



Financial Management Association
One Washington Square
Accounting & Finance Dept, BT 850
San Jose, CA 95192
www.cob.sjsu.edu/fma

Spring 2009 Professional Development Meeting Minutes

Speaker: Ken Caveney, San Jose Sharks

April 8, 2009

4:30 PM – 5:30 PM

Held at BBC Room # 204

1. Announcements:
 - a. Membership Social on Saturday, 4/11 from 5:00-7:00 at Lower Level of the Student Union (For all members)
 - Bowling, pizza, and networking
 - b. Community Service on Saturday, 4/18 from 9:00 AM – 12:00 PM at Sacred Heart
 - c. Community Service on Saturday, 4/25 from 1:00 – 4:00 PM at RAFT
 - d. Don't forget to sign up for these events!
 - e. For all the NHS members who are graduating, let Dave know by Friday so he can order your sash.
2. Speaker Introduction: Ken Caveney is the Vice President of Finance for the San Jose Sharks, with his previous positions being Director of Finance and Tax Manager. His organization is the Silicon Valley Sports and Entertainment. Everyone in the organization plays a role in the team's success. He talked about how his role differs from typical Silicon Valley finance roles.
3. Speaker's Career Path
 - a. Mr. Caveney attained his graduate degree from San Jose State University in the tax program. He attended junior college in Salinas and attained his undergraduate degree from Cal Poly.
 - b. He built his career by being noticed for the following:
 - Strong work ethic
 - Studied hard
 - Known for being dependable
 - c. Part of his career was in public accounting at Deloitte, which at the time was one of the Big 8 accounting firms.
 - d. In February of 1991, he was the staff accountant for the Sharks then they created a Tax Manager position which they asked him to interview for.
 - e. He thought at the time that he would be there between 18 months to 2 years. He is a lifelong sports fan but he thought he would eventually go back to public accounting or the high tech industry.
 - f. However, opportunities arose and he was promoted to the Director of Finance.
 - g. Six years ago he became the VP of Finance.
4. Business of Sports
 - a. HP Pavilion
 - Owned by the City of San Jose
 - Opened in 1993
 - Several tenants including Sharks
 - Capacity for hockey: 17,496
 - b. Revenue streams for organization
 - Ticket sales (#1)
 1. Depends on all types of customers
 - a. Season ticket holders
 - i. Around 13,000
 - ii. Sharks have a very loyal fan base.
 - iii. They track back to the date you first became a season ticket holder and that is what your seat location is based on.



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- iv. They have Select a Seat Night when season ticket holders have an opportunity to find a more preferred seat. It is based purely on seniority.
 - v. Interestingly enough, some of the longest held season ticket holders prefer seats upstairs for a better view.
 - b. Groups
 - i. 1000 tickets a night for groups
 - ii. Groups are 25+
 - c. Individual sales
 - i. “We sell an experience.”
 - d. Every year, they lose 5-10% of customer base due to attrition.
 - e. There is expected turnover in the fan base.
 - TV advertising and broadcasting (including HD)
 - Suite licenses
 - 1. 1000 seats
 - 2. With a suite license, you get tickets to every event in the building:
 - a. Concerts
 - b. Games
 - c. Disney on Ice
 - 3. You pay a fixed fee for all events; you don’t pay anything incremental.
 - 4. Companies purchase license suites to be used for recruiting events or bonus incentives.
 - 5. Lead sponsors: Cisco, Gatorade, XM Radio
 - Merchandising
 - 1. In ’91, merchandising flew through the roof.
 - 2. Sharks logo was so popular that NHL asked them to not play for a year because they thought it might have an adverse impact.
 - 3. Licensed goods – benefits league as a whole (30 NHL clubs), not Sharks as a team.
 - 4. Sales are made in the building.
 - Parking
 - 1. HP Pavilion has the smallest on site parking of any team in NHL.
 - 2. Every few years, the spaces are counted to make sure there is enough.
 - Food/beverages
 - There is no financial benefit to win
 - 1. League does not provide any incremental funding based on wins.
 - 2. Revenue share: the worse you do, the more you get.
5. Financing Aspects
- a. Scouting
 - 8 to 10 fulltime scouts
 - The financial mistakes of drafting poorly are catastrophic because you would have to go to the free agent market and it is expensive.
 - b. Salary
 - 1st NHL contract:
 - 1. Maximum salary: \$1 million per year
 - 2. Minimum salary: \$500,000
 - Players are earning 77.5% of what their contracts say and the rest is withheld and sits in escrow.
 - Under new CPA, “hockey-related revenue” must be quantified when season ends.
 - Players get 54-56% and if they are overpaid, the excess goes to escrow.
 - c. Owners want cost certainty.
 - d. Sharks made payments back in August/September.



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- e. It is all about pricing and if you know the customer.
- f. Collect ticket proceeds in July/August
- g. Fair amount of cash flow
- h. Final game of season is tomorrow night.
- i. Marketing expenses being incurred.
- j. Do not pay band until night of show. Representative of arena and representative of tour interact on night of the show and check is written
- k. Leverage and influence of promoters vs. financial aspects
- l. Bought a tennis tournament out of Memphis, Tennessee
 - SAP Open
 - Considered a good deal
 - Dual contracts: to play in San Jose and Tennessee
- m. Other properties:
 - Sharks at Wooster, Massachusetts
 - American Metal & Iron → Boxing
 - West Coast Productions → Strikeforce on TV
- n. Partnered with show time (CBS), primetime
- o. China Sharks: national team for Republic of China

Minutes submitted by:
Desirae Ubaldo
April 15, 2009