**NHL'S PROPOSAL TO NHLPA**

**TO SAVE THE 82-GAME 2012/13 SEASON**

 We have reached a critical point in our collective bargaining negotiations. In an attempt to save an 82-game 2012/13 season (including the usual schedule of Playoff Games), the NHL is making a substantially revised proposal to the NHLPA regarding the critical issues on which the parties have been separated and which are essential to an agreement with the NHLPA on a new CBA moving forward. We believe that the proposal set forth below is fair to the Players and the teams, and good for the game and our fans.

This proposal is based on what we believe is a fair sharing of revenues as between the Players and the Clubs.

This proposal does not require any roll-back in the salaries of Players, and attempts to recognize and protect prior contractual commitments.

This proposal provides for increased revenue sharing, targeted to those teams that are most in need.

This proposal is our best attempt to save an 82-game 2012/13 season, and is, in fact, the best we can responsibly do.

 Our negotiations with the NHLPA have failed to progress on the most critical economic and system-related issues. After considerable deliberation, we have decided to make this proposal because time is of the essence. Specifically, in order to save the full 82-game season, the Regular Season schedule will have to commence no later than November 2, with 7-day Club Training Camps that must open by October 26. As a practical matter, this means we must conclude a new written CBA by October 25. We believe the parties can achieve this and that by working together, we can jointly preserve an 82-game season for our Players, our Clubs, and most importantly, for our fans.

Delay (beyond October 25) will necessarily leave us with an abbreviated season and will require the cancellation of signature NHL events. Failure to reach a prompt agreement will also have other significant and detrimental impacts on our fans, the game, our Clubs, our business and the communities in which we play. All of this will obviously necessitate changes to this offer in the event we are unsuccessful in saving a full season.

 Here are the elements of our proposal and a brief explanation:

 **Term**

The term of the CBA proposed by the League -- 6 years, plus a mutual option for a 7th year -- is consistent with the term of the expired CBA. It will allow for our fans, the Players and the Clubs to enjoy a reasonable and extended period of labor peace thereby enhancing the short to medium term business planning of the parties. During this time, the League and the Players can work together to continue to build on the momentum the NHL has experienced over the course of the past 7 years, both on and off the ice.

 **HRR Accounting**

We agree to retain the CBA’s current HRR definitions. Further, we propose to formalize the various agreements the NHLPA and the NHL have reached, and lived under, during the course of the expired CBA, and to clarify mutually identified ambiguities in the CBA. Importantly, we do not believe any of our proposed clarifications should have any impact either on the amount of the Players’ Share or the amount that any individual Player is entitled to receive. None of these clarifications for instance, would have had a material impact on the 2011/12 Actual HRR number. This proposal is all about certainty, clarity and speeding up our complex, end-of-year accounting process.

**Applicable Players’ Share**

We believe a 50-50 sharing of Actual HRR is a fair allocation and a reasonable compromise as between Players and Clubs. The simple fact of the matter is that it costs Clubs more money now to operate and to generate revenues than it used to. These increased costs include amounts dedicated to the health, safety and enhanced comfort of NHL Players, the increased costs associated with generating ticket and gameday revenues, and the significant capital investments that are regularly being made around the League to enhance the fan experience and to create new revenue streams. The proposed 50-50 sharing arrangement, comparable to the sharing arrangements in the NFL and the NBA, will enable the NHL to protect and promote the long-term future of the game, the financial health and stability of the Clubs and the long-term earning capacity of the Players.

**Payroll Range**

We propose to set the 2012/13 Payroll Range on the basis of last season's Actual HRR, using the same methodology as used in the recently expired CBA. While this will result in a reduced Upper Limit for 2012/13, we have also proposed to permit the Clubs to exceed the Payroll Range this year, to a maximum of $70.2 million – which was the Cap established prior to this past summer. This will allow a Club that chooses to do so to maintain or enhance its current roster during a full-year transition period.

**Cap Accounting**

We are proposing that a Club’s Lower Limit obligation be satisfied without reference to (or inclusion of) performance bonuses. This will effectively increase the minimum commitment of actual compensation paid by the “Lower Limit Clubs” to Players. The proposal acknowledges the League’s agreement to a request made by the NHLPA earlier in our negotiations.

We are proposing that all years of existing long-term contracts in excess of five (5) years be counted against a Club’s Cap regardless of whether or where a Player is playing. While such contracts (and Cap charges) can be traded during their terms, in the event a Player subsequently retires or ceases to play, the effective Cap charge would revert to the Club that originally entered into the contract. This proposal is consistent with our other proposals intended to address the harmful effects of long-term, front-loaded, “back-diving” contracts.

We are proposing that the salaries of minor league Players on NHL contracts (above a threshold of $105,000) be counted against a Club’s Cap. This provision is intended to prevent Clubs from “stashing” or assigning players to the minors (or any other professional league) for “Cap management” purposes. We are not proposing that any salary paid to minor league Players on NHL contracts be counted against the Players’ Share.

Finally, we propose that to facilitate more trades and create increased flexibility in managing Cap Room, Clubs be allowed to allocate portions of a contract’s Cap charge (and related salary obligations) in the context of a Player Trade. This will facilitate additional Player movement and trades between teams as they manage their respective Caps and Payroll Range obligations.

**System Changes**

We also propose making certain modest modifications to existing elements of the current system, none of which will affect the total dollars to which the Players are entitled; they will address instead the allocation of those dollars as among various categories of Players, and we believe should ensure and improve the competitive balance and quality of play around the League as a result.

In our opinion, and as we have expressed in prior bargaining sessions, certain elements of the current system have produced a dynamic that has led to a misallocation of Players’ Share dollars in favor of those Players coming out of the Entry Level System at the expense of other, more proven and established Players. We are therefore proposing the following to hopefully address this dynamic:

(1) We have withdrawn our initial proposal that would have provided Clubs with an option to extend the terms of Entry Level contracts, and instead are proposing to reduce the duration of the Entry Level System from three years to two years, thereby allowing entering NHL Players an earlier opportunity to become Restricted Free Agents. This will free up more money currently committed to Entry Level Players in their third years who are no longer legitimate NHL prospects and will also allow talented NHL prospects an opportunity to negotiate non-ELS contracts earlier in their careers.

(2) We have withdrawn our initial proposal to eliminate Salary Arbitration. We are instead proposing to maintain the Salary Arbitration mechanism, and are further proposing that the rights of Players and Clubs to elect Salary Arbitration be made mutual. Moreover, we are proposing to revise the eligibility criteria for Salary Arbitration to five years of professional experience (instead of the current four years), the same criteria as existed under the 1994-2004 CBA.

 (3) We have withdrawn our initial proposal to revise the eligibility requirements for Unrestricted Free Agency to 10 Accrued Seasons, and are instead proposing a modest single year adjustment to 28 years of age or 8 Accrued Seasons. This proposal still allows for the possibility of early UFA status for Players -- as early as age 26.

 All three of these system proposals are designed to shift the current allocation of Players’ Share dollars away from “second contracts” and toward “third and subsequent contracts” to ensure what we believe to be a more equitable and effective allocation of Players’ Share dollars to more proven, established Players who are playing in the prime of their NHL careers.

 We are also proposing two additional system modifications that are intended to address the recent phenomenon of long-term, front-loaded, “back-diving“ Player contracts that we believe has proven harmful to the interests of our Clubs and has clearly had the purpose and effect of circumventing the letter and spirit of our existing system. In addition, these contracts have increased the Escrow obligation and reduced the effective salaries of Players playing under “normal” contracts. In order to mitigate the consequences of these contracts, we have proposed 5-year term limits for SPCs and tighter restrictions on the year-over-year salary variability of contracts.

 Due to our proposed change in the Cap treatment of minor league Players on NHL SPCs, we are proposing the elimination of the Re-Entry Waivers provision. The elimination of this provision, coupled with the ability to allocate Cap charges and salary in trades, should lend themselves to fewer NHL-caliber Players being relegated to minor league service for prolonged periods of time.

Finally, in order to help preserve the vibrancy and stability of European professional leagues as a continued source of NHL talent, we are proposing to convert the typical four-year period of exclusive negotiating rights that attach to European Players from the current “two-plus-two” model (with each Player being subject to having to re-enter the Draft) to a straight “four-year” model (with no obligation to re-enter the Draft).

**Revenue Sharing**

The NHL has proposed to increase the Revenue Sharing pool for 2012/13 to $200 million (assuming League-wide revenues of $3.303 Billion), representing an approximately 33% increase over the amount that will be distributed on account of 2011/12. This enhanced amount is at least comparable to the levels of revenue sharing in the NBA and MLB, and will be adjusted proportionately upward or downward based on Actual HRR results in future seasons.

At least 50% of the Revenue Sharing pool will be funded by the Top 10 Revenue Grossing teams. The remainder of the Revenue Sharing pool will be funded from League- and Playoff-generated revenues.

The Revenue Sharing pool will be redistributed to those Clubs who are in the most need in order to enable those teams to have sufficient resources on hand to compete for and compensate Players within the Payroll Range, and otherwise to provide a basis for their continued financial stability. In this regard, we are proposing to commit for the next two years revenue sharing payments to recipient Clubs that are equivalent to or greater than what those Clubs will receive on account of the 2011/12 season. The effect should be to continue -- and even improve -- the historic and unprecedented quality of play and level of competitive balance we have jointly been able to achieve during the period of the recently expired CBA.

All Clubs in the NHL except the top 10 Revenue Grossing Clubs will now be eligible for Revenue Sharing, including Clubs in large media markets who were previously ineligible (such as Anaheim, New Jersey and the New York Islanders, among others). Further, our proposal eliminates some of the current “business performance” thresholds that had the effect of materially reducing the amounts a Club might otherwise qualify to receive in revenue sharing. Instead, under-performing Clubs will be expected to enhance their business planning capabilities, will be provided on-site assistance to meet enhanced business objectives and will be provided with much greater counseling as to “best practices” in business operations.

In addition, we have proposed the formation of a functioning and active Revenue Sharing Committee, on which the NHLPA will have representation and will have an opportunity to provide input, to determine the best and most effective distribution of revenue sharing funds.

**Supplemental and Commissioner Discipline**

We are proposing to amend current Player discipline provisions to introduce additional procedural safeguards to protect Player interests, including an ultimate appeal right to a “neutral” third-party arbitrator with a “clearly erroneous” standard of review.

**No Rollback; Players’ Share “Make Whole” Provision**

The NHL is not proposing that current SPCs be reduced, re-written or rolled back. Instead, the NHL’s proposal retains all current Players’ SPCs at their current face value for the duration of their terms, subject to the operation of the escrow mechanism in the same manner as it has worked under the expired CBA. (In other words, under the expired CBA, the compensation a Player received each year was either higher or lower than the face value of his contract depending upon Club-Player contracting levels and the level and growth rate of HRR.) Under the expired CBA, in two of the seven years Players were paid in excess of the face values of their SPCs and in five of those years they received less than their face values. That process would remain intact under the new CBA.

Under our “make whole” proposal, which is premised upon a 5% anticipated growth of HRR both this year and in future years, every Player will be paid compensation based on the full value of the Players’ Share under which his current SPC was signed.

In order to effectively transition from a Players’ Share of 57 percent to 50 percent, including importantly to protect Players’ current SPCs against an absolute reduction in Players’ Share dollars, the new Agreement contemplates, in its initial years, a “make whole” mechanism that will effectively pay each Player currently under contract the difference between 50% of Actual HRR in 2012/13 and 57% of HRR in 2011/12 -- which was $1.883 Billion.

Again, premised upon an assumed 5% growth rate between 2011/12 and 2012/13, the “make whole” amount is calculated to be a maximum of $149 million for the 2012/13 season ($1.883 Billion minus $1.734 Billion (57% multiplied by $3.303 Billion minus 50% multiplied by $3.468 Billion). Similarly, utilizing that formula and our 5% growth projections, the “make whole” amount is calculated to be a maximum of $62 million for the 2013/14 season.

To accomplish the “make whole,” each Players’ pro-rata “make whole” will be determined for the first two years of the Agreement and will be paid to each Player as a Deferred Compensation benefit over the life of the Player’s existing SPC. For those Players whose contracts expire after the 2012/13 season, the benefit will be paid when final HRR is determined for this season (in October/November 2013). Player “make whole” payments will be accrued and paid for by the League, and will be chargeable against Players’ Share amounts in future years as Preliminary Benefits.

The “make whole” obligation will be operational only through the 2013/14 season because, beginning in Year 3, the projected growth in League-wide revenues should have resulted in an increase in absolute Players’ Share dollars (in excess of the Players’ Share of $1.883 Billion in 2011/12). This will effectively restore “full value” to all existing SPCs without any continuing need for a “make whole.”

We note in regard to this proposal, that while the NHLPA’s August 14 proposal was premised upon a 7% annual growth rate in HRR, we instead used the more conservative growth rate of 5%, consistent with our prior proposals. If the NHLPA’s estimate of revenue growth is more accurate, then the amount of money needed to effectuate a “make whole” would actually be less.

\* \* \*

The parties have already reached agreement on many of the non-critical but necessary items needed to complete a new CBA. We hope the NHLPA and the Players will view this proposal in the manner in which it is intended -- an invitation to complete an Agreement in the necessary timeframe so that a full 82-game 2012/13 season can be saved.