



Media release

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EXPERTS: HOCKEY PLAYERS NOT AMONG MOST VALUED NHL FRANCHISE ASSETS

- Broadcast rights, arena ownership and community demographics trump player celebrity status -

(TORONTO/MONTREAL– NOVEMBER 28, 2006) – If approved by the National Hockey League, the purchase of the Pittsburgh Penguins by Canadian multi-millionaire Jim Balsillie for U.S. \$175 million will illustrate why sports valuation experts are saying now is one of the best times to buy a team. Surprisingly, the driving force behind this value is not the star players or how many games are being won.

Why was the Pittsburgh Penguins franchise finally sold for over three times the price offered prior to the 2004-05 NHL lockout? The answer is in the various benefits that potential buyers of a franchise look for:

- **Broadcasting rights:** “Broadcasting rights are arguably at the top of the list and can be worth many millions,” said Bob Low, a Toronto-based Chartered Business Valuator (CBV) with LECG, who was responsible for the valuation of the Maple Leaf Gardens, Ltd.
- **Cost certainty:** The value of a NHL team has increased this year because of last season’s introduction of salary caps and the absence of foreseeable labour unrest.
- **Arena ownership:** Over the last decade wealthy franchise owners have recognized the value of owning instead of leasing an arena. New arenas are being built or refurbished to increase value with high-priced luxury boxes and club seating – investments that can double ticket revenues. The sale of naming rights may also be lucrative. “Value tends to be ego-driven in North America, especially with wealthy entrepreneurs,” said Low. “The Rogers Centre is a perfect example.”
- **Players:** “Players are further down on the list of a team’s most valuable assets,” said Drew Dorweiler, a Montreal-based CBV at Wise, Blackman LLP. Dorweiler has twice valued the Toronto Maple Leafs franchise and the Vancouver Canucks among other sports-related entities. He is also a contributing expert to the annual Forbes NHL team valuation issue. “Players are transitory. They can be traded and are subject to injury and therefore only have a short-term value. Also, if huge salaries are being paid to players who aren’t bringing in fans, no incremental value is being added.”
- **Community demographics:** A NHL team in a large city like Houston with scant interest in hockey is comparably less valuable than in a smaller city, replete with die-hard fans (say Buffalo). “This explains why Carolina Hurricanes tickets were easy to obtain even for the games preceding their Stanley Cup victory,” said Dorweiler. “Compare this to the Maple Leafs who play in a city of face-painting, flag-waving hockey fanatics who pay high ticket prices to watch a team that hasn’t won a Stanley Cup since 1967.”
- **Portability:** The easier it is to move a team, the more attractive it is to sell. “Ottawa came close to losing its NHL team to a U.S. market” said Dorweiler. “Las Vegas is one city to pay attention to: plenty of money, rapid population growth, and no professional sports teams.”

Currently, there are only 1,100 Chartered Business Valuators across Canada with the CBV designation. To obtain this status they have had to pass a rigorous set of courses and exams and meet lengthy professional experience requirements. The designation is managed by The Canadian Institute of Chartered Business Valuators, which also regulates its members with Practice Standards and a Code of Ethics..

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For more information contact:

Brown & Cohen Communications & Public Affairs Inc. 416-484-1132

Wendy Kauffman ext. 3 or wendy@brown-cohen.com or Robert Merrick ext. 8 robert@brown-cohen.com