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Redskins Draw Suitors From Near and Far

Sale Price Likely to Exceed $500 Million

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By Thomas Heath, Washington Post Staff Writer

With only two weeks remaining until first-round bids are due for the sale of the Washington Redskins, as many as 10 bidders could vie for one of the most prestigious sports franchises in America.

All the bidders are rich. All know the title to the owner's box doesn't come cheaply. And all know that even with a purchase price likely to exceed $ 500 million, the Redskins are a cash cow with what is believed to be one of the highest cash flows in professional football.

The lineup of potential buyers for the team and 80,116-seat Jack Kent Cooke Stadium is imposing. It includes John Kent Cooke, the 57-year-old president of the Redskins and son of the late owner, eager to make his own mark on the three-time Super Bowl winning club.

Among his competitors likely will be Howard Milstein, a 47-year-old scion to a multibillion dollar New York City real estate and banking fortune, determined to own a National Football League franchise after failing to obtain the expansion Cleveland franchise two months ago. Another is Peter G. Angelos, owner of the Baltimore Orioles -- a Major League Baseball team 40 miles away -- who wants to expand his sports empire into the Washington area.

For local flavor, there is Daniel Snyder of Bethesda, the 33-year-old founder of a Washington area communications company. Then there is 37-year-old New York City real estate financier Andrew Penson.

"It's a storied franchise . . . in the nation's capital," said Angelos, who estimates the team and stadium are worth "substantially" more than $ 500 million.

What makes the team attractive to some investors is its ability to generate lots of cash, even while the Redskins -- 1-8 this year -- struggle to escape last place in the National Football Conference's East Division. Jack Kent Cooke Stadium is producing more than $ 32 million a year from the 14,959 club seats, the 208 luxury suites and the 1,506 loge seats that Cooke put in his stadium, according to the sale prospectus documents, which have been examined by The Washington Post.

The documents show that the team earns $ 10 million a year from concessions, compared to $ 1 million in its last year at RFK Stadium in 1996. The Redskins have sold out every regular season game since 1966.

"Potential buyers see dollar signs and the tradition of one of the NFL's great franchises," said Chris Dunlavey, a partner in Brailsford & Dunlavey, a Washington firm that specializes in sports consulting.

" . . . Their stadium is a cash machine. Jack Kent Cooke clearly understood that there was a strong enough market over the long term for premium seating, and that it would be by far the most important component of the stadium's revenues."

The Redskins' cash flow of between $ 45 million and $ 55 million -- before interest and taxes -- is among the highest in football, financial documents distributed to bidders show. The Dallas Cowboys are generally believed by sports financial analysts to have the highest cash flow in football at well over $ 50 million a year.

The investment bankers Morgan Stanley Dean Witter, and attorneys who are handling the sale of the Redskins, compare the Redskins' cash flow with the estimated cash flow of the expansion Cleveland Browns, who are scheduled to begin play in 1999. Billionaire financier Alfred Lerner purchased the Browns for $ 530 million, which is a record for an American sports team. The Browns' cash flow next year is estimated to be around $ 30 million, according to bidders who participated in the sale.

All told, the Redskins are expected to earn $ 141 million in gross revenues this year, half from their share of the NFL television broadcasting contract and half from the fans who buy tickets, according to the financial documents.

The Redskins' expenses come to around $ 90 million, with the single biggest cost being about $ 60 million plus for players' salaries, according to the financial documents included in the prospectus. The NFL Players Association reports Redskins player salaries at $ 63.6 million.

After each bidding group has reviewed the financial documents, it will, if it chooses, submit a contract to Morgan Stanley, citing a price and outlining the conditions under which the group would buy the team.

Negotiations will ensue between Morgan Stanley and lawyers for the team's trustees on one side, and each of the remaining bidders. No timetable has been set for negotiations. The team could be sold in an auction, but it's likely in this case that bidders will sit in separate rooms as the sellers ferry the latest offer between them.

Bidders will be asked if they want to increase their bid price and then the six trustees will select a buyer, probably by Christmas. Sometime in January, most likely, the trustees will ask the NFL to convene a special session to vote on the team's sale.

The NFL requires a three-fourths majority of its 30 teams to approve a transfer of ownership.

The Redskins need to sell for only 11 times their cash flow to exceed the price of the Cleveland sale; the Browns sold for 18 times their cash flow. Most businesses in other industries sell for around five or six times their cash flow, according to Wall Street investment advisors.

"This franchise is arguably worth quite a bit more than the Browns franchise," said Chuck McClure, a consultant and former Arthur Andersen partner who handled Cleveland toy magnate Tom Murdough's failed bid for the Browns.

The proceeds from the sale and the rest of the Cooke estate will be used to create a foundation in Jack Kent Cooke's name that will distribute college scholarships, as Cooke directed in his will. Cooke died in April 1997 at 84.

The estate is headed by seven trustees, six of whom are administering the Redskins' sale. The seventh trustee, John Kent Cooke, is not part of the trustee group because he is attempting to buy the club.

The six trustees include several former employees of Jack Kent Cooke Inc., the late Cooke's holding company. They are Gregory R. Dillon, vice president of finance for Jack Kent Cooke Inc.; Stuart A. Haney, JKC Inc.'s general counsel; Linda J. King, vice president of JKC Inc.; Mark Pollack, a lawyer with the Baltimore firm of Piper & Marbury; Howard B. Soloway, a Los Angeles attorney; and Wanda G. Wiser, vice president of JKC Inc.

The trustees hired Morgan Stanley last summer, as well as the New York City law firm of Paul, Weiss, Rifkind, Wharton & Garrison, and the Washington firm of Wilmer, Cutler & Pickering to carry out the late owner's wishes that the team be sold expeditiously. They officially put the team up for sale on Sept. 9. Morgan Stanley has been scouring the country the past few months identifying and contacting potential buyers.

Last month Morgan Stanley hand-delivered thick prospectuses on the team to more than 24 would-be owners, identifying everything from the stadium and team's 1998 expenses to the Redskins' cash flow to the size of the owner's suite (2,051 square feet).

Within days after the preliminary bids are received by letter on Nov. 23, the trustees, along with their attorneys and Morgan Stanley, will cut the group to a final five. As for the potential buyers, Cooke owns a little more than 10 percent of Jack Kent Cooke Inc., which could put his worth at more than $ 50 million after the Redskins are sold. But that's not enough to mount a bid by himself, so Cooke hired Montgomery Securities to help him find a partner to fund the majority of his effort. Cooke, according to sources, has reportedly found his partner and firmed up his bid within recent weeks.

Penson is teamed with Bethesda developer Nathan Landow. Penson and Landow submitted a bid of $ 450 million in late August. Sources said Penson's group may be required to find additional investors to boost their bid in time for the Nov. 23 deadline.

Reached at his New York City office last week, Penson declined to comment. Landow said, "There will be discussions and additions going on within the ranks of those interested in being involved in this bidding process right up until the day of submission."

"I think you're going to find that within any group you have mentioned, there will be additions and revisions to those groups," Landow said. "That's understandable in a deal of this size and nature. This is a bidding process, and everyone has a different idea on the number they want for the return on their investment. And the bids could vary quite a bit."

Angelos, 69, has said he would consider putting his money behind Cooke and allow Cooke to remain as president of the team.

Jack Kent Cooke was a very public man in most everything he did, except for his business decisions. The question of why he didn't leave his football team and new stadium to his family instead of to a charitable foundation is still unanswered.

John Kent Cooke declined to comment through a spokesman on his efforts to put together a bid, but in the past he has said he is committed to purchasing the Redskins.

"I am a bidder for the Redskins and Jack Kent Cooke Stadium and intend to keep the Redskins in the Cooke family," John Kent Cooke said. "As such, I have recused myself from the sale process and it would be inappropriate for me to comment on the activities of the other members of my father's estate and their advisors."

Angelos said he will decide over the next week whether to proceed with his bid, but suggested strongly he's in.

He and other bidders have expressed concern that the team will be sold through a stock transaction rather than a sale of the team's assets, if the trustees choose that direction. A stock transaction, in which the buyer buys the stock in Jack Kent Cooke Inc., would enable the Cooke foundation to avoid a corporate tax.

Potential buyers such as Angelos and Landow said they dislike a stock deal because it denies them a tax break on player salaries that they would otherwise receive in an asset transfer. Without the tax breaks, the team is likely to sell for less. The Minnesota Vikings fetched $ 230 million in a stock deal earlier this year.

"A stock sale would diminish the value of the asset due to the loss in tax benefits to the purchaser," Landow said.

In the case of a stock sale, the buyer will most likely assume the $ 200 million in debt presently on the stadium instead of paying it off with the purchase price.

Angelos's ownership in the Orioles would violate the NFL cross-ownership rule, prohibiting a person from owning another major sports franchise in addition to an NFL team. The NFL, which has granted waivers to the rule in the past, most notably to Miami Dolphins/Florida Panthers/Florida Marlins owner Wayne Huizenga, has said in recent statements it may not grant the waiver in Angelos's case because his baseball team operates next door to the Baltimore Ravens NFL franchise and could be considered direct competition to the Ravens.

"I don't see that as an obstacle," Angelos said during a recent lunch with reporters and editors of The Washington Post. "The market area of the Washington Redskins is considered to be a 75-mile radius around Washington, D.C. That includes, obviously, the area where the Orioles are geographically located. . . . By the movement of the Browns from Cleveland to Baltimore, it seems the NFL agrees that the Ravens could operate within the Redskins market area. We would argue the Orioles are within the same market area that the Redskins franchise occupies and claims. . . . So there's no conflict with the rule."

Milstein, the New York real estate and banking heir who owns 45 percent of the NHL's New York Islanders and who made an unsuccessful bid for the Browns, is mounting a vigorous effort to purchase the Redskins.

Milstein offered $ 450 million for the Browns but refused to go higher because he thought the team's estimated cash flow did not justify a higher bid.

Milstein declined to comment when reached at his office last week.

Another player who has recently entered the game is Snyder, the chief executive officer of Bethesda-based Snyder Communications, a niche marketing firm he founded that has made him a multimillionaire, according to the firm's sales figures.

Snyder has contacted several other bidding groups and he may go in with one of the others. Snyder has business ties to Mortimer Zuckerman, who made a fortune in real estate and owns the New York Daily News, Atlantic Monthly magazine and U.S. News & World Report. Zuckerman is Snyder Communications' second-largest stockholder and is one of three outside executives on Its eight-member board of directors.

Snyder did not return messages left at his Bethesda office.

A few bidders have expressed concern about the timetable for the sale. Some potential buyers have told Morgan Stanley and the lawyers for the trustees that the team's sale needs to be completed quickly to allow a new owner to assess the team's coaching staff and front office and compete for the best personnel available after the season if changes are to be made.

The regular season ends at the end of December. Would-be buyers also want to have a shot at the best free agents when free agency begins Feb. 12.

"We don't want to be uncompetitive for the 1999 season because we couldn't hire coaches and players," said one interested buyer.

Some buyers also are concerned that Jack Kent Cooke Stadium is in a difficult location to reach, not served very well by mass transportation and is not as appealing as other stadiums, such as the new Ravens stadium at Camden Yards in downtown Baltimore. Earlier this year, the Redskins completed a $ 25 million renovation to the stadium that included enclosing the club level and Installing upscale lounges, a cigar bar, warm, wooden finishes and 800 leather chairs.

One potential buyer said he would view Jack Kent Cooke Stadium as an "interim" facility that would be replaced in 10 years with a new stadium in downtown Washington. The team, however, has a 30-year lease in Prince George's County.

Angelos said last week that the stadium needs $ 50 million in upgrades.