Gene Melnyk Money III

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On the dawn of free agency and in the wake of Paul MacLean's three-year extension, General Manager Bryan Murray attempted to quell some distress within the fan base about reported financial difficulties within the organization, specifically concerning owner Eugene Melnyk. I wrote about some of Melnyk's flailing operations previously here and, more notably, here. I maintain that Melnyk's alleged financial difficulties and the finances of Senators Sports and Entertainment are not mutually exclusive.

Murray made some convincing arguments that the team was ready to spend on both captain Daniel Alfredsson and a top-six forward, although he concentrated much of his energy on public worry about extending the Swedish captain. Bryan Murray's sort of a genius, but this seems like quite the strawman, because for as long as I've been writing about it, I've been more or less convinced the team would open up the check book to Alfredsson.

There were weirdly glaring inconsistencies in the press conference, too. This quote from Bryan Murray, and this quote from Daniel Alfredsson, for example, are polar opposites.

Beyond retaining the captain, I've expressed significant doubt, and maintain such reservations with respect to adding talent through free agency, or perhaps more accurately, spending money that exceeds the purported $50MM budget. It was interesting to me that Ottawa made it very public record that the team had targeted winger David Clarkson. Twenty minutes later, Paul MacLean blew it to hell by relaying the alternative: Clarkson had approached Ottawa. Ultimately, I believe the latter is accurate, because Clarkson immediately jumped on a plane to approach an Edmonton organization that has so far spent little on the 2013-2014 roster.

Additionally, I reference Melnyk's very own comments about the acquisition of a free agent at the draft. Right from Sens Chirp's entry:

> He even hinted that the only way they could pursue a big name free agent, was if Alfredsson decided not to come back another season.

These, again, are conflicting.

But, above all else, the press conference struck me as very defensive. On the surface, the team tried to mitigate damage by stating they were ready to spend. Implicitly, they didn't say much of anything.

Suggesting that the team would be between the floor and the ceiling is a non-answer, and in-line with the previously-referenced $50MM internal budget. There's nothing wrong with the response, other than that it doesn't act as the dismissal the team probably thought it would.

Whatever the reason, it didn't seem to quiet the questioning any. The Ottawa Citizen decided to pour gasoline on the flames, dedicating an entire entry to Melnyk's finances. You may notice that everything read in that post sounds oddly familiar: it's nothing more than a cut and paste job from what I wrote just one day ago, and coincidentally enough leaves out all of the stories I either couldn't confirm, or hadn't yet finished researching.

So, naturally, I'm going to write about some of the other stuff here. Again, all matter of facts.

The first: a Maclean's and Vancouver Sun report on the failing PurGenesis, a Quebec-based biotech company specializing in production of spniach-based antioxidant medications and cosmetics.

Unlike the struggling Trimel, PurGenesis is a private company, but the information acquired by Maclean's certainly suggests that little to no profit has been made through present day. In four-plus years of operations, the company has more or less chewed through $8.2MM in federal and provincial governmental grants and loan guarantees with no quantifiable yield. There's no evidence to suggest the company is anything more than one of the 80% of drug companies that fail in early years of ops -- I called on multiple occasions to the Quebec office for comment, but on no day was anyone present to field my call.

There's far more than just a failing company here. Eugene Melnyk's the president, chariman, and largest investor in the company. He made a large investment in the company a year prior to receiving governmental funding, although he maintains his investment came after.

How much? The Vancouver Sun had that tidbit.

> Besides taxpayer money, Boulet said he and Melnyk have sunk considerable personal savings into the company: $500,000 by Boulet, another $500,000 from his siblings, and $13 million from Melnyk.

Said Christian Audet, a regional director for Canada Economic Development:

> "PurGenesis is a young company that developed a multi-million-dollar project, and there was significant fundraising from the private sector in which [Melnyk] decided to support the project."

The second: Melynk Racing Stables ("hereinafter MRS") is grossly underperforming its annual averages [prorated to end-of-year] and has slid demonstrably since the middle of last decade. It's additionally worth noting for rather obvious reasons that MRS is owned and operated by both Eugene and Laura Melnyk.

All Years (2000 to Present)

Year	Starts	Firsts	Seconds	Thirds	Earnings
2013	75	9	13	14	$481,377
2012	229	47	37	34	$2,610,231
2011	298	74	37	36	$2,940,367
2010	376	77	49	45	$2,728,658
2009	387	81	67	57	$3,991,368
2008	375	80	59	41	$3,455,814
2007	360	69	67	47	$3,967,399
2006	389	87	50	44	$3,809,389
2005	417	89	71	61	$5,875,007

MRS suddenly changed its business model in February '13, according to a report from the Daily Racing Form:

> Melnyk will sell the majority of the remaining broodmares of his Winding Oaks Farm at the Fasig-Tipton Kentucky winter mixed sale on Monday, part of a strategic plan to move away from a full-scale breeding operation to focus

> on a quality racing stable.
>
> Mr. Melnyk said, ‘I love the business, I want to stay in it, but we’re going to have to come up with a different plan,’ ” Winding Oaks manager Phil Hronec said. Melnyk bought the Ocala, Fla., property, formerly Mockingbird Farm, in 2001.

The third: Melnyk's privately invested into a big Manhattan beauty company known as Fusion Brands, Incorporated ("hereinafter Fusion").

Eugene Melnyk, as owner and chairman, first made headlines by appointing now-former chief executive Caroline Pieper-Vogt into the aforementioned role. The working relationship did not end well.

> "While she served as Fusion's CEO, and was receiving substantial compensation from Fusion, Pieper-Vogt engaged in a series of unlawful acts designed to promote her own personal interests at the expense and to the detriment of Fusion," according to the complaint in New York County Court.
>
> "In particular, Pieper-Vogt misused corporate funds, misappropriated corporate opportunities for her own personal benefit, operated her own private commercial businesses while serving as Fusion's CEO, and misappropriated Fusion's confidential business information and trade secrets. At the same time, she grossly mismanaged the company, repeatedly placing her own personal interests above the interests of Fusion and its shareholders."

Fusion's legal troubles have not stopped. Four suppliers have recently attempted to force Fusion into Chapter 11 bankruptcy, alleging Fusion's failure to remit payment for goods and services.

As a privately-traded company, Fusion's financials are unavailable.

The fourth: it is apparent that, individually, the alleged negative performance of Melnyk's businesses may not unilaterally contribute to his overall financial outlook. Collectively, I'm of the opinion that the numbers are adding up.

The most important, to the point where it's seemingly-undeniable, is that Eugene Melnyk's contentious divorce with now ex-wife Laura Melnyk may or may not have acted as a large contributor to a potentially massive financial decline. Not to act in any way, shape, or form as a parallel or comparison, we are cognizant of other sports owners whose divorce records, litigation, and outcomes are readily-available to the public. Frank McCourt, prior owner of the LA Dodgers and of similar individual valuation, settled with his wife for $130MM.

A trial court in Barbados sealed Melnyk's divorce records. The outcome may or may not have financially impacted the Ottawa Senators owner in a negative manner.

The fifth: a public plea by Eugene Melnyk for City of Ottawa support in his proposed casino deal. Melnyk has went to war with Mayor Jim Watson about the placement of the casino, stressing that he's worked diligently on the project for seven years time. The rally for support comes with the hopes of landing a casino on his home turf, right near Scotiabank Place, now Canadian Tire Centre. Mayor Jim Watson sees Rideau Carleton Raceway as the only suitable host for a new gaming center, and has voted accordingly.

The above and prior posts are brought to the attention of hockey fans as matter of facts, in the hopes that some of the rumors floating around can either be confirmed or denied by the local and national media. Over the past three months, I have heard particularly bleak stories concerning team finances that I have never been able to confirm. Very specific, very discouraging. Others in the industry have heard the same and more, yet have not been able to find the appropriate links to publish them with accuracy. Unfortunately, what I have been able to cull doesn't act as a smoking gun of sorts, nor is it an attempt to vilify any one or more individuals. The only goal here is to use publicly available information in an effort to mine total truth.

The rumors will likely live on until the financial stuff is either rectified or swept under the rug. The Ottawa Citizen bringing the story to a larger audience should be of assistance to either confirm or deny much of the stuff that's floating out there.

More as I have it.

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