a team or portion of an existing team. Common themes regarding “corporate structure” of a DAO need to be considered when navigating or leveraging toward ownership stake negotiations.
3. Several pools of capital share our vision for #WAGBAT NBA. Private equity groups are executing a similar strategy toward owning and operating an international franchise. These groups want to deliver success internationally, both on and off the court, as a proof of concept toward NBA ownership.

Introduction

Krause House was founded on the principle that fan-owned Decentralized Sports Organizations (DSOs) are the next evolution for sports franchise ownership. One path to proving this thesis is through taking controlling interest in an international pro basketball franchise outside of the USA and leveraging a Web3 centric approach in team operations and fan engagement while building a global following.

We aimed to investigate the merits of owning and operating an International League professional basketball franchise as an option for proving out DSO concepts prior to approaching the NBA regarding franchise ownership. Our goal with this project was to evaluate and recommend a path for Krause House to acquire ownership or controlling interest of an international professional basketball franchise.

Leagues & Team Information

Leagues & Teams

League	Teams Considered (if any)
Canadian Elite Basketball League (CEBL)	Montreal Alliance , Ottawa Blackjacks , Fraser Valley (Vancouver) Bandits
British Basketball League (BBL)	London Lions , Manchester Giants , Newcastle Eagles
National Basketball League (NBL Australia)	
Basketball Africa League (BAL)	Equity Bank Kenya
Basketball Super League (BSL Turkey)	
LNB Pro A (Ligue Nationale de Basket, France)	Élan Béarnais Pau-Lacq-Orthez
Basketball Bundesliga (BBL Germany)	Brose Bamberg
National Basketball League of Canada (NBL Canada)	Montreal (new franchise)

Evaluation Criteria System

Criteria	Description	Score (1-6)
Quality of Basketball (League - Level)	Level of basketball being played compared to NBA or top teams in Europe	
Financial Opportunity / Cost	Franchise value range from top & bottom teams in the league	
Tech / Crypto Ecosystem in Country	Indications of Web3 (NFTs, crypto, fan-token) adoption	
Probability of Success - acquiring controlling interest in a franchise	KH's chances of owning a team	
League Sustainability	Years operating and rate of turnover of teams and ownership groups	
International competitions	Quality of international competition and number of teams that qualify	
TV / Streaming / Social Media Reach	Value and presence of media reach	
Global Brand Power	International fan awareness	
Openness to KH Operating Model	Precedence or expressed interest in DAO or tokenized models	
Can our Team Win?	Want to own champions or future champions	
National Economy, Politics, Cultural Situation	Political & social stability of country that the league operates	
Quality of Playing Environment / Arena	Number of fans (attendance), infrastructure	
Fan Community Engagement	Local league fan enthusiasm versus NBA	
Special Events	Any special events that help to bring in fandom	

Canadian Elite Basketball League (CEBL)

League Information

- CEBL is a professional men's basketball league in Canada founded in 2017. It began official league play in 2019. The league currently consists of ten teams from six different provinces, with five being from Ontario, and one each from the provinces of British Columbia, Alberta, Saskatchewan, Quebec, and Newfoundland and Labrador, making the CEBL the largest professional sports league based entirely in Canada.
- CEBL streams on [Twitch](#), amongst other platforms. They also offer in-house streaming and on-demand games and content, [CEBL+](#). The league is also partnering with NowFantasy to launch CEBL Mobile in time for the 2022 regular season.
- Top CEBL team(s) compete in the Basketball Champions League Americas (BCLA). Edmonton Stingers are currently representing the CEBL in the BCLA league play.
- [2022 Season Schedule](#): May 25, 2022 - August 1, 2022
- Notable League Personnel:
 - Players: Xaiver Moon (NBA), Lindell Wigginton (NBA), Javin DeLaurier (NBA), Xavier Sneed (NBA), Cat Barber (NBA)
 - Front Office: Joel Anthony (2x NBA champion), Patrick Ewing Jr (Son of Patrick Ewing, NY Knicks)

Analysis

The CEBL is an interesting choice for a path to our end goal of #WAGBAT NBA. It's a new league that had trouble getting started due to COVID-19 impact, with its season beginning in May (off-season to NBA). Due to its proximity to the USA, it could be a potential pipeline for players to get involved and looked at by NBA scouts. 5 players from CEBL played in the NBA last year, so it's reasonable to assume that a relationship between NBA and CEBL could continue to bloom. Five teams play in Ontario, near Toronto, and the league has teams in other major cities throughout Canada.

Overall, CEBL is a strong consideration for the Krause House to explore further due to the league's openness to Web3. The CEBL had a prior crypto partnership in place but were unable to properly execute. While the level of play is not as strong as France or Australia, it's still pretty decent, which could build credibility and notoriety, and on par or stronger than the BBL (below).

British Basketball League (BBL)

League Information

- BBL is a men's professional basketball league in the United Kingdom and represents the highest level of play in the country, sitting above the National Basketball League (England) and Scottish Basketball Championship. The BBL was founded in 1987 and consists of 10 teams from England and Scotland. These ten franchises jointly own the league. There's a joint venture with the Women's British Basketball League (WBBL), which was founded in 2014.
- BBL streams 1 game per week on Sky Sports and has its own dedicated [BBL Player](#).
- BBL teams have played in European competition, such as the Basketball Champions League and FIBA Europa Cup, third and fourth tier competitions
- 2021-2022 Schedule: Club competition runs from November - April
- Notable League Personnel

Analysis

The BBL is currently “restarting” its program to build a basketball culture in the UK, hoping to develop elite level basketball talent. The British Basketball Federation National Team, business community, and the BBL are committed to this new development process. BBL recently took on capital from a private equity group, 777 Partners, who are open to outside capital from KH, DAOs, and others. BBL has a salary cap (£250,000 per team per year), which will help us control the budget, and create a sustainable financial model. ~9.6 million people own cryptocurrency, which is a good indication of ecosystem and adoption. We would need to explore how British law and DAOs play into buying a team. Overall, the vibes are strong.

Unfortunately, the quality of play in the BBL is poor compared to other leagues. This is disadvantageous for a player pipeline from the UK to the NBA. Teams do not compete in Euroleague, but league executives are eager to get a team from London to play in the international club competition. A potential there exists, as the London Lions play in the FIBA Basketball Champions League (BCL). The BCL is the top FIBA competition, but not as strong as the Euroleague. Broadcast quality of the Euroleague is poor, with poor production, but may improve with the recent investment from private capital.

Obviously, accessibility to major teams is high, an important element toward deciding which club to invest in, with London and Manchester as clear standouts. These cities have global brand power in the sporting world and could be recommended for further evaluation. There is not a huge basketball audience in the UK, but there are small, passionate groups. In a city like London or Manchester, there could be a strong overlap between Web3/crypto enthusiasts and (future) basketball fans.

National Basketball League (NBL Australia)

League Information

- NBL is a men's professional basketball league in Oceania consisting of 10 teams: 9 in Australia and 1 in New Zealand. It began play in 1979. In 2020, the league introduced the NBL Cup, an annual tournament held in a central location each year.
- NBL streams 1 game per week on Sky Sports and has its own dedicated [BBL Player](#).
- 2021-2022 Schedule: League play runs December - April
- Notable League Personnel (former and/or current): Andrew Bogut, Matthew Dellavedova, Cameron Bairstow and numerous other Australian players in the NBA

Analysis

There are 10 teams in the league, one of which is already community owned, and one that is publicly traded. The league is open to innovative ownership structures. There are 8 clubs owned by private corporations. The league has a long legacy of sports clubs owned by fans. Management in the NBL Australia is very conservative and we have not found a rationale or strategy toward Web3 implementation into their operations, which is a bit of a hurdle.

The production value of the league is decent, recently streaming games on Twitch and YouTube.

One of the best things about the NBL is the Next Stars Program, which has seen players rise [into the NBA](#). This program is a model for professional leagues looking to attract college-aged basketball talent with a high degree of global exposure and talent necessary to become top-level players. We know that the international league to NBA pipeline is attractive to existing NBA ownership groups.

LNB Pro A

League Information

- LNB Pro A is a men's professional basketball league in France. It was founded in 1921, and consists of a schedule with dates aligned to the NBA, a relegation system and play-offs structure. There are 18 teams located throughout France.
- LNB Pro A streams on its dedicated player with replays and highlights.
- Top LNB Pro A teams compete in the Euroleague. AS Monaco and LDLC ASVEL Villeurbanne are the current team.
- 2021-2022 Schedule: League play runs from October - May
- Notable League Personnel: Tony Parker (owner ASVEL)

Analysis

LNB Pro A is the 2nd or 3rd best league in Europe after Spain and maybe Italy.

There are lots of former NCAA & NBA players that have played in this league in the last decade and there is a potential good pipeline for young French players in LNB to NBA. There is a good system to assist and prepare the future of pro players, infrastructure to prepare players for the league.

The French national team is strong, attributed to the LNB structure. Basketball is the 2nd or 3rd sport in France after Football and Rugby, and there is lots of disparity between top teams with big budgets and smaller clubs. However, the two top teams of LNB Pro A get an automatic bid to Euroleague competition, which is the highest exposure basketball in the world. Many European viewers prefer the Euroleague style of play, which is slightly different from the NBA.

Lastly, France would be  for team ownership, particularly in a region such as Pau.

Committee Recommendations

Find alignment on Strategy; then engage in negotiations. We learned in our interviews and research that there are 3 key stakeholders that will be involved in the execution of any sort of team ownership to a new entity. The stakeholders are:

1. Existing team ownership group. Commonly some form of Private Equity.
2. Team general management
3. Leagues centralized management

Each of these stakeholders needs to be aligned on the structure of a deal. When the purchasing entity is a DAO, each needs to be educated and agree with the principles of decentralization endemic to a DAO. If this alignment isn't in place, we need to educate and consult each stakeholder as part of the process.

Our recommendation is to focus on the teams, leagues and existing team ownership groups that have alignment on fan token based ownership as a structure for buying into a team situation. We identified this alignment in 2 places: France's LNB A and Canada's CEBL. Krause House extends exploration of a team ownership position with a team in one of these 2 leagues. Also, further exploration in Europe's top leagues may uncover similar alignment. Eg. Spain Liga ACB.

Provide clarity on the structure of the Krause House entity and preferred method of transaction. The leagues and teams we met with were not proactive in their consideration of transacting with a DAO entity. They recognized that the negotiations of ownership stakes required legal analysis in advance of commercial discussions. Our aim should be to arrive at the negotiation table with a clear set of guidelines, strategies and a framework for getting a deal completed. Our framework should include options and clarity around the Krause House entity that will be executing the transaction.

Many of our interviews were dominated by questions related to how a **Sub-Dao** or Private LLC would be set up and governed. Questions included:

- How will Know Your Customer (KYC) requirements be met?
- Who will be voting on key decisions related to the team/club?
- What entity would the league as a legal entity be engaged with in the situations if litigation were to be required?

Continued exploration of Private Equity firms willing to partner with Krause House. Our conclusion and recommendation is to continue to engage and seek partnerships with existing Private Equity firms or ownership groups with ownership shares in international pro teams willing to sell to a Krause House entity.

The private equity firm would act as the liable entity facing the league. We found Private Equity groups willing to engage with Krause House leveraging this structure in Britain's BBL (777 Group) , Canada's CEBL (777 Group) , & France's LNB A(Counterpointe Sports Group).

In exchange for our capital investment these firms would agree to engage with Krause House in the execution of Decentralized Sports Operations & Web3 programs. The programs we may want to execute in exchange for our investment require further definition. During our conversations with Counterpointe Sports Group based out of Seattle we discussed:

- Community/Social management including Discord Channel Management
- NFT license rights (All Forms) & Royalty sharing
- Streaming content rights (International territories)
- Metaverse Rights
- Player Branding and eCommerce campaign management

Recommendation: In future discussions our International committee will need to engage across the DAO to achieve greater clarity around which DSO programs to prioritize as part of investment discussions with international leagues, ownership groups and club franchise management.

Appendices

Meeting Notes

See Notion page (link to be provided shortly, DM Boosh in meantime)

Scorecard

See Notion page (link to be provided shortly, DM Boosh in meantime)

DAO Processes and Tooling

We utilized [Notion](#), Discord, [Gather](#), [DeWork](#), and [Coordinape](#) for this project.

The core committee members spanned five different time zones. We scheduled meetings on Sundays at 21:00 UTC. This allowed maximum participation from the team.

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Thank you to all the Jerry's that joined in the discussion throughout the process!