The Ottawa Senators Hockey Franchise

Case Study, University of Ottawa[*]

The bright spring sun danced off the glimmering gold exterior of the Corel Centre with the intensity of a thousand Roman centurions marching off to war. The temperature was 22 degrees Celsius; a far cry from the week before that had seen lows of minus 20 and had brought 40 centimeters of snow to the region. The winters in Ottawa were no longer predictable. Enormous temperature swings, coupled with raging ice and snow storms, had made 1997-98 a winter that would live on for generations in the stories of those who survived it. Ironically, it was not only the weather patterns that were changing.

It was March 28, 1998 and the Ottawa Senators hockey club had just lost a hard hitting, crucial game to the Chicago Blackhawks. With only eleven games left in their regular season, Rod Bryden, chairman and governor of the club, wondered if his team could hold on to the last playoff spot in the Eastern Division. Only four points separated them from the Carolina Hurricane, a club that had gradually eroded away the point gap from seven to five and now to four. To make things worse, Carolina had thirteen games left to play. It would be a tense three weeks.

Bryden knew that the playoffs were the only way to reduce the projected five million-dollar operating loss, a loss that could make the difference between the team staying in Ottawa or moving to another city. Since 1992, when the team first entered the National Hockey League, they had never turned a profit. For most National Hockey League franchises, this would not have been a problem; they were owned by large entertainment and communications conglomerates, but not the Senators. Ownership structures, like Ottawa's weather, had drastically changed over the past decade. No longer was there room for community or family ownership and the old-fashioned syndicates were quickly becoming a thing of the past.

As Rod left his office, he reflected back on the previous season. Ottawa had made the playoffs and the additional gate receipts and broadcast revenues had significantly reduced the projected loss. Closing his door, he speculated on the future of hockey in Canada. He tried to think of ways

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to reduce the team's dependency on playoff revenues, and hoped that Philadelphia would crush Carolina when the two teams met the next day.

The Entertainment Industry

It was estimated that, in 1997, Americans spent an average of 9.5 hours each day watching television, going to movies, renting videos, reading magazines, listening to music, or surfing the Web. Along with healthy consumer spending on entertainment, there had been a dramatic increase in the amount of money spent by advertisers.

Sales of advertising space had become so strong that cable and network broadcast companies were able to increase revenues even as their viewership shrank. The cost of ad time was not going up, and so the networks were jamming more spots into each half-hour and hoping the TV audience would not notice. In 1986, ABC aired an average of 6.25 minutes of ads per hour of prime time. By 1997, ABC treated viewers to an average of 9.5 minutes of ads. Ironically, ad buyers were still clamoring to buy time on the networks' biggest shows. This was because a broadcast or cable network was still the best way to capture 30% of the audience in one shot. Unfortunately, revenues are not profit.

As the supply of entertainment and media offerings ballooned, consumers' appetites had hit a plateau. The investment banking and research firm Veronis, Suhler & Associates Inc. reported that per capita consumer spending on media and entertainment in 1997 was approximately $546. That was up a healthy 40% from 1990, but the growth rate was projected to slow down. It was estimated that consumer spending would increase by only 19% over the next three years, despite the booming economy.

Further estimates for 1998 indicated that 58% of American homes would be tuned in to broadcast TV (cable and network) at some point in time during a typical 24-hour period, down from 60% in 1997. For the Big Three networks, the outlook was even worse. ABC, CBS, and NBC had controlled as much as 91% of the audience in 1980, but projections showed that their combined marketshare would probably drop below 50% in 1998.

The ratings race among the networks would, in all probability, tighten considerably in 1998. There was heavy speculation that, to buttress their ratings, NBC, Fox, and ABC were likely to bid nearly $7 billion to keep pro football in their line-up, up 90% from the previous four-year period. However, with ad dollars for football up by only 27% over the previous year, margins at the winning networks would still decline. It was notable that the networks were willing to pay more for football despite slipping ratings and franchise shifts that had left major markets-Houston, Cleveland and Los Angeles-without home teams. In the final analysis, broadcasters wanted the rights because they did not want the competition to have them.

In general, the cost of programming was increasing faster than advertising revenues. However, even with the potential for a decrease in profit margins, media companies were still snapping up sports teams and

programming for a couple of compelling reasons. In the fragmented American TV market, sports seemed to be the only way to land a substantial and predictable audience, and that in turn drew advertising revenue. Secondly, media companies found it cost-effective to own the teams that drew the audience. Owners could lose money at the gate, but get some back by paying themselves for regional broadcast rights and also through national broadcast revenue distribution to the individual teams.

The fact that players' salaries continued to increase at a faster rate than team revenues, meant that certain teams had to find alternate sources of funds to remain competitive. Often the best source was a corporate owner who could realize synergistic benefits between a professional sports team and its existing businesses. Sports had become an attractive addition to an entertainment or communication company's portfolio because owning a team was similar to owning a movie or television studio; all could create value by adding customers. Entertainment companies, by their very nature, knew how to attract customers or they did not remain in business very long.

As professional sports franchises continued to grow in size (i.e. revenues) and value, the percentage of corporate owners was expected to increase, as it became difficult for individuals to foot the bill to remain competitive. In light of players with multimillion-dollar contracts, the big entertainment and communication companies offered hometown fans something few individual owners could: Pockets deep enough to sign the star players needed to field a contender.

In 1997 the only "pure play" publicly-traded sports team was the Boston Celtics. This had not always been the case. Previously, there were several teams whose shares were available to the public including the Baltimore Orioles, Cleveland Cavaliers, New England Patriots, Milwaukee Bucks, Toronto Maple Leafs and Vancouver Canucks. Other than the Celtics, each of these teams had gone "private." Their prices were sometimes volatile, and the public shareholders typically made a meaningful profit only when the team was sold. This was because sports teams, as "pure plays," were not good investments due to the highly seasonal revenue stream, regular labor strife, continually increasing labor costs, and lack of market liquidity. In contrast to "pure play" investments, potential synergies and better returns were available when the team represented a supporting role within a diversified media/entertainment/leisure company.

The synergistic benefits attained from the alliance of professional sports teams with media, entertainment and communications companies continued to be a factor in ownership structures throughout 1995, 1996 and 1997. Notable mergers and acquisitions included:

1. Gaylord Entertainment Co. as an investor in the Nashville Predators NHL expansion franchise.
2. General Electric, the owner of NBC, as an indirect investor in the New York Knicks and New York Rangers.

3. News Corp. as an indirect investor in the New York Knicks and New York Rangers and its pending acquisition of the Los Angeles Dodgers.
4. Microsoft Corp., with a growing presence in communications, became an indirect investor in the Philadelphia 76ers and Flyers through its investment in Comcast Corp.
5. The Walt Disney Co. and its holdings in the Anaheim Mighty Ducks and its bid for the Anaheim Angels.
6. The Tribune Company's ownership of the Chicago Cubs.
7. Turner Broadcasting Systems' investment in the Atlanta Hawks and Atlanta Braves.

The Montreal Canadiens' ownership was another example of the intricate intertwining of sports and entertainment. The Canadiens Hockey Club was a wholly owned subsidiary of the Toronto-based Molson Companies Limited. Molson was a diversified corporation whose primary business interests were brewing, retail merchandising and professional sports and entertainment.

Molstar Sports and Entertainment was a wholly-owned subsidiary of Molson formed in 1996 that combined the assets of Molstar Communications, a company specializing in sports/entertainment programming, and Molstar Indy, which handled Molson's auto racing interests.

Molson joined CTV, Rogers Communications and U.S.-based Fox Sports to form CTV Sports Net, an all sports cable network in Canada. In July 1997, the NHL discontinued its practice of selling its Canadian national television rights to the Canadian television networks. The league subsequently entered into a four-year, $60 million deal with CTV Sports Net for national cable telecasts. Molstar then sold its stake in the company to Rogers in November 1997.

Historically, Canadian sports franchises or leagues generated TV revenue by selling their rights in three categories: national over-the-air rights, local over-the-air rights and national cable rights. This changed when the Canadian Radio-television and Telecommunications Commission (CRTC) licensed CTV Sports Net as the country's only "regional" sports network. This new segmentation provided a fourth TV revenue stream: regional cable rights.

While new to Canada, this regional cable market had existed in the U.S. for many years, and it had been an advantage for broadcasters and sports franchises alike. The channels needed regional programming to fill up their schedules and the team owners needed the additional TV revenue to help pay their monstrous player salaries.

In the U.S., the Fox network used regional stations to sell most of its sports programming. With Fox owning 20% of CTV Sports Net (another 40% was owned by Baton Broadcasting Inc.; Molson Cos. Ltd. and Rogers held the rest), the strategic direction became clear: using the Fox

example, CTV Sports Net could piggy-back its operations on the existing infrastructure of its owners, thereby minimizing the start-up costs.

Due to the CRTC regulations, each of the four regions (the West Coast, the Prairies, Central Canada, and Quebec/Atlantic provinces) required 33% local programming. This gave CTV Sports Net a grassroots flavor that TSN could not match. It also highlighted one of TSN's biggest handicaps - the fact that it had to schedule a considerable amount of Toronto-based programming in order to attract the large southern Ontario audience.

Another realignment occurred in the United States. Comcast Spectacor launched Comcast Sports Net, a 24-hour regional sports network that televised Philadelphia 76ers, Flyers, Phantoms and Phillies games. The network was a joint venture between Comcast Spectacor and the Phillies. Comcast also owned a series of cable companies along with investments in the QVC retail television network, Golf Channel, and the majority interest in the Entertainment cable channel (E channel).

In the west, Fox Sports Rocky Mountain acquired exclusive regional television broadcast rights to the Avalanche and Nuggets as part of a seven-year deal reportedly worth $100 million. The Colorado Avalanche were wholly-owned by Denver-based Ascent Entertainment Group. Ascent was a publicly-owned entertainment and media company that held interests in on-demand multimedia entertainment, professional sports franchises, major motion pictures (Air Force One) and television products.

In general, a sports franchise had an entirely different kind of value for a corporate owner than it did for a family or an old-fashioned syndicate. If annual profitability was the key success factor then a company was better off with a Burger King franchise than it was with a sports team. Soaring salaries were likely to force almost half the National Basketball Association teams into the red for 1998, despite an expected 13% increase in league revenues. In baseball, teams lost in aggregate between $200 million and $300 million in 1997. However, if the team was part of a diversified entertainment portfolio, the synergies and economies of scale and scope could greatly reduce the loss potential.

Professional Sports

Major League Baseball (MLB)

Team Values (7/28 teams)

($000,000's)	1992	1993	1994	1995	1996	1997
New York Yankees	$200	$160	$166	$185	$209	$241
Colorado Rockies	-----	-----	$110	$117	$133	$184
Toronto Blue Jays	$160	$155	$150	$146	$152	$155
Oakland Athletics	$115	$124	$114	$101	$97	$115
Detroit Tigers	$85	$97	$89	$83	$106	$110
Anaheim Angels	$103	$105	$93	$88	$90	$93

($000,000's)	1992	1993	1994	1995	1996	1997
Montreal Expos	$75	$86	$75	$76	$68	$77
Team Low	$75	$81	$75	$70	$62	$71
Team High	$200	$160	$166	$185	$209	$241
Team Mean	$116	$109	$108	$111	$115	$134

Major league baseball, which had seen more than its share of problems, was beginning to climb back. Attendance in 1997 was the second highest ever. The commissioner's job, vacant for five years, had been filled and expansion franchises in Phoenix and St. Petersburg were poised for a quick start. St. Petersburg's team, the Tampa Bay Devil Rays, had already sold 2 million tickets for 1998. Seats for its home opener were snapped up in a scant 17 minutes.

All things considered, the team valuations were still illustrative of a professional league without an appropriate economic structure to ensure long-term competitiveness among teams. Major League Baseball had minimal revenue sharing and no salary cap. Those two factors allowed large market teams or those with significant revenue generating capability to pay large sums of money to attract top players. This situation had affected league development and had generated a large gap between those teams that had financial strength and those that did not.

Ownership Guidelines

Major League Baseball (MLB) had no defined ownership criteria. It did allow cross-ownership and corporate ownership of its franchises; however, there were certain key characteristics upon which MLB looked favorably. Generally, the league favored local individuals and not corporations. This unwritten criteria underpinned MLB's attempts to keep the interests of baseball above that of outsiders, and to maintain baseball's self-governance, and limited financial disclosure.

This restriction was hurting some franchises that had become financially destitute. Faced with the potential collapse of these teams, the MLB began to relax the ownership paradigms and began to accept ownership by media, entertainment and communications companies. At the outset, these affiliations demonstrated the benefits created by the synergy of entertainment and sports. Teams served as sources of programming that drew advertising revenue. The advertising revenues were invested back into the team and were accompanied by revenues for regional broadcast rights. These revenue streams were used to develop a more competitive team that drew more fans to the gates.

Labor Agreement

The collective bargaining agreement called for a minimum player salary of $170,000 for 1998 and $200,000 for 1999. In 1999, the players would receive a reduced share of the pool accumulated over the first three post-season games. Instead of receiving 80 percent, they would receive a 60

percent share. There were no salary caps in the agreement and teams were allowed to bid what ever they wanted for the top players.

Stadiums

Baseball clubs began to differentiate themselves from other stadium sports by breaking their teams out of facilities they shared with football teams. Through the use of public funds and owner investments, teams began to move into intimate, highly stylized ballparks.

National Basketball Association (NBA)

Team Values (7/29 teams)

($000,000)	1992	1993	1994	1995	1996	1997
New York Knicks	$83	$87	$136	$173	$205	$250
Los Angeles Lakers	$150	$155	$168	$169	$171	$211
Portland Trailblazers	$78	$84	$122	$132	$137	$179
Toronto Raptors	-----	-----	-----	-----	-----	$138
Vancouver Grizzlies	----	----	----	----	----	$127
Atlanta Hawks	$57	$54	$72	$84	$96	$111
Los Angeles Clippers	$54	$54	$83	$87	$88	$95
Team Low	$43	$45	$67	$77	$89	$95
Team High	$150	$155	$168	$180	$205	$250
Team Mean	$70	$71	$99	$113	$127	$148

Corporate Ownership and Synergy

The NBA allowed and encouraged corporate ownership and cross-ownership of its franchises. Cross-ownership with NHL franchises was a way to create the number of annual event dates necessary to ensure successful operation of their new arenas or cable networks. Corporate ownership in the NBA involved a high concentration of media, communications and entertainment companies. In most cases, the escalating costs of owning a NBA franchise, combined with the lack of synergistic opportunities, discouraged non-media corporations from buying teams.

Labor Agreement

Under the collective bargaining agreement signed in 1995, players shared in all revenues from all sources, including luxury suites, arena signage, sponsorship, parking, and concessions. Under certain circumstances, the league had the right to re-open the agreement after three years; in 1998, this was a strong possibility. NBA officials asserted that 13 of the leagues 29 teams had lost money in 1997 and cited rising player salaries as the chief culprit. However, rising player salaries were the fault of the owners. A salary cap intended to slow the growth of team payrolls had been ineffective because of a variety of loopholes and at least 20 teams had exceeded the salary limit of $26.9 million. Without a new labour

agreement, it was estimated that players' salaries could reach $32 million by the year 2000, depending on the growth of league revenues.

Media Issues

In November 1997, the league signed $2.4 billion worth of contract extensions with its established broadcast partners, NBC and Turner Sports. NBC agreed to a four-year, $1.6 billion deal to serve as the over-the-air broadcast network of the league through the 2001-02 season. Turner Sports signed a $800 million, four-year contract to serve as the league's cable outlet for the same period. As part of the agreements, the league would receive its first payments from the new deals regardless of whether the league experienced a strike or lockout.

National Football League (NFL)

Team Values (7/30 teams)

($000,000)	1992	1993	1994	1995	1996	1997
Dallas Cowboys	$146	$165	$190	$238	$272	$320
Jacksonville Jaguars	----	----	----	----	$145	$239
Chicago Bears	$139	$136	$160	$161	$184	$204
Green Bay Packers	$115	$116	$141	$154	$166	$186
Denver Broncos	$114	$119	$147	$150	$164	$182
Pittsburgh Steelers	$121	$120	$143	$144	$154	$173
Indianapolis Colts	$121	$122	$141	$134	$145	$170
Team Low	$103	$102	$138	$134	$133	$170
Team high	$150	$165	$190	$238	$272	$320
Team Mean	$125	$129	$153	$160	$174	$205

Corporate Ownership History

With the exception of two teams, the NFL had restricted ownership to individuals, partnerships, and family holding companies since 1970. This ban on corporate ownership was beginning to worry some stakeholders and many of them had begun to push the league for a review of the policy. They feared that the escalating costs of owning and operating NFL franchises would force them into the red and without the potential to tap into the deeper pockets of corporations they believed that their financial viability could be in question.

NFL Economics

The economics of the NFL had changed monumentally over the past few years. The first change was the creation of a player salary cap as part of the league's 1993 Collective Bargaining Agreement with its players. Although termed a "Cap," the result of this provision was the creation of another level of revenue sharing, this time with the players. The other result was the emergence of stadium economics as a unique and substantive resource in putting a competitive team on the field.

Over a twenty-five-year period, player costs as a percentage of revenues had increased from approximately 48 percent in 1970 to approximately 63 percent in 1990. NFL owners recognized that the league could not survive with its costs growing faster than its revenues.

As a result, the owners asked the players to enter into a new relationship. In essence, the agreement granted the players a more liberalized form of free agency in exchange for standardizing the amount of revenues that had to be shared with the players for the term of the agreement.

One of the most common misconceptions about the salary cap was that it limited the total amount that teams could spend on players. The Collective Bargaining Agreement stated that the league would spend at least 58 percent of gate receipts on player costs in any capped year. In addition, the agreement with the players allowed teams the opportunity to prorate signing bonuses over the life of each player contract.

Stadiums

Although market size was important in determining the revenue-generating power of an NFL franchise, stadium economics had quickly overtaken market size in determining a team's fiscal success. In fact, stadium economics had become such an important part of NFL economics that it drove many of the league's most important strategic decisions.

Long gone were the days when team owners were satisfied to lease a stadium from a city during the season and merely pocket a percentage of the gate receipts. "We operate in a highly competitive entertainment environment," said Roger Goodell, the NFL's point man on stadium issues. "Our teams have to be in high-quality stadiums because that's half the sports experience. It's not just about the play on the field anymore." That's why, for example, Oregon billionaire Paul Allen waited to exercise his option to buy the Seattle Seahawks football franchise until after voters approved the $425 million stadium-finance package. Without the new stadium as the core of the franchise, the money-losing Seahawks just did not measure up as a property worth owning.

The importance of stadium economics on a team's on-field success was evident by the fact that Carolina and Jacksonville, both with new state-of-the-art facilities, advanced to their conference championship games in their second year of existence. Both teams' rosters included several high-priced free-agent players.

Stadium revenues were derived from skybox leases, advertising, concessions, ticket sales, naming rights and parking. The importance of these revenues, in contrast with other forms, was that they were not shared by other teams or with the players. They were used to invest in player talent, improved facilities, coaches, and player personnel staff, all integral components in building and maintaining a successful team.

In September 1997, NFL Commissioner Paul Tagliabue summarized the league's position on new facilities. He stated that: "Building on our recent success in developing stadium partnerships between NFL teams and their

communities is a major priority. Our goal is for all our teams to play in state-of-the-art facilities in their existing markets.”

The National Hockey League

In 1967-68, the NHL doubled to 12 teams. At that time the league charged $2 million U.S. for each expansion franchise. When they added four more teams in the late 1970s, the price went to $6 million U.S. By the late 1980s, owners were anxious to generate additional revenues through yet another expansion, but found it difficult to set a franchise price.

In 1991, when Ottawa and Tampa Bay applied for franchises, the Buffalo Sabres suggested the league set the fee at $42 million U.S., simply because it divided neatly among 21 teams. The Pittsburgh Penguins wanted to ask for $65 million U.S. The owners settled for $50 million U.S. per franchise. When the established teams came to vote the following morning, only one was hesitant, the Philadelphia Flyers, which abstained from the Ottawa endorsement. All 21 backed Phil Esposito and the Tampa Bay bid. “Take the money now!” one owner shouted from around the table. “Deal with the future later!” added another.

It was very nearly a total disaster. Both teams had terrible problems producing the cash they claimed they had. The Tampa Bay Lightning remained in deep financial trouble through the 1997–98 season. Bruce Firestone lost the Senators to majority owner Rod Bryden, who later joined with Ogden Corp., to build the Corel Centre.

By 1996, NHL clubs were losing, on average, between $6 million and $10 million a year. However, this did not seem to bother the corporate heavy hitters who agree to pay $80 million U.S. or more for an expansion franchise.

Team values (9/26 teams)

($000,000)	1992	1993	1994	1995	1996	1997
Chicago Blackhawks	$61	$67	$80	$102	$122	$151
Detroit Red Wings	$70	$87	$104	$124	$126	$146
Toronto Maple Leafs	$54	$63	$77	$90	$96	$105
Montreal Canadiens	$62	$73	$82	$86	$86	$95
Vancouver Canucks	$45	$61	$69	$87	$91	$91
New York Islanders	$53	$55	$53	$53	$60	$74
Calgary Flames	$55	$52	$50	$50	$54	$72
Ottawa Senators	N/A	N/A	$50	$56	$56	$67
Edmonton Oilers	$55	$51	$46	$42	$42	$52
Phoenix Coyotes	$30	$35	$35	$35	$34	$43
Team Low	$30	$35	$35	$35	$34	$43
Team High	$70	$87	$104	$124	$126	$151
Team Mean	$50	$57	$61	$71	$74	$90

In contrast to the other leagues, the NHL was still a fledgling enterprise as it continued to expand its geographic reach in search of a larger fan base. The franchise relocations to Dallas, Denver, Phoenix and Charlotte, together with the expansion franchises of Nashville, Atlanta, Columbus and St. Paul, gave the NHL hope that it had generated the geographic diversity required to garner large national broadcasting contracts.

Corporate Ownership

As a league, the NHL encouraged corporate ownership through mergers and consolidations, especially with media, entertainment and communications industries. They viewed these changes in the ownership structures as being synergistic and economically beneficial. They also saw them as a way in which to capture more network and Cable TV broadcast dollars.

Labor Agreements

The NHL and its players had a collective bargaining agreement that extended through the 2003-04 season. Key components of the agreement included the establishment of a rookie salary cap and the introduction of a restricted form of free agency. These provisions were included to reduce the imbalance between small and large market teams' abilities to attract and retain quality players. Thus, while the agreement was not a panacea for all small market ills, it did help narrow the gap between small and large market teams when it came to rookie salaries. The downside to the agreement was that it did not cap signing bonuses, nor did it provide protection against bidding wars for veteran NHL free agents.

Salary Examples as at December 1997

Player	Team	1997-98 Salary	1997-98 Bonus	1998-99 Salary
Joe Sakic	Colorado	$2 million	$15 million	$2 million
Chris Gratton	Philadelphia	$1 million	$9 million	$1.5 million
Eric Lindros	Philadelphia	$7.5 million		$8.5 million
Wayne Gretzky	N.Y. Rangers	$6.5 million		$5.5 million
Mark Messier	Vancouver	$6 million		$6 million
Pavel Bure	Vancouver	$5.5 million		$6 million
Paul Kariya	Anaheim	$5.5 million		$8.5 million
Jaromir Jagr	Pittsburgh	$5.1 million		free agent
Steve Yzerman	Detroit	$5 million		$4.8 million

Alexei Yashin signed a $13 million (US) contract with the Ottawa Senators in December 1995.

Sergei Federov signed a six-year $38 million (US) contract in 1998 that would pay him $24 million (including $2 million in salary) for playing one third of the season. That was roughly equivalent to the entire $29 million Montreal Canadiens payroll.

Expansion

In 1997, the league awarded four new franchises. The Nashville Predators, owned by Wisconsin businessman Craig Leipold and the Gaylord Entertainment Company, were scheduled to begin play in 1998-99 at the 17,500 seat, $144 million Nashville Arena. Atlanta Hockey Inc. was owned by Time Warner Inc. The team, would begin play in the 1999-2000 season and would share a 20,000 seat, $213.25 million arena with the NBA Atlanta Hawks.

The remaining expansion franchises were to begin play during the 2000-01 season. The Columbus Blue Jackets were owned by JMAC Hockey, an investor group headed by John McConnell, founder of Worthington Industries. The team would play at Nationwide Arena, a 19,000-seat, $125 million arena being constructed in downtown Columbus. The last of the expansion teams, the Minnesota Wild, were owned by a 14-member investor group headed by Minnesota businessman Robert Naegele. The team would play in a new $130 million arena to be built in St. Paul.

Media Issues

In October 1997, the NHL signed a four-year $265 million (Canadian) deal with the Canadian Broadcasting Corporation for the league's Canadian national English language broadcast rights. Shortly after, the league signed a four-year $60 million agreement with CTV Sports Net that made CTV the league's English-language Canadian cable outlet.

In the U.S., the NHL's $13 million per-year deal with ESPN was to end after the 1997-98 season and the $155 million, five-year agreement with Fox Television was to expire after the 1998-99 season.

1997-98 Attendence

Average Home Game Attendance as at January 16, 1998

Team	'96-97 Season	'97-98 to Jan. 16	Difference
Ottawa	15,377	16,050	+4.4
St. Louis	16,807	17,496	+4.1
L.A.	12,297	12,701	+3.3
New Jersey	16,398	16,817	+2.6
Dallas	15,997	16,185	+1.2
Philadelphia	19,313	19,433	+0.6
Edmonton	16,044	16,122	+0.5
N.Y. Rangers	18,188	18,200	0.0
Detroit	19,976	19,983	0.0
Florida	14,703	14,703	0.0
Colorado	16,061	16,060	0.0
Toronto	15,704	15,697	0.0
Anaheim	16,977	16,744	-1.4
Calgary	17,089	16,752	-2.0
Montreal	21,002	20,543	-2.2
San Jose	17,423	17,012	-2.4
N.Y. Islanders	12,495	12,176	-2.6
Vancouver	17,320	16,851	-2.7
Phoenix	15,604	14,899	-4.5
*Washington	15,762	14,746	-6.4
Boston	15,551	14,451	-7.1
Pittsburgh	16,691	15,204	-8.9
Chicago	19,397	17,597	-9.3
Buffalo	16,912	14,766	-12.7
Tampa Bay	17,443	14,122	-19.0
*Carolina	13,680	8,544	-37.6
Overall	16,573	15,891	-4.1

NOTE: *Washington moved into new building in December; Hartford franchise moved to Carolina for 1997-98 season.

Stadiums

By the 1999-2000 season, 21 of the NHL's 26 franchises would be playing in arenas less than a decade old.

In November 1997, Ascent Entertainment Group broke ground on the $160 million Pepsi Centre, a new home for the Colorado Avalanche and the NBA Denver Nuggets. The negotiated agreement between the company, city, and county included a series of subsidies and concessions for the new arena. These included $4.5 million for infrastructure, $2.25 million for sales tax rebates during construction and $2.1 million annually in property tax exemptions plus rubber stamp zoning change approvals. The agreement meant that the City and County would lose the approximately $4 million in seat tax revenues that had been generated at the existing McNichols Arena.

In return, Ascent agreed to pay the city $1 million to $2 million annually, providing that it could offset those payments with sales taxes collected on concessions at the facility. Ascent also agreed to pay the first one million dollars in demolition costs for McNichols Arena. The new Pepsi Center

contained 19,309 seats, 1,850 club seats, and 95 fully furnished luxury suites ranging in price from US$95,000 to $185,000.

On December 2, 1997, the new 20,000-seat MCI Center opened in downtown Washington D.C., the new home of the Washington Capitals and NBA Washington Wizard. The Center offered a Models Sporting Goods store, American Sportscasters Hall of Fame, MCI National Sports Gallery, and a Destination DC store as some of the unique amenities. The facility cost $260 million to build ($200 million for the building and $60 million for site costs) and was funded entirely through tax dollars. The agreement to pay back the public funds was based on a special arena tax. Each company operating in the arena would be taxed based upon the companies' gross receipts. Taxes ranged from $25 to $8,400 per year.

On January 17, 1998, Dallas voters approved a $125 million package to assist the financing of a new arena for the Dallas Stars and NBA Dallas Mavericks. In the agreement, the funds to repay the public portion of the financing would come from a 5 percent car rental tax, 2 percent hotel tax and $3.4 million from the annual team lease payments. The teams would build a new 20,000-seat, $230 million facility that would contain 100 luxury suites and 2,500 club seats. In addition to the $132 million in lease payments over the term of the 30-year agreement, the teams would contribute $105 million for construction costs. The teams would be able to buy the new arena from the City of Dallas at the end of the 30-year lease for $1 million. The teams would retain all arena revenues as part of the deal.

On Feb. 12, 1998, Sun Media, owners of the Toronto Maple Leafs, announced a deal to buy the NBA Toronto Raptors and move both teams into a "redesigned" Air Canada Centre. The deal also included the purchase of nearby Union Station, which would likely be the new home of a sports, entertainment, and shopping complex. In their new home, the Leafs could build lucrative corporate partnerships and may end up with as much as $30 million (Canadian) more to play with per year.

Luxury Suite and Club seat Overview

Name	No. of Luxury Suites	Luxury Suite Price Range	Club Seat Quantity	Club Seat Price Range
Boston Bruins	104	$170,00-$260,000	2,350	$10,700-$13,000/season
Buffalo Sabres	80	$55,000-$100,000	5,000	$2665/season
Calgary Flames	72	C$36,000-$85,000	1,461	C$1,500 1x fee + $3,195/season
Carolina Hurricanes	65	$110,000-$140,000	2,000	$5,000/season
Chicago Blackhawks	216	$65,000-$190,000	3,300	$1,000 annual fee+$50/game
Colorado Avalanche	27	$90,000	None	
Dallas Stars	None		5,154	$52-$82/game
Detroit Red Wings	86	$55,000-$175,000	None	
Edmonton Oilers	39	C$32,500-$125,000	3323	C$65-$75/game
Florida Panthers	16	$70,000-$120,000	None	
Los Angeles Kings	None		$2,400	$9,200/season
Anaheim Mighty Ducks	84	$81,900-$114,450	1,716	$4,375-$7,725/season
Montreal Canadiens	135	C$64,000-$140,000	2,674	C$1,600 annual fee+$70/game
New Jersey Devils	29	$155,000-$210,000	None	
New York Islanders	33	$84,000-$260,000	153	$80-$90 / game
New York Rangers	89	$250,000-$300,000	3,775	$95,$110,$125 / game
Ottawa Senators	148	C$39,000-$150,000	2,500	C$3,177-$3769/season
Philadelphia Flyers	126	$75,000-$155,000	1,800	$3,300/season
Phoenix Coyotes	88	$43,000-$48,000	2,001	$3,300/season
Pittsburgh Penguins	56	$72,000-$140,000	1696	$4,3000/season
San Jose Sharks	68	$62,000-$125,000	3,000	$63 and $73 / game
St, Louis Blues	91	$37,500-$120,000	1,684	$3,990/season
Tampa Bay Lightning	72	$55,000-$100,000	3,300	$2,400-$2,800/season
Toronto Maple Leafs	85	C$34,000-$192,500	None	
Vancouver Canucks	75	C$100,000-$190,000	2,195	C$3,915/season
Washington Capitals	110	$100,000-$175,000	3,000	$7,500/season

Naming Rights Deals

The naming rights agreements entered into during 1997 included a variety of industry categories and saw the establishment of a new record price for such deals.

It was anticipated that 1998 would see teams and facilities offer more industry-specific opportunities that would allow sponsors to generate incremental business as a result of their naming rights deal. The days of a

team merely placing a name on the facility and putting a logo on concession containers and employee uniforms were viewed as a thing of the past. By allowing corporate sponsors the opportunity to generate more revenues, teams and facilities believed that they could ask potential sponsors for more money for the naming rights.

Naming Rights Agreements

Cross-section of major league teams

Team Name	Company Name	Facility Name	Length	Est. Value
Boston Bruins	Fleet Financial Group	Fleet Center	15 years	$30 million
Buffalo Bills	Rich Products	Rich Stadium	25 years	$1.5 million
Calgary Flames	Canadian Airlines	Canadian Airlines Saddledome	20 years	C$10 million
Cincinnati Bengals	Cinergy Corp.	Cinergy Field	6 years	$6 million
Florida Marlins	Pro Player	Pro player Stadium	10 years	$20 million
Houston Rockets	Compaq	Compaq Center	6 years	$5.4 million
Los Angeles Lakers	Staples	Staples Center	20 years	$100 million
Miami Heat	American Airlines	American Airlines Arena	20 years	$42 million
Mighty Ducks of Anaheim	Arrowhead Water	Arrowhead Pond of Anaheim	10 years	$15 million
New Jersey Devils	Continental Airlines	Continental Airlines Arena	12 years	$29 million
Ottawa Senators	Corel Corporation	Corel Center	20 years	C$26 million
Philadelphia Flyers	CoreStates Financial Group	CoreStates Centre	29 years	$40 million
Seattle Super Sonics	Key Bank	Key Arena	15 years	$15.1 million
Toronto Raptors	Air Canada	Air Canada Center	15 years	C$45 million
Vancouver Canucks	General Motors	General Motors Place	20 years	C$18.5 million

NHL Revenue Equalization and Sharing

In an effort to stem the exodus of franchises from Canada to the U.S., the NHL created a currency equalization plan designed to reimburse Canadian teams for the currency imbalance between countries. Funds for the plan came from league-generated television, licensing and sponsorship revenues. To qualify for the plan, a Canadian team had to show that their revenues were below but not less than 80 percent of the league average or by selling a defined number of season tickets, luxury

suites and dasherboards. Eligible teams could receive up to U.S. $5 million. The Calgary Flames, Edmonton Oilers and Ottawa Senators received funds from the pool in 1997.

After the equalization payments were calculated, the balance of the league revenues generated from national broadcast and merchandise licensing rights were split evenly amongst the 26 teams. In 1997-98, this amounted to approximately $2.8 million per team.

Taxes and Currency Issues

Most U.S. teams paid little or no property taxes on their arenas. Canadian teams however, were among the most highly taxed in the NHL and would have welcomed some government relief. Montreal paid the most taxes at $11 million per year, while Ottawa and Vancouver paid about $4 million per year.

In addition to tax issues, the 40 per cent difference between Canadian and U.S. currencies also caused problems because most expenses for Canadian NHL teams, such as salaries, were paid in U.S. funds, while revenues were collected in Canadian money.

An example of how sales taxes and currency values eroded most Canadian team admission revenues could be seen when put in the context of a $100 admission ticket. Canadian teams paid between 7% and 17% sales and entertainment tax on each ticket sold while U.S. teams paid between 0% and 10%. The following table shows the resulting calculations based on a $100 ticket.

Deductions	Canadian Team at 7% Tax rate	Canadian Team at 17% Tax rate	American Team at 0% Tax rate	American Team at 10% Tax rate
Tax	$6.55 CDN	$14.33 CDN	$0	$9.10 US
Loss on Conversion	$29.90	$27.36	$0	$0
Net in US$	$63.55	$58.11	$100	$90.90

NHL Financial and Operating Statistics for 1996-1997

Team	Payroll (US$)	(%) Capacity & Attendance	Average Ticket Price (US $)	Taxes & Surcharges	Season Tickets	Market % Index	Fan Cost Index (US$)
Boston Bruins	$20,724,219	(89%) 637,575	$53.56	2% ticket surcharge	N.A.	.11	$295.25
Buffalo Sabres	$20,315,835	(91%) 693,379	$31.46	2.25% admit +8% sales tax	9,120	.58	$184.84
Calgary Flames	$19,955,000	(91%) 697,000	$29.04	7% GST	13,000	.90	$163.78
Colorado Avalanche	$43,699,713	(100%) 658,501	$49.28	0	12,500	.29	$266.62
Dallas Stars	$31,848,522	(95%) 655,878	$28.74	0	9,204	.15	$173.45

Team	Payroll (US$)	(%) Capacity & Attendance	Average Ticket Price (US $)	Taxes & Surcharges	Season Tickets	Market % Index	Fan Cost Index (US$)
Detroit Red Wings	$28,397,063	(100%) 819,107	$43.68	0	17,000	.16	$237.22
Edmonton Oilers	$20,354,000	(94%) 658,146	$25.50	7% admit, $0.25 ent + 7% GST	13,500	1.03	$150.40
Anaheim M/Ducks	$28,950,000	(99%) 695,867	$41.20	0	12,000	.27	$232.28
Montreal Canadiens	$28,130,723	(99%) 861,082	$35.46	7% sales tax 7% GST	18,000	.28	$194.83
New York Rangers	$44,151,893	(100%) 746,200	$38.54	0	14,000	.04	$256.67
Ottawa Senators	$21,850,000	(83%) 630,196	$33.95	8% PST, 7% GST, 2% ent.	9,500	2.00	$184.53
Philadelphia Flyers	$35,688,855	(99%) 791,753	$52.75	5% sales tax +5% ent. tax	14,750	.13	$273.02
Tampa Bay Lightning	$21,525,000	(89%) 713,891	$35.90	6.75% admit tax	7,300	.33	$203.11
Toronto Maple Leafs	$22,747,128	(99%) 643,884	$46.18	10% sales tax +7% GST	13,773	.16	$247.03
Vancouver Canucks	$32,207,500	(94%) 710,136	$36.01	7% GST	12,100	1.39	$201.07
Washington Capitals	$31,385,704	(80%) 646,234	$50.36	0	5,500	.09	$272.95

Note:

Payroll: total player payroll in US$ for 1996-97 season-figures from the NHL players association.

(%) Capacity & Attendance: total attendance for forty-four home games-1996-97 regular season-and percent capacity (total attendance divided by total capacity).

Tickets-Avg. price: is a weighted average of day-of-game ticket prices in US$ for all seating areas excluding luxury suite seats and club seats.

Taxes: include admission tax, surcharges, and sales tax placed on each ticket.

Season Ticket Sales: season tickets sold for the 1996-97 season, which includes either full-season tickets sold or full season equivalents (i.e.: 20 half season tickets=10 FSE's).

Market (%) Index: total attendance for 1996-97 divided by the total population of the team's Metropolitan Statistical Area.

Fan Cost Index: is the cost in US$ for a family of four to attend a game. It comprises the prices of four average-price tickets, two small beers, four small soft drinks, four-regular size hot dogs, two twill caps, two game programs and parking for one car.

Canadian Federal Task Force on Sports

In October 1997, the Canadian government formed a "Heritage Canada" subcommittee to investigate how the national government could assist sports in Canada.

The subcommittee was given a $3,000 budget and was instructed to gather information on how sport contributed to the Canadian economy. This information was to be used to determine if it was prudent for the government to invest public money in professional sports. Despite broader claims of the subcommittee's interest in sport as a whole, its real focus was to assess the long-term viability of Canada's six NHL teams.

The sub-committee began meeting in November 1997 and was to meet for 3 hours on a weekly basis. Thirty meetings were to be held before reporting to the Heritage Committee in June. One of the people scheduled to testify was NHL Commissioner Gary Bettman. In order to aid Bettman's

case, the league circulated a questionnaire among its owners to gather data on the economic impact their teams had on local economies.

One of the responses came from the Edmonton Oilers; a team that was in poor financial condition and fighting a takeover bid that would move the franchise to Houston. It contained information, statistics and data showing that the franchise generated approximately $50 million of indirect revenue in the city on an annual basis. It was anticipated that Ottawa, Calgary, Toronto and Montreal would all contribute to Bettman's quest for ammunition. No one held high hopes for any American submissions.

It was presumed that the subcommittee would focus on the complicated area of tax breaks. This was a sore point with Canadian NHL owners. For years they had watched taxation from all levels of government seriously erode their ability to generate a profit while, American franchises enjoyed extensive tax concessions.

The Ottawa Senators

Background

The Ottawa franchise was awarded to Bruce Firestone, then-owner of the CFL Ottawa Rough Riders, and a group of investors on December 16, 1991. The purchase price was set at $50 million with the provision that a new hockey stadium be built to house the team and that payment of the expansion fee be submitted within one year. The deadline for completion of the stadium was set as February 1996. In the interim, the team would be allowed to play at the Ottawa Civic Centre, a 9,500-seat arena in the downtown core that did not come close to meeting the 18,000-seat minimum capacity requirement of the NHL.

As the deadline for the remittance of the expansion fee grew closer, the 66-member investor group desperately tried to raise the required money. Advanced season ticket sales, merchandising, and local investment just was not enough and, with one month to go, Firestone realized that the $10 million short fall could spell the end of the hockey dream in Ottawa. In order to save the franchise, a major investor was required.

Ogden Corporation, a large, multi-national, U.S.-based portfolio company with significant interests in arena and stadium property management was very interested in securing the management and food concession contract for the future stadium. However, the only way that the stadium would be built was if there was a NHL franchise to play in it. Ogden Corporation reviewed the situation and decided to invest the $10 million required to pay the balance of the franchise fee. Ownership was now divided among 67 members.

The first obstacle had been overcome and a new Canadian team took to the ice for the 1992-1993 season. The Ottawa Senators' first NHL home opener since 1934 was against the Montreal Canadiens. The Senators won the game in front of a sold out crowd at the tiny Ottawa Civic Centre.

The real challenge however, was just starting. Terrace Investments, along with the Ottawa Senators Hockey Club Inc, and Palladium Corporation,

had to come up with the funds required to build the new facility. The plan was for Palladium Corporation to own the building and for the Ottawa Senators to play in the building free of charge. Terrace Investments, owned by Bruce Firestone, would be the holding company for both organizations. Given that Ogden was now an investor in the team, it was fairly certain that they would be contracted to manage the facility and the concessions.

The owners of the hockey team and Palladium Corporation put together a financing plan for the building that included extensive proformas based on the projected revenues from the facility. Then they took the plan to a number of financial institutions in search of construction loans totaling $130 million. Based on skepticism over the revenue projects, no financial institution would lend the money. Once again, the Ottawa NHL franchise was in serious jeopardy of being lost. Bruce Firestone and several of the other investors were forced to sell out due to financial difficulties and Rod Bryden became the majority owner of Terrace Investments, the hockey franchise and Palladium Corp. In a move to distance his ownership from that of his predecessors, Bryden renamed Terrace Investments to Stormont Entertainment Corporation and using his entrepreneurial flair went out to find the money needed to build the new arena.

In order to secure the funding, Palladium Corp. needed a guarantor. To get a guarantor, Bryden had to find a company with a personal stake in keeping the franchise alive and getting the stadium built, a company with deep pockets, a company like Ogden Corporation. Bryden gave Ogden Corp. a copy of the financing plan and asked them to be guarantor for the loans.

Ogden Corporation reviewed the revenue projections in the plan, did their own due diligence and told the owners of Palladium Corp. "You're full of s**t, there is no way in hell you can generate $16 ¼ million a year from suites, club seats and advertising. There is no way given the market size and all the dynamics that you can make that kind of money". To which the owners turned to Ogden and said, "we think we can". Ogden said, "OK, if you think you can do it, guarantee it".

A document called the Palladium Rights Guarantee was drafted. It guaranteed Ogden that Palladium Corporation would generate $16.25 million in revenue per year from suites, club seats and advertising or make up the difference. In the event that Palladium Corp could not make up the difference, the obligation was passed onto the Ottawa Senators Hockey Club Inc. In return, Ogden became guarantor for $95 million of loans to Palladium Corporation.

To make up the balance of the financing for the new facility, Ogden made a direct investment of $50 million in return for a 30-year arena management and concession rights contract. The thirty year contract called for a base management fee of $3 million a year plus incentives. A typical private management contract with a facility was only five years with an annual fee of ½ million dollars per year.

This meant that Palladium Corp. could no longer treat the Senators the same way that other sports facilities treated their professional sports teams. It could not provide the stadium for free, nor could it allow the hockey team to keep all or most of the revenues from parking, concessions, suites and advertising. Instead, the Ottawa Senators received 10% of suite revenue, a small percentage of advertising revenue, one-half of concessions, one-half of parking, and paid the annual $4 million tax bill. In reality, the whole situation had created the worst stadium deal in the NHL and had put the team's financial viability into question.

In July of 1994, construction began on the new arena named "The Palladium" (see Appendix B, Ogden Corporation Press Release). Unfortunately, neither the provincial nor the municipal governments were willing to assist with the project in any way. In fact, the municipal government had attempted every legal means possible to stop the building from being constructed and refused to build any roads or extend municipal services to the site. In the end, Palladium Corp. paid to have the roads built around the building, and financed the essential interchange off the freeway that bordered the site.

Construction of the Palladium went smoothly and by the middle of January 1996, the Ottawa Senators had a new home. The total cost for the building, land and roads was $215 million. This was a large debt for a young team that had consistently lost money and games. Fan support had remained consistent but well under the numbers required to break even. Moving into the Palladium meant more seats, a better entertainment package, and the potential for greater broadcast revenues, but it also meant the Palladium Rights Guarantee would be invoked, bringing with it a dilution of stadium revenues, and an enormous tax burden.

In May 1997, Rod Bryden hired Nesbitt Burns, an investment banking firm, to seek new investors in the team. The team had accumulated close to $100 million in debt from paying the expansion fee, playing at the tiny Civic Centre for four years, surviving a lengthy NHL player lockout in the 1994-95 season and getting through the dreadful years of weak performance on the ice. Things had started to turn around in 1996-97; the Senators set a team record for the number of games won in a season and for total attendance. However, they still lost approximately $6 million, despite collecting an extra $1.1 million from three home playoff games against the Buffalo Sabres.

With annual revenues of $40 million, the team was unable to cover all of the expenses. Annual payments of $15 million to service the debt load and about $30 million in team operations, including $22 million in salaries, continually left the team in the red. This did not include the approximately $3 million of annual payments that the team made on behalf of Palladium Corp to Ogden under the provisions of the Palladium Rights Guarantee. Palladium Corp. had yet to meet the $16.25 million yearly revenue clause and was never able to pay the difference.

Nesbitt Burns spent six months trying to find new investors to buy all or part of the team with the provision that it stay in Ottawa. The effort failed.

U.S. investors did not see Ottawa as a viable hockey market and were unwilling to take the risk.

In October of 1997, Rod Bryden called a meeting of all the investors in the Ottawa Senators Hockey Club Inc. At that point, Bryden and the Stormont Entertainment Corporation owned 70 percent of the club. The balance was spread over 62 other investors. Some came to the meeting hoping that Bryden would introduce a major new investor who would buy out their stakes, while others hoped for an investor who would merely bankroll the Senators into the future.

Instead, Bryden revealed the team's pressing debt problems and pointed out the probability that the team would lose about $5 million in 1997-98 unless the team made the playoffs. A strong playoff run could improve these projections. With the bad news out of the way he then sketched a rescue plan that could guarantee the team's future in Ottawa and even generate a small surplus by as early as the 1998-99 season.

Bryden announced that the Chase Manhattan Bank had agreed to cover the club's immediate financial needs. However, the accumulated debt remained and would continue to cost the team $15 million annually. He then laid out a proposed financial restructuring plan that would attack the debt by turning most of it into equity in the hands of shareholders. If he could convince the debt holders, who included the Chase Manhattan Bank, to accept preferred shares in a new corporate structure, then the Senators' balance sheet would start to look better. The plan could reduce the Senators' annual carrying costs by as much as 50 per cent.

The biggest challenge was to convince organizations making a good living off the debt payments to take stock that might some day generate dividends and rise in value. It also meant convincing the 63 limited partners, who had put up $17.5 million of the $50 million franchise fee, to accept common shares for their holdings. They had already seen their ownership stake drop from 47 per cent to about 20 per cent when Bryden found $20 million to cover accumulating losses in 1995.

Neither the investors nor the creditors were willing to go along with the proposal, but some relief did come in December 1997. The Ottawa Senators were able to tap into the Ontario Provincial Government Distress Preferred Shares program. The program allowed the club to restructure part of the outstanding debt and the lower interest rate cut approximately $7 million annually from the debt service payments.

Other Financial Considerations for 1997-98

In 1997, the Ottawa Senators received $2.5 million (US) from the league under the Canadian Revenue Currency Equalization program. It was anticipated that they would qualify for a similar amount in 1998.

The club sold 1,700 more season tickets for 1997-98 than they had for the previous season. Moreover, 104 of the 143 luxury boxes were sold for multiple seasons.

The “building” generated $2.5 million for the Senators in 1996-97, including revenue from the naming rights agreement signed with Corel Corporation.

Expansion proceeds for the club in 1997-98 would amount to approximately $15 million.

Marketing

The Ottawa Senators had targeted the Ottawa-Hull metropolitan area as the primary market, with the Seaway and Ottawa Valley as the secondary market. Within these region’s, ticket sales were aimed at male individuals between the ages of 25-54 and groups. Another key segment was the business community because of the lower price sensitivity. Appendix C outlines some of the group marketing initiatives that the Senators had developed.

Aside from ticket sales, the team also targeted broadcast media. Regional broadcast rights for both television and radio were seen as a viable means of generating needed revenue. Some Canadian teams were able to sell the rights for as much as $10 million per year. Geographically, the NHL had determined the Ottawa boundaries to be everything east of Toronto and west of Montreal. These boundaries were scheduled to change for the 1998-99 season to include all of the Maritimes.

The Organization

See Appendix A, Organization Table.

Management

Pierre Gauthier, General Manager

Pierre Gauthier became the third general manager in Senators' history on December 11, 1995. Before joining the Senators, Gauthier served as the first assistant general manager in the history of the Anaheim Mighty Ducks. During his time with Anaheim, he assumed the general manager duties of the Ducks' primary development affiliate, the Baltimore Bandits of the American Hockey League.

In the years before the Mighty Ducks, Gauthier worked in the Quebec Nordiques scouting department for 12 years.

In February 1997, Gauthier was named as one of three general managers for Canada's team at the 1998 Nagano Olympics. He was also Team Canada's general manager at the 1996 World Championship in Vienna, Austria, where the squad won the silver medal.

Gauthier received a master's degree in sports administration in 1983 from the University of Minnesota, where he also served as a teaching associate in physical education. He was also a graduate of Syracuse University, where he had earned a bachelor's of science degree in physical education.

Ray Shero - Assistant General Manager

Ray Shero's duties with the Senators involved assisting general manager Pierre Gauthier in all areas of team operations, including contract negotiations, player evaluation and professional scouting.

During the 1994-95 and 1995-96 seasons, Shero acted as the governor of the Senators' primary minor league affiliate in the AHL. Before joining the Senators, the native of St. Paul, Minnesota represented hockey players for seven years as a contract negotiator.

Marshall Johnston - Director of Player Personnel

Marshall Johnston joined the Ottawa Senators Hockey Club in July 1996 as director of player personnel. He worked through his first season in 1996-97 with the Senators' pro and amateur scouts and guided the staff during the 1997 NHL Entry Draft.

Johnston brought more than 25 years of NHL experience to the Senators, including 10 years (1983-1993) as director of player personnel for the New Jersey Devils, the 1995 Stanley Cup Champions.

Coaching Staff

Jacques Martin - Head Coach

Jacques Martin, 45, was named head coach of the Senators on January 24, 1996. In completing the team's 1995-1996 season, he guided the team to a 10-24-4 record over 38 games. Under his leadership, the Senators improved in their goals against average, penalty killing and powerplays. In 1996-1997, Martin's first full season behind the Senators bench, Ottawa established club records for most points in a season (77), wins (31) and goals for (226).

Martin came to the Senators from the 1996 Stanley Cup Champion Colorado Avalanche. He served as an assistant coach to Marc Crawford through the first half of the 1995-1996 season, helping to build the Avalanche into a championship team.

Prior to the Colorado franchise, Martin had been with the Quebec Nordiques, including four seasons as an assistant coach and one season as general manager and head coach of their farm team, the Cornwall Aces of the American Hockey League. He guided the Aces to a third-place finish in the Southern Division.

He entered the NHL as head coach of the St. Louis Blues in 1986-87, leading the Blues to the Norris Division Championship in his rookie season. He then spent two years with the Chicago Blackhawks as an assistant under Mike Keenan, before joining the Nordiques.

Craig Ramsay, Assistant Coach

Craig Ramsay, 46, was named an assistant coach in June 1996. He served as a scout with the Dallas Stars during the 1995-1996 season and was an associate coach with the Florida Panthers for two seasons (1993-94 and 1994-95).

A left winger, Ramsay played his entire NHL career with the Buffalo Sabres, scoring 252 goals and accumulating 672 points over 14 seasons. He was drafted by Buffalo in the second round of the 1971 NHL Draft and capped his playing career by winning the Frank Selke Trophy as the league's top defensive forward in 1984-85.

After retiring as a player, Ramsay spent eight seasons (1985-86 to 1992-93) with the Sabres organization, holding various positions, including assistant coach, interim head coach, director of player development and assistant general manager.

Perry Pearn, Assistant Coach

Perry Pearn, 46, was named an assistant coach by head coach Jacques Martin in June 1996. He is with his second NHL team since beginning his NHL coaching career in 1995-96 as an assistant to then Winnipeg Jets head coach Terry Simpson.

The St. Albert, Alberta native has established some impressive international credentials during his career, beginning in 1986 when he was named as an assistant coach to Canada's national under-18 team. He was promoted head coach of the elite squad in 1987.

Pearn continued to work with Canadian Hockey's national team program, where he won two World Junior Championship gold medals as assistant coach under Guy Charron in 1990 (Finland) and in 1991 (Saskatoon) under Dick Todd. He also served as assistant coach to Dave King and the full-time national team program in 1990-91. The highlight of his international career came in 1993 when he was named head coach of the Canadian National Junior Team and guided the squad to a gold medal at the 1993 World Junior Championship in Gavle, Sweden.

The Future of the Team

Rod stepped out of the Corel Centre into the warm spring air on the way to his car, the thought of Carolina playing Philadelphia the next day still dancing through his mind. Three weeks left in the regular season and the Senators were still not guaranteed a playoff spot.

As Rod got into his car, his thoughts switched to the Heritage Canada sub-committee. In his opinion, to help the Canadian teams, three things must happen:

1. The NHL must be forced to institute a salary cap and a revenue sharing plan.
2. The effect of the 40% differential between the Canadian and U.S. dollar must be eliminated.
3. Public money should be used to build new arenas where necessary, they should be given to teams free and they should be subsidized through such means as foregoing property taxes. If this does not happen then the free trade agreement should be invoked to prevent U.S. cities from doing so.

Over the past weeks, he had been uncharacteristically quiet, not answering questions from the media, not taking a public stand. This was because he did not want to prejudice the work of the sub-committee although, in his own mind, the federal government was powerless to implement the necessary changes.

As the sun radiated off the Corel Centre, Rod reflected back on the days when he had built SystemHouse Limited from the ground up. It had been a challenge but his entrepreneurial spirit and shrewd business sense had been among the factors that took the company from being an infant in a giant's world to a world leader. There was no doubt in his mind that he would do the same with the Ottawa Senators hockey club, whether they made the playoffs or not. The only question remaining was how?

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Appendix A
Organization Table

The Ottawa Senators Organization

Executives

Rod Bryden, Chairman & Governor
Roy Mlakar, President, Ceo & Alternate Governor
Pierre Gauthier, General Manager & Alternate Governor
Cyril Leeder, President, Corel Centre & Alternate Governor
Steve Violetta, Executive Vice-President

Executive Assistants

Secretary To The Governor
Executive Assistant & Office Manager
Secretary To The General Manager
Secretary To The President, Corel Centre
Administrative Assistant To The Executive Vice-President

Operations

Hockey Operations

- Assistant GM
- Dir. of Player Personal
- Head Coach
- Assistant Coaches (2)
- Video & Cond. Coach
- Equipment Manager
- Head Athletic Trainer
- Assist. Equip. Manager
- Massage Therapist
- Team Doctor
- Chief Scout
- Scouting Coordinator
- Scouts (5)

Administration & Mis

- Manager, Computer And Internet Services
- Office Manager
- Office Coordinator
- Receptionist
- Computer Services Assistant

Finance

- Vice-President, Finance
- Controller
- Payroll Supervisor
- Senior Accountant
- Administrative Assistant
- Accounts Payable
- Accounts Receivable
- Staff Accountant

Ticketing

- Vice-President, Ticketing
- Ticket Sales Manager
- Admin. Assistants (2)
- Account Reps (7)
- Coordinator, Fan Development
- Coordinator, Partners In Caring Program
- Coordinator, Corporate Ticket Services
- Coordinator, Customer Service
- Ticketing Coordinator
- Customer Service Representative

Media, Marketing and Sales

Media Relations

- Director, Media Relations
- Media Relations Assistant

Broadcast

- Vice-President, Broadcast
- Administrative Assistant

Corporate Sales

- Vice-President, Sales
- Manager Of Sponsorship And Corporate Properties
- Corporate Account Managers (7)
- Coordinators (2)
- Administrative Assistant

Community Development

- Director, Community Development
- Assistant Director, Community Development
- Community Development Coordinator

Marketing

- Managing Editor
- Merchandise Manager
- Manager, Graphic Services
- Administrative Assistant
- Dir. of Game Promotions & Entertainment
- Retail Supervisor
- Graphic Designer
- Coordinator
- Promotions Coordinator
- Coordinator, Sales & Marketing

Appendix B
Ogden Corporation Press Release

July 11, 1994

OGDEN ANNOUNCES GROUNDBREAKING OF NEW OTTAWA ARENA

New York, N.Y., July 11, 1994 - Ogden Corporation (Ogden) today announced that construction has started on the 19,000-seat Ottawa Palladium, the new state-of-the-art facility for which Ogden arranged the arena financing, will assist in design and construction, and will provide complete facility management and concession services for 30 years. The arena is scheduled to open in 1996 and will be the home of the National Hockey League's Ottawa Senators. Located in Canada's capital and fourth largest city, the Ottawa Palladium will include luxury suites, club seats and a restaurant. Ogden's role in developing the Ottawa Palladium is similar to its involvement in the development of the successful Arrowhead Pond of Anaheim, home of The Walt Disney Company's Mighty Ducks hockey team.

The construction of the Ottawa Palladium furthers Ogden's international expansion that includes management of the 19,000-seat Victoria Station Arena currently under construction in Manchester, England and scheduled to open in 1995. In May of 1994, Ogden Entertainment Services also began providing food, beverage and related management services in Rio de Janeiro's 110,000-seat Maracana Stadium and São Paolo's 100,000-seat Morumbi Stadium, the two largest soccer stadiums in the world.

"The commencement of construction of the Ottawa Palladium once again demonstrates Ogden's ability to make state-of-the-art entertainment venues a reality and strengthens our position as a leader in the global entertainment industry," said R. Richard Ablon, President and Chief Executive Officer of Ogden Corporation.

Ogden Entertainment Services provides facility management, food and beverage, and related support services to major sports stadiums, arenas, concert halls, amphitheaters, and parks. Clients include the Arrowhead Pond of Anaheim, the Great Western Forum in Los Angeles, the Maracana Stadium in Rio de Janeiro, and the Sports Palace in Mexico City.

Ogden is a leading global provider of support services to sports and entertainment facilities, airports and airlines, energy and environmental agencies, industrial plants, office buildings and government agencies. Through its Ogden Projects, Inc. subsidiary, Ogden is also the industry leader in the design, construction and operation of waste-to-energy facilities serving municipalities throughout North America. The common stock of Ogden is traded on the New York Stock Exchange.