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Sharp Sabres

In late October the Buffalo Sabres of the National Hockey League were locked in a scoreless tie with the New York Islanders when, suddenly, Sabres right wing Ales Kotalik scored on a booming shot from the top of the left face-off circle, one-timing a pass from Jaroslav Spacek past Islander goalie Rick DiPietro.

The goal by Kotalik, one of the deadliest snipers in the league, started the Sabres on their way to a 3-0 victory and a record-tying tenth consecutive win in the new NHL season. With a 11-1 record the Sabres are a favorite to win the Stanley Cup this season. The team leads the league with 58 goals scored. "Offensively they're head and shoulders above the rest of the league," says Adam Proteau, an NHL Web columnist for *Hockey News*.

It is an amazing feat considering the Sabres finished last in the NHL's Northeast Division just three years ago, when they also had an operating loss (before interest, taxes, depreciation and amortization) of \$5.3 million on revenues of \$50 million. By last season the team had made it to the playoffs, posting a profit of \$4.6 million on revenues of \$70 million. FORBES values the team at \$149 million, 17th on our list and 45% more than two years ago when the Sabres ranked a sorry 28th.

Credit for this remarkable turnaround goes to an unlikely savior: the te owner, B. Thomas Golisano, 64, the billionaire founder of payroll processor Paychex. Golisano, who has run unsuccessfully for New York governor three times, is a hockey neophyte. He never played the game and had attended only three hockey games prior to buying the team in April 2003 for \$92 million, most of which was assumed debt.

"Six months before I agreed to buy them, I swore I'd never own a sports team," he says. "But no one stepped up to the plate for this community. That was my motivation."

And with that, he bought decidedly damaged goods. Before Golisano took charge, the Sabres were owned by John Rigas, founder and chief executive officer of cable giant Adelphia Communications. In September 2002 Rigas was indicted on federal fraud charges stemming from improper accounting at

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Adelphia, subsequently forcing both the company and the Sabres into bankruptcy. (John Rigas was sentenced to 15 years but is free pending an appeal.)

The NHL did its best to run the team while it looked for a buyer. But with the Sabres' front office in disarray, the team faltered and attendance collapsed, drawing only 5,800 season ticket holders in the 2002–03 season, down from 9,000 the year before.

Golisano's first move was to bring back the team's former president, Lawrence Quinn, as managing partner. Known as arrogant and divisive, Quinn was an unpopular choice among some fans, but Golisano didn't care: Quinn knew how to knock heads and cut costs. Out went 118 front office jobs. "There were too many people not doing much of anything and getting paid for it," says Golisano, who can be stingy himself. For the first five years at Paychex (now with sales of \$1.7 billion), Golisano was its only employee.

To help get the fans back, Quinn lowered season ticket prices to \$1,160 from \$1,600 and dropped per-game ticket prices from \$68 to as low as \$49 for a center-ice seat. Comparable seats start at \$137 at a Toronto Maple Leafs game. "If we were wrong, we'd be looking at a 25% drop in revenue and I'd be looking for another job," says Quinn.

The new pricing strategy helped expand the fan base as more parents could now afford to bring their kids to the games. Attendance rose 13% in the 2003–04 season, despite a mediocre 37–38 record, including an eight-game losing streak in December that prompted the coaches to want to trade some players. Golisano said no, make it work with what you have—and spend more time practicing shots. The coaches added a half hour to each practice, and by the end of the season the Sabres had risen in scoring from 29th to 6th place.

But that momentum faded with the NHL owners lockout that canceled the 2004–05 season. Player salaries had been rising faster than revenues, and owners had demanded a salary cap. The players finally acceded but not in time to salvage the season. Golisano used the lockout time wisely, holding frequent meetings with players, coaches and management "so the players weren't disenfranchised with the owner, unlike other NHL teams," Quinn says.

With the new player contract came new on-ice rules aimed at making the game faster, higher-scoring and less of a street brawl. Hooking an opponent's skate with your stick is now outlawed, as is clutching (grabbing on to your opponent). The premium is now on skating—and speed.

So Golisano signed players who could flourish with that style of play, such as former Phoenix Coyotes captain Teppo Numminen, Chris Drury (Colorado Avalanche) and Kotalik (drafted from the Czech Republic). The team made it to the playoffs with a record of 52 wins and 30 losses, losing in the conference finals to the Carolina Hurricanes.

The playoff run and the team's \$31 million payroll let the Sabres, a beneficiary of the new revenue-sharing pool, clear almost \$4.6 million in profit last season. They could have earned a lot more but, unlike most teams, decided against raising ticket prices during the playoffs. "The previous owners jacked up prices for the Stanley Cup playoffs, and the community had a ripped-off feeling. We wanted to negate that," explains Golisano, who has poured roughly \$20 million into the team for working capital.

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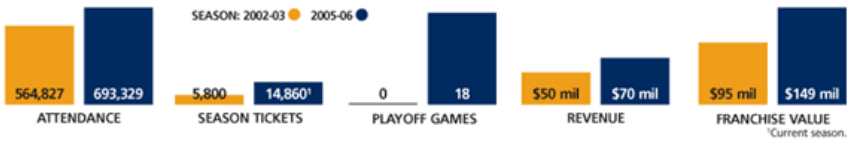
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The fans' goodwill has carried over to this season and season ticket sales increased 69%, to 14,860.

Night and Day

The Sabres' fortunes have improved dramatically since Golisano purchased the team in 2003.



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