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To the equity partners of Philadelphia 76ers, L.P.:

I hope this letter finds you well. I have been serving the Sixers at your pleasure for the past 34 months. Atul Gawande, a Surgeon at Brigham and Women's Hospital in Boston, remains (from afar) one of my favorite reads. He laughs that reading scientific studies has long been a guilty pleasure. Reading investor letters has long been one of mine.

What I hope to accomplish here is to give you insight into what has transpired behind the scenes in ways you might not have otherwise heard about. Many of you attended our most recent board meeting in New York, where many of these topics were addressed. But for all twelve of you, I hope that this provides a deeper look into what you have at your organization. Accordingly, you should anticipate some mild cheerleading (of others) sprinkled with a healthy dose of self-flagellation about things I've done wrong.

There has been much criticism of our approach. There will be more. A competitive league like the NBA necessitates a zig while our competitors comfortably zag. We often chose not to defend ourselves against much of the criticism, largely in an effort to stay true to the ideal of having the longest view in the room. To attempt to convince others that our actions are just will serve to paint us in a different light among *some* of our competitors as progressives worth emulating, versus adversaries worthy of their disdain. Call me old-fashioned, but sometimes the optimal place for your light is hiding *directly* under a bushel.

Lastly, this letter will only speak to the part of the business that I'm today's steward of: the basketball team and its attendant operations. With Scott O'Neil running our business operations, you are in good hands. I can assure you that when your team is eventually able to compete deep into May, Scott will ably and efficiently separate the good people of the Delaware Valley from their wallets on your behalf. Worry not.

A league with 30 intense competitors requires a culture of finding new, better ways to solve repeating problems. In the short term, investing in that sort of innovation often doesn't look like much progress, if any. Abraham Lincoln said "give me six hours to chop down a tree and I will spend the first four sharpening the axe."

In May of 1969, a 38-year-old Warren Buffett sat down at a typewriter to inform his investors that he was closing his fund (then Buffett Partnership). His reason: market conditions were such that he no longer had the requisite confidence that he could make good decisions on behalf of the investors and deliver on his commitments to them. So he would stop investing on their behalf.

For me, that's today. Given all the changes to our organization, I no longer have the confidence that I can make good decisions on behalf of investors in the Sixers—you. So I should step down. And I have.

In one sense, it pains me that it has come to this and that I would go at the end of a particularly down year in the standings, one that has been painful for all of us. But the fact is—and a young Buffett said it much better than I ever could—“I am not attuned to this environment, and I don’t want to spoil a decent record by trying to play a game I don’t understand just so I can go out a hero.”

Yup.

### **Thinking about thinking**

I admire Seth Klarman a great deal. I am consistently impressed by his conviction and humility, a rare combination. About their approach at Baupost, he says, “it isn’t the only way of thinking, but it’s how we approach it.” Below is some insight into a few things we value and how we’ve approached decision making at the Sixers.

First, this list is anything but exhaustive, and hardly mine alone. Whenever possible, I think cross-pollinating ideas from other contexts is far, far better than attempting to solve our problems in basketball as if no one has ever faced anything similar. Accordingly, this approach comes from a frequent search into behavioral economics, cognitive science, and a lot of observation and trial and error over my 11 years in the NBA. And mistakes. Lots and lots of mistakes.

To begin, let’s stand on the shoulders of Charlie Munger, a giant to me. He is a man that’s been thinking about thinking longer than I’ve been alive. Let’s start with him and his approach. His two-part technique is:

1. First, what are the factors that really govern the interests involved, rationally considered?
2. Second, what are the subconscious influences where the brain at a subconscious level is automatically doing these things—which by and large are useful, but which often malfunction?

To do this requires you to divorce process from outcome. You can be right for the wrong reasons. In our business, you’re often lionized for it. You can be wrong for the right reasons. This may well prove to be Joel Embiid. There is signal everywhere that Joel is unique, from the practice gyms in Lawrence, Kansas to Bala Cynwyd, Pennsylvania to Doha, Qatar where he does something awe inspiring far too regularly. We remain hopeful (and optimistic) about his long-term playing career, but we don’t yet know exactly how it will turn out. The decision to draft Joel third, though, still looks to me to be the correct one in hindsight given the underlying reasoning. But to call something that could be wrong (“failed draft pick”) right (“good decision”) makes all of our heads hurt, mine included.

So we have to look deeper at process. Here’s a go at it:

(I would be dismayed if you don’t see pockets of this kind of thinking throughout the organization. In fact, I will feel like I’ve let you down.)

### *The importance of intellectual humility*

Lifelong learning is where it’s at. To walk down that path requires a deep-seated humility about a) what’s knowable, and b) what each of us know. We hire for this aggressively. We celebrate this internally. And we’ve been known to punish when we find it woefully lacking.

We talk a great deal about being curious, not critical. About asking the question until you understand something truly. About not being afraid to ask the obvious question that everyone else seems to know the answer to. And about the willingness to say three simple words, “I don’t know.”

Tesla’s Elon Musk describes his everyday stance as, “You should take the approach that you’re wrong. Your goal is to be less wrong.” The physicist James Clerk Maxwell described it as a “thoroughly conscious ignorance—the prelude to every real advance in science.” Bill James of the Boston Red Sox (and, I might add, a Kansas basketball expert) added a little flair when asked whether the learnings available via examining evidence were exhausted: “we’ve only taken a bucket of knowledge from a sea of ignorance.”

A way to prop up this kind of humility is to keep score. Use a decision journal. Write in your own words what you think will happen and why before a decision. Refer back to it later. See if you were right, and for the right reasons (think Bill Belichick’s famous 4<sup>th</sup> down decision against Indianapolis in 2009 which summarizes to: good decision, didn’t work). Reading your own past reasoning in your own words in your own handwriting time after time causes the tides of humility to gather at your feet. I’m often in waist-deep water here.

The other reason to keep track yourself is you’re often the only one to see the most insidious type of errors, the ones the narrative generating parts of our lizard brains storytell their way around—errors of omission. You don’t have a wobbly understanding of just the things you got wrong, but the things you got right but not right *enough*. Listen to Charlie Munger talk about how he and Berkshire Hathaway should be measured not by their success, but by how much more successful they would have been if they bought more of something: “We should have bought more Coke.”

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### *The necessity of innovation*

Investing in disruptive innovation doesn’t ferment misunderstanding, it *necessitates* it. Jeff Bezos says it this way: “There are a few prerequisites to inventing...You have to be willing to fail. You have to be willing to think long-term. You have to be willing to be misunderstood for long periods of time.”

A yearning for innovation requires real exploration. It requires a persistent search to try (and fail) to move your understanding forward with a new tool, a new technique, a new insight. Sadly, the first innovation often isn’t even all that helpful, but may well provide a path to ones that are. This is an idea that Steven Johnson of *Where Good Ideas Come From* popularized called the “adjacent possible.” Where finding your way through a labyrinth of ignorance requires you to first open a door into a room of understanding, one that by its very existence has new doors to new rooms with deeper insights lurking behind them.

In most endeavors, it’s fine to be content to woodshed until you get something near perfect. You want that to be you. Grit matters. But it won’t be long until some innovation makes all that effort newly obsolete. You want that to be you, too.

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### *The longest view in the room*

It is critical to be cycle aware in a talent-driven league. In a situation like yours at the Sixers, where a variety of circumstances left you near a trough in the cycle (and falling), amplifying this cycle became crucial. Today’s outcomes for every team are heavily impacted by decisions past (who to draft, sign, trade, hire, etc.).

Jeff Bezos says that if Amazon has a good quarter it's because of work they did 3, 4, 5 years ago—not because they did a good job that quarter. Today's league-leading Golden State Warriors acquired Draymond Green, Andrew Bogut, and Klay Thompson almost 4 years ago, nearly 4 years ago exactly, and almost 5 years ago. In this league, the long view picks at the lock of mediocrity.

While some organizations (like ours) have this as part of their ethos, for others it *is* the ethos. Check out the 10,000 Year Clock. It is no mere thought experiment, but an actual clock being designed to be placed inside a mountain in West Texas, wound, and left to tick and chime for ten thousand years. Why? Because to design something that lasts that long makes us all consider what the world will look like between now and then. In return, we might be inspired to do something about it.

More practically, to take the long view has an unintuitive advantage built in—fewer competitors. Here's Warren Buffett in the late 80s on this topic: “In any sort of a contest—financial, mental, or physical—it's an enormous advantage to have opponents who have been taught that it's useless to even try.” Ask who wants to trade for an in-his-prime Kevin Garnett and 30 hands will go up. Ask who planned for it three or four years in advance and Danny Ainge is nearly alone. Same for Daryl Morey in Houston trading for James Harden. San Antonio's Peter Holt said after signing LaMarcus Aldridge this summer, “R.C. [Buford] came to us with this plan three years ago, four years ago—seriously. And we've worked at it ever since.”

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#### *A contrarian mindset*

This one is tricky, and getting more so in a league as healthy and popular as the NBA that is covered by beat writers, columnists, bloggers, commentators, and fans minute-to-minute. If you want to have real success you have to *very often* be willing to do something different from the herd.

A few examples might help. Step away from basketball and imagine for a moment this is investment management, and your job is to take your client's money and make it grow. It's January 1, 2015 and the S&P 500 is \$171.60, exactly the same price it has been since January 1, 1985. No fluctuation up or down. Flat every single day. And your job for every day of the past 30 years is to make money for your clients by investing. What would you do?

In the NBA, that's wins. The same 82 games are up for grabs every year for every team. Just like in 1985 (or before). To get more wins, you're going to have to take them from someone else. Wins are a zero-growth industry (how many of you regularly choose to invest in those?), and the only way up is to steal share from your competitors. You will have to do something different. You will have to be contrarian.

Howard Marks describes this as a necessary condition of great performance: you have to be non-consensus and right. Both. That means you have to find some way to have a differentiated viewpoint from the masses. And it needs to be right. Anything less won't work.

But this is difficult, emotionally and intellectually. Seth Klarman talks about the comfort of consensus. It's much more comfortable to have people generally agreeing with you. By definition, those opportunities in a constrained environment winnow away with each person that agrees with you, though. It reminds me of when we first moved to Palo Alto. Within about a week of living there a voice kept telling me, “This is great. Great weather, 30 minutes to the ocean, 3 hours to ski, a vibrant city 30 miles away, and one of the world's best research universities within walking distance. People should really move here.” Then

I looked at real estate prices. I was right, yes, but this view was decidedly *not* a non-consensus view. My viewpoint as a Silicon Valley real estate dilettante, which took a whole week to form, had been priced in. Shocker.

To develop truly contrarian views will require a never-ending thirst for better, more diverse inputs. What player do you think is most undervalued? Get him for your team. What basketball axiom is most likely to be untrue? Take it on and do the opposite. What is the biggest, least valuable time sink for the organization? Stop doing it. Otherwise, it's a big game of pitty pat, and you're stuck just hoping for good things to happen, rather than developing a strategy for how to make them happen.

There has to be a willingness to tolerate counterarguments, hopefully in such a way that you can truly understand and summarize the other side's arguments at least as well as they can. And then, after all that, still have the conviction to separate yourself from the herd.

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### *A tolerance of uncertainty*

This one can be really difficult, especially when the stakes are high. But it's critical to making rational decisions over the long term. We are all so tempted to simplify when something is hard to think about, simply to get it out of our mind by treating it as impossible.

This goes from academic sounding to life altering in basketball team building, though. Looking at a player with an estimated 10% or 20% chance of being a star over the next three or four years can't be written to zero—*that's about as high as those odds ever get*. That's surely a very, very high number for any player that is ever available to you to be added to your team. Once you accept that, it becomes clear that shrinking the confidence interval around that estimate (and the estimates of the downside risk at the other end of the spectrum) becomes pretty darn important.

But our well worn thinking patterns often let us down here. Phil Tetlock, from just down the street at Penn, addresses this well in his most recent remarkable book *Superforecasting* where he quotes the great Amos Tversky saying, "In dealing with probabilities...most people only have three settings: "gonna happen," "not gonna happen," and "maybe"." Jeff Van Gundy sums it up succinctly on our telecasts, "it's a make or miss league." He's right.

In some decisions, the uncertainties are savage. You have to find a way to get comfortable with that range of outcomes. If you can't, you're forced to live with many fewer options to choose amongst which leads over the long term to lesser and lesser outcomes.

The illusion of control is an opiate, though. Nonetheless, it is annoyingly necessary to get comfortable with many grades of maybe. Sixers fans come up to me to say hello and many of them say the same thing (almost instinctively) as we part, "Good luck." My standard reply: "Thanks. We'll need it."

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### *Be long science*

Science is about predictions. Understanding the world until you can make a prediction about what will happen next. If you're not sure, test it. Measure it. Do it again. See if it repeats.

“So if we want to think like a scientist more often in life, those are the three key objectives—to be humbler about what we know, more confident about what’s possible, and less afraid of things that don’t matter.” That’s from Tim Urban, who will soon be recognized as one of tomorrow’s polymaths (like many of you, he lives in New York—I’d recommend meeting him for coffee sometime).

For the Sixers, this has meant efforts like tracking every shot in every gym where we shoot, making predictions in writing about what we think will happen with a player or a team, and generally asking more questions about the game than some are comfortable to have said aloud.

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*A healthy respect for tradition*

While contrarian views are absolutely necessary to truly deliver, conventional wisdom is still wise. It is generally accepted as the conventional view because it is considered the best we have. Get back on defense. Share the ball. Box out. Run the lanes. Contest a shot. These things are real and have been measured, precisely or not, by thousands of men over decades of trial and error. Hank Iba. Dean Smith. Red Auerbach. Gregg Popovich. The single best place to start is often wherever they left off.

There are plenty of caricatures of our approach on your behalf, the most common of which is that folks here don’t even watch the games. That instead there is some mystical way by which we make decisions that doesn’t have anything to do with building a basketball team. That’s simply untrue.

Maybe someday the information teams have at their disposal won’t require scouring the globe watching talented players and teams. That day has not arrived, and my Marriott Rewards points prove it from all the Courtyards I sleep in from November to March. There is so much about projecting players that we still capture best by seeing it in person and sharing (and debating) those observations with our colleagues. What kind of teammate is he? How does he play under pressure? How broken is his shot? Can he fight over a screen? Does he respond to coaching? How hard will he work to improve? And maybe the key one: will he sacrifice—his minutes, his touches, his shots, his energy, his body—for the ultimate team game that rewards sacrifice? That information, as imperfect and subjective as it may be, comes to light most readily in gyms and by watching an absolute torrent of video.

Some tradition awaits us everyday at the office. I inherited Marlene Barnes as my executive assistant, a widowed lifelong Philadelphian that joined the Sixers in the fall of 1977. I was born in the winter of 1977. Marlene has worked for 11 different GMs and 5 head coaches at the Sixers. The names evoke many memories for you lifelong Sixers fans and students of history like me: Pat Williams, John Nash, Gene Shue, Jim Lynam, John Lucas, Brad Greenberg, Larry Brown, Billy King, Ed Stefanski, Rod Thorn. With us, she was immediately thrown into a new, more entrepreneurial work environment with a boss full of quirks different than any she had ever encountered. She adapted wonderfully, and now is a regular Slack wizard along with much of our staff, has seamlessly plugged into one productivity hack after another, and has ordered more books from Amazon than she ever thought possible. Her presence served as an everyday reminder to me of the impermanence of my leadership. I told her within a few weeks of working together that when I see her in the mornings I’m reminded that I am a steward—*today’s* steward—of her Sixers.

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*A reverence for disruption*

So often a new management regime looks at an organization and decides that the primary goal is to professionalize the operation. For you, I hope that doesn't happen next. As I described to you in our first ever board meeting, we were fundamentally aiming for something different—disruption. We should concentrate our efforts in a few key areas in ways others had proven unwilling. We should attempt to gain a competitive advantage that had a chance to be lasting, hopefully one unforeseen enough by our competition to leapfrog them from a seemingly disadvantaged position. A goal that lofty is anything but certain. And it sure doesn't come from those that are content to color within the lines.

This is true everywhere, as the balance in any market or any ecosystem ebbs and flows until something mostly unexpected lurches ahead. We see it in spades—past, present, and future.

- New Zealand's flightless bird the moa (measuring in at 10 ft, 400 lbs.) had *the life* tramping around the South Island for a great long run; then the first Māori explorers washed ashore in canoes, and that was that.
- I still miss Blackberry's keyboard, but the 2007 iPhone debut rendered it nearly obsolete to all but a few of us curmudgeons.
- Watch what's happening with the collaboration between IBM's Watson and M.D. Anderson or Google DeepMind's AlphaGo. It won't be just an ancient board game that's disrupted. It's also anything but a game to Lee Sedol.

Nobel Prize winning physicist Max Planck got right to it: "A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die." That sounds harsh, more harsh than anything I would ever say. But think about it in your context as an equity partner in the Sixers. Every April you will watch 16 of the 30 teams—the last time that exact configuration of players and coaches will ever be together—"die" as their season ends. Within a few weeks, another seven go fishing. By early June, 29 of the 30 opponents are forced to see the light of the competition's greatness as only one raises the Larry O'Brien trophy.

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I can imagine that some of these sound contradictory: contrarian thinking, but respect for tradition, while looking to disrupt. That yin and yang is part of it—keep looking. Questioning.

**Investment objectives**

*Starting position*

In May of 2013 when I spoke with several of you—and even when we first met in the summer of 2012—the situation was clear. Your crops had been eaten. A team that clawed its way to a disappointing 34 wins in 2012-13 had a few handfuls of those wins walking out the door (Dorell Wright, Nick Young, Damien Wilkins, Royal Ivey) and a player that drove a bit more who had just undergone a surgery and was expected to be out for the season (Jason Richardson). That left the club with expected wins in the low 20s before replacing anyone. The young players on rookie-scale deals numbered two: Evan Turner & Arnett Moultrie. Two future first round picks were gone as was the recent youth pipeline of Nik Vučević & Moe Harkless. Gulp.

Outsiders agreed. ESPN regularly ranks the forward-looking three years for each team in their Future Power Rankings. They take into account the team's current roster and future potential of those players as about half the rating, then include future draft picks, cap position, coaching, management, etc. The Sixers near-term future ranked 24<sup>th</sup> in a 30-team league.

In the press conference announcing my arrival at the Sixers, I said:

- Our challenge was not for the faint of heart. *It wasn't.*
- Our challenge was big enough to humble me to think about the enormity of it. *It did.*

We would have to get so very much right.

## Goals

The strategy we settled on was straightforward, even if arduous. Replenish the talent pipeline, improve the quality and quantity of players on the roster, shift the style of play towards tomorrow's champions, and become a culture focused on innovation.

You heard me speak of these goals at each of our quarterly board meetings; always the same since June of 2013. Variety is overrated.

This continuity of focus has served to frustrate many. I've found those most frustrated are those that either underestimate the enormity of the challenge or fundamentally want something else.

Specifically, we set out to maximize the odds of acquiring star players using all three available methods of acquiring players (draft, free agency, and trade).

1. Draft: invest in the deepest pool of star players—young players via the NBA Draft.
2. Free Agency: maintain financial flexibility to assume contract liabilities of other teams to acquire picks and prospects and move quickly toward special opportunities in signings/trade.
3. Trade: gather attractive, improving players to (best case) develop to win games for the Sixers, or (worst case) trade for better players or players likely to improve at a faster rate.

We determined to play a faster style that recognizes the importance of speed in tomorrow's NBA and one that quickly integrates young players. We set out to improve our shot selection toward high efficiency basketball. We also wanted to build a defensive identity that—in time—could thwart tomorrow's high-efficiency offenses. Lastly, we needed to build a world-class training center, develop an ever-evolving player development program, and change the organization's culture to one of innovation and a constant search for competitive edge.

These goals were not to fit some preferred style of play, but instead were aiming for where future champions would be crowned. That original document I gave to Josh and David in 2012 said:

*History's lessons are clear, but tomorrow's championship caliber teams may break from historical trends:*

- *Example: A 3PA-happy champion like Orlando under Stan Van Gundy*
- *Example: A fast-paced champion like Phoenix under Mike D'Antoni*



Fast forward three years and Golden State made the 3<sup>rd</sup> most 3s in NBA history to win the Finals against the Cleveland Cavaliers, who made the 8<sup>th</sup> most 3s in NBA history. Coach Van Gundy's most 3PA-happy team from Orlando proudly sits smack dab between them in 5<sup>th</sup> place all time (for now). The Warriors did this in part by playing at the fastest pace of any NBA team last season, considerably faster than Coach D'Antoni's fastest Suns team.

## Results

The dozen of you know much about our team, our players, and how we're positioned. I won't waste your time by going through each person in detail, as you have had many opportunities to meet our coaches and players, hear about our talented staff, and see their performance dissected and analyzed in our meetings. Instead, I will try to make the best use of your time by sharing some insight into the inner workings behind the scenes and a few details that aren't appropriate for wider consumption.

### *Players*

It is worth noting that over the long term, basketball teambuilding is about one primary thing—the players. Those players the team has on the roster at the time and those they hold the rights to. Plus those that are to follow. All of the operations, from management to coaches to support staff to systems only exist for one reason—the players.

We have had the good fortune of drafting relatively early, giving us access to some especially talented players, including Jahlil Okafor (#3), Joel Embiid (#3), and Nerlens Noel (#6). Many in our office tried to set a line of when Jahlil would see his first double team in this league. Those with the under looked smart by the end of opening night, where he went for 26 points and 7 rebounds.

We also put ourselves into position to draft in the second round, where we found two 22-year-old gems to date, including Jerami Grant (#39) and Richaun Holmes (#37). Outside of the top 60 selections delivered two more players with real NBA futures in 24-year-old T.J. McConnell and 25-year-old Robert Covington.

Robert is a mistake I rubbed my own nose in for over a year. The 2013 Draft was a flurry of activity for us—a handful of trades and selections in both the first and second rounds. We had more action following the draft as we tried to finalize our summer league team and get the myriad trade calls set up with the NBA. I could see this coming a few days before and we informed the media that this kind of approach might lead to an unusually late start for the post-draft press conference. Several of you were still there late that night. At about 1:00 a.m. I went downstairs to address an equally exhausted media on deadline from their editors. When I returned upstairs, the undrafted Robert Covington was gone, having agreed to play for another club's summer league team, eventually making their regular season roster. He torched the D-League that year, haunting me all the while. When he became available 17 months later, we pounced. But I shudder, even now, at that (nearly) missed opportunity.

Even our efforts to support our players serve as a reminder of the enormity of our challenge. Something important to us is to find ways to be supportive to our players' larger extended families and loved ones that take this journey with them. One group, too casually referred to as "the wives club" at many NBA teams, helps support players' families in getting acclimated to the city by handling tickets for loved ones, volunteering in community events, hosting baby showers, and the like. In 2013 my wife and I arrived at the arena one night to host a few from this group. While I was prepared to highlight for the group the team's

family room, child care at the arena, etc., it turned out that our attendance at this event totaled two. Two mothers. It was a pointed reminder of just how young our team was.

This story underscores what our players, particularly our best players, are in greatest need of—time. The gap between driving wins today and driving wins tomorrow will be heavily influenced by a bunch of factors, but the biggest one is time. For players like Jahlil, Nerlens, and Jerami, getting much nearer the middle of their new NBA cohort will go a long way toward letting their talents shine through, just as it has their whole basketball lives when they were nearer the middle of those cohorts. Get down the experience curve, the faster the better. They are 20, 21, and 22 years old.

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### *A larger quiver*

We need to identify high potential prospects and find ways to add them to our program. Then we need to work with them on their game in a targeted way to maximize their performance, their impact on the floor, and their value. One way is to draft them and put them on our 15-man roster. We do that.

Another is to draft them and hold their exclusive NBA rights while they play professionally in a league that doesn't start with N and end with A. Now we do that.

These players can develop under our guidance while not counting against our roster, giving us not just 15 opportunities at one time, but several more. When appropriate for our team—but subject to buyout clauses in their professional contracts abroad—we can sign them to our club as one of our 15. This can happen within a season, at season's end, or whenever their contract is available for buyout.

These sets of players are viable players for the Sixers and viable options to trade in the interim. The goal is simple—a larger quiver. This quiver will give us more options immediately and more options over time. Several players have been affiliated with us during the past several years while playing for teams in Australia, Asia, several clubs in Europe, and our minor-league affiliate the Delaware 87ers. As of now, we hold three players on this list, highlighted by the 21-year-old Dario Šarić. Dario is a 6-10 forward with a guard's skills and a big's toughness. Twice voted as FIBA European Young Player of the Year, we were in position to draft him in part because he required something you've had in ample supply: one part courage, two parts patience. He will look great in Sixers blue.

This approach, like many that create value, isn't popular, particularly locally. But it's also nothing new, just the same typeface bolded. It requires deep player evaluations around the globe, is helped by a network of international relationships, and most of all, patience. The venerable San Antonio Spurs don't have three rights-held players playing internationally like we now do, they have thirteen. Most of their names are hard for many fans to pronounce. Ginobili used to be, too.

The NBA began this season with 100 international players from 37 countries on opening night rosters, comprising over 20% of the league. This is no set of wallflowers either, with four of the last thirteen Finals MVPs in this group. I pine for the days of the Long Beach Summer League at the Pyramid—I now spend as much time in China as Los Angeles.

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*Draft picks*

While the young players on our team and rights-held players internationally continue to show promise, our ability to add to that group by layering in additional high quality talent via the draft, free agency, and trade is at an all-time high.

In the first 26 months on the job we added more than one draft pick (or pick swap) per month to our coffers. That's more than 26 new picks or options to swap picks over and above the two per year the NBA allots each club. That's not any official record, because no one keeps track of such records. But it *is* the most ever. And it's not close. And we kick ourselves for not adding another handful.

Many of us remember exactly where we were when tragedy strikes and we think of what could have been. For me—and this is sad for my own mental well being—that list includes the January day in 2014 when Miami traded Joel Anthony and two second round picks to our formidable competitors the Celtics. I can still picture the child's play table I paced around at Lankenau Medical Center on my cell phone while negotiating with Miami's front office. This was in between feedings for our newborn twins, when my wife and I were still sleeping in the hospital. Danny Ainge finalized that deal (and several other better ones) and received one first-place vote for Executive of the Year that season: mine.

We have used several of those picks to move around in the draft, to facilitate other deals, in trade for players to add to our team, and to select players for our team. Players like Jerami Grant (part of the haul from the Spencer Hawes trade), Nerlens Noel & Dario Saric (via the Jrue Holiday trade and its derivative), Ish Smith (used one of the two picks we acquired in the Eric Maynor trade, plus another), Richaun Holmes (part of the proceeds via the K.J. McDaniels trade), and others. Yet we still retain the rights to more future 2<sup>nd</sup> round picks at our disposal going forward than 27 other NBA teams.

In the upcoming May draft lottery, we have what will likely be the best ever odds to get the #1 overall pick (nearly 30%), a roughly 50/50 chance at a top-2 pick (the highest ever), and a roughly 50/50 chance at two top-5 picks, which would be the best lottery night haul ever. That same bounce of a ping pong ball (almost a flip of a coin) will determine if we have three first round picks this year (unusual) or four (unprecedented). That's this year. Or this quarter, if you will.

If you were to estimate the value of those firsts and the ones to follow, from this point forward we have essentially two NBA teams' worth of first round pick value plus the third most second round picks in the league.

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*Salary cap position*

Our salary cap position going forward is easily the NBA's best. The most room, the most flexibility, providing the widest available set of options in free agency or trade of any club. This stockpile can be used all at once or strategically over the ensuing years to acquire players that fit your team, improve in your development program, and help you move up the standings. During this phase of acquiring players and picks to really invest in our future and climb higher than we have in over 30 years, we spent a bit over \$135M on payroll across the three seasons, while the NBA median spend was over \$200M. That won't last, as over time a climb up the standings will see spend rise precipitously as well.

These advantages over our competitors are material, but well short of deterministic. From here a whole host of solid decisions are necessary to play our hand out of this stacked deck.

\* \* \* \* \*

*Other*

Building a talent pipeline into our program, while important, is of course not the only goal we had. Even with young players and expected roster turnover, we needed to move the club toward a style that was conducive to winning in tomorrow's NBA. We improved our pace from below average to 1<sup>st</sup> immediately, then settled into about 6<sup>th</sup> for the next two seasons. We moved our shot selection from consistently bottom two in the league to consistently 2<sup>nd</sup> in the league. And our defensive principles are increasingly top-notch, showing that we can play above average defense (13<sup>th</sup>) when we had solid veteran defenders like Luc Mbah a Moute on the roster, but also struggle with some of the NBA's youngest talent defending every night (bottom 5).

**Outlook**

Your club is on solid footing now, with much hard work yet to be done. As we continued to invest in young players, acquire more draft selections, and maintain cap flexibility the forward-looking markets took notice. Our Future Franchise Rankings (ESPN's) that began at 24<sup>th</sup> in a 30-team league in May of 2013 climbed to 19<sup>th</sup> in 2014, 17<sup>th</sup> in 2015, and most recently via RealGM's rankings in December of 2015, 12<sup>th</sup>. I think that is imminently reasonable, as is a couple of spots higher.

Lottery night will be nerve-racking for most and exciting for all. I said to Josh & David last year during the NBA's Draft Lottery that it is rare for the importance of luck in our lives to be laid bare for the whole world to see. Walking out with a top-5 pick in each hand would be exciting, but it's not necessary. The rights to those picks don't extinguish, but instead move forward to a future year, one filled with new possibilities and challenges both.

Regardless of the haul that comes out of a May night in New York, the team is likely to see additional lottery pick talent hit the court next season regardless. Two additional first round picks this year are available to you as well. Plus additional draft picks are set to flow in regularly for many years to come. Plus the league's best cap position. A bevy of young players. A deep and passionate coaching staff. An innovative management team. A beautiful new practice facility set to open before training camp. In a city with wonderful basketball heritage. You could do worse.

The NBA can be a league of desperation, those that are in it and those that can avoid it. So many find themselves caught in the zugzwang, the point in the game where all possible moves make you worse off. Your positioning is now the opposite of that.

**A sincere thank you**

Thank you for the opportunity you all gave me to lead this storied franchise. My gratification is beyond my power to express. What is unequivocal is that the principal beneficiary of your largesse has been me. Thank you.

Philadelphia has been wonderful to our family. Two of our children were born here. Lincoln said that to meet with the public “renewed in me my perceptions of responsibility and duty.” Those words rang hollow until we moved here and I talked with our fans. Everywhere I went, lifelong Sixers fans told me stories about how they wanted the team to be good again—really good.

It’s clear now that I won’t see the harvest of the seeds we planted. That’s OK. Life’s like that. Many of my NBA friends cautioned me against the kind of seed sowing that felt appropriate given the circumstances for exactly this reason. But this particular situation made it all the more necessary, though. Part of the reason to reject fear and plow on was *exactly because* fear had been the dominant motivator of the actions of too many for too long.

I will be repotted professionally. That is often uncomfortable; most growth is. But it’s also often healthier over the longer sweep of history, too.

In the interim, I’ll probably be with my wife and kids for a few weeks. If you need to reach me—now or later—I am available at [REDACTED] and I suspect someday soon on Twitter via @samhinkie.

I wish you the best of luck. Like other Sixers fans, I will cross my fingers for you on lottery night in New York.