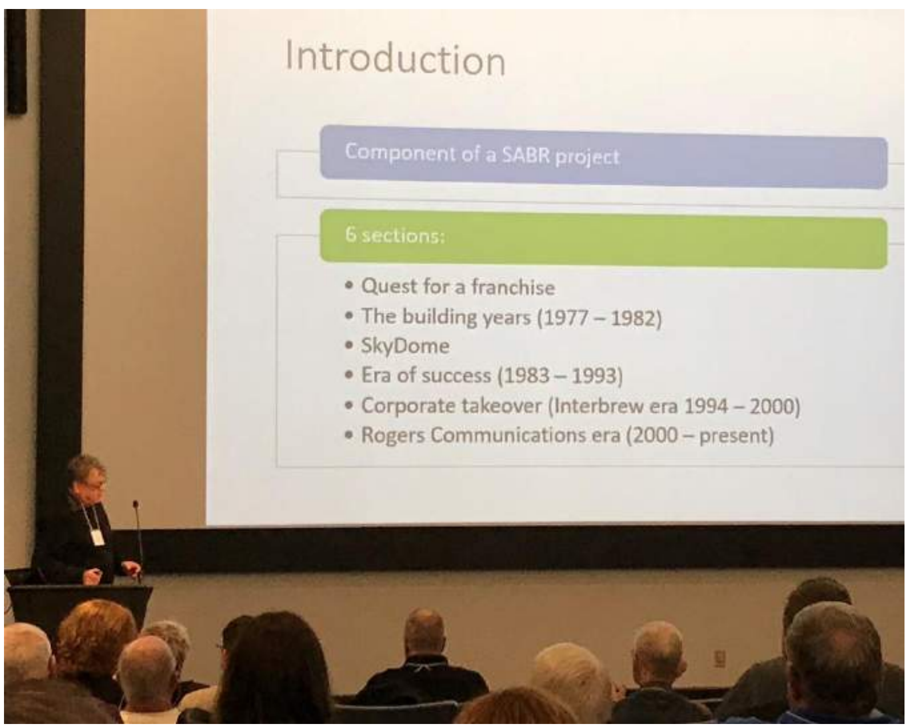
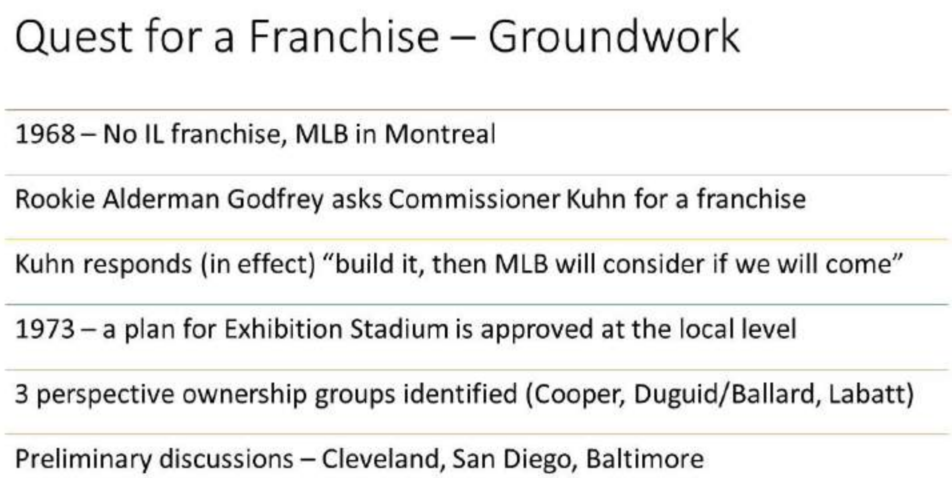


Toronto Blue Jays Team Ownership History

This presentation is part of an ongoing SABR project to develop a library of team ownerships; listed above are the sections in my paper.

Toronto was not on the pro baseball map in 1968, having lost the International League Maple Leafs in 1967, and the expansion Expos going to Montreal for 1969. When Paul Godfrey asked Bowie Kuhn for a franchise in the hotel lobby at the '69 winter meetings, Mr. Kuhn responded: "Let me tell you the



way we do it in major league baseball. First, you build a stadium. And then we consider if we want to give you a baseball team".

Fast forward to 1973. Mr. Godfrey, re-elected and selected Council Chair, promises a baseball franchise, domed stadium and convention centre. With inflation at 7.8%, new stadium financing was not going to happen, so a plan was developed to upgrade Exhibition Stadium. The plan was to use the existing north grandstand as bleachers, build a new south grandstand for home plate, and use a temporary fence between the grandstands for the outfield. Total cost was projected to be $15 million, with half coming from the city (passing by a 23-6 vote in 1974) and half from a matching provincial grant. The latter grant was denied, but replaced by an interest-free loan, generous given that inflation was up to 11%. The renovation costs came in at $17.8 million.

Three potential ownership groups were formed:

- Toronto Baseball Company, fronted by Sydney Cooper of Pitts Engineering

- Lorne Duguid, Vice President of Hiram Walker, in partnership with Harold Ballard
- Labatt Brewery. Labatt advised the Cooper group they would support that bid in exchange for marketing rights. Cooper consulted with his partners and advised "They thought being associated with a brewery was a bad idea because it would adversely affect their chances of getting a franchise". So Labatt teamed up with CIBC and Howard Webster.

Ownership discussion was restricted to these three groups.

Meanwhile, the San Francisco Giants were in financial trouble and up for sale. Labatt calculated their value at $8 million US, and bid $12.5 million for them; Duguid/Ballard bid $15 million, and a Washington group bid $10 million. The

Giants' Board accepted the Toronto bid, but newly elected mayor George Moscone obtained a restraining order, and by March 2 had assembled a local ownership group to keep the Giants in San Francisco.

To this point, the Toronto groups had focused on the National League, and a potential Expos rivalry, so little attention had been paid to a scheduled March 29 American League meeting called to award an expansion franchise. The State of Washington had filed a $32 million anti-trust suit against the AL for moving the 1969 expansion Seattle Pilots to Milwaukee after one season, but the suit was dropped when the AL agreed to award an expansion franchise in 1977. As a consequence, a second team was needed to avoid a 13-team league.

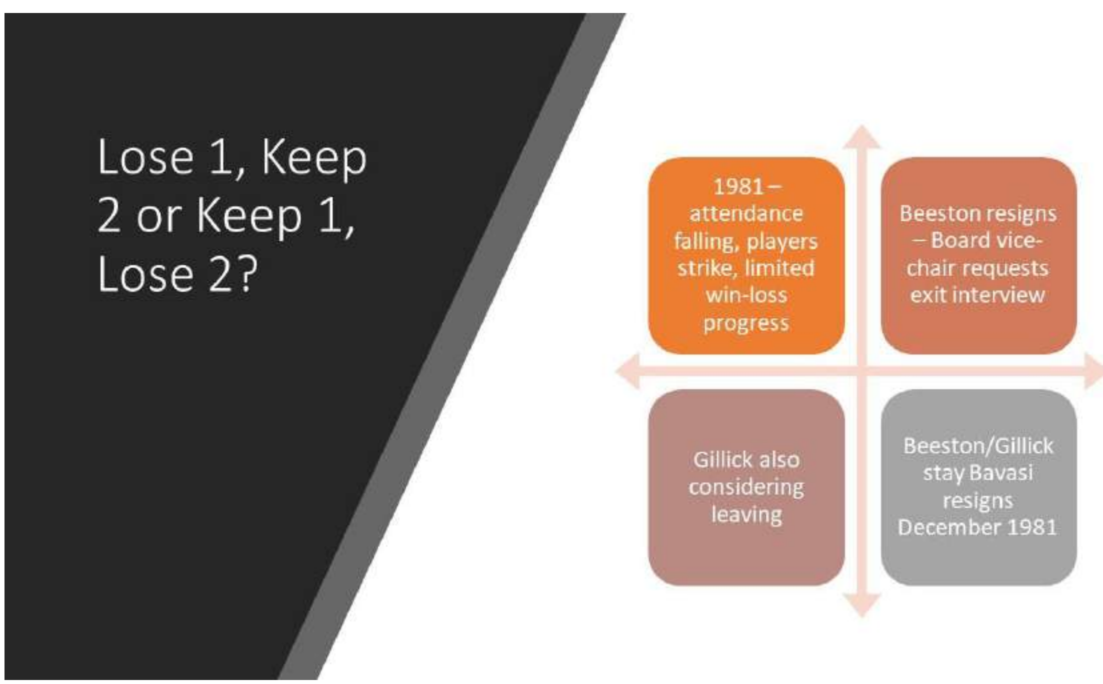
Two Toronto bids were submitted, one from Labatt and the other from a

Carling/Trevor Eyton group. The existence of other bidders was not public record, but it is known that Jerry Hoffberger of the Orioles supported the Carling group (a potential business relationship), while Bowie Kuhn supported Washington.

Toronto, led by the Labatt group, won approval by an 11-1 vote, only Hoffberger voting against. AL President Lee MacPhail stated: "Several cities contacted us. Toronto was our first choice. Toronto is a large metropolitan area. The city has a newly remodeled stadium satisfactory to us. It's just being completed now. For baseball, it will hold about 50,000."

A name-the-team contest generated 30,000 entries for 4,000 names. Labatt chose Blue Jays, creating some criticism given the importance of the Labatt's Blue brand. Their response: "It wasn't lost on us, but it wasn't decided because of that. It was probably a 10% factor".

In 1977 there were no specialty sports channels. For 1977 CBC paid $1.2 million to broadcast 46 Jays games in English and 18 in French. Labatt brought a business perspective to baseball operations; key early hires were Peter Bavasi, son of Buzzie Bavasi as GM, Pat Gillick as Assistant GM, and Paul Beeston as team accountant. In December 1977, Bavasi was promoted to Club President and Gillick to GM, where he remained until 1994.



The club won 54 games in ‘77, drawing 1.7 million fans. By 1980, wins were at 67, projected at 81, and attendance down to 1.4 million. There was also a players’ strike in 1981, and tension in the front office. Bavasi advised Board Vice-Chair Peter Hardy that Beeston had resigned. Hardy, already concerned about Bavasi’s management style, requested an exit interview. After probing, a reluctant Beeston described a tyrannical boss, demoralized staff and Gillick on the verge of leaving. As a result, Bavasi resigned in December of ‘81 and Gillick was placed in charge of baseball, and Beeston of administration.

In those early years, a No Booze at the Ballpark Committee used various arguments to convince the Provincial Government to not allow beer sales at

Exhibition Stadium for 5 ½ years despite the Labatt ownership stake. When the restrictions were finally lifted, local media questioned if fans would be willing to pay $1.75 per cup!

Official action on construction of a domed stadium began in 1983 when the Ontario Premier proposed a $150 million stadium cost shared by all three levels of government. An 8-month study selected Downsview Park, 11 miles from downtown and adjacent to Downsview Airport, a Federal Air Force Base at that time. The Federal government said Not In My BackYard, and denied funding. CN rescued the plan by offering undeveloped rail lands adjacent to the CN Tower under a PPP model in which risk and profit are to be shared between the public

and private partners. Trevor Eyton, unsuccessful franchise bidder, organized the private sector consortium members, each of whom contributed $5 million in exchange for exclusive promotion and concession rights. A financing study concluded the original plan would not generate sufficient cash to cover debt servicing, so the restaurants, hotel and health club were added and the budget increased.

The contract award was for $225 million to a firm that, on paper, didn't seem to have the requisite size or experience for the project, but the technology proved a success at a 189% budget overage.

But how could a $650 million building on prime downtown Toronto real estate depreciate to a market value of $25 million in 15 years? The calculation error is a clue to what happened. Also interesting to note, despite PPP theory, is that the Ontario government took a $300 million write-off, while Eyton purchased the Dome four years after it opened for $75 million less than his original construction budget.

The Construction

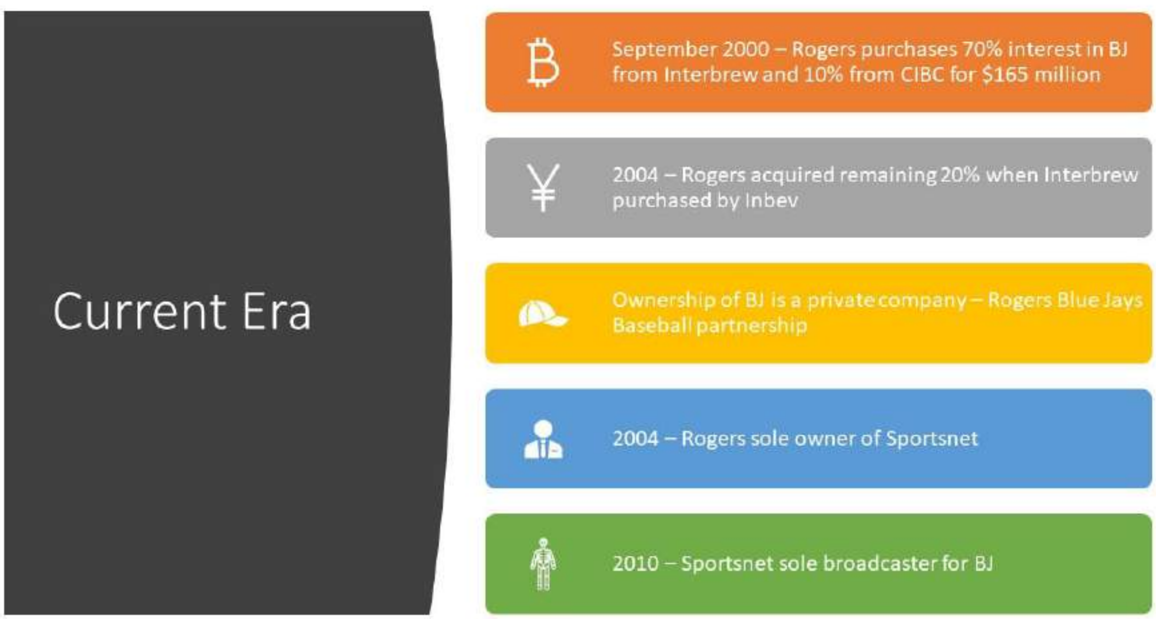
Financial Freefall

What followed was an era of success under the Labatt/Gillick/Beeston operating model, as highlighted below. By the spring of 1993, *Financial World* magazine estimated the Jays were tied with the Los Angeles Lakers as the third most valuable franchise in sports at an estimated $115 million, trailing only the Dallas Cowboys and New York Yankees.

Corporate takeover was next. Labatt had become a public company in 1945 with the objective of raising capital for a major expansion in the post-World War II era. But beginning in the '70s, Brascan had quietly increased its stake until it became majority shareholder in 1993. Brascan "sold high" that year as Blue Jays

(and baseball in general) values sank due to Gillick's retirement in October 1994, and the 1994 players' strike led to the cancellation of the 1994 World Series. On top of the Jays' regressing from a $3 million profit in 1993 to a $10 million loss in 1994, Labatt faced additional financial pressures, as it suffered poor returns on a Mexican brewery investment due to a fall in the peso.

In May of 1995, private equity firm Onex launched a hostile takeover bid for Labatt. Being a private equity firm, its intention was likely to sell off individual components of Labatt, including the Jays, if the bid was successful. Belgian-based brewery Interbrew intervened. Interbrew was interested in Labatt, but did not want to own the Blue Jays. They therefore requested approval from Major League Baseball for temporary ownership, a request granted on the condition that Beeston remain Jays' President.



It took Interbrew five years to find a new owner. By 2004 Rogers had consolidated its ownership of the Jays, and by 2010 had also consolidated the associated broadcast rights.

The full text of the Blue Jays team ownership history, in the context of the larger SABR initiative, can be found at sabr.org/research/Toronto-blue-jays-team-ownership-history.

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