THE IMPACT ON THE BALTIMORE ORIOLES OF MAJOR LEAGUE BASEBALL IN NORTHERN VIRGINIA

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Kagan Media Appraisals, Inc.
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SUMMARY OF KEY FINDINGS

For years there has been much speculation about the impact that a new Major League Baseball (MLB) team in the Greater Washington metro area would have on the Baltimore Orioles. This report provides the first-ever comprehensive, scholarly examination of the impact on the Orioles and, in so doing, provides the first-ever detailed picture of the Orioles' support from the Greater Washington metro area (defined herein as Northern Virginia; the Maryland Suburbs of the District of Columbia; and the District of Columbia itself).

This report represents the first known instance that Baltimore Orioles' fans, other baseball fans, prospective future baseball fans, Orioles' corporate partners and even Orioles' media partners have been directly asked about their attitudes and future intentions in the event MLB approves a franchise for Northern Virginia (or the District of Columbia) – attitudes and intentions relating to the Orioles and to the new MLB team, wherever it lands permanently. The results are groundbreaking and, in many cases, compelling.

As is detailed below and in the remainder of the report, if a MLB team were located permanently in Northern Virginia, the negative impact on the Orioles' attendance would be extremely small – less than 1,000 fans per game over the course of the season. Moving an MLB team to the District of Columbia increases the negative impact on the Orioles. Locating a MLB team in Northern Virginia would create more new MLB fans in the Greater Washington metro area than locating that same team in the District of Columbia – by a substantial margin (28%). From a corporate support standpoint, there is no evidence of any negative impact on the Orioles' luxury suites and a minute impact (3 percent) on the Orioles' sponsorships. And from a media rights standpoint, there is no negative impact on future Orioles' rights fees. Below is a summary of the key findings which are all explained in detail in the report.

GEOGRAPHIC COMPOSITION OF ORIOLES' ATTENDANCE:

Attendance at Baltimore Orioles' home games has been surveyed and studied to learn where fans at Camden Yards reside. It was learned that only 4% live in Northern Virginia. Another 1% live in Washington, D.C. Eight percent reside in the Maryland suburbs of Washington, D.C. Collectively, therefore, these three areas that comprise the Greater Washington metro area account for only 13% of attendance at Camden Yards. These findings contradict previous published statements from the Orioles that the Greater Washington metro area accounted for as much as one-third of their attendance.

The study also revealed that 23% of Camden Yards attendees live beyond Baltimore, Washington, D.C. and Northern Virginia. We studied this 23% and learned that the vast majority of this "outlying region" segment resides North and East of Camden Yards – those areas farthest away from Virginia and least likely to drive into and thru Baltimore, (right past Camden Yards), down I-95, around the Washington Beltway, across one of only 2 Beltway bridges and into Virginia in order to see a Major League Baseball game.

IMPACT OF A NEW MLB TEAM ON ORIOLES' ATTENDANCE:

Camden Yards attendees from the Greater Washington metro area were surveyed and studied to assess what, if any, impact a MLB team in Northern Virginia (or Washington, D.C.) would have on their future attendance at Camden Yards. Our survey and analysis yield three key findings:

- Residents of Northern Virginia who attend games at Camden Yards do so far less frequently than residents of either Washington, D.C or the Maryland suburbs of Washington, D.C.
- The Orioles would lose 932 fans per home game (2.29% of year 2000 attendance) with a MLB team playing in Northern Virginia. The Orioles could lose 1,090 fans per home game (2.68% of 2000 attendance) with a MLB team playing in Washington, D.C.
- The difference between the two locations is 17% - meaning that placing a MLB team in Washington, D.C. would result in a 17% greater drop-off in attendance at Camden Yards than placing that same team in Northern Virginia.

In addition to those key findings we learned, perhaps surprisingly, that only 37% of attendees surveyed identified themselves as "Baltimore Orioles" fans; and less than half (47%) identified themselves as fans of the American League.

CREATION OF NEW MLB FANS IN GREATER WASHINGTON:

In addition to surveying Camden Yards attendees from the Greater Washington metro area, we also surveyed residents of Greater Washington who do not currently attend games at Camden Yards. Our survey and analysis yield two key findings:

- Placing a MLB team in Northern Virginia would create 208,258 new MLB fans *just in Greater Washington*. [1] Placing a MLB team in Washington, D.C. would create 162,701 new MLB fans in Greater Washington. [2]
- The difference between the two locations is 28% - meaning that placing a MLB team in Northern Virginia rather than Washington, D.C. would create 28% more new MLB fans *in Greater Washington alone.*

[1] This estimate for a Northern Virginia location does not include new fans that might also be created in numerous Virginia counties including all the counties in Virginia to Charlottesville; south to Richmond; and to Norfolk/Virginia Beach.

[2] This estimate for a Washington, D.C. location does not include new fans that might also be created in several Maryland counties (Anne Arundel County; Howard County; Harford County and Carroll County), because these counties are adjacent to Baltimore County and within the Orioles' home territory. A new MLB team in Washington, D.C. would be siphoning off these prospective fans from the Orioles' primary marketing area rather than creating new MLB fans.

IMPACT OF A NEW MLB TEAM ON ORIOLES' CORPORATE SUPPORT:

The Baltimore Orioles' suite holders and corporate sponsors were surveyed and studied to assess what, if any, impact a MLB team in Northern Virginia (or Washington, D.C.) would have on their future support of the Orioles. Our survey and analysis yield two key findings:

- Locating a MLB team in Northern Virginia or Washington, D.C. would have no impact on the leasing of suites at Camden Yards.
- Locating a MLB team in Northern Virginia or Washington, D.C. would have a minute impact on the Orioles' sponsorships – less than 4/10ths of one percent of total revenue, assuming the Orioles are unable to replace those lost sponsors.

IMPACT OF A NEW MLB TEAM ON ORIOLES' MEDIA RIGHTS:

The Baltimore Orioles' media rights for their television, cable and radio were analyzed and compared with historical rights payments throughout the recent history of MLB. We conclude there will be no negative impact to the Orioles' media rights resulting from a new MLB team in Northern Virginia or Washington, D.C. In fact, we believe that the Orioles' rights fees will rise by 4% to 8% per year.

INTRODUCTION & OVERVIEW

BACKGROUND

VIRGINIA BASEBALL STADIUM AUTHORITY

The Virginia Baseball Stadium Authority (the "Authority") is a political subdivision of the Commonwealth of Virginia. The Authority was established in 1992 by the Commonwealth pursuant to title 15.1, Chapter 5.3 of the Code of Virginia. The Authority is empowered to design, site, finance, construct and lease a Ballpark for a Major League Baseball ("MLB") franchise secured for a Virginia location. The activities of the Authority are conducted through its Board, the members of which are appointed by the Governor of the Commonwealth. The Honorable Michael R. Frey, a member of the Fairfax County Board of Supervisors, is Chairman of the Authority. Gabriel H. Paul, Jr. is the Authority's Executive Director.

Since its inception, the Authority has worked to prepare for the possibility that a Major League Baseball team may locate in the northeastern region of the Commonwealth, commonly known as Northern Virginia. The Authority has made significant progress in identifying potential ballpark sites and in devising a financing plan for the ballpark project.

In 1999, the Authority published *The Case for Baseball in Virginia*, which reconfirmed that the Greater Washington market is the largest, most prosperous region in the U.S. that is not currently home to a MLB franchise.

Before the publication of *The Case for Baseball in Virginia*, and more so since, the Baltimore Orioles have repeatedly maintained that as many as one-third of their attendees come from the Greater Washington metro area. Committed to objectively assessing the true impact on the Orioles; and to providing the Commissioner's Office of MLB with accurate and reliable information on the potential impact of a Northern Virginia team on the Baltimore franchise, the Authority decided in 2000 to commission this independent research study. Since the District of Columbia has actively pursued a Major League Baseball franchise of its own since 1999, the Authority requested that research organizations submitting bids for the project also attempt to determine whether the potential impact of a Northern Virginia team on the Orioles would differ if a MLB team were placed permanently in Washington, D.C. (the "District of Columbia").

In May 2000, the Authority issued a request for proposals. After proposals and presentations were received by the Authority, the Project Team was selected. In August 2000 the Authority entered into a contract with the members of the Project Team:

Penn, Schoen and Berland Associates, Inc.
Goal Group Consulting, L.L.C.
Kagan Media Appraisals, Inc.

PROJECT TEAM

PENN, SCHOEN AND BERLAND ASSOCIATES, INC.

Penn, Schoen and Berland Associates ("PSB") is headquartered in New York City at 245 East 92nd Street, New York, New York 10128 with additional offices in Denver and Washington, D.C. PSB has a staff of more than 200 trained interviewers; 100 Computer Aided Telephone Interviewing (CATI) stations; and a network of international fieldwork teams in over 70 countries. PSB has provided market research services to Major League Baseball and many of the biggest names in corporate America, including: American Express; AT&T; AOL; Bristol Meyers; Chemical Bank; Citibank; Eastman Kodak; Hewlett Packard; KPMG; Lucent; McDonald's; MTV; NBC; Nike; Procter & Gamble; Sony; United Airlines; UPS; Warner-Lambert; etc. PSB has worked with virtually every major advertising agency including: BBDO; Bozell, Inc.; Burson-Marsteller; Campbell Mithun Esty; Edelman; Foote, Cone & Belding; Hill and Knowlton; Leo Burnett; Ogilvy & Mather; Wells, Rich, Greene; Young & Rubicam, etc.

GOAL GROUP CONSULTING, L.L.C.

The Goal Group is a leading management consultant in the sports industry. Founder and Managing Partner Len Perna is a long-time MLB executive with the Detroit Tigers. The firm is headquartered in Chicago at 680 North Lake Shore Drive, Suite 2030, Chicago, Illinois 60611; with additional offices in Dallas, New York City, Philadelphia and Washington, D.C. The partners of The Goal Group have more than 100 years of collective hands-on experience working for professional sports teams and leagues. The firm provides transactional services; facility finance; facility development and audit services; food & retail consulting; media & Internet services; strategic marketing & market research; and executive search services – all within sports and entertainment. The firm's principal partners have provided services to many clients in sports and entertainment including: the New York Yankees; San Diego Padres; Camden Yards (Maryland Stadium Authority); National Hockey League; Major League Soccer; the Canadian Football League; the American Hockey League; the National Cycling Association; the Nagano Olympic Organizing Committee; the Houston Rockets; the Sacramento Kings; the Dallas Stars; the Pittsburgh Penguins; the American Airlines Center; the United Center; ARCO Arena; numerous other sports & entertainment facilities; and numerous other public sector clients.

KAGAN MEDIA APPRAISALS, INC.

Kagan Media Appraisals, Inc. ("Kagan") is under common ownership with Paul Kagan Associates, Inc., the nation's leading media research firm and, for more than 30 years, the single largest publisher of media information, statistical data and financial information for the media industry. Kagan is the publisher of *Media Sports Business*, the leading sports industry publication analyzing the media side of the sports industry. Kagan has appraised more than $38 billion worth of media properties. Kagan has provided strategic consulting services to Major League Baseball and certain MLB teams as well as the most prominent media companies in the world, including: AEGIS; Ameritech; ATP Tour; Bell Atlantic; Blockbuster International Corporation; Booz, Allen & Hamilton; Digital Equipment corporation; GTE; Hewlett Packard; Kidder, Peabody & Co.; MCA; McCaw Cellular; Morgan Stanley & Company; Sky Network Television; Southwestern Bell; Tele-Communications, Inc.; Texas Instruments, Inc.; Time Warner, Inc.; Tribune Broadcasting Co.; etc.

OBJECTIVES & METHODS

OBJECTIVES

The Project Team was retained to study the impact that a MLB team located permanently in Northern Virginia would have on various elements of the Baltimore Orioles' fan, corporate and media support; and whether there would be a measurable difference in impact on that support if the MLB team were to be located permanently in the District of Columbia instead of Northern Virginia. The study was designed and implemented without the cooperation of the Baltimore Orioles or Major League Baseball.

The Project Team organized its work into three parts, corresponding to the three main areas of examination. Following is an outline of the project's component parts, including subjects, objectives, and methodologies. Specifically, the five primary objectives of this study are as follows:

- PART 1 – ATTENDANCE (PENN, SCHOEN):
  - A. Assess the geographic composition of Orioles' attendees.
  - B. Estimate the impact on attendance at Camden Yards.
  - C. Assess which location (Northern Virginia or the District of Columbia) would create more new MLB fans in the Greater Washington area.

- PART 2 - CORPORATE SUPPORT (GOAL GROUP):
  Estimate the impact on the Orioles' luxury suites and sponsorship sales from an MLB team playing in Northern Virginia (or the District of Columbia).

- PART 3 - MEDIA RIGHTS (KAGAN):
  Estimate the impact on the Orioles' media rights from an MLB team playing in Northern Virginia (or the District of Columbia).

Two major assumptions are used consistently throughout this study. First, that the MLB team coming to Northern Virginia (or D.C.) would be a team that will play in the *National League*. Second, that the Orioles remain in the *American League* and field a competitive team.

METHODOLOGIES FOR PART 1 – ATTENDANCE

Part 1 of this study, pertaining to a review of the Orioles' attendance at Camden Yards, involves three separate analyses and therefore three separate methodologies. Below is a brief description of each.

METHODS TO ASSESS GEOGRAPHIC COMPOSITION

Penn, Schoen and Berland Associates, Inc. randomly intercepted and questioned Baltimore Orioles' patrons entering or exiting Camden Yards before, during and after Orioles' games between August 17 and August 29, 2000. In total, over the course of 6 games 1,210 Orioles' patrons were interviewed with a short questionnaire designed to determine their counties of residence, frequency of game attendance and additional demographic data. The games were selected to provide the widest variety of days, game times and opponents. This observed data was analyzed to compute an overall geographic composition based on the Orioles' 2000 attendance; and then weighted by the frequency of attendance of fans from each area to compute the annualized local geographic composition from the Greater Washington metro area.

METHODS TO ESTIMATE IMPACT ON ATTENDANCE

Penn, Schoen and Berland Associates, Inc. conducted a random-digit-dial telephone survey between September 12, 2000 and October 2, 2000 among residents of the Greater Washington metro area (Northern Virginia, the District of Columbia and the Maryland suburbs of the District of Columbia) to interview adults who attended at least one Baltimore Orioles' home game in 2000. 900+ surveys were completed among similar numbers of residents of Northern Virginia, the District of Columbia and the Maryland suburbs of the District. Among other things, fans were asked how many games they attend in a typical season; how strongly devoted they are to the Orioles; the likelihood of attending games at a new MLB stadium in Northern Virginia (or the District of Columbia); and what impact a new team would have on their future attendance at Camden Yards. From these surveys we were able to compute, among other things, the frequency fans from different parts of the Greater Washington metro area attend games at Camden Yards; and also the likely impact a new MLB team would have on their future attendance of Orioles' games.

METHODS TO ESTIMATE NEW MLB FAN CREATION

Penn, Schoen and Berland Associates, Inc. conducted a random-digit-dial telephone survey between September 12, 2000 and October 2, 2000 among 1,738 adult (age 18+) residents of the Greater Washington metro area (Northern Virginia-736 surveys completed; the District of Columbia-490 surveys completed; and the Maryland suburbs of the District of Columbia-512 surveys completed) who did not attend any Baltimore Orioles' games at Camden Yards during the 2000 season. The survey data was weighted proportionately to reflect the relative populations of those regions. Among other things, these non-attendees ("non-fans") were asked whether or not they considered themselves baseball fans; the likelihood they would attend games at a new MLB stadium in Northern Virginia (or the District of Columbia); and their preferences, if any, for the location of a new MLB team and stadium in the Greater Washington metro area. From these surveys we were able to compute, among other things, the number of new MLB fans *in the Greater Washington metro area* likely to be created by placing a new MLB team in Northern Virginia versus the District of Columbia. [3]

METHODOLOGY FOR PART 2 – CORPORATE SUPPORT

The Goal Group compiled a comprehensive list of the Baltimore Orioles' year 2000 suite holders and corporate sponsors. The list of 158 companies was compiled using public information available at Camden Yards, as well as from Orioles' television and radio broadcasts. Thereafter, a detailed survey instrument was developed and all companies on the list were contacted via telephone for an opportunity to participate in the study. Telephone interviewers from The Goal Group have experience in both telephone interviewing and handling corporate baseball

[3] Our study does not seek to measure new MLB fans that a Virginia location might also create from numerous counties in Virginia southwest to Charlottesville; south to Richmond; and to Norfolk/Virginia Beach. Our study also does not seek to measure new MLB fans that a Washington, D.C. location might create from 4 Maryland counties within the Orioles' home territory, (Anne Arundel County; Howard County; Harford County and Carroll County), because fans in these counties would be siphoned-off from the Orioles' primary marketing area.

customers. A total of 80 surveys was completed between August and November 2000. Among other things, survey respondents were asked about their program with the Orioles; their other sports properties; about their possible future support of a new MLB team in Northern Virginia (or the District of Columbia); and about their future support of the Orioles if a new MLB team were to come to Northern Virginia (or the District). From these surveys and other public information we were able to compute the likely impact on the Orioles' corporate support with a new MLB team in the Greater Washington metro area.

METHODOLOGY FOR PART 3 – MEDIA RIGHTS

Kagan Media Appraisals ("Kagan") utilized its vast database of information pertaining to sports rights fees; sports advertising inventory; ad rates; package rates, and other data to establish a baseline projection of the Baltimore Orioles' existing media universe. Kagan also utilized its extensive expertise in tracking strategies and corporate transactions in the media sports business. Kagan bolstered its in-house information with fresh interviews of executives at sports and media properties throughout the nation to develop a range of potential Orioles' impact scenarios and potential media rights scenarios in the event a new MLB team was to be based in Northern Virginia (or the District of Columbia).

GREATER WASHINGTON METRO AREA DEFINED

DEFINED REGION:	COUNTIES & CITIES:		ADULT POPULATION:
1. Northern Virginia	Counties: Arlington Fairfax Loudon Prince William Stafford Fauquier	Cities: Alexandria Falls Church Fairfax City Manassas Park Manassas	1,435,756 [4]
2. District of Columbia	District of Columbia		416,757 [5]
3. Maryland Suburbs of D.C.	Prince George's County Montgomery County		1,232,424 [6]

[4] Source, U.S. Bureau of Census and Planning Department of each city
[5] Source, U.S. Bureau of Census
[6] Source, U.S. Bureau of Census

PART 1 - ATTENDANCE

KEY FINDINGS

The Baltimore Orioles have repeatedly maintained that as many as one-third of their attendees live in the Greater Washington metro area. The Orioles have also maintained that any new MLB team in the Greater Washington metro area would severely cannibalize the Orioles' fan support. Part 1 of this report finds these two assertions are not supported by the data.

In Part 1A it was learned that only 4% of Orioles' attendees live in Northern Virginia. Another 1% reside in Washington, D.C. Eight percent live in the Maryland suburbs of Washington, D.C. which means that twice as many people from the Maryland side of D.C. attend Camden Yards as from the Virginia side. Collectively these three areas that comprise the Greater Washington metro area account for only 13% of attendance at Camden Yards.

In Part 1B we conclude that the Orioles would lose 932 fans per home game (2.29% of 2000 attendance) with a MLB team playing in Northern Virginia; or lose 1,090 fans per home game (2.68% of 2000 attendance) with a MLB team playing in Washington, D.C. Neither location will materially harm the Orioles although it is worth noting that placing a MLB team in Washington, D.C. would result in a 17% greater drop-off in attendance at Camden Yards than placing that same team in Northern Virginia.

In addition, Part 1C of this report studies the ability of a Northern Virginia location (versus a District of Columbia location) to create new MLB fans *in the Greater Washington metro area*. We find that a Northern Virginia location (versus a District of Columbia location) would create 28% more new MLB fans *in the Greater Washington metro area*.[7]

PART 1A - COMPOSITION OF ORIOLES' ATTENDANCE

REVIEW OF METHODS

Penn, Schoen and Berland collected data by deploying teams of interviewers at the grounds surrounding Camden Yards and randomly intercepting Orioles' patrons as they entered or exited the ballpark to conduct a short survey. A total of 1,210 Orioles' patrons was successfully intercepted and interviewed over six games in August 2000, at the traditional height of the Major League Baseball season. To determine the home geographic composition of the Orioles' attendees, on-site interviewers asked each respondent to provide his or her home zip code, county

[7] Our study does not seek to measure new MLB fans that a Virginia location might also create from numerous counties in Virginia southwest to Charlottesville; south to Richmond; and to Norfolk/Virginia Beach. Our study also does not seek to measure new MLB fans that a Washington, D.C. location might create from 4 Maryland counties within the Orioles' home territory, (Anne Arundel County; Howard County; Harford County and Carroll County), because fans in these counties would be siphoned-off from the Orioles' primary marketing area.

and state of residence. Respondents were also asked a short series of questions about their frequency of attendance at Orioles' games and the nature and origin of the ticket they used to attend that day's game.

The random intercept process involved stationing 6 to 8 interviewers around the perimeter of the Camden Yards property at points with the most pedestrian fan traffic. Interviewers began working two hours before game time and stayed one hour after each game had ended. To conduct the interview, interviewers approached respondents in a random fashion and asked them to participate in the survey. Interviewers asked respondents the survey questions and recorded them on an answer sheet. At the end of the interviewing shift, all surveys were collected and placed in an envelope for shipment to Penn, Schoen and Berland.

Interviews were conducted on the following Orioles' 2000 season game dates:

Day	Date	Time	Opponent
Thursday	August 17	3:05 pm	Chicago
Friday	August 18	7:35 pm	Kansas City
Sunday	August 20	1:35 pm	Kansas City
Friday	August 25	7:35 pm	Tampa Bay
Saturday	August 26	1:35 pm	Tampa Bay (game 1)
Tuesday	August 29	7:35 pm	Detroit

Games were chosen to provide a sample population representing the widest possible variety of days, game times, and opponents. The margin of error for the Geographic Composition sample is +/-2.8%, and is greater for subgroups. A copy of the survey instrument is included at the back of this report.

This study reports two sets of geographic composition data. The first set is observed data, i.e., the actual observed and collected data from the Camden Yards intercepts. The observed data provides a "snapshot" of the origin of those fans at the above six games. The second set of data is the annualized data, i.e., the observed data weighted by annual frequency of games attended by fans from Northern Virginia, the District of Columbia and the Maryland suburbs of the District of Columbia (as found in Part 1B of this report). The annualized data provides a more complete picture of the geographic composition of attendees at Camden Yards because it takes into account the frequency with which fans from various parts of the Greater Washington metro area attend Orioles' games.

OVERALL COMPOSITION – OBSERVED DATA

As might be expected, residents of the State of Maryland and in particular the immediate Baltimore area make up the majority of attendees at Camden Yards. Observed data show that attendees residing in the State of Maryland comprise 69% of Orioles' total attendance – 14 times as many attendees as live in Northern Virginia (5%). Fifty-eight percent live in the Greater Baltimore metro area. Putting this in perspective, more people from the State of Pennsylvania (7%) come to Camden Yards than from Northern Virginia (5%). In fact, more than three times as many attendees live completely outside the region (23%) as live in the State of Virginia (7%). Below is the overall geographic composition of the Orioles' attendance at Camden Yards based on observed data from our own survey and analysis:

OBSERVED DATA OF OVERALL GEOGRAPHIC COMPOSITION OF
ORIOLES' ATTENDANCE AT CAMDEN YARDS
Based on Respondents' Self-Reported Zip Code, County & State

State of Maryland (69%):	
Greater Baltimore metro	58%
Maryland Suburbs of D.C.	7%
Remainder of the State	4%
State of Virginia (7%):	
Northern Virginia	5%
Remainder of the State	2%
District of Columbia	1%
Outlying Regions (23%):	
Pennsylvania	7%
New Jersey	4%
New York	3%
Delaware	0.8%
West Virginia	0.4%
Other	8%

Our analysis based on this observed data at Camden Yards is that only 13% of the Orioles' attendees at Camden Yards live in the Greater Washington metro area: Northern Virginia; the District of Columbia; and the Maryland suburbs of the District of Columbia. In this study we have found no evidence to support the Orioles' assertion that as many as one-third of their fans live in the Greater Washington metro area.

Furthermore, we looked closely at the 23% from the outlying regions and learned that the vast majority of this segment comes from North and East of Camden Yards – those areas farthest away from Virginia and least likely to drive into and thru Baltimore, (right past Camden Yards), down I-95, around the Washington Beltway, across one of only 2 Beltway bridges and into Virginia in order to see a Major League Baseball game.

PERCENTAGE BREAKDOWN OF THE 23% COMING FROM OUTLYING REGIONS
BASED ON OBSERVED DATA FROM ORIOLES' ATTENDANCE AT CAMDEN YARDS
Based on Respondents' Self-Reported Zip Code, County & State

North and East of Camden Yards		North and West of Camden Yards		Other Outlying Areas	
Pennsylvania	7%	North Carolina	1%	Florida	1%
New Jersey	4%	West Virginia	<1%	Illinois/Ohio	<1%
Conn./Mass.	2%	Kentucky/S. Carolina	<1%	California	<1%
New York	3%			Others	1%
Delaware	<1%				

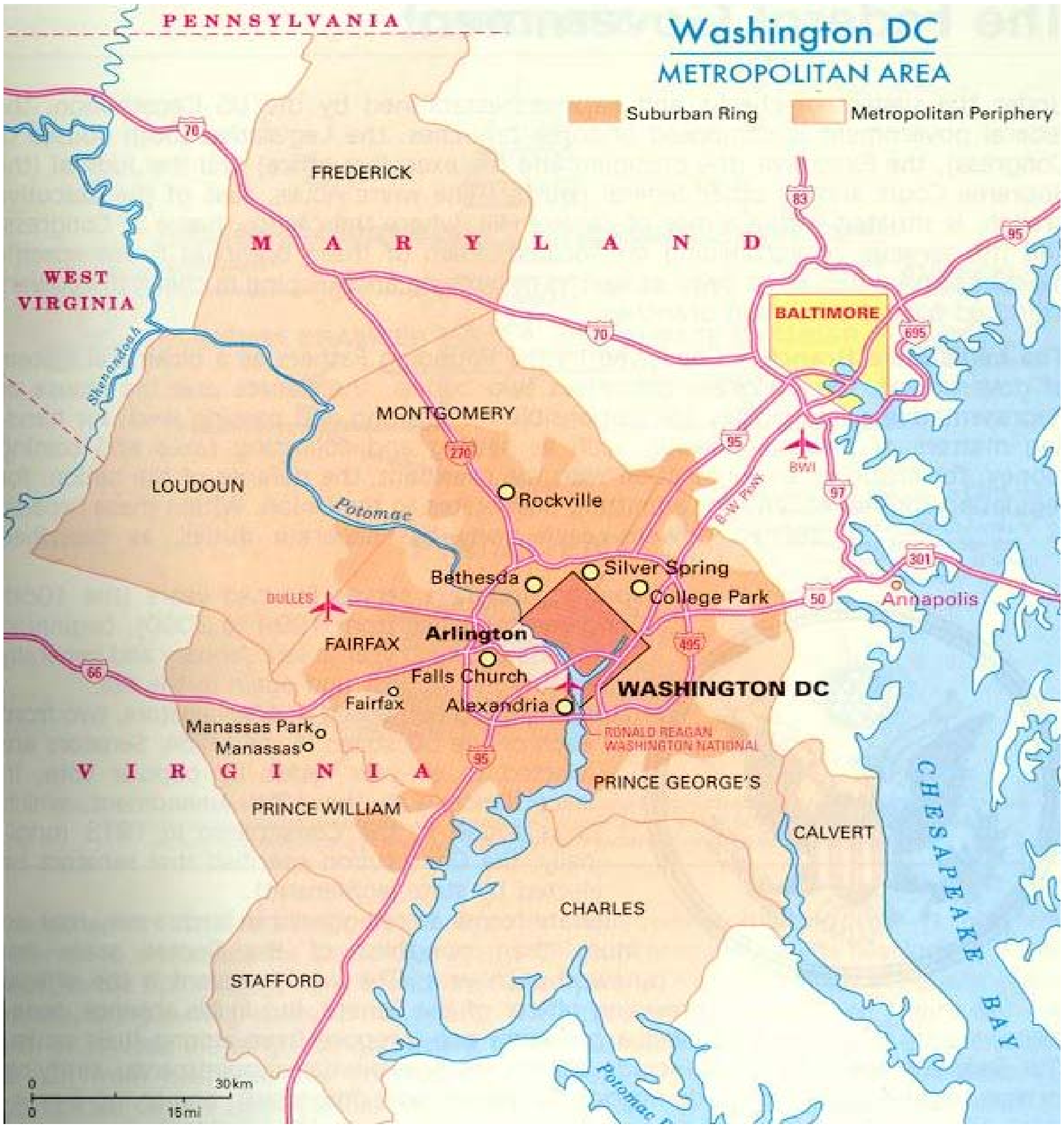
It is particularly noteworthy that fully 15% of the Orioles' observed attendance lives in Pennsylvania, New York, New Jersey and Delaware. That 15% is more than twice as many attendees as live in the entire State of Virginia; and twice as many as live in Northern Virginia. Again, these respondents were not asked if they would attend games in Northern Virginia because the process of fan intercepts outside a game requires an extremely quick survey. But it would be difficult to argue (and even more difficult to accept) that this core segment of Orioles' supporters from the North and East would drive right past Camden Yards, negotiate I-95 and the Capital Beltway and go to games in Virginia on any regular basis.

We also examined the 58% coming from the Greater Baltimore metro area to see the counties these attendees are coming from and how close they would be to a new MLB stadium in Northern Virginia (or the District of Columbia). The 58% is broken down as follows:

PERCENTAGE BREAKDOWN OF THE 58% COMING FROM GREATER BALTIMORE METRO AREA
BASED ON OBSERVED DATA FROM ORIOLES' ATTENDANCE AT CAMDEN YARDS
Based on Respondents Self-Reported Zip Code, County & State

Baltimore County/City	41%
Howard County	7%
Anne Arundel County	6%
Harford County	3%
Carroll County	1%

Given the pattern in which the roads and mass transit in the region are laid out, all of these core bases of support for the Orioles would have easier, more convenient access to the District of Columbia than to Northern Virginia. Therefore, it is possible that a new MLB team located in the District of Columbia would stand a greater chance of eroding these parts of the Orioles' core fan base than a new MLB team in Northern Virginia. The data and analysis in Part 1B of this report lend support to this statement.



LOCAL COMPOSITION – ANNUALIZED DATA

The Project Team was asked to look very closely at the geographic composition of attendees living in the three parts of the Greater Washington metro area (Northern Virginia, the District of Columbia; and the Maryland suburbs of the District of Columbia) that make up 13% of attendance at Camden Yards. The observed data for the three parts of the Greater Washington metro area provides a "snapshot" of the origin of those fans at the six games during which surveying took place. Then, in order to develop an accurate picture for the course of a full baseball season, we annualized the data by weighting by frequency of attendance (as found in Part 1B of this report).[8] To arrive at the annualized data and estimated annual attendance we employed a 4-step calculation. First, we calculated the overall weighted average as follows:

[8] In the following Part 1B of this report we learned that traffic, transit and sheer geographic constraints cause a different attendance pattern from each of the three parts of the Greater Washington metro area. Attendees from farthest away, Northern Virginia, go to Camden Yards much less frequently (2.72 games per year) than fans from either the District of Columbia (3.97 games per year) or the Maryland suburbs of the District of Columbia (3.75 games per year). See Part 1B for a complete discussion.

(a) Attendance from observed data divided by sum of the parts of Greater Washington:

- NoVA (164,759 / 431,669) = 38.2%
- D.C. (32,952 / 431,669) = 7.6%
- MDS (233,958 / 431,669) = 54.1%

(b) Multiply each average by the frequency of games per year and sum:

- NoVA 38.2% * 2.72 = 1.04
- D.C. 7.6% * 3.97 = .30
- MDS 54.1% * 3.75 = 2.03
- Sum of weighted averages =3.37

Second, we calculated a coefficient to see how the frequency of attendance from fans living in each of the three areas that make up the Greater Washington metro area relates proportionally to the overall weighted average (calculated above):

- NoVA (2.72 / 3.37) = 0.81
- D.C. (3.97 / 3.37) = 1.18
- MDS (3.75 / 3.37) = 1.11

Third, we multiplied each area's observed attendance (calculated from the Orioles' total year 2000 attendance) by its coefficient (calculated above) to arrive at each area's annual attendance:

- NoVA (164,759 * 0.81) = 132,836
- D.C. (32,952 * 1.18) = 38,777
- MDS (233,958 * 1.11) = 260,056

Fourth, we calculated the above proportion of annual attendance for each area by dividing by the Orioles' total year 2000 attendance of 3,295,185:

- NoVA (132,836 / 3,295,185) = 4%
- D.C. (38,777 / 3,295,185) = 1%
- MDS (260,056 / 3,295,185) = 8%

This analysis results in the findings presented in the table below, i.e., that Northern Virginia accounts for 4% of the Orioles' attendance on an annual basis compared with 1% from the District of Columbia and 8% for the Maryland suburbs of the District of Columbia. Stated another way, in the Greater Washington metro area twice as many fans that come to Camden Yards live in the Maryland suburbs of the District as live in Northern Virginia. Based on this finding alone, it is reasonable to conclude that locating a MLB team in Northern Virginia poses less of a risk of erosion to the Orioles than locating a MLB team in the District of Columbia. The data and analysis in Part 1B of this report lend support to this statement.

PERCENTAGE BREAKDOWN OF THE 13% COMING FROM GREATER WASHINGTON METRO AREA
PER GAME FREQUENCY, OBSERVED DATA AND ANNUALIZED DATA
Based on Respondents Self-Reported Zip Code, County & State

Greater Washington Metro Area:	Frequency (games per year)	Observed Data	**Annualized Data**	**Annual Attendance**
Northern Virginia	2.72gpy	5%	**4%**	**132,836**
District of Columbia	3.97gpy	1%	**1%**	**38,777**
Maryland Suburbs of D.C.	3.75gpy	7%	**8%**	**260,056**

SEASON TICKET ANALYSIS

The intercepts at Camden Yards also asked patrons to identify how they came about obtaining their tickets for the game. The objective was to develop an approximation of how many attendees from Northern Virginia attend using a season ticket. Please note that the best way to conduct this analysis would be to examine the Orioles' season ticket holder list and do a zip code analysis. But the Project Team did not have access to the Orioles' lists or their season ticket data. Below is the breakdown of ticket type which shows that only 3% of those attendees living in Northern Virginia were at Camden Yards using their own season ticket.

TYPE OF TICKET USED BY ATTENDEES INTERVIEWED AT CAMDEN YARDS
Based on Respondents Self-Reported Characterization of Tickets Being Used

RESIDENTS OF:	Northern Virginia	District of Columbia*	Maryland Suburbs of the District
Individual Game Ticket (NET)	**72%**	**67%**	**67%**
Purchased individual game ticket	34%	50%	34%
Given individual game ticket	38%	17%	33%
Season Ticket (NET)	**21%**	**34%**	**33%**
Used own season ticket	3%	0%	7%
Given other's season ticket	8%	17%	10%
Purchased other's season ticket	5%	0%	10%
Guest of season ticket holder	5%	17%	6%
Other	**7%**	**0%**	**0%**

*small sample size/greater than 100% because of rounding

PART 1B – IMPACT ON ORIOLES' ATTENDANCE

The extent to which a new MLB team located in Northern Virginia (or the District of Columbia) would or would not erode Baltimore Orioles' attendance is expected to be a primary consideration in Major League Baseball's determination of whether or not to approve a franchise relocation into the Greater Washington metro area. Part 1B of the report therefore seeks to determine through statistically reliable survey research techniques a profile of those residents of Northern Virginia, the District of Columbia and the Maryland suburbs of the District of Columbia who presently attend Baltimore Orioles' games and to assess the likely behavior of those fans in the event that a new franchise is located in Northern Virginia or Washington, D.C.

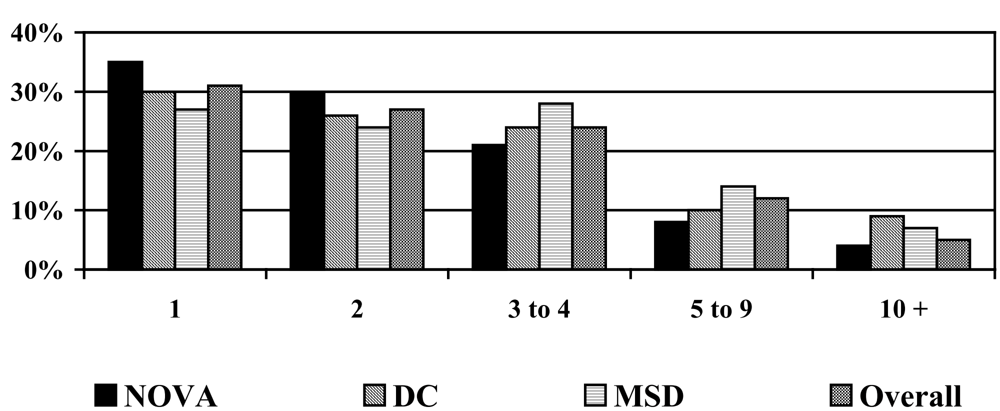
REVIEW OF METHODS

Penn, Schoen and Berland Associates, Inc. conducted a random-digit-dial telephone survey between September 12, 2000 and October 2, 2000 among residents of the Greater Washington metro area (Northern Virginia, the District of Columbia and the Maryland suburbs of the District of Columbia) to interview adults who attended at least one Baltimore Orioles' home game in 2000. 900+ surveys were completed among similar numbers of residents of Northern Virginia, the District of Columbia and the Maryland suburbs of the District. Among other things, fans were asked how many games they attend in a typical season; how strongly devoted they were to the Orioles; the likelihood of attending games at a new MLB stadium in Northern Virginia (or the District of Columbia); and what impact a new team would have on their future attendance at Camden Yards. From these surveys we were able to compute, among other things, the frequency fans from different parts of the Greater Washington metro area attend games at Camden Yards; and also the likely impact a new MLB team would have on their future attendance of Orioles' games. The margin of error for the entire population is +/-3.2%. The margin of error for the subgroup analysis is +/-5.6%. A copy of the survey instrument is included at the back of this report in Appendix 2.

FREQUENCY OF ATTENDANCE

Survey respondents were asked how often they attend games at Camden Yards. It was learned that Northern Virginia attendees attend less frequently than those from either the District of Columbia or the Maryland suburbs of the District of Columbia.

NUMBER OF GAMES ATTENDED AT CAMDEN YARDS IN A TYPICAL SEASON
Survey Question: How Many Games Do You Attend In A Typical Season ?



Northern Virginia attendees go to 2.72 Orioles games on average in a typical season. Residents of the District of Columbia who attend Orioles' games go to 3.97 Orioles games on average in a typical season and attendees that live in the Maryland suburbs of the District attend 3.75 Orioles' games on average in a typical season. The majority (58%) of attendees from the Greater Washington area attend less than 2 games per season at Camden Yards.

IMPACT SURVEY QUESTION & RESULTS

As part of our survey of attendees we asked them to tell us what impact a new MLB team would have on their future attendance at Camden Yards.

SELF-REPORTED EXPECTED FUTURE ATTENDANCE AT CAMDEN YARDS AMONG
CURRENT ATTENDEES WHO RESIDE IN THE GREATER WASHINGTON METRO AREA

Survey Question: In future years, if there were a new National League team in Northern Virginia or the District of Columbia, and if the Orioles consistently fielded a competitive team, would this new team cause you to attend fewer Orioles games at Camden Yards, more games, or wouldn't it have an impact on the number of games you would attend in Baltimore?

	NORTHERN VIRGINIA SCENARIO			D.C. SCENARIO		
	Percent giving each response stating they would attend:					
	Fewer Orioles Games	*More Orioles Games*	*Same # of Orioles Games*	*Fewer Orioles Games*	*More Orioles Games*	*Same # of Orioles Games*
Northern Virginia	49%	7%	44%	36%	6%	57%
D.C. Residents	19%	7%	71%	38%	3%	56%
Maryland Suburbs of the District	12%	6%	77%	21%	7%	67%
Total Metro Area	**26%**	**7%**	**64%**	**32%**	**5%**	**60%**

The above data confirms that while some current Orioles' attendees would reduce their trips to Camden Yards; it also shows that other current Orioles' attendees would increase their trips to Camden Yards. For these particular fans it is reasonable to conclude that a new MLB team in the two markets would create more interest in baseball and drive more trips to see the Baltimore Orioles. This data can then be used to compute the probable impact on Orioles' attendance with a new MLB team permanently located in either Northern Virginia or the District of Columbia. To do this we performed a 3-step calculation.

First, we calculated a "net loss" figure for each region under each scenario. The "net loss" is simply the percentage of fans saying they would go to fewer games minus the percentage of fans saying they would go to more games:

STEP #1:	NORTHERN VIRGINIA SCENARIO	D.C. SCENARIO
Northern Virginia	49% – 7% =42% fewer games	36% – 6% = 30% fewer games
D.C. Residents	19% – 7% =12% fewer games	38% – 3% = 35% fewer games
Maryland Suburbs of the District	12% – 6% = 6% fewer games	21% – 7% = 14% fewer games

Second, the resulting net loss percentage for each area under each scenario computed above is multiplied by the annualized geographic composition computed in Part 1A of this report:

STEP #2:	NORTHERN VIRGINIA SCENARIO	D.C. SCENARIO
Northern Virginia	42% * 4% = 1.69% reduction	30% * 4% = 1.21% reduction
D.C. Residents	12% * 1% = 0.12% reduction	35% * 1% = 0.35% reduction
Maryland Suburbs of the District	6% * 8% = 0.48% reduction	14% * 8% = 1.12% reduction

Third, the resulting annual percentage reduction for each area under each scenario computed above is multiplied by the Orioles' total year 2000 attendance (3,295,185) to arrive at the estimated reduced attendance at Camden Yards under each scenario:

STEP #3:	NORTHERN VIRGINIA SCENARIO	D.C. SCENARIO
Northern Virginia	1.69% * 3,295,185 = 55,689	1.21% * 3,295,185 = 39,872
D.C. Residents	0.12% * 3,295,185 = 3,954	0.35% * 3,295, 185 = 11,533
Maryland Suburbs of the District	0.48% * 3,295,185 = 15,817	1.12% * 3,295,185 = 36,906

The data shows that a Northern Virginia location would result in a loss of 75,460 in Camden Yards attendance (932 fans per game over 81 games). A MLB stadium in a District of Columbia location would result in a loss of 88,311 in Camden Yards attendance (1,090 fans per game over 81 games). *Neither scenario will cause great harm to the Baltimore Orioles,* even assuming the Orioles cannot and do not replace any of these lost attendees. What is material is the difference between the two scenarios: a MLB team in the District of Columbia would cause a 17% larger reduction in attendance at Camden Yards from fans residing in the Greater Washington metro area than placing that same team in Northern Virginia.

SUMMARY OF ESTIMATED REDUCED ATTENDANCE AT CAMDEN YARDS
BASED ON THE ANNUALIZED GEOGRAPHIC COMPOSITION AMONG
CURRENT ATTENDEES WHO RESIDE IN THE GREATER WASHINGTON METRO AREA

	NORTHERN VIRGINIA SCENARIO			D.C. SCENARIO		
	Annual Reduction	Annual Loss	Per Game Loss*	Annual Reduction	Annual Loss	Per Game Loss*
Northern Virginia	1.69%	55,689	688	1.21%	39,872	492
D.C.	0.12%	3,954	49	0.35%	11,533	142
MD Suburbs of D.C.	0.48%	15,817	195	1.12%	36,906	456
TOTAL	**2.29%**	**75,460**	**932**	**2.72%**	**88,311**	**1,090**

**calculated by dividing the average loss per season figure by 81 home games*

Focusing on the Maryland suburbs of D.C. - the area of Greater Washington in closest proximity to Camden Yards and clearly most critical to the Orioles' attendance - a MLB team in the District of Columbia would cause a 133% larger reduction in attendance in fans from this area than placing that same team in Northern Virginia.

REASONS AND PREFERENCES

Overwhelmingly, current attendees at Camden Yards cite geographic proximity as the most important factor in deciding where to attend games. The two tables below show the survey results of those attendees from the Greater Washington metro area who said they would attend fewer games at Camden Yards under each scenario.

REASONS FOR ATTENDING FEWER GAMES AT CAMDEN YARDS
ORIOLES' ATTENDEES WHO RESIDE IN GREATER WASHINGTON
WHO INDICATED THEY WOULD ATTEND FEWER GAMES AT CAMDEN YARDS
IF A NEW MLB TEAM WERE LOCATED PERMANENTLY IN
NORTHERN VIRGINIA

RESIDENTS OF: / REASONS:	Northern Virginia	The District of Columbia	Maryland Suburbs of D.C.	Total Sample
Closer to home/work	**76%**	**53%**	**69%**	**74%**
Prefer National League	10%	26%	6%	10%
Don't like the Orioles	4%	7%	0%	3%
Price	1%	0%	9%	2%
Other	6%	9%	9%	7%
Don't know	3%	5%	6%	3%

REASONS FOR ATTENDING FEWER GAMES AT CAMDEN YARDS
ORIOLES' ATTENDEES WHO RESIDE IN GREATER WASHINGTON
WHO INDICATED THEY WOULD ATTEND FEWER GAMES AT CAMDEN YARDS
IF A NEW MLB TEAM WERE LOCATED PERMANENTLY IN
THE DISTRICT OF COLUMBIA

RESIDENTS OF: / REASONS:	Northern Virginia	The District of Columbia	Maryland Suburbs of D.C.	Total Sample
Closer to home/work	**61%**	**62%**	**64%**	**62%**
Prefer National League	15%	12%	17%	14%
Don't like the Orioles	8%	5%	6%	7%
Price	0%	9%	0%	3%
Local team	4%	3%	3%	4%
Depends on better team	0%	3%	3%	1%
Other	8%	5%	5%	7%

Predictably, the results are the same when Orioles' attendees in the Greater Washington metro area are asked where they would prefer to see a new MLB stadium located. The study confirms that residents of Northern Virginia strongly prefer a Northern Virginia MLB stadium site while residents of the District of Columbia strongly prefer a District site. Respondents who expressed a preference for a Northern Virginia stadium site were asked why. Seventy-six percent of Northern Virginia residents cited proximity to home or work. Similarly, respondents who expressed a preference for a District of Columbia stadium site were asked why. Fifty-three percent of D.C. residents cited proximity or home or work. Given the geographic layout of the Greater Washington metro area, and the traffic, transit and time constraints prevalent here, it is not surprising to find that people – current Orioles fans – want MLB closer to their lives.

Looking at the Greater Washington metro area as a whole, residents who attend games at Camden Yards prefer a new MLB stadium to be located in Northern Virginia regardless of the type of fan.

STADIUM LOCATION PREFERENCE BY ALLEGIANCE

ORIOLES' ATTENDEES WHO RESIDE IN GREATER WASHINGTON

WHO SELF-CHARACTERIZED THEIR ALLEGIANCE

Survey Question: Would you be more likely to attend a major league game at a stadium in Northern Virginia or more likely to attend a major league game at a stadium in the District of Columbia?

PREFERENCE:	Self-Described Orioles Fans	Self-Described MLB Fans	Entertain Family/Clients
Northern VA Stadium	**48%**	**48%**	**42%**
D.C. Stadium	39%	36%	41%
Doesn't Matter	11%	12%	13%
Not sure	2%	3%	4%

LACK OF ALLEGIANCE TO THE ORIOLES

As noted above, the survey included questions to determine the extent to which residents of the Greater Washington metro area who currently attend Orioles' games characterize themselves as Orioles' fans specifically or more as baseball fans generally. The objective here is to address the assertion by the Orioles that the fans in the Greater Washington metro area are their fans, i.e., that the Orioles have developed these fans as Orioles fans. Our findings do not lend support to the Orioles' assertion. The results indicate that a majority of the Orioles' audience among residents of the Greater Washington metro area demonstrate very low allegiance to the Orioles. Only slightly more than one-third (37%) of current attendees from the Greater Washington metro area describe themselves as Orioles fans. Most indicate they attend games at Camden Yards for other reasons.

FAN ALLEGIANCE TO THE BALTIMORE ORIOLES

AMONG ATTENDEES RESIDING IN THE GREATER WASHINGTON METRO AREA

Survey Question: Which of the following best describes why you attend Orioles games?

FAN SELF-CHARACTERIZATION:	Northern VA Residents	D.C. Residents	Maryland Suburban Residents	**Overall Average**
I am a fan of the Baltimore Orioles	35%	30%	40%	**37%**
I am more of a baseball fan who happens to attend games in Baltimore	35%	43%	22%	**29%**
I attend games so that I can (take my family out) or (to entertain business clients)	25%	21%	31%	**27%**

LACK OF ALLEGIANCE TO THE AMERICAN LEAGUE

Orioles' attendees were also asked to characterize their allegiance to the American League. Less than one-half (47%) of current attendees from the Greater Washington metro area describe themselves as American League fans.

FAN ALLEGIANCE TO THE AMERICAN LEAGUE
AMONG ATTENDEES RESIDING IN THE GREATER WASHINGTON METRO AREA
Survey Question: Do you consider yourself more of a fan of the American League or more of a fan of the National League?

FAN SELF-CHARACTERIZATION:	Northern VA Residents	D.C. Residents	Maryland Suburban Residents	**Overall Average**
American League	48%	48%	47%	**47%**
National League	24%	25%	18%	**21%**
Both Equal	16%	13%	20%	**18%**
Don't Know	12%	14%	15%	**14%**

ADDITIONAL KEY FINDING

Sixty-three percent of Northern Virginia Orioles attendees say they would definitely attend a game in Northern Virginia, while 51% say they would definitely attend a game in the District of Columbia. While this is not surprising, it is important because baseball fans in Northern Virginia outnumber baseball fans in the District of Columbia by a ratio of 4-to-1. If Northern Virginia fans won't go into the District for a new MLB team, the Northern Virginia location becomes self-evident.

LIKELIHOOD THAT CURRENT ORIOLES' ATTENDEES WOULD ATTEND GAMES
OF A NEW MLB TEAM PERMANENTLY LOCATED IN NORTHERN VIRGINIA OR THE DISTRICT OF COLUMBIA
Survey Question: If a new National League baseball team were awarded to Washington/Northern Virginia with a stadium located in the District of Columbia/Northern Virginia, please tell me how likely you would be to attend?

ORIOLES' ATTENDEES WHO RESIDE IN:	**NORTHERN VIRGINIA SCENARIO** % Saying they would definitely attend*	**D.C. SCENARIO** % Saying they would definitely attend*
Northern Virginia	**63%**	**51%**
District of Columbia	17%	64%
MD Suburbs of D.C.	18%	37%

** (7 out of 7 on a 7-point scale)*

PART 1C – CREATION OF NEW MLB FANS

This is a study of the *Greater Washington metro area*. The Project Team has not been asked to study counties that lie outside the Greater Washington metro area. The objective of this Part 1C of the report is to estimate the likely number of new MLB fans that would potentially be created in the Greater Washington metro area (Northern Virginia, the District of Columbia and the Maryland Suburbs of the District of Columbia) by a new MLB team located permanently in Northern Virginia (or the District of Columbia).

NOTE ABOUT OUTLYING AREAS

We must note that any discussion of the creation of new MLB fans under either scenario is limited in this study by definition to the Greater Washington metro area. As such, there are scores of additional new MLB fans that could also be created outside Greater Washington:

> **Northern Virginia Location**. New MLB fans could also be created by a team located permanently in Northern Virginia that are not accounted for in this study in numerous counties in Virginia southwest to Charlottesville; south to Richmond; and to Norfolk/Virginia Beach. To the extent that a new MLB team playing permanently in Northern Virginia would create new MLB fans in these outlying Virginia areas, these are the new MLB fans least likely to consistently attend games at Camden Yards in the future. The massive daily traffic challenges getting around the Capital Beltway (no Interstate goes thru Washington, D.C.); and the sheer geographic distance from Camden Yards down to these outlying Virginia areas make it clear that new MLB fans in these outlying Virginia areas would truly be new to MLB - not cannibalized future Baltimore Orioles' fans.
>
> **District of Columbia Location**. The same cannot be said for a D.C. location. In that case, yes - new MLB fans could also be created in outlying Virginia areas and outlying Maryland areas like Anne Arundel County; Howard County; Harford County and Carroll County. But these "outlying" Maryland areas are outlying from Greater Washington and very close in proximity to Baltimore. All of these counties are within close proximity and easy driving distance to Camden Yards and several of them have easy access to the MARC (Maryland regional mass transit system). In Maryland therefore, to the extent new MLB fans are created, these are the new MLB fans most likely to consistently attend games at Camden Yards in the future. These new MLB fans in these outlying Maryland areas, unlike their Virginia counterparts, would truly be cannibalized prospective Orioles' fans.

REVIEW OF METHODS

Part 1C is a survey and analysis of the Greater Washington metro area to compute an estimate of the likely number of new MLB fans that would potentially be created solely in the Greater Washington metro area under a Northern Virginia scenario versus a District of Columbia Scenario. Between September 12 and October 2, 2000, Penn, Schoen and Berland conducted a random survey of 1,738 adults age 18 and older who reside in Northern Virginia, the District of Columbia and the Maryland Suburbs of the District of Columbia, and who did not attend any Orioles' games at Camden Yards during the 2000 season.

As with the survey detailed in Part 1B, the random-digit-dial (RDD) sampling methodology was employed for this survey. In Part 1B we surveyed people who had attended Camden Yards in 2000 while in this Part 1C we surveyed people who did not attend a game at Camden Yards in 2000. Surveys were completed with 736 residents of Northern Virginia; 490 residents of the District of Columbia; and 512 residents of the Maryland suburbs of Washington. Survey findings were weighted to reflect the actual proportion of the adult population residing in each of the three areas – Northern Virginia (46.5%), D.C. (13.5%), and Suburban Maryland (39.9%). Survey respondents were asked a variety of questions including: (1) the likelihood that the subject would attend a new MLB team's games in Northern Virginia or the District of Columbia; (2) the subject's preference for a team location in Northern Virginia or the District of Columbia; (3) whether or not the subject considers himself or herself a baseball fan; various demographic questions; etc. The margin of error for the entire Part 1C sample is +/-2.4%. Geographic subgroup margins of error are: +/-3.6% for Northern Virginia; +/-4.4% for the District of Columbia; and +/-4.3% for the Maryland Suburbs of the District of Columbia. A copy of the survey instrument is included at the back of this report in Appendix 3.

NEW FAN FINDINGS

In order to compute the number of potential new MLB fans in the Greater Washington metro area from the raw survey data, a 4-step computation was then employed for each of the three areas (Northern Virginia, the District of Columbia and the Maryland Suburbs of the District of Columbia) and then the three areas were summed.

First, we calculated the number of people that currently attend games at Camden Yards from each of the three areas in Greater Washington. To do that we took the annualized attendance from each area, then divided it by the frequency of attendance from each area (see Part 1A).

STEP #1:	CURRENT ATTENDEES
Northern Virginia Residents	132,836 / 2.72 = 48,837
D.C. Residents	38,777 / 3.97 = 9,768
Residents from the Maryland Suburbs of the District	260,056 / 3.75 = 69,348

Second, we created an adjusted adult population for each area, removing the current attendees from each area calculated above. We removed these people because the purpose of this estimate is to project the number of "new" fans a stadium in either scenario would create, not the number of current Orioles fans that would switch allegiances.

STEP #2:	ADJUSTED POPULATION
Northern Virginia Residents	1,435,756 – 48,837 = 1,386,919
D.C. Residents	416,757 – 9,768 = 406,989
Residents from the Maryland Suburbs of the District	1,232,424 - 69,348 = 1,163,076

Third, we developed a percentage of potential new fans most likely to attend games at a new stadium of their choice. This requires multiplying two percentages against each other. The first percentage we looked at was the percent of non-attendees from each region that prefer one stadium location to another (the first percentage in each formula below). This percentage comes from our raw survey data in this Part 1C when we asked respondents to tell us which (if any) stadium location they preferred (Northern Virginia or District of Columbia). Next, we looked at a second percentage: the percentage of those who say they are "very likely" to attend games at their preferred stadium location (the second percentage in each formula below). We cut this second percentage in half (i.e., divided by two). In our experience measuring purchase intent, we normally cut this percentage in half to be as conservative as possible in estimating who will actually purchase (in this case attend). The product of these two percentages yields the percentage of potential new fans <u>most likely</u> to attend games at a new stadium of their choice.

STEP #3:	**NORTHERN VIRGINIA SCENARIO**	**D.C. SCENARIO**
Northern Virginia	68% * (41% / 2) = 13.94%	7% * (31% / 2) = 1.09%
D.C. Residents	5% * (21% / 2) = 0.58%	66% * (37% / 2) = 12.20%
Maryland Suburbs of the District	12% * (18% / 2) = 1.08%	51% * (33% / 2) = 8.42%

Fourth, we multiplied the above percentage from Step #3 by the adjusted population from Step #2 to compute the number of potential new fans. We repeated these steps for each of the three areas and under each scenario (Northern Virginia stadium location versus a District of Columbia stadium location) and then summed up for the Greater Washington total.

SUMMARY OF NEW MLB FANS IN GREATER WASHINGTON
(ORIOLES' NON-ATTENDEES WHO RESIDE IN GREATER WASHINGTON
WHO ARE "VERY LIKELY" TO ATTEND IN NORTHERN VIRGINIA OR D.C.)[9]

STEP #4:	**NORTHERN VIRGINIA SCENARIO**	**D.C. SCENARIO**
Northern Virginia	13.94% * 1,386,919 = 193,337	1.09% * 1,386,919 = 15,117
D.C. Residents	0.58% * 406,989 = 2,361	12.20% * 406,989 = 49,653
Maryland Suburbs of the District	1.08% * 1,163,076 = 12,561	8.42% * 1,630,076 = 97,931
TOTALS	**208,258**	**162,701**

We conclude that <u>a new MLB team permanently located in Northern Virginia would create in the Greater Washington area alone 28% more new MLB fans than the same MLB team located in the District of Columbia</u>.

We asked Orioles' <u>non-attendees</u> in this Part 1C a similar question to the one we asked Orioles' attendees in Part 1B: why would you be more likely to attend a Major League game at a stadium

[9] It should be noted our study does not seek to measure new MLB fans that might also be created outside the Greater Washington metro area. A Virginia location would likely create new MLB fans in numerous counties in Virginia southwest to Charlottesville; south to Richmond; and to Norfolk/Virginia Beach and none of these new fans would cannibalize the Orioles' future fan base because of the distance to Camden Yards. Regarding a D.C. location, our study also does not seek to measure new MLB fans that might be created from a Washington, D.C. location in outlying Maryland areas (e.g., Anne Arundel County; Howard County; Harford County and Carroll County). However, the fans in these Maryland counties would very clearly be coming directly from the Orioles' core geographic bases.

in Northern Virginia/the District of Columbia? The purpose was to understand why they would prefer one MLB stadium location to another. The results were the same for non-attendees as they were for attendees: overwhelmingly, geographic proximity is the most important factor in deciding where to attend games and where people would like to see a new MLB stadium. The below two tables show the survey results of those attendees from the Greater Washington metro area who said they would prefer one location to another.

NORTHERN VIRGINIA LOCATION

REASONS WHY ORIOLES' NON-ATTENDEES WHO RESIDE IN GREATER WASHINGTON
WOULD PREFER TO ATTEND MLB GAMES IN NORTHERN VIRGINIA

Survey Question: Why would you be more likely to attend a Major League game at a stadium in Northern Virginia?

RESIDENTS OF: REASONS:	Northern Virginia	District of Columbia	Maryland Suburbs of D.C.	Total Sample
Closer to home/work	**83%**	**50%**	**37%**	**77%**
Don't like going to D.C.	10%	5%	25%	12%
Traffic/Parking	2%	0%	20%	5%
Safer	1%	5%	6%	1%
Other	3%	30%	10%	4%
Don't know	0%	10%	2%	1%

DISTRICT OF COLUMBIA LOCATION

REASONS WHY ORIOLES' NON-ATTENDEES WHO RESIDE IN GREATER WASHINGTON
WOULD PREFER TO ATTEND MLB GAMES IN THE DISTRICT OF COLUMBIA

Survey Question: Why would you be more likely to attend a Major League game at a stadium in D.C.?

RESIDENTS OF: REASONS:	Northern Virginia	District of Columbia	Maryland Suburbs of D.C.	Total Sample
Closer to home/work	**45**	**92**	**78**	**78**
More things to do/More going on around	12	0	1	2
Northern VA should stay rural/other priorities before stadium	10	0	0	1
Traffic/Parking	8	*	2	2
Public Transportation in D.C.	6	1	7	5
Don't like going to Northern VA	4	2	6	5
More accessible/Easier to get to	2	*	1	1
Other	10	3	4	4

PART 1 CONCLUSIONS

Residents of Northern Virginia, Washington, D.C. and the Maryland suburbs of D.C. make-up 13% of the Baltimore Orioles' attendance. A new MLB team in Northern Virginia would impact the Orioles' attendance by less than 3% (932 fans per game, or 2.29% of year 2000 attendance). Locating a MLB team in Northern Virginia would create 28% more new MLB fans than locating a team in the District of Columbia.

PART 2 – CORPORATE SUPPORT

KEY FINDINGS

The Baltimore Orioles' luxury suite holders and corporate sponsors were surveyed and studied to assess what, if any, impact a MLB team in Northern Virginia (or Washington, D.C.) would have on their future support of the Orioles. Our survey and analysis yield two key findings:

- **LUXURY SUITES.** The placement of a MLB team in Northern Virginia or Washington, D.C. would have no impact on the leasing of suites at Camden Yards.

- **SPONSORSHIPS.** The placement of a MLB team in Northern Virginia or Washington, D.C. would have a very, very small negative impact on the Orioles' sponsorships – we calculate a loss to the Orioles of $488,195 which is less than 4/10ths of one percent of total Orioles' revenue (assuming any losses would not be replaced).

OVERVIEW

As discussed earlier in this report, Major League Baseball's ultimate decision on the question of whether to allow a new franchise to locate in the Greater Washington metro area will likely depend on the League's and each team owners' assessment of the likely impacts such a franchise would have on the Baltimore Orioles' continued success in the three categories of support addressed by this report: fan support, corporate support and media revenue.

Understanding the full extent and nature of the support and sponsorships the Baltimore Orioles receive from the business communities of Greater Baltimore, Greater Washington and beyond is essential to determining the likely effects that a new MLB team located in Northern Virginia (or the District of Columbia) would have on those sponsorships and the Orioles' continued financial health. By employing a variety of techniques, The Goal Group sought to identify and quantify the Orioles' corporate support and then to contact decision makers to discuss the nature of that support and the ways in which they used their sponsorship assets for business purposes. The result is a comprehensive analysis of the Orioles' corporate support and a reliable assessment of the extent to which that support would be impacted by a new MLB team in Northern Virginia (or the District of Columbia).

OBJECTIVES

The primary objective of this Part 2 of the study is to estimate the impact that a new MLB team located in Northern Virginia (or the District of Columbia) would have on the Baltimore Orioles' revenues derived from luxury suite rentals and corporate sponsorships. A secondary objective of this Part 2 is to assess whether there would be a measurable difference in impact depending upon whether the new team were located in Northern Virginia or the District of Columbia.

REVIEW OF METHODS

Through a comprehensive process derived from years of experience in the sports marketing field, The Goal Group identified the Baltimore Orioles' significant corporate partners, including Camden Yards' suite-holders and in-stadium advertisers, as well as sponsors of the Orioles' over-the-air broadcasts, cable TV broadcasts, radio broadcasts, publications, website and promotional schedule. This research yielded a comprehensive list of more than 200 total corporate sponsors. This list was pared down to 158 significant corporate accounts - defined as any company with a full or partial interest in a Camden Yards luxury suite and/or any company with a material advertising presence with the Orioles.

On the sponsor side, there were a considerable number of companies in the initial population with an extremely minor presence as advertisers. It is not that the study sought-out only large sponsors. To the contrary, sponsors at all spending levels were included in the general corporate partner population and, indeed, all spending levels were fairly evenly distributed in proportion to spending (i.e., there are simply not as many companies spending $250,000 or more per year as are spending under $100,000). Our decisions were rooted in an assessment of a company's inventory. For example, companies with a single page print ad in the game program or media guide were purged from the general corporate partner list unless there were other elements in their package. Companies with a single radio or TV ad (or with a short duration advertising flight) were similarly purged unless they also had other elements to their package. The objective of the study was to survey full season corporate sponsors with a variety of characteristics, including but not limited to: companies with packages at all spending levels; companies with packages containing all forms of Orioles advertising & promotional inventory; companies having relationships with the Orioles of various durations; companies based in all parts of the region; companies both large and small; etc. The section below on Respondent Profile describes how well this objective has been achieved.

The Goal Group designed and developed a survey instrument to meet the objectives of the study. A copy of the survey instrument is included at the back of this report in Appendix 4. Every single company on the list of 158 material corporate partners was contacted at least once and given the opportunity to participate in the study. All companies were given an equal opportunity to participate. A company was considered exhausted at the time of any one of the following three occurrences: (1) upon completion of a survey; (2) upon express refusal to participate; or (3) upon a minimum of five unsuccessful attempts to reach a decision-maker. The Goal Group completed 80 telephone interviews from the list of 158 between August 16, 2000 and November 20, 2000.

Survey respondents were qualified to participate in the study based on their decision-making role regarding their company's partnership with the Orioles. Only executives with direct decision-making authority vis-à-vis their company's program with the Orioles were eligible to participate in the survey. All interviews were conducted in-house by senior-level Goal Group executives trained in professional interviewing techniques and experienced in MLB suite holder and sponsor relationships. The survey population of 80 yields results that can be projected to the entire corporate list within +/- 7.7 percentage points at the 95 percent confidence level. This means that if the study were replicated 100 times the results would fall within +/- 7.7 percentage points 95 times. This is well within market research industry standards for market research involving very small populations. It should be noted that due to extremely small subgroup populations, analysis of subgroups yields results that can be projected to the entire corporate list with less confidence.

RESPONDENT PROFILE

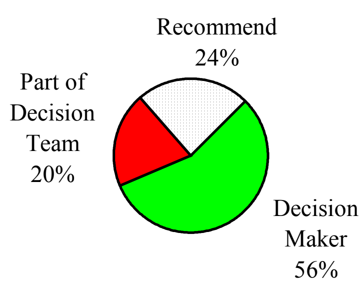
One objective of the survey was to develop a profile and understanding of who the companies are that lease suites at Camden Yards (full or partial interests); and/or who the companies are that sponsor the Baltimore Orioles either through sponsorship of the Orioles directly or through media buys with one or more of the Orioles' media outlets. This section presents those findings and examines the makeup of the Orioles' corporate partner base in order to gain insight into how these companies may behave in the event a MLB team comes to D.C. or Northern Virginia. The Orioles' corporate partners (suite-holders and sponsors individually and collectively) are profiled in this section by the following characteristics:

- Level of decision-making
- Self-described territorial scope
- Annual sales revenues
- Number of employees
- Length of relationship with the Orioles
- Annual spending with the Orioles
- Elements in their Orioles packages
- Other sport buys in the region

DECISION-MAKING AUTHORITY

The survey process successfully reached key decision-makers intimately familiar with the Baltimore Orioles and with their own company's reasons for doing business with the Orioles. As shown below, 56 percent of respondents have sole decision-making authority with respect to their company's expenditure of funds and partnership with the Orioles. Another 20 percent make these decisions in conjunction with a partner or group of colleagues and 24 percent conduct due diligence and negotiate the deal before submitting it to someone with final sign-off authority. There is little doubt that the individuals interviewed for this study were fully attuned to the impact of their Orioles' partnership on each of their firms' overall business objectives. Being able to speak in depth with the executives who are a part of the decision-making process concerning the Orioles lends tremendous credibility to the authenticity of the data collected. Furthermore, it provides a rare opportunity to speak in detail with a wide cross-section of sophisticated marketing decision-makers about not only the Orioles, but also their thoughts and preferences pertaining to the possibility of a new MLB team in the region and how that team might affect their future marketing plans.

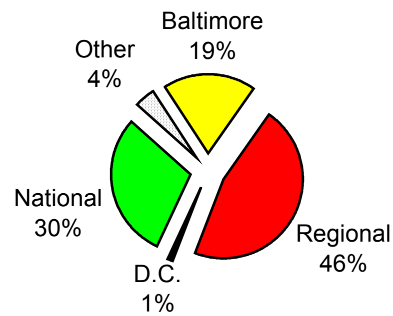
BREAKDOWN OF SURVEY RESPONDENTS
ACCORDING TO THEIR LEVEL OF DECISION-MAKING AUTHORITY



REGIONAL COMPARISON

The Orioles' corporate base is a healthy mix of companies that describe themselves and their operative territory as either local, regional or national in scope. Northern Virginia-focused businesses simply are not part of the picture for the Orioles when examining their corporate clientele. As shown below, almost one-third of the Orioles' corporate partners report their business to be "national" in scope (30%), 46 percent perceive themselves as "regional," and almost one-fifth operate primarily in and around Baltimore (19%). Not one company (0%) named Northern Virginia its primary territory or focus.

SELF-DESCRIBED TERRITORY OF ORIOLES' CORPORATE PARTNERS



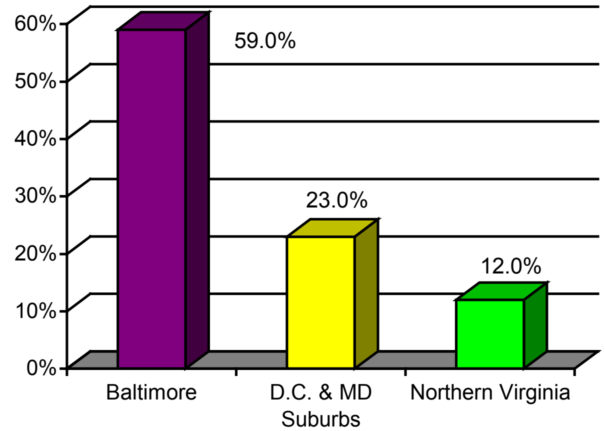
USAGE BY THE "REGIONAL" SUBGROUP

Follow-up questions, however, revealed this self-described "regional" subgroup to be more local than regional when it comes to using their sports properties. For example, as depicted below, when asked to report where the guests that use their suite or tickets at Camden Yards originate, this self-described "regional" subgroup reported:

- 5 times as many of the guests they invite come from Baltimore as come from Northern Virginia; and
- Twice as many of the guests they invite come from Baltimore as come from D.C. and the Maryland suburbs of D.C. *combined*.

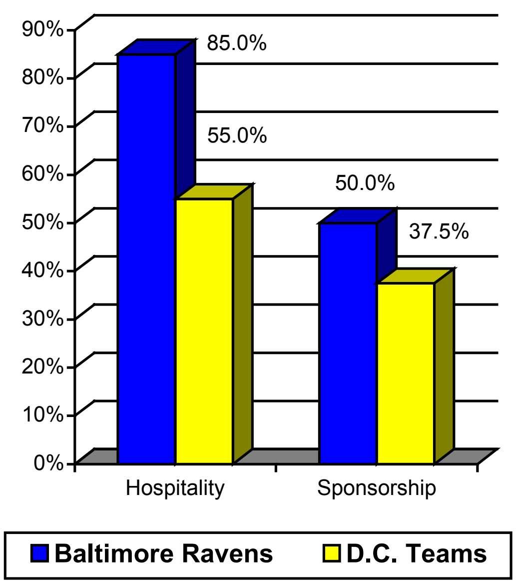
Therefore, while their overall business may be "regional," their use of Orioles' hospitality really has not been regional.

ORIGINS OF "REGIONAL" COMPANIES' GUESTS AT CAMDEN YARDS



A similar example can be found by examining which other regional properties these Orioles' corporate partners elect to invest in. As depicted below, most of these self-described "regional" subgroup companies choose the Baltimore Ravens rather than the Washington professional sports teams. In terms of hospitality, 85 percent of this self-described "regional" subgroup have tickets or premium seating with the Ravens but only 55 percent have tickets or premium seating with any of the Washington professional sports teams. On the sponsorship side, 50 percent of this self-described "regional" subgroup have a sponsorship with the Baltimore Ravens but only 37.5 percent have a sponsorship of any kind with any of the D.C. professional sports teams. These "regional" companies currently exhibit a strong tendency toward Baltimore.

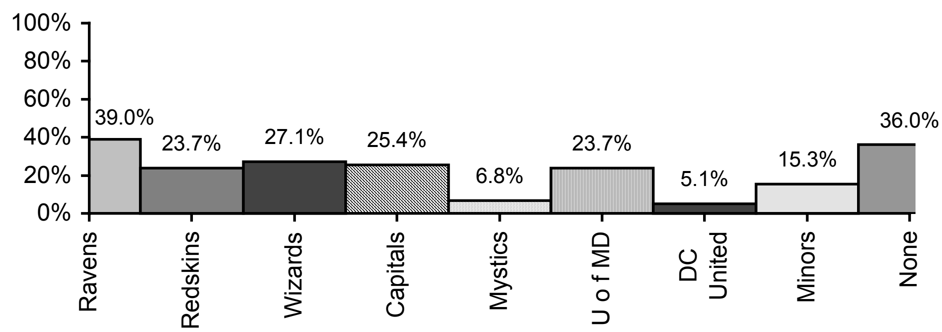
WHERE "REGIONAL" ORIOLES' CORPORATE PARTNERS SPEND THEIR SPORTS DOLLARS



ORIOLES' SPONSORS

Looking just at the population of Baltimore Orioles' sponsors (and excluding non-sponsor suite-holders for the moment), as depicted below, 36 percent do not sponsor any other property in the region – not even the Washington Redskins. This data suggests that the Orioles play a critical role in the marketing strategies of their sponsors and that more than one-third of those sponsors find no need to make any other sports buy in the region. The rest show a preference toward Baltimore with the Ravens. There was no evidence found to indicate that this behavior pattern would change with the introduction of a new MLB team in Northern Virginia.

ORIOLES' CORPORATE SPONSORS
DISTRIBUTION OF OTHER SPORTS SPONSORSHIPS HOLDINGS



Focusing even further on the Orioles' sponsors, the following page shows a comparison of the number of Orioles' sponsors also sponsoring the Baltimore Ravens and/or the Washington Redskins. The Exhibit is segmented so as to be able to compare all the different categories of companies that sponsor the Orioles. With the exception of the large, national companies, every other category of company that sponsors the Orioles tends to prefer sponsoring in Baltimore with the Ravens as opposed to the Redskins.

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ORIOLES' CORPORATE SPONSORS WITHIN THE SURVEY POPULATION
COMPARISON OF RAVENS VS. REDSKINS SPONSORSHIPS

	COMPANIES THAT SPONSOR:	
	Baltimore Ravens	Washington Redskins
Local Baltimore (15)	6	2
Regional (24)	12	6
National (19)	5	6
Less Than $50 Million in Sales (10)	5	0
More Than $50 Million in Sales (32)	11	10
Less Than 500 Employees (21)	8	2
More Than 500 Employees (31)	13	10
Less Than $100k Annually on Orioles (13)	5	2
$100k-$250k Annually on Orioles (20)	5	5
More Than $250k Annually on Orioles (8)	5	3
Less Than 5 Seasons With Orioles (32)	10	6
5 Seasons or More With Orioles (25)	13	8

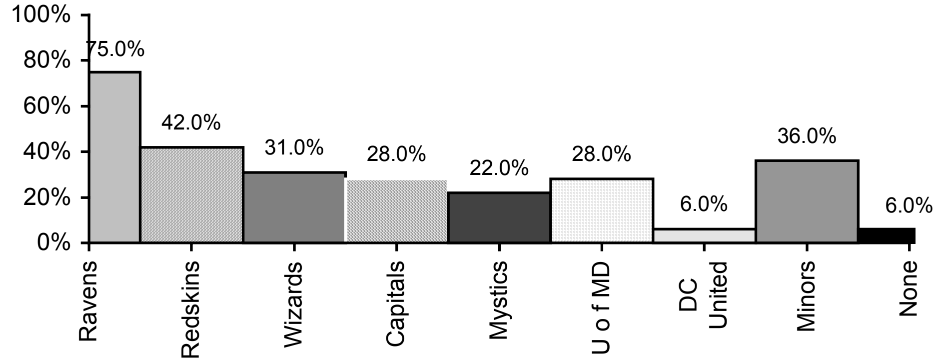
Note: Data shown are raw numbers. The base population for each group is in parentheses.

Orioles' corporate sponsors are more likely to partner with the Ravens (39%) than the Redskins (24%). This disparity becomes even more pronounced when looking at Orioles' sponsors describing themselves as "regional" (50% vs. 25%). These findings lend further support to the notion that the companies that make-up the Orioles' core sponsor base maintain a tight focus on Baltimore, (the Orioles and Ravens). Competitive pressures on the Orioles, at least on the corporate sponsorship side, derive more from the Ravens in Baltimore than from any other source. There is no evidence to support the conclusion that a new MLB team in Northern Virginia would alter the source of these competitive pressures.

ORIOLES' SUITE-HOLDERS

Looking just at the population of the Baltimore Orioles' suite-holders and corporate hospitality users (and excluding sponsors for the moment), as depicted on the following page, Orioles' suite-holders support the Ravens at a much higher rate than the Redskins (75% vs. 42%). Moreover, 36 percent have some form of corporate ticket package with one or more of the Baltimore-area minor professional teams: Frederick Keys; Bowie Baysox; Baltimore Blast; Aberdeen Arsenal; etc. Again, while there are other sports sponsorship options in the region, the Orioles' sponsor base places a far greater emphasis on Baltimore-area properties than on other sports properties available throughout the region. There was no evidence found to indicate that this behavior pattern would change with the introduction of a new MLB team in Northern Virginia.

ORIOLES' SUITE-HOLDERS
DISTRIBUTION OF OTHER SPORTS HOSPITALITY HOLDINGS



Again, focusing even further on the Orioles' suite-holders, the chart below shows a comparison of the number of Orioles' suite-holders enjoying some form of corporate hospitality with the Baltimore Ravens and/or the Washington Redskins. The Exhibit is segmented so as to be able to compare all the different categories of companies that hold suites with the Orioles and then cross-index them with those that hold suites with the Ravens and/or the Redskins. The chart demonstrates that despite the tradition and bigger drawing power of the Redskins over the Ravens in the region, the Orioles' corporate base tends to focus its hospitality investment right in Baltimore with the Ravens[10]. There was no evidence found to indicate that this behavior pattern would change with the introduction of a new MLB team in Northern Virginia.

ORIOLES' CORPORATE SUITE-HOLDERS WITHIN THE SURVEY POPULATION
COMPARISON OF RAVENS VS. REDSKINS HOSPITALITY HOLDINGS

	COMPANIES THAT BUY HOSPITALITY FROM:	
	Baltimore Ravens	Washington Redskins
Local Baltimore (6)	4	0
Regional (20)	17	11
National (7)	5	3
Less Than $50 Million in Sales (14)	9	5
More Than $50 Million in Sales (14)	10	8
Less Than 500 Employees (21)	18	8
More Than 500 Employees (15)	9	7
Less Than $100k Annually on Orioles (9)	6	4
$100k-$250k Annually on Orioles (15)	13	2
More Than $250k Annually on Orioles (4)	4	4
Less Than 5 Seasons With Orioles (3)	2	0
5 Seasons or More With Orioles (33)	25	15

Note: Data shown are raw numbers. The base population for each group is in parentheses.

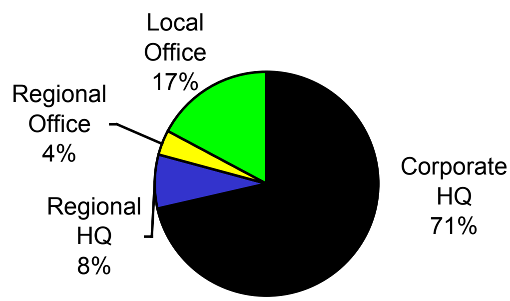
[10] Note: data was collected before the 2000 NFL season concluded.

This data suggests again that the Orioles' suite-holders are targeting Baltimore-area properties to a greater extent than other properties. There is no evidence to support the conclusion that a new MLB team in Northern Virginia would alter these patterns of behavior. The question then becomes, what degree of erosion to the Orioles' suite-holders base would occur, if any, with a MLB team in Northern Virginia. This question is addressed in the Findings and Conclusions of this Part 2 of the study.

PROFILE BY SIZE & SALES

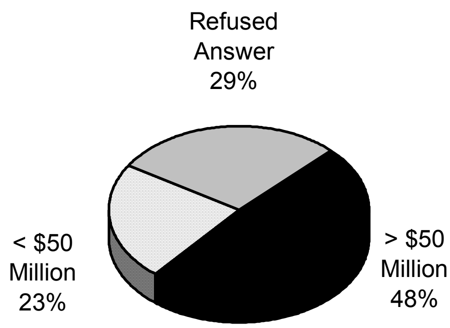
71 percent of the Orioles' corporate partners make their Orioles purchase decision from their company's corporate headquarters. Twelve percent make these decisions from a regional headquarters or office and only 17 percent make the decision from a local Baltimore office.

LEVEL AT WHICH PURCHASE DECISION
IS MADE BY THE ORIOLES' CORPORATE PARTNERS

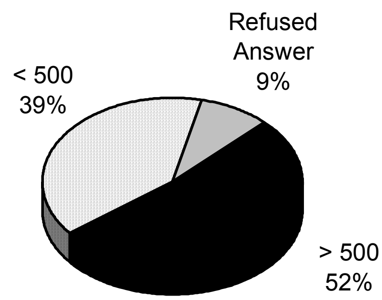


The Orioles garner corporate support from companies of all sizes, shapes and geographic scopes. Almost half of the Orioles' corporate partners report annual sales of over $50 million and more than 60 percent generate at least $10 million in annual revenue. More than 70 percent have over 100 employees and more than half have over 500 employees.

ANNUAL SALES
ORIOLES' CORPORATE PARTNERS



NO. OF EMPLOYEES
ORIOLES' CORPORATE PARTNERS



The companies that support the Baltimore Orioles represent the gold standard of corporate America. Most of the companies doing business with the Orioles (sponsors or suite-holders) are extremely powerful, sophisticated marketing machines. Many of these companies are worldwide brands or regional market leaders or even Baltimore institutions. While not all of the below companies were interviewed for this study, (approximately half agreed to be interviewed), it is important to recognize the caliber and marketing sophistication of the companies doing business with the Orioles, including:

PARTIAL LIST OF THE ORIOLES' MAJOR CORPORATE PARTNERS

Anheuser-Busch	*Heineken*	*Pizza Hut*
Bank of America	*Kraft Foods*	*Qwest Communications*
Bell Atlantic/Verizon	*Legg Mason*	*Ryland Homes*
Blue Cross/Blue Shield	*MasterCard*	*Sears*
British Airways	*McDonald's*	*State Farm*
Cellular One	*Merrill Lynch*	*Subway*
Chase Manhattan Bank	*Miller Brewing Company*	*Southwest Airlines*
Chrysler / Dodge / Jeep	*Mobil*	*T. Rowe Price*
Coca- Cola	*National Tire & Battery*	*The Washington Post*
Constellation Energy	*Nationwide Insurance*	*UPS*
Deutsch Banc Alex Brown	*Nextel*	*US Airways*
Ford Motor Company	*Pepsi*	*Wards*
Geico	*Perdue Chicken*	*Xerox*

Companies of this caliber tend not to jump from property to property, strategy to strategy and, in fact, data depicted on the next page confirm that many of the Orioles' corporate partners have been with the team for many, many years. In particular, it is unlikely that companies as sophisticated as these, with multi-layered, multi-cultural marketing infrastructures (often with national, regional and local marketing initiatives proceeding simultaneously) would view the territory currently enjoyed by the Orioles either as a single market or as a zero-sum game[11]. Not a single company interviewed for this study spoke in these terms.

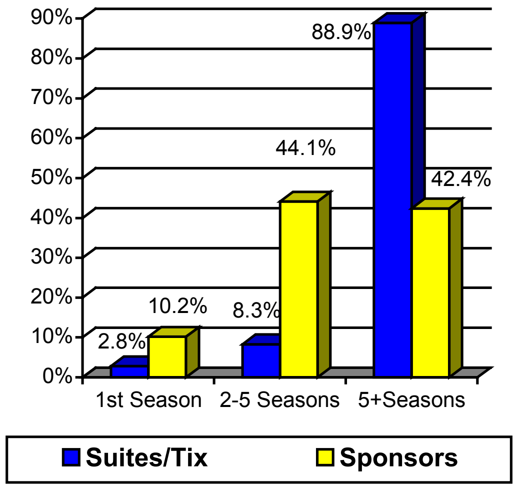
The territory from the State of Delaware, through the entire State of Maryland, through the entire State of West Virginia, through the District of Columbia and then through the entire State of Virginia offers a challenging, diverse, multi-cultural population approaching one-third the population of the entire Atlantic Seaboard. This territory encompasses multiple MSA's; multiple media markets (DMA's); numerous retail, commercial and zoning frameworks; and multiple sales and income tax structures. The types of companies which comprise the Orioles' corporate base do not market to the mid-Atlantic region as though it were a single, homogeneous market. It would therefore seem unlikely that the Orioles' corporate base would view a new MLB team in the region – in D.C. or Northern Virginia – as an either/or choice vis-à-vis the Orioles. Even as new stadiums (FedEx Field) and arenas (MCI Center) have been built in the region, the Orioles' sponsors have remained with the Orioles, as demonstrated by the longevity of these corporate relationships.

[11] The phrase "zero-sum game" refers to the fact that these elite companies execute multi-tiered, multi-market marketing programs. The expenditure of one dollar in Virginia (or anywhere else in the Mid-Atlantic Region) does not necessarily result in one less dollar being spent in the Baltimore market with the Orioles.

LONGEVITY WITH THE ORIOLES

As depicted below, 90 percent of Orioles' suite-holders report long-standing relationships with the Orioles organization that would not be easily broken. The same longevity holds for sponsors.

LONGEVITY OF ORIOLES' SUITE-HOLDER & SPONSOR RELATIONSHIPS



INVOLVEMENT WITH THE ORIOLES

As depicted on the following page, the survey reached Orioles' corporate partners (suite-holders and sponsors) at all spending levels, with every kind of participation.

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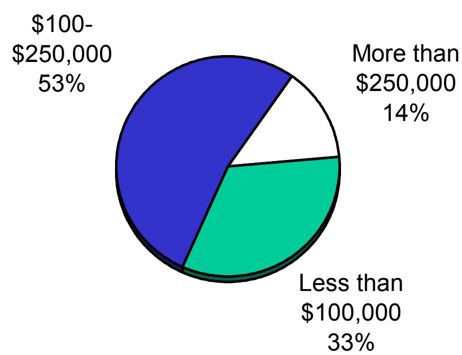
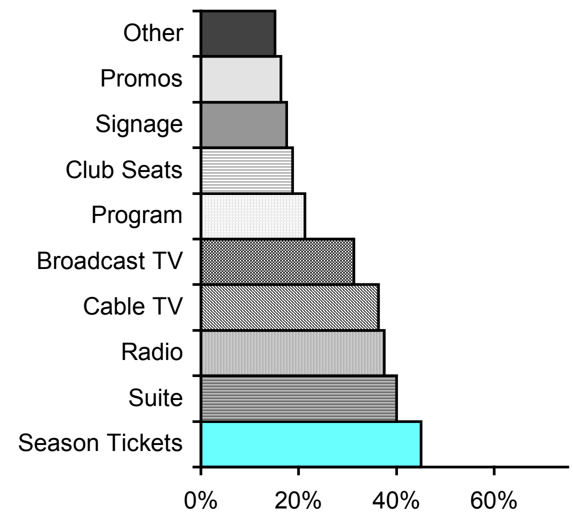
ORIOLES' CORPORATE PARTNERS
DISTRIBUTION BY SPENDING WITH THE ORIOLES



ORIOLES' CORPORATE PARTNERS
DISTRIBUTION BY PACKAGE ELEMENTS



Examination of the sample population by annual spending with the Orioles substantiates that this Corporate Impact section of the study has successfully reached a representative cross-section of Orioles' corporate partners. Of those willing to divulge this information, 33 percent spend less than $100,000 with the Orioles annually, 53 percent spend between $100,000 to $250,000 and 14 percent spend over $250,000 per year. Moreover, the sample population is very evenly distributed across the Orioles' media with approximately one-third buying over-the-air television, one-third buying cable television and one-third buying radio. Eighteen percent of the Orioles' corporate sponsors have some type of stadium advertising, over a quarter buy print advertising and 16 percent buy special promotions. On the hospitality side, 40 percent of the Orioles' partners surveyed have a stadium suite, 19 percent have club seats and 45 percent purchase season ticket packages.

SUMMARY OF RESPONDENT PROFILE FINDINGS

The Baltimore Orioles' corporate partners are made up of local, regional and national companies. But not a single company (0%) named Virginia or Northern Virginia as its primary territory or focus. There is a consistent trend: while the Orioles' corporate base thinks nationally and regionally - they act locally. In the self-described "regional" subgroup of Orioles' suite-holders, 5 times as many guests come from Baltimore as come from Virginia. Twice as many come from Baltimore as come from D.C. and the Maryland suburbs of D.C., combined. In the self-described "regional" subgroup of Orioles' sponsors, there is a pronounced preference to invest with the Baltimore Ravens as opposed to the D.C. area teams.

Overall, Orioles' suite-holders and sponsors show a clear preference for investing with Baltimore-area properties and multiple sports properties. Almost two-thirds of the Orioles' sponsors invest with properties other than the Orioles. 71% of the Orioles' sponsors make their Orioles purchase decision at corporate headquarters.

Longevity is a prominent feature of the Orioles' corporate support. 90% of suite-holders have been with the Orioles for 5 or more years. 87% of sponsors have enjoyed multi-year relationships. And the Orioles' pack a heavy-hitting line-up of corporate support. The list of Orioles' corporate partners contains many of the most sophisticated marketing companies nationally and worldwide.

The Orioles' public statements in the past have asserted rights to the District of Columbia; plus portions of the State of Pennsylvania; plus 4 more entire *States*: the State of Delaware, the State of Maryland, the State of West Virginia and the State of Virginia. After 80 in-depth interviews with corporate decision-makers who currently do business with the Orioles, it is possible to highlight the absence of several key pieces of evidence that would have supported the Orioles' position. First, <u>there is simply no evidence to suggest that Orioles' sponsors view or treat such a large geographic territory as a single, homogeneous marketplace</u>. Rather, they view it as many different market trading areas requiring many different marketing properties and strategies. Second, there is no evidence to suggest that Orioles' sponsors view or treat sports involvement in the Mid-Atlantic as a zero-sum game. Multiple properties in multiple sports are utilized to reach different geographic, demographic and socioeconomic targets.

<u>IMPACT OF A NEW MLB TEAM</u>

The primary objective of this section of the study was to estimate the likely impact on the Baltimore Orioles' corporate partners (suites and sponsorships) directly resulting from a MLB team playing in Northern Virginia. To do this, current Orioles' corporate partners were asked how likely they would be to support a new MLB team in Northern Virginia or D.C.; and whether or not that support, if any, would cause a reduction in their spending with the Orioles. Specifically, the following questions were asked:

> <u>Suites</u>. Orioles' suite-holders were asked to assess their likelihood of purchasing a suite, club seats and/or season tickets from a MLB team playing in Northern Virginia. As a direct follow-up question, respondents were then asked whether a MLB team playing in Northern Virginia would cause a change in their spending habits with the Orioles: i.e., would their company likely increase, decrease or maintain hospitality spending with the Orioles?
>
> <u>Sponsorship</u>. Orioles' sponsors were asked to assess their likelihood of purchasing radio/television advertising, stadium signage, and/or print advertising from a MLB team playing in Northern Virginia. As a direct follow-up question, respondents were then asked whether a MLB team playing in Northern Virginia would cause a change in their spending habits with the Orioles; i.e., would their company likely increase, decrease, or maintain sponsorship spending with the Orioles?

All survey respondents were given two primary assumptions, as follows. First, that the MLB team coming to Northern Virginia (or D.C.) would play in the *National League*. Second, that the Orioles remain in the *American League* and field a competitive team.

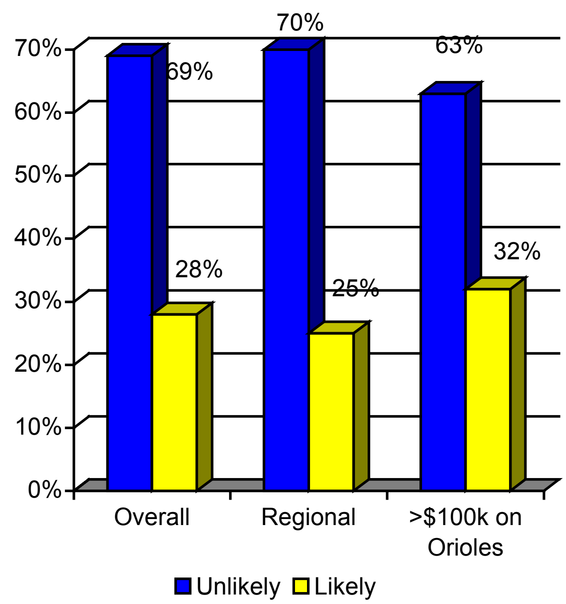
The study methodology in this section sets out to look for stated intentions and patterns of behavior among current Orioles' corporate partners signaling the possibility of a potential cannibalization of the Orioles' suites or sponsorships by a new MLB team coming into the region.

IMPACT ON ORIOLES' SUITES

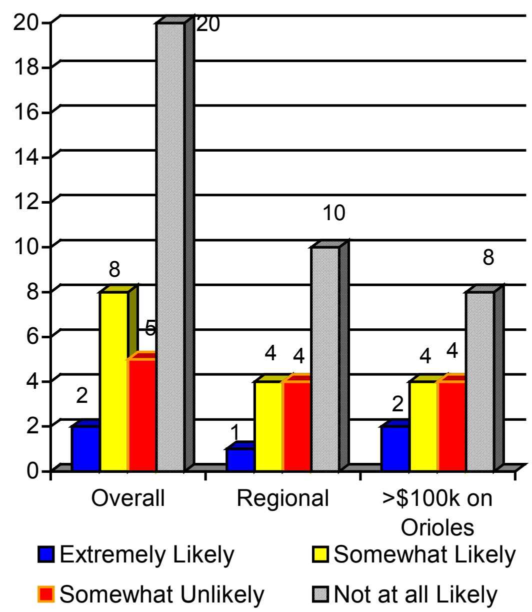
The "Percent Within Subgroup" chart to the left below shows the results as a percentage of all Orioles' suite-holders. Almost 70 percent of Orioles' suite-holders overall are *unlikely* to purchase a suite in a Northern Virginia MLB stadium. This trend holds true among key suite-holder groups such as self-described regional companies (70% unlikely) and suite-holders spending more than $100,000 annually at Camden Yards.

LIKELIHOOD OF ORIOLES' SUITE-HOLDERS
PURCHASING A SUITE AT A MLB STADIUM IN NORTHERN VIRGINIA

PERCENT WITHIN SUBGROUP



RAW NUMBERS



The "Raw Numbers" chart to the right above shows the same data in raw number form and further broken down to show the degree of likelihood. Only 10 respondents show any likelihood at all to purchase a suite at a new Northern Virginia MLB stadium. Of the 10 respondents on the "likely" side (either extremely likely or somewhat likely), only 2 have enough conviction to say they would be *extremely likely*. Only 1 respondent (a "*somewhat likely*") believes a new MLB stadium in Northern Virginia would cause a decrease in their spending at Camden Yards. That one company is a full suite-holder and club seat holder at Camden Yards. When asked to clarify the nature of their possible decrease in spending with the Orioles, the respondent stated: "*possibly letting go of the suite and hanging onto the tickets*." These findings suggest that the degree of cannibalization, if any, of Orioles' suite revenues directly caused by a new MLB team in Northern Virginia would likely be nominal. Overall, there were 7 suite-holder respondents who expressed an opinion that they might someday consider a decrease in their suite holdings at

Camden Yards in the event that a new MLB team begins play in Northern Virginia. Below is a brief description of those 7 suite-holder respondents:

SUITE-HOLDERS:	**DESCRIPTION:**
Respondent 007	Holds 50% of a suite at Camden Yards, plus season tickets. This is a self-described regional company that has 100-500 employees. The company reports spending $100,000 annually with the Orioles and has done so for 5+ years. 85% of their suite guests come from Baltimore and 0% from Northern Virginia. It is "somewhat unlikely" that they would purchase a suite at a MLB stadium in Northern Virginia or D.C. but would prefer Northern Virginia "*because D.C. is a pain in the…to get in and out of.*"
Respondent 037	Holds a full suite at Camden Yards. This self-described regional company with 500+ employees and $50+ million in annual sales reports spending $80,000 annually with the Orioles and has done so for 2-5 seasons. Only 10% of their suite guests come from Northern Virginia. It is "not likely at all" that they would purchase a suite in Northern Virginia.
Respondent 059	Holds a full suite at Camden Yards, plus a sponsorship package. This is a local franchisee group with 100-500 employees. They report spending $200,000 annually with the Orioles and have done so for 5+ years. It is "not likely at all" that they would purchase a suite in Northern Virginia.
Respondent 060	Holds 50% of a suite at Camden Yards, plus club seats. This is a self-described regional company that has 500+ employees and $10-$50 million in annual sales. The company reports spending $65,000 annually with the Orioles and has done so for 5+ years. 85% of their suite guests come from Baltimore. Only 5% of their suite guests come from Northern Virginia.
Respondent 070	Holds a full suite at Camden Yards, plus a sponsorship package. This is a local independent office in Baltimore with 100-500 employees and $50+ million in sales. This company spends $100-$250,000 and has done so for 5+ seasons. 80% of their suite guests come from Baltimore and 20% from D.C. None of their suite guests come from Northern Virginia. It is "not likely at all" that they would purchase a suite in Northern Virginia.
Respondent 073	Holds a full suite at Camden Yards, plus club seats and season tickets. This is a corporate HQ office of a self-described regional company with 500+ employees and between $10-$50 million in sales. This company has been with the Orioles for 5+ seasons. 80% of their suite guests come from Baltimore and 10% from D.C. None of their suite guests come from Northern Virginia. It is "somewhat unlikely" that they would purchase a suite in Northern Virginia.
Respondent 076	Holds 67% of a suite at Camden Yards, plus season tickets. This is a self-described regional company with 100-500 employees and $10-$50 million in sales. The company reports spending $100,000 annually with the Orioles and has done so for 5+ seasons. 30% of their suite guests come from D.C. and 20% come from Northern Virginia. It is "not likely at all" that they would purchase a suite in Northern Virginia. This company said it "*would probably get rid of the lower box seats*" at Camden Yards, but not their suite.

The Orioles have 75 total physical suites at Camden Yards. A total of 18 of the 75 suites at Camden Yards are not put up for lease by the Orioles:

Owner's Suites (29-33)	5
Day-of-Game Suites	6
Extra Large Party Suites	3
State, Stadium Authority & City Suites	3
Corporate Sales Department Suite	1
Total Suites Not In Inventory	18

We estimate that the 57 suites available for lease are in fact leased by 85 suite-holders. In the study sample two-thirds of all suites are full suites (i.e., leased by a single entity) and one-third are shared suites (the suite is leased and shared by one or more entities). Of the 20 suites that are shared, we assume that 10 are split by two entities 50/50 and that the remaining 10 suites are shared by three entities 33/33/33. This assumption yields the following calculation:

Full Suite Accounts (67% x 57 suites)	38
Half Shared Suite Accounts	20
One Third Shared Suite Accounts	27
Total Suites Accounts	85

In the total population of Orioles' corporate partners, these 7 respondents are the only companies to indicate a willingness to consider decreasing their suite spending with the Orioles. We calculate that these 7 would collectively cause a decrease of 2.9 suites at Camden Yards calculated as follows:

Respondent 007:	10% decrease of ½ suite ("slight" = 10%)	0.05
Respondent 037:	25% decrease of a full suite (expressed)	0.25
Respondent 059:	100% reduction of a full suite (expressed)	1.00
Respondent 060:	100% reduction of a full suite (expressed)	1.00
Respondent 070:	50% reduction of a full suite (expressed)	0.50
Respondent 073:	10% reduction of a full suite (expressed)	0.10
Respondent 076:	0% reduction of a 2/3 suite (expressed)	0.00
Total Suite Decreases From these 7 Respondents		2.90

This 2.90 figure spread across the 7 accounts yields an average of a 41 percent decrease per suite-holder account at Camden Yards. These 7 accounts are 21.875 percent of the 32 suite-holders interviewed in the study - projected out to the total number of 85 suite-holder accounts yields 18.6 suite-holder accounts likely to decrease their spending. We calculate that these 18.6 suite-holder accounts would decrease an average of 41 percent (as calculated above) for a total of 7.6 suites lost by the Orioles. This 7.6 suites lost is 13 percent of the 57 suites available for lease on an annual basis. But the analysis does not end here.

The Baltimore Orioles hired PricewaterhouseCoopers ("PWC") in year 2000 to research and analyze the Orioles' lease with the Maryland Stadium Authority ("MSA"). The Orioles claim that their lease obligates the MSA to provide the Orioles parity with the Ravens' lease. In October 2000 PWC testified on behalf of the Orioles stating: "*the market could support at least 25 more luxury suites*." The Orioles' testimony is confirmed by comments made by the Orioles' Vice Chairman, Joe Foss. On October 6, 2000 *The Baltimore Sun* reported that Mr. Foss confirmed that the Orioles are looking to add up to 30 more suites at Camden Yards to satisfy the unmet excess corporate demand. The excess demand for suites at Camden yards must be real because Mr. Foss stated that the Orioles intend to tear-out some of the best seats in the ballpark - terrace box seating behind home plate – in order to make room for the new suites.

As part of this study, The Goal Group inquired in August 2000 and again in March 2001 directly with the Orioles about leasing a suite at Camden Yards. During our first inquiry in August 2000 we were told that we would have to put our name on a waiting list of more than 60 companies, many of which have been on the waiting list for several years and some of which have been on the waiting list since Camden Yards' Grand Opening. During our second inquiry in March 2001 we were told that we would still have to put our name on a waiting list of about 30 companies but that if we were serious about a suite, the Orioles probably could get us a suite for the 2001 season. When pressed about how we could get a suite right away, essentially jumping ahead of 30 waiting list companies, we were told that some of the companies on the waiting list were now making the Orioles do the waiting and that there were suites available if we wanted something right away. If we were not willing to commit immediately, we would go on the back of the waiting list.

Given the overwhelming unmet excess corporate demand for suites at Camden Yards; given the waiting list of 30-60 companies that have been waiting for years to lease a suite at Camden Yards; and given our earlier finding that a new MLB team playing in Northern Virginia could potentially cause a decrease equivalent to 7.6 suites; <u>we now conclude that there would be no economic impact to the Orioles on the suite side. This study concludes that the presence of a MLB team playing in Northern Virginia could potentially cause the Orioles to have to call upon 8 of the 30-60 companies on their waiting list to make up for suites that might be lost to a MLB team in Northern Virginia</u>. The findings of the study do not suggest a material difference between a new MLB team in Northern Virginia and one playing in D.C.

<u>IMPACT ON ORIOLES' SPONSORS</u>

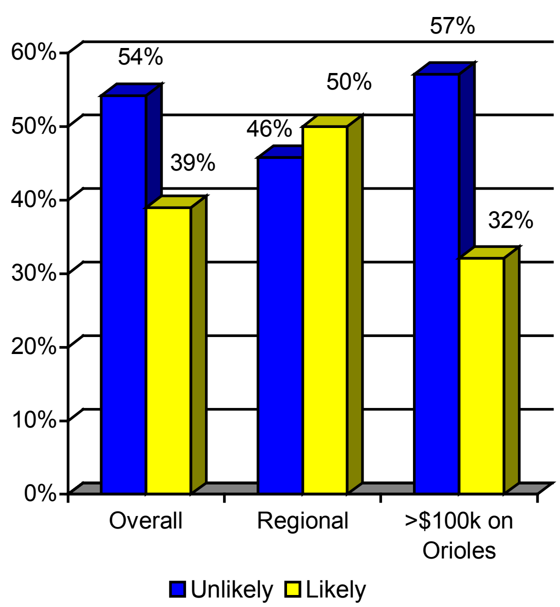
In evaluating the impact of a new Northern Virginia MLB team it is important to understand which sponsorship revenue streams go directly to the Orioles versus which revenue streams go to media outlets that pay the Orioles a flat, guaranteed rights fee. The Orioles retain exclusive rights for selling and retaining the revenues from all: stadium signage; promotional (retail) licensing; print advertising; corporate hospitality on a game-by-game basis; in-stadium promotions; jumbotron advertising; limited spot media; appearance fees; web site links; spring training sponsorships and charitable tie-ins.

Commercial inventory on the Orioles' over-the-air television, cable television and radio broadcasts is sold directly by the Orioles' media partners who pay the Orioles a flat, annual guaranteed rights fee to retain the exclusive rights to sell the inventory. Over-the-air television and cable television broadcast inventories are sold by television media rights-holder Comcast/Home Team Sports (HTS). Radio is sold by WBAL in Baltimore (including the radio network). Part 3 of this study contains an extensive discussion of the impact, if any, on the Orioles' media rights fees. This portion of the corporate impact section focuses exclusively on the Orioles' direct sponsors to estimate the degree to which these sponsors might decrease their direct spending with the Orioles for sponsorship inventory, which is sold directly by the Orioles.

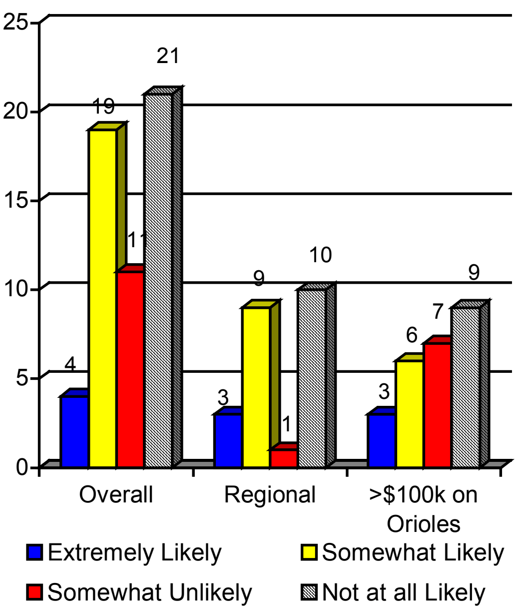
Even though Part 3 of this study addresses media rights, Orioles' sponsors were interviewed as part of the sponsor impact study to assess the likelihood of their purchasing broadcast (television and radio advertising) from a new MLB team in Northern Virginia. The "Percent Within Subgroup" chart to the left below shows the results as a percentage of all Orioles' sponsors. Over half of all Orioles' sponsors overall are *unlikely* to purchase broadcast advertising from a MLB team in Northern Virginia. The trend holds for the key subgroups of Orioles' $100,000+ sponsors (57%) and self-described "regional" sponsors.

LIKELIHOOD OF ORIOLES' SPONSORS
PURCHASING TV OR RADIO FROM A NORTHERN VIRGINIA MLB TEAM

PERCENT WITHIN SUBGROUP



RAW NUMBERS



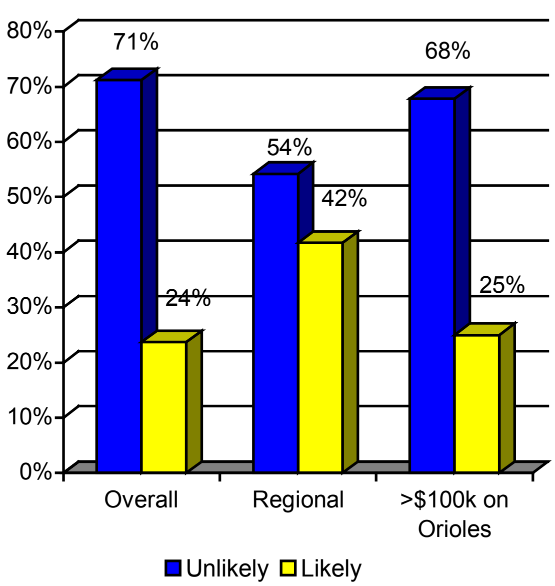
The "Raw Numbers" chart to the right above shows the same data in raw number form and further broken down to show the degree of likelihood. Only 23 respondents overall show any likelihood at all to purchase a broadcast package from a Northern Virginia team. Of the 23 respondents on the "likely" side (either extremely likely or somewhat likely), only 4 have enough conviction to say they would be *extremely likely*. Only 8 survey respondents (7 *somewhat likely*) believe a new MLB team in Northern Virginia would cause a decrease with the Orioles. This data lends further support to the conclusions drawn in Part 3 that advertiser demand is not a factor in computing the future value of media rights for the Orioles with a MLB team permanently located in Northern Virginia (or the District of Columbia).

With regard to stadium signage, an even greater resistance is found among current Orioles' sponsors to purchasing signage from a new MLB team than to purchasing broadcast packages. The "Percent Within Subgroup" chart to the left below shows the results as a percentage of all

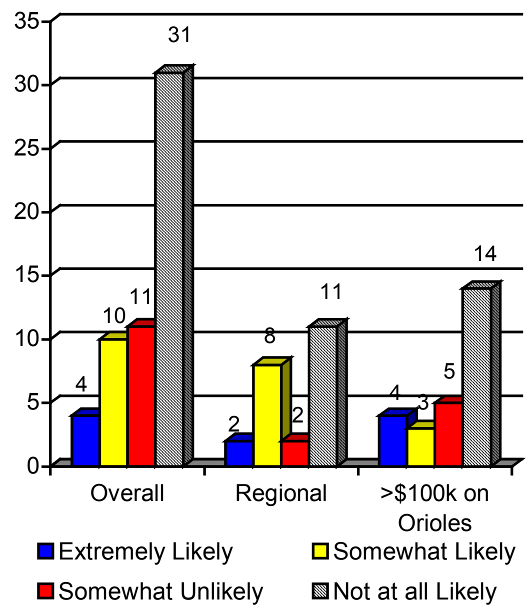
Orioles' sponsors. Orioles' sponsors overall are three times more likely to not buy than to buy from a new MLB team in Northern Virginia. Almost 70 percent of sponsors spending at least $100,000 are not interested in purchasing signage at a new Northern Virginia stadium and over half of the self-described regional sponsors are *unlikely* to buy signage.

LIKELIHOOD OF ORIOLES' SPONSORS
PURCHASING STADIUM SIGNAGE FROM A NORTHERN VIRGINIA MLB TEAM

PERCENT WITHIN SUBGROUP



RAW NUMBERS



The "Raw Numbers" chart to the right above shows the same data in raw number form and further broken down to show the degree of likelihood. Orioles' sponsors who are *extremely* likely to purchase signage are outnumbered more than 7 to 1 by those saying they are *not at all* likely to purchase a signage package with a new MLB team in Northern Virginia. These "extremely likely" buyers are outnumbered by almost 6 to 1 among regional firms and by more than 3 to 1 among six-figure sponsors. Once again, these findings do suggest that the degree of cannibalization, if any, of the Orioles' stadium signage revenues directly caused by a new MLB team in Northern Virginia would likely be nominal.

Overall, there were just 4 respondents in the survey sample who purchase sponsorship directly from the Orioles who said they might someday consider a decrease in sponsorship with the Orioles in the event that a new MLB team begins play in Northern Virginia:

SPONSORS:	**DESCRIPTION:**
Respondent 013	This is a regional professional services firm currently running broadcast television, cable and radio spots. The firm also utilizes an Orioles player as a spokesperson, a non-media revenue stream that flows directly to the Orioles. The firm employs more than 500 people and reports annual sales in excess of $50 million. The company spends over $250,000 with the Orioles and has been an Orioles' sponsor

for more than 5 seasons. Its Orioles' sponsorship targets the entire region. This respondent would increase the firm's total sports marketing budget with the presence of a new team in Northern Virginia and would be *somewhat likely* to purchase a broadcast sponsorship from the new team. The firm would expect to decrease its Orioles spending by 20 percent.

Respondent 043 — This is a national consumer services firm with a regional Baltimore-Washington presence. The company employs over 500 people and annual sales are over $50 million. The firm is targeting Baltimore with its current sponsorship consisting of broadcast television, radio and stadium signage. The firm would be somewhat likely to sponsor a new team and would increase its regional sports marketing budget to maintain a strong presence in Baltimore and the Washington/Northern Virginia area.

Respondent 059 — This is the Baltimore franchise of a large, nationwide brand. The company describes its Baltimore location as having a regional presence and its multi-media Orioles' sponsorship is targeted at the entire region. This company has partnered with the Orioles for more than 5 seasons and is *not at all likely* to sponsor a new MLB team in Northern Virginia. The company anticipates a new team in D.C. or Northern Virginia would result in dilution of its investment and might very well drop its entire $200,000 ad budget.

Respondent 070 — This is a local independent office in Baltimore with 100-500 employees and over $50 million in annual sales. This company spends $100,000 to $250,000 annually with the Orioles and has done so for over 5 seasons. Its sponsorship package consists of radio, stadium signage and special promotions. The sponsorship is targeted at Baltimore consumers. This company is *not at all likely* to purchase sponsorship from a new MLB team in Northern Virginia and would wait to evaluate a new team's impact.

This study estimates that the Orioles' in-house corporate sales department generated approximately $15 million in Year 2000 primarily from four key areas: stadium signage (55%); promotional licensing (35%); print advertising (3.5%); and game-by-game hospitality (3.5%). The remaining 3% being generated by the Orioles comes from in-stadium promotions; jumbotron advertising; limited spot media; appearance fees; web site links; spring training sponsorships and charitable tie-ins. These estimates were calculated using the Orioles' existing inventory and rate card information and verifying said information with financials reported in industry publications.

Historically, the Orioles have always entered into long-term media rights fee arrangements. The Orioles are currently in a contract originally entered into with HTS (over-the-air and cable television) and WBAL (radio flagship and network) for multi-year rights fee agreements. The rights fees received by the Orioles are not conditional or contingent receivables. Decreases in advertiser demand for Orioles' commercial inventory therefore would not impact the Orioles' sponsorship revenues. The Orioles' strategy of taking a no-risk, sum-certain, guaranteed financial payoff from television and radio each season provides the downside protection needed. This protects the Orioles in just such an event of decreased advertiser demand due to a new MLB team entering the market. Part 3 later in this report discusses future rights fees and concludes that future Orioles' media rights fees would not be adversely affected. Therefore, this section of the study focuses on those sponsor revenues than can be diminished by advertiser demand and specifically by reduced demand resulting from a new MLB team entering Northern Virginia or the District of Columbia.

The study estimates the Orioles have 158 significant corporate accounts. 59 of the 80 companies interviewed in this study (74%) have some type of sponsorship package with the Orioles. By projecting this percentage onto the entire corporate partner population we conclude the Orioles have 117 significant sponsorship accounts spread across all forms of sponsorship, with the Orioles and with their media outlets. In the total population of Orioles' corporate partners, only 4 respondents indicated a willingness to consider decreasing their non-broadcast media sponsorships with the Orioles. Respondents below told us how they would react to a new MLB team in Northern Virginia:

ANALYSIS OF SPONSORSHIP IMPACT ASSUMING THE ORIOLES' FLAT FEE MEDIA RIGHTS ARRANGEMENTS
PROTECT THEM FROM DECREASING ADVERTISER DEMAND

Respondent 013:	20% decrease on $150,000 of non-media	$30,000
Respondent 043:	Drop 50% of $200,000 stadium signage (remainder is OTA & radio)	$100,000
Respondent 059:	Drop entire $60,000 sign (remainder is OTA, cable & radio)	$60,000
Respondent 070:	"Significant" drop (estimate: 75% of $75,000 excluding media)	$56,250
	Total Decreases from the 4 Respondents:	$246,250

This $246,250 figure spread across the 4 accounts yields an average decrease of $61,563 per sponsor account with the Orioles. These 4 accounts are 6.78 percent of the survey sample - projected out to the total number of 117 sponsor accounts yields 7.93 sponsor accounts likely to decrease their spending. We calculate that these 7.93 sponsor accounts would decrease an average of $61,563 (as calculated above) per account for $488,195 in lost sponsorship revenue that could potentially be sustained by the Orioles as a direct result of a MLB team in Northern Virginia. This $488,195 lost by the Orioles represents 4/10ths of one percent of the Orioles' 1999 total revenues ($123.6 million).[12] The findings of the study do not suggest a material difference in these Orioles' losses comparing a new MLB team in Northern Virginia with one playing in D.C. The conclusions assume that not a single sponsorship dollar is replaced by the Baltimore Orioles.

SUMMARY OF CORPORATE IMPACT FINDINGS

This study concludes that the presence of a new MLB team in Northern Virginia would have no financial impact on the Orioles' luxury suite sales and rentals. If a new team were to begin playing in Northern Virginia, the Orioles would likely need to call upon 8 of the 30-60 companies on their waiting list to make up for decreased suite sales that could be attributed to the new Northern Virginia MLB team. Almost 70 percent of Orioles' suite-holders overall are *unlikely* to purchase a suite in a Northern Virginia stadium. This trend holds true among key suite-holder groups such as self-described regional companies (70% unlikely) and suite-holders spending more than $100,000 annually at Camden Yards. These findings suggest that the degree of cannibalization, if any, of Orioles' suite revenues directly caused by a new MLB team in Northern Virginia would likely be illusory.

This study concludes that a likely impact to the Orioles' sponsorship revenues would be a decrease of less than half a million dollars ($488,195) – 4/10ths of one percent of the Orioles' total 1999 revenues. This estimate assumes that the Orioles do not replace even a single lost

[12] Source: The Report of the Independent Members of The Commissioner's Blue Ribbon Panel on Baseball Economics, July 2000.

sponsorship dollar. Almost 70 percent of sponsors spending at least $100,000 are not interested in purchasing signage at a new Northern Virginia stadium and over half of the self-described regional sponsors are *unlikely* to buy signage.

PART 2 CONCLUSIONS

Locating a MLB team in Northern Virginia would have no adverse impact on Baltimore Orioles' luxury suite sales. A Northern Virginia MLB team would have very little impact on Orioles' sponsorship revenues, only $488,195 assuming the Orioles do not replace any lost sponsors. This represents 4/10 of one percent of the Orioles' 1999 total revenues as reported by The Commissioner's Blue Ribbon Panel on Baseball Economics.

PART 3 – MEDIA RIGHTS

KEY FINDINGS

Kagan Media Appraisals ("Kagan") concludes that there will likely be no negative impact upon the Baltimore Orioles' media rights regardless of whether a team is moved to Washington, D.C. or Northern Virginia. Indeed, we believe that Orioles' rights will rise by 4% to 8% per year. If a team were moved to either Northern Virginia or Washington, D.C., we conclude that in 2001, the rights fee for that team and for the Orioles would be about the same—approximately $21.9 million for the season or about $165,000/game, assuming 132 games per team carried via regional sports network (RSN) and over-the-air TV. From 2001-2011, total RSN and TV rights are projected to be $334 million per team, the present value of which is $189.7 million per team, assuming a 10 percent discount rate. Radio rights are estimated to be about $3.8 million per team starting in 2001.

OVERVIEW

OBJECTIVES

In this section, we seek to answer three questions: (1) what will be the impact on the Orioles media rights (TV, cable and radio) of a MLB team being permanently located in Northern Virginia or the District of Columbia; (2) would the impact on the Orioles be different depending on whether the MLB team is located in Northern Virginia or the District of Columbia; and (3) what would the valuation of media rights of a Northern Virginia team be?

REVIEW OF METHODS

In order to achieve the objectives set forth above and answer these separate but interrelated questions, we initially focus upon the history, economics, nature and scope of cable TV regional sports networks (RSNs), which increasingly dominate local media rights. The trend in new contracts is for RSNs to obtain both broadcast and cable RSN rights for basketball, hockey and baseball teams. Often, time is then purchased on a local TV station. This enables the RSN to be the sole seller of advertising, which in turn creates the potential for exclusive packages that can be sold at premium ad rates in the absence of competition. In an effort to ascertain the media rights of a Northern Virginia-Washington, D.C. team and the impact of adding a team in the region upon Baltimore Orioles rights, it is necessary to first analyze the RSN business and the dynamics and drivers in local media rights negotiations.

HISTORICAL ANALYSIS

We examine the historical and economic factors that impact the degree of competition for local media rights and the results of RSN competition. Since 1997, there have been nearly a dozen instances of two entities vigorously bidding for local rights. We provide case studies of these competitions.

- History--Who owns RSNs? How many RSNs are there? What programming do they carry?

- Economics—What are the RSN revenue streams? How many subscribers do RSNs have? How much do cable operator affiliates pay to carry these networks? What is an RSNs revenue from affiliates? How much revenue do RSNs make from advertising sales? What are the different business models?

- Factors Impacting Competition for Local Media Rights—network restrictions, supply of sports programming, cable TV competition, channel capacity, ownership concentration, new technologies, and government program access regulation.

- Local Regional Sports Network Competition—Our analysis relies heavily upon historical precedent. Since 1997, there have been at least 11 instances of cutthroat competition for RSN cable rights to local sports programming. In each case, major league teams have been the beneficiaries of what amounts to an auction environment. We present case studies of these competitions.

MARKET ANALYSIS

We also analyze the market demographics of the Northern Virginia-Washington, D.C.-Baltimore regional market and compare it to the other regions that have two baseball teams--New York, Los Angeles, Chicago and San Francisco. We compare the number of TV households, population over age 12, PMSA homes, Effective Buying Income, and retail sales. And then we turn our attention to the dynamics of Northern Virginia regional sports network (RSN) negotiations taking into account market size and competition.

- Ratings--We focus upon TV and cable ratings trends and compare ratings of the Baltimore Orioles (in Baltimore and Washington) to ratings in existing dual-team regions. In the event that an existing MLB team relocates to Northern Virginia, these dual-team-region ratings are likely to be similar to those the new Northern Virginia team will produce in the Northern Virginia-Washington, D.C.-Baltimore combined region.

- Players--We analyze the negotiation dynamics of the Northern Virginia region, taking into account cable system concentration, cable system-RSN cross-ownership, the evolving RSN business model, and the potential for competitive bidding for two MLB teams. We identify prospective rights fee bidders and discuss one of the benefits of dual-market competition—interleague baseball games.

COMPARABILITY AND DISCOUNTED CASH FLOW ANALYSIS

We utilize the market data (comparability) and income-discounted cash flow (DCF) model approaches to ascertain the rights fees of the Baltimore Orioles and a Northern Virginia team. This section of the report is divided into six subsections.

- Overview—Description of approaches to analyzing fair market value of TV-cable-radio rights.

- Methodology—Discussion of PKA standard methods of valuation—(1)market comparisons to other similar markets and (2) the income--discounted cash flow (DCF) approach.

- Examination of Regions with Two Baseball Teams—We compared the Washington and Baltimore markets to other regions with two baseball franchises. Baltimore Orioles team revenue exceeds each of the dual market teams, except for the New York Yankees and even exceeded the New York Mets from 1995-98. The percentage of Baltimore Orioles local revenue/total revenue for each of the past five years has exceeded the median of the other dual team markets.

- Rights Fees in Regions with Two Baseball Teams—Discussion of average number of games played, market size, RSN subscribership, and rights fees/game in regions with neighboring MLB teams.

- Cable RSN and TV Rights Fee Analysis—This subsection is further divided into the (1) Market Data (comparability) analysis; (2) the income approach (DCF model); and (3) a reconciliation of the two approaches.

  (1) Comparing the average rights fee/game for teams in New York, Los Angeles-Anaheim and San Francisco-Oakland, taking into account the number of games, homes, ratings and viewers, we projected the TV-cable rights for the Orioles and a Northern Virginia team.

  (2) Our income approach is based upon our projection of local TV-cable rights payable by a RSN. It takes into account a RSN's three primary revenue streams (1) advertising (including electronic signage); (2) subscription fees; and (3) digital interactive services and typical RSN cash flow margins. The model relies upon a series of assumptions, including number of telecasts, advertising rates, inner and outer market subscribership, affiliate fees, production costs, overhead and other costs.

  (3) Reconciliation of Market Data (comparability) and Income-DCF Model—We reconcile the two approaches to valuation by averaging the results. The fact that the conclusions from each approach are within 10% of each other provides further confidence in the conclusions.

- Radio Rights Fees—Based on the market (comparability) approach, we analyzed the radio rights in the other dual-team regions and compared them to Washington and Baltimore. Our analysis takes into account the population and demographics of the dual-team regions in comparison to Washington and Baltimore, as well as the number of radio stations, ratings, ad avails, and projected advertising cost/spot.

REGIONAL SPORTS NETWORKS

In this section we analyze the genesis and economics of regional sports networks. We first discuss historical ownership, business models, and revenue streams. Next we analyze the seven primary factors influencing the competition for local baseball media rights. That is followed by our analysis of regions with multiple RSN channels and a series of eleven different case studies analyzing the dynamics and results of local RSN competition for local media rights to sports franchises.

HISTORY

Throughout the 1980's, many new cable TV regional sports networks (RSNs) were launched. Initially, most were partnerships involving cable operators and local teams. Some included networks and broadcasters. Some of these RSNs charged a monthly premium fee. Others were part of the basic cable service or an upper tier of services. A few were pay-per-view. Over time, there was a realization that the most intense sports interest is for local teams. Most of this interest falls within "the shadow of the stadium" (0-150 mile radius). Various hybrid networks developed. The same RSN might have been a premium a la carte service in the core market and a basic service 200 miles away.

RSNs typically contain a mix of one to three of the major professional team sports—baseball, hockey and basketball—along with a great deal of regional college basketball and football. They also carry many sports and events previously not available to TV viewers, such as volleyball, lacrosse, equestrian sports, skiing, surfing and indoor soccer. In some large markets, there developed competition between different RSNs. At various times over the past 20 years, there has been (or continues to be) head-to-head competition between two RSNs in Arizona, Atlanta, Florida, Los Angeles, Minneapolis, New England, New York, and Pittsburgh. In addition, there has been a threat of competition in many other cases, often resulting in dramatically higher rights fees. The threat of competition resulted in higher fees in Chicago, Detroit, Los Angeles, Texas and other cities.

After a period of consolidation, two groups controlled a majority of RSNs—SportsChannel (Cablevision/NBC) and Prime (TCI, Daniels, John McMullen). Over time, TCI purchased the Daniels and McMullen interests and incorporated its family of RSNs into Liberty Media. Then Liberty acquired a 40% interest in the Rainbow (Cablevision/NBC) RSNs and a year later entered into a partnership with Fox. In 1999, Liberty swapped its 50% interest in Fox Liberty Sports to News Corp. for $1.425 billion worth of News Corp. stock. As a result, with several exceptions, Cablevision and News Corp. share ownership of most RSNs. The exceptions include TurnerSouth (Atlanta), Empire Sports Network (Buffalo), Comcast Sports Net (Philadelphia), Home Team Sports (Washington-Baltimore), Cox Cable 9 (Phoenix) and Cox Cable 4 (San Diego).

In 1985, there were 15 RSNs serving 4.23 mil. cable subscribers. Only 14 baseball teams had contracts with RSNs. As of March 1990, there were over two dozen RSNs serving 28.6 mil. cable subscribers. By 1995, 23 baseball teams, 24 NBA and 15 NHL teams had RSN contracts.

ECONOMICS

According to the PKA census, the 24 RSNs generated $1.24 bil. in 1999, with affiliate fees accounting for about two-thirds of the revenue. The average monthly affiliate fee is $0.88/sub. Monthly ad revenue totals $0.43/sub. The average RSN had 3.5mil. subs and pulled in $52 mil.--$33.7 mil. from affiliates and $17.9 mil. in gross ad sales. That is up from $40.8 mil. in 1998 and works out to just under $15/sub.

REGIONAL SPORTS NETWORK REVENUE, 1999 (000)

Network	Total Subs	--------Revenue---------- Affiliate	Advertising	Total Revenue	Affil. Rev./ sub/mo.	Ad Rev./ sub/mo.	Rev./ sub/yr.
Madison Square Garden Network	6,592	$88,913	$81,182	$170,095	$1.15	$1.05	$25.80
Fox Sports New York	4,605	56,316	26,817	83,133	1.05	0.50	18.05
Fox Sports Southwest	6,481	48,871	26,315	75,186	0.65	0.35	11.60
Fox Sports West	4,829	47,002	24,883	71,885	0.85	0.45	14.89
Home Team Sports	5,226	42,638	27,410	70,049	0.70	0.45	13.40
Fox Sports Chicago	3,518	40,344	29,048	69,392	1.00	0.72	19.72
Fox SportSouth	7,882	45,762	22,881	68,643	0.50	0.25	8.71
Fox Sports-Florida	3,661	34,512	23,296	57,808	0.80	0.54	15.79

Fox Sports Ohio	4,342	35,456	17,222	52,678	0.70	0.34	12.13
Fox Sports Bay Area (San Fran.)	3,275	43,125	9,375	52,500	1.15	0.25	16.03
New England Sports Network	1,528	39,965	11,294	51,259	2.30	0.65	33.55
Fox Sports Detroit	2,770	37,101	8,066	45,167	1.15	0.25	16.31
Sunshine Network	5,201	33,538	9,147	42,685	0.55	0.15	8.21
Fox Sports New England	3,210	34,463	7,658	42,121	0.90	0.20	13.12
Comcast Sports Net	2,670	30,290	11,159	41,449	0.95	0.35	15.52
Fox Sports Rocky Mountain	2,275	21,989	16,797	38,786	0.72	0.55	17.05
Fox Sports Pittsburgh	2,126	19,116	12,234	31,350	0.75	0.48	14.75
Fox Sports Midwest	3,452	17,538	12,277	29,815	0.50	0.35	8.64
Fox Sports Northwest	2,663	18,799	10,966	29,765	0.60	0.35	11.18
Midwest Sports Channel	1,526	20,045	7,844	27,888	1.15	0.45	18.28
Fox Sports Arizona	1,332	13,505	12,755	26,261	0.90	0.85	19.72
Fox Sports West2	2,700	12,480	9,360	21,840	0.40	0.30	8.09
Midwest Sports Channel-Wisc.	1,320	14,444	3,801	18,245	0.95	0.25	13.82
Empire Sports Network	1,285	9,099	4,479	13,578	0.65	0.32	10.57
Total	84,469	$805,310	$426,266	$1,231,576			$14.58
Avg.	3,520	$33,555	$17,761	$51,316	$0.88	$0.43	$14.58
Med.	3,243	$34,487	$12,255	$43,926	$0.83	$0.35	$13.55

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Madison Square Garden Network is by far the most lucrative RSN with twice the revenue of #2 ranked Fox Sports-NY. Fueled by perennially strong programming that includes exclusive local carriage of both the NBA Knicks and NHL Rangers, plus about 100 Yankees cablecasts, gross ad revenue is 48% of Madison Square Garden Network's 1999 revenue pie, nearly triple #2 ranked Fox Sports West. Setting aside New England Sports Network's hybrid premium/extended basic tier service, Madison Square Garden Network also tops the list of per-sub annual revenue, generating about $26/year.

Despite the tremendous influx of RSNs and development of new national TV networks, there is no evidence to suggest the sports marketplace is nearing the saturation point. In fact, the overwhelming evidence is to the contrary. Throughout the country, cities and franchise hungry entrepreneurs cry out for expansion and the opportunity to field a franchise. The number and type of TV options available to teams range widely from exclusive off-air TV with no cable to exclusive cable with no off-air TV games. In between, are various hybrid pay-per-view, basic cable, pay-TV and over-the-air TV combinations (See later in this Part 3). In addition, there is often cross-ownership between team owners, cable TV operators, and RSNs (See later in this Part 3).

FACTORS AFFECTING LOCAL RIGHTS

A number of factors affect the value of local media rights for MLB teams, including the following: (1) network-affiliate restrictions; (2) the supply of sports programming; (3) multichannel video distributor competition; (4) cable channel capacity; (5) cable system clustering & cross-ownership; (6) future technological competition (i.e. streaming video, DBS, VDSL, additional cable systems, and terrestrial microwave); and (7) government program access regulations.

NETWORK-AFFILIATE RESTRICTIONS

In the past, local media rights for sports programming was driven by competition among and between TV and cable regional sports networks. Fifteen years ago, there were instances where a local broadcaster had the clout to obtain both local broadcast and cable rights. Although there are more TV stations and networks than in the past, the networks have placed carriage and other restrictions upon their affiliates that effectively limit carriage of local sports programming, especially during prime time. For each of the major sports leagues, the average number of over-the-air games/team over the past decade has either remained static or declined, while the number of games carried by cable RSNs has increased. That said, there could be increased competition from such budding networks as WB, UPN and PAX and the FCC could act to eliminate or ameliorate network restrictions. A 15-year-old trade group called the Network Affiliated Stations Alliance (NASA), March 9, 2001, petitioned the FCC to initiate an inquiry into the network-affiliate relationship.

SUPPLY OF SPORTS PROGRAMMING

RSNs have picked up the slack carrying games during the week that broadcasters have neither the time nor inclination to carry. Sports team owners are no longer as concerned about the impact of carriage of home games upon attendance and for many years have been willing to make the vast majority of games available for local telecast. The amount of sports programming available for local (and for that matter national telecast) has increased dramatically. Over the past 20 years, each of the major sports leagues has expanded, creating more opportunities for new networks and for established networks to upgrade programming and increase the number of channels made available.

MULTICHANNEL VIDEO DISTRIBUTOR COMPETITION

Nearly 85% of all U.S. households now have a subscription to a multichannel video provider, with cable (67%) and DBS (14%) being the two most popular offerings. Until five years ago, cable operators faced competition mainly from over-the-air TV, large C-band satellite dishes, wireless cable (MMDS), SMATV and a smattering of head-to-head cable competitors (overbuilders). Then came DBS: DirecTV, PrimeStar and EchoStar. Two of every three new multichannel video subscribers become DBS customers. While cable TV is growing by about 600K to 800K customers per year, DBS is growing by more than 2.3 mil. DirecTV has 10 mil. customers and EchoStar 4.0 mil. In addition, billions of dollars of private equity is financing well-heeled overbuilder-utility alliances that have been awarded hundreds of competitive franchises. These include companies such as Starpower (RCN and Potomac Electric Power Co.) and Siegecom (Blackstone Capital, Indiana Gas & Electric, and Utilicom).

CABLE CHANNEL CAPACITY

For the past three years, cable operators have been feverishly rebuilding, incorporating more fiber and introducing new set-tops in order to add channel capacity for new programming and to introduce new services—mainly high speed access to the Internet, video on demand (VOD), interactive TV, and telephony. As a result, systems that five years ago averaged 450 MHz to 500 MHz are now 750 MHz. At the end of 1999, over 60% of the 65 million cable subscribers were served by cable systems offering over 54 channels. This expanded bandwidth, coupled with digital compression (for a portion of the channels), and the introduction of new digital set-tops, enables cable operators to dramatically increase channel capacity. Instead of 50 channels, a cable operator can compete on the same playing field with DBS and offer 150+ channels of programming, VOD, as well as non-traditional cable services.

This increase in capacity, along with greater flexibility in bundling, has made it easier for cable operators to introduce new programming services, which are necessary to distinguish incumbent cable operators from their competitors and prospective competitors. The number of cable digital set-top households, which totaled 1.5 million in 1998 and 10.0 mil. at the end of 2000, is expected to grow to 16.6 mil. by the end of 2001 and to over 38 mil. in 2005. With additional channel capacity, cable operators and RSNs are able to offer more extensive coverage of college and even high school sports by covering more schools and more events at those schools. In New York, a whole series of local "metro" channels have been introduced that resemble the sections of a newspaper.

CLUSTERING AND CROSS-OWNERSHIP

Over the past five years, cable TV multiple systems operators (MSOs) have become much more consolidated and have swapped cable systems so that in any given region there are far fewer cable TV operators than in the past. AT&T Broadband controls 24.1 million subscribers, Time Warner Cable 13.6 million, Comcast 8.3 million, Charter 6.9 million, Cox 6.1 million, Adelphia 5.4 million and Cablevision 3.0 mil. All other cable operators each have under 1.4 million customers. According to the FCC's Annual Report on Competition, quoting from various PKA Cable TV Financial Databooks, in 1996 there were 10 clusters of over 500,000 cable customers with a combined 7.7 million customers. By 1999, there were 28 clusters with over 500,000 customers. These clusters had a combined 23.8 million customers, nearly three times as many as in 1996. In the Washington, D.C.-Baltimore-Northern Virginia region, five years ago the cable operators included Comcast, Media General, Jones Intercable, SBC, TCI and Mid-Atlantic Cable. Now, the primary cable operators are Comcast and Cox Communications.

FUTURE COMPETITION

Cable operators face competition from multiple new and evolving technologies. While some of these potential sources of competition may not materialize and others may take years to become reality, all are potential bidders for regional sports programming. Indeed, some of these entities may even be willing to bid for long-term rights years in advance of even being able to exploit those rights. For example, in the late 1970's, prior to even obtaining a cable franchise in Phoenix, Storer Cable acquired rights to Phoenix Suns games. Two years ago, history repeated itself. US West (now Quest) obtained cable rights to the Phoenix Suns for 20 years in a contract that begins in 2002 for a VDSL cable system still in the early stages of construction and planning. Years ago, the Sacramento Kings, unable to arrange a cable deal, also signed a pact with a potential cable overbuilder. Examples of cable competition include:

> **Overbuilders**. A number of head-to-head cable TV competitors--broadband overbuilders--have obtained, or are in the process of obtaining franchises and licenses to serve a majority of the top-50 markets. These overbuilders have obtained billions of dollars in private equity and venture capital financing. Many have close alliances with public utility companies and are building fiber-rich networks they claim will be superior to upgraded cable networks. These companies include American Broadband, RCN,

Carolina Broadband, Everest, Knology, McCloud, WideOpenWest, WINfirst, Utilicom, Utilicorp, and Grande.

NorthPoint. The FCC is considering regulations to allow a new terrestrial microwave technology to share bandwidth with DBS. NorthPoint Technology hopes to build a nationwide cellularized broadband wireless network to provide multichannel video and broadband services.

DBS. A new generation of spot beam satellites that will enable DirecTV and EchoStar to offer not only more local TV channels, but other local services as well, creates the potential for DBS to become more of a direct player in programming and possibly a bidder for local sports rights. There are already 10 states where over 24% of TVHHs subscribe to DBS. DirecTV and EchoStar, as well as StarBand, Wild Blue, SpaceWay, SkyBridge and others are developing a new generation of Ka-band satellites to compete against cable, DSL, and fixed wireless in offering high-speed access to the Internet.

Broadcast. Although the transition by broadcasters from analog TV to digital TV and HDTV has been slowed by lack of demand for costly HDTV sets for which little programming is available, over time this technology is destined to take off. Broadcasters have the capacity to offer multiple channels (19.4 Mbps), interactive TV and streaming video simultaneously and if broadcasters have their way, policymakers will adopt standards to create the potential for mobile streaming video offerings.

Streaming video. Each of the sports leagues is developing a business model to take advantage of the ability to send video streams over broadband, effectively permitting TV transmissions to be delivered to PCs as well as through TV set tops connected to broadband (cable, DSL, satellite, fixed wireless).

VDSL. US West built a 50,000 customer multi-channel video VDSL network in Phoenix that passes 400,000 homes. While there is speculation that its successor, Qwest, plans to sell or to shut down the network, other telephone companies are carefully studying advancements in VDSL technology that may permit fiber-to-the-home and future introduction of multichannel video services.

ACCESS TO PROGRAMMING

The 1992 Cable Act adopted a series of provisions designed to prevent vertically integrated cable multiple system operators and programmers from discriminating against other multichannel video providers in the sale of "satellite" programming. The statute also prohibited exclusive programming contracts except if a waiver is first obtained from the FCC. Even then, there are stringent guidelines. The ban on exclusive contracts expires on Oct. 5, 2002, unless the FCC finds that the prohibition continues to be necessary to preserve and protect competition and diversity. Cable's competitors have lobbied to not only extend the ban on exclusivity beyond 2002, but also to extend it to terrestrial programming so as to preclude programmers from taking some or all of their programming off of satellite-distributed RSNs and on to terrestrial networks. Comcast Sports Net (Philadelphia) is distributed terrestrially and some New York-area sports events have been distributed on metro channels. It is believed that the Phoenix Suns, Portland Trailblazers and San Diego Padres are also only available terrestrially. If the ban on exclusivity is allowed to expire, some programmers will have a stronger incentive to offer cable operators exclusivity in exchange for a premium rights fee for some or all of their programming. New "metro" channels, anchored with sports programming might be attractive to a cable operator seeking to distinguish itself from overbuilders, DBS, broadcasters and others.

RSN COMPETITION

OVERVIEW

One of the key issues in determining local media rights is competition, or even the mere threat of competition among RSNs. Historically, teams receive higher rights fees when there are competing buyers and the larger media markets have tended to have multiple RSN channels, sometimes owned by the same entity, other times by competitors. History shows that when there is a legitimate threat of competition, either the incumbent RSN pays a team a rights fee premium to prevent the launch of a competitive RSN, or the new RSN offers a fee so high that the incumbent RSN opts not to top that fee. As the table below shows, over the past five years, there have been nearly a dozen instances of these competitions.

RSN RIGHTS FEE COMPETITION, 1997-2000

1997	PASS	Fox Sports-Detroit*
1997	Cox Ch.4-San Diego*	Fox Sports West
1997	Comcast SportsNet*	PRISM/SC-Phila.
1997	Home Team Sports*	Fox Sports
1998	Arizona Sports Net	US West*
1998	Disney	Fox Sports-West*
1999	Reinsdorf-Wirtz	Fox Sports Chicago*
1999	Tuner South*	Fox SportSouth*
1999	Southwest Sports Grp.	Fox Sports SW*
2000	YankeeNets	MSG/Fox Sports NY

**-Surviving RSN*

Fox Sports Net, Cox Communications and the various major league team owners in the Washington and Baltimore regions, either separately or in some combination, are all candidates to launch a RSN to compete against Home Team Sports. All have either publicly or privately expressed interest in RSNs. HTS itself has indicated that it is considering the launch of a second channel. As a result, we believe that both a Northern Virginia team and the Baltimore Orioles could very well benefit from rights fee competition. In the pages that follow, we trace the developments in regions where there were, or are now, multiple RSN channels.

A RSN has tremendous leverage over a cable operator because of the "must carry" nature of its programming. Time and again, history shows that the mere threat of launching a new RSN has resulted in a rights fee war leading to a premium for the team owner(s). Local sports programming is the most valuable programming to the cable operator. That is why rights fees for RSNs are so much higher than other basic cable networks (except for ESPN). While most basic cable networks cost the cable operator under 40 cents/subscriber, RSN rates within a team's DMA are typically $1.00 to $1.50. In recent years, cable operators have become more concentrated. Instead of 5-10 operators in a region, there are now more likely to be one or two dominant companies per region, thereby offsetting some of the leverage of a RSN. From region to region, the leverage between the team owner, RSN owner and cable operator varies widely depending upon the nature of the market, number and quality of franchises, and the degree of cross-ownership. In Buffalo, for example, there is no MLB or NBA team. The owner of the NHL Buffalo Sabres—Adelphia Communications—also owns most of the cable subscribers in the region and the RSN.

In metropolitan New York, there are two NBA teams, three NHL teams and two MLB teams. Cablevision, Time Warner and Comcast are the dominant cable operators. Cablevision owns Madison Square Garden, the NBA New York Knicks and the NHL New York Rangers. YankeeNets owns the New York Yankees, New Jersey Nets and New Jersey Devils. Not surprisingly, the largest media markets that have the most sports programming have long-supported multiple RSNs, sometimes owned by the same entity, other times owned by a competitor. New York, Los Angeles, Philadelphia (1976-97), Florida, and New England, for many years have had two RSNs. Currently there are multiple RSN outlets in New York, Los Angeles, Florida, New England, and Atlanta.

As cable system rebuilds are completed, it is logical to assume that the next tier of regions will find it economical as well as a sound defensive strategy to introduce additional RSNs. Existing regions with multiple RSNs, in an effort to fully exploit interactive applications, may also add bandwidth. In other cases, competition has been short-lived as in Los Angeles, Minnesota, and San Francisco, though during the period of competition, there was often upward pressure on rights fees. Many planned networks never got off the ground, but the mere threat of launching resulted in a premium rights fee being paid. A number of teams attempted pay-per-view networks, including the Los Angeles Dodgers, San Francisco Giants, San Diego Padres, San Antonio Spurs, Seattle Sonics, Pittsburgh Penguins and Portland Trailblazers.

Within the past five years there were two RSNs in each of the following six regions. Based on RSN subscribership today, the cumulative total of the largest of the multiple RSNs in each of these regions totaled 31.5 mil. subscribers at the end of 1999. That's about 42% of all multichannel video (cable, DBS, MMDS, SMATV) subscribers.

New York. Madison Square Garden Network launched in 1969. In 1979, SportsChannel made its bow and in the early 1980's SportsChannel Plus. For over 20 years, there have been at least two cable RSNs in New York and during the playoffs, as many as four or five cable networks carry local sports events.

Los Angeles. On and off for 20 years, there has been RSN competition in Los Angeles. Fox Sports West launched a second network, Fox Sports West2, and faced the threat of competition from Disney, which owned the NHL Mighty Ducks and the Anaheim Angels. Nearly 20 years earlier, Fox Sports West's predecessor, Prime Ticket, faced competition from Z Channel and before that from DodgerVision.

Boston. In New England, NESN carries the Boston Red Sox and NHL Bruins in competition with Fox Sports-N.E., which carries the Boston Celtics. The two networks have coexisted for nearly 20 years.

Philadelphia. The PRISM pay-TV service carried all of the local sports teams dating back to 1976, and supplemented sports with general entertainment programming. In the late 1980's after SportsChannel gained control, SportsChannel-Philadelphia—a basic cable service—was added, partly to accommodate additional programming.

Florida. Two Florida overlapping RSNs launched nine months apart in 1987 and have been competing vigorously for rights and subscribers for the past 12 years. In late 1999, however, SportsChannel-FL, was sold to FSN, which manages Sunshine Network.

Atlanta. Since October 1999, TurnerSouth has been competing against SportSouth. Both carry MLB Braves and NBA Hawks games and Turner South carries the NHL Thrashers.

The table which follows shows the eight largest regional sports networks based upon revenue. It includes the two networks in New York, the two in Los Angeles, one of the two in Florida and Fox Sports South (which now competes with Turner South). The fifth largest RSN is Home Team Sports. Each of the regions immediately above HTS in the list supports two RSN and the regions just below HTS support multiple RSNs. This, too, strongly suggests the Washington and Baltimore markets could support a second RSN.

RSN REVENUE, 1999 (000)

	Total	--------Revenue----------		Total	Affil. Rev./	Ad Rev./	Rev./
Network	Subs	Affiliate	Advertising	Revenue	sub/mo.	sub/mo.	sub/yr.

Madison Square Garden Network	6,592	$88,913	$81,182	$170,095	$1.15	$1.05	$25.80
Fox Sports New York	4,605	56,316	26,817	83,133	1.05	0.50	18.05
Fox Sports Southwest	6,481	48,871	26,315	75,186	0.65	0.35	11.60
Fox Sports West*	4,829	47,002	24,883	71,885	0.85	0.45	14.89
Home Team Sports	5,226	42,638	27,410	70,049	0.70	0.45	13.40
Fox Sports Chicago	3,518	40,344	29,048	69,392	1.00	0.72	19.72
Fox SportSouth	7,882	45,762	22,881	68,643	0.50	0.25	8.71
Fox Sports Florida	3,661	34,512	23,296	57,808	0.80	0.54	15.79

** Includes Fox Sports West2.*

Cable RSNs--now dominated by networks that are either affiliated, owned, or partly-owned by Fox--attempt to procure long-term contracts that include not only cable RSN rights, but all media rights, including broadcast, radio, signage and Internet. In some instances, the RSN is controlled by the same entity that owns cable systems and/or teams. That is the case in Philadelphia, where Comcast owns 66.3% of Comcast Spectacor, L.P., which holds a 70% stake in Comcast SportsNet. Comcast SportsNet is approximately 46.4% owned by Comcast, 23.6% by Spectacor and about 30% by the Philadelphia Phillies. Until this year, Wayne Huizenga owned part of SportsChannel Florida. The Boston Red Sox own part of the New England Sports Network, the Rigas family (owners of Adelphia Communications) owns the NHL Buffalo Sabres, as well as Empire Sports Network, which serves Western New York where Adelphia controls cable systems.

MSGN, the N.Y. Knicks and N.Y. Rangers are controlled by Cablevision, which owns cable systems throughout the New York DMA. Fox owns the Los Angeles Dodgers as well as interests in the L.A. Lakers and L.A. Kings to go with two RSNs serving Los Angeles and Southern California. Turner Broadcasting, a unit of Time Warner, owns the Atlanta Braves, Hawks and Thrashers. Turner leveraged that interest into the launch of TurnerSouth, a network that carries a combination of major league sports programming along with other entertainment (movies, old TV shows and original programming) and competes against SportSouth, now owned by Fox.

CASE STUDIES

Based upon nearly a dozen historical instances since 1997 of competition, or threatened competition, between cable TV regional sports networks, there is a strong possibility that the Baltimore Orioles could end up with a rights fee premium based upon RSN competition:

- In order to carry a new Northern Virginia franchise, Home Team Sports would likely launch a second channel.
- Fox Sports Net would likely bid for rights to carry a Northern Virginia team as the anchor to return to the Washington and Baltimore regions in an effort to maintain a national footprint to compete more vigorously against ESPN.
- Cox Communications of Fairfax County would be interested in carrying the team Cox carries the San Diego Padres in San Diego and the Phoenix Suns in Phoenix. In both regions, it competes against Fox Sports Net channels.
- With the advent of digital cable upgrades, cable systems have greater channel capacity, creating the potential for other team owners in the region, including the Baltimore Orioles and a Northern Virginia team, either individually or in combination, to establish a RSN.

WASHINGTON AND BALTIMORE

Four years ago, the Baltimore Orioles local cable and TV media rights doubled thanks to competition between Home Team Sports and Fox Sports Net. In 1997, even though Fox/Liberty owned 34% of Home Team Sports, the partners sought to wrest control of the market from HTS. Fox/Liberty bid up the rights to the Orioles, Wizards and Caps, offering to nearly double them. According to Fox, the clubs were unhappy with Westinghouse, owner of HTS and the Baltimore TV affiliate, WJZ, that carried the Orioles. Fox hoped to launch its own RSN—Fox Sports Atlantic. HTS had reportedly offered each of the teams 10-year contracts for both broadcast and cable rights, with $15 mil./yr. to the Orioles and $5 mil. each to the Bullets and Capitals. HTS opted to exercise a right of last refusal. There was synergy because HTS majority owner Westinghouse also owned the Orioles flagship TV station in Baltimore. Thanks to the bidding war, the Orioles combined TV and RSN rights fee doubled from about $9.8 million in 1996 to nearly $20 million per season. <u>As a result, it is reasonable to assume that establishing a new baseball team in Northern Virginia could very well lead to a similar competition between HTS and Fox Sports Net. This competition could lead to another rights fee premium for the Baltimore Orioles and/or a Northern Virginia franchise.</u>

NEW YORK

Thanks to competition, it is widely believed that the Yankees may sign a new RSN-TV deal for over $80 mil./yr. In 1988, the New York Yankees cable and TV rights dramatically eclipsed all other local media deals when Madison Square Garden Network outbid incumbent Yankees rights holder SportsChannel-New York, offering to pay an average of $40.5 million per year over 12 years. Once again, the Yankees are in negotiations with MSGN and Fox Sports-NY (formerly SportsChannel-NY). Now, however, MSGN and Fox Sports-NY are controlled by the same entity and the Yankees are threatening to launch their own RSN. Leverage is at the heart of YankeeNets, a partnership that includes the New York Yankees, New Jersey Nets and New Jersey Devils. With winter and summer programming, YankeeNets is in position to launch its own regional network, or at least strengthen its hand in rights fee negotiations with Madison Square Garden Network and Fox Sports-NY.

The Yankees just concluded their 12-year, $486 mil. contract with MSGN. This fall, the Yankees offered MSGN a choice: Pay $1.4 bil. upfront to retain rights to the Yankees over the next ten years or $2.3 bil. spread out in annual payments. Even the $1.4 bil. is more than twice as much as MSGN parent company, Cablevision Systems, was willing to pay to purchase the Yankees two years ago and it's nearly three times as much as the MSGN pays in rights fees under its current 12-year deal. In addition to the straight rights invitation, the Yankees are offering MSGN the option of establishing a joint venture to operate a new network to televise Yankees games. This was the second offer of YankeeNets. The first offer called for a $65 million rights fee in 2001, along with $13.0 million for marketing and $5.0 million for consulting--a total of $83.0 mil. ($513,346/game). Time was on Cablevision's side because it owns 2.8 mil. subscribers in New York, New Jersey and Connecticut, 45% of the Yankees potential market. If the Yankees were to launch their own RSN, they would need lead time to sell ads, sign affiliates, hire talent, and buy transponders. In November, 2000, the Yankees offered a right of first refusal on a new one year agreement for $52 mil. The Yankees are in on-again, off-again negotiations and litigation with Cablevision and MSGN for a rights fee believed to be $80 mil. to $100 mil./year, and establishment of a third RSN to serve New York. A trial is scheduled to begin in early 2001. In 1987-88, the Yankees exercised a contract re-opener with SportsChannel-NY and benefited from an auction between SportsChannel and Madison Square Garden Network, then owned by Paramount. Rights fees more than doubled. At the same time, subscribership to MSGN also more than doubled, due to carriage of the Yankees as well as the construction of cable in the outer boroughs of New York City.

DALLAS

Texas Rangers and Dallas Stars owner Tom Hicks was able to obtain local media rights approaching $500 million over the next 15 years. Hicks possessed leverage from a combination of multiple team ownership, local TV station ownership (KXTX-TV), and the threat of starting a new RSN to compete against Fox Sports. He also benefited from owning the Mesquite Rodeo and a minority stake in a new arena that will be shared with the NBA Mavs. Hicks also tried to purchase Host Communications, which possesses college sports media interests. All this was done with a view to eventually create a RSN and sports conglomerate that could be publicly-traded or to at least leverage higher TV and cable RSN rights agreements. Hicks, however, faced a daunting challenge in gaining access to channel-locked cable systems, looking to launch digital tiers.

The mere threat of launching a RSN resulted in premium TV and cable RSN long-term TV and RSN contracts with Fox. Fox Sports Net, March 22, 2000, purchased the over-the-air TV rights to the Texas Rangers and Dallas Stars for about $250 mil. over 10 years. Of that amount, about $200 mil. covers Rangers rights. Fox owns Dallas stations KDFW and KDFI. KXAS, under an existing contract, will carry five games this season. Previously, the Rangers had a five-year $40 mil. pact with LIN TV and the Stars had a revenue sharing deal. Last fall, Fox Sports Southwest signed a 15-year deal that included a "low" eight figure bonus coupled with rights fees believed to be on the order of $120K/game for the Rangers and $60K/game for the Stars. That deal also included carriage of 24 one-hour Mesquite Championship Rodeos and commitments to work with Fox on some international deals. As a result of these two deals, Hicks' teams will approach $500 mil. in local media revenue over the next 15 years.

Although it would have been costly, Fox Southwest could probably have survived without the Rangers and Stars. Its contract with the NBA Mavs had six more years at the time. Also, Texas is unique in that there are no MLB restrictions on importing Houston Astros games into Dallas. Hicks can still take Southwest Sports Public. In fact, it's probably more valuable after the Fox pact. The Stars are likely to turn profitable when the team moves into the new American Airlines Center in two years while the Rangers are reportedly losing $15 mil. this year.

ATLANTA

In 1999, Turner Broadcasting leveraged its interests in sports, movies and news to establish a regional sports/entertainment network serving the southeast. Turner South features 24 hours of movies, sitcoms, regional news and sports, including games of the Braves, Hawks and Thrashers. Separate Braves and Hawks games are also available on SportSouth, which is controlled by Fox Sports Net. SportSouth was 44% owned by Turner but sold to Liberty for $65 million when Turner merged with Time Warner. A 12-year non-compete agreement, signed in 1995, prohibits Turner from operating a RSN, but the new network is alleged to be a general entertainment channel. Nevertheless, it carries more major league sports programming than a number of RSNs, though the network is priced more like a general entertainment channel than a RSN. In this case, sports team ownership has been used as leverage to launch a network that might eventually be worth more to Fox Sports Net than rights to the games Turner South is beginning to televise. Alternatively, Turner is positioned to take advantage of his teams when their contracts with SportSouth expire or to extract a higher rights fee at that time.

LOS ANGELES

Following litigation and the threat to launch a third RSN in Los Angeles against Fox Sports West and Fox Sports West2, Disney elected to settle by agreeing to a long-term RSN package deal for its two franchises, the MLB Anaheim Angels and NHL Ducks. In August 1997, Fox and Disney temporarily settled lawsuits that grew out of the launch of Fox Sports West2. Disney, owner of the Anaheim Angels and NHL Ducks, had claimed that placing any of its programming on a new network with low subscribership was a breach of contract. As part of the termination of litigation, Fox agreed to keep the Ducks on FSW2 for one more season and the Angels on FSW for two more seasons. Disney prevailed in its effort to nullify what Fox claimed was a three-year extension for the Ducks that would have continued Fox rights to 2001. Fox's rights to the Angels through 1999 were also disputed.

Meanwhile, Disney was said to be courting L.A. Clippers owner Donald Sterling in hopes he could be persuaded to sell the club, giving Disney a more potent winter lineup to take on FSW's NHL Kings and NBA Lakers when Disney launched its own planned RSN. Earlier in the year, Rupert Murdoch cemented FSN's position in the market by purchasing the Los Angeles Dodgers. Against this backdrop, Fox Sports West2 was at war with cable operators over its demand for a $0.75/mo. affiliation fee, mostly attributable to carriage of 40 Los Angeles Dodgers games, and PacTel was in the midst of launching a digital wireless cable service with over 150 channels. In fact in April 1996, Tele-TV and Tribune joined in an estimated $20 million per year five-year venture for broadcast and cable rights to the Los Angeles Dodgers to counter an estimated $200 million, 10-year bid by Prime Sports.

PHILADELPHIA

Comcast parlayed team and cable system ownership into the leverage to launch its own RSN, which effectively put two incumbent RSNs out of business. Comcast then hiked the RSN affiliate fee to other operators to $1.50 per subscriber per month. This illustrates that cable operators, too, are investing in sports in order to: (1) insulate and cushion themselves from the onslaught of competition from other cable operators and DBS; (2) gain leverage in negotiations with RSNs, which impose high programming fees; and (3) gain leverage in retransmission consent negotiations with local broadcasters.

In March 1996, Comcast, purchased the majority of the NBA Philadelphia 76ers, the NHL Philadelphia Flyers and two arenas--the CoreStates Spectrum and the CoreStates Center. Comcast immediately established a new RSN replacing the two existing RSNs—(1)PRISM, which was a premium service 75% movies/25% sports with 350K subs and (2) also replacing SportsChannel-Philadelphia, which had about 2.1 mil. subs. The new network is partly-owned by the Philadelphia Phillies.

PHOENIX

Thanks to competition between two cable operators as well as two RSNs, the Phoenix Suns were able to sign a 25-year RSN contract for one-half of the team's games with US West valued at over $150 million, along with a separate arena sponsorship. It is one of the most lucrative local media deals in basketball. Ownership of the Arizona Diamondbacks and Phoenix Suns has provided Jerry Colangelo with leverage in the face of competition between cable operators Cox Communications and US West (now Qwest), and between RSNs Fox Sports Arizona and Cox Cable 9 for rights to the Phoenix Suns.

Cox Communications and its predecessor Times Mirror have held rights to the Suns for over 20 years. When Times Mirror's Arizona Sports Network first launched in December 1981, the Suns had a 13-year contract calling for a minimum guaranteed figure per game, with escalation clauses once subscribership reached 100,000. The first contract in 1983 called for carriage of 52 games for $1.3 million, or about $25,000/game. In February 1998, when US West was in the early stages of constructing a cable TV system (VDSL) to compete head-to-head against the Cox Communications cable TV system, the NBA Suns signed a 25-year, nine-figure multi-million dollar, contract calling for cable carriage of Suns games, starting in 2003. At the time, Cox and US West both also faced competition from wireless cable (MMDS) and DBS (DirecTV, EchoStar and PrimeStar). Fox Sports Net was seeking to expand its newly established network, which held rights to the MLB Diamondbacks and NHL Coyotes.

FLORIDA

Since 1988, there have been two competing RSNs in Florida—SportsChannel-Florida and the Sunshine Network. As a result, each of the major league sports franchises in the state has benefited from competition. While SportsChannel Florida launched about nine months before Sunshine, by the mid-90's Sunshine had a commanding lead in subscribership. Sunshine Network, which was 54% owned by Liberty Media and 46% by a consortium of cable operators, held rights to the MLB Marlins, NBA Heat, NBA Magic, the NHL Lightning and NHL Panthers. In fact, in 1993 Sunshine had rights to all pro teams in Florida. During its lean years, SportsChannel relied upon the sports programming from the larger Florida universities. That began to change in 1996, when Wayne Huizenga's Front Row Communications bought a majority of SportsChannel-Florida and took over management from Cablevision Systems. SportsChannel signed the Tampa Bay Devil Rays in 1996 to a five-year agreement. Later, when their contracts with Sunshine expired, Wayne Huizenga added his own teams—the MLB Marlins and NHL Panthers. Both networks carry different packages of NCAA college football and basketball.

In the two years following its ownership change, SportsChannel-Florida nearly tripled its subscriber base, increasing to just under 3 mil. cable subs by the end of 1997. Picking up the Marlins and Panthers helped SportsChannel Florida nearly triple ad revenue as well. Sunshine carries the Orlando Magic, Miami Heat, and Tampa Bay Lightning, the Devil Rays, Florida State, Florida, Florida A&M, the ACC and SEC. Not surprisingly, Florida baseball teams have benefited from the competition. The Marlins receive about $7.0 million from broadcast and cable rights from Fox Sports Net, which sublicenses 55 games to WAMI-TV for about $3.2 million. FSN just concluded the second year of a 12-year contract. The Devil Rays receive $4.4 mil. from Fox Sports Net and buy time on two TV stations. FSN has been carrying the Devil Rays since 1996 and has rights through at least 2002. Thanks to competition between SportsChannel and Sunshine, the Marlins and Devil Rays both command a cable premium. The Devil Rays rights fee/viewer from SportsChannel Florida two years ago was 52.3% above the average for comparable markets and the Marlins rights fee from Sunshine was 40.9% above the average.

COMPARISON OF RIGHTS FEES

DMA		Rts/Game/ DMA HH	Rts/Game/ DMA Cable	Rts/Game/ TV Viewer	Rts/Game/ RSN Viewer
13	Cleveland Indians	$0.05	$0.07	$0.42	$0.95
9	Detroit Tigers	$0.03	$0.05	$0.40	$3.38
15	Tampa Bay Devil Rays	$0.10	$0.07	$3.07	$3.61
17	Arizona Diamondbacks	$0.11	$0.13	$1.66	$3.04
18	Colorado Rockies	$0.09	$0.11	$0.93	$2.53
16	Florida Marlins	$0.03	$0.10	$0.61	$3.13
	Average	$0.07	$0.09	$0.88	$2.22

DETROIT

The Detroit Tigers, Red Wings and Pistons all realized substantial rights fee increases as a result of a media rights war between incumbent RSN Pro Am Sports Systems and Fox Sports, which sought to establish a competing RSN in Michigan. Detroit Tigers annual RSN fee leaped by over 200%. In 1997, Fox moved aggressively to take away the rights of Post Co's Pro Am Sports Systems (PASS) –the RSN in Detroit (and Home Team Sports in Washington, D.C.). Fox was successful in Detroit, signing all three of the major sports franchises, including carriage deals with the NHL Red Wings and NBA Pistons the same year carriage was to begin. The Red Wings and Pistons received a premium over their past contracts. FSN picked up the MLB Tigers contract when PASS folded and subsequently raised the rights fee from 1999 to 2000 by 205% under a long-term contract that runs through 2007 and includes an optional extension.

SAN DIEGO & CHICAGO

In 1996, Cox Cable San Diego, which for many years offered MLB San Diego Padres games via pay-per-view, won rights back from Fox Sports West (San Diego), agreeing to a five-year partnership with the Padres. At the time, Cox had 470,000 subscribers (82% penetration). The games were made available on the neighboring Time Warner and Daniels Cablevision systems, bringing the total subscriber base up to nearly 700,000. And in a relatively unpublicized negotiation, the major league Chicago franchises successfully combined forces to obtain a premium rights renewal. Jerry Reinsdorf has interests in both the Chicago White Sox and Chicago Bulls.

MARKET DEMOGRAPHICS

OVERVIEW

We have analyzed the impact upon the Baltimore Orioles media rights by comparing the demographics of the Baltimore, Washington, Charlottesville and Richmond regions to the four regions that have two baseball teams—New York, Los Angeles, Chicago and San Francisco. These regions are the most comparable to Washington and Baltimore, although Washington and Baltimore are separate DMAs.

The potential market for baseball in Northern Virginia consists of five DMAs (Designated Market Areas)—Washington, D.C.; Baltimore, MD; Charlottesville, VA; Richmond, VA; and Norfolk, VA. When combined, these TV markets total 4.23 million television households, which represents 4.1% of the nation's 102,184,810 TV households (Nielsen Media Research Estimates for the 2000-2001 Broadcast Season starting on Sept. 16).

While Norfolk is about a three-hour drive from Northern Virginia, the drive from Charlottesville and Richmond to Northern Virginia is one-half that long. In comparison to the other regions with two baseball teams, the combined Washington and Baltimore markets, consisting of 3,057,400 homes, is 25.3% larger than San Francisco-Oakland-San Jose. If Richmond and Charlottesville are added, the TV market totals 3,600,400, which is over 10% larger than Chicago.

DMA TV HOUSEHOLDS

DMA	TVHH
Washington, D.C.	2,047,340
Baltimore, MD	1,010,060
Charlottesville, VA	54,000
Richmond-Petersburg	489,000
Norfolk-Portsmouth-Newport News	638,000
TOTAL	4,238,400
New York	6,935,610
Los Angeles	5,354,150
Chicago	3,244,850
San Francisco-Oakland-San Jose	2,431,720

Source: Nielsen Media Research, 2001

According to SRDS Radio Advertising, as of Spring 1999, Washington, D.C. had 3,600,900 persons age 12 or older and Baltimore had 2,075,600 for a total of 5,676,500, which is slightly larger than San Francisco. If 793,500 Richmond persons are added, the total is 6,470,000, which is 14.2% more than San Francisco and only 7.8% smaller than Chicago.

NEWSPAPER-RADIO ADVERTISING POPS & HOMES

	Persons Age 12+	PMSA Homes
New York	14,291,500	7,357,200
Los Angeles	10,162,200	5,440,800
Chicago	7,020,100	3,202,400
D.C.-Baltimore-Virginia-W.VA	5,676,500	2,756,200
San Francisco	5,665,700	2,623,700

Source: SRDS Newspaper Advertising, Vol. 82, Nov. 2000.
SRDS Radio Advertising, Fall 2000.

In terms of PMSAs, which are regions often relied upon by newspapers for readership, the Washington, D.C.-Baltimore-Northern Virginia-West Virginia PMSA consists of 2,756,200 homes, 5.1% larger than San Francisco and 14.9% smaller than Chicago. The Baltimore, Washington and Northern Virginia markets consist of two dozen communities. Over the next five years, housing growth is estimated to be 1.2%, according to Sales & Marketing Management/2000.

BALT-WASH-NORTHERN VIRGINIA PMSA

Washington, D.C.	Clark County, VA
Calvert County, MD	Culpepper, VA
Charles County, MD	Fairfax City, VA
Frederick County, MD	Fauquier County, VA
Montgomery County, MD	King County, VA

Pr. George's County, MD	Loudoun County, VA
Alexandria, VA	Prince William County, VA
Fairfax County, VA	Spottsylvania County, VA
Falls Church, VA	Stafford County, VA
Fredericksburg, VA	Warren County, VA
Manassas, VA	Berkeley County, WVA
Arlington, VA	Jefferson County, WVA

Based on the PMSA territories, the Northern Virginia market is again sandwiched between Chicago and San Francisco in Effective Buying Income (EBI), about 2.7% more than San Francisco and 11.5% less than Chicago. The median income of Baltimore, Washington and Northern Virginia, however, is higher than all four of the markets with two baseball teams and well above the national median of $35,377. In fact, in Fairfax County, where there are 348,700 households, the median EBI/HH is $71,788, more than twice the national average.

NEWSPAPER ADVERTISING POPS AND HOMES

	2004 EBI	Median EBI/HH	Retail Sales	Retail Sales/ Home
New York	$434.4	$45,164	$210.9	$14,757
Los Angeles	$258.3	$36,855	$129.6	$12,753
Chicago	$183.1	$45,991	$86.6	$12,336
D.C.-Baltimore-Virginia-W.VA	$162.0	$48,939	$74.5	$13,124
San Francisco	$157.7	$48,713	$72.2	$12,743

EBI and retail sales in billions.
Source: SRDS Newspaper Advertising, Vol. 82, Nov. 2000.
SRDS Radio Advertising, Fall 2000. Sales & Marketing Management/2000.

In 2000, for the second year in a row, Fairfax County had the highest median household income in the nation, at $90,937 and the City of Falls Church, which is within Fairfax County was ranked #6. Another Washington, D.C. suburb—Montgomery County—ranked #9. The Fairfax County Dept. of Tax Administration reports there are 57,280 Volvos, Mercedes Benz, BMW, and Cadillacs registered as of 1999, or one for every 30 persons in the county. The number of jobs in Fairfax county has nearly tripled in 20 years to 524,360 in 1999, according to the Fairfax County Economic Development Authority. Over the past five years, 100,000 jobs have been added. According to U.S. Census Data, as analyzed by the Washington Post, the population of Northern Virginia is growing dramatically. Minority groups accounted for at least 70% of Northern Virginia's population increase. In 2000, nearly 70,000 Northern Virginians described themselves as belonging to more than one race. The table below shows the growth of the Northern Virginia counties closest to Washington, D.C.

TOP-10 MEDIAN INCOME COUNTIES

1	Fairfax County, VA	$ 90,937
2	Somerset County, NJ	89,581
3	Morris County, NJ	83,773
4	Hunterdon County, NJ	83,749
5	Fairfield County, CT	82,716
6	Falls Church, VA	80,562
7	Douglas County, CO	79,313
8	Santa Clara County, CA	78,057
9	Montgomery County, MD	77,774
10	Chester County, PA	77,643

NORTHERN VIRGINIA POPULATION GROWTH

	1990	2000	% Chg.
Alexandria	111,183	128,283	15.4%
Arlington	170,936	189,453	10.8%
Fairfax	815,584	969,749	18.9%
Fauquier	48,741	55,139	13.1%
Loudoun	86,129	169,599	96.9%
Prince William	215,686	280,813	30.2%
Stafford	61,236	92,442	51.0%
Total	1,509,495	1,885,478	24.9%

Source: Washington Post, March 9, 2001

Source: Claritas, Inc., Washington Post,
March 12, 2001

NORTHERN VIRGINIA RSN NEGOTIATIONS

OVERVIEW

The overriding and most critical factors in ascertaining the value of local media rights for a local franchise are market size and competition. Depending upon how the Washington, Baltimore, Charlottesville, Richmond, and Norfolk-Virginia Beach markets are defined, it could be anywhere between the 3.057 million homes in the Washington and Baltimore DMAs to 3.6 million, which includes the Charlottesville and Richmond, VA, DMAs. The broader regional market might also include the Tidewater area of Norfolk-Virginia Beach, which would encompass a combined 4.238 million homes. In order to ascertain the media rights of a Northern Virginia team and the impact, if any, upon the Baltimore Orioles, we compared the Washington and Baltimore regions to other regions that support two baseball teams. Our findings include the following:

- TV-Cable Ratings: Average regular-season Washington and Baltimore baseball ratings for the Baltimore Orioles the past five years indicate TV viewership of 149,055/game. That exceeds average viewership in Chicago and San Francisco-Oakland. RSN viewership in Washington and Baltimore averaged 95,824. That topped every region except New York. In 2000, Washington ranked #5 among all DMAs in World Series viewership, with three times as many viewers as Baltimore, which ranked #36.

- The Players: Home Team Sports serves seven of the Top 50 DMAs. It is the sixth largest RSN, with 5.207 million cable and satellite customers. From 1990-1999, its total revenue has risen an estimated 441% from $12.9 million to $69.8 mil. Entities interested in competing against HTS include Fox Sports Net, Cox Communications and owners of the other major league sports franchises in the region.

- Interleague rivalries—Natural interleague rivalries produce the highest series attendance in Anaheim, New York, Oakland, Chicago and other cities, suggesting TV and RSN ratings are likely to be higher for those games as well. Thus, placing a team in Northern Virginia or Washington, D.C., could positively impact the Orioles.

TV-CABLE RATINGS

REGULAR SEASON

In the dual-team markets, we averaged regular-season TV and RSN ratings for the past five years in order to control for varying performance, which can influence viewership. The table below shows the average two-team TV and RSN rating from 1995-99 and what it equates to in DMA viewership. For example, from 1995-99, viewership in the Chicago DMA for a game on TV averaged 141,830 and for a Cubs or White Sox game on the cable RSN, it averaged 49,984. The average for the four regions was 191,691 TV viewers and 76,846 RSN viewers per game. That equates to a 4.5 rating for TV and 1.8 for cable RSN for the four regions analyzed.

In Baltimore, the average TV rating for Baltimore Orioles games from 1997-2000 was 10.2, more than double the average of markets with two teams. It is no surprise that the Orioles' 2.5 TV rating in Washington was only 24.5% of the Orioles' OTA rating in Baltimore and that the team's 2.3 RSN rating in Washington was less than one-half of the Baltimore RSN rating. Markets without a baseball team usually have lower ratings than markets with a team. Average Washington and Baltimore baseball ratings for the Baltimore Orioles the past five years indicate TV viewership of 149,055/game and RSN viewership of 95,824. Washington and Baltimore TV viewership is higher than Chicago and San Francisco. RSN viewership is higher than Los Angeles, Chicago and San Francisco. The combined Washington and Baltimore viewership equates to a 5.1 rating for TV and 3.3 for RSN games. That is 13.3% higher than the average TV rating and 83.3% higher than the average RSN rating for regions with two teams. While the number of Washington and Baltimore TV viewing households is 22.2% lower than the dual markets, RSN viewership is 24.6% higher.

AVERAGE RATINGS, 1995-99

	5-Yr Avg.		1998 Total	Viewership	
	TV	RSN	TVHH	TV	RSN
			(000)		
New York	4.7	2.4	6,711	316,759	158,380
Los Angeles-Anaheim	4.2	1.2	4,942	206,576	60,292
Chicago	4.5	1.6	3,124	141,830	49,984
San Francisco-Oakland	4.5	1.7	2,278	101,599	38,726
Average	4.5	1.8	4,264	191,691	76,846
Washington	2.5	2.3	1,908	48,177	43,407
Baltimore	10.2	5.3	989	100,878	52,417
Washington and Baltimore	5.1	3.3	2,897	149,055	95,824

No RSN coverage of L.A. Dodgers until 1997.
Washington and Baltimore ratings are 4-yr. average 1997-2000 (Sept.).
Analysis of Home Team Sports and Nielsen data.

WORLD SERIES

The 2000 World Series between the New York Yankees and New York Mets scored a 13.6 rating in the Washington DMA compared to a 8.3 in the Baltimore DMA. There were more than three times as many Washington viewers as Baltimore viewers--an average of 278,438 Washington fans per game vs. 83,843 in Baltimore. Washington, the #8 DMA, ranked #5 in viewership while Baltimore, the #24 DMA, ranked #36 in the ratings behind four DMAs that don't even have teams—Birmingham, Indianapolis, Salt Lake City and Columbus.

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2000 WORLD SERIES TV RATINGS RANKED BY HOMES PER GAME

DMA		TVHH	World Series Avg. Rating	Ave. Homes/ Game	Homes/Game Rank
1	New York, NY	6,935,610	41.9%	2,906,021	1
2	Los Angeles, LA	5,354,150	13.2%	706,748	2
3	Chicago, IL	3,244,850	10.3%	334,220	3
4	Philadelphia, PA	2,703,480	11.4%	308,197	4
8	**Washington, D.C. (Hagerstown, MD)**	**2,047,340**	**13.6%**	**278,438**	**5**
6	Boston , MA (Manchester, NH)	2,242,240	12.3%	275,796	6
5	San Francisco-Oakland-San Jose, CA	2,431,720	11.2%	272,353	7
16	Miami-Ft. Lauderdale, FL	1,468,630	17.1%	251,136	8
11	Houston, TX	1,747,350	14.3%	249,871	9
7	Dallas-Ft. Worth, TX	2,069,010	11.9%	246,212	10
10	Atlanta, GA	1,857,220	12.5%	232,153	11
27	Hartford & New Haven, CT	923,740	22.2%	205,070	12
14	Tampa-St. Petersburg (Sarasota), FL	1,507,790	13.5%	203,552	13
15	Cleveland, OH	1,488,270	13.1%	194,963	14
12	Seattle-Tacoma, WA	1,605,900	12.0%	192,708	15
9	Detroit, MI	1,873,620	9.7%	181,741	16
17	Phoenix, AZ	1,441,660	12.3%	177,324	17
18	Denver, CO	1,312,300	11.2%	146,978	18
22	St. Louis, MO	1,121,410	12.9%	144,662	19
21	Orlando-Daytona Beach-Melbourne, FL	1,126,000	12.6%	141,876	20
19	Sacramento-Stockton-Modesto, CA	1,187,000	11.4%	135,318	21
25	San Diego, CA	996,220	13.4%	133,493	22
13	Minneapolis-St. Paul, MN	1,510,130	8.7%	131,381	23
23	Portland, OR	1,017,760	12.2%	124,167	24
44	Buffalo, NY	618,660	16.2%	100,223	25
28	Charlotte, NC	903,950	10.9%	98,531	26
20	Pittsburgh, PA	1,128,810	8.7%	98,206	27
30	Kansas City, MO	835,580	11.5%	96,092	28
32	Cincinnati, OH	828,650	11.4%	94,466	29
33	Milwaukee, WI	827,570	11.4%	94,343	30
43	West Palm Beach-Ft. Pierce, FL	632,600	13.9%	87,931	31
39	Birmingham (Anniston,Tuscaloosa), AL	673,940	13.0%	87,612	32
26	Indianapolis, IN	974,390	8.7%	84,772	33
36	Salt Lake City, UT	732,380	11.5%	84,224	34
34	Columbus, OH	772,160	10.9%	84,165	35
24	**Baltimore, MD**	**1,010,160**	**8.3%**	**83,843**	**36**
51	Las Vegas, NV	559,330	14.8%	82,781	37
47	Greensboro-High Point-Winston Salem, NC	600,000	13.3%	79,800	38
29	Raleigh-Durham (Fayetteville), NC	873,440	9.1%	79,483	39
31	Nashville, TN	830,800	9.4%	78,095	40
37	San Antonio, TX	693,810	11.0%	76,319	41
45	Oklahoma City, OK	604,240	12.1%	73,113	42
42	New Orleans, LA	636,340	11.3%	71,906	43
49	Providence, RI-New Bedford, MA	572,880	12.3%	70,464	44
40	Memphis, TN	641,630	10.9%	69,938	45

Nielsen Media Research Local Universe Estimates for the 2000-2001 Broadcast Season
(Estimates as of January 1, 2001, and used throughout the 2000-2001 TV season)

MARKET PLAYERS

In the Washington and Baltimore markets, there are at least three probable bidders for local cable RSN-TV rights to a Northern Virginia baseball franchise. Each of the following entities has expressed interest in bidding: (1) Comcast (cable operator with 950,000 cable customers in Washington-Baltimore and new owner of Home Team Sports); (2) Fox Sports Net; and (3) Cox Communications (owner of 665,000 cable customers in Fairfax and the Tidewater region). In addition, TV stations, the Northern Virginia team owner, and other Washington-Baltimore team owners are well-positioned strategically to use baseball RSN rights to anchor the launch of a new RSN in the region.

HOME TEAM SPORTS/COMCAST

In the Washington and Baltimore corridor, the Home Team Sports (HTS) regional sports network (RSN) is owned by Comcast. Until Feb. 2001, it was jointly owned by Viacom (66%) and Fox Sports (34%). Last year, Viacom auctioned off HTS and Midwest Sports Channel, which operates in Minnesota and Wisconsin. Comcast acquired HTS in exchange for long-term carriage deals covering MTV, VH1, Nickelodeon, CMT and TV Land. Philadelphia-based Comcast is also the dominant cable TV operator in the mid-Atlantic region, where it owns over 950,000 subscribers, including cable TV systems in Washington, Baltimore, and suburbs of both. HTS serves more than a half dozen of the top-50 DMAs: Washington, D.C. (7); Baltimore, MD (23); Raleigh-Durham, NC (29); Greenville-Spartanburg, SC (35); Norfolk-Portsmouth-Newport News, VA (40); Harrisburg-York, PA (45); and Greensboro, NC (46).

Launched in April 1984, Home Team Sports (HTS) began as a hybrid service consisting of basic (75%), expanded basic (18%) and premium service (7%). By 1993 Liberty owned 23% with Group W holding 77%. Subsequent to the 1997 merger of Fox Sports and Liberty Media, their share of HTS increased to 34%, with CBS Cable (formerly Group W) retaining two thirds of the network. Home Team Sports has experienced substantial growth since 1989, tripling its total subscriber base. HTS currently ranks as the sixth largest RSN with 5.207 mil. total customers, including 592K satellite subscribers, 2.051 mil. inner market subscribers and 2.564 mil. outer market subscribers. It is interesting to note that three of the five regions that currently have two RSN channels also have two MLB teams. The Atlanta Braves have split coverage between TBS, Turner South and SportSouth. HTS, in 1999, made about $69.8 mil.--$42.4 mil. (60%) from affiliate fees and $27.4 mil. (40%) from advertising. Affiliate revenue/sub has been climbing at a double digit pace. In 2000, inner market cable operators pay about $1.40/subscriber. That fee is projected to increase to over $1.50/subscriber in 2001. A typical RSN charges $0.40 to $0.60 per outer market customer.

HTS REVENUE

			-------------Affiliate fees---------			---------Advertising-------------		
Year	# subs	% change	Total $mil.	% change	Rev/Sub	Total $mil.	% change	Rev/Sub
1989	1,400,000	---	$6.7	---	$4.80	$3.0	----	$ 2.14
1990	1,800,000	28.6%	9.1	35.8%	5.04	3.8	25.0%	2.08
1991	2,200,000	22.2%	11.6	27.5%	5.28	3.9	4.0%	1.77
1992	2,382,000	8.3%	13.1	12.9%	5.52	5.1	31.0%	2.14
1993	2,300,000	-3.4%	13.2	0.8%	5.76	6.4	26.1%	2.80
1994	2,810,000	22.2%	16.5	25.0%	5.88	11.2	73.1%	3.97
1995	3,149,000	12.1%	18.9	14.5%	6.00	12.0	7.6%	3.81
1996	3,800,000	20.7%	21.8	15.3%	5.74	13.5	12.5%	3.55
1997	4,100,000	7.9%	25.9	18.8%	6.32	15.0	11.1%	3.66
1998	4,926,000	20.1%	31.2	20.5%	6.33	17.8	18.9%	3.62
1999	5,207,000	5.7%	42.4	35.9%	8.14	27.4	53.7%	5.26

In addition to carrying the Baltimore Orioles, HTS distributes over 60% of the NBA Washington Wizards and NHL Washington Caps games, plus over five dozen college football games and some 140-160 college basketball games. The network also carries tennis, lacrosse, golf, news, highlights and sports trivia game shows.

HTS SCHEDULE

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
MLB Orioles	85	85	85	90	85	78	80	81	85	85	85	86
NBA Wizards	30	30	31	30	30	34	41	42	48	22	55	50
NHL Caps	35	32	33	36	20	18*	28	38	42	41	44	49
NHL Hurricanes	--	--	--	--	--	--	--	--	19	--	--	--
NCAA Football	60	52	76	62	62	49	46	41	32	38	52	65
NCAA Basketball	135	112	112	123	89	210	168	156	156	141	141	
Total	345	311	337	341	286	371	363	358	382	327	377	n.a.

Would HTS bid for rights to carry a Northern Virginia baseball team? HTS executives confirm that the launch of a second channel is under consideration and would almost certainly be launched if Northern Virginia obtained a baseball franchise. Comcast has controlling interest in the NBA Philadelphia 76ers, the NHL Philadelphia Flyers, and Comcast Sports Net, a Philadelphia-based RSN with 2.67 mil. customers. Comcast also operates Comcast Sports Southeast, a new 1.5 mil. customer RSN that provides college sports programming in the southeast.

FOX SPORTS NET

As Fox Sports Net seeks leverage to increase its national advertising revenue, it is a force to be reckoned with in any negotiation. FSN controls or has affiliation agreements with RSNs that reach over 70 mil. households. It has rights fee arrangements with the vast majority of MLB, NBA and NHL teams. With its control over Fox TV stations, FX, The Golf Channel, and international sports, FSN has the capacity to launch a RSN with baseball as its anchor and then utilize other FSN programming as a backdrop. Parent company News Corp., last year had $9.2 bil. in advertising revenue, second only to Viacom's $10.2 bil. and ahead of Disney ($6.2 bil.) and Time Warner ($4.9 bil.), according to Morgan Stanley estimates. In the past, Fox has even attempted to outbid its partners and affiliates for programming, including HTS and PASS (Detroit). A top FSN executive has indicated that FSN would be "very interested" in bidding for rights to a Northern Virginia baseball franchise. It is assumed that the settlement of litigation with Comcast and Viacom over a lawsuit involving tagalong rights to the sale of Home Team Sports does not involve a covenant not to compete. If there is a covenant not to compete, it would mean that Home Team Sports might be the only bidder.

COX COMMUNICATIONS OF NORTHERN, VA

Cox Communications purchased the Media General Cable system of Fairfax, VA, one year ago and is in the process of rebuilding. This system has 257,800 subscribers. Cox also owns the system serving the Tidewater Region (Norfolk-Virginia Beach-Hampton Roads), where it has a total of 408,000 customers. With a combined total of over 665,000 customers, Cox has indicated an interest in carriage of a Northern Virginia baseball team. Cox has a history of involvement in local sports programming as well as a small ownership interest in the San Francisco Giants. Cox Cable 4 distributes the MLB San Diego Padres games to 768,000 customers in southern California, including 568,000 of its own customers. In Phoenix, Cox Cable 9 (formerly Arizona Sports Net) carries NBA Phoenix Suns games to its 612,000 cable subscribers and recently began carriage of the Suns in Spanish on a separate channel. Cox is also in negotiations to carry the MLB Arizona Diamondbacks on the Spanish channel and competes against Fox Sports-Arizona in the region.

OTHER PLAYERS

CBS, which owns HTS and Baltimore's WJZ-TV, paid about $20 mil. for combined TV-cable rights in 2000, the fourth and final year of its TV contract. WJZ-TV had a 15-station network and reportedly generated about $3,000/spot, double the fee of HTS. It sublicensed games to WNUV-Baltimore and also

WBDC (ch. 50)-Washington. A Northern Virginia team would likely have two affiliates in the Washington, D.C., market with perhaps 20 games on WDCA (ch. 20) a UPN affiliate, and weekend games possibly on a local affiliate. Digital TV means that local TV stations each have 19.4 MHz of bandwidth, sufficient to provide four or five more channels of TV programming. This capacity can be used to: time shift network programming, carry interactive enhancements and high speed data, and to carry new programming such as Northern Virginia baseball.

The group owning a Northern Virginia team would be in position to create its own RSN. Baseball team owners with equity interests in RSNs include Rupert Murdoch, Ted Turner, Ted Rogers, the Yawkey Trust, and Bill Giles. Indeed over two dozen team owners of the four major sports have significant equity interests in related media properties (See Appendix). NHL Washington Caps 60% owner Ted Leonsis and 32% partner Jonathan Ledecky have the option to eventually purchase the NBA Washington Wizards. They are in position to eventually launch a RSN when rights fee deals with HTS expire later in the decade. The Northern Virginia group and Leonsis could also initiate a joint venture. The Baltimore Orioles are also in a position to create their own RSN or to participate in a joint venture. Supplementary programming could be provided by a partner, such as CNN-SI, ESPN, or Fox Sports. Some RSNs, such as Turner South, rely upon non-sports general entertainment programming to supplement major league sports distribution and over the years, many RSNs have been part-time services.

INTERLEAGUE RIVALRIES

Attendance for MLB inter-league games is consistently higher than attendance for intra-league games. In 2000, it was 14% higher (See Appendix). The differential in attendance is even more pronounced for natural rivalries, such as Anaheim-Los Angeles, White Sox-Cubs, Yankees-Mets, and San Francisco-Oakland. A number of these inter-league rivalries registered season-highs for total attendance for a series. This suggests a team in Northern Virginia may benefit the Orioles. Not surprisingly, a survey of MLB's most natural interleague rivalries produced the season's top crowds, with New York's subway series and a cross-state Ohio confrontation all drawing average crowds in excess of 53,000. Interleague rivalries registered season high series attendance in Anaheim, Baltimore, St. Louis, New York, Oakland, Chicago, and Cincinnati.

RIGHTS FEE ANALYSIS

OVERVIEW

So far, we have analyzed the dynamics of local media rights fee negotiations taking into account the factors that affect competitive bidding for local media rights: ratings, number and nature of competitors, negotiation dynamics, and historical case studies of competitive bidding for media rights since 1997. We now turn our attention to ascertaining the fair market value of local TV-cable RSN rights. We do so by utilizing: (1) market data (comparability) to other regions with two baseball teams; and (2) the income approach—Discounted Cash Flow (DCF) model. Then we reconcile the results by taking an average of the two methodologies. For radio, we then utilize the market data (comparability) approach.

METHODOLOGIES

Market value for purposes of this report is the definition recommended by the United States Internal Revenue Service: "*The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts*." The valuation of a business is generally done by use of one or more of the following three approaches:[13]

COST APPROACH

Under this method, value is derived by estimating the replacement cost of the equipment, building and other improvements owned by the subject business, based on current prices for labor and materials and latest construction techniques. Kagan Media Appraisals, Inc. does not employ this approach in its fair market valuations unless specifically requested to do so.

MARKET DATA (COMPARABILITY) APPROACH

A value estimate by this method is derived by direct comparison of the subject business with other companies of similar size or type that are currently, or have been recently, offered for sale. Kagan Media Appraisals, Inc. typically uses this methodology in its appraisals.

INCOME APPROACH—DISCOUNTED CASH FLOW

This technique relates the evaluation of a property to its ability to generate income over a specified investment period. The value to the owner of this "earning expectancy" must be compared with the value of other investments the owner might otherwise make. Because the value is expressed as a capitalized rate of income, the income stream of the subject business is of vital importance to the appraiser. The value estimate under this approach is developed by first determining the current income level of the subject business, then projecting growth rates for the span of years in which the investment is expected to be returned, discounting future income by an imputed rate based on cost-of-money factors. Finally, the total valuation is yielded by the sum of present values to be generated in each of the years counted. This method of calculation is normally applied to "operating income," or, in the lexicon of many entrepreneurs in the marketplace, "cash flow." The latter term consists of operating revenue minus operating expense, and does not include deductions for depreciation, interest, or income taxes. Kagan Media Appraisals, Inc. typically uses this methodology in its appraisals, in the form of discounted cash flow projections.

[13] Under certain circumstances, it is not always possible to apply all 3 of the aforementioned approaches to value, due to special purpose or use characteristics of a given business.

The time value of money means that a dollar one year from today is "worth" less than a dollar today. This is due, in part, to inflation, because the buying power of tomorrow's dollar will likely be less than it is today. Future dollars are worth less than present dollars, however, for another, perhaps more important reason: the existence of the interest rate, or cost-of-money factor, in the leveraging of a business enterprise. Put more simply: one dollar invested in a risk-free instrument, such as a savings bank or a government security, will earn a given amount of interest over a certain period of time. Thus, the same dollar invested in a business enterprise "loses" value over time unless the business "returns" dollars at a rate at least equal to that which would have been enjoyed in the alternate investment. Because the business likely will entail risk of considerable nature, the ultimate "rate of return" must be substantially better than that paid by the risk-free instrument. Suppose, for example, a person deposits $1,000 in a bank that pays 7% interest compounded quarterly, and both principal and interest are left in the account over 10 years. At the end of 10 years, the original $1,000 will have doubled, to $2,001. That's an effective annual rate of return of 7.2%. If, instead, the investor had placed his $1,000 in a more speculative account--say, by acquiring equity ownership of a media or telecommunication service business--the average annual rate of return would have to be considerably higher than 7.2% to warrant taking the risk. How long should the investment return period be, so that the average rate of return is desirable?

It is the appraiser's experience that communication investors typically seek return-on-investment within approximately 10 years. Such rates of return enable them to obtain returns on equity of as much as 50% annually, through the use of leverage. The form of the return is at the heart of every buy-sell negotiation. For it is not the percentage of net profit to equity that concerns the communications investor. Rather, it is the percentage of operating profit to equity. This operating profit is also called "operating cash flow" because it differs from true accounting cash flow. Cash flow is net income added back to depreciation and amortization, interest and income taxes. Entrepreneurs use this variation of cash flow to distinguish among properties because it tends to make one potential investment easier to compare to another. In order to determine how a business is really performing in its day-to-day operation, investors go directly to operating income (operating cash flow) to make their comparisons. It is this line that is expected to grow, and it is this line on the income statement that they look to for their return on investment. In order to determine the cash flow potential of a property, the appraiser must perform the following functions:

- Compute a projected growth of absolute cash flow over a given investment payback period.
- Compute an effective cost of capital, which is not necessarily the actual borrowing cost of the investor, but a surrogate for both interest rates and inflation. In Kagan Media Appraisals, Inc. appraisals, this figure is generally about twice the expected rate of inflation.
- Discount future cash flow utilizing present-value factors widely published in financial handbooks.

The result of these steps is the accumulation over a set period of years of "discounted cash flow," the amount of real income that will be counted as the "return" against the investment. To say it another way, the value of the business is equal to the cumulative discounted cash flow (future income stream) to be generated by the business over the desired investment payback period.

In an effort to ascertain the fair market value of TV-cable RSN rights fees for a Northern Virginia team, we now analyze: (1) comparable rights fees for other regions where there are two teams, and (2) a 10-year discounted cash flow model based upon the income and expenses of a regional sports network and its ability to pay for baseball rights.

REGIONS WITH TWO BASEBALL TEAMS

The Washington and Baltimore region is unique. It consists of two DMAs within a 60-90 minute drive of each other. Using the 2000 Major League Baseball Blue Ribbon Report, we analyzed the revenue of teams in markets where there are two franchises: New York, Los Angeles, Chicago and San Francisco. We analyzed total major league team sports revenue per TV household for the major team sports; MLB team revenue in regions where there are multiple teams; MLB local revenue in regions with two teams; and growth of local revenue in two-team markets. Both because of their size and because they support two teams within a 60-90 minute drive, we believe that these two-team regions are the most comparable markets to the Washington and Baltimore region. Based upon the market data we estimated the comparable rights for the Washington and Baltimore regions for the next 10 years. Next, under the income approach, we created a discounted cash flow (DCF) model based upon the economics of a regional sports network and its ability and willingness to pay for a second baseball team in the Washington-Northern Virginia region. We then reconciled the results of the comparable and DCF model and concluded that the average TV-cable rights/team in 2001 would be $21.9 million or $165,606/game, assuming 132 telecasts. Our analysis of total Major League team sports revenue for the Top 25 markets in 1998 shows that if Washington and Baltimore are combined, total team revenue of the major league sports franchises in the region was $610.0 mil. That makes Washington and Baltimore second only to New York, which has a total of nine professional teams compared to five in Washington and Baltimore. In terms of total major league sports revenue per DMA household, Washington and Baltimore combined for an average of $207. That places Washington and Baltimore ahead of New York, Los Angeles, Chicago and Philadelphia. In fact, it is more than every top-10 city except San Francisco.

TOP 25 TV MARKETS: MAJOR LEAGUE SPORTS REVENUE, 1998

		MLB	NBA	NHL	NFL	Total Rev.	Rev. Rank	DMA(s) TVHHs	Rev./ TVHH	TVHH Rank
1	New York	$ 260.8	$ 188.6	$ 196.7	$ 288.7	$ 934.8	1	6,813	$137	21
2	**Washington & Baltimore**	139.8	86.3	66.6	317.3	**610.0**	**2**	2,948	207	6
2	Los Angeles	183.6	130.8	118.5	-	432.9	4	4,942	88	25
3	Chicago	197.8	111.4	67.0	127.4	503.6	3	3,164	159	18
4	Philadelphia	68.0	76.0	78.2	136.1	358.3	8	2,668	134	22
5	San Francisco	137.0	59.6	57.2	286.2	540.0	2	2,369	228	7
6	Boston	94.7	75.7	70.5	134.9	375.8	7	2,186	172	15
7	Dallas	100.2	46.9	70.1	183.3	400.5	5	1,960	204	8
8	**Washington**	**-**	**86.3**	**66.6**	**177.9**	**330.8**	**12**	**1,956**	**169**	**16**
9	Detroit	61.2	90.4	76.7	126.4	354.7	9	1,847	192	12
10	Atlanta	169.5	53.5	-	116.9	339.9	11	1,722	197	9
11	Houston	82.2	67.6	-	-	149.8	23	1,595	94	23
12	Seattle	91.3	67.4	-	123.3	282.0	16	1,548	182	14
13	Tampa	82.3	-	45.1	156.7	284.1	15	1,463	194	11
14	Cleveland	144.6	70.7	-		215.3	21	1,461	147	19
15	Minneapolis	56.3	62.0	-	122.8	241.1	18	1,457	165	17
16	Miami	66.3	56.6	57.2	148.0	328.1	13	1,419	231	5
17	Phoenix	100.8	78.4	98.5	118.9	396.6	6	1,343	295	1
18	Denver	122.4	40.1	60.6	131.2	354.3	10	1,230	288	2
19	Pittsburgh	60.4	-	52.1	127.3	239.8	19	1,136	211	10
20	Sacramento		55.7	-	-	55.7	31	1,115	50	32
21	St. Louis	100.8	-	61.7	126.3	288.8	14	1,110	260	4
22	Orlando		67.7		-	67.7	26	1,022	66	30
23	**Baltimore**	**139.8**	**-**		**139.4**	**279.2**	**17**	**992**	**281**	**3**
24	Portland		98.8		127.3	226.1	20	960	236	6
25	Indianapolis		60.3		117.3	177.6	22	956	186	13

** NY-MLB: Yankees & Mets; NBA: Knicks & Nets; NHL: Rangers, Islanders, Devils; NFL: Giants & Jets. L.A.-MLB: Dodgers & Angels; NBA: Lakers & Clippers; NHL: Kings & Ducks. Chi.-MLB: Cubs & White Sox; S.F.-MLB: Giants & A's; NFL: 49er's and Raiders. © 2000 Kagan Media Appraisals, Inc.*

In 1999, the Baltimore Orioles had more revenue than every team in baseball except for the New York Yankees, New York Mets, Atlanta Braves and Cleveland Indians.

MLB TEAM REVENUE, 1995-99 (000)

Rank	Team	1995	1996	1997	1998	1999	1995-99 % Chg.	CAGR
1	N.Y. Yankees	97.7	107.9	135.1	157.9	177.9	82.2%	16.2%
2	N.Y. Mets	52.7	70.5	78.4	104.0	140.6	166.9%	27.8%
5	**Baltimore Orioles**	**76.5**	**94.1**	**119.0**	**124.1**	**123.6**	**61.6%**	**12.8%**
9	Los Angeles Dodgers	69.8	81.3	93.9	100.1	114.2	63.5%	13.1%
11	Chicago Cubs	54.8	64.1	72.1	82.7	106.0	93.4%	17.9%
14	Anaheim Angels	44.1	49.0	58.0	83.2	86.1	95.3%	18.2%
16	Chicago White Sox	56.3	69.6	78.0	75.4	79.5	41.2%	9.0%
21	San Francisco Giants	40.4	55.9	62.5	66.1	74.7	84.7%	16.6%
28	Oakland A's	35.1	44.5	52.2	53.0	62.6	78.4%	15.6%
	Median	54.8	69.6	78.0	83.2	106.0	93.4%	17.9%

We totaled the baseball team revenue of the four regions where there are two teams. We then compared the percentage increase in revenue per market, the compound annual growth rate (CAGR), and the revenue per DMA household between these markets and Baltimore. The median team revenue in the dual market regions in 1999 was $192.9 mil. Baltimore was only one-third below San Francisco-Oakland and its market growth rate less than three percentage points below the median. The median revenue per household in 1999 of the four dual-market teams was $51.88. By comparison, the Baltimore Orioles revenue per household was $60.39, higher than each of the other regions. If the Washington DMA is added, the Washington and Baltimore revenue per home total of $40.44 was still higher than Los Angeles and New York.

MLB TEAM REVENUE BY MARKET, 1995-99 (000)

Team	1995	1996	1997	1998	1999	1995-99 % Chg.	CAGR	DMA HH	1999 Rev./ HH
New York	150.4	178.4	213.5	261.9	318.5	111.8%	20.6%	6.935	45.93
Los Angeles-Anaheim	113.9	130.3	151.9	183.3	200.3	75.8%	15.2%	5.354	37.41
Chicago	111.1	133.7	150.1	158.1	185.4	66.9%	13.7%	3.245	57.14
San Francisco-Oakland	75.5	100.4	114.7	119.1	137.3	81.8%	16.1%	2.432	56.44
Median	**112.5**	**132.0**	**151.0**	**170.7**	**192.9**	**78.8%**	**15.6%**	**4.300**	**51.18**
Baltimore	76.5	94.1	119.0	124.1	123.6	61.6%	12.8%	2.047	60.39
Washington and Baltimore	76.5	94.1	119.0	124.1	123.6	61.6%	12.8%	3.057	40.44
Balt.-Wash.-Charl.-Rich.	76.5	94.1	119.0	124.1	123.6	61.6%	12.8%	3.600	34.33

We did the same analysis with respect to local revenue. The median local revenue of the four dual-team markets was $162.9 mil. in 1999. Baltimore's total of $113.5 mil. was $27.6 mil. (32.1%) higher than San Francisco-Oakland and is growing faster than the median rate. In fact, it is growing faster than Chicago and San Francisco and about the same pace as Los Angeles. The Washington and Baltimore revenue/household of $37.11 was higher than Los Angeles-Anaheim and San Francisco-Oakland.

MLB LOCAL TEAM REVENUE BY MARKET, 1995-99 (000)

Team	1995	1996	1997	1998	1999	1995-99 % Chg.	CAGR	DMA HH	1999 Rev./ HH
New York	135.4	158.9	192.0	242.5	308.3	127.8%	22.8%	6.935	44.45
Los Angeles-Anaheim	106.4	113.5	129.2	161.2	176.8	66.1%	13.5%	5.354	33.02
Chicago	96.1	109.0	118.9	122.5	149.0	55.1%	11.6%	3.245	45.90

San Francisco-Oakland	60.5	68.6	75.6	72.7	85.9	41.9%	9.1%	2.432	35.30
Median	**101.2**	**111.2**	**124.0**	**141.8**	**162.9**	**60.9%**	**12.6%**	**4.300**	**39.88**
Baltimore	69.0	86.5	110.8	116.8	113.5	64.5%	13.2%	2.047	55.42
Washington and Baltimore	69.0	86.5	110.8	116.8	113.5	64.5%	13.2%	3.057	37.11
Baltimore-Wash.-Rich.	69.0	86.5	110.8	116.8	113.5	64.5%	13.2%	3.600	31.52

Washington and Baltimore local revenue to total revenue exceeded the median of the four dual markets by over seven percentage points. Baltimore's local/total revenue of 91.8% was higher than all of the markets except New York and nearly 30% higher than San Francisco-Oakland. Only New York and Baltimore recorded growth over the past five years in the percentage of local revenue to total revenue.

MLB LOCAL/TOTAL REVENUE, 1995-99

Team	1995	1996	1997	1998	1999	1995-99 % Chg.	1999 CAGR
New York	90.0%	89.1%	89.9%	92.6%	96.8%	7.5%	1.8%
Los Angeles-Anaheim	93.4%	87.1%	85.0%	88.0%	88.3%	-5.5%	-1.4%
Chicago	86.5%	81.5%	79.2%	77.4%	80.3%	-7.1%	-1.8%
San Francisco-Oakland	80.1%	68.3%	65.9%	61.1%	62.5%	-21.9%	-6.0%
Median	**90.0%**	**84.3%**	**82.1%**	**83.1%**	**84.5%**	**-6.2%**	**-1.6%**
Baltimore	**90.2%**	**91.9%**	**93.1%**	**94.2%**	**91.8%**	**1.8%**	**0.4%**

RIGHTS FEES IN 2-TEAM REGIONS

The same distributor in many markets controls both broadcast and cable RSN rights. In 2000, the cable RSN also controlled broadcast rights in 10 markets; the broadcaster controlled RSN rights in two markets; and there was cable RSN-broadcaster cross-ownership in two markets. Moreover, the rights fee paid per game by broadcasters and cable RSNs is now roughly equal. In an effort to ascertain the rights fee per game per viewer, we first aggregated the total number of MLB games televised locally by RSNs and broadcasters. The average number of games televised in markets with two teams was 252. The average number of DMA households in the four dual-team markets is 4.3 mil. By comparison, the Washington and Baltimore DMA is 3.1 mil. TV households. That is 25.7% greater than San Francisco and only 5.8% less than Chicago. If Richmond and Charlottesville are factored in, the Northern Virginia market is 11% larger than Chicago and if the Tidewater region is factored in, Northern Virginia is nearly 30% larger than Chicago and 72.0% larger than San Francisco-Oakland. The RSN carrying the Orioles, Home Team Sports, has approximately the same number of subscribers as Fox Sports West and 55-60% more than the RSNs in Chicago and San Francisco. New York and Los Angeles currently have two RSN channels and in the past both Chicago and San Francisco had competitive RSNs. This suggests sufficient critical mass to create a second RSN channel in the region to accommodate carriage of a Northern Virginia team.

RSN SUBSCRIBERS, 1999 (000)

MSGN	6,592
Fox Sports West	5,215
Home Team Sports	5,207
Fox Sports-Chicago	3,518
Fox Sports-Bay Area	3,275

CABLE RSN-TV RIGHTS FEE ANALYSIS

MARKET DATA (COMPARABILITY APPROACH)

In order to ascertain the rights fees for two teams in the Washington and Baltimore regions, we analyzed the comparable dual-market teams of New York, Los Angeles and San Francisco using published and PKA estimates of rights fees for the year 2000. Since Chicago Cubs and White Sox games are televised nationally by WGN to 48 mil. cable and satellite homes and reparation fees are made to the league, we opted not to use Chicago in our rights fee analysis. Based upon the analysis below, we conclude that two teams in Washington-Baltimore should each be able to command a rights fee/game comparable to that of the other dual-team markets, about $165,344/game or $41.7 mil., assuming 252 games. The average rights fee paid by RSNs and TV stations in 2000 in these dual markets was $41.7 mil. per market with a range from $19.0 mil. in the Bay Area to $74.5 mil. in New York. Unlike New York and Los Angeles, there has not been competitive RSN bidding in San Francisco-Oakland, which probably accounts for the lower rights fees in the Bay Area. The total rights fee per telecast ranged from $84,071 in San Francisco to $248,333 in New York City.

COMPARISON OF DUAL MARKETS TO NORTHERN VIRGINIA

(Dollars in millions)

Region	TV + RSN Rights	Games	Rights/ Game	DMA TVHH	RSN Subs	5-Yr. Avg. RSN Rating	5-Yr. Avg. RSN Viewers	Rights/ Game/ RSN Sub	Rights/ Game/ Viewer
New York	$ 74.5	299	$ 248,333	6.935	6.592	2.5%	164,800	0.038	$ 1.51
Los Angeles-Anaheim	$ 31.5	230	$ 136,957	5.354	5.215	1.2%	62,580	0.026	$ 2.19
San Francisco-Oakland	$ 19.0	227	$ 84,071	2.432	3.275	1.7%	55,675	0.026	$ 1.51
Average	$ 41.7	252	$ 165,344	4.907	5.027	1.8%	90,492	0.033	$ 1.83
								-	
Washington-Baltimore	$ 19.6	123	$ 159,350	3.057	5.207	3.3%	171,831	0.031	$ 0.93

In Washington-Baltimore, since the mid-1990s, Home Team Sports has controlled broadcast and cable rights and bought time on TV stations in both TV markets. Based on network TV restrictions upon affiliates and the lack of independent TV stations, we assume Home Team Sports, via a second channel, or another RSN, will most likely purchase the rights to both teams and then either resell or buy time on TV stations. RSNs control the cable and TV rights of 10 teams. As a result, we analyzed rights fees based on RSN service areas, rather than DMAs. The three dual team regions commanded an average rights fee of $0.033 per RSN subscriber or $1.83 per RSN viewer compared to $0.031 per Home Team Sports subscriber and $0.93 per HTS viewer. The average RSN rating in the home DMA in dual team markets was 1.8, which translated into 90,492 viewers. In comparison, the Washington-Baltimore RSN rating over five years averaged a 3.3 RSN rating (2.3 in Washington and 5.3 in Baltimore), 83.3% higher than the other dual markets. Based upon RSN ratings, total viewership in Home Team Sports' region averaged 171,831.

The data shows that the average rights fee per game per RSN subscriber was roughly equivalent between Washington-Baltimore and the average of three dual-team markets. Because the Washington-Baltimore ratings (TV and cable) are so much higher than the dual markets, the rights fee per Washington-Baltimore RSN viewer is a bargain at only one-half that of the RSN average in the dual-team markets. Thus, we believe that two teams in Washington-Baltimore should each be able to command a rights fee/game comparable to that of the other dual-team markets, about $165,344/game or $41.7 mil. for 252 games. That is about $5,000/game more than the Orioles received for the 2000 season. We further believe that the rights fees will be split equally. A variety of factors will dictate whether one team has higher rights fees than the other, including the timing of negotiations and degree of competition among rights fee purchasers. In dual-team markets, rights fees are about the same for the San Francisco Giants and Oakland A's as well as for the Los Angeles Dodgers and Anaheim Angels. The New York Yankees, however, receive about twice as much as the New York Mets, thanks to the competition between SportsChannel-NY and Madison Square Garden Network 12 years ago.

Arguably, as the established team, with a well known brand and established following, one might expect the Orioles to command a higher fee than a new team. On the other hand, the team moving to Northern Virginia is likely to be moving from another market and therefore can be expected to provide superior on-the-field performance compared to an expansion franchise. In addition, the Northern Virginia-Washington population is larger, more affluent, and growing more rapidly than Baltimore. Finally, since the Orioles are locked into a cable deal until 2006, it's entirely possible that a Northern Virginia team could benefit from an auction involving several entities seeking to establish a new RSN in competition with Home Team Sports. Moreover, as previously discussed, HTS could add shelf space by establishing a second channel. HTS might be willing to pay a premium in order to discourage a competitor from attempting to enter the market, becoming established, and then eventually bidding up rights for the NBA Washington Wizards and NHL Washington Caps.

Based upon the average rights fee/team/game of $165,344 in 2000, we assumed a 10-year contract with rights fees rising 5%/year and a 10% discount rate. All else equal, under our analysis, the rights fees/game in the region would climb from $173,611 in 2001 to $191,406/game in 2003, and gradually rise to $282,794/team in 2011. Assuming 126 telecasts per team—the same as in dual team markets--the annual cable/TV rights fee would rise form $21.9 million per team in 2001 to $35.6 million per team in 2011. Over 10 years, the total cable/TV rights fee per team is projected to be $310.8 million, which works out to a present value of $180.8 million, assuming a 10% discount rate.

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MARKET DATA (COMPARABILITY) APPROACH

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Rights fee/game/team	$ 165,344	173,611	182,292	191,406	200,977	211,025	221,577	232,656	244,288	256,503	269,328	282,794
Telecasts/team	$ 126	126	126	126	126	126	126	126	126	126	126	126
Rights fee total (000)	0	21,875	22,969	24,117	25,323	26,589	27,919	29,315	30,780	32,319	33,935	35,632
Discount		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Discount factor		1.1	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.85
Present value factor		1	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4
Discounted rights fee (000)	0	21,875	18,375	19,294	17,726	15,954	16,751	14,657	15,390	12,928	13,574	14,253
Cumulative disc. fees (000)	0	21,875	40,250	59,544	77,270	93,223	109,975	124,632	140,022	152,950	166,524	180,777
10-Yr. discounted fees (000)	0	180,777										

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<u>INCOME APPROACH--DISCOUNTED CASH FLOW (DCF) MODEL</u>

Our regional sports network discounted cash flow model is designed to replicate the economics of a regional sports network serving the Washington-Baltimore region. The model analyzes the revenue streams flowing to a RSN and the RSN's ability and willingness to pay rights fees for 132 baseball games. That is the average number of games carried on RSNs and over-the-air TV in 2000. We assumed three primary revenue streams (1) advertising (including electronic signage); (2) subscription fees; and (3) digital interactive services.

Since the typical RSN operates on a 15-20% cash flow margin, our model assumes that the rights fee will be approximately 20% below the net revenue (after overhead, marketing and other costs) of the RSN. As such, the rights fee/game is presumed to rise from $165,914/game in 2001 to $344,364/game in 2011. Over the course of a full season, that is a rise from $21.8 million per season in 2001 to $45.4 million in 2011. The cumulative rights fees total $357.2 million. Applying a 10% discount rate, the present value of those rights fees is $198.6 million. Current advertising rates are about $1,500 per 30 second spot on Home Team Sports and twice that much for an ad on the Baltimore TV carrier. The model assumes a blended rate based on the assumption that the RSN will buy time for 30% of the games on over-the-air TV and that games of both teams will be televised in Washington and Baltimore. Advertising rates are projected to rise 3% per year. We assumed 54 spots per game are sold out. Starting in 2003, electronic signage is projected to raise the effective number of spots from 54 to 70. Electronic signage that can be superimposed on the field of play and walls may include still pictures (i.e. Visa cards) or animation and may eventually be customized for each cable system. Such ads are being sold for the equivalent of a 30 second spot between innings and during pitching changes. Currently, such ad revenue is shared with the electronic signage company. Net advertising revenue assumes a 15% commission for ad sales.

RSNs typically price affiliation based upon the distance of a cable system from the core city of the major league teams. Comcast Sports Net of Philadelphia charged $1.50/mo./sub while Home Team Sports charges $1.40/sub/mo. Our model assumes that about one-third of that cost is attributable to carriage of baseball. The monthly price/sub charged to the cable operator for "inner market" cable and DBS subscribers is assumed to start at $0.43 in 2001 and rise 4% per year. The fee for outer market customers is assumed to start at $0.13 and climb by 3% per year.

By 2007, 40% of homes in the region are projected to have digital set-tops, creating the potential for new revenue streams from interactive services that enable customers to control cameras, obtain instant replays, receive additional data on teams and players, engage in contests for prizes, and other activities. Our model conservatively projects relatively low revenue and subscription rates that gradually rise 1%/yr. Net subscription and interactive revenue is projected to rise from $14 million in 2001 to nearly $37 million in 2011 while net advertising revenue is projected to climb from $12.2 million to $18.4 million. After production costs of about $16,000/game, that rise 3% per year, total revenue is therefore projected to rise from $26.2 million to 55.0 million from 2001 to 2011.

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NORTHERN VIRGINIA BASEBALL MODEL

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AD REVENUE												
Games		132	132	132	132	132	132	132	132	132	132	132
Cost/spot		2,009	2,069	2,131	2,195	2,261	2,328	2,398	2,470	2,544	2,621	2,699
Spots		54	54	70	70	70	70	70	70	70	70	70
Gross	(000)	$ 14,317	$ 14,746	$ 19,689	$ 20,279	$ 20,888	$ 21,514	$ 22,160	$ 22,825	$ 23,509	$ 24,215	$ 24,941
Commission percentage		15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Elec. signage split		$ 2,121	$ 2,185	$ 2,250	$ 2,318	$ 2,387	$ 2,459	$ 2,533	$ 2,609	$ 2,687	$ 2,767	$ 2,850
Net	(000)	$ 12,169	$ 12,534	$ 14,485	$ 14,920	$ 15,367	$ 15,828	$ 16,303	$ 16,792	$ 17,296	$ 17,815	$ 18,350
SUBSCRIPTION												
Inner mkt. subs	(000)	2,134	2,198	2,264	2,332	2,401	2,473	2,548	2,624	2,703	2,784	2,867
Outer mkt subs	(000)	2,667	2,747	2,830	2,915	3,002	3,092	3,185	3,280	3,379	3,480	3,585
Satellite subs		851	945	1,030	1,102	1,157	1,191	1,227	1,264	1,289	1,315	1,341
Inner mkt. affil. fee		$ 0.43	$ 0.45	$ 0.47	$ 0.48	$ 0.50	$ 0.52	$ 0.54	$ 0.57	$ 0.59	$ 0.61	$ 0.64
Outer mkt affil. fee		$ 0.13	$ 0.13	$ 0.14	$ 0.15	$ 0.15	$ 0.16	$ 0.16	$ 0.17	$ 0.18	$ 0.18	$ 0.19
Satellite fee		$ 0.43	$ 0.45	$ 0.47	$ 0.48	$ 0.50	$ 0.52	$ 0.54	$ 0.57	$ 0.59	$ 0.61	$ 0.64
Total inner mkt. rev.	(000)	$ 11,010	$ 11,794	$ 12,633	$ 13,533	$ 14,496	$ 15,528	$ 16,634	$ 17,818	$ 19,087	$ 20,446	$ 21,902
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total outer mkt rev.	(000)	$ 4,154	$ 4,450	$ 4,767	$ 5,106	$ 5,470	$ 5,859	$ 6,277	$ 6,724	$ 7,202	$ 7,715	$ 8,264
Satellite revenue	(000)	$ 4,391	$ 5,069	$ 5,746	$ 6,395	$ 6,983	$ 7,480	$ 8,013	$ 8,583	$ 9,105	$ 9,659	$ 10,246
INTERACTIVE												
Interactive Subs	(000)	0	29	31	63	131	270	418	573	663	758	857
Interactive penet.	%	0.0%	0.5%	0.5%	1%	2%	4%	6%	8%	9%	10%	11%
Interactive rev/sub		$ 0.00	$ 0.00	$ 0.60	$ 0.62	$ 0.64	$ 0.67	$ 0.69	$ 0.71	$ 0.74	$ 0.76	$ 0.79
Interactive revenue	(000)	$ 0	$ 0	$ 220	$ 473	$ 1,012	$ 2,158	$ 3,450	$ 4,904	$ 5,871	$ 6,943	$ 8,128
Subscrip. + interactive	(000)	$ 15,164	$ 16,244	$ 17,621	$ 19,112	$ 20,978	$ 23,546	$ 26,361	$ 29,446	$ 32,161	$ 35,104	$ 38,294
Production cost	(000)	$ 1,120	$ 1,154	$ 1,200	$ 1,248	$ 1,298	$ 1,350	$ 1,404	$ 1,460	$ 1,518	$ 1,579	$ 1,642
Net subscrip./interactive	(000)	$ 14,044	$ 15,090	$ 16,421	$ 17,864	$ 19,681	$ 22,196	$ 24,957	$ 27,986	$ 30,643	$ 33,525	$ 36,652

TOTAL REVENUE	(000)	$ 26,213	$ 27,624	$ 30,906	$ 32,784	$ 35,048	$ 38,024	$ 41,261	$ 44,779	$ 47,939	$ 51,340	$ 55,002
General & Administrative	(000)	1,311	$ 1,381	$ 1,545	$ 1,639	$ 1,752	$ 1,901	$ 2,063	$ 2,239	$ 2,397	$ 2,567	$ 2,750
Marketing/Other	(000)	5,243	5,525	5,563	5,573	$ 5,608	$ 6,084	$ 6,602	$ 7,165	$ 7,670	$ 8,214	$ 8,800
Net revenue	(000)	$ 19,660	$ 20,718	$ 23,798	$ 25,572	$ 27,688	$ 30,039	$ 32,596	$ 35,375	$ 37,872	$ 40,559	$ 43,451
Net revenue/game		$ 198,584	$ 209,275	$ 234,138	$ 248,366	$265,516	$288,064	$312,581	$339,233	$363,174	$388,942	$416,680
Rights fee/game		165,487	174,396	195,115	206,972	221,263	238,069	258,331	280,358	300,144	321,440	344,364
Rights fee	(000)	21,844	23,020	25,755	27,320	29,207	31,425	34,100	37,007	39,619	42,430	45,456
Discount		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Discount factor		1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.85
Present value factor		1	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4
Discounted rights fee	(000)	21,844	19,025	19,350	18,660	18,135	17,739	17,499	17,264	16,802	16,359	15,932
Cumulative disc. rights fees	(000)	21,844	40,869	60,220	78,880	97,015	114,753	132,252	149,516	166,318	182,677	198,609
10-Year disc. Rights fees	(000)	198,609										357,184

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INCOME APPROACH ASSUMPTIONS

1. The number of games is projected to remain constant at 132 per season, which was the average for MLB teams in 2000.

2. Ads are projected forward based on a cost of $1,500/30 sec. on the cable RSN and $3,000/spot for games on over-the-air TV in 2000, the same rates paid for the Orioles. The model blends rates based on the assumption that 70% of games will be cable and 30% OTA, which was the percentage breakdown for MLB in 2000. The model assumes a 3%/yr. increase in ad rates. Ad rates typically rise 4-6%/yr. but are subject to the quality of team play and market conditions.

3. There are currently about 2-3 ads per half inning as well as ads during pitching changes. The model initially assumes 54 spots/game. Starting in 2003, electronic signage is included. Signage, like the type offered by Princeton Video Image, amounts to a de facto 30% increase in ad avails sold at the same price as other ads.

4. Electronic signage ad revenue is split 50/50 between the cable RSN and the Northern Virginia team.

5. Net ad revenue assumes a 15% commission for the sale of advertising.

6. RSN inner and outer market subscribership is expected to increase 3% per year. Satellite subscriber growth declines from 15%/yr. to 5% by 2005 and then levels off at 3%. Penetration could grow faster than projected depending upon cable channel capacity, team performance and affiliate pricing.

7. Affiliate fees are presumed to rise 4%/year for inner market and satellite subs and 3% for outer market subs. In many areas, RSN affiliate fees are rising 10% or more per year. Comcast Sports Net in Philadelphia charges $1.50/sub/mo. and Home Team Sports in Washington, D.C., imposes a $1.40 to $1.50 monthly fee. Our model assumes it will cost an inner market affiliate $0.45/sub and an outer market affiliate $0.13/sub to carry a new baseball team in 2002. These fees are assumed to rise 4% per year.

8. By 2007, 40% of the region's multichannel video homes are expected to have digital capability. Interactive services like those of ACTV, OpenTV, Wink, and Liberate—are projected to grow from 0.5% penetration of in 2003 to 11% by the end of the decade. ACTV at one time expected to charge a $8-10/mo. premium. Other services expect to generate revenue from advertising and e-commerce. Our model assumes the RSN to receive about $2/month per subscriber of which $0.60/mo./subscriber would be attributable to N. Virginia baseball. We also assumed a 3.5%/yr. price hike for digital interactive services.

9. Subscription and interactive revenue is projected to rise from $16.8 mil. in 1999 to $36.9 mil. in 2011.

10. RSN baseball games cost about $15,000-20,000/game to produce, depending upon the number of cameras and announcer salaries. The model assumes $16,000/game with annual 3% increases.

11. Net revenue from advertising, affiliate fees and interactive service, after production costs, rises from $20.8 mil. in 2002 to $43.6 mil. in 2011.

12. General and Administrative costs (overhead) is projected to rise at a 5.3% compound annual growth rate (CAGR) from $1.4 mil. to $2.8 mil. from 2001-2011.

13. Marketing and other costs rise at a CAGR of 8.6% from $5.5 mil. to $8.8 mil. over 10 years.

14. Based on the revenue and expenses, the revenue/game is projected to rise from $199,096 in 2001 to $417,699 in 2011.

15. Since the typical RSN has a 15% to 20% cash flow margin, the model assumes that the rights fee will have to be below the revenue attributable to the baseball team by 20% for five years, then 21% the next five years. Under this scenario, the rights fee rises from $165,914/game in 2001 to $344,364/game in 2011, a CAGR of 7.9%.

16. Over the 10-year period from 2001 to 2011, rights fees per season rise from $21.8 mil. to $45.4 mil.

17. Based on a discount rate of @10% , the cumulative discounted cash flow over 10 years totals $198.6 mil., which in our model is the applicable rights fee.

RECONCILIATION OF THE TWO APPROACHES

Comparables. Our analysis of TV and cable rights fees per household in the comparable markets of New York, Los Angeles and San Francisco indicates that teams in Northern Virginia and Baltimore in 2001 could expect to command a rights fee of $21.9 million/team, or $173,611/game in 2001. Over 10 years, total cable and TV revenue/team would be $310.8 million if rights fees are increased 5% per year. At a 10% discount rate, the present value of those rights over 10 years would be $180.8 million/team.

Income - DCF Model. Our model based upon the economics of a RSN, taking advertising, affiliate fees and interactive revenue into account, projected a rights fee of $165,914/game/team in 2001 and cumulative rights over 10 years totaling $357,184,000. The present value of rights fees from 2001 to 2011 would be $198,609,000.

Reconciliation and Conclusion. Under our two methodologies, the average rights fee per team in 2001 would be $21,860,000 or $165,606/game, assuming 132 telecasts. Over a 10-year period, the average of the comparables and the undiscounted cumulative rights in our RSN model is $333,979,000. Taking an average of the two D.C.F streams, <u>we conclude that the present value of the rights fees for a Northern Virginia baseball team over 10 years is $189,693,000</u>. Based on the potential for multiple bidders to compete for media rights, we conclude that a Northern Virginia baseball team will obtain rights fees comparable to the Baltimore Orioles without impacting the Orioles. Indeed, based on historical competitive bidding precedents and because of the likelihood of competitive bidding, there is a strong possibility that the Orioles will command a substantial premium over current rights fees.

NORTHERN VIRGINIA MLB RIGHTS

	2001 Rights	--------10-Year Rights------- Undiscounted	Discounted
	(000)	(000)	(000)
Comparables	$21,875	$ 310,774	$ 180,777
DCF model	$21,844	$ 357,184	$ 198,609
Average		**$ 333,979**	**$ 189,693**

Radio Rights Fees

Based upon the radio rights of other dual market teams, we conclude that the radio rights for a Northern Virginia team and the Baltimore Orioles are worth $7.6 million/year or about $3.8 million per team in the current market. That is equivalent to $1.33/pop for the number of persons age 12 or older or $2.76 per primary metropolitan service area (PMSA) household, which is roughly equivalent to rights fees paid in San Francisco-Oakland, the region that most closely resembles the demographics of Washington-Baltimore for purposes of radio rights.

MARKET

Baltimore has 33 AM-FM radio stations—18 AM and 15 FM, including 10 AM-FM combos and eight duopolies. Despite the huge number of stations, the primary bidders for baseball radio rights in the region are stations owned by large group owners, such as Infinity, Clear Channel and Hearst-Argyle, usually for 3-5 year contracts. In recent years, Baltimore Orioles radio rights have been in the $3 mil. to $5 mil. range annually. The Orioles flagship for many years has been WBAL (AM) in Baltimore, with 50 kW, the most powerful station in the market, now owned by Hearst-Argyle. The Orioles have a network of about 28 stations. According to BIA's *Investing in Radio, 2000*, WBAL's ARB's 12+ metro share in Spring 2000 was 7.0 and 5.6 for the summer (See Appendix). In both periods, WBAL was the #4 ranked station in the market. Cost/spot in 2000 was $400-500.

Washington, D.C. has 52 AM-FM radio stations—28 AM and 24 FM, including 17 AM-FM combos and 16 duopolies. In Washington, D.C., Orioles games had been carried for many years by WTOP-AM, a 50 kW station, owned by Bonneville International along with its sister FM station WGMS. WTOP's ARB 12+ metro share averaged a 3.8 in Spring 2000 and 3.4 in Summer 2000. During those measurement periods, the station ranked #12 and #15 respectively in the market. Five years ago, radio rights were higher than today. In 2000, WTOP had a profit sharing arrangement with WBAL. In recent years, however, as traffic has worsened in the Washington, D.C.-area, WTOP has concentrated on regular traffic reports, weather, and news, which reportedly generate higher rating and are more profitable than carrying baseball. In 2001, the games will move to WTEM-AM and its sister stations WWRC-AM and WGAY-AM, all owned by Clear Channel, though the station does not expect to make money on the games.

ANALYSIS

A typical baseball game on radio has 70 ad avails, including pre- and post-game shows. Listenership depends heavily on team performance. In the Washington and Baltimore markets, the cost per spot has remained relatively static in the $300 to $500 range. The asking price in Washington this year is currently $400, implying $23,800/game if 85% of ads are sold and $3.9

mil. in revenue for the season. Usually, the flagship, WBAL, reserves several categories for itself. Several station managers speculate that rights to a Northern Virginia team would be worth $3.0 mil. to $3.5 mil. Flagship radio stations tend to be among the most highly rated stations in a market. Although baseball carriage may not always be profitable, it typically helps promote ad sales in other day parts.

The number of persons age 12+ in Washington, D.C. as of Spring 1999, totaled 3.6 mil., 73.4% more than the 2.075 mil. in Baltimore. Nationwide, Washington, D.C. ranks #9 and Baltimore #20 in population over age 12. The two markets combined are about the same size as San Francisco, the #4 market. Baseball radio rights in recent years have been relatively flat. In 2000, MLB local radio rights (including revenue where rights were retained in-house) totaled about $130.4 mil., or approximately $4.5 mil. per team. Similar to TV rights, we analyzed the radio rights in markets that have two teams. The average was $11.4 mil. per market, implying $5.7 mil./team. That was equivalent to $1.33/pop for the number of persons age 12 or older or $2.76 per PMSA household. Applying either $1.33/pop or $2.76/PMSA household to the Washington and Baltimore markets results in a combined Northern Virginia-Baltimore Orioles rights fee of $7.6 mil. or $3.8 mil. per team. That appears to be in line with the 2000 combined radio rights for the San Francisco Giants and Oakland A's. Of the four dual-team markets, the San Francisco-Oakland PMSA most closely resembles Washington and Baltimore in population, Effective Buying Income (EBI), median income and retail sales. This further validates our conclusion that radio rights will total about $3.8 million per team.

RADIO ADVERTISING MARKET

	Persons Age 12+	PMSA Homes	2004 EBI	Median Income	Retail Sales	Sales/ Home	2000 Rights*	Rights/ Pop	Rights/ PMSA
New York	14,291,500	7,357,200	$ 434.4	$ 45,164	$ 210.9	$ 14,757	$ 12.6	$ 0.88	$ 1.71
Los Angeles	10,162,200	5,440,800	258.3	36,855	129.6	12,753	11.5	1.13	2.11
Chicago	7,020,100	3,202,400	183.1	45,991	86.6	12,336	14.0	1.99	4.37
San Francisco	5,665,700	2,623,700	157.7	48,713	72.2	12,743	7.5	1.32	2.86
D.C.-Baltimore	5,676,500	2,756,200	162.0	48,939	74.5	13,124	3.5	0.62	1.27
Avg. Dual	9,284,875	4,656,025	$ 258.4	$ 44,181	$ 124.8	$ 13,147	$ 11.4	$ 1.33	$ 2.76

EBI and retail sales in billions
*-2000 rights in millions.
Source: SRDS Newspaper Advertising, Vol. 82, Nov. 2000
SRDS Radio Advertising, Fall 2000
Sales & Marketing Management/2000

MEDIA RIGHTS APPENDIX

REGIONAL SPORTS NETWORKS - PERMUTATIONS

EXCLUSIVE OVER-THE-AIR TV/NO CABLE

As recently as six years ago, four baseball teams had no games on regional cable TV whatsoever, one by choice, the others by default: Kansas City Royals, Milwaukee Brewers, St. Louis Cardinals and Seattle Mariners. All four teams were in relatively small markets where there had been a negative experience with a RSN. Until the early 1990's, the Cincinnati Reds, Cleveland Indians and Oakland A's also had no cable RSN arrangements.

EXCLUSIVE CABLE

At the other end of the spectrum, since 1991, Madison Square Garden Network has had exclusive carriage rights for the New York Yankees under a 12-year $486 mil. contract. After many years of hovering around 2 mil. subscribers, subscribership more than doubled to 5 mil. thanks to carriage of the Yankees and the buildout of cable systems in New York City and throughout the state. CBS, owners of WCCO-TV, WCCO-AM and Midwest Sports Channel held radio, TV and cable TV RSN rights to the Minnesota Twins. The Twins offered various inner market and outer market combinations of broadcast, basic cable and PPV games. MSC now has a sister network that carries the Milwaukee Bucks and Milwaukee Brewers. MSC is in the process of being purchased by Fox Sports.

PAY-PER-VIEW + OFF-AIR-TV

DodgerVision, GiantsVision, St. Louis Cardinals Sports Network, San Diego Padres pay-per-view (PPV), and most recently BlazerVision (NBA Portland Trailblazers basketball) have all disappeared. Only when a team performs well on the field and regularly plays to sellout crowds, does PPV do well, and even then it is most popular only in areas in close proximity to the stadium/arena. PPV works best for post-season play and has enjoyed limited success for hockey in Minnesota, Pittsburgh and Chicago. In addition to the Trailblazers, the NBA San Antonio Spurs and NBA Houston Rockets have also done PPV games.

OFF-AIR TV AND PAY-TV

During the early 1990's many RSNs offered a combination of pay-TV in areas near the core market coupled with basic service in outlying areas. Gradually, however, most have evolved into predominantly basic and expanded basic cable services. The last 100% premium service--the New England Sports Network (NESN)—shifted to the pay-basic hybrid model four years ago. It is owned by its two anchor teams, the Boston Red Sox the NHL Boston Bruins and until early 2001 was partly owned by Viacom's WSBK-TV. NESN competes against Fox Sports New England (formerly SportsChannel N.E.), which carries the Boston Celtics and used to carry the Hartford Whalers before the team moved to North Carolina and was renamed the Carolina Hurricanes.

BASIC CABLE/OFF-AIR TV

The trend has been away from the pay-TV model. As of 1995, two-thirds of the three dozen RSNs were basic cable services with designs on two revenue streams—affiliate license fees and advertising. These networks typically have inner market wholesale rates ranging from $1.00 to $1.75 and outer market rates ranging from $0.40 to $1.00. Generally newer networks trying to get established carry fewer professional sports games, lack leverage with cable operators and charge lower affiliate fees.

HYBRID NETWORKS

There are special situations—RSNs that are a combination of sports and entertainment. Philadelphia's PRISM service, established in 1976, for 20 years offered 80% movies and 20% sports, including Phillies, 76ers and Flyers. PRISM was established by the Snider family, owners of Spectacor and the Philadelphia Flyers. It was established before HBO had become the dominant force in pay-TV.

MAJOR LEAGUE CROSS-OWNERSHIP

Team	League	Owner	Media
Anaheim Angels	MLB	Disney	ABC/ESPN
Atlanta Braves	MLB	Time Warner	Cable/Nets
Boston Red Sox	MLB	Yawkey Trust	NESN
Chicago Cubs	MLB	Tribune	WGN
Cleveland Indians	MLB	Larry Dolan	Cable
Los Angeles Dodgers	MLB	News Corp.	Fox/RSNs
Philadelphia Phillies	MLB	Bill Giles	RSN
Pittsburgh Pirates	MLB	Kevin McClatchy	Newspapers
Texas Rangers	MLB	Tom Hicks	Radio-TV
Toronto Blue Jays	MLB	Ted Rogers	Cable/RSN
Atlanta Hawks	NBA	Time Warner	Cable/Nets
Golden State Warriors	NBA	Chris Cohan	Cable
New York Knicks	NBA	Cablevision	Cable/RSN
Philadelphia 76ers	NBA	Comcast	Cable/RSN
Portland Trailblazers	NBA	Paul Allen	Cable/online/RSN
Seattle Supersonics	NBA	Ackerley Group	TV/Billboard
Vancouver Canucks	NBA	John McCaw, Jr.	Phone/SMATV
Miami Dolphins	NFL	Wayne Huizenga	SC-Florida
Seattle Seahawks	NFL	Paul Allen	Cable/online/RSN
Anaheim Mighty Ducks	NHL	Disney	ABC/ESPN
Atlanta Thrashers	NHL	Time Warner	Cable/Nets
Boston Bruins	NHL	Delaware North	NESN
Buffalo Sabres	NHL	Adelphia Comm.	Cable/RSN
Dallas Stars	NHL	Tom Hicks	Radio-TV
Florida Panthers	NHL	Wayne Huizenga	SC-Florida
Montreal Canadiens	NHL	Molson	TV
New York Rangers	NHL	Cablevision	Cable/RSN
Philadelphia Flyers	NHL	Comcast	Cable/RSN

MLB INTERLEAGUE RIVALRIES

Home	Visitors	Series Avg/Gm	Other Inter.	% diff.	1997	1998	1999	2000	% chg. 99-00
Anaheim	Los Angeles	39,563	22,854	73.1%	26,599	36,399	36,638	28,426	-22.4%
Baltimore	Philadelphia	47,734	43,763	9.1	47,799	45,957	45,820	45,088	-1.8
Chi.(NL)	WhiteSox	38,917	38,198	1.9	28,030	38,842	38,820	38,558	-0.7
Chi.(AL)	Cubs	43,701	31,295	39.6	32,824	17,726	25,696	35,430	36.9
Cincinnati	Cleveland	53,008	33,602	57.8	25,835	29,138	34,360	40,071	16.6
Cleveland	Cincinnati	43,075	43,094	0.0	42,974	42,995	43,029	43,088	0.1
Florida	Tampa	15,377	14,100	9.1	40,266	21,094	26,435	14,525	–45.1
L.A.	Anaheim	43,075	36,131	21.1	47,018	37,168	42,856	39,948	-6.8
Montreal	Toronto	17,742	18,182	-2.4	18,844	13,650	10,795	18,068	67.4
NY Mets	Yankees	54,194	28,442	90.5	25,800	37,736	38,574	37,026	-4.6
NY Yankees	Mets	55,827	39,186	42.5	46,086	38,699	46,431	46,034	-0.9
Oakland	San Fran.	48,429	24,153	100.5	27,577	23,377	27,417	32,245	17.6
Phila.	Baltimore	26,122	21,312	22.6	34,396	28,124	32,556	22,916	–29.6
San Fran.	Oakland	40,930	40,930	0.0	30,406	25,838	24,578	40,930	66.5
St. Louis	Kansas City	40,362	44,844	–10.0	35,740	39,858	43,340	42,603	-1.7
Tampa	Florida	26,502	25,187	5.2	n/a	31,613	24,074	25,625	6.4
Toronto	Montreal	27,400	24,380	12.4	35,011	31,130	26,878	25,386	-5.6
Averages		38,979	31,156	25.1%	34,075	31,726	33,429	33,880	1.3%
MLB Average				33,407	31,447	33,482	33,363	-0.4%	

MLB INTER-LEAGUE ATTENDANCE

Teams	Inter-league Average/Game 1997	1998	1999	2000	% chg. 99-00	Intra League	% diff.	2000 Avg.	% diff. Inter/Tot.
Arizona	n/a	44,846	37,321	35,287	-5.5%	35,803	-1.4%	35,717	-1.2%
Atlanta	41,830	45,765	43,653	43,964	0.7	38,550	14.0	39,689	10.8
Boston	29,186	30,932	30,536	33,099	8.4	30,800	7.5	31,260	5.9
Colorado	48,277	48,055	43,013	42,081	-2.2	42,051	0.1	42,055	0.1
Detroit	17,995	20,217	27,976	37,546	34.2	29,241	28.4	30,979	21.2
Houston	25,842	25,970	39,333	38,314	-2.6	38,952	-1.6	38,825	-1.3
Kansas City	28,681	23,990	29,631	29,670	0.1	21,182	40.1	22,773	30.3
Milwaukee	26,266	17,818	27,382	18,447	-32.6	17,200	7.3	17,356	6.3
Minnesota	14,945	22,665	14,150	22,192	56.8	11,365	95.3	13,312	66.7
Pittsburgh	34,576	23,523	35,887	21,948	-38.8	20,686	6.1	20,933	4.8
San Diego	33,021	36,734	29,938	26,958	-10.0	31,720	-15.0	31,112	-13.4
Seattle	50,594	36,194	40,496	37,261	-8.0	35,888	3.8	36,175	3.0
Texas	38,978	38,170	38,814	38,228	-1.5	35,257	8.4	35,803	6.8
MLB Average	33,407	31,807	33,482	33,363	-0.4%	29,234	14.1%	29,828	11.9%

n/a = not applicable. Source: MLB.

QUESTIONNAIRES

GEOGRAPHIC COMPOSITION QUESTIONNAIRE

We are doing a survey for market research. Would you take a moment to answer these questions for me. This survey is for market research purposes only. We are not trying to sell you anything. All your responses will be kept strictly confidential.

1. What is your zip code? ___ ___ ___ ___ ____

   READ BACK TO CONFIRM!!

2. What county do you live in? ________________________________

3. What state do you live in? **CIRCLE ONE**

   1) District of Columbia
   2) Maryland
   3) Virginia
   4) Other

4. Which best describes how you got your tickets to today's game: **CIRCLE ONE**

   1) I purchased individual game ticket
   2) I was given an individual game ticket
   3) I purchased someone else's season tickets
   4) I was given someone else's season tickets
   5) I am a guest of a season ticket holder
   6) I Used my own season tickets
   7) Other

5. How many games do you attend in a typical season?

1) Less than 5
2) 5 to 10
3) More than 10

The following questions are for demographic purposes only.

6. Which of the following age categories do you fall in? **READ LIST**

1) Under 18
2) 18-24
3) 25-34
4) 35-49
5) 50-64
6) 65+
7) Don't know/Refused **DO NOT READ**

7. Are you single, married, widowed or divorced?

1) Single
2) Married
3) Widowed
4) Divorced
9) Don't know **DO NOT READ**

8. Do you:

1) Have children under 18
2) Have children over 18
3) Have no children
4) Have children over and under 18
9) Don't know/refused **DO NOT READ**

9. Please tell me which of the following categories best represents your total family income.
READ LIST AND CIRCLE ONE

1) Less than $20,000
2) $20,000-$34,000
3) $35,000-$59,000
4) $60,000-$99,000
5) $100,000+
9) Don't know/refused **DO NOT READ**

10. What is your phone number: (__ __ __) ___ ___ ___ - ___ ___ ___ __

READ BACK TO CONFIRM

Thank you very much for your time. Enjoy/I hope you enjoyed the game.

11. RECORD GENDER **DO NOT READ**

1) Male
2) Female

12. RECORD RACE **DO NOT READ**

1) White
2) Black/African-American/Caribbean-American
3) Hispanic/Latino
4) Asian
5) Other

ATTENDANCE IMPACT QUESTIONNAIRE

INTRO

Can I please speak to ________? Hello, my name is _______ from Penn, Schoen & Berland Associates. We are conducting a public opinion survey and I'd like to ask you a few questions.

Screeners

1. Are you age 18 or older?

    1) Yes **CONTINUE**
    2) No **TERMINATE**

2. Have you or has anyone in your family attended a Baltimore Orioles game at Camden Yards this season?

    1) I have **CONTINUE CODE AS ATTENDER**
    2) Someone in my family has **ASK TO SPEAK TO THAT PERSON, IF NOT AVAILABLE TERMINATE**
    3) No **TERMINATE**
    9) DON'T KNOW **TERMINATE**

3. How many games do you attend in a typical season?

RECORD ACTUAL NUMBER ________

4. **IF RESPONDENT SAYS "ZERO":** You told me that you attended an Orioles game at Camden Yards this year. Is that true?

    1) Yes **CONTINUE CODE NUMBER OF GAMES PER SEASON AS "ONE"**
    2) No **TERMINATE**

5. Which of the following best describes why you attend Orioles games?

1) I am a fan of the Baltimore Orioles.
2) I am more of a baseball fan who happens to attend games in Baltimore.
3) I attend games so that I can take my family out.
4) I attend games to entertain business clients.
9) don't know

6. Do you consider yourself more of a fan of American League or more of a fan of the National League?

1) more of an American League fan
2) more of a National League fan
3) both equal VOLUNTEERED, (DO NOT READ)
9) don't know

ROTATE NEXT 2 SERIES OF QUESTIONS (7/8/9 with 10/11/12)

7. If a new National league baseball team was awarded to Washington, with a stadium in the District of Columbia, please tell me how likely you would be to attend a game using a scale of 1 to 7 where 1 means you would not attend at all and 7 means you would definitely attend a game.

1) 1 – not attend at all
2) 2
3) 3
4) 4
5) 5
6) 6
7) 7 – definitely attend
9) don't know

8. In future years if there were a new National League team in D. C. and if the Orioles consistently fielded a competitive team, would this new National League team cause you to attend fewer Oriole games at Camden Yards, more Orioles games at Camden Yards, or wouldn't it have an impact on the number of games you would attend in Baltimore?

1) fewer games
2) more games
3) would not have an impact
9) don't know

9. **IF FEWER:** Why do you say that?
OPEN END WITH PRECODES

1) I like the National League better
2) It's closer to my home
3) It's close to where I work
4) I don't like the Orioles
5) Other SPECIFY
6) Don't know

10. If a new National League baseball team was awarded to Virginia, with a stadium located in Northern Virginia, please tell me how likely you would be to attend a game using a scale of 1 to 7 where 1 means you would not attend at all and 7 means you would definitely attend a game.

1) 1 – not attend at all
2) 2
3) 3
4) 4
5) 5
6) 6
7) 7 – definitely attend
9) don't know

11. In future years if there were a new National League team in Northern Virginia and if the Orioles consistently fielded a competitive team, would this new team cause you to attend fewer Oriole games at Camden Yards, more games, or wouldn't it have an impact on the number of games you would attend in Baltimore?

1) fewer games
2) more games
3) would not have an impact
9) don't know

12. **IF FEWER:** Why do you say that?
OPEN END WITH PRECODES

1) I like the National League better
2) It's closer to my home
3) It's close to where I work
4) I don't like the Orioles
5) Other SPECIFY
6) Don't know

13. Would you be more likely to attend a major league game at a stadium in Northern Virginia, or more likely to attend a major league game at a stadium in the District of Columbia?

1) Northern Virginia
2) District of Columbia
3) Doesn't Matter VOLUNTEERED
9) Don't know

14. IF CH.1: Why do you say that? OPEN END W/ PRE CODES

1) It's closer to my home
2) It's close to where I work
3) I don't like going to D.C.
4) Other SPECIFY
5) Don't know

15. IF CH 2 IN Q13: Why do you say that? OPEN END W/PRE CODES

1) It's closer to my home
2) It's close to where I work
3) I don't like going to Northern Virginia
4) Other SPECIFY
5) Don't know

The following questions are for demographic purposes only.

16. Are you an Orioles season ticket holder?

1) yes
2) no

17. IF NO: How do you usually get tickets? OPEN END W PRE CODES

1) I purchase an individual game ticket
2) I am usually given an individual game ticket
3) I purchase someone else's season tickets
4) I am given someone else's season tickets
5) I am a guest of a season ticket holder
9) Don't know

18. Which of the following age categories do you fall into? (READ LIST CHECK APPROPRIATE CATEGORY)

1) 18-24
2) 25-34
3) 35-49
4) 50-64
5) 65+
9) Don't know/refused

19. Please tell me which of the following categories best represents your total family income. (READ CHOICES AND CHECK ONE)

1) less than $20,000
2) $20,000-$34,000
3) $35,000-$59,000
4) $60,000-$99,000
5) $100,000+
9) Don't know/refused (DO NOT READ)

20. What is your race? (READ)

1) white
2) black/African-American/Caribbean-American
3) Hispanic/Latino
4) Asian
5) Other
9) Don't know

21. RECORD SEX (DO NOT READ)

NEW FAN CREATION QUESTIONNAIRE

INTRO

Hello, my name is _______ from Penn, Schoen & Berland Associates. We are conducting a public opinion survey and I'd like to ask you a few questions.

1. Are you age 18 or older?

   1) Yes **CONTINUE**
   2) No **TERMINATE**

2. Have you or has anyone in your family attended a Baltimore Orioles game at Camden Yards this season?

   1) Yes **TERMINATE**
   2) No **CONTINUE**

3. Do you consider yourself a fan of Major League Baseball, or are you not a fan?

   1) Fan
   2) Not a fan

ROTATE NEXT 2 QUESTIONS

4. If a new National League baseball team was awarded to Washington, with a stadium in the District of Columbia, how likely would you be to attend a game at that stadium?

   1) Very likely
   2) Somewhat likely
   3) Not too likely
   4) Not likely at all
   9) Don't know

5. If a new National League baseball team was awarded to Virginia, with a stadium located in Northern Virginia, how likely would you be to attend a game at that stadium?

   1) Very likely
   2) Somewhat likely
   3) Not too likely
   4) Not likely at all
   9) Don't know

6. Would you be more likely to attend a major league game at a stadium in Northern Virginia, or more likely to attend a major league game at a stadium in the District of Columbia?

   1) Northern Virginia
   2) District of Columbia
   3) Doesn't Matter VOLUNTEERED
   9) Don't know

7. IF NORTHERN VA: Why do you say that? OPEN END

    1) It's closer to my home
    2) It's close to where I work
    3) I don't like going to D.C.
    4) Other SPECIFY
    9) Don't know

8. IF D.C.: Why do you say that? OPEN END

    1) It's closer to my home
    2) It's close to where I work
    3) I don't like going to Northern Virginia
    4) Other SPECIFY
    9) Don't know

The following questions are for demographic purposes only.

9. Which of the following age categories do you fall into? (READ LIST)

    1) 18-24
    2) 25-34
    3) 35-49
    4) 50-64
    5) 65+
    9) Don't know/refused

10. Please tell me which of the following categories best represents your total family income for last year, 1999. (READ CHOICES)

    1) less than $20,000
    2) $20,000-$34,000
    3) $35,000-$59,000
    4) $60,000-$99,000
    5) $100,000+
    9) Don't know/refused (DO NOT READ)

11. What is your race? (READ)

    1) White
    2) Black/African-American/Caribbean-American
    3) Hispanic/Latino
    4) Asian
    5) Other
    9) Don't know

12. RECORD SEX (DO NOT READ)

BALTIMORE ORIOLES CORPORATE SPONSOR/SUITE SURVEY

Company Name: ____

Contact: ____

Title: ____

Address: ____

Phone: __________________ Fax: ____________________

E-mail: ____

IF AGENCY:

Client Name: ____

Decision Maker: ____

Title: ____

Address: ____

Phone: __________________ Fax: ____________________

E-mail: ____

INTRODUCTION:

Hello, my name is _______________. May I please speak with the person who makes the advertising decisions for your company?

WHEN DECISION MAKER REACHED:

Hello, my name is _______________. I am with the Goal Group, an independent consultant conducting research on behalf of the State of Virginia regarding corporate sponsorship of the Baltimore Orioles. Let me assure you your name, your company and any other information you provide will remain anonymous and confidential. May I have a few moments of your time to ask you a few questions about your company's support of the Orioles?

Thank you. I would like you to make two assumptions as we proceed through the survey:

> First, if Major League Baseball places a team in Washington, D.C. or Northern Virginia it would be a National League team
>
> Second, the Orioles will field a competitive championship-caliber American League team as they have in the past

IF ASKED: The data we collect may be provided to Major League Baseball but only in aggregate form. All individual responses will remain confidential.

1. First, what is your decision-making role in your company's support of the Orioles? (PROBE AND CLARIFY)

   ____

   ____

   CONTINUE ONLY WITH RESPONDENTS THAT HAVE CLEAR DECISION-MAKING AUTHORITY REGARDING THE PURCHASE OF SUITES, CLUB SEATS, SEASON TICKETS AND SPONSORSHIPS.

2. Which of the following best describes your company/office? (READ EACH CHOICE - CHECK ONE)

____ Corporate headquarters

____ Regional headquarters

____ Regional office

____ Local affiliated office

____ Local independent office

____ Local franchisee group

____ Distributor

____ Other (specify)____

3. Do you view the territory your office covers as local, regional or national? (CHECK ONE)

____ Local (PROBE AND CLARIFY – BALTIMORE, WASHINGTON OR NORTHERN VIRGINIA)
 ____ Baltimore
 ____ Washington, D.C.
 ____ Northern Virginia

____ Regional

____ National

4. How many employees are there in your office/location? (DO NOT READ - CLARIFY)

____ Less than 10

____ 10-49

____ 50-99

____ 100-499

____ 500 or more

____ Refused

5. What are your company's/office's annual gross sales? (DO NOT READ - CLARIFY)

____ Less than $1 Million

____ $1 Million-$4.9 Million

____ $5 Million-$9.9 Million

____ $10 Million-49.9 Million

____ $50 Million or more

____ Don't know/refused

6a. In which of the following aspects does your company currently support the Orioles? (READ CHOICES - CHECK ALL THAT APPLY)

____ Broadcast TV (WB-50/WJZ)

____ Cable TV (HTS)

____ Radio

____ Stadium Signage

____ Stadium Suite (Probe)

____ Full Season
____ Partial
____ Special Occasion

____ Club Seats (Probe)

____ Full Season
____ Partial
____ Special Occasion

____ Season Tickets

____ Group Tickets

____ Internet Site

____ Game Program

____ Other print publications (i.e., schedules, year book, media guide, etc…)
Specify: ____

____ Special events and promotions (give-aways, fan fest, etc…)
Specify: ____

Anything else? ____

6b. And approximately what is your firm's level of financial commitment to the Orioles? (PROBE AND CLARIFY – INCLUDING ALL TICKETS, ADVERTISING AND PROMOTIONS **ANNUALLY**)

____

____ Refused

IF SUITE, CLUB SEATS, SEASON TICKETS OR GROUP TICKETS CHECKED IN Q.1 THEN PROCEED WITH Q.7. OTHERWISE SKIP TO Q.12.

7. For how many seasons has your company held a suite/tickets for the Orioles? (READ - CHECK ONE)

____ Just this season

____ Less than 5 seasons

OR ____ 5 seasons or more

____ Don't know (DO NOT READ)

8. Thinking about the people that use your company's suite/tickets, what percentage of them would you say come from: (READ)

<u>ROTATE</u>

____ The Baltimore area

____ The District of Columbia and the Maryland suburbs of D.C.

____ The Northern Virginia area

<u>ALWAYS READ LAST</u>

AND ____ Areas outside the Baltimore/Washington/Northern Virginia region

____ Don't know (DO NOT READ)

ANSWERS MUST TOTAL 100%

ROTATE Q.9 AND Q.10 EACH TIME

9a. *If another Major League Baseball team started play in a new stadium in* ***Northern Virginia****, assuming similar costs and amenities, assuming the team plays in the National League, and assuming the Orioles are fielding a competitive championship-caliber American League team, how likely would your company be to: (READ EACH STATEMENT – CIRCLE ONE RESPONSE FOR EACH)*

ROTATE

____ *Purchase a suite at the new Northern Virginia stadium. Would you be:*

Extremely likely	*Somewhat likely*	*Somewhat unlikely*	*OR*	*Not at all likely*	*DK*

____ *Purchase club seats at the new Northern Virginia stadium. Would you be:*

Extremely likely	*Somewhat likely*	*Somewhat unlikely*	*OR*	*Not at all likely*	*DK*

____ *Purchase season tickets at the new Northern Virginia stadium. Would you be:*

Extremely likely	*Somewhat likely*	*Somewhat unlikely*	*OR*	*Not at all likely*	*DK*

9b. Keeping in mind the previous assumptions assume another Major League Baseball team started play in a new stadium in Northern Virginia. How would this impact your company's current participation with the Orioles? Would you: (READ EACH CHOICE - CHECK ONE)

____ *Decrease your participation with the Orioles (ASK Q.9c)*

____ *Maintain your current participation with the Orioles (SKIP Q.9c).*

OR ____ *Increase your participation with the Orioles (ASK Q.9c)*

____ *Don't know/refused (DO NOT READ – SKIP Q.9c)*

9c. By how much and why would you decrease/increase your participation with the Orioles? (PROBE AND CLARIFY)

____

____

____

____

10a. *If another Major League Baseball team started play in a new stadium in* ***Washington, D.C.****, assuming similar costs and amenities, assuming the team plays in the National League, and assuming the Orioles are fielding a competitive championship-caliber American League team, how likely would your company be to: (READ EACH STATEMENT – CIRCLE ONE RESPONSE FOR EACH)*

ROTATE

____ *Purchase a suite at the new Washington, D.C. stadium. Would you be:*

Extremely likely *Somewhat likely* *Somewhat unlikely* *OR* *Not at all likely* *DK*

____ *Purchase club seats at the new Washington, D.C. stadium. Would you be:*

Extremely likely *Somewhat likely* *Somewhat unlikely* *OR* *Not at all likely* *DK*

____ *Purchase season tickets at the new Washington, D.C. stadium. Would you be:*

Extremely likely *Somewhat likely* *Somewhat unlikely* *OR* *Not at all likely* *DK*

10b. Keeping in mind the previous assumptions assume another Major League Baseball team started play in a new stadium in Washington, D.C. How would this impact your company's current participation with the Orioles? Would you: (READ EACH CHOICE - CHECK ONE)

____ *Decrease your participation with the Orioles (ASK Q.10c)*

____ *Maintain your current participation with the Orioles (SKIP Q.10c).*

OR ____ *Increase your participation with the Orioles (ASK Q.10c)*

____ *Don't know/refused (DO NOT READ – SKIP Q.10c)*

10c. By how much and why would you decrease/increase your participation with the Orioles? (PROBE AND CLARIFY)

____

____

____

11. From what other Baltimore/Washington-area sports teams does your company purchase a suite or tickets? (READ EACH CHOICE - CHECK ALL THAT APPLY)

____ Washington Redskins
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ Washington Mystics
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ Baltimore Ravens
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ Washington Capitals
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ Washington Wizards
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ D.C. United
- ____ Suite
- ____ Club seats
- ____ Season tickets
- ____ Group tickets

____ Minor professional baseball or basketball teams (SPECIFY)

____

____

____ NCAA Division I football or basketball programs (SPECIFY)

____

____

____ Other (SPECIFY)

____

____

IF COMPANY DOES NOT ADVERTISE WITH THE ORIOLES OR RESPONDENT IS NOT INVOLVED IN ADVERTISING DECISIONS SKIP TO Q.17. OTHERWISE PROCEED WITH Q.12.

12. For how many seasons has your company placed advertising with the Orioles? (READ - CHECK ONE)

____ Just this season

____ Less than 5 seasons

OR ____ 5 seasons or more

____ Don't know (DO NOT READ)

13. Thinking about the advertising you do with the Orioles, would you say that advertising is targeted primarily at: (READ EACH CHOICE - CHECK ONE)

____ The Baltimore area

____ The District of Columbia and the D.C./Maryland suburban area

____ The Northern Virginia area

OR ____ The entire Baltimore/D.C./Northern Virginia region

____ Other primary target (SPECIFY)

____

____

ROTATE Q.14 AND Q.15 EACH TIME

14a. *If another Major League Baseball team started play in a new stadium in* ***Northern Virginia****, assuming similar costs and amenities, assuming the team plays in the National League, and assuming the Orioles are fielding a competitive championship-caliber American League team, how likely would your company be to: (READ EACH STATEMENT – CIRCLE ONE RESPONSE FOR EACH)*

<u>ROTATE</u>

____ *Purchase television or radio advertising with the new Northern Virginia team. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

____ *Purchase advertising signage at the new Northern Virginia stadium. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

____ *Purchase print advertising with the new Northern Virginia team. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

14b. Keeping in mind the previous assumptions assume another Major League Baseball team started play in a new stadium in Northern Virginia. How would this impact your company's current advertising with the Orioles? Would you: (READ EACH CHOICE - CHECK ONE)

____ *Decrease your advertising with the Orioles (ASK Q.14c)*

____ *Maintain your current advertising with the Orioles (SKIP Q.14c).*

OR ____ *Increase your advertising with the Orioles (ASK Q.14c)*

____ *Don't know/refused (DO NOT READ – SKIP Q.14c)*

14c. By how much and why would you decrease/increase your advertising with the Orioles? (PROBE AND CLARIFY)

____

____

____

____

15a. *If another Major League Baseball team started play in a new stadium in* ***Washington, D.C.****, assuming similar costs and amenities, assuming the team plays in the National League, and assuming the Orioles are fielding a competitive championship-caliber American League team, how likely would your company be to: (READ EACH STATEMENT – CIRCLE ONE RESPONSE FOR EACH*

ROTATE

____ *Purchase television or radio advertising with the new Washington, D.C. team. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

____ *Purchase advertising signage at the new Washington, D.C. stadium. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

____ *Purchase print advertising with the new Washington, D.C. team. Would you be:*

Extremely likely   Somewhat likely   Somewhat unlikely   OR   Not at all likely   DK

15b. Keeping in mind the previous assumptions assume another Major League Baseball team started play in a new stadium in Washington, D.C. How would this impact your company's current advertising with the Orioles? Would you: (READ EACH CHOICE - CHECK ONE)

____ *Decrease your advertising with the Orioles (ASK Q.15c)*

____ *Maintain your current advertising with the Orioles (SKIP Q.15c).*

OR ____ *Increase your advertising with the Orioles (ASK Q.15c)*

____ *Don't know/refused (DO NOT READ – SKIP Q.15c)*

15c. By how much and why would you decrease/increase your advertising with the Orioles? (PROBE AND CLARIFY)

____

____

____

____

16. From what other Baltimore/Washington-area sports teams does your company purchase advertising? (READ CHOICES - CHECK ALL THAT APPLY)

____ Washington Redskins
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ Washington Mystics
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ Baltimore Ravens
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ Washington Capitals
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ Washington Wizards
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ D.C. United
- ____ TV
- ____ Radio
- ____ Signage
- ____ Publications

____ Minor professional baseball or basketball teams (SPECIFY)

____

____

____ NCAA Division I football or basketball programs (SPECIFY)

____

____

____ Other (SPECIFY)

17. Finally, are there any other comments or thoughts you would like to share regarding a Major League Baseball team coming to the District of Columbia or Northern Virginia? (PROBE AND CLARIFY)

Thank you very much for your time.