



Market and Financial Analysis For a Proposed New Arena in Downtown Baltimore

Final Report – February 2007



**Market and Financial Analysis for a Proposed
New Arena in Downtown Baltimore**

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February 28, 2007

Mr. Gary McGuigan, Project Executive
Maryland Stadium Authority
333 West Camden Street, Suite 500
Baltimore, Maryland 21201-2435

Dear Mr. McGuigan:

Per our agreement dated February 11, 2005 we have completed the market and financial analysis related to the development of a proposed new arena in downtown Baltimore. The report presented herein includes the summary of findings and principal conclusions from our research. The majority of research conducted for this report dates from a period up to November 2005.

The accompanying analysis was prepared for internal use by the Maryland Stadium Authority (MSA) for its further planning efforts related to a proposed new arena. Notwithstanding these limitations, it is understood that this document may be subject to public information laws.

The findings contained in the report reflect analysis of primary and secondary sources including, but not limited to, information provided by the MSA, management at the existing 1st Mariner Arena, management from comparable facilities as well as the site analysis conducted by Odell Associates, Inc. (Odell) under separate cover. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. In accordance with the terms of our engagement, the accompanying study is restricted to internal use and may not be relied upon by any third party for any purpose including financing of the project. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report. Neither this report, nor any portion thereof, may be used for any other purpose without the prior written consent of KPMG LLP.

Our analysis was prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. As such, we do not express an opinion or any other form of assurance on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation.

The client has authorized reports to be sent electronically for its convenience. However, only the final hard copy report should be viewed as our work product.

We have enjoyed working on this engagement and our relationship with the MSA and look forward to the opportunity to provide you with continued service.

Sincerely,

KPMG LLP



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Introduction

Owned by the City of Baltimore and privately managed by SMG, the 1st Mariner Arena is Baltimore's largest indoor sports and entertainment facility. The facility is located proximate to the Baltimore Inner Harbor and is easily accessible via Interstates 95, 83 and 395. In addition, the Light Rail (metro subway) and major bus lines stop alongside the facility.

The 1st Mariner Arena, which opened in 1962, was originally named the Civic Center and was renamed the Baltimore Arena in 1986. In 2003, the facility was again renamed in a modest naming right deal – this time to the 1st Mariner Arena. Since its opening, the 1st Mariner Arena has hosted a wide range of sports and entertainment events including family shows, motor sports, concerts, closed circuit boxing, gymnastics, tennis, conventions, graduations, meetings and various other events. The facility is also home to the Major Indoor Soccer League's (MISL) Baltimore Blast.

The 1st Mariner Arena has 11,000 permanent seats on three levels in a horseshoe shape. The ice system was completely replaced in 1997. Concert or meeting capacity is 13,500 while the capacity for other shows and sporting events ranges from 11,000 to 14,000. The Arena can also be curtained down to a 5,000-person capacity with a portable stage house center. In addition, an 850-car parking garage is located adjacent to the facility.

In 1999, PriceWaterhouseCoopers (PWC), in conjunction with the Goal Group Consulting LLC, Vanguard Management Group, and C.E. Pugh and Company was retained by the City of Baltimore Department of Planning to conduct a market, financial, and economic analysis related to the development of a new arena in Baltimore. This study was commissioned with several objectives for a new arena: a potential catalyst for Westside redevelopment, necessary for Baltimore to win an Olympic bid, potential to attract a National Basketball Association (NBA) and/or National Hockey League (NHL) franchise. The study compared Baltimore to other NBA markets throughout the country, highlighting the City's lack of a major league indoor sports team relative to many comparably sized cities. An analysis of premium seating penetration in Baltimore relative to other similarly sized cities along with a survey of Maryland businesses was also conducted. The analysis considered three scenarios: (1) an NBA team as the primary tenant in an approximately 19,100-seat arena; (2) an NHL team in a 17,600-seat arena; (3) a new 11,900-seat arena without an NBA nor an NHL team, but rather a minor league sports tenant and other events. The study included estimates of construction costs, financial operations and economic/fiscal impacts for each scenario.

In early 2000, the Baltimore Development Corporation (BDC) commissioned Design Collective to prepare a strategic plan for the West Side area of the City. The study sought to define a design vision for the redevelopment area and serve as a reference tool to market and evaluate prospective development proposals. This area is bordered by Martin Luther King Jr. Boulevard to the west, Read Street to the north, Liberty Street and Charles Center to the east and Pratt Street to the south. Portions of several sub-districts comprise the roughly 100-block, 450-acre area referred to as the West Side. These include:



- University Center to the west
- Seton Hill to the north
- Mount Vernon to the northeast
- City Center, Charles Center to the east
- Inner Harbor and Camden Yards to the south and east

The resulting vision of the district is to create a dynamic, predominantly residential, mixed-use neighborhood. Design Collective presented strategies to enhance retail, historical preservation, transportation, open space and overall urban design of the West Side. Economic and fiscal benefits of the implemented plan were estimated to yield approximately 11,000 total jobs and \$10.0 million in annual taxes.

Significant financial investments have been made in the public assembly facilities in downtown Baltimore through construction, expansion, and/or renovation. At an estimated construction cost of \$205 million, the opening of Oriole Park at Camden Yards in 1992 set the stage for first class facilities in downtown. Expansion of the Baltimore Convention Center was completed in September of 1996, which tripled the size of the facility. The estimated construction cost of this project was approximately \$166 million. The City is currently developing a new 750-room headquarters hotel adjacent to the Baltimore Convention Center. The National Football League (NFL) Ravens Stadium, now known as M&T Bank Stadium, opened in September of 1998. Built at an estimated cost of \$229 million, this facility has a seating capacity of 69,300 and offers 108 suites. The 2,200-seat Hippodrome was recently renovated at a cost of approximately \$63 million. In addition to the theater itself, several adjacent buildings were converted into support space, which included a stage house, lobbies, a box office, administrative offices, loading docks and other flexible spaces. This facility serves as a major catalyst for future development efforts planned in the West Side. By contrast, relatively limited funds have been invested in the 1st Mariner Arena since its construction. Based on the 1st Mariner Arena's age and location in the heart of downtown Baltimore, it is important for the community to establish the long-term role of the facility and the site consistent with other master planning and economic development initiatives.

Given this backdrop, a group of interested entities including the BDC, City Crescent Limited Partnership, the Maryland Department of Business and Economic Development, the Downtown Partnership of Baltimore, Inc., Mercantile Bankshares Corporation, Venable LLP, the Westside Renaissance, Inc., the University of Maryland Baltimore and the Greater Baltimore Committee sought the MSA's assistance in assessing the market and financial issues associated with constructing a new arena in downtown Baltimore. Consequently, the project team of KPMG LLP and Odell Associates was retained. KPMG was retained to assess specific market and financial aspects associated with a potential new arena whereas Odell was retained to address programming, physical planning and cost related issues.

Although past study efforts have evaluated the merits of attracting major league indoor sports such as the NBA and the NHL, the presence of Washington D.C. teams in these leagues led the study team to limit the parameters of this effort to evaluating an arena that would not require the presence of, or be dependent on, either an NBA or an NHL team. The focus of the study effort includes understanding the potential incremental benefits of pursuing a new arena as well as what components may be required for the proposed new arena to be considered an economic and cultural success to the City of Baltimore and the State of Maryland.



Specific research tasks conducted by KPMG for the market and financial analysis include, but are not limited to, the following:

- Conducted interviews and/or work sessions with key stakeholders including representatives from the MSA, the BDC, the Maryland Department of Business and Economic Development, the Downtown Partnership of Baltimore, Inc., Westside Renaissance, Inc., the Greater Baltimore Committee, the City of Baltimore, the 1st Mariner Arena, the Baltimore Blast, local collegiate institutions, as well as regional sports and entertainment facilities among others
- Read previous studies related to the project
- Analyzed select demographic and economic data
- Profiled existing and planned facilities in the region
- Analyzed historical event activity at 1st Mariner Arena
- Analyzed information supplied by comparable arenas including potential ownership and management structures
- Conducted surveys and interviews with potential users of the proposed new arena including event planners, representatives of sport league offices and sport tenants, concert promoters and family show promoters
- Provided preliminary building program recommendations based on research from the market analysis
- Assisted management in preparing an estimate of utilization for the proposed new arena based on the recommended building program and other factors
- Assisted management in preparing an estimate of operating revenues and expenses as well as economic and fiscal impacts associated with the proposed new arena

The facility and site assessment conducted by Odell is provided under separate cover. In that report, Odell conducted a conceptual needs assessment of the existing facility including the useful life of the mechanical and electrical building systems. In addition, Odell prepared a detailed building program for a proposed new facility as well as conceptual design concepts and preliminary cost estimates for several potential development scenarios including renovation and new construction on the existing site.



Executive Summary

Given the longevity of the existing 1st Mariner Arena, Baltimore has an established base of arena-related business that compares well with peer communities and is achieved despite the age of the facility. Between FY 2002 and FY 2005, the facility averaged 123 performances and approximately 635,000 in total attendance. Baltimore's market size is one factor that results in the 1st Mariner Arena's event activity being more favorable than several newer, similar sized facilities that operate in significantly smaller markets with a minor league tenant base.

Market Opportunities

Although Baltimore's arena operates in a distinct market that is very competitive regionally, opportunities exist to retain and grow market share in the future. On a regional basis, new facilities have been developed on the campus at the University of Maryland and in Washington D.C. However, if these facilities continue to be dedicated to niche markets (primarily University-related event activity and professional major league sports, respectively), there appears to be demand for a new arena in Baltimore that primarily caters to traditional entertainment events and other sporting events. In fact, several family show promoters indicated that Baltimore is a better family show market than Washington, D.C. given its demographics.

Several studies have assessed the merits of Baltimore hosting a National Basketball Association (NBA) and/or National Hockey League (NHL) franchise but little opportunity exists with these leagues, at least in the short-term. The building requirements for an NBA/NHL building and one without these tenants are very different in terms of size and scope. Consequently, the Baltimore community faces a distinct decision path regarding the type of facility to pursue in the future. A new arena would depend on a variety of traditional entertainment events, such as the circus, concerts and ice shows. In addition, opportunities from other sports tenants exist.

Despite the lack of success of some previous minor league sports teams that played in the 1st Mariner Arena, this type of tenant represents a good opportunity and fit for the current Baltimore market should a new facility be developed. A new arena would likely allow minor league sports teams a greater chance to succeed for a number of reasons including: a more marketable venue with greater potential to penetrate market demand, greater potential revenue streams to both the team(s) and the arena based on design and seating options as well as more stringent financial requirements for team owners by minor leagues. As a result of the new financial requirements, minor leagues have strengthened and, with strong ownership and marketing efforts, these types of tenants can enhance the product offering in a new arena. While professional minor league tenant teams can provide benefits to the operation of an arena such as the potential to drive suite sales and create community allegiance, other events such as concerts and family shows can provide greater profitability on a per event basis. Thus, the number and type of tenants in an arena can play a direct role in its utilization and financial operations.



This report assumes that the Major Indoor Soccer League Baltimore Blast remains a tenant in the proposed facility as well as ECHL (formerly known as the East Coast Hockey League) and Arena Football League (AFL) teams. These tenants are assumed to give a hypothetical tenant base and could certainly vary. Further, it should be noted that not all assumed events represent an incremental gain for the market and a new building. Because the existing building is very active, the potential incremental economic impact for a new building is somewhat limited in the short-term as is reflected in the estimated economic/fiscal impact analysis. However, a key issue to consider is the age of the 1st Mariner Arena and its likely decline in marketability over time.

Based on Odell's assessment of the existing facility including its major systems, which is provided under separate cover, as well as input from management and facility users, the 1st Mariner Arena is deemed to be operationally inefficient and is increasingly becoming functionally obsolete. A review of the 1st Mariner Arena ascertained that the patron experience is compromised with poor sightlines, inadequate restrooms and concessions, undersized concourses and vertical circulation and out-of-date lighting, finishes, graphics and overall aesthetics. As such, although the event mix is reasonably strong now, over time the building will likely begin to lose market share. As this occurs, the potential incremental economic impacts associated with a new arena will likely increase. As part of the overall redevelopment efforts for Baltimore, the arena represents one of the last major public facilities that has not been addressed within the urban core. Whether or not the new arena is pursued on the existing site, opportunities exist for impactful redevelopment at that site location.

Recommended Building Program

Based on the market research conducted in this analysis, a new arena in downtown Baltimore would better meet the needs of the market in terms of accommodating indoor sports and entertainment events while at the same time serving to enhance other downtown revitalization efforts of the City. The following summarizes the general parameters of the proposed new arena. This is based on information in the market analysis as well as input from management.

- Arena Seating Capacity: 15,000 to 16,000
(end stage concert configuration)
- Number of suites: 10 to 20
- Number of club seats: 1,000 to 1,200

While the development of luxury suites can provide a revenue generator and create civic pride as local corporations support the proposed arena, such seating is not a requirement for most minor league tenants. The potential of phasing suite development could be considered as an option to minimize initial construction costs and build market demand.

Management's Estimate of Proposed New Arena Operations

Research conducted in the market analysis, including information from comparable arenas and the assumed tenant base, suggests that a new arena in Baltimore could attract approximately 160 to 170 events and 1,000,000 attendees annually.



As shown below, the proposed new arena will likely require the majority of its net revenues for operations based on the recommended building program, the historical operations of the 1st Mariner Arena, operations at other comparable facilities and input from management. For purposes of this analysis, operating revenues are net of estimated tenant/promoter/management team designated percentages.

Proposed New Arena in Baltimore
Estimate of Operating Revenues Over Operating Expenditures Before Depreciation and Debt Service
In Current (Inflated) Dollars for the Fiscal Years Ending June 30, 2009 through June 30, 2013

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Net Operating Revenues	\$5,607,000	\$5,818,000	\$6,040,000	\$6,243,000	\$6,452,000
Total Operating Expenditures	\$4,737,000	\$4,876,000	\$5,053,000	\$5,206,000	\$5,361,000
Excess (Deficiency) of Operating Revenues Over Operating Expenditures Before Depreciation Debt Service and Reserve for Replacement	\$870,000	\$942,000	\$987,000	\$1,037,000	\$1,091,000
Management Fee	\$450,000	\$464,000	\$478,000	\$492,000	\$507,000
Reserve for Replacement Fund	\$259,000	\$267,000	\$277,000	\$285,000	\$294,000
Excess (Deficiency) of Operating Revenues Over Operating Expenditures Before Depreciation and Debt Service	\$161,000	\$211,000	\$232,000	\$260,000	\$290,000

Note: See accompanying summary of significant assumptions in Section 4 of this report.

Estimate of Economic & Fiscal Impacts

The development of the proposed new arena in Baltimore would benefit the Baltimore area and the State of Maryland qualitatively, economically and fiscally. For instance, intangible benefits to the Baltimore community and State of Maryland include enhancing the area’s image as a sports and business community, receiving State and regional exposure through media coverage, providing a potential catalyst for further redevelopment initiatives and increasing the overall quality of life in the area.

In terms of economic benefits, the ongoing operations of the proposed new arena could generate approximately \$63.3 million in total spending and 970 full-time equivalent jobs to the Baltimore metro area on an annual basis. The incremental impacts generated by the proposed new arena are estimated to be approximately \$16.1 million in spending and 260 full-time equivalent jobs within the Baltimore metro area. Incremental impacts are based on an estimate of historical economic impacts generated by the 1st Mariner Arena during FY 2004 compared to those estimated for the proposed new facility. The economic benefits as measured by spending, earnings and jobs are summarized in the table that follows.



Estimated Total Economic Benefits to Baltimore Metro Area from the Proposed New Arena's Ongoing Operations (annually recurring)			
	Proposed New Arena	Existing 1st Mariner Arena	Incremental Amount
Spending			
Direct Spending	\$36,395,000	\$27,028,000	\$9,367,000
Induced/Indirect Spending	\$26,867,000	\$20,125,000	\$6,742,000
Total Spending	\$63,262,000	\$47,153,000	\$16,109,000
Total Earnings	\$25,843,000	\$19,949,000	\$5,894,000
Total Employment (number of FTEs jobs)	970	710	260

Notes: Amounts are presented in 2011 dollars; existing arena impact based on FY 2004 operations.
FTE denotes full-time equivalent employees.

In addition, construction of a facility of this scope can also provide significant economic impact to the region during the construction period. Construction of the proposed new arena is estimated to generate approximately \$118.2 million in total spending in 2007 dollars and 1,180 in full-time equivalent jobs during the construction period, which is estimated to be approximately 24 months.

Fiscal impacts (tax revenues) generated by ongoing operations of the proposed new arena are estimated to be approximately \$2.5 million annually to the Baltimore Metro area and \$2.4 million annually to the State of Maryland. Incremental fiscal impacts are estimated to be approximately \$1.2 million annually, with approximately 34% being generated for the Baltimore metro area and the remaining 66% being generated by State of Maryland taxes.



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Market Analysis

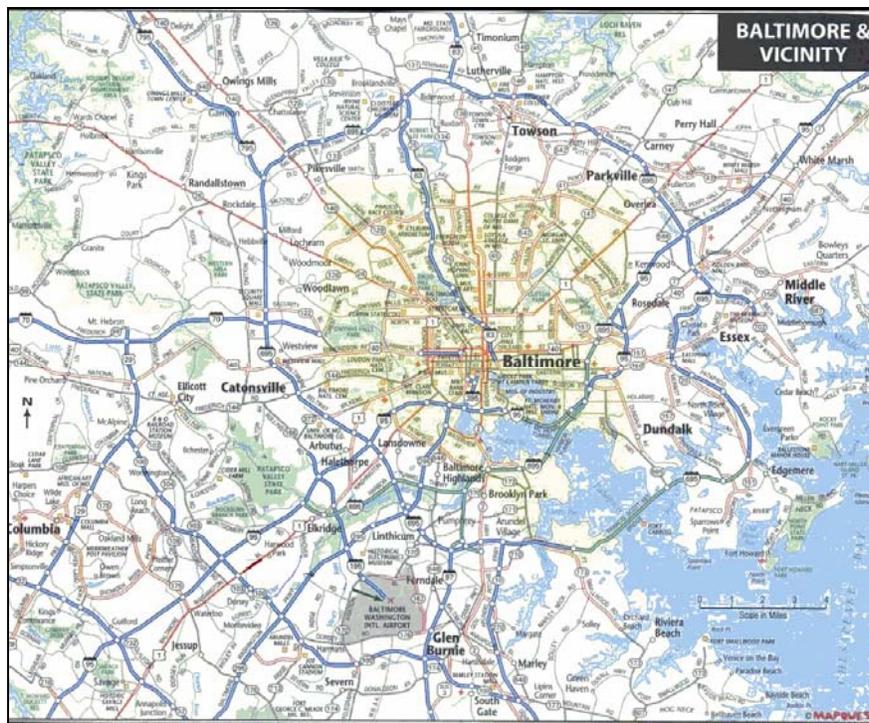
It is important to understand the local and regional market characteristics in which a proposed new arena in downtown Baltimore would operate, particularly given the competitiveness of the market. Consequently, any new arena facility will likely compete for attendees with several other venues in the region. In order to assist the MSA in assessing the potential market demand for a proposed new arena to replace the existing 1st Mariner Arena, this section of the report analyzes several factors including accessibility, demographic and economic characteristics, corporate base, existing competitive supply, as well as input from existing and potential users. The majority of research conducted for this market analysis dates through November 2005.

Accessibility

Accessibility, particularly via highway, is an important success factor for sports and entertainment facilities. Highway access is important for attendees of events as well as the teams and other entertainment acts traveling to the facility for the performance of events. The method that concert acts/producers use to select venues is partially based on easy access to a market as well as where the market fits in the context of the overall routing of the act. In addition, the location and accessibility of an arena to the population base can impact the types of events and annual attendance at the facility. Consequently, it is advantageous to have good highway access in order to attract certain touring events.

Highway Access

As shown on the map below, Baltimore has convenient access from Interstate 83 and Interstate 95, which run North-South through the State of Maryland, and Interstate 70, which runs East-West. Interstate 695 creates a loop around the City providing good access to downtown, located inside the loop, from the surrounding area.





Air Access

Air access can be a factor in attracting certain regional and national events. The Baltimore-Washington International Airport (BWI) is the primary service provider in the area. As shown in the table that follows, the number of passenger enplanements at BWI increased by approximately 4.4% between 2000 and 2004. In 2004, BWI ranked 23rd in the U.S. in terms of enplanements. The Federal Aviation Administration (FAA) defines enplanements as domestic, territorial and international passengers who board an aircraft in scheduled and non-scheduled service of aircraft.

Baltimore-Washington International Airport		
Passenger		
Year	Enplanements	Percentage Change
2000	9,675,681	
2001	10,098,665	4.4%
2002	9,367,499	-7.2%
2003	9,768,040	4.3%
2004	10,103,563	3.4%

Source: Federal Aviation Administration

Overview of Select Area Demographic and Economic Characteristics

One factor influencing potential market demand for the proposed new arena is the local market within which the facility would operate. Potential event activity at this facility would likely be diverse and include sporting events, concerts, family shows, graduations, and various other events. Local market characteristics such as demographics and economic indicators are pertinent to demand for spectator-oriented activities. Event promoters typically consider these factors when selecting markets to host their events.

Population

Population serves as a base from which events at the proposed new arena will draw attendance and other forms of support. The Baltimore Core Based Statistical Area (CBSA) consists of the following counties: Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne’s. In addition, the City of Baltimore is also included within the Baltimore CBSA. The Office of Management and Budget (OMB) defines a CBSA as a geographic area that is defined by a significant population center plus its surrounding communities that exhibits a high degree of social and economic assimilation with that center. The OMB replaced its Metropolitan Statistical Areas (metro areas) in June of 2003, resulting in approximately 93% of the U.S. population being accounted for rather than the 80% previously captured under the metro area classification. Although there was a change in classification, the Baltimore CBSA contains the same counties as the Baltimore metro area. According to *Sales and Marketing Management*, the population of the Baltimore CBSA was approximately 2.6 million in 2004. The Baltimore CBSA comprises the primary market from which the proposed arena would draw spectators.



The table below shows the historical trend in population growth for the City of Baltimore, Baltimore County, the Baltimore CBSA and the State of Maryland.

Area	Population Trend Analysis		5-Year % Change
	2000	2004	
City of Baltimore	650,821	636,251	-2.2%
Baltimore County	754,271	780,821	3.5%
Baltimore CBSA ¹	2,504,100	2,628,700	5.0%
State of Maryland	5,200,600	5,554,900	6.8%

Note: ¹ 2000 figure represents MSA data.

Sources: *Sales & Marketing Management Survey of Buying Power*, 2000 and 2004;
U.S. Census Bureau, epodunk.com.

The population of the Baltimore CBSA experienced a 5% growth rate from 2000 to 2004, with the State of Maryland increasing by nearly 7% over the same time period. The City of Baltimore, however, experienced a decrease in population during the same five-year period.

Sports and entertainment venues typically draw attendance from a broader secondary market, referred to as a DMA, for some events on a periodic basis. This market is not generally drawn on for all events due to the distance required for travel. While Washington D.C. and Northern Virginia offer several sports and entertainment facilities to their residents, the proximity of these markets to Baltimore would allow the proposed arena to promote to this expanded market for certain special events. According to *Sales and Marketing Management*, the Washington D.C./Northern Virginia combined statistical area, which includes parts of Maryland and West Virginia, has nearly 5.2 million residents and is ranked as the seventh largest in the country.

Age Distribution

Analysis by age group is helpful since certain events at arenas are targeted toward consumers who fall within specific age categories. Spectator-oriented events such as concerts, family shows, and sporting events that may be held at the proposed new arena typically target specific age brackets. As shown in the table that follows, the age distribution of the primary market and the State of Maryland is fairly consistent. Approximately one-quarter of the population in each of these municipalities is under the age of 18 years old and nearly one-half is between the ages of 18 and 49 years old which is considered a target market for many sports and entertainment events.

Area	Percent of Population by Age Group				
	0-17	18-24	25-34	35-49	50+
City of Baltimore	25%	11%	14%	22%	29%
Baltimore County	23%	9%	13%	23%	32%
Baltimore CBSA	25%	9%	13%	24%	29%
State of Maryland	25%	9%	13%	25%	28%

Sources: *Sales & Marketing Management Survey of Buying Power*, 2004.



Income

Another key component of market characteristics is median household effective buying income. Effective buying income (EBI) is defined as money income less personal tax and non-tax payments, often referred to as “disposable” or “after-tax” income. Income offers a broad measurement of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services including admission to cultural, recreational and entertainment events.

The table below illustrates the median household EBI for the Baltimore market. The City of Baltimore’s median household EBI averaged approximately 65% of the median household EBI for the Baltimore CBSA from 2000 to 2004. The median household EBI for the Baltimore CBSA and the State of Maryland has remained relatively constant over the same time period while the City and County have experienced decreases of 4.1% and 3.4%, respectively, in this category.

Area	Median Household EBI		5-Year % Change
	2000	2004	
City of Baltimore	\$28,186	\$27,042	-4.1%
Baltimore County	\$44,677	\$43,170	-3.4%
Baltimore CBSA ¹	\$43,434	\$43,167	-0.6%
State of Maryland	\$45,850	\$45,879	0.1%

Note: ¹ 2000 figure represents MSA data.

Sources: Sales & Marketing Management Survey of Buying Power, 2000 through 2004.

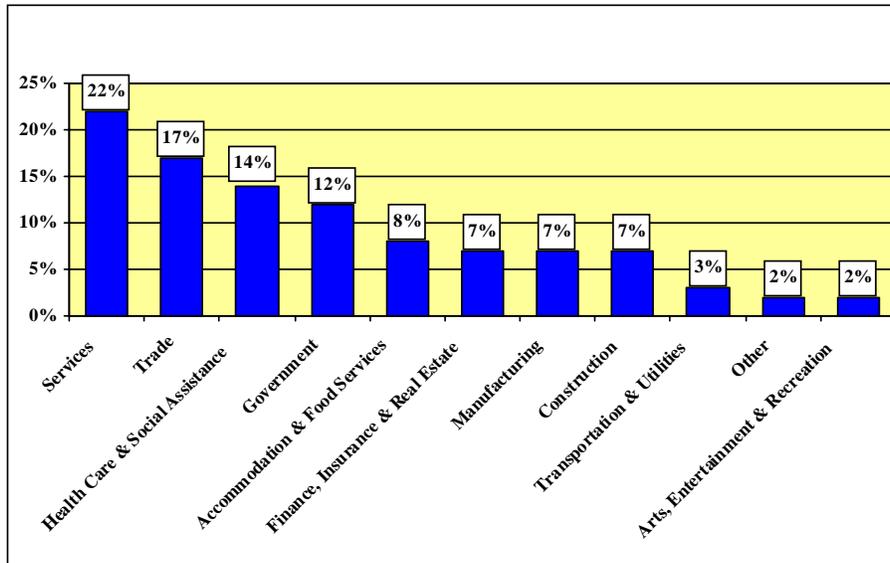
Overview of Area Employment

The employment base of an area also provides a potential target market for events and financial support. Area employers may utilize the proposed new arena for various events such as meetings, banquets/receptions and other types of events. Premium seating sales, advertising, corporate sales and season ticket support are typically dependent on a strong corporate environment. The distribution and diversity of the workforce are two additional factors that can potentially influence the financial performance of a facility. Broad workforce distribution helps lessen dependency on corporate support for any one single industry segment. Industry diversification also helps a local economy to withstand severe downturns in the economy due to dependence upon one industry; should one industry fail there are other industries for the local economy to rely upon. The overall strength of the economy, diversification and size of local businesses, and competition from other area sports and entertainment venues such as the Verizon Center (formerly the MCI Center) and the Nissan Pavilion all contribute to the potential corporate support for the proposed new arena.



As indicated by the table that follows, the majority of employment in the Baltimore CBSA is involved in the services, trade and health care/social assistance industries.

Employment in the Baltimore Area by Industry



Source: U.S. Bureau of Labor Statistics.

The table that follows illustrates the top private employers in the Baltimore area, as provided by the City's Economic Development Corporation. As shown, the three largest private employers are Johns Hopkins University (27,700), Johns Hopkins Health Systems (15,388) and the University of Maryland Medical Systems (11,000).

Major Private Employers in the Baltimore Area		
Rank	Company	Local Employment
1	John Hopkins University	27,700
2	Johns Hopkins Health Systems	15,388
3	University Of MD Medical Systems	11,000
4	Verizon Maryland, Inc.	6,000
5	Lifebridge Health	5,860
6	Constellation Energy Group, Inc.	5,786
7	FMC Corp	3,200
8	T Rowe Price Group Inc	3,065
9	Kennedy Krieger	2,129
10	Legg Mason, Inc.	1,925
11	Mercantile Bankshares Corp	1,880
12	M & T Bank	1,742
13	Baltimore Gas & Electric Co	1,500
14	H&S Bakery	1,500
14	YMCA Of Central Maryland	1,462
16	Baltimore Sun Co	1,450
17	Neighborcare, Inc.	1,200
18	Sun Trust Bank	1,072

Note: Sorted in descending order by local employment.

Source: City of Baltimore Economic Development Corporation.



Arena Event Types

The following is a brief description of traditional events hosted by arenas:

- **Sporting events** include major and minor league professional sports such as soccer, hockey, basketball, indoor football, boxing, figure skating, professional wrestling, and exhibition games as well as civic, high school and intercollegiate sports. Other sporting events can also include truck & tractor pulls, motorcross, equestrian events and rodeo events.
- **Concerts** are public ticketed events featuring touring musical performances by rock, pop, middle-of-the-road, country & western, folk, religious/gospel and various other artists.
- **Family shows** are entertainment events that are primarily oriented toward youth or appeal to the family atmosphere such as the circus (Ringling Bros. and Barnum & Bailey or Shrine), Disney on Ice, Sesame Street Live, Barney and Harlem Globetrotters.
- **Other events** that the proposed new arena may potentially host include events such as high school and collegiate graduations/commencements, balls and/or dances, political rallies, civic events and general assemblies.

Area Sports and Entertainment Facilities

The 1st Mariner Arena currently serves as the primary arena facility in Baltimore. The degree to which existing facilities adequately meet the needs of the market is an important aspect in considering the need for new facilities. The facilities listed in the table below are all within, or in close enough proximity to, the Baltimore CBSA and have a capacity of at least 5,000. Facility size, location, configuration, market focus and date availability are factors that impact how competitive area facilities may be to the proposed new arena in Baltimore. The following provides a brief summary of these facilities.

Area Sports and Entertainment Facilities

Facility	Location	Total Capacity
Nissan Pavilion	Bristow, VA	25,000
Verizon Center (formerly MCI Center)	Washington, D.C.	20,000
Comcast Center	College Park, MD	17,950
Merriweather Post Pavilion	Columbia, MD	15,000
1st Mariner Arena	Baltimore, MD	14,000
Patriot Center	Fairfax, VA	10,000
D.C. Armory	Washington, D.C.	10,000
Wolf Trap Filene Center	Vienna, VA	7,028
Bender Arena	Washington, D.C.	6,000
Charles E. Smith Center	Washington, D.C.	5,000
Towson Center	Towson, MD	5,000
Average		12,300

Note: Sorted in descending order by total capacity, not the number of seats.

Sources: 2005 AudArena Stadium Guide ; Individual Facilities; KPMG research.



1st Mariner Arena

As mentioned previously, the 1st Mariner Arena originally named the Civic Center was opened in 1962. Since that time, the arena was renamed the Baltimore Arena in 1986 and again renamed in 2003 as the 1st Mariner Arena. With 11,000 permanent seats and a capacity ranging to 14,000 depending on the event, the 1st Mariner Arena is Baltimore's largest indoor sports and entertainment facility.

The arena is owned by the City of Baltimore and privately managed by SMG. During the late 1980s, the facility underwent renovations including expanding the lobby area near the ticket office. A wide variety of events are typically held at the 1st Mariner Arena each year, including concerts, sporting events, and various family shows. The arena is home to one professional sports franchise, the MISL's Baltimore Blast, which has played their home games at the facility since 1980. The tables that follow summarize the event activity at the facility for fiscal years ended June 30, 2002 through June 30, 2005.

Summary of Events and Attendance for Fiscal Year 2002					
Event Type	Number of Events	Number of Performances	Total Attendance	Average Attendance Per Event	Average Attendance Per Performance
Family Shows	11	64	327,889	29,808	5,123
Miscellaneous	12	16	110,482	9,207	6,905
Concerts	16	16	94,081	5,880	5,880
MISL	22	22	77,954	3,543	3,543
Other Sporting Events	4	5	23,786	5,947	4,757
Total	65	123	634,192		

Summary of Events and Attendance for Fiscal Year 2003					
Event Type	Number of Events	Number of Performances	Total Attendance	Average Attendance Per Event	Average Attendance Per Performance
Family Shows	11	64	284,266	25,842	4,442
Miscellaneous	15	21	170,948	11,397	8,140
Concerts	19	19	127,588	6,715	6,715
MISL	19	19	69,752	3,671	3,671
Other Sporting Events	7	9	42,645	6,092	4,738
Total	71	132	695,199		

Summary of Events and Attendance for Fiscal Year 2004					
Event Type	Number of Events	Number of Performances	Total Attendance	Average Attendance Per Event	Average Attendance Per Performance
Family Shows	11	61	292,270	26,570	4,791
Miscellaneous	11	15	122,497	11,136	8,166
Concerts	18	18	104,935	5,830	5,830
MISL	20	20	80,627	4,031	4,031
Other Sporting Events	4	4	28,893	7,223	7,223
Total	64	118	629,222		

Summary of Events and Attendance for Fiscal Year 2005					
Event Type	Number of Events	Number of Performances	Total Attendance	Average Attendance Per Event	Average Attendance Per Performance
Family Shows	12	58	275,977	22,998	4,758
Miscellaneous	11	14	62,932	5,721	4,495
Concerts	19	22	150,942	7,944	6,861
MISL	20	20	68,129	3,406	3,406
Other Sporting Events	4	4	23,322	5,831	5,831
Total	66	118	581,302		

Source: 1st Mariner Arena management.



As shown, the total number of events and performances has remained relatively consistent over these four years with FY 2003 experiencing the highest number of events and attendance. There was a slight drop in total attendance during FY 2005 despite the same number of performances being held as in FY 2004. This is, in part, due to the facility not hosting the Benny Hinn Media Ministry and the Promise Keepers, which drew approximately 33,800 and 20,500 attendees in FY 2004, respectively. Historically, the Baltimore Blast soccer games have represented approximately one-third of the total events held at the 1st Mariner Arena, corresponding to approximately 12% of the total attendance. In FY 2005, average attendance per game for the Blast decreased by approximately 4% from FY 2002.

The largest source of event activity for the 1st Mariner Arena is family shows. As defined earlier, family shows include events such as circuses and comedy shows. These events averaged approximately 50% of the total performances at the arena and approximately 47% of the total attendance from FY 2002 to FY 2005.

Age, design and overall lack of amenities are primary concerns for the on-going marketability of the 1st Mariner Arena. With over 40 years of operation, the arena lacks many of the modern amenities of the newer facilities such as ample concessions areas, club seats and luxury suites. With a maximum current seating capacity of 14,000 spectators, the arena lacks the capacity necessary for hosting major league sporting events. Although the capacity is ideal for minor league hockey and other sports leagues, the design and operational deficiencies may play a role in a sports league's consideration of relocation or expansion to the City of Baltimore.

Other area sports and entertainment venues are summarized on the pages that follow. Their location and approximate distance from Baltimore are included in parenthesis.

Nissan Pavilion (Bristow, VA – 75 miles)

Located in Bristow, Virginia, the Nissan Pavilion is approximately 75 miles southwest of Baltimore. The facility offers a total capacity of 25,000, including 10,000 permanent seats. Opened in 1994, the Nissan Pavilion hosts a wide variety of concert tour events throughout the year. The amphitheater is operated by Live Nation (formerly Clear Channel Entertainment or CCE), the most dominant entertainment promoter in the country. Live Nation was spun off from its parent company, Clear Channel Communications in December 2005.

Verizon Center (Washington, D.C. – 40 miles)

The 20,000-seat Verizon Center (formerly the MCI Center) opened its doors in 1997 at a cost of \$200 million. The arena, located in the heart of the nation's capital, is home to the NBA Washington Wizards, the WNBA Washington Mystics, the NHL Washington Capitals and Georgetown University men's basketball. In addition, the Verizon Center also hosts a variety of concerts, entertainment, cultural and other sporting events each year. The facility is privately managed by Centre Management.

Four new luxury suites were added to the facility for the 2002 season, giving it a total of 114 suites. In addition, there are approximately 2,300 club seats. The arena also features 72,500 SF of retail space, which includes a 25,000 SF Discovery Channel Store. The facility hosted the 2006 Eastern Regional round of the NCAA Men's Basketball Tournament.



Comcast Center (College Park, MD – 30 miles)

Completed in 2002 on the campus of the University of Maryland in College Park, the Comcast Center provides a seating capacity of 17,950 spectators. The new facility boasts 20 luxury suites for enhanced viewing capabilities. Built at a cost of over \$100 million, the arena replaced the 45-year old Cole Fieldhouse. The facility is home to both men's and women's basketball and is also used for University special events and select community events. Season tickets for men's basketball have been sold out for years and there is a current waiting list of over 3,000 people. There is also a 1,500-seat gymnasium that hosts Maryland's volleyball, gymnastics and wrestling teams.

Merriweather Post Pavilion (Columbia, MD – 22 miles)

Located in the Baltimore/Washington corridor off Route 29 in Columbia, Maryland, Merriweather Post Pavilion is situated within 40 preserved acres known as Symphony Woods. The natural, outdoor concert setting gives it a unique marketability. Fixed seating at the amphitheater is 5,000 with an additional 10,000 on the lawn.

Patriot Center (Fairfax, VA – 56 miles)

Located on the campus of George Mason University in Fairfax, Virginia, the 10,000-seat Patriot Center is the home for the University's men and women's basketball programs, commencement ceremonies and a wide variety of other performances and special events. The facility was completed in 1985 and is owned and operated by the University. Representatives from facility management indicated that there are no changes or upgrades planned for the facility.

D.C. Armory (Washington, D.C. – 40 miles)

Located adjacent to RFK Stadium in Washington D.C., the D.C. Armory is a multi-purpose facility that can accommodate a maximum of 10,000 spectators and can be transformed into a ballroom for formal affairs. The facility lacks air conditioning, which limits its marketability during Summer months. A variety of events have been held at the D.C. Armory, including conventions, circuses, inaugural balls and various horse, home, car, and food shows. The D.C. Sports and Entertainment Commission manages the D.C. Armory.

Wolf Trap Filene Center (Vienna, VA – 50 miles)

The Wolf Trap Filene Center is located at America's National Park for the Performing Arts in Vienna, Virginia. The facility offers a total seating capacity of more than 7,000, including 3,868 in-house and 3,160 lawn seating. The Filene Center hosts approximately 90 annual performances in addition to a variety of educational programs, artist master classes, special events, and a yearly Holiday Sing-A-Long for the community. The facility originally opened in 1971 as a partnership between the Wolf Trap Foundation and the United States Department of the Interior, but was completely destroyed by a fire in 1982. A temporary venue was constructed in the National Park until the Filene Center was re-built in 1984, which is operated by the Wolf Trap Foundation.



Bender Arena (Washington, D.C. – 40 miles)

Opened in 1988 on the campus of American University, Bender Arena offers seating for 4,500 basketball and volleyball fans and 6,000 for concerts. In addition to University athletics and various concerts, the arena also hosts commencement ceremonies, camps and high school basketball tournaments. Several cosmetic improvements were made to the arena prior to the 2001-02 season, including a new scoreboard and chair-backs for the west bleachers. No major upgrades are planned for the facility that is owned and operated by American University.

Charles E. Smith Center (Washington, D.C. – 40 miles)

Located on the campus of George Washington University, the Charles E. Smith Center main arena offers seating for 5,000 spectators. The arena is home to the University's men's and women's basketball teams as well as volleyball and gymnastics. A variety of other events are also held at the facility and has included artists such as the Beach Boys and Bill Cosby. The arena is owned and operated by the University. Both upper end zone seating areas were renovated in 1995 and now feature chair-back seats. Currently, no major changes are planned for the arena.

Towson Center (Towson, MD – 15 miles)

Built in 1976, the 5,000-seat Towson Center arena is located on the campus of Towson University. The Center houses the University's Athletic Department, classrooms, weight rooms and athletic facilities. The Center's arena hosts the University's men's and women's basketball teams as well as volleyball and gymnastics. Other events held at the arena have included concerts, fairs and athletic tournaments. The most recent addition to the facility (a weight room) was completed in 1999 and no additional changes/upgrades are planned in the near future.

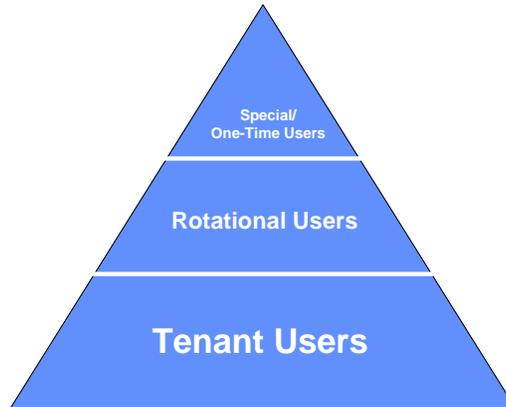
Stadiums and Theaters

The Baltimore/Washington area is home to large stadiums such as M&T Bank Stadium, Oriole Park at Camden Yards, RFK Stadium, and FedEx Field, in addition to several smaller stadiums that host collegiate and minor league baseball teams throughout the market. In addition, there are several smaller theaters, such as the Hippodrome Theatre and Pier Six Pavilion in the market. In general, it is unlikely that these stadiums and smaller entertainment venues will pose significant competition in terms of attracting events to the proposed new arena in downtown Baltimore given their size, configuration and event base. However, the three modern professional sports stadiums in the Baltimore/Washington D.C. area (with a fourth due in 2008) offer luxury seating and this supply is considered when evaluating the premium seating market for the proposed new arena.

Potential User Groups

In order to assist management in estimating the potential uses for the proposed new arena, it is important to understand the various levels of users. The diagram that follows illustrates the structure of users. Tenant users represent a solid base for the facility that can provide steady and contractually obligated income. Tenant users are generally sports teams. Rotational users are shows or events that return to the facility on a regular basis, usually during a designated time of year, and may have a long-term contract to do so. Examples of rotational users are annual family shows, athletic tournaments and training camps. Special/one-time users are irregular or spot users such as one-time sporting events and tournaments (NCAA), concerts, seminars, etc. Although

these events can be significant revenue generators, they are not guaranteed and the number of these events will vary from year to year. Special/one-time users are important to the success of the venue, but are the least predictable and can sometimes be labor/marketing intensive.



Given the characteristics of the Baltimore market, it is necessary to investigate what types of event activity a proposed new arena may potentially generate. In this particular case, the 1st Mariner Arena has served as the primary indoor entertainment facility for the Baltimore market for over 40 years. As such, the events that currently play in this venue could be anticipated to utilize any new arena as well. However, given its age, size, and overall antiquated design and functionality, there may be events that 1st Mariner Arena has not been able to attract that could potentially be accommodated in a new facility.

In an effort to assist management in assessing potential market demand for the proposed new arena, interviews were conducted with various existing users at the 1st Mariner Arena as well as other potential future users. If it was ascertained that there was a level of interest in utilizing a new arena, an effort was made to understand what the potential attendance may be for each event type. The pages that follow summarize input obtained from key user groups interviewed, including representatives from:

- Sports and Athletic Associations
- Family Show Promoters
- Concert Promoters

Professional Sports

It will be important for the proposed new arena to maximize the number of definite dates that are typically provided by one or more tenant sports teams. As discussed earlier, one of the basic parameters for conducting this study was the assumption that the proposed new arena would not host an NBA or NHL sports team. However, due to the anticipated size and configuration of the proposed new arena, a variety of professional minor league sports teams such as hockey, basketball, arena football, and indoor soccer represent potential tenants. This section of the report profiles characteristics of various sports leagues that could serve as potential tenants for the proposed new arena in Baltimore. However, not all professional minor leagues are discussed. Economic and geographic league characteristics as well as the probability of franchise expansion/relocation were also considered.



In addition, event activity from professional minor league sports tenants does not always translate into positive financial performance for a facility. Another factor to consider is that the long-term stability of certain leagues has not been proven. Consequently for these and other reasons, the facility owner and/or management may decide not to host certain events that could be accommodated in the proposed new arena. While professional minor league sports teams can provide benefits to the operation of an arena such as the potential to drive suite sales and create community allegiance, other events such as concerts and family shows can provide greater profitability on a per event basis. Thus, the number and type of tenants in an arena can play a direct role in its utilization and financial operations.

➤ **Major Indoor Soccer League (MISL)**

Created in July 2001, the Major Indoor Soccer League (MISL) serves as the exclusive professional indoor soccer league in North America. The MISL has experienced a transition of team operator investors and expansion is adding new cities to the League's footprint. The Chicago Storm joined the MISL beginning with the 2004-2005 season and the California Cougars commenced play with the 2005-2006 season. In addition, the Detroit Ignition began play in the 2006-07 season. According to league representatives, expansion teams are planned for Atlanta, Newark, Grand Rapids, Dallas and several west coast locations in the next several years. The league also has a recent contract with ESPN to televise some games. Teams also have local broadcast contracts primarily with Comcast. The MISL is a single entity, limited liability company. In this business structure, each team operator holds an ownership position in the League instead of solely his or her team. Investors also own a license to operate teams and lease players from the League which owns all player contracts.

The MISL season typically runs from October through April. The Baltimore Blast has been a long-term tenant in the 1st Mariner Arena and a viable indoor soccer franchise since 1980. The historical operations of the Blast within the context of the overall MISL are analyzed in this section. Because of its long-standing commitment to the Baltimore marketplace, it is assumed for purposes of this analysis that the Blast would be a tenant in the proposed new arena. MISL representatives stated that target facilities for the MISL typically range between 8,000 and 12,000 in capacity and are preferred to be located in markets that can generate strong corporate sponsorship and other forms of support.

The table that follows compares select market characteristics of Baltimore to the six other franchises that played in the MISL in 2004-05. As shown, MISL teams play in both large and small metropolitan markets.



Summary of Key Characteristics of MISL Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
Chicago Storm	Chicago, IL	9,398,300	9,569,900	\$44,783
Philadelphia Kixx	Philadelphia, PA	5,800,400	7,709,200	\$42,852
St. Louis Steamers	St. Louis, MO	2,773,700	3,111,600	\$39,668
Baltimore Blast	Baltimore, MD	2,628,700	2,806,700	\$43,167
Cleveland Force	Cleveland, OH	2,145,900	3,924,400	\$38,169
Kansas City Comets	Kansas City, MO	1,926,200	2,286,000	\$41,533
Milwaukee Wave	Milwaukee, WI	1,517,700	2,241,600	\$39,254
Average		3,741,600	4,521,300	\$41,300

Notes: Sorted in descending order by CBSA Population.
 The California Cougars began play with the 2005-2006 season.
 The Detroit Ignition began play with the 2006-2007 season.
 N/A denotes not available.

Sources: MISL; 2004 Sales and Marketing Management Survey of Buying Power.

The table that follows illustrates arena and attendance characteristics for teams that played in the MISL in the 2004-05 season. Average attendance shown here represents the figure reported by the Blast to the League that includes all tickets distributed. Hence, this figure differs from that reported by 1st Mariner Arena management presented earlier that reflects turnstile attendance.

Summary of Key Characteristics of Teams Playing in the MISL

Team	Facility	Seating Capacity	2004-2005 Total Attendance	2004-2005 Average Attendance	2004-2005 Percent Capacity	Market Penetration Rate
Baltimore Blast	1st Mariner Arena	13,700	115,041	5,752	42%	4%
Philadelphia Kixx	Wachovia Spectrum	14,500	107,211	5,361	37%	2%
St. Louis Steamers	Savvis Center	10,000	95,882	4,794	48%	3%
Kansas City Comets	Kemper Arena	18,008	76,673	3,834	21%	4%
Milwaukee Wave	US Cellular Arena	9,000	73,505	3,675	41%	5%
Cleveland Force	Cleveland State Convocation Center	12,500	72,781	3,639	29%	3%
Chicago Storm	Chicago Pavilion	7,000	68,166	3,408	49%	1%
Average		12,100	87,000	4,400	38%	3%

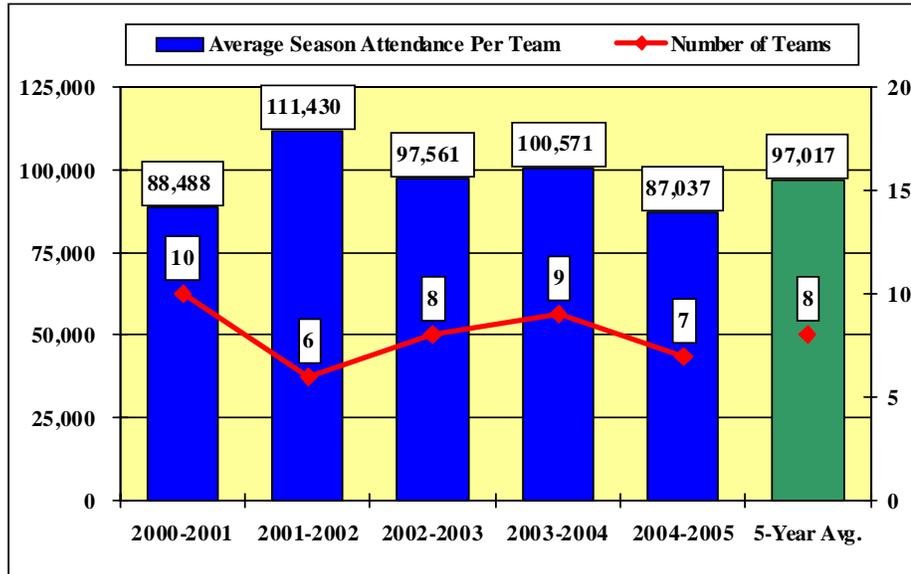
Notes: Sorted in descending order by total attendance.
 Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.
 Percent Capacity = average attendance/arena capacity.
 Market Penetration Rate = total attendance/CBSA population.
 The California Cougars began play with the 2005-2006 season.
 The Detroit Ignition began play with the 2006-2007 season.
 N/A denotes not available.

Sources: MISL; 2004 Sales and Marketing Management Survey of Buying Power; 2005 Revenues from Sports Venues Pro Edition.



As shown in the graph below, average season attendance fluctuated between the 2000-01 and 2004-05 seasons. This is likely attributable to the loss of the Monterrey and Dallas franchises. The attendance shown for the Blast, as provided by the MISL, is higher than that shown earlier in the analysis of historical event activity at the 1st Mariner Arena which reflected the turnstile count.

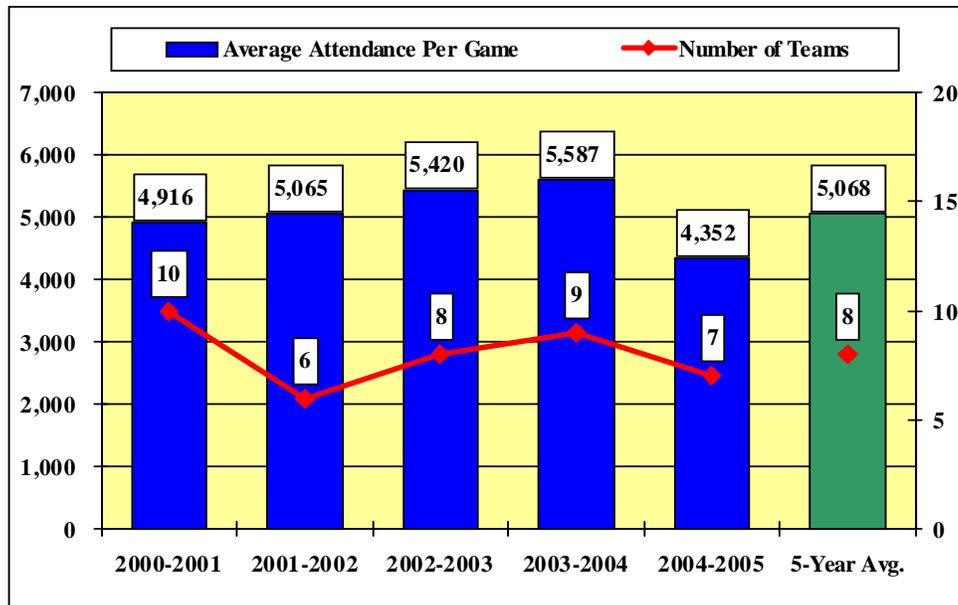
Number of Teams and Average Season Attendance Per Team in the MISL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: MISL.

Attendance per game in the MISL averaged nearly 5,100 people between the 2000-01 and 2004-05 seasons.

Average Attendance Per Game in the MISL

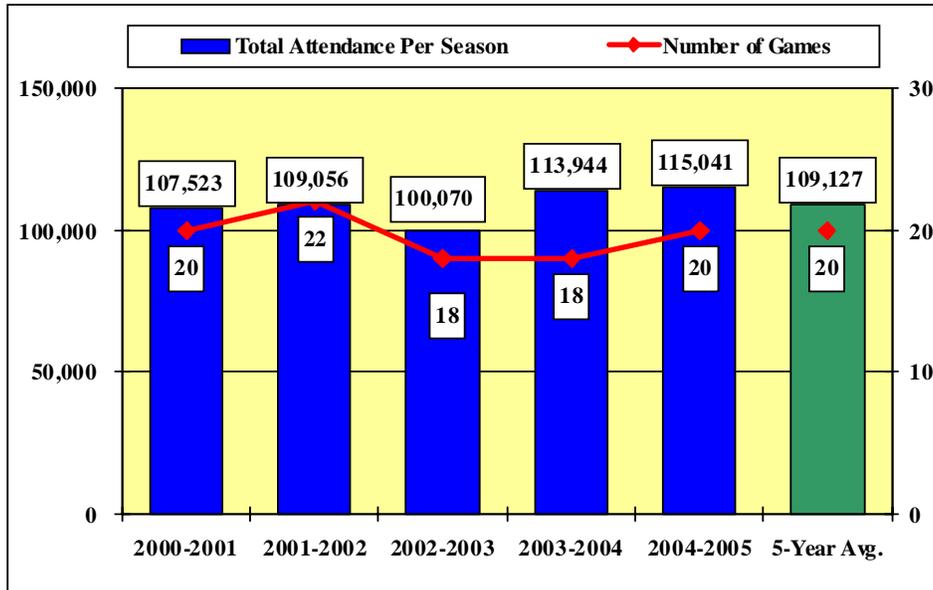


Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: MISL.



The graph below summarizes total attendance for the Baltimore Blast for the 2000-01 through 2004-05 seasons. As shown, total attendance fluctuated during the five-year period and averaged approximately 109,100 total fans per season.

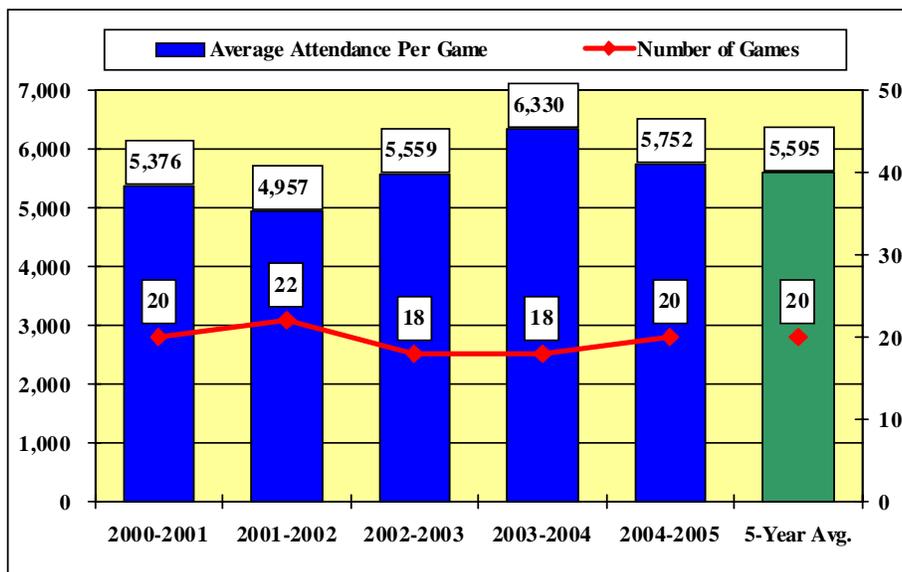
Total Attendance Per Season for the Baltimore Blast



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: MISL.

The graph that follows shows the average attendance per game for the Baltimore Blast for the 2000-01 through 2004-05 seasons. Although the Blast hosted two more home games during the 2004-05 season, average attendance per game decreased by approximately 9%. For the 2004-05 season, the Baltimore Blast averaged approximately 5,800 fans per game.

Average Attendance Per Game for the Baltimore Blast



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: MISL.



Minor League Hockey

One potential opportunity for a professional minor league sports tenant at the proposed new arena is hockey. In recent years, minor league hockey has been through a period of consolidation. While in the past many minor hockey leagues were regionally based, the consolidation of leagues has led to franchises being located across larger geographic areas.

However, although there are different leagues representing minor league hockey, several leagues do not represent a viable option for the proposed new arena in Baltimore due to their geographic location and orientation. For instance, the United Hockey League is concentrated in the Midwest with a strong presence in the Michigan/Illinois area and therefore would not be a viable candidate for the Baltimore market.

➤ **ECHL**

Given market size, geographic location, and various other factors, the ECHL appears to be a viable potential option for any new arena in Baltimore. Representatives of the ECHL indicated that Baltimore would be an attractive market if a suitable venue were available.

The ECHL has grown from its start in 1988-1989 with five teams. The League initially selected markets that already had exposure to hockey in some form. In 2003-04 the ECHL Board of Governors approved the membership applications of the West Coast Hockey League's (WCHL) member franchises located in Anchorage (AK), Bakersfield (CA), Fresno (CA), Boise (ID), Las Vegas (NV), Long Beach (CA), San Diego (CA), Beaumont (TX), and Reno (NV) to a 28-team league that spans the country. The ECHL season typically runs from October through April.

The table that follows compares the CBSA and DMA population as well as the median household EBI of Baltimore to the 28 teams that competed in the 2004-05 ECHL season.



Summary of Key Characteristics of ECHL Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
Long Beach Ice Dogs	Long Beach, CA**	13,006,500	17,174,200	\$41,237
Gwinnett Gladiators	Duluth, GA**	4,704,400	5,651,400	\$45,074
San Diego Gulls	San Diego, CA	2,972,200	2,972,200	\$43,346
Baltimore	Baltimore, MD	2,628,700	2,806,700	\$43,167
Las Vegas Wranglers	Las Vegas, NV	1,623,900	1,664,200	\$41,208
Charlotte Checkers	Charlotte, NC	1,462,000	2,583,800	\$42,055
Fresno Falcons	Fresno, CA	853,700	1,765,000	\$32,564
Dayton Bombers	Dayton, OH	845,400	1,286,200	\$37,396
Bakersfield Condors	Bakersfield, CA	713,600	640,000	\$32,978
Columbia Inferno	Columbia, SC	676,700	965,400	\$36,886
Toledo Storm	Toledo, OH	658,600	1,082,000	\$35,297
Greenville Grrrowl	Greenville, SC	585,300	2,021,500	\$35,512
South Carolina Stingrays	North Charleston, SC	573,900	709,300	\$36,284
Idaho Steelheads	Boise, ID	523,300	635,900	\$38,112
Augusta Lynx	Augusta, GA	512,600	651,200	\$33,724
Florida Everblades	Esteros, FL**	503,100	1,035,400	\$39,290
Pensacola Ice Pilots	Pensacola, FL	434,400	1,302,400	\$35,141
Reading Royals	Reading, PA*	388,600	7,709,200	\$39,901
Texas Wildcatters	South Beaumont, TX	384,700	456,500	\$33,056
Peoria Rivermen	Peoria, IL	365,300	621,600	\$37,782
Trenton Titans	Trenton, NJ*	364,500	7,709,200	\$48,957
Alaska Aces	Anchorage, AK	343,600	395,400	\$49,953
Victoria Salmon Kings	Victoria, BC	289,600	N/A	N/A
Atlantic City Boardwalk Bullies	Atlantic City, NJ*	264,100	7,709,200	\$37,702
Mississippi Sea Wolves	Biloxi, MS	252,700	361,200	\$33,289
Louisiana Ice Gators	Lafayette, LA	246,100	589,500	\$33,948
Pee Dee Pride	Florence, SC	197,000	666,700	\$31,133
Wheeling Nailers	Wheeling, WV	149,400	349,400	\$28,675
Johnstown Chiefs	Johnstown, PA	149,100	760,600	\$28,119
Average		1,215,900	2,572,900	\$37,400

Notes: Sorted in descending order by CBSA Population.

Averages do not include Baltimore.

* - denotes location within larger DMA.

** - denotes location within larger CBSA and DMA.

The Atlantic City Boardwalk Bullies will relocate to Stockton, California beginning with the 2005-2006 season.

The Peoria Rivermen will move to the AHL beginning with the 2005-2006 season.

The Pee Dee Pride and Louisiana Ice Gators suspended operations for the 2005-2006 season.

The Phoenix Roadrunners begin play in the 2005-2006 season.

N/A denotes not available.

Sources: ECHL; 2004 Sales and Marketing Management Survey of Buying Power.

Baltimore's CBSA population would rank 4th among ECHL markets, while its median household EBI would rank 5th among league markets. In summary, Baltimore's market characteristics are favorable to other markets that host ECHL teams.



The table below summarizes key characteristics for teams that played in the ECHL during the 2004-05 ECHL season.

Summary of Key Characteristics for Teams Playing in the ECHL

Team	Facility	2004-2005		2004-2005		2004-2005		Market Penetration Rate
		Seating Capacity	Total Attendance	Average Attendance	Percent Capacity	Rate		
Florida Everblades	Germain Arena	7,080	223,479	6,207	88%	44%		
Gwinnett Gladiators	The Arena at Gwinnett Center	11,355	217,643	6,045	53%	5%		
San Diego Gulls	ipayOne Center at the Sports Arena	12,920	204,412	5,678	44%	7%		
Reading Royals	Sovereign Center	7,215	194,865	5,412	75%	50%		
Bakersfield Condors	Rabobank Arena	9,000	194,723	5,408	60%	27%		
Las Vegas Wranglers	Orleans Arena	7,773	186,970	5,193	67%	12%		
Charlotte Checkers	Cricket Arena	9,634	181,746	5,048	52%	12%		
Trenton Titans	Sovereign Bank Arena	7,605	180,721	5,020	66%	50%		
South Carolina Stingrays	North Charleston Coliseum	10,349	177,880	4,941	48%	31%		
Peoria Rivermen	Peoria Civic Center	9,919	172,274	4,785	48%	47%		
Alaska Aces	Sullivan Arena	6,251	170,478	4,735	76%	50%		
Fresno Falcons	Save Mart Center	13,800	166,225	4,617	33%	19%		
Idaho Steelheads	Bank of America Centre	5,006	161,506	4,486	90%	31%		
Pensacola Ice Pilots	Pensacola Civic Center	8,150	141,547	3,931	48%	33%		
Columbia Inferno	Carolina Coliseum	6,231	135,984	3,777	61%	20%		
Toledo Storm	Toledo Sports Arena	5,361	130,971	3,638	68%	20%		
Greenville Grrrowl	Bi-Lo Center	7,479	130,427	3,622	48%	22%		
Mississippi Sea Wolves	Mississippi Coast Coliseum	9,150	123,321	3,425	37%	49%		
Dayton Bombers	Nutter Center	9,950	112,243	3,117	31%	13%		
Augusta Lynx	Augusta-Richmond County Civic Center	5,426	111,261	3,090	57%	22%		
Long Beach Ice Dogs	Long Beach Arena	6,176	110,074	3,057	49%	1%		
Wheeling Nailers	WesBanco Arena	5,406	105,983	2,943	54%	71%		
Pee Dee Pride	Florence City-County Civic Center	7,426	95,790	2,660	36%	49%		
Atlantic City Boardwalk Bullies	Historic Boardwalk Hall	6,979	88,334	2,453	35%	33%		
Johnstown Chiefs	Cambria County War Memorial	3,998	85,790	2,383	60%	58%		
Victoria Salmon Kings	Save-On-Foods Memorial Centre	7,000	82,431	2,289	33%	28%		
Louisiana Ice Gators	Cajundome	4,481	77,796	2,161	48%	32%		
Texas Wildcatters	Ford Arena	7,736	70,896	1,969	25%	18%		
Average		7,800	144,100	4,000	53%	31%		

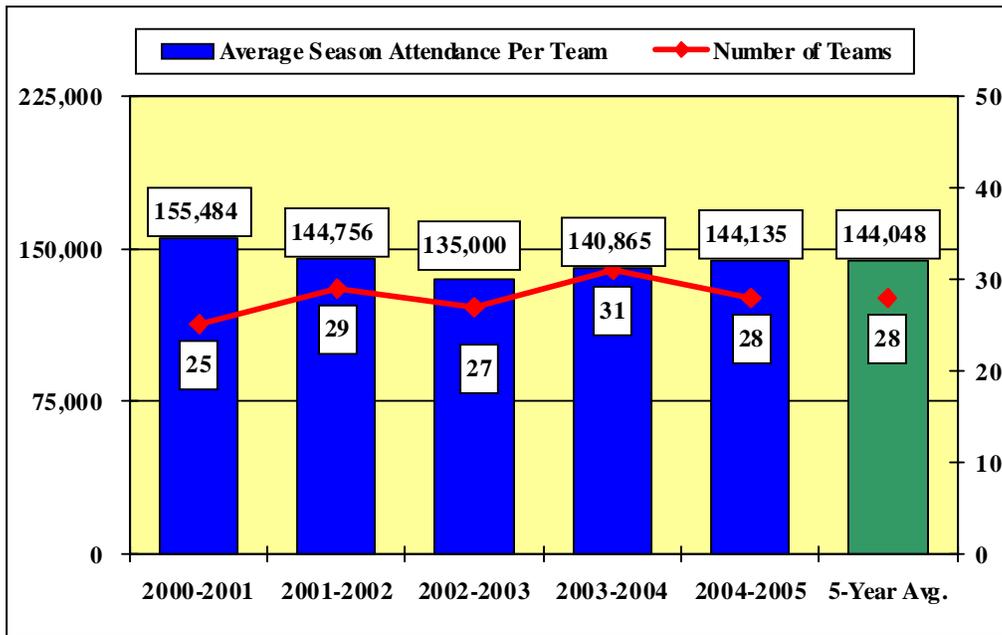
Notes: Sorted in descending order by total attendance.
 Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.
 Percent Capacity = average attendance/arena capacity
 Market Penetration Rate = total attendance/CBSA population
 The Atlantic City Boardwalk Bullies will relocate to Stockton, California beginning with the 2005-2006 season.
 The Peoria Rivermen will move to the AHL beginning with the 2005-2006 season.
 The Pee Dee Pride and Louisiana Ice Gators suspended operations for the 2005-2006 season.
 The Phoenix Roadrunners begin play in the 2005-2006 season.

Sources: ECHL; 2004 Sales and Marketing Management Survey of Buying Power.

As shown in the graph on the following page, average season attendance per team has been gradually increasing since the 2002-03 season. Average season attendance per team for the 2004-05 season was approximately 144,000 fans, which is consistent with the five-year average.



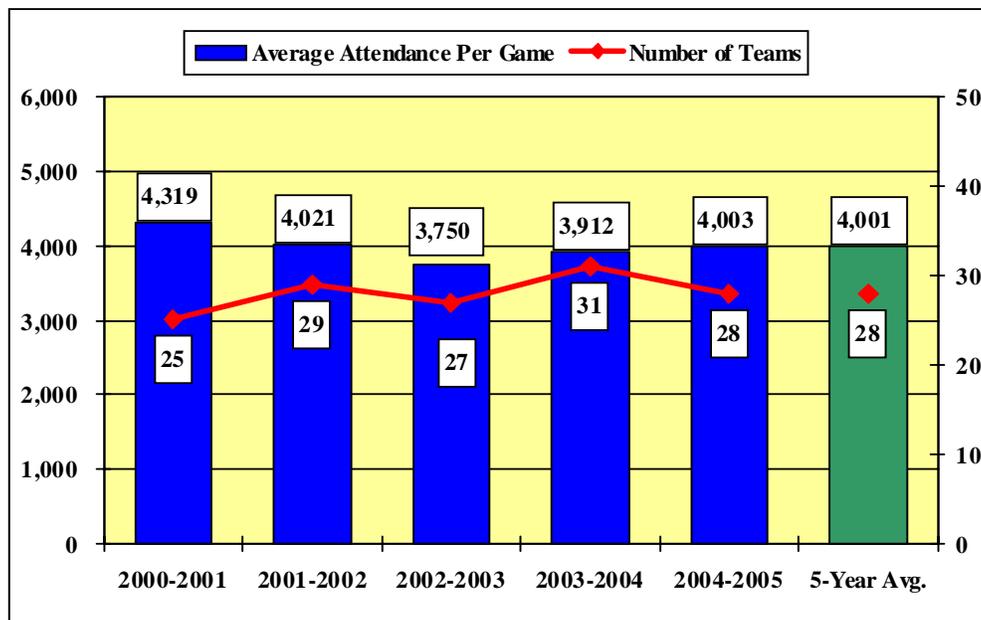
Number of Teams and Average Season Attendance per Team in the ECHL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: ECHL.

The graph below illustrates the historical per game attendance and number of teams in the ECHL for the 2000-01 through 2004-05 seasons. The number of teams in the ECHL fluctuated during these five seasons, while average attendance per team steadily increased since the 2002-2003 season. This rebound was mostly a result of the adoption of the WCHL.

Average Attendance per Game in the ECHL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: ECHL.



Based on discussions with ECHL representatives, the following items of importance were noted in regards to the ECHL, its operations, and the potential for a future ECHL franchise in the Baltimore area:

- Each ECHL team is granted protected territorial rights covering a specific geographic area, which is defined as a 50-mile radius from its home facility. Potential ECHL franchise owners within a 50-mile radius from the home facility of an existing ECHL franchise must obtain the existing franchise's permission to enter the league as well as approval from the ECHL. These territorial rights can potentially be waived or a fee may be charged by the existing team.
- The ECHL does not have any reciprocal agreements or limitations with the NHL or AHL with regards to territorial rights.
- Baltimore would be an attractive market for the ECHL.
- The ECHL requires a franchise fee of \$2 million for new franchises.
- Several ECHL arenas are also home to af2 (an arena football league titled in lower case) franchises including the Germain Arena (FL) and Rabobank Arena (CA). The newly constructed Stockton Waterfront Arena in California will also host both an ECHL and af2 franchise.
- Germain Arena in Estero (FL) and the Sovereign Center in Reading (PA) are model facilities for the ECHL's potential franchises.
- All West Coast franchises are required to make at least one trip to the East Coast during the season, while East Coast franchises have the option to travel west, but are not required. This is due to two factors. First, the adoption of the WCHL franchises into the ECHL called for a number of stipulations in favor of current ECHL teams. Second, travel costs are a significant factor in scheduling and general expenses for each franchise. ECHL teams use buses as their primary means of travel; therefore, long distance traveling is restricted where possible.

➤ **American Hockey League (AHL)**

Created in 1936, the AHL absorbed some of the franchises in the International Hockey League (IHL) in 2001 and became the major affiliate of the NHL. During the 2004-05 season, the AHL consisted of 28 active franchises that play from October through May. The Baltimore Skipjacks were members of the AHL's South Division and played in 1st Mariner Arena from 1982 through 1993.



The CBSA and DMA population as well as the median household EBI of Baltimore and the 28 teams who competed in the 2004-05 AHL season are shown in the table below.

Summary of Key Characteristics of AHL Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
Chicago Wolves	Rosemont, IL**	9,398,000	9,569,900	\$44,783
Philadelphia Phantoms	Philadelphia, PA	5,800,400	7,709,200	\$42,852
Houston Aeros	Houston, TX	5,130,500	5,432,400	\$41,969
Lowell Lock Monsters	Lowell, MA**	4,455,800	6,218,400	\$47,905
Baltimore	Baltimore, MD	2,628,700	2,806,700	\$43,167
Cleveland Barons	Cleveland, OH	2,145,900	3,924,400	\$38,169
Cincinnati Mighty Ducks	Cincinnati, OH	2,060,000	2,248,300	\$40,623
San Antonio Rampage	San Antonio, TX	1,832,500	2,137,600	\$36,751
Providence Bruins	Providence, RI	1,630,100	1,630,100	\$38,232
Norfolk Admirals	Norfolk, VA	1,629,000	1,864,600	\$38,496
Milwaukee Admirals	Milwaukee, WI	1,517,700	2,241,600	\$39,254
Hartford Wolfpack	Hartford, CT	1,182,400	2,595,500	\$46,289
Rochester Americans	Rochester, NY	1,044,700	1,025,500	\$37,438
Utah Grizzlies	West Valley City, UT**	1,017,200	2,532,500	\$44,110
Bridgeport Sound Tigers	Bridgeport, CT**	905,900	20,668,400	\$56,743
Albany River Rats	Albany, NY	841,500	1,358,100	\$38,273
Edmonton Road Runners	Edmonton, AB	822,300	N/A	N/A
Worcester IceCats	Worcester, MA*	779,500	6,218,400	\$41,498
Grand Rapids Griffins	Grand Rapids, MI	768,300	1,962,400	\$39,286
Springfield Falcons	Springfield, MA	685,900	685,900	\$35,981
Syracuse Crunch	Syracuse, NY	654,600	1,011,000	\$34,683
Hamilton Bulldogs	Hamilton, ON	653,700	N/A	N/A
Manitoba Moose	Winnipeg, MB	632,100	N/A	N/A
Wilkes-Barre/Scranton Penguins	Wilkes-Barre, PA	548,700	1,485,000	\$31,350
Hershey Bears	Hershey, PA**	519,700	1,687,200	\$39,431
Portland Pirates	Portland, ME	511,200	979,200	\$39,195
Manchester Monarchs	Manchester, NH*	398,500	6,218,400	\$48,250
Binghamton Senators	Binghamton, NY	251,700	349,700	\$31,533
St. John's Maple Leafs	St. John's, NF	112,000	N/A	N/A
Average		1,711,800	3,823,100	\$40,500

Notes: Sorted in descending order by CBSA Population.

Averages do not include Baltimore.

Non-U.S. city populations may not reflect true statistical areas.

The Peoria Rivermen (ECHL) will replace the Worcester IceCats beginning with the 2005-2006 season.

The Cincinnati Mighty Ducks and Edmonton Road Runners suspended operations for the 2005-2006 season.

The Utah Grizzlies will move to the ECHL beginning with the 2005-2006 season.

The St. John's Maple Leafs move to Toronto beginning with the 2005-2006 season.

The Iowa Stars and Omaha Ak-Sar-Ben Knights begin play in the 2005-2006 season.

N/A denotes not available.

* - denotes location within larger DMA.

** - denotes location within larger CBSA and DMA.

Sources: AHL; 2004 Sales and Marketing Management Survey of Buying Power.

Baltimore's CBSA population would rank 5th in the League, while Baltimore's median household EBI is higher than the AHL league average, ranking 7th among League markets.

The table that follows summarizes arena and attendance characteristics of teams that played in the AHL during the 2004-05 season. The market penetration rate is not provided for Canadian teams, as comparable CBSA data is not available for non-U.S. markets. General population data was used to represent CBSA populations for non-U.S. markets.



Summary of Key Characteristics for Teams Playing in the AHL

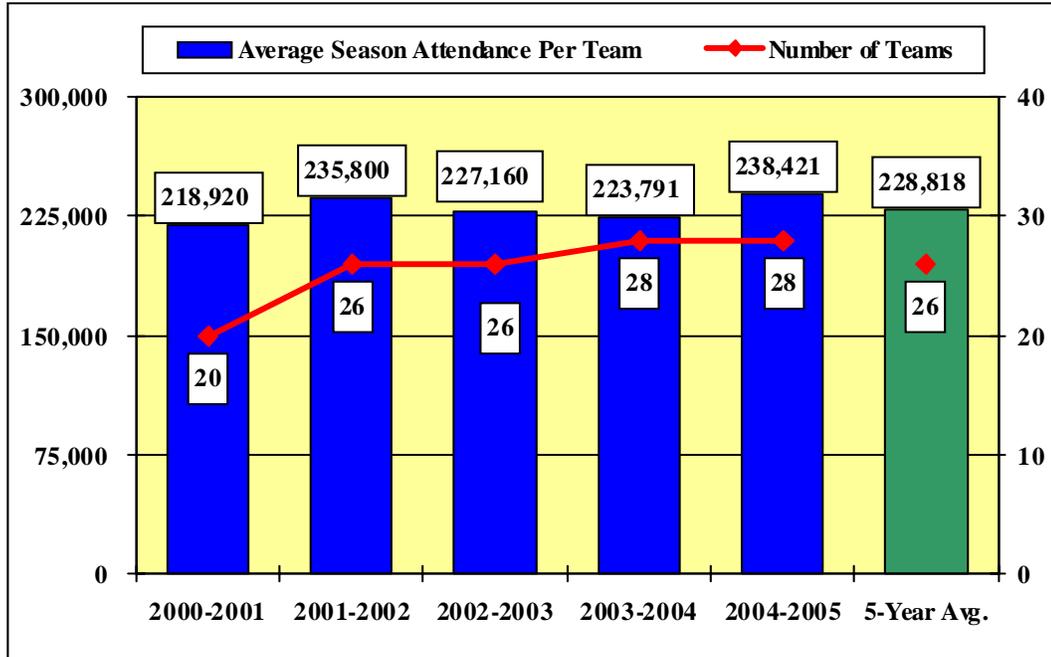
Team	Facility	Seating Capacity	2004-2005 Total Attendance	2004-2005 Average Attendance	2004-2005 Percent Capacity	Market Penetration Rate
Chicago Wolves	Allstate Arena	17,000	368,390	9,209	54%	4%
Manchester Monarchs	Verizon Wireless Arena	10,019	362,105	9,052	90%	91%
Edmonton Road Runners	Rexall Place	17,503	354,151	8,853	51%	N/A
Manitoba Moose	MTS Centre	15,000	345,062	8,626	58%	N/A
Rochester Americans	Blue Cross Arena	12,500	337,894	8,447	68%	32%
Wilkes-Barre/Scranton Penguins	Wachovia Arena	8,600	327,863	8,196	95%	60%
Philadelphia Phantoms	Wachovia Spectrum	17,380	318,690	7,967	46%	5%
Hershey Bears	Giant Center	10,500	303,801	7,595	72%	58%
Providence Bruins	Dunkin Donuts Center	11,940	301,684	7,542	63%	19%
Grand Rapids Griffins	Van Andel Arena	10,835	266,399	6,659	61%	35%
Hamilton Bulldogs	Copps Coliseum	17,500	231,753	5,793	33%	N/A
Houston Aeros	Toyota Center	17,800	226,790	5,669	32%	4%
Syracuse Crunch	Onondaga County War Memorial	6,200	220,191	5,504	89%	34%
Bridgeport Sound Tigers	The Arena at Harbor Yard	10,000	216,123	5,403	54%	24%
Hartford Wolfpack	Hartford Civic Center	14,758	205,702	5,142	35%	17%
Cincinnati Mighty Ducks	Cincinnati Gardens	10,326	198,478	4,961	48%	10%
Milwaukee Admirals	Bradley Center	17,800	197,198	4,929	28%	13%
St. John's Maple Leafs	Mile One Stadium	5,813	193,140	4,828	83%	N/A
Utah Grizzlies	E Center	10,500	192,024	4,800	46%	19%
Binghamton Senators	Broome County Veterans Memorial Arena	4,643	185,341	4,633	100%	74%
San Antonio Rampage	SBC Center	13,400	182,259	4,556	34%	10%
Worcester IceCats	DCU Center	12,400	175,655	4,391	35%	23%
Portland Pirates	Cumberland County Civic Center	6,746	173,568	4,339	64%	34%
Norfolk Admirals	Scope Arena	8,846	167,638	4,190	47%	10%
Cleveland Barons	Gund Arena	20,000	167,131	4,178	21%	8%
Lowell Lock Monsters	Paul Tsongas Arena	7,800	160,066	4,001	51%	4%
Springfield Falcons	Springfield Civic Center	7,442	148,546	3,713	50%	22%
Albany River Rats	Pepsi Arena	14,000	148,144	3,703	26%	18%
Average		12,000	238,400	6,000	55%	26%

Notes: Sorted in descending order by Total Attendance.
 Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.
 Percent Capacity = average attendance/arena capacity.
 Market Penetration Rate = total attendance/MSA population.
 The Peoria Rivermen (ECHL) will replace the Worcester IceCats beginning with the 2005-2006 season.
 The Cincinnati Mighty Ducks and Edmonton Road Runners suspended operations for the 2005-2006 season.
 The Utah Grizzlies will move to the ECHL beginning with the 2005-2006 season.
 The St. John's Maple Leafs move to Toronto beginning with the 2005-2006 season.
 The Iowa Stars and Omaha Ak-Sar-Ben Knights begin play in the 2005-2006 season.
 N/A denotes not available.

Sources: AHL; 2004 Sales and Marketing Management Survey of Buying Power; 2005 Revenues from Sports Venues Pro Edition.

The graph that follows shows the number of teams in the AHL compared to the average season attendance per team. Between the 2000-01 and 2004-05 seasons, the AHL's attendance remained relatively consistent, with the 2004-05 average season attendance per team increasing by approximately 7% from the previous season.

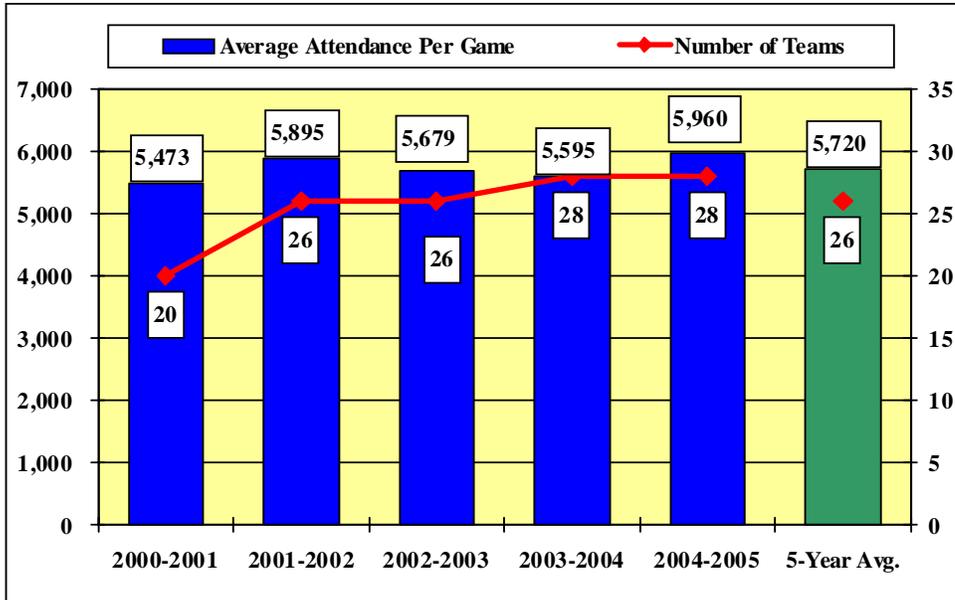
Number of Teams and Average Season Attendance Per Team in the AHL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: AHL.

The graph below illustrates the average attendance per game and number of teams in the AHL for from 2000-01 through 2004-05. As shown, the 2004-05 season experienced an attendance growth of approximately 7% per game resulting in the highest average attendance per game during the profiled period.

Average Attendance Per Game in the AHL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: AHL.



Based on conversations with AHL representatives, the following topics were noted in regard to the AHL, its operations, and the potential for a future AHL franchise in the Baltimore area:

- The AHL currently operates at a one-to-one ratio of teams with the NHL. At the current time, the NHL has 30 teams. Therefore, any expansion of AHL franchises beyond this figure would require expansion of the NHL.
- The AHL reacted favorably to the Baltimore market becoming available with a potential new arena; however, representatives of the League indicated little opportunity for expansion or relocation of a franchise given its one to one relationship and affiliation with the NHL. Due to the limited opportunity for an AHL expansion franchise and the nature of the league's geography, representatives indicated that Baltimore should not look to the AHL as a short-term opportunity for a sports tenant for any new arena.

Arena Football

In addition to a minor league hockey team, a new arena facility in Baltimore could potentially host an arena football team. As a point of reference, arena football and hockey use nearly identical field dimensions. Therefore, many arenas across the country are capable of hosting both sports.

➤ **Arena Football League (AFL)**

The AFL had 17 teams compete during the 2005 AFL season, which ran from January through June. While NFL teams are typically given the right of first refusal in a community wishing to host an AFL team, this is not always the case. According to AFL officials, the league does not have any legal or contractual obligation to the NFL Baltimore Ravens' ownership. However, officials stated they would seek to work with the Baltimore Ravens' ownership to establish an AFL team in Baltimore should a new arena be developed.

Further, AFL rules provide individual owners with protected territorial rights within 75 miles of their home arena. Dan Snyder, owner of the NFL Washington Redskins, has purchased the rights for an AFL team in D.C. Given the proximity to Baltimore, it would be necessary to obtain Mr. Snyder's approval for a team in Baltimore via a variety of potential alternatives. According to AFL representatives, this right can be waived, purchased for a fee or a potential ownership interest in the Baltimore franchise could be extended to Mr. Snyder. There is precedence of having two teams within a 75-mile radius in markets such as Tampa/Orlando and San Jose/San Francisco.

The following table illustrates various demographic characteristics of the AFL markets that hosted teams in 2005. As shown, Baltimore's CBSA population falls within the upper half of the current AFL markets while median household EBI is above the League average.



Summary of Key Characteristics of AFL Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
New York Dragons	Uniondale, NY**	18,736,600	20,668,400	\$42,704
Los Angeles Avengers	Los Angeles, CA	13,006,500	17,174,200	\$41,237
Chicago Rush	Chicago, IL	9,398,300	9,569,900	\$44,783
Philadelphia Soul	Philadelphia, PA	5,800,400	7,709,200	\$42,852
Dallas Desperados	Dallas, TX	5,705,100	6,332,900	\$44,240
Georgia Force	Marietta, GA*	4,704,400	5,651,400	\$45,074
Arizona Rattlers	Phoenix, AZ	3,654,000	4,374,600	\$41,550
Baltimore	Baltimore, MD	2,628,700	2,806,700	\$43,167
Tampa Bay Storm	Tampa Bay, FL	2,563,400	3,965,300	\$35,780
Colorado Crush	Denver, CO	2,321,700	3,680,700	\$47,275
Orlando Predators	Orlando, FL	1,851,700	3,244,300	\$38,998
San Jose SaberCats	San Jose, CA	1,756,200	6,819,500	\$62,138
Columbus Destroyers	Columbus, OH	1,688,300	2,176,000	\$40,383
Las Vegas Gladiators	Las Vegas, NV	1,623,900	1,664,200	\$41,208
Austin Wranglers	Austin, TX	1,413,700	1,545,800	\$45,171
Nashville Kats	Nashville, TN	1,382,100	2,350,100	\$40,655
New Orleans VooDoo	New Orleans, LA	1,319,300	1,785,600	\$33,418
Grand Rapids Rampage	Grand Rapids, MI	768,300	1,962,400	\$39,286
Average		4,570,200	5,922,000	\$42,800

Notes: Sorted in descending order by CBSA Population.
 Averages do not include Baltimore.
 The Utah Blaze will begin play with the 2006 season.
 * - denotes location within larger DMA.
 ** - denotes location within larger CBSA and DMA.

Sources: AFL; 2004 Sales and Marketing Management Survey of Buying Power.

As shown below, the average attendance at AFL games in 2005 was approximately 12,800 fans per game.

Summary of Key Characteristics for Teams Playing in the AFL

Team	Facility	Seating Capacity	2005 Total Attendance	2005 Average Attendance	Percent Capacity	Market Penetration Rate
Philadelphia Soul	Wachovia Center	18,168	128,968	16,121	89%	2%
Tampa Bay Storm	St. Pete Times Forum	23,000	124,150	15,518	67%	5%
New Orleans VooDoo	New Orleans Arena	18,500	122,704	15,338	83%	9%
Columbus Destroyers	Nationwide Arena	18,500	121,835	15,229	82%	7%
Chicago Rush	Allstate Arena	17,000	115,667	14,458	85%	1%
San Jose SaberCats	HP Pavilion	17,160	109,752	13,719	80%	6%
Colorado Crush	Pepsi Center	18,100	108,033	13,504	75%	5%
Orlando Predators	TD Waterhouse Centre (now Amway Arena)	17,200	106,618	13,327	77%	6%
Georgia Force	The Arena at Gwinnett Center	11,000	101,712	12,714	116%	2%
Austin Wranglers	Frank Erwin Center	18,500	98,473	12,309	67%	7%
Dallas Desperados	American Airlines Center	18,000	97,498	12,187	68%	2%
Los Angeles Avengers	Staples Center	18,000	97,323	12,165	68%	1%
New York Dragons	Nassau Coliseum	10,500	95,382	11,922	114%	1%
Arizona Rattlers	America West Arena	16,000	91,615	11,451	72%	3%
Nashville Kats	Gaylord Entertainment Center	17,500	89,377	11,172	64%	6%
Las Vegas Gladiators	Thomas & Mack Center	13,000	75,806	9,475	73%	5%
Grand Rapids Rampage	Van Andel Arena	10,835	59,924	7,490	69%	8%
Average		16,500	102,600	12,800	79%	4%

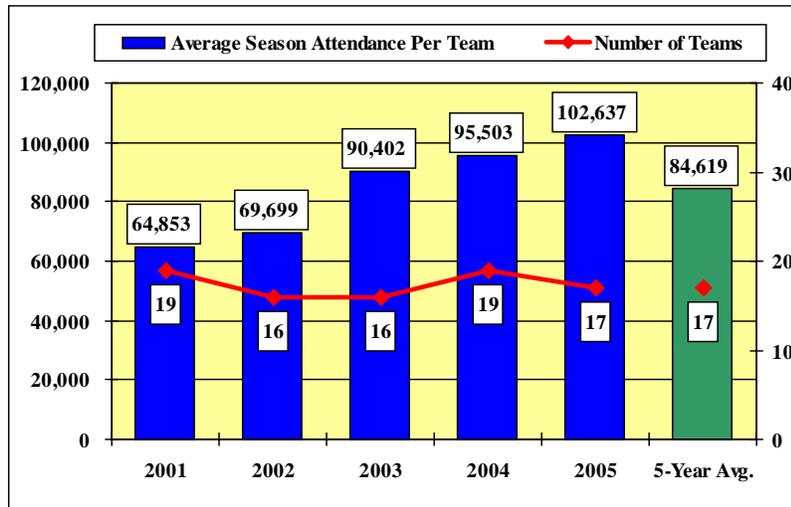
Note: Sorted in descending order by total attendance.
 Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.
 Percent Capacity = average attendance/arena capacity
 Market Penetration Rate = total attendance/CBSA population
 The Utah Blaze will begin play with the 2006 season.

Sources: AFL; 2004 Sales and Marketing Management Survey of Buying Power; 2005 Revenues from Sports Venues Pro Edition; Individual Facilities.



The AFL's average season attendance per team increased significantly in 2003 due to a two-week increase in the season. Since that time, average season attendance has steadily increased.

Number of Teams and Average Season Attendance Per Team in the AFL

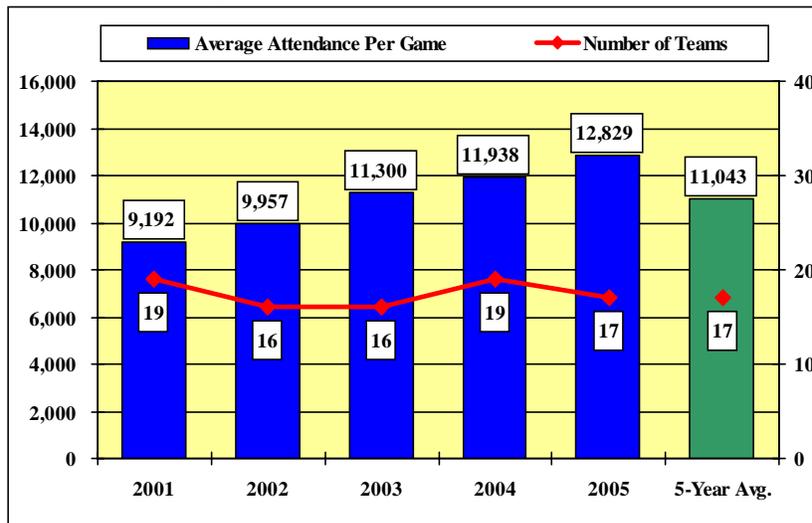


Note: Attendance figures are reported by individual teams/leagues not necessarily actual turnstile count.

Source: AFL.

As shown in the graph below, the AFL averaged approximately 11,000 fans per game during the 2001-05 seasons. Since the season length was increased in 2003, the average number of fans per game has seen continued growth.

Average Attendance Per Game in the AFL



Note: Attendance figures are reported by individual teams/leagues not necessarily actual turnstile count.

Source: AFL.

AFL representatives cited the importance of a strong and dedicated ownership group, a successful football market and a facility with a required minimum capacity of 14,000 seats as being important criteria for hosting franchises. Officials stated there was substantial potential for the proposed arena in Baltimore to host an AFL team.



➤ **arenafootball2 (af2)**

In August 1999, the Arena Football League Board of Directors approved the final initial applications for af2, which began play in April 2000. The af2 was formed to meet the demand for existing second-tier market summertime football. The AFL's years of experience gave the af2 credibility.

The af2 has experienced explosive growth since its inception. The af2 began with only six teams and had 20 teams during the 2005 season. These teams operate under AFL rules and operating procedures and have a regular season that spans from April to August.

As shown in the table that follows, Baltimore compares favorably to other markets that hosted an af2 franchise in 2005 in terms of population and median household EBI, ranking second in CBSA population and third in median household EBI.

Summary of Key Characteristics of af2 Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
San Diego Riptide	San Diego, CA	2,972,200	2,972,200	\$43,346
Baltimore	Baltimore, MD	2,628,700	2,806,700	\$43,167
Memphis Xplorers	South Haven, MS**	1,250,400	1,790,200	\$36,986
Louisville Fire	Louisville, KY	1,199,200	1,586,200	\$37,154
Oklahoma City Yard Dawgz	Oklahoma City, OK	1,140,300	1,674,200	\$33,687
Birmingham Steeldogs	Birmingham, AL	1,078,800	1,779,900	\$35,146
Tulsa Talons	Tulsa, OK	890,900	1,303,900	\$34,314
Central Valley Coyotes	Fresno, CA	853,700	1,765,000	\$32,564
Albany Quest	Albany, NY	841,500	1,358,100	\$38,273
Bakersfield Blitz	Bakersfield, CA	713,600	640,000	\$32,978
Rio Grande Valley Dorados	Hidalgo, TX**	642,100	1,086,500	\$24,890
Arkansas Twisters	Little Rock, AR	632,300	1,339,500	\$35,990
Wilkes-Barre/Scranton Pioneers	Wilkes-Barre, PA	548,700	1,485,000	\$31,350
Florida Firecats	Esteros, FL**	503,100	1,035,400	\$39,290
Manchester Wolves	Manchester, NH*	398,500	6,218,400	\$48,250
Bossier-Shreveport Battle Wings	Bossier City, LA	380,000	996,100	\$31,286
Quad City Steamwheelers	Davenport, IA	374,700	773,800	\$36,002
Green Bay Blizzard	Green Bay, WI	294,300	1,087,900	\$39,093
Amarillo Dusters	Amarillo, TX	235,500	515,800	\$33,384
Macon Knights	Macon, GA	227,200	613,500	\$32,341
South Georgia Wildcats	Albany, GA	160,600	426,000	\$29,825
Average		766,900	1,522,400	\$35,300

Notes: Sorted in descending order by CBSA Population.

Averages do not include Baltimore.

* - denotes location within larger DMA.

** - denotes location within larger CBSA and DMA.

Sources: af2; 2004 Sales and Marketing Management Survey of Buying Power.



As shown below, af2 teams averaged 4,900 fans per game in 2005. The Louisville Fire and the Manchester Wolves led the af2 in attendance.

Summary of Key Characteristics for Teams Playing in the af2

Team	Facility	Seating Capacity	2005 Total Attendance	2005 Average Attendance	Percent Capacity	Market Penetration Rate
Louisville Fire	Freedom Hall	16,000	62,579	7,822	49%	5%
Manchester Wolves	Verizon Wireless Arena	10,019	58,785	7,348	73%	15%
Oklahoma City Yard Dawgz	Ford Center	17,884	53,554	7,650	43%	5%
South Georgia Wildcats	Albany Civic Center	10,240	47,792	6,827	67%	30%
Arkansas Twisters	Alltel Arena	16,058	47,579	6,797	42%	8%
Birmingham Steeldogs	Birmingham-Jefferson C.C.	16,800	45,479	5,684	34%	4%
Quad City Steamwheelers	The Mark of the Quad Cities	9,100	38,896	5,556	61%	10%
Tulsa Talons	Tulsa Convention Center	7,000	38,742	5,534	79%	4%
Rio Grande Valley Dorados	Dodge Arena	5,500	38,658	4,832	88%	11%
Florida Firecats	Germain Arena	7,000	38,643	5,520	79%	8%
Wilkes-Barre/Scranton Pioneers	Wachovia Arena	8,300	36,007	4,500	54%	7%
Albany Quest	Pepsi Arena	13,652	34,809	4,972	36%	4%
Green Bay Blizzard	Resch Center	8,300	28,261	3,532	43%	10%
Amarillo Dusters	Amarillo Civic Center	4,780	27,184	3,883	81%	12%
San Diego Riptide	San Diego Sports Arena	10,000	25,424	3,632	36%	1%
Macon Knights	Macon Centreplex Coliseum	7,182	24,274	3,034	42%	11%
Memphis Xplorers	Desoto County Civic Center	8,500	20,707	2,958	35%	2%
Bakersfield Blitz	Rabobank Arena	8,000	20,069	3,344	42%	3%
Central Valley Coyotes	Selland Arena	8,950	15,617	1,952	22%	2%
Bossier-Shreveport Battle Wings	CenturyTel Center	12,500	13,363	1,909	15%	4%
Average		10,300	35,800	4,900	51%	8%

Note: Sorted in descending order by total attendance.

Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.

Percent Capacity = average attendance/arena capacity

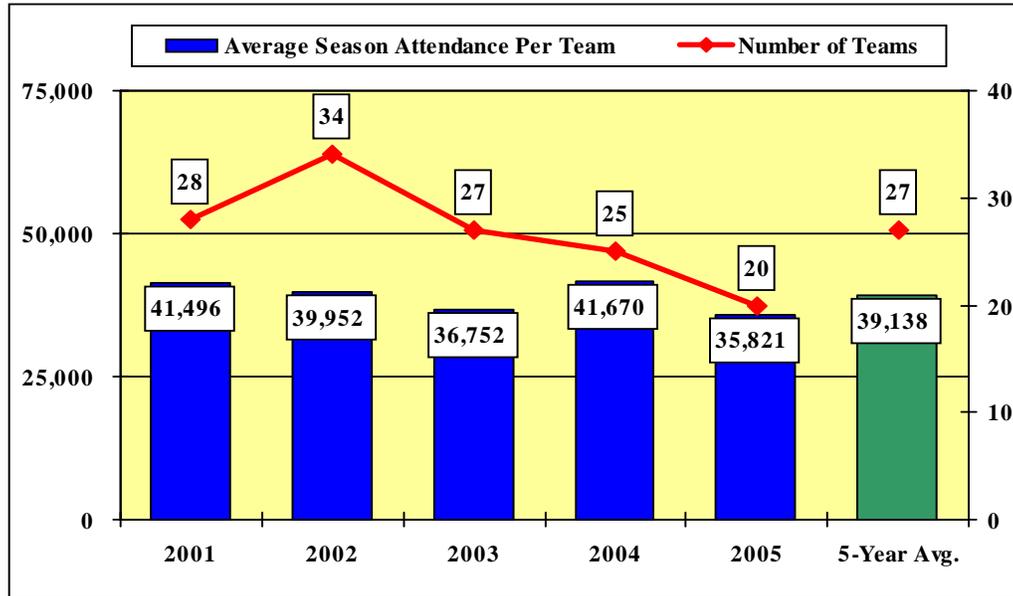
Market Penetration Rate = total attendance/CBSA population

Sources: af2; 2004 Sales and Marketing Management Survey of Buying Power; 2005 Revenues from Sports Venues Pro Edition; Individual Facilities.



The af2's average season attendance per team declined three consecutive seasons after its inaugural 2000 season prior to experiencing an increase in 2004. However, average season attendance decreased in 2005 to approximately 35,800 with the loss of five teams.

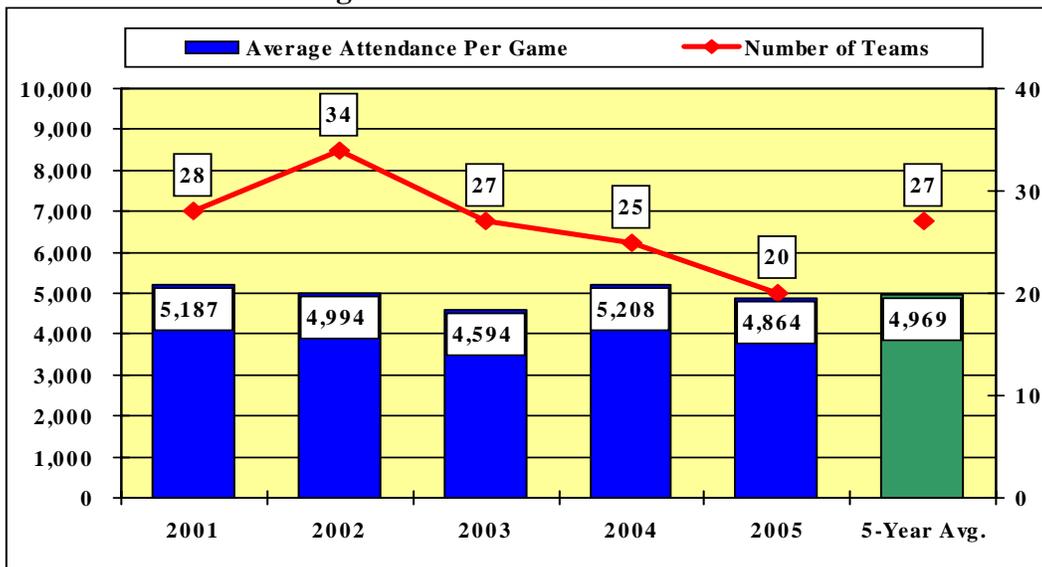
Number of Teams and Average Season Attendance Per Team in the af2



Note: Attendance figures are reported by individual teams/leagues not necessarily actual turnstile count.
Source: af2.

The graph below illustrates the average attendance per game for af2 teams from 2001 through 2005. The number of teams and average attendance per game has fluctuated while the league seeks its market niche.

Average Attendance Per Game in the af2



Note: Attendance figures are reported by individual teams/leagues not necessarily actual turnstile count.
Source: af2.



af2 representatives cited a number of factors relative to the potential for a franchise in the Baltimore market, which are summarized below.

- The af2 provides individual owners protected territorial rights within a radius of 50 miles from the corporate limits of their home arena's city. Potential af2 franchise owners within the protected territorial rights of an existing af2 franchise must obtain both the af2 commissioner's and the existing franchise's permission to enter the league. If these rights are exercised and an AFL franchise comes to Baltimore, it effectively eliminates any potential for an af2 franchise. Other af2 characteristics include:
- Potential ownership groups must have at least \$5 million in net worth and \$1 million in liquid assets.
- The minimum operating budget for all af2 teams is \$650,000 annually, while the af2 league average ranges between \$850,000 and \$950,000.
- Arenas hosting new franchises are required to have a seating capacity of between 6,000 and 12,000. Six arenas hosting af2 franchises in 2005 had larger capacities.
- Arenas must have enough floor space to accommodate an 85' x 200' field.

Other Professional Sports Leagues

In addition to hockey and arena football, there are several other professional sports leagues such as lacrosse and basketball that compete in markets similar in size to Baltimore.

➤ **National Lacrosse League (NLL)**

In 1986, the Eagle Pro Box Lacrosse League was incorporated and began play with four franchises. In its first year, the League announced a total attendance of 124,500. By 1997, the league had changed its name to the National Lacrosse League (NLL) and two franchises had been added. The Baltimore Thunder played in 1st Mariner Arena from 1987 through 1999 in the NLL's American Division.

During its 2004-05 season, the NLL had 10 franchises across the country with a season running from January until April. The following table compares various demographic characteristics of Baltimore to those markets that hosted NLL teams last season. As shown, Baltimore would represent the median market size for the NLL.



Summary of Key Characteristics of NLL Markets

Team	Location	2004 CBSA Population	2004 DMA Population	2004 Median Hshld. EBI
Anaheim Storm	Anaheim, CA**	13,006,500	17,174,200	\$41,237
Philadelphia Wings	Philadelphia, PA	5,800,400	7,709,200	\$42,852
Toronto Rock	Toronto, ON	4,612,187	N/A	N/A
Arizona Sting	Glendale, AZ**	3,654,000	4,374,600	\$41,550
Minnesota Swarm	St. Paul, MN	3,115,200	4,305,400	\$47,632
Baltimore	Baltimore, MD	2,628,700	2,806,700	\$43,167
Colorado Mammoth	Denver, CO	2,321,700	3,680,700	\$47,275
San Jose Stealth	San Jose, CA	1,756,200	6,819,500	\$62,138
Buffalo Bandits	Buffalo, NY	1,156,600	1,635,400	\$33,530
Rochester Knighthawks	Rochester, NY	1,044,700	1,025,500	\$37,438
Calgary Roughnecks	Calgary, AB	968,475	N/A	N/A
Average		3,743,600	5,840,600	\$44,200

Notes: Sorted in descending order by CBSA Population.
 Averages do not include Baltimore.
 Non-U.S. city populations may not reflect true statistical areas.
 N/A - not available.
 ** - denotes location within larger MSA and DMA.

Sources: NLL; 2004 Sales and Marketing Management Survey of Buying Power.

The table below summarizes arena capacity and attendance data for NLL teams that played during the 2004-05 season. The average attendance per game for NLL teams varied significantly during the 2004-05 season, ranging from a high of 17,100 for Toronto to a low of 4,800 for Anaheim.

Summary of Key Characteristics for Teams Playing in the NLL

Teams	Arena	Seating Capacity	2004-2005 Total Attendance	2004-2005 Average Attendance	2004-2005 Percent Capacity	Market Penetration Rate
Toronto Rock	Air Canada Centre	18,092	136,987	17,123	95%	N/A
Colorado Mammoth	Pepsi Center	18,100	136,286	17,035	94%	6%
Philadelphia Wings	Wachovia Center	18,168	93,568	11,696	64%	2%
Minnesota Swarm	Xcel Energy Center	18,064	82,523	10,315	57%	3%
Buffalo Bandits	HSBC Arena	18,500	82,306	10,288	56%	7%
Calgary Roughnecks	Pengrowth Saddledome	20,240	81,660	10,207	50%	N/A
Rochester Knighthawks	Blue Cross Arena	12,500	70,930	8,866	71%	7%
Arizona Sting	Glendale Arena	17,500	52,544	6,568	38%	1%
San Jose Stealth	HP Pavilion	17,483	43,481	5,435	31%	2%
Anaheim Storm	Arrowhead Pond	17,300	38,635	4,829	28%	0%
Average		17,600	81,900	10,200	58%	4%

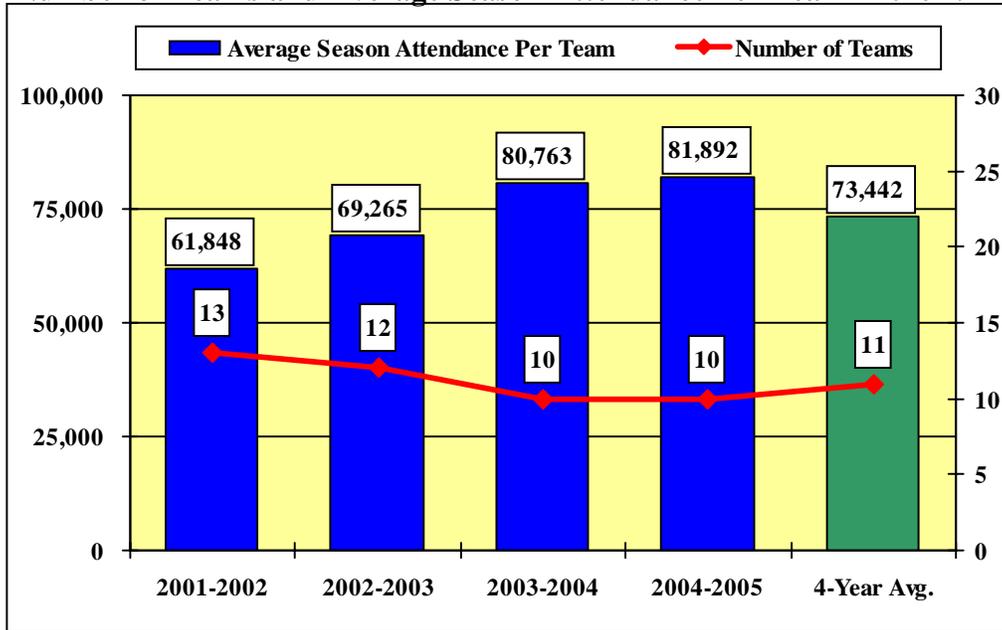
Notes: Sorted in descending order by total attendance.
 Attendance figures are reported by individual teams/leagues and may reflect tickets distributed not necessarily actual turnstile count.
 Percent Capacity = average attendance/arena capacity.
 Market Penetration Rate = total attendance/CBSA population.
 N/A - not available.

Sources: NLL; 2004 Sales and Marketing Management Survey of Buying Power; 2005 Revenues from Sports Venues Pro Edition.



The average season attendance per team in the NLL has continually increased since the 2001-02 season. The average season attendance per team for the 2004-05 season was nearly 82,000 fans, while the NLL average was 73,400 between the 2001-02 and 2004-05 seasons.

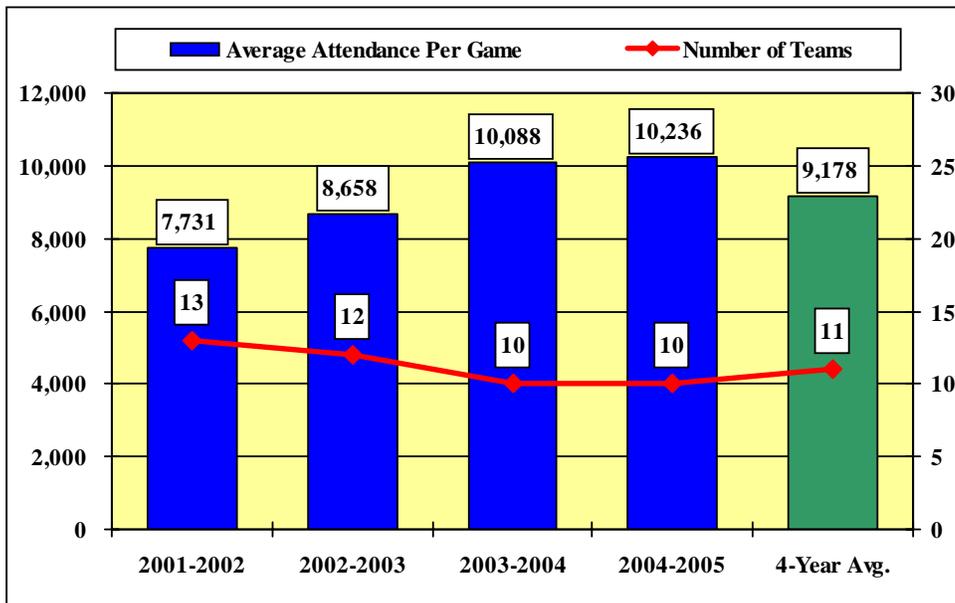
Number of Teams and Average Season Attendance Per Team in the NLL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: NLL.

In conjunction with the average season attendance per team increase, average attendance per game has also increased each of the last four years. Average attendance per team was approximately 9,200 fans per game between the 2001-02 and 2004-05 seasons.

Average Attendance Per Game in the NLL



Note: Attendance figures are reported by individual teams/leagues and may reflect tickets distributed, not turnstile count.
Source: NLL.



Given the market size of Baltimore and the NLL's history in the community, this league may represent a potential tenant for the proposed new arena.

➤ **National Basketball Development League (D-League)**

Owned and operated by the National Basketball Association (NBA), the D-League is a minor league for basketball. D-League teams do not have a direct affiliation with specific NBA teams. In 2004-05, the D-League operated in six Southeastern U.S. cities and recently expanded to include teams in Albuquerque and Tulsa. The D-League's season runs from November through April. The D-League primarily targets markets with a population in the vicinity of 750,000 people and arenas with a capacity of less than 10,000. The D-League has expressed strong interest in Baltimore as a potential market. Given this and the tradition of basketball in the region, the D-League may represent a potential tenant for the proposed new arena depending on date availability and potential financial terms. However, the D-League may be reluctant to locate a team in Baltimore should any new development require the existing arena be closed during the likely two-year construction period.

➤ **American Basketball Association (ABA)**

The ABA was formed in December 2000 with eight teams and lasted two seasons before taking a year off after the 2002 season. The ABA resumed play for the 2003-04 season with franchises in Long Beach (CA), Kansas City (MO), Juarez (Mexico), Tijuana (Mexico), Las Vegas (NV), and Jersey (NJ) and Fresno (CA).

The primary objective of the ABA is to offer an affordable alternative for fans of the NBA. The ABA took on a new business model for the 2004-05 season when it expanded to 33 teams including the Baltimore Pearls which play at Coppin State College. Despite continued expansion in the number of teams, the ABA has not been able to maintain consistency and many teams have struggled financially.

In conversations with representatives from the league office, the ABA noted that it recommends venues with 3,000 to 8,000 in capacity. Although the ABA is in a significant expansion mode, the stability of the various franchises and the ABA itself are still yet to be proven.

➤ **Continental Basketball Association (CBA)**

Founded in 1946 as the Eastern League, the CBA is the oldest professional basketball league in the world and played its 60th consecutive season beginning in November of 2005. During the 2005-06 season, the CBA had eight teams which were divided into the Eastern (Albany, Gary, Michigan, and Rockford) and Western (Dakota, Idaho, Sioux Falls, and Yakima) Conferences, and played a total of 192 regular season games during a 16-week season. The fan-friendly schedule featured 43 percent of its games played on Friday (44) and Saturday (39) nights.

The League typically targets mid to large markets that offer a facility with seating for 6,000 to 12,000. Given the geographic coverage of the League and concerns about financial stability, a CBA team is not included in the estimated utilization for the proposed new arena.



➤ **Women's National Basketball Association (WNBA)**

In 2005, the WNBA began its eighth season with 13 teams. The Chicago Sky began play in 2006. While the League's strategy has historically been to house teams in cities where successful NBA franchises already operate, it has considered other locations recently such as those with successful women's collegiate basketball programs. For purposes of this analysis, this league is not considered a viable option for the proposed new arena in Baltimore.

➤ **Summary of Other Professional Sports Leagues**

Based on discussions with various league officials as well as demographic and economic characteristics of the individual leagues, the AFL, ECHL and the MISL appear to be the most viable leagues from which to pursue potential tenants in any new arena in Baltimore. The AFL has strong backing and credibility due to its affiliation with some NFL owners. Minor league hockey has seen a resurgence nationally and the operating/management models have been refined since the 1st Mariner Arena last hosted hockey. Finally, the MISL has been a long-term tenant in the 1st Mariner Arena and as such should continue to be considered a sports tenant at any new arena. However, recent transition in the MISL may suggest instability of the league long-term.

Minor league basketball has been unstable over recent years. Although the ABA recently awarded Baltimore a team that plays at Coppin State College, the long-term performance and financial strength have not been demonstrated. As such, and for the purposes of this analysis, an ABA team was not assumed to be a tenant at the proposed new arena. The D-League has expressed strong interest in Baltimore as a potential market. However, this option needs to be further explored. In addition, the demolition of the existing arena and the two-year construction period for the proposed new arena may be a factor in attracting a D-League team. Finally, of the remaining sports league options, the NLL may represent a tenant option given the strength of the sport in the Mid-Atlantic region.

➤ **Instability of Minor Leagues**

While a minor league professional sports tenant could provide an arena with as many as 30 to 60 guaranteed event dates, historically the minor league sports industry has been relatively unstable and unreliable. As an industry, minor league sports generally tend to be less stable than that of major-league professional sports. Over the past several years, many leagues and teams have organized and failed for various reasons. Discussions with league and team representatives during this study process indicated that the reasons minor league teams fail include, but are not limited to, lack of operator experience, poor initial capitalization, poorly executed business models, and absentee ownership.

Minor league hockey has been in a state of merger in recent years. While merging leagues expand the geographic market and fan base, it sometimes makes items such as revenue sharing difficult. While the league as a whole may benefit from increasing the number of teams, increased competition can sometimes hurt individual franchises.

While a minor league sports tenant can generally provide a guaranteed number of event dates to a facility, there is always a possibility that a team might move or cease operations. Additionally, many minor league teams will request weekend or other prime dates to play their games at the



facility in an attempt to positively influence attendance and financial performance. Holding quality dates for a minor league team which does not operate successfully can be a risk for the facility. For instance, in the case where the minor league team is not financially successful, date availability may not allow a facility to host a more profitable event such as a concert. Attendance and the contractual agreement between the facility and the team also influence this impact to the facility.

Other Sporting Events

As mentioned earlier, other sporting events include high school and intercollegiate basketball, wrestling, volleyball and/or hockey, NBA and NHL exhibition games, professional wrestling, and motor sports. These events are typically sporadic and rotational in nature. Consequently, unlike minor league professional sports, other sporting events do not provide a guaranteed number of events for a facility. Representatives of many of these groups were contacted about the possibility of and anticipated uses for a proposed new arena. These comments are summarized on the pages that follow.

Intercollegiate Athletics

The NCAA, the governing body of athletic programs of member colleges and universities, indicated that it sets minimum requirements for hosting NCAA championship competitions. As a point of reference, the following table outlines the requirements set by the NCAA for hosting specific competitions.

NCAA DIVISION I CHAMPIONSHIPS		
Sport	Availability	Capacity Requirements
Men's Basketball	First/Second Round	Minimum 12,000 capacity
	Regionals	Minimum 12,000 capacity
	Final Four	Minimum 40,000 capacity
Men's Gymnastics	Finals	No minimum capacity
Men's Ice Hockey	Regionals	Minimum 4,000 capacity
	Finals	Minimum 10,000 capacity
Men's Indoor Track	Finals	Minimum 5,000 capacity
Men's Wrestling	Finals	Minimum 16,000 capacity
Men's Volleyball	Finals	No minimum capacity
Women's Basketball	Regionals	Minimum 8,000 capacity
	Final Four	Minimum 18,000 capacity
Women's Gymnastics	Finals	Minimum 10,000 capacity
Women's Indoor Track	Finals	Minimum 5,000 capacity
Women's Volleyball	Finals	Minimum 10,000 capacity

Source: NCAA

In addition to the minimum seating capacity requirements listed above, the NCAA maintains a firm set of criteria for hosting championship events that differs from sport to sport. Stipulations relating to host institution, budgets, basic provisions, facility and equipment specifications, alcohol and tobacco products, merchandising and corporate licensing, etc. must be met. In addition to these requirements, the NCAA evaluates a potential host market based on the hotel/lodging room supply, quality and level of air transportation, and the strength and resources of the host university.



Given Baltimore's geographic location on the highly populated East Coast and the market's proven success in attracting large collegiate events, it would appear that a proposed new arena could potentially host some of these NCAA regional events. However, there would be significant competition from existing new facilities in the area including Verizon Center (formerly the MCI Center) in D.C. and the Comcast Center at the University of Maryland. While the NCAA does not require luxury suites at the host venue for all its events, a lack of luxury boxes could hinder their marketability for certain events, particularly major NCAA championships.

In order for a city to attract an NCAA tournament, one or more collegiate institution(s) must serve as the host school(s). In Baltimore's case as an example, this could be one of several collegiate institutions. Consequently, the City and facility management would need to work with these collegiate institutions to secure various events at the proposed new arena. It is important to recognize that these arena-oriented NCAA events will rotate around the region and the country and do not represent annual events for the facility.

Amateur Athletic Union

The Amateur Athletic Union (AAU) is one of the largest non-profit volunteer sports organizations in the United States. A multi-sport organization, the AAU is dedicated exclusively to the promotion and development of amateur sports and physical fitness programs. The organization is comprised of approximately 500,000 amateur athletes and 50,000 coaches and volunteers. In 1996, the AAU joined forces with Walt Disney World that included the AAU headquarters office being relocated to Disney's Wide World of Sports Complex in Orlando, Florida.

The AAU conducts approximately 100 events across 34 different types of sports annually. The largest of their tournaments include boy's and girl's basketball, track & field, wrestling, baseball and volleyball. As a point of reference, the AAU indicated that a single boy's basketball tournament could have over 100 teams competing. The typical AAU tournament lasts for six to eight days and takes place during the summer months. According to AAU representatives, approximately 25% of all AAU sporting events by contract are conducted at the Disney facility. The remaining 75% are selected through an independent Request for Proposal process. Critical to the selection process is the respondent's ability to host such large-scale tournaments including, community and volunteer support, an adequate venue or series of venues, and pricing and availability of hotel rooms. Tournament site selection is generally made two to three years in advance of the tournament.

Representatives of the AAU indicate that its base of membership is most geographically concentrated east of the State of Mississippi and as a result, AAU management has historically favored locations for their championship tournaments that are east of the Mississippi and have some sort of destination appeal.

Representatives indicated that the proposed new arena in Baltimore could likely accommodate three or four of AAU's large events. These include AAU's typical floor events such as gymnastics and karate championship tournaments.



Motor Sports

Live Nation's motor sports division promotes monster truck shows and two motorcycle events: arena cross and free-style motor cross. Live Nation's motor sports typically play the Baltimore market with two to three events per year, with each event ranging between two and three performances. Representatives indicated they consider Baltimore an annual stop and would welcome a new arena. They would continue to rotate two to three events to the new arena per year and would expect attendance to increase over historical levels. The average ticket price for monster truck shows is \$13, while the average ticket price for free style motor cross is approximately \$17. Free-style motor cross requires a 110 by 235 foot ring.

Equestrian Events/Rodeos

The proposed new arena in Baltimore may be able to attract various equestrian and rodeo events. The Royal Lipizzaner Stallions perform at the 1st Mariner Arena on a periodic basis, last playing in 1997. They typically have one performance and are in and out of the building in the same day. Attendance has ranged from 2,500 to 3,500 over the last several performances in 1st Mariner Arena. Like many family shows, a maximum attendance event might reach 5,000 spectators per performance. Representatives from the Royal Lipizzaner Stallions indicated that they are pleased with the Baltimore market, but would likely only route this event to the City every two to three years.

Live Nation's motor sports division also promotes the Professional Bull Riding (PBR) Tour which is a one-day event. PBR has held other events at the 1st Mariner Arena in the past, and its PBR Tour event would be an appropriate fit for the proposed new arena.

Ice Shows

Representatives from several ice-skating events were interviewed including Tom Collins' *Champions on Ice*, Feld Entertainment's *Disney on Ice*, and IMG's *Stars On Ice*. These ice show promoters represent the most well-known touring ice shows and are a good barometer to the ice show industry overall. Depending upon rotation of tours in any given year, all of these ice shows are currently hosted at the 1st Mariner Arena.

The promoter from *Stars on Ice* mentioned they play one show at 1st Mariner Arena annually and have historically drawn approximately 5,000 to 5,500 paid spectators per performance.

Disney on Ice typically brings two ice shows to 1st Mariner Arena annually. Both events offer nine performances each. Average attendance over the last couple years ranges from 5,500 per performance in the winter and approximately 4,100 per performance for the fall event. These events would play the new arena on an annual basis with an expectation for a modest increase in attendance. The average ticket price for *Disney on Ice* is approximately \$18.50.

Champions on Ice usually plays the 1st Mariner Arena on a cycle related to pre- and post-Olympics. Promoters indicated that Baltimore and D.C. are viewed as two separate markets even though they share the same media market. Historically, attendance tends to be greater in Winter Olympic years. The average ticket price for *Champions on Ice* is approximately \$65 and the tour typically runs from April through June.



Family Shows

Several of the large family show promoters were contacted including Feld Entertainment (Ringling Bros. and Barnum & Bailey Circus), Vee Corporation (*Sesame Street Live*), the Harlem Globetrotters, and HIT Entertainment (*Barney* and *The Wiggles*). Family shows target young children often between the ages of two and five years old. Factors such as ease of accessibility, parking charge, safety, familiarity of territory to patrons and the surrounding area perception are points of consideration by several promoters. Given the age, antiquated design and outdated systems, promoters indicated that the existing building generates above average expenses related to hosting an event. As such, family shows at 1st Mariner Arena typically result in a lower profit as compared to a single event in a new arena.

Feld Entertainment, promoters of the Ringling Bros. and Barnum & Bailey Circus (Circus), currently holds the Circus at 1st Mariner Arena. This event plays 19 performances over a five-day period, which draws approximately 110,000 to 120,000 spectators. The Circus is usually held in March at 1st Mariner Arena.

Vee Corporation promotes *Sesame Street Live* and typically has eight performances over a four-day period at the 1st Mariner Arena. The average attendance for *Sesame Street Live* has been approximately 2,000 per performance with an average ticket price of approximately \$16. Performances in Baltimore are typically held in September.

HIT Entertainment, which promotes *Barney and The Wiggles*, plays its events at 1st Mariner Arena. These shows typically have five performances over a three-day weekend with an average ticket price of approximately \$24. Average attendance for *Barney* performances is approximately 1,200 per performance, while attendance for *The Wiggles* performances have been considerably more, averaging 4,300 for four performances in FY 2005.

The Harlem Globetrotters have not played the 1st Mariner Arena since 1997. Their typical touring season is in the spring and they have been unable to obtain appropriate dates due to scheduling conflicts with other existing long-time users such as the Circus. Typically, they play two games at a venue annually over either one or two days. The average attendance for their games is approximately 10,000 with an average ticket price of approximately \$25.

Concerts and Festivals

Consolidation of the entertainment industry has impacted arenas and amphitheatres around the country, especially with respect to the concert market. Currently, the most predominant player in the live entertainment industry is Live Nation (formerly CCE). Live Nation operates three global live-content divisions (theatrical, music and sports) as well as owning, operating and/or exclusively booking approximately 135 live entertainment venues, including over 40 amphitheatres in the U.S. and 30 venues in Europe. Live Nation also operates the Hippodrome Theater at the France-Merrick Performing Arts Center in Baltimore. In 2001, then CCE's Music Group generated approximately 70% of concert ticket revenue in the U.S., and it has continued to expand both its U.S. and European promoter network through acquisitions. In addition, Live Nation's theater division is a leading producer of Broadway and West End theater, and also presents Broadway subscription shows in more than 50 markets in North America. Live Nation operates an integrated franchise that promotes and produces a broad variety of live entertainment



events locally, regionally, nationally and internationally via its large number of venues, its strong market presence and the long operating history of the businesses it has acquired. This consolidation of venues and live entertainment significantly changed the composition of the industry. By assuming the roles of both promoter and venue manager, Live Nation can buy a show and book it into over 135 venues in its network.

A large number of successful concerts can often be the difference between a positive or negative financial result. For this reason, interviews were conducted with local Baltimore promoters as well as representatives of regional and national concert promoters. Given their size and established presence in the market, the area facilities that pose the most competition from the perspective of attracting concert events for a new arena in Baltimore are the Verizon Center (formerly the MCI Center) in D.C. and the Nissan Pavilion in Northern Virginia. At the time of this report, CCE representatives indicated that most of the concert business that they promote in the summer months would be hosted at the Nissan Pavilion. With regards to the area's indoor concert business, CCE representatives expressed that the existing 1st Mariner Arena has many shortcomings from an operational perspective but they are encouraged by the market performance and have in recent years increased their activity from about one to two concerts a year to six to eight concerts a year, depending upon touring product.

In summary, concert promoters indicated that a new mid-sized arena replacing 1st Mariner Arena would likely attract additional concert business above historical levels.

Comparable Arenas

A typical step in estimating the usage of the proposed new arena is an analysis of comparable facilities in other markets. Analyzing similar facilities can offer a frame of reference as to what the proposed new arena in Baltimore may be able to attract in terms of number of events and attendance. Given Baltimore's market size and proximity to another large market with NBA and NHL sports franchises, it finds itself in a relatively unique market. Comparably sized markets typically have a major league sports tenant in their arena and thus their utilization would overestimate what could potentially be accommodated in the proposed facility in Baltimore. On the other hand, many arenas that are driven by minor league professional tenants are typically located in smaller markets than Baltimore and may underestimate the market potential for the proposed arena.

In reality, Baltimore is a hybrid of these two situations with a market size similar to major league venues. However, for purposes of this analysis, it is assumed that in the short-term, only minor league sports teams would be tenants of the proposed arena. As such, this analysis considered the operations of some arenas from both categories in order to gain an understanding of the market potential for a new arena in Baltimore.

Comparable arenas were chosen based on one or more of the following criteria:

- Host at least one professional sports tenant;
- Located in markets similar in size to Baltimore; and/or
- Offer similar building programs to that under consideration in Baltimore.



The building program and general market demographics of the profiled, comparable facilities are provided in the following table. On average, the comparable arenas have a total seating capacity of approximately 14,700 and offer nearly 1,200 club seats and 29 suites. By comparison, 1st Mariner Arena currently offers a total seating capacity of 14,000 with no premium seating.

Characteristics of Comparable Facilities

Facility Location	1st Mariner Arena Baltimore, MD	Ford Center Arena Oklahoma City, OK	Kemper Arena Kansas City, MO	Veterans Memorial Arena Jacksonville, FL	Bi-Lo Center Greenville, SC
Owner	City	City	City	City	Memorial Auditorium Tax District
Operator	SMG	SMG	Global Spectrum	SMG	Centerplate
Total Seating Capacity	14,000	18,000	18,000	16,000	16,000
Club Seats	-	3,380	0	1,100	1,000
Suites	-	49	25	36	30
CBSA Population	2,628,700	1,140,300	1,926,200	1,221,800	585,300
Median Household EBI	\$43,167	\$33,687	\$41,533	\$39,908	\$35,512
Tenants	MISL	CHL	MISL	SPHL	ECHL

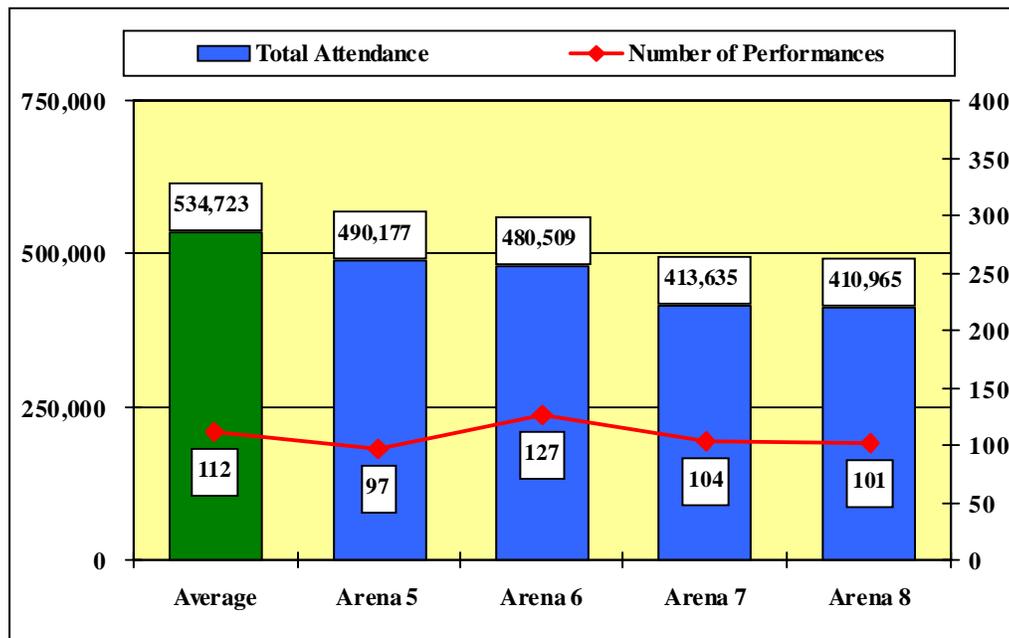
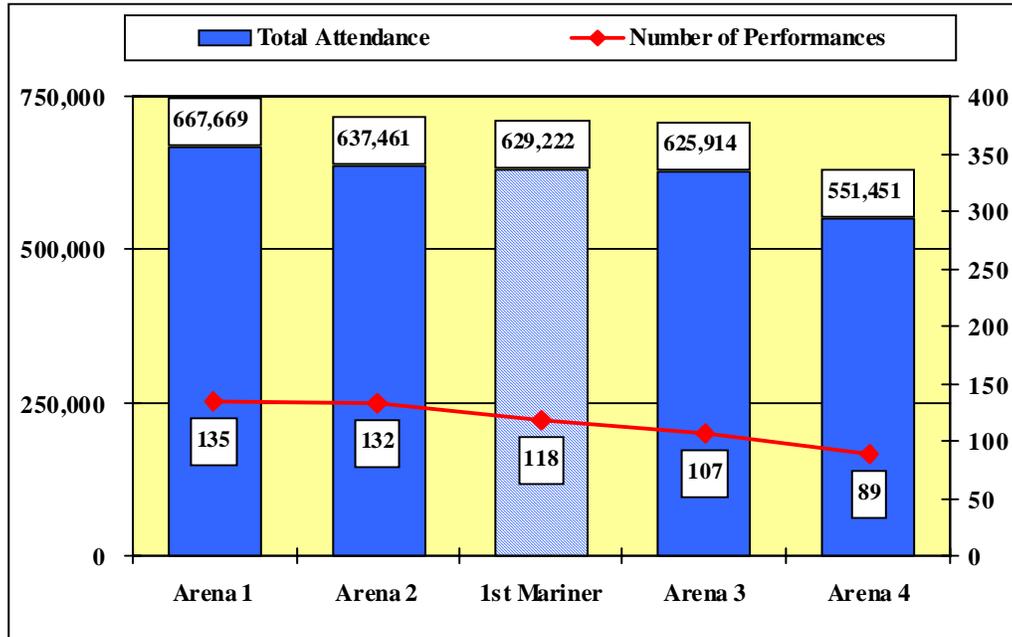
Facility Location	CenturyTel Center Bossier City, LA	Arena at Gwinnett Center Duluth, GA	Spokane Arena Spokane, WA	Everett Events Center Everett, WA	Average of Comparables
Owner	City	County	Spokane Public Facilities District	Everett Public Facilities District	
Operator	SMG	SMG	City	Global Spectrum	
Total Seating Capacity	14,000	13,000	12,600	10,000	14,700
Club Seats	1,000	1,390	NA	761	1,200
Suites	16	36	16	20	29
CBSA Population	380,000	4,704,400	433,700	3,183,900	1,697,000
Median Household EBI	\$31,286	\$45,074	\$35,026	\$45,698	\$38,500
Tenants	CHL; af2	ECHL, AFL	WHL	WHL	

Note: Data for the majority of comparable venues represents FY 2004 operations. For this reason, 1st Mariner Arena FY 2004 operations are presented for comparison purposes.

Sources: 2004 Sales and Marketing Management; Individual facilities; KPMG research.

Profiled arenas host a variety of events including sporting events, concerts, family shows and other events. The average market size of profiled facilities is approximately 1.7 million. These arenas hosted an average of 112 total events and more than 534,000 in annual attendance. Annual total attendance ranged from approximately 411,000 to approximately 668,000. As a point of reference, the 1st Mariner Arena hosted 118 events and approximately 629,000 in attendance during FY 2004. Total events hosted at these profiled arenas ranged from 89 to 135.

Summary of Utilization at Comparable Facilities



Note: Data for the majority of comparable venues represents FY 2004 operations. For this reason, 1st Mariner Arena FY 2004 operations are presented for comparison purposes.

Sources: Individual facilities; KPMG research.

As a point of reference, the 18,000-seat TD Waterhouse Centre (now the Amway Arena) in Orlando (market size 1,851,700) hosted a total of 152 events and 1,088,200 in total attendance in FY 2004. Excluding the NBA team, the facility hosted 107 events and 583,600 in total attendance, which is comparable to the existing 1st Mariner Arena. The NBA team accounted for 45 events and 504,600 in attendance.



Premium Seating

In order to assess the potential demand for premium seating opportunities at a new arena in Baltimore, a preliminary premium seating analysis was performed. In recent years, premium seating has become a key component of sports and entertainment venues for their ability to increase a facility's revenue base. As such, many of the newly developed venues across the country have incorporated premium seating. Further, a number of older venues have undergone renovation to include or expand premium seating. For purposes of this analysis, an inventory of existing premium seating options in the Baltimore area as well as premium seating information from existing comparable arenas were analyzed.

Suites are enclosed areas that typically consist of 10 to 16 seats, and include amenities such as a wet bar, televisions, private entrance, VIP parking passes and private restrooms. While club seats are located in prime locations for viewing events (such as between the blue lines for hockey or between the baskets for basketball). Club seats are wider and more comfortable than regular arena seats and typically include wait service.

Existing Premium Seating Product in the Region

The 1st Mariner Arena does not have any premium seating areas. The following table summarizes the premium seating that is currently offered in the Baltimore/Washington D.C. area. As shown, there are six venues in the Baltimore area that offer some type of premium seating. These venues consist of four outdoor and two indoor facilities averaging 5,050 club seats and 90 suites. RFK Stadium, the oldest venue profiled, and the Comcast Center, the only venue that does not host a professional sports tenant, offer the fewest number of suites and no club seats. Built in 1961, RFK Stadium is scheduled to be replaced before the start of the 2008 MLB season. The new stadium is anticipated to have a capacity of approximately 41,000 seats with an assortment of premium seating.

Summary of Premium Seating in the Baltimore/Washington D.C. Area

Venue	City	Capacity	Club Seats	Suites	Tenant
FedEx Field	Landover	92,000	15,000	225	Redskins
M&T Bank Stadium	Baltimore	69,080	7,900	114	Ravens
Oriole Park at Camden Yards	Baltimore	48,880	5,120	75	Orioles
RFK Stadium	Washington, DC	42,000	0	11	Nationals
Verizon Center (formerly the MCI Center)	Washington, DC	20,000	2,300	114	Wizards, Capitals, Mystics, Hoyas
Comcast Center	College Park	17,950	0	20	University of Maryland
1st Mariner Arena	Baltimore	13,700	0	0	Blast
Average of Area Facilities		48,300	5,050	90	

Notes: Sorted in descending order by capacity.
Average excludes 1st Mariner Arena.

Source: Individual facilities.



Premium Seating at Newer Arenas

The following table summarizes the different levels of premium seating offered at newer arenas around the country including the number, lease terms and price range. On average, these profiled arenas offer 30 suites and 800 club seats. Suite packages often include tickets to all events held at the venue. Club seats typically include tickets to primary tenant events and/or the first right of refusal for ticketed events. Additionally, typical amenities of suites include high-quality seats; parking passes; private restrooms; wet bar; and catered food and beverage menu. Club seats normally offer access to a private club within the arena, parking passes and/or in-seat wait service.

Summary of Premium Seating at Newer Arenas

Facility	Year Built	Location	Primary Tenants	Suites					Club Seats				
				Number of Suites	Lease Terms	Price Range		Price Includes	Number of Seats	Lease Terms	Price Range		Price Includes
						Low	High				Low	High	
Stockton Waterfront Arena	2005	Stockton, CA	ECHL, af2, MISL	24	3,5,7 years	\$35,000	\$40,000	1	500	1 year	\$1,250	\$1,750	3
MTS Centre	2004	Winnipeg, MB	AHL	46	n/a	\$40,000	\$60,000	1	1,500	n/a	\$1,660	\$1,660	1
Save Mart Center	2003	Fresno, CA	ECHL	40	5,7,10 years	\$45,000	\$65,000	1, 6	1,126	10 years	\$1,500	\$2,500	2, 4
Arena at Gwinnett Center	2003	Duluth, GA	ECHL, AFL	36	3,5,7 years	\$50,000	\$70,000	1	1,390	3 years	\$700	\$1,400	2
Orleans Arena	2003	Las Vegas, NV	ECHL	22	3,5 years	\$60,000	\$75,000	1, 6	245	3,5 years	\$2,000	\$2,000	1, 5
Ford Arena	2003	Beaumont, TX	ECHL	16	1,3 years	\$35,000	\$35,000	1, 6	0	n/a	n/a	n/a	n/a
Veterans Memorial Arena	2003	Jacksonville, FL	SPHL	36	1,3,5 years	\$62,000	\$62,000	1, 6	1,100	1,3,5 years	\$300	\$300	4, 7
Giant Center	2002	Hershey, PA	AHL	40	3,4,5,6 years	\$40,000	\$55,000	2, 6	688	1,3,5 years	\$1,525	\$1,875	2, 4
Resch Center	2002	Green Bay, WI	af2, USHL	25	5 years	\$35,000	\$35,000	6	608	3 years	\$1,000	\$1,000	6
Laredo Entertainment Center	2002	Laredo, TX	CHL	14	3-5 years	\$45,000	\$55,000	1	155	2 years	\$1,072	\$1,072	1
Arena at Harbor Yard	2001	Bridgeport, CT	AHL	34	1,3 years	\$35,000	\$40,000	3, 6	1,300	1,3 years	\$1,295	\$1,295	3, 6
Verizon Wireless Arena	2001	Manchester, NH	AHL, af2	34	5,9 years	\$37,500	\$37,500	1, 6	542	5 years	\$1,600	\$1,600	2, 4, 6
Mile One Stadium	2001	St John's, NF	AHL	35	3,5 years	\$35,000	\$40,000	1, 6	1,700	1,3 years	\$1,850	\$1,850	2
Sovereign Center	2001	Reading, PA	ECHL	20	3,5 years	\$34,000	\$37,000	2	850	1,3 years	\$873	\$873	n/a
CenturyTel Center	2000	Bossier City, LA	CHL, af2	16	3 years	\$40,000	\$50,000	n/a	1,000	n/s	\$775	\$775	n/a
Wachovia Arena	1999	Wilkes-Barre, PA	AHL, af2	32	3,5 years	\$35,000	\$37,500	2, 6	624	1,3,5 years	\$1,500	\$2,000	2, 6
Sovereign Bank Arena	1999	Trenton, NJ	ECHL	32	3 years	\$45,000	\$60,000	1, 6	1,150	1 year	\$997	\$997	2, 6
Rabobank Arena	1998	Bakersfield, CA	ECHL, af2	27	3,5,7 years	\$37,500	\$52,500	1, 6	1,000	2 years	\$830	\$830	4, 5, 6
Germain Arena	1998	Esterro, FL	ECHL, af2	26	3,5,7 years	\$40,000	\$40,000	1, 6	0	n/a	n/a	n/a	n/a
Bi-Lo Center	1998	Greenville, SC	ECHL	30	5,7 years	\$50,000	\$60,000	1, 6	1,000	3,5 years	\$1,650	\$1,650	2, 6
E Center	1997	West Valley City, UT	AHL	40	1,3 years	\$35,000	\$50,000	1, 6	0	n/a	n/a	n/a	n/a
Bank of America Centre	1997	Boise, ID	ECHL	39	1,3,5 years	\$15,000	\$45,000	1, 6	1,000	1,3 years	\$900	\$1,035	2
Average				30		\$40,300	\$50,100		800		\$1,200	\$1,400	

Price Includes and Comments Key

1 - Tickets to all events	5 - Private Club
2 - Tickets to primary tenant events	6 - Parking passes
3 - Tickets to all tenant events	7 - all tickets are extra
4 - First right of refusal for tickets	

Note: n/a – denotes information not available.

Sources: Individual facilities; KPMG research.



Summary of Market Findings

The purpose of the market analysis is to assist the client group in evaluating various supply and demand factors that may influence the need for a proposed new arena in the Baltimore area as well as define the facility characteristics and estimated activity level that may result. This section of the report discussed the research related to the market assessment including an analysis of select demographic and economic characteristics for the local and regional market, the employment base, the competitive supply and demand at local and regional facilities, evaluation of existing historical activity at 1st Mariner Arena, input from event producers as well as information from comparable facilities. The results of the market analysis suggest that there is potential demand for a new mid-sized arena in Baltimore that would serve as a replacement for the 1st Mariner Arena. The following key points summarize the findings from the market analysis research and are the basis for the recommended building program and the estimated utilization.

Baltimore's CBSA population of approximately 2.6 million people provides a good base from which events at the proposed new arena can draw attendance and other forms of support. Although the City of Baltimore has decreased in population, the CBSA has experienced a 5% historical rate of growth over the last five years.

Sports and entertainment venues typically draw attendance from a broader secondary market for some events on a periodic basis. The secondary market generally consists of residents whose attendance at events is irregular due to drive time or the presence of sports and entertainment events at nearby competitive venues. While Washington D.C. and Northern Virginia offer several sports and entertainment facilities to their residents, the proximity of these markets to Baltimore would allow the proposed arena to promote to this expanded market for certain special events. According to *Sales and Marketing Management*, the Washington D.C./Northern Virginia combined statistical area, which includes parts of Maryland and West Virginia, has nearly 5.2 million residents and is ranked as the seventh largest in the country.

The City of Baltimore's median household EBI has averaged approximately 65% of the median household EBI for the Baltimore CBSA over the last five years. The median household EBI for the State of Maryland has remained relatively constant from 2000 to 2004, while the City and CBSA experienced slight decreases during the same period. The income differential between the City and the balance of the County and the CBSA is an area of concern. With a City population of approximately 636,000, 24% of the CBSA market exhibits relatively low income characteristics which presents a constraining factor.

The employment base and corporate environment can influence premium seating sales, advertising, corporate sales and season ticket support. The overall strength of the economy, diversification and size of local businesses, as well as competition from other existing and planned area sports and entertainment venues such as Oriole Park at Camden Yards and M&T Bank Stadium, are all factors in assessing the potential corporate support that might be realized by a new arena.



The largest employment sector in the Baltimore CBSA is the services industry followed by trade and health care. In addition, the City is home to a number of financial services businesses that represent some of the largest employers in downtown. Understanding the composition of the private sector will be an important factor to consider, particularly since many of the largest private sector employers are likely financial supporters of the Baltimore Ravens and the Baltimore Orioles through expenditures for advertising, sponsorships, ticket sales and premium seating packages.

Baltimore's primary entertainment market of over 2.6 million residents is principally served by the 1st Mariner Arena. Event promoters and producers indicate that the Baltimore and Washington D.C. markets are distinct and different. Although there are times when an event may choose between the two markets, this tends to be the exception. In fact, several family show promoters indicated that Baltimore is a much better family show market than Washington D.C. Notwithstanding these observations, the regional presence of the Verizon Center (formerly the MCI Center) and the outdoor amphitheater Nissan Pavilion present a competitive environment that requires constant relationship-building with acts and cultivation of the local market and business community. In order to assist management in assessing potential market demand for a new arena in Baltimore, representatives with existing users of 1st Mariner Arena, existing facility management, and potential user groups of the proposed new arena were interviewed. Input from representatives of professional sports, other athletic organizations, family shows, concerts and other events was generally positive regarding the need for a new, mid-sized arena in Baltimore.

As mentioned previously in the report, in order for a proposed new arena in Baltimore to be successful, it will be necessary to maximize the number of definite dates. One method of achieving this goal is to host one or more tenant sports teams that offer a consistent base of activity in the facility and provide steady and contractually obligated income via a premium seating program. It is important to note that any new arena should continue to aggressively target the established market niches including annually recurring family shows and concerts. In addition, special/one-time users such as one-time sporting events and meetings/seminars also add events to the facility. Although these events can be significant revenue generators, they are not guaranteed and the number of these events will vary from year to year. While minor league professional tenant teams can provide benefits to the operation of an arena such as the potential to drive suite sales and create community allegiance, other events such as concerts and family shows can provide greater profitability on a per event basis. Thus, the impact of the number and type of tenants in any new arena on date availability and financial performance should be considered by the facility owner/operator negotiating tenant agreements. This strategy is consistent with 1st Mariner Arena management.

Among the sports leagues most interested in a proposed new arena in Baltimore, minor league hockey and indoor football represent the greatest opportunity. From a geographic perspective, the ECHL appears to be in a strong position to place a team in Baltimore through expansion or relocation. In addition, professional indoor football also represents a strong tenant opportunity for the new arena assuming an ownership group can be identified. The AFL could also represent a good fit with the Baltimore market and the natural linkages with the NFL Baltimore Ravens.

The market analysis findings suggest that there are opportunities to attract additional events and activities to Baltimore through the offering of a new arena. However, these offerings are primarily in the area of minor league professional sports franchises (e.g. ECHL, NLL, D-League). The design and construction of a new arena should be pursued cautiously. Maximizing the number of definite



dates at the facility should be a priority. Two targeted groups would be a hockey franchise and/or an AFL franchise to play at the new arena.

The vast majority of newer arenas offer both suites and club seats. A survey of Baltimore area businesses of various sizes and industries did not indicate strong support for premium seating at a new arena at this time. However, it is likely that the potential interest in and demand for premium seating will increase once the facility is closer to becoming a reality and factors such as arena size, site location, tenant base and pricing strategies are better defined. Consequently, management will need to further test corporate support in the market in order to gauge the level of support for this facility concept via suite and club seat pre-sales efforts.

Given the competitive market in which the proposed new arena would operate, it will need to be operated in a first-class manner by an aggressive, experienced management team with strong regional and national industry contacts in order to increase its competitiveness. Consequently, it is strongly recommended that the services of an experienced private management company be used to operate the proposed new arena. This recommendation is consistent with the operating structure of the majority of comparable arenas profiled as well as several facilities in the region.

Based on this research, the recommended building concept for any new arena in Baltimore should consider a seating capacity of between 15,000 and 16,000 for concerts. An arena of this size should allow Baltimore to actively and aggressively pursue various sports tenants while effectively serving many of the entertainment events that it currently attracts to the market today at the 1st Mariner Arena. The facility should be designed to adequately host minor league professional sports (i.e. ice hockey) as well as concerts, family shows and other sporting events. Despite the relatively limited interest expressed by corporations who were surveyed as part of this analysis, the proposed new arena should also include at least a limited number of box suites, club seats and other amenities found in newer buildings.

Recommended Building Program

Based on information in the market analysis and input from management, the preliminary building program recommendation for the proposed new arena in Baltimore is as follows:

- Arena Seating Capacity: 15,000 to 16,000
(end stage concert configuration)
- Number of suites: 10 to 20
- Number of club seats: 1,000 to 1,200

While the development of luxury suites can provide a revenue generator and create civic pride as local corporations support the proposed arena, such seating is not a requirement for most minor league tenants. The potential of phasing suite development could be considered as an option to minimize initial construction costs and build market demand.



**Market and Financial Analysis for a Proposed
New Arena in Downtown Baltimore**

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Financial Analysis

1st Mariner Arena - Historical Financial Operations

The table below summarizes the historical financial operations for the 1st Mariner Arena for FY 2002 through FY 2005 that was provided by management. This information is one factor used in assisting management to prepare its estimate of financial operations for the proposed new arena.

**Historical 1st Mariner Arena Financial Operations
For Fiscal Years 2002 through 2005**

	FY 2002	FY 2003	FY 2004	FY 2005
Total Operating Revenues	\$2,382,000	\$2,870,000	\$2,637,000	\$3,050,000
Total Operating Expenditures	\$2,537,000	\$2,837,000	\$2,749,000	\$3,025,000
Management Fee to SMG	\$192,000	\$314,000	\$220,000	\$309,000
Excess (Deficiency) of Operating Revenues Over Operating Expenditures Before Depreciation	(\$347,000)	(\$281,000)	(\$332,000)	(\$284,000)

Source: 1st Mariner Arena management.

Between FY 2002 and FY 2005, the operating deficit ranged between \$281,000 and \$347,000 including the management fee. The proposed new arena would be significantly larger than the existing 1st Mariner Arena in terms of its gross square footage and, as such, operating expenses would be impacted. In addition, the estimated event activity for a new arena is higher than the existing venue that would also impact operations. For these reasons, it is not useful to make direct comparisons between historical arena operations and those estimated for the new building.

Proposed New Arena – Management’s Estimate of Financial Operations

KPMG assisted the client group in developing a hypothetical, order-of-magnitude estimate of operating revenues and expenditures for the proposed new arena in downtown Baltimore. The Estimate of Net Operating Revenues Over Operating Expenditures Before Depreciation and Debt Service for Fiscal Years 2009 through 2013 shown on the next page is based on information provided by representatives from the MSA and its advisors, management of 1st Mariner Arena; various comparable and competitive facilities; as well as other primary and secondary sources including the research and findings summarized in the market analysis section of this report.

The financial estimate is expressed in current (inflated) dollars with an assumed 3.0% annual inflation rate. This estimate is based on certain hypothetical assumptions pertaining to operations of the facility, attendance levels and other related financial assumptions developed and agreed to by you. As this analysis represents a net revenue and expense assessment, it is subject to change depending on the actual lease terms with the tenant team(s), contractual agreements with service providers, and further refinements regarding operating strategies for the facility.



The analysis performed was limited in nature, was prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. Therefore, KPMG does not express an opinion or any other form of assurance on the information presented in this report. As with all estimates of this type, we cannot guarantee the results nor is any warranty intended that they can be achieved. The estimates of revenues and expenses are based on the size, quality and efficiency of the proposed new arena. Since these estimates and assumptions are based on circumstances that have not yet transpired, they are subject to variation. Further, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Accordingly, we cannot provide any assurance that the estimates will be representative of the results that may actually be achieved.

Proposed New Arena in Baltimore
Estimate of Net Operating Revenues Over Operating Expenditures
Before Depreciation and Debt Service

In Current (Inflated) Dollars for the Fiscal Years Ending June 30, 2009 through June 30, 2013

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Net Operating Revenues	\$5,607,000	\$5,818,000	\$6,040,000	\$6,243,000	\$6,452,000
Total Operating Expenditures	\$4,737,000	\$4,876,000	\$5,053,000	\$5,206,000	\$5,361,000
Excess (Deficiency) of Operating Revenues Over Operating Expenditures Before Depreciation Debt Service and Reserve for Replacement	\$870,000	\$942,000	\$987,000	\$1,037,000	\$1,091,000
Management Fee	\$450,000	\$464,000	\$478,000	\$492,000	\$507,000
Reserve for Replacement Fund	\$259,000	\$267,000	\$277,000	\$285,000	\$294,000
Excess (Deficiency) of Operating Revenues Over Operating Expenditures Before Depreciation and Debt Service	\$161,000	\$211,000	\$232,000	\$260,000	\$290,000

Note: See accompanying summary of significant assumptions that follow.

Summary of Significant Assumptions

A. Building Program

The recommended building program was developed based on the findings outlined in the market analysis, which included input from our client group as well as various existing and potential user groups (i.e. event promoters and producers). For purposes of this financial analysis, the building components outlined in the market analysis are utilized.

B. General Assumptions

The financial analysis is based on several key hypothetical assumptions that include, but are not limited to, the following:

- The proposed new arena will open in July of 2008.



- It is assumed that the facility will be operated in a first-class manner by an experienced private management company. This approach is consistent with historical operations as well as several other arenas in the competitive market. Private management companies typically utilize their buying power from operating multiple venues to attract more concert and family show business and to negotiate better financial terms than in-house management which can result in a better overall bottom-line for the facility.
- The proposed facility will be located on the existing 1st Mariner Arena site, as well as the adjacent surface property and the existing parking garage.
- An ECHL team, an AFL team, and an MISL team are assumed to be the primary tenants in the proposed new arena beginning operations in FY 2009.
- This analysis assumes that no other similar, competitive facilities will be constructed in the market once the new arena in downtown Baltimore is built.
- An aggressive marketing approach by management will be essential at the proposed new arena, particularly to attract sports and entertainment activity and to market and sell premium seating.
- Due to the competitive environment in which the proposed new arena will operate, facility management will need to have established contacts and strong relationships with regional and national event promoters and producers, particularly in the concert and family show industry, in order to maximize bookings.
- The estimates of utilization and financial operations reflect that of a stand-alone arena.
- The financial estimate is rounded to the nearest thousand dollars.

C. Estimated Utilization

Revenue and expense estimates for the proposed new arena in Baltimore are based on a variety of sources including information provided by our client group, information from comparable facilities, as well as the estimated utilization outlined on the next page. Incrementally, it is assumed that two tenants will add 44 events and nearly 280,000 attendees annually. Thus, in order to achieve the estimated results, it will be necessary for arena management to aggressively pursue AFL and minor league professional hockey tenants. Additionally, an increase in MISL attendance by nearly 34% over FY 2004 and FY 2005 figures is assumed. Given the increased seating capacity in the proposed new arena, high-end finishes, luxury seating and the ability to attract big-name concerts, average attendance at concerts is estimated to increase by nearly 60% over the average of the last four years (although it should be noted the number of concerts is estimated to decrease given the number of dates assumed to be booked by tenants). Total annual attendance is estimated to increase by approximately 60% which is primarily attributable to the addition of two tenant teams. As mentioned previously, there has been some transition within the MISL. However, given the Blast's long-standing commitment to the Baltimore marketplace, it is assumed that the team would be a tenant in the proposed new arena.



Estimate of Utilization

Number of Events									
Event Type	1 st Mariner Arena				Proposed New Arena				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Minor League Professional Hockey	n/a	n/a	n/a	n/a	36	36	36	36	36
AFL	n/a	n/a	n/a	n/a	8	8	8	8	8
MISL	22	19	20	20	20	20	20	20	20
Other Sporting Events	5	9	4	4	12	14	16	16	16
Family Shows (Performances)	64	64	61	58	40	40	40	40	40
Concerts	16	19	18	22	15	15	15	15	15
Meetings/Banquets	n/a	n/a	n/a	n/a	10	12	14	14	14
Other Events	16	21	15	14	16	18	20	20	20
Total	123	132	118	118	157	163	169	169	169

Average Attendance									
Event Type	1 st Mariner Arena				Proposed New Arena				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Minor League Professional Hockey	n/a	n/a	n/a	n/a	5,000	4,750	4,500	4,500	4,500
AFL	n/a	n/a	n/a	n/a	12,000	11,500	11,000	11,000	11,000
MISL	3,543	3,671	4,031	3,406	5,000	5,000	5,000	5,000	5,000
Other Sporting Events	4,757	4,738	7,223	5,831	6,000	6,000	6,000	6,000	6,000
Family Shows (Performances)	5,123	4,442	4,791	4,758	6,000	6,000	6,000	6,000	6,000
Concerts	5,880	6,715	5,830	6,861	10,000	10,000	10,000	10,000	10,000
Meetings/Banquets	n/a	n/a	n/a	n/a	200	200	200	200	200
Other Events	6,905	8,140	8,166	4,495	9,000	9,000	9,000	9,000	9,000

Total Attendance									
Event Type	1 st Mariner Arena				Proposed New Arena				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Minor League Professional Hockey	n/a	n/a	n/a	n/a	180,000	171,000	162,000	162,000	162,000
AFL	n/a	n/a	n/a	n/a	96,000	92,000	88,000	88,000	88,000
MISL	77,954	69,752	80,627	68,129	100,000	100,000	100,000	100,000	100,000
Other Sporting Events	23,786	42,645	28,893	23,322	72,000	84,000	96,000	96,000	96,000
Family Shows (Performances)	327,889	284,266	292,270	275,977	240,000	240,000	240,000	240,000	240,000
Concerts	94,081	127,588	104,935	150,942	150,000	150,000	150,000	150,000	150,000
Meetings/Banquets	n/a	n/a	n/a	n/a	2,000	2,400	2,800	2,800	2,800
Other Events	110,482	170,948	122,497	62,932	144,000	162,000	180,000	180,000	180,000
Total	634,192	695,199	629,222	581,302	984,000	1,001,400	1,018,800	1,018,800	1,018,800

Sources: 1st Mariner Arena management; KPMG research.

D. Operating Revenue Assumptions

The estimated operating revenue for the proposed new arena in Baltimore is based on the hypothetical utilization shown above, financial information from 1st Mariner Arena management, financial information from comparable facilities, input from the MSA and its advisors, as well as other research. The following table illustrates the breakdown of the estimated operating revenues at the proposed new arena.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Operating Revenues					
Ticket Sales/Facility Rental	\$2,188,000	\$2,274,000	\$2,364,000	\$2,435,000	\$2,509,000
Food/Beverage and Novelty	1,957,000	2,022,000	2,091,000	2,154,000	2,219,000
Parking	0	0	0	0	0
Premium Seating	670,000	690,000	710,000	732,000	754,000
Advertising	563,000	597,000	633,000	672,000	713,000
Other	229,000	235,000	242,000	250,000	257,000
Net Operating Revenues	\$5,607,000	\$5,818,000	\$6,040,000	\$6,243,000	\$6,452,000



- 1. Ticket Sales/Facility Rental (Net)** – The revenues generated from arena utilization are typically derived from two primary rental arrangements. In the case of most minor league professional sports as well as concerts and other high attendance events, the revenues generated from facility rental are derived by taking a percentage of the gross ticket sales for each event or a minimum rent per event day, whichever is greater.

The second major method of deriving rental revenues from facility utilization is a base rental arrangement per event day. In this case, a base rent per day is charged to the lessee for use of the facility. In most cases, this arrangement is used for low attendance events where the revenue generated by ticket sales is typically low.

The inputs which impact facility rental revenue for these two methods are attendance, ticket price or base rental rates, and the appropriate rental revenue capture rate based on a percentage of gate receipts. Attendance estimates are outlined on the previous page.

A variation on these approaches recognizes that some family shows and concerts that are held at the proposed new arena may use co-promotion. Facilities using this approach generally risk the facility rent revenue while the promoter may risk the costs of advertising, cost of acts, etc. The facility and promoter then agree to split any income over "costs" on a predetermined basis. This approach is not used in this report.

The primary variable used to estimate arena rental is the percentage share of gross ticket sales (net of tax) received by the facility. Although rental rates vary by facility, depending on the various details of the arrangements with the major sports tenants or events, a reasonable range for most mid-sized arenas is 10% to 15% of gross ticket sales (net of tax) or a base rent ranging from \$1,500 to \$25,000. These rates could change substantially subject to actual negotiation with prospective users. Rates will need to be structured to accommodate civic groups (such as non-profits) who would like to utilize the facility but cannot afford "market" rental rates. In addition, preferential rates may be necessary to attract concerts given the competitive regional market.

Estimates for average ticket prices are based on a review of the average ticket prices for various minor league professional hockey teams, existing ticket prices achieved in the market and at comparable facilities, information from event promoters and other research. It is also recognized that complimentary tickets account for a certain percentage of attendance at a ticketed event.

Net ticket sales/facility rental revenue is estimated to range from \$2.2 million to \$2.5 million (in inflated dollars) over the five-year period.

- 2. Food/Beverage and Novelty (Net)** - The operation and management of food and beverage (or "soft") concession sales are generally handled by one of two methods. The first method, which is the most common, allows an independent concessionaire exclusive rights to facility events with the sports tenant team(s) and/or the facility taking a percentage of gross sales. The second method allows for the facility owner



to own and operate the food/beverage service. Under this method, the facility owner captures 100 percent of food/beverage sales but also incurs expense items related to purchase and maintenance of equipment, labor costs and costs of goods sold.

For purposes of this analysis and based on information provided by the client group, food/beverage and novelty revenue estimates assume that facility management will contract with an independent concessionaire to provide concessions and catering services to facility users. Consequently, total food/beverage sales volume is based on per capita expenditures that are applied to the total attendance for each event type and multiplied by the percentage estimated as the facility's share to estimate net food/beverage and novelty sales.

In addition to concessions and novelty services, catering comprises the food and beverage service provided to suite holders. Similar to concessions and novelties, suite catering is typically supplied by a contracted food service provider, and a percentage of the gross sales is paid to the arena. Suite catering is estimated on a per capita basis and is multiplied by the estimated suite attendance number.

Net revenue to the proposed facility from total food/beverage and novelty sales is estimated to range from \$2.0 million to \$2.2 million per year (in inflated dollars) over the five-year period.

3. **Parking** - Based on the building concept developed by Odell and provided under separate cover, there could potentially be approximately 1,000 parking spaces located under the bowl of the proposed arena. In many cases, on-site parking is dedicated to premium seat holders and is accounted for in that revenue line item. Thus, for purposes of this analysis, it is assumed that the facility does not retain any additional revenue associated with parking. Once the development and operating plans for the proposed arena are further solidified, the potential to generate parking revenue could be revisited.
4. **Premium Seating (Net)** – Newer arenas that host minor league hockey teams and/or other sports tenants have been relatively successful in marketing premium seating such as box suites and club seats. It is recommended that the proposed new arena in Baltimore be designed with both box suites and club seats. For purposes of this analysis, it is assumed that the facility will receive 50% of the revenue generated by 14 box suites (located on the mid-level concourse) anticipated to be sold at an estimated average price of \$25,000 per suite. Although the suite price marketed to patrons will likely include the price of tickets to all three of the minor league sports teams, the above amount only reflects the premium. Suite tickets for other events such as concerts, family shows and other sporting events are assumed to be purchased separately. The actual price and absorption of suites is highly dependent upon the number and quality of the sports tenant teams, corporate support, strength of the economy and other events offered with the package (i.e. tickets to events held at the facility).



In addition, this analysis assumes 840 club seats will be sold at \$500 per seat annually (excluding the price of tickets) and that the facility retains 100% of this revenue.

Based on experience with similar efforts in other communities, surveys to test the interest level for premium seating this early in the development planning stages typically underestimates the potential demand for luxury seating. Existing comparable arena operations are a better gauge of the potential revenue that could be generated by premium seating at the proposed arena until facility planning is further advanced and tenants are established. The actual box suite/club seat rental realized for a project can usually be confirmed by pre-development marketing and leasing efforts. The more deposits and contracts confirmed before construction, the less risk incurred and, in turn, the more reliable this income stream becomes. Increasingly, communities are actively marketing the box suites to corporate leaders as a civic pride issue. This marketing focus is de-emphasizing the economic value of a suite over the contribution leasing the suite will have on making the facility a reality.

As mentioned previously, the potential phasing of suite development could be considered as an option to minimize initial construction costs and build market demand. Should this strategy be implemented, the premium seating revenue stream would need to be adjusted accordingly.

A summary of premium seating assumptions is presented in the following table (in uninflated dollars).

Premium Seating Annual Revenue Assumptions	
	Base Year (uninflated)
Luxury Suites	
Number of Suites Sold	14
Average Price	\$25,000
Total Revenue	\$350,000
% to Facility	50%
Net Suite Contract Revenue to Facility	\$175,000
Club Seats	
Number of Club Seats Sold	840
Average Price Per Seat	\$500
Total Revenue	\$420,000
% to Facility	100%
Net Club Seat Revenue to Facility	\$420,000
Premium Seating Revenue	\$595,000

Based on these assumptions, the net revenue to the proposed new arena generated from box suite and club seat sales is estimated to range from \$670,000 to \$754,000 per year (in inflated dollars) over the five-year period.



- 5. Advertising** - Advertising revenue will likely be generated at the proposed new arena from two primary sources: scoreboard displays and panel displays. Scoreboard displays may take the form of permanent displays physically affixed to the scoreboard structure, or video displays which flash advertisements for a specific duration. Panel displays resemble billboards attached to the interior, exterior or within the concourses of the arena. Because of the large initial expense required for the purchase of a modern electronic scoreboard/video screen, most facilities have opted to allow private companies or a professional sports tenant to pay for and operate the scoreboard. The facility operator generally receives a specified income flow from the scoreboard owner/operator for the rights to advertising in the building. In most cases, this payment represents a percentage of total advertising revenue received by the operator or a constant annual amount over a specified number of years. Panel displays are generally owned and maintained by the facility operator and leased for an annual amount. The ability to lease these panels and obtain revenue from advertising contracts is a function of the total attendance at the facility, quality of the sports tenants as well as potential television air-time the facility may receive. Net advertising revenue to the facility is estimated to range from \$563,000 to \$713,000 per year (in inflated dollars) over the five-year period. Given its urban setting, there is potential for ancillary commercial development attached and/or surrounding the proposed new arena. The amount and quality of such supporting developments could positively impact the advertising revenue line item for the proposed new arena by providing additional outdoor panel advertising options that are not taken into account in this analysis.
- 6. Naming Rights** – Management indicated naming rights would be pursued for the proposed new arena. Through a combination of naming rights, availability of box suites, preferential advertising treatment and event sponsorship inducements, one or more private parties may be solicited for up-front or recurring annual commitments. Given the variation in recent naming rights deals, this revenue is excluded from this analysis. As a point of reference, the table that follows outlines several naming rights deals for various arenas with minor league sports tenants.

<i>Facility</i>	<i>Location</i>	<i>Primary Tenants</i>	<i>Term (Yrs)</i>	<i>Total Contract</i>
Verizon Wireless Arena	Manchester, NH	AHL, af2	15	\$11,400,000
Allstate Arena	Rosemont, IL	AHL, AFL	10	\$11,000,000
Alltel Arena	Little Rock, AR	af2	15	\$7,000,000
Germain Arena	Estero, FL	ECHL, af2	20	\$7,000,000
CenturyTel Center	Shreveport, LA	af2, CHL	10	\$5,000,000
Ford Center	Oklahoma City, OK	af2, CHL	10	\$5,000,000
Giant Center	Hershey, PA	AHL	10	\$4,500,000
Dunkin Donuts Center	Providence, RI	AHL	10	\$4,250,000
Bi-Lo Center	Greenville, SC	ECHL	10	\$3,000,000
Pepsi Arena	Albany, NY	AHL, af2	10	\$3,000,000
Blue Cross Arena	Rochester, NY	AHL, NLL	15	\$2,975,000
Sovereign Bank Arena	Trenton, NJ	ECHL	10	\$2,675,000
Wachovia Arena	Wilkes-Barre, PA	AHL, af2	10	\$2,300,000
US Cellular Arena	Milwaukee, WI	MISL	6	\$2,000,000
Sovereign Center	Reading, PA	ECHL	5	\$2,000,000
Pepsi Coliseum	Indianapolis, IN	USHL	5	\$850,000
Cricket Arena	Charlotte, NC	ECHL	5	\$750,000

Notes: Sorted in descending order by total contract.

Sources: Individual facilities; KPMG research.



7. **Other Revenue** – Other revenue consists of box office charges, ticket rebates and other miscellaneous revenue sources. Based on information provided by comparable facilities and historical 1st Mariner Arena data, other revenue is estimated as a percentage of gross ticket sales. Other revenue is estimated to range from \$229,000 to \$257,000 annually (in inflated dollars) over the five-year period.

As the project development plan continues to evolve additional revenue sources that should be considered include, but are not limited to, the following:

- Parking revenue
- Retail space rental income
- Additional advertising opportunities
- Naming rights
- Land/air rights sales

Given the preliminary nature of the proposed project, management did not estimate these revenue line items as part of this analysis.

E. Operating Expenditures Assumptions

The estimated operating expenditures for the proposed new arena in Baltimore are based on the hypothetical utilization shown earlier, financial information from 1st Mariner Arena management, financial information from comparable facilities, input from the MSA and its advisors, as well as other research. The estimated operating expenditures inherent with actual operations are calculated as net operating costs. For instance, food/beverage operating expenses and cost of goods sold have not been reflected as an operating expense. These exempt costs are assumed to be paid by the tenant team(s) or third party provider. The following table illustrates the breakdown of the estimated operating expenditures at the proposed new arena.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Operating Expenditures					
Personnel Expense	\$2,428,000	\$2,499,000	\$2,574,000	\$2,652,000	\$2,732,000
Unreimbursed Contract Services	350,000	360,000	371,000	383,000	394,000
Repairs & Maintenance	197,000	203,000	239,000	246,000	253,000
General & Administrative	338,000	348,000	358,000	369,000	380,000
Advertising & Marketing	225,000	232,000	239,000	246,000	253,000
Utilities	1,013,000	1,043,000	1,075,000	1,107,000	1,140,000
Insurance	113,000	116,000	119,000	123,000	127,000
Other	73,000	75,000	78,000	80,000	82,000
Total Operating Expenditures	\$4,737,000	\$4,876,000	\$5,053,000	\$5,206,000	\$5,361,000
Management Fee	\$450,000	\$464,000	\$478,000	\$492,000	\$507,000
Reserve for Replacement Fund	259,000	267,000	277,000	285,000	294,000
Total Expenditures	\$5,446,000	\$5,607,000	\$5,808,000	\$5,983,000	\$6,162,000



- 1. Personnel Expense** - Although the staffing requirements and subsequent salaries and wages can represent a significant expense for a public assembly facility, an analysis of comparable facilities throughout the country indicates that permanent full-time staffing plans can vary greatly. This variance in staffing levels is generally attributed to four factors. The first relates to the management philosophy of maintaining event-related personnel as full-time or part-time staff. The second factor relates to the management and physical relationship the facility might have to other public facilities. For example, the staffing for a stand-alone facility is different than for an entire complex. The third influence to the staffing plan is the union atmosphere, including current contract agreements and strength of the management's bargaining position in labor negotiations. Finally, the extent that contracted services are used also impacts staffing requirements.

This analysis assumed that all services related to events will be handled on a contractual basis and that a portion of the costs for those services will be passed on to the users (exceptions typically relate to a professional sports tenant). These services will typically include event janitorial, additional security, traffic control, as well as any additional part-time employees such as ticket takers/sellers and ushers that are needed for any particular event. To maintain the financial viability of this facility, it is imperative that the management makes a concerted effort to minimize any event-related personnel or expenses as a fixed cost. For purposes of this analysis, salaries, wages and benefits associated with a dedicated staffing plan are estimated to range from approximately \$2.4 million to \$2.7 million annually (in inflated dollars) over the five-year period.

- 2. Unreimbursed Contract Services** - Unreimbursed contract services relate to various professional services such as legal, accounting, cleaning or grounds maintenance that are not chargeable to event promoters or users and are consequently borne by the facility. This expense item is estimated to range from \$350,000 to \$394,000 per year (in inflated dollars) over the five-year period.
- 3. Repairs & Maintenance** - This line item includes various expenses that will be incurred related to building maintenance, equipment maintenance and ground maintenance and varies based on utilization. Expense allocations for repair and maintenance are also highly dependent upon the owner/management philosophy relative to upkeep of the facility. Over the five-year period, these expenses are estimated to range from \$197,000 to \$253,000 annually (in inflated dollars) over the five-year period.
- 4. General & Administrative** – This line item includes general expenses used in the day-to-day management of the facility that may include office supplies, travel, communications, professional services, postage, membership dues etc. This expense also includes various materials and supplies necessary for the operation of the proposed new arena such as electrical equipment and janitorial supplies. The expense for materials and supplies is estimated to range from \$338,000 to \$380,000 annually (in inflated dollars) over the five-year period.



- 5. Advertising & Marketing** - Providing a competitive facility alone will not bring new events to the facility. An aggressive marketing effort needs to be undertaken to assist the facility in capturing its potential demand. Advertising relates to both event promotion and facility marketing. Some of these costs will be offset by revenue generated by promoters or event presenters for placing advertisements. Advertising expenses should include the placement of advertisements in trade journals as well as collateral sales pieces, agency fees, brochures, public relations expenses and memberships to trade organizations. This expense is estimated to range from \$225,000 to \$253,000 annually (in inflated dollars) for the five-year period.
- 6. Utilities** - Utilities generally represents one of the highest expense items for public assembly facilities. As with the salary and wage expenses, it is imperative that the management passes through to the user, to the extent possible, utility costs related to a particular event. Utility expenses are partially variable depending upon the level of utilization. In many facilities, these costs are handled as an expense that is reimbursed or partially reimbursed by the tenant at a later date or, for civic users, a utilization charge is assessed. For purposes of this analysis, it is assumed that the utility cost shown represents the total non-reimbursable costs, net of any pass through arrangements. The utility costs used for this analysis are estimated to range from \$1.0 million to \$1.1 million annually (in inflated dollars) over the five-year period. These estimates are based on information from comparable facilities. It should also be noted that actual utility expenses will depend on facility design and decisions concerning energy systems and management. Assuming more efficient systems are in place at the proposed new arena, the impact of the increased building volume and utilization are estimated to result in a higher overall utilities cost than at the existing 1st Mariner Arena.
- 7. Insurance** - Because of the differences in utilization and facility size, insurance expenses can vary greatly between facilities. Many municipalities, including the City of Baltimore, pay arena related insurance costs from a central account of the governmental entity. Thus, little or no insurance expense is reflected in the financial statements of the individual facilities. Consequently, this same approach is assumed for the proposed arena. For purposes of this analysis, a nominal amount that ranges from \$113,000 to \$127,000 per year (in inflated dollars) over the five-year period has been included in this line item to account for miscellaneous insurance costs that may fall outside of the purview of the City's policy.
- 8. Other Expenditures** – This line item includes miscellaneous operating costs such as machinery and equipment rental, box office charges and extraordinary expenses not reflected in other categories and is estimated to range from \$73,000 to \$82,000 annually (in inflated dollars) over the five-year period.



9. **Management Fee** – The management fee represents money paid for the service of private management of the facility. The management fee assumes a base fee plus an incentive. Among the services provided by private management are staffing, booking, event operations, facility and event marketing, contract negotiations and administration. It is assumed that the proposed new arena will be privately managed. For the purpose of this analysis, a management fee ranging from \$450,000 to \$507,000 (in inflated dollars) is assumed. This amount includes both the base and incentive fees. It is important to recognize that the actual management fee expense may vary considerably based on negotiations with a private management company.

In addition, the negotiation of private management agreements are increasingly requiring the company to develop creative methods of securing long term capital. This private funding may be in the form of naming rights, sponsorships, soft drink pouring rights and/or long-term advertising contracts. For purposes of this analysis, private management funding is not included.

10. **Reserve for Replacement Fund** - To safeguard the public investment, the owner and/or operator of the proposed new arena in Baltimore should allow for an annual payment that is specifically designated as a reserve for replacements and repairs. This fund is intended to cover any extraordinary annual/future capital repairs, improvements or expansion to the facility. For purposes of this analysis, the reserve for replacement fund is estimated at 5% of operating expenses.
11. **Taxes, Ground Lease and Depreciation** - For purposes of this analysis, it is assumed that the proposed new arena in Baltimore is tax exempt. This analysis does not assume a ground lease payment for use of the property. In addition, no depreciation is estimated in this analysis.



Economic and Fiscal Impacts Analysis

This section of the report estimates the economic and fiscal benefits that might accrue to the City of Baltimore and the State of Maryland as a result of pursuing the proposed new arena. The Baltimore area and the State of Maryland would benefit from having the proposed new arena in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a sports and business community
- Receiving State and regional exposure through media coverage
- Providing a first-class entertainment venue for area residents
- Increasing the overall quality of life in the area
- Enhancing the area's appeal as a sports, tourist and entertainment destination
- Providing a potential catalyst for further redevelopment initiatives
- Generating additional economic activity in the area
- Generating fiscal revenues for local and State governments

Each of these benefits is important in assessing the benefit that the proposed new arena may have on the area. While the value of most of these benefits is difficult to measure, the estimated economic activity generated in the region can be quantified. This analysis quantifies the direct, induced and indirect benefits associated with the development and on-going operations of the proposed new arena as well as the associated tax revenues. Although several of the events in the analysis represent activity currently hosted in the market, many events will likely attract higher attendance and greater levels of spending due to enhanced operations. Unless otherwise noted, all dollar amounts are expressed in 2011 dollars to reflect a stabilized year. An annual inflation rate of 3% is used in this analysis. Estimates are based on the utilization that was presented earlier in this report and assume that tax rates continue at current levels.

Methodology

An assessment of the economic benefits that could potentially accrue to the Baltimore area as a result of the proposed new arena can be approached in several ways. One approach, which is frequently used in the industry, considers the revenue side of an arena operation for documentation of the initial direct impacts to a community. In this approach, all revenues generated by the arena operations from sources such as ticket sales, concessions and novelty spending, catering, parking, advertising, the sale of box suites, club seats and naming rights are used as an initial measure of economic activity within the marketplace. Once the amount for direct spending is estimated, a multiplier is applied to generate the total (direct, induced and indirect) spending, earnings and employment associated with the project. This "multiplier" effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc.



The economic activity directly generated through the ongoing operations of the arena as well as construction of the facility affects more than just the sports tenants, the arena and immediately surrounding restaurants and businesses. As this money ripples through the economy, several other economic sectors are impacted and jobs are created. For example, when the concessionaire at the arena purchases food for a game, everyone from the wholesaler to the farmer who produced the food is impacted. In addition, local and State government entities that tax these economic transactions are also impacted.

The specific aggregate industries used in this analysis are:

- hotel/entertainment
- eating and drinking places
- transportation
- retail trade
- business services
- new construction

The three categories of measurement used to assess the economic impact of a project are spending, earnings and employment which are defined below:

- **Total spending (output)** represents the total direct and induced/indirect spending effects generated by the project. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Personal earnings** represents the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.
- **Employment** represents the number of full and part-time jobs supported by the project. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.

As part of this analysis, fiscal benefits or tax revenue impacts that might result from on-going operations of the arena are also estimated. The governmental entities considered in this fiscal analysis are the City of Baltimore and the State of Maryland. Revenues generated from personal income tax, hotel/motel tax, sales tax, as well as admissions and amusements tax are calculated. All amounts depicted in this report are presented in current (inflated) dollars unless otherwise noted.



Summary of Economic and Fiscal Benefits

The total economic benefits to the Baltimore metro area related to operations of the proposed new arena could generate approximately \$63.3 million annually while the incremental impact is estimated at \$16.1 million. Incremental impact is based on a comparison of historical economic impacts generated by the 1st Mariner Arena from FY 2004 operations and those estimated for the proposed new facility. The economic benefits as measured by spending, earnings and jobs are summarized below.

Estimated Total Economic Benefits to Baltimore Metro Area from the Proposed New Arena's Ongoing Operations (annually recurring)			
	Proposed New Arena	Existing 1st Mariner Arena	Incremental Amount
Spending			
Direct Spending	\$36,395,000	\$27,028,000	\$9,367,000
Induced/Indirect Spending	\$26,867,000	\$20,125,000	\$6,742,000
Total Spending	\$63,262,000	\$47,153,000	\$16,109,000
Total Earnings	\$25,843,000	\$19,949,000	\$5,894,000
Total Employment (number of FTEs jobs)	970	710	260

Notes: Amounts are presented in 2011 dollars; existing arena impact based on FY 2004 operations.
FTE denotes full-time equivalent employees.

The following section provides a more detailed description of the data and assumptions used in this analysis.

Estimated Economic Impacts from Ongoing Operations of the Proposed New Arena

The economic impacts from ongoing operations of the proposed new arena as well as other spending created by the project are described below.

- **Direct Spending** - The first step in calculating economic impact is estimating the direct spending generated in the Baltimore area. For purposes of this analysis, direct spending relates to gross revenues generated from arena operations as well as attendee spending outside of the arena.
 - ⇒ **Gross budgetary revenue of the arena** - Gross revenues generated from arena activity include the sale of tickets, concessions and novelties, box suites and club seats, parking, advertising and naming rights revenue. Based on the financial estimate, the total annual gross revenues for arena operations are estimated to be approximately \$25.4 million annually in 2011 dollars.
 - ⇒ **Attendee spending outside of the arena** - This category attempts to reflect the spending patterns outside of the arena for attendees at arena events. This per capita amount is then allocated among various categories of spending including hotel, restaurant, entertainment/retail and transportation. An average spending amount outside of the arena of \$12.00 in 2011 dollars is assumed for arena attendees. It should be noted that this spending would occur at restaurants, retail and various other business establishments around the arena and elsewhere in the community.



Based on this information, the direct spending related to the ongoing operations of the proposed new arena in Baltimore is estimated to be approximately \$36.4 million annually in 2011 dollars. This amount is comprised of the \$25.4 million of arena operations and \$11.0 million of attendee spending outside the arena. It is assumed that the majority of direct spending is spent within the Baltimore metro area. These direct spending estimates are considered direct output and, therefore, serve as the basis for the multiplier analysis.

- Multipliers** - In an effort to quantify the inputs needed to produce the direct output, economists have developed multiplier models. This “multiplier” effect is estimated in this analysis using a regional economic forecasting model provided by Minnesota IMPLAN Group, Inc., a private economic modeling company. One of the major advantages of this type of model is that it is sensitive to both location and type of spending, and has the ability to provide, based on direct spending inputs, induced/indirect spending, employment and earnings information by industry category.

As a final step, each of the spending amounts described previously are assigned to a logical category to be used as inputs into the regional economic multiplier model. Relevant multipliers for each category are presented in the following table for the Baltimore metropolitan area.

Category	Baltimore MSA		
	Spending	Employment*	Earnings
Hotels/Entertainment	1.730633	26.441985	0.722215
Eating & Drinking Places	1.795750	31.705517	0.674572
Retail Trade	1.618055	23.456695	0.691276
Transportation	1.833041	17.180908	0.664772
Business Services	1.840877	19.920492	1.037402
Construction	1.823352	18.206316	0.817925

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

- Total and Induced/Indirect Spending** - The economic activity generated by hosting the event affects the broader economy. In preparation of new spending in the economy, several other economic sectors are impacted and jobs are created. It is a common misconception to assume that the induced/indirect spending occurs subsequent to the purchase of the good as an "after effect." To further illustrate this point, consider that raw materials are purchased, labor is hired, goods are produced, transported and marketed to retailers before the attendee spending takes place. To yield direct spending, several intermediary levels of spending must occur first.

Outputs from the model indicate that total (direct, induced and indirect) spending from annual arena operations is estimated to be approximately \$63.3 million. Therefore, the approximate \$36.4 million in direct spending related to the proposed new arena is estimated to induce an additional \$26.9 million in economic activity within the Baltimore metro area.



- **Earnings** - In addition, the direct spending in the economy as a result of ongoing arena operations is estimated to generate employment and earnings (income) impacts. Again, by applying earnings multipliers to direct spending, total earnings are estimated to be approximately \$25.8 million.
- **Employment** - Finally, there will be additional employment opportunities generated by this project. It is estimated that the arena would generate employment for a total of 970 full-time equivalent jobs as a result of its ongoing operations. These jobs would occur in many sectors of the economy which would both directly and indirectly support the business activity in the region.

Estimated Economic Impacts from Construction of the Proposed New Arena

Construction costs for a facility of this scope can provide significant economic impact to the region. This report analyzes the impacts which might occur during the construction period, estimated to be approximately 24 months. Construction of the proposed arena is estimated to generate approximately \$118.2 million in total spending over the construction period. The following table summarizes the estimated one-time impacts from arena construction based on Odell’s preliminary construction cost estimate provided under separate cover.

Estimated Total Economic Impacts from Arena Construction (one-time)	
Spending	
Direct Spending	\$64,845,000
Induced/Indirect Spending	\$53,393,000
Total Spending	<u>\$118,238,000</u>
Total Earnings	\$53,037,000
Total Employment (number of FTEs jobs)	1,180

Notes: Amounts are presented in 2007 dollars.

FTE denotes full-time equivalent employees.

- **Direct spending** - Facility sizing and configuration are important aspects in the determination of construction costs for an arena. The proposed arena is assumed to be comparable to the newer “fan-friendly” arenas with similar professional minor league tenants. Based on preliminary construction costs developed by Odell and provided under separate cover, an arena of this caliber is estimated to cost \$162.1 million for construction. Approximately 40% of this construction budget is assumed to be spent in the Baltimore metro area.
- **Induced/indirect spending** - As with the ongoing operations of the proposed new arena, the construction of the facility would affect many different business interests. As spending occurs, several other economic sectors are impacted and jobs are created. New construction multipliers are applied to the direct spending assumptions described previously. Induced and indirect economic activity from construction of the proposed new arena is estimated to be approximately \$53.4 million resulting in a total spending impact of approximately \$118.2 million.



- **Earnings** - In addition, it is estimated that total direct and induced/indirect earnings as a result of construction-related spending in the economy would be approximately \$53.0 million.
- **Employment** - It is estimated that a total of nearly 1,180 full-time equivalent jobs could be generated in the Baltimore metro area as a result of construction activities. These employment benefits would continue over the course of the construction process, estimated to be 24 months. These jobs would relate not only to direct construction jobs, but would include jobs in other areas such as suppliers, manufacturers, financial services, retail, restaurant and hospitality, transportation and other sectors of the economy.

Fiscal Impacts Analysis

The total spending generated by the operations of the proposed new downtown arena create tax revenues for the City of Baltimore and the State of Maryland. Since the economic benefits are estimated at the metro area level, an allocation of these amounts was utilized to estimate the taxable amounts in the City. Experience in other markets indicates that a significant portion of the direct spending would occur near the proposed new arena. Other spending would also occur both near the arena as well as in other areas within the region, particularly such spending as business services and the everyday expenditures of residents.

Each major tax source impacted by arena operations was analyzed in order to ascertain the appropriate taxable amounts to apply the respective tax rate. Direct and indirect/induced spending estimates discussed previously were used to calculate tax benefits associated with the proposed new arena's first year of stabilized operations (assumed to be 2011).

The following table summarizes the estimated total fiscal benefits related to on-going operations of the proposed new arena as well as an estimate of the incremental fiscal benefits. The estimated tax revenue associated with the existing 1st Mariner Arena is based on FY 2004 operations data provided by facility management and estimated out-of-arena spending from that event activity.

Estimated Annual Tax Revenue From Arena Operations			
	Proposed New Arena	Existing 1st Mariner Arena	Incremental
Baltimore Metro Area			
Admissions & amusements tax	\$1,844,000	\$1,610,000	\$234,000
Personal income tax	\$517,000	\$399,000	\$118,000
Hotel/motel tax	\$165,000	\$106,000	\$59,000
Total	\$2,526,000	\$2,115,000	\$411,000
State of Maryland			
Sales tax	\$1,550,000	\$952,000	\$598,000
Personal income tax	\$879,000	\$678,000	\$201,000
Total	\$2,429,000	\$1,630,000	\$799,000
GRAND TOTAL	\$4,955,000	\$3,745,000	\$1,210,000

Note: Amounts presented in 2011 dollars.



Using these assumptions, the fiscal impacts associated with on-going operations of the proposed new arena in downtown Baltimore are nearly equal between the City of Baltimore and the State of Maryland. Other taxes at the local and State level may also be impacted by the proposed new arena that are not included in this fiscal analysis. The assumptions utilized in this analysis for the Baltimore metro area and State of Maryland taxes are presented on the pages that follow.

Baltimore Metro Area

Admissions & Amusement Tax – The admissions and amusement tax is a local tax collected by the State Comptroller’s Office for local municipalities. The City of Baltimore applies this tax to the admission or amusement cost for activities such as movies, athletic events, concerts and golf. The tax on admissions differs among local municipalities in Maryland, and is 10% in Baltimore. According to the statute, if sales tax is also applicable, then a maximum combined rate of 10% can be assessed. Based on estimated ticket revenue for general and luxury seating at the new arena, the estimated fiscal benefit generated by this tax source is approximately \$1.8 million.

Historically, as the MSA has pursued capital projects, they have received a portion of the admissions tax collected within the relevant local community. For instance, the MSA receives 8 points of the admissions tax generated at both Oriole Park and M&T Bank Stadium. For purposes of this analysis, all revenues generated by the admissions and amusement tax are shown to be retained by the City of Baltimore.

Personal Income Tax – The Baltimore metro area consists of seven tax districts. Each of these tax districts has different rates at which personal income tax is imposed. Personal income tax rates are based on the place of residence as opposed to the place of work. Based on total income tax paid and total taxable income in the Baltimore metro area during CY 2003, the effective personal income tax rate was estimated at approximately 2%. Based on this analysis, fiscal benefits associated with personal income tax are estimated to be approximately \$517,000 annually.

Hotel/Motel Tax – The City of Baltimore also taxes revenue derived from the furnishings of lodging within the City. The hotel/motel tax does not include State sales tax. The current hotel/motel tax rate is approximately 7.5%. This rate is applied to 100% of the estimated metro area-level direct hotel spending. The estimated fiscal benefits generated by this tax source are estimated to be approximately \$165,000 annually.

State of Maryland

Sales and Use Tax – The State of Maryland collects a sales and use tax from sales and leases of tangible personal property and services throughout the State. Sales and use tax is uniform throughout the State at 5%. This tax source is the State’s second largest source of general fund revenue. Applied to total taxable revenue generated by operations at the proposed new arena and attendee spending outside of the arena, the estimated fiscal benefits generated from sales and use tax are estimated to be approximately \$1.6 million annually.



Personal Income Tax - The State of Maryland imposes a personal income tax which is assessed against personal income earned in the State. The State income tax is based on a graduated scale of adjusted gross income. This tax source is the State's largest single source of general fund revenue. For purposes of this analysis and based on information provided by the Comptroller of Maryland, an effective tax rate of 3.4% is calculated based on the total taxable income earned and the total personal income tax paid to the State for CY 2003. This effective tax rate is applied to 100% of metro area-level total earnings. Based on this analysis, the revenues generated by this tax are estimated to be approximately \$879,000 annually.



**Facility and Site Assessment
For a Proposed New Arena in
Downtown Baltimore**

Final Report – February 2007

Facility and Site Assessment

Baltimore enjoys many of the elements of a great city including a concentration of public assembly projects in the heart of the City. M&T Bank Stadium, Oriole Park at Camden Yards, the Baltimore Convention Center and the Hippodrome along with 1st Mariner Arena contribute significantly to the life of Baltimore. While well-situated, the 1st Mariner Arena has physical and operational deficiencies that inhibit it from realizing its full potential.

The objective of this study is to analyze options for improving the potential sports and entertainment offerings, to enhance the patron experience as well as to improve the operational functions of the existing arena. Toward that end, Odell used methods and resources that have been successful in the past.

Specific tasks included the following:

- Reviewed background information.
- Conducted interviews with the MSA and others interested in the project's development.
- Reviewed the market analysis conducted by KPMG LLP under separate cover.
- Performed facility reviews of the existing site.
- Interviewed existing facility management and operations staff at 1st Mariner Arena.
- Conducted an interactive four-day workshop with representatives of Odell, Manhattan Construction Company, KPMG, the MSA, the BDC, the Maryland Department of Business and Economic Development, the Downtown Partnership of Baltimore, Inc., Westside Renaissance, Inc., the Greater Baltimore Committee, the City of Baltimore, and the 1st Mariner Arena.
- Conducted a presentation of analysis, concepts, and conclusions.
- Summarized findings.

Several previous studies and on-site investigations were used as background for this study. These included:

- Construction documents of the original arena by Odell Associates.
- Design Drawings of the parking deck addition by Ayers Saint Goss.
- Baltimore Inner Harbor Master Plan dated December 2003.
- The 2000 West Side Strategic Plan by the Baltimore Development Corporation (with references to other previous studies).
- The Baltimore Arena Relocation Study by the City of Baltimore Department of Planning dated June 1996.
- Baltimore Arena Site Study by the Baltimore Department of Planning dated January 1998.
- A New Baltimore Arena Site Feasibility Study dated June 1996.

- An Economic and Alternative Analysis for Replacement of the Baltimore Arena by PWC dated March of 1999.
- Arena comparisons dated August 2002 including area, seat count, date of construction, construction costs.
- Comparable arena plans and profiles.
- Manhattan Construction Company staff and construction cost data.
- Baltimore photographs and plans from the City Planning Department.

The majority of research conducted for this report dates from a period up to November 2005. Based on several factors including the research conducted in the market analysis prepared by KPMG LLP under separate cover as well as the parameters outlined by the MSA that the proposed new arena would be constructed on the existing arena site and shall be a single concourse facility with a seating capacity lower than that which would be required for a major league sports tenant, this report focuses on programming, physical planning and cost related issues. Specifically, Odell prepared the following:

- Conceptual needs assessment of the existing building.
- Detailed building program for a proposed new facility.
- Conceptual design concepts for both new construction and renovation of the existing facility.
- Preliminary cost estimate of a new single-concourse arena on the existing site.
- Preliminary cost estimate of renovating the existing facility.

EXECUTIVE SUMMARY

The building systems analysis showed that most all equipment is nearing its expected life and future maintenance and repairs will become increasingly costly. The engineering systems upgrade analysis on the 1st Mariner Arena prepared by Odell suggests deferred maintenance or pending systems improvements costs ranging from \$42.7 million to \$56.9 million given the age of the facility and state of its systems. Further, this development scenario does not include any upgrade to patron amenities nor increase in revenue generating areas such as concessions, advertising or seating. Consequently, this option presents limited potential to fundamentally change event activity.

Should the City choose not to move forward with any improvements to the existing facility and not build a new arena, the decline of the 1st Mariner Arena's physical state will likely accelerate over time and, consequently, Baltimore will likely lose market share in the sports and entertainment industries. If no arena is operated in Baltimore, and given the proximity of sports/entertainment facilities within the Northern Virginia/Washington D.C. area, residents will likely choose to spend a portion of their entertainment budgets outside the Baltimore area, thus negatively impacting the community and area businesses quantitatively in terms of economic impact. This would also negatively impact local and State tax revenue generation as residents spend their entertainment dollars in other communities/states. For instance, the City of Baltimore would incur loss of admissions tax revenue generated by the 1st Mariner Arena.

Odell concluded that the recommended building program can be accommodated on the existing site of the 1st Mariner Arena if the adjacent parking garage and a portion of Hopkins Place are included as part of the new construction. The preliminary construction cost for the proposed new arena ranges from approximately \$131 million to \$162 million (in 2007 dollars). Odell also explored the merits of renovating and expanding the existing facility to ascertain if there was a significant cost savings compared to new construction. While renovation would add some additional amenities, it would still result in less than ideal features such as poor sightlines. In addition, the estimated cost associated with renovation and expansion ranges from \$123 million and \$138 million (in 2007 dollars), which is not significantly different from the cost associated with building a new facility.

If a new arena is built on the existing site, some negative impact will likely occur to the local area due to the lack of arena-related activity during the construction period and a loss of the associated economic and fiscal impacts to the area. As a point of reference, it is estimated that the existing 1st Mariner Arena generated approximately \$47.2 million in economic impact spending and \$3.8 million in fiscal impact in FY 2004. However, this analysis suggests that the downtime should not adversely impact the new arena's ability to regain historical event activity or enhance its future market penetration. It should be noted that the market penetration and event activity are likely to decrease over time if a new arena is not built. This downward trend should be considered when evaluating the short-term impacts of a two-year construction period. According to client representatives, construction period disruption could be minimized by finding a temporary replacement venue to accommodate some existing event activity (e.g. the Armory located in Bolton Hill). While these alternative sites may offer less seating capacity, it would help minimize the negative impact to the local community during construction.

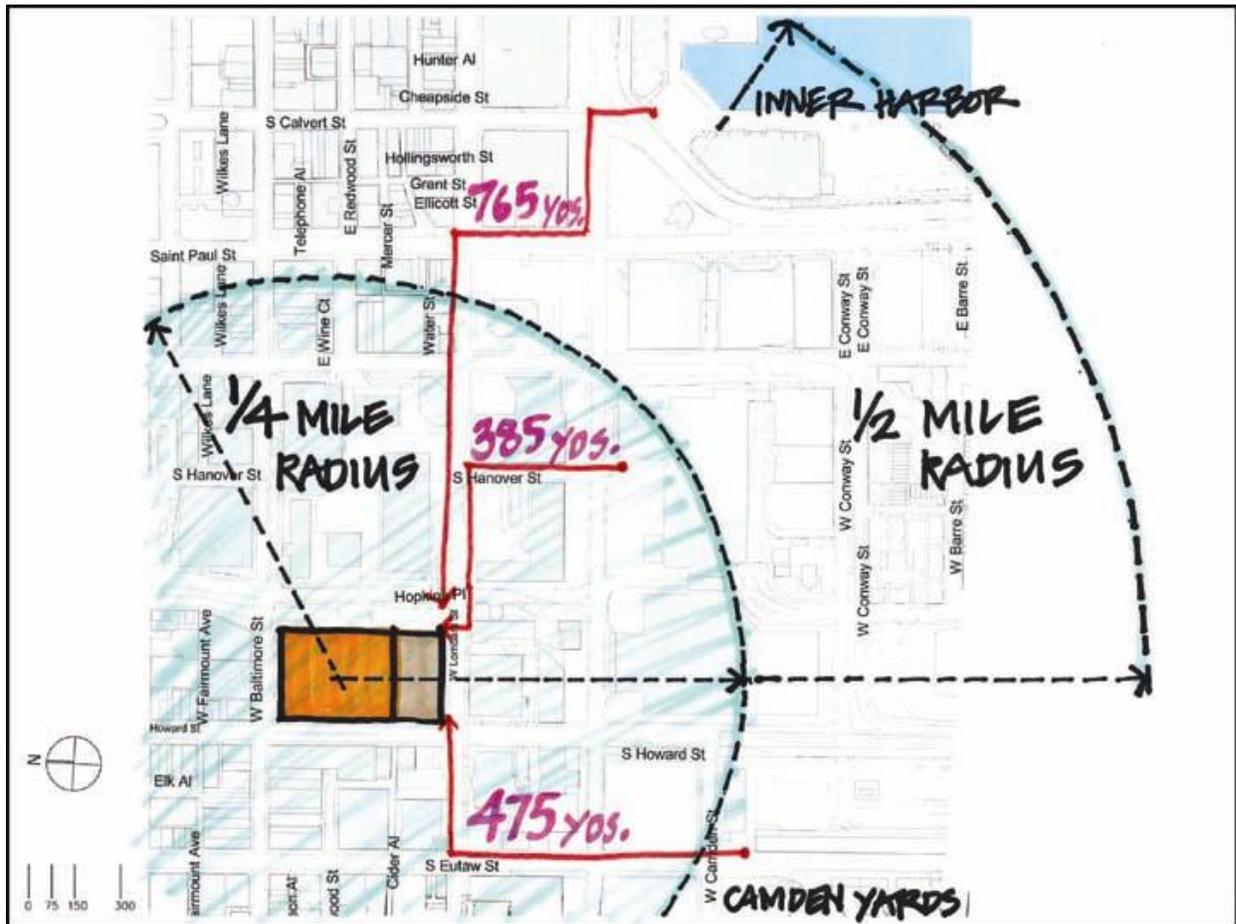
Should a new arena be constructed on the existing site, replacement parking will be an important issue for the City to consider in its on-going development planning efforts. Convenient parking can make a venue more marketable for some events. Even with the loss of approximately 850 spaces with the demolition of the existing parking deck on the south side of the arena, there are more than 15,000 parking spaces available within a five-minute walk of the site. In addition, there is the potential to develop some replacement parking on the existing site at the event level as well as below-grade parking on the southern end of the site. These options should be considered in conjunction with other City developments such as the planned convention center headquarters hotel that would utilize other downtown surface parking lots. Although the available parking within walking distance appears adequate to support arena activities, continued development efforts in the immediate area will require that a detailed parking analysis be conducted to ascertain whether additional parking will be required as part of the arena project.

EXISTING FACILITY ASSESSMENT - ARCHITECTURAL

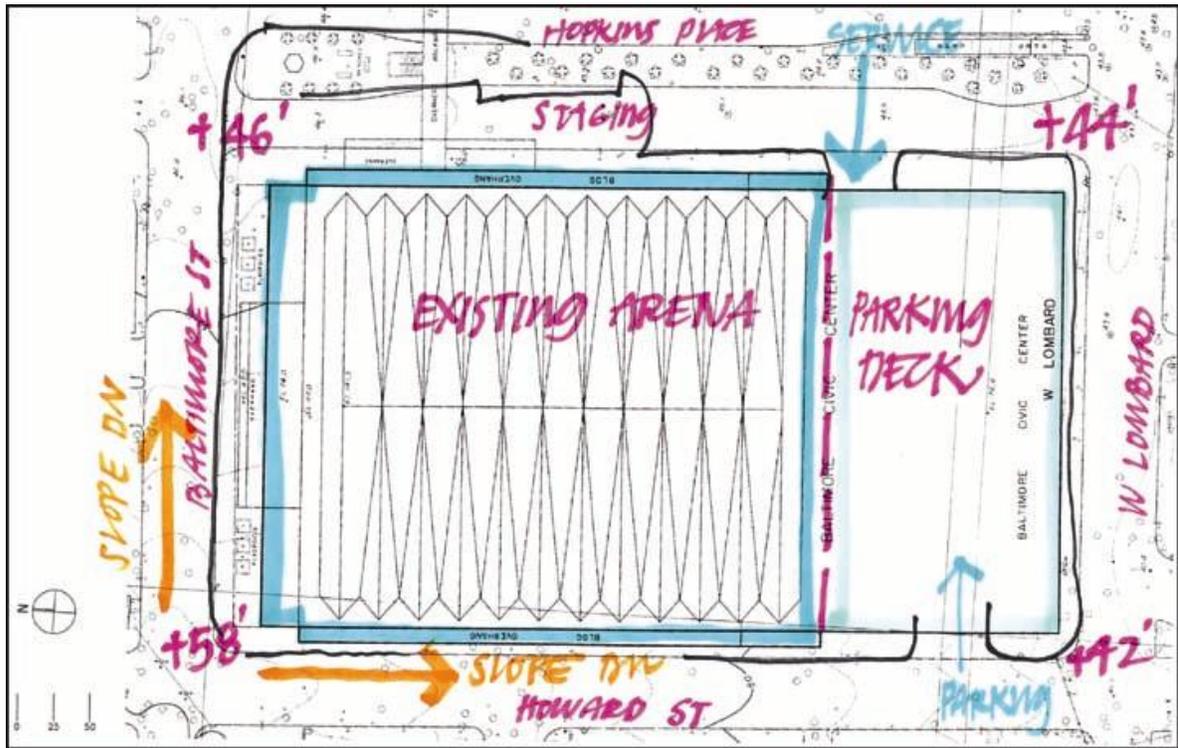
SITE

The existing five-acre site is well situated in downtown Baltimore within a short walking distance to Camden Yards, the Baltimore Convention Center, and the Inner Harbor. Nearby hotels include the Days Inn, the Holiday Inn, the Marriott, and the Wyndham. Ample parking for arena events is also within a short walk. The site is served by mass transit services of light rail, subway, and bus.

Walking Distance



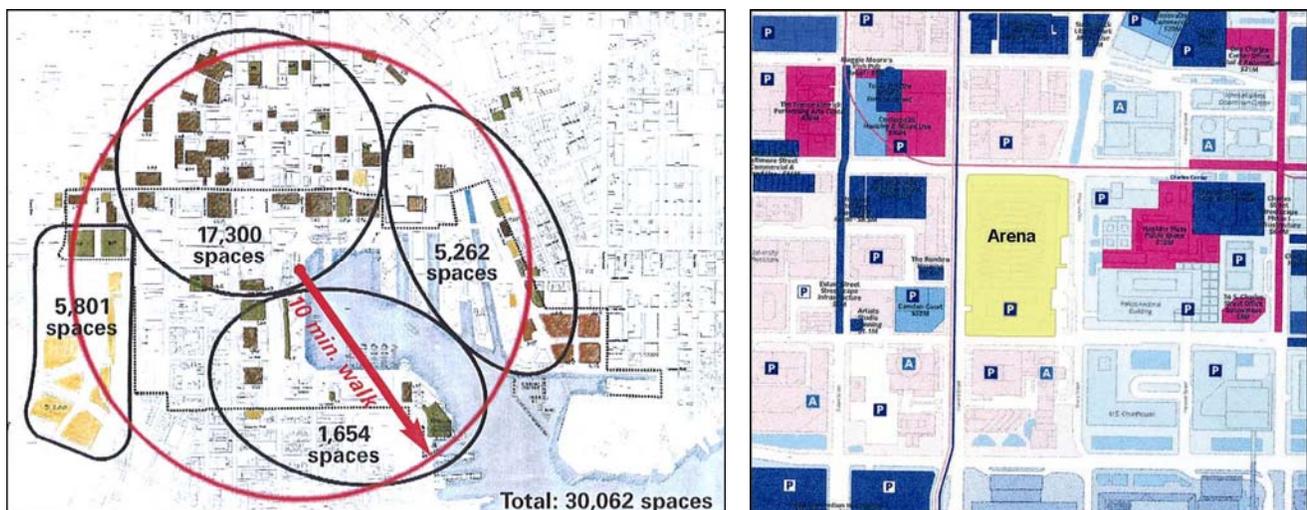
Arena Site Plan



PARKING

Using the industry standard of three patrons per car, 5,100 spaces would be required for the largest capacity event (15,300 for a center-stage concert). Even with the loss of approximately 850 spaces with the demolition of the existing parking deck on the south side of the arena, the diagram below indicates in excess of approximately 15,000 spaces still available for arena parking within a five minute walking distance of the arena site, and over 30,000 spaces within the Inner Harbor. A second diagram shows the close proximity of parking locations immediately around the arena site.

Parking in the Inner Harbor from the *Baltimore Inner Harbor Master Plan - Dec. 2003*



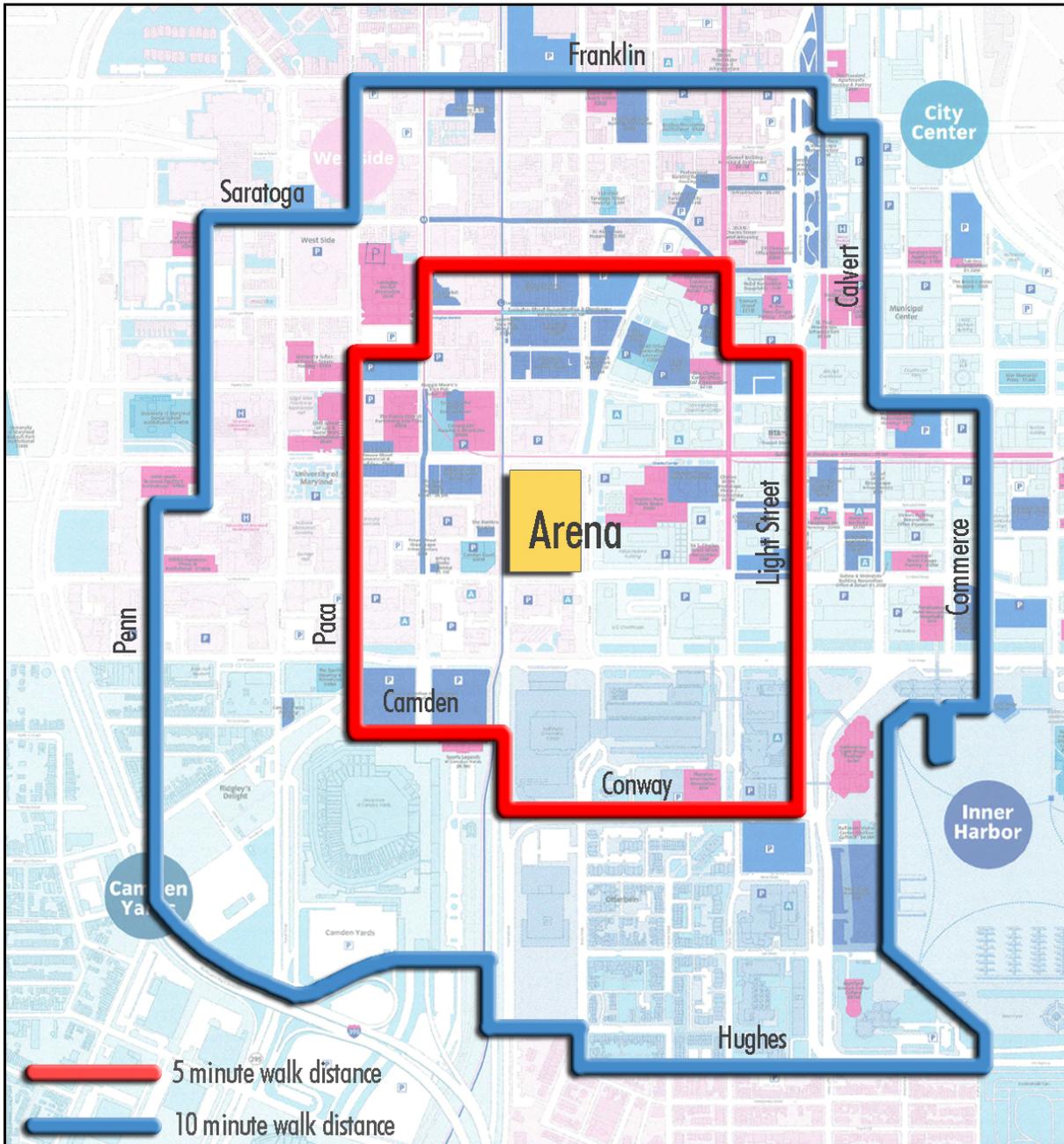
In addition to the functional areas of service, delivery, and a marshalling on the event level, both the replacement, expansion and renovation scenarios accommodate approximately 60 parking spaces on this level for operational or premium parking inside the retail space along Lombard Street.

It still may be desirable to have more dedicated parking specifically for the arena. Parking below the event floor under the arena footprint would yield approximately 500 cars per level at a construction value of between \$20,000 and \$25,000 per space in mid 2007 dollars.

Although the available parking within walking distance appears adequate to support arena activities, continued development efforts in the immediate area will require that a detailed parking analysis be conducted to ascertain whether additional parking will be required as part of the arena project.

A diagram of the area surrounding the existing arena sites indicates the convenience of the site and multiple locations of parking spaces.

Walking Distance



BUILDING

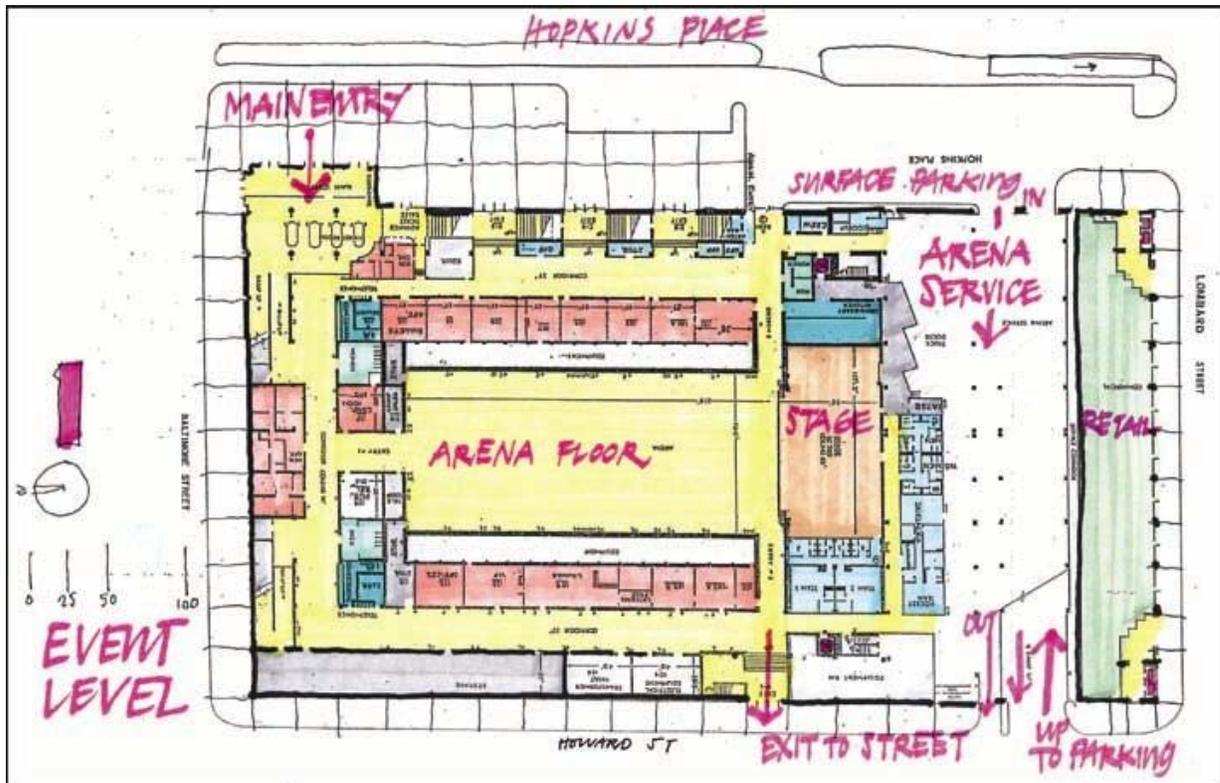
The plan diagrams and photographs that follow document current conditions in the existing arena. The architecture and engineering evaluation suggests that the building operation is excellent, given the limitations of the facility. However, there is consensus among the project team, the management team and users that there are many deficiencies at the existing facility that need to be addressed going forward including insufficient restrooms, concessions, concourse widths and general circulation. There are restricted sightlines from some of the seats in the bowl and uncomfortable seating conditions in the corners. The blank walls along Howard Street and Baltimore Street along with the parking deck at Lombard Street present an uninviting face to the street. Back-of-house operational spaces are undersized and ill-equipped.

Existing Arena Metrics

Existing Arena	Year Completed	Basketball Seats	Area GSF	Area SF Seat
Baltimore	1962	12,600	390,000	31

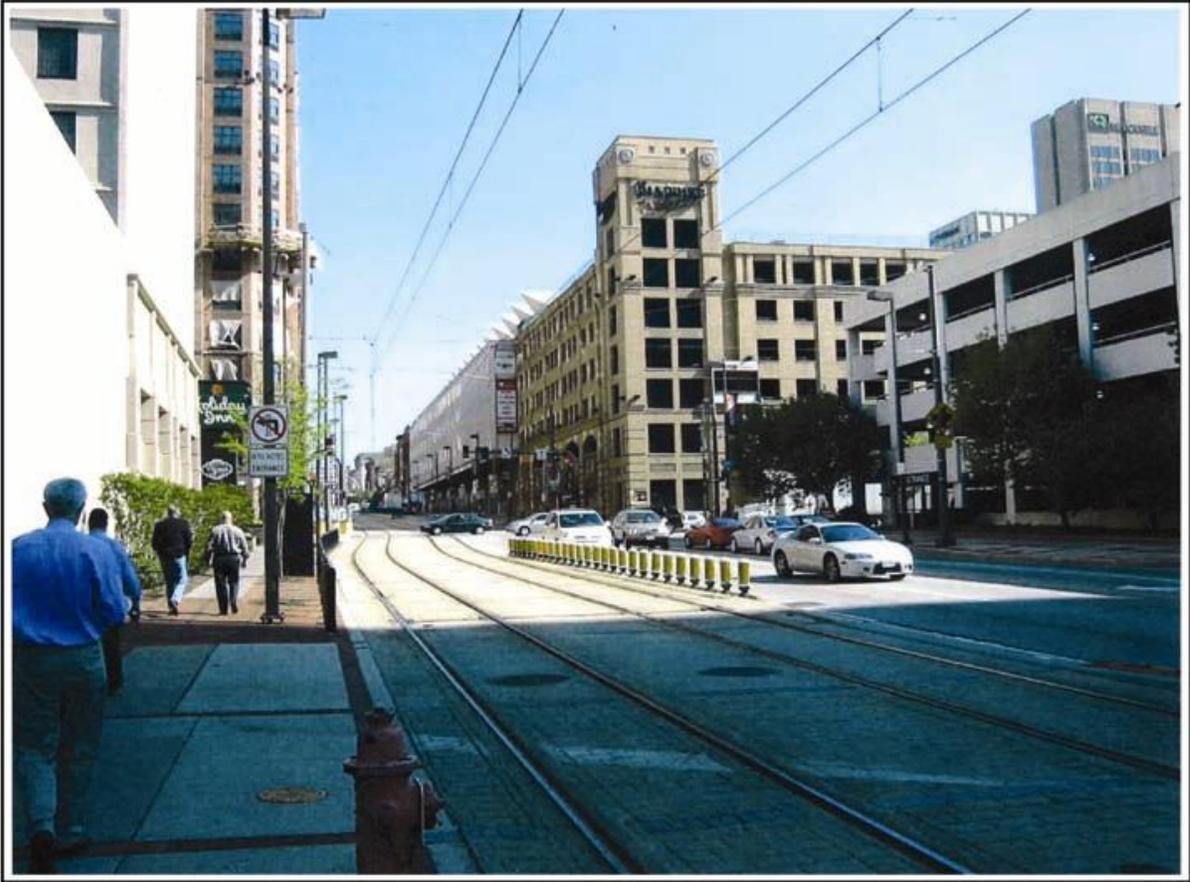
Notes: Large gross square foot area is misleading due to large, inefficient support areas and double concourses. The building was under construction during 1961 and was completed in 1962.

Existing Level 1



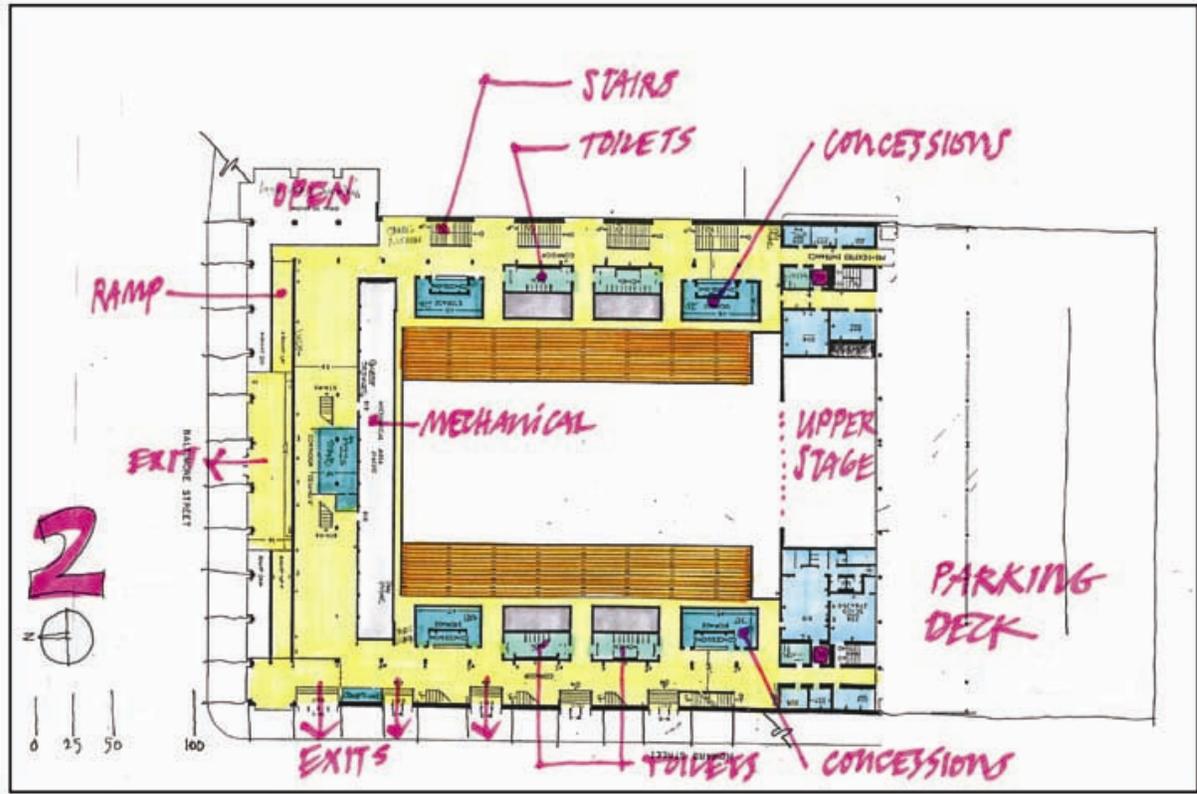
A review of this level's space indicates inadequate staging and marshalling for events such as the circus; insufficient locker rooms and dressing rooms; and operational support space that is small and poorly organized. The stage does not function well for many entertainers. The primary entrance at Hopkins Place and Baltimore Street is not obvious to the patron.

Corner of Howard and Lombard Streets



This corner of Howard Street and Lombard Street is an important view of the building.

Existing Level 2



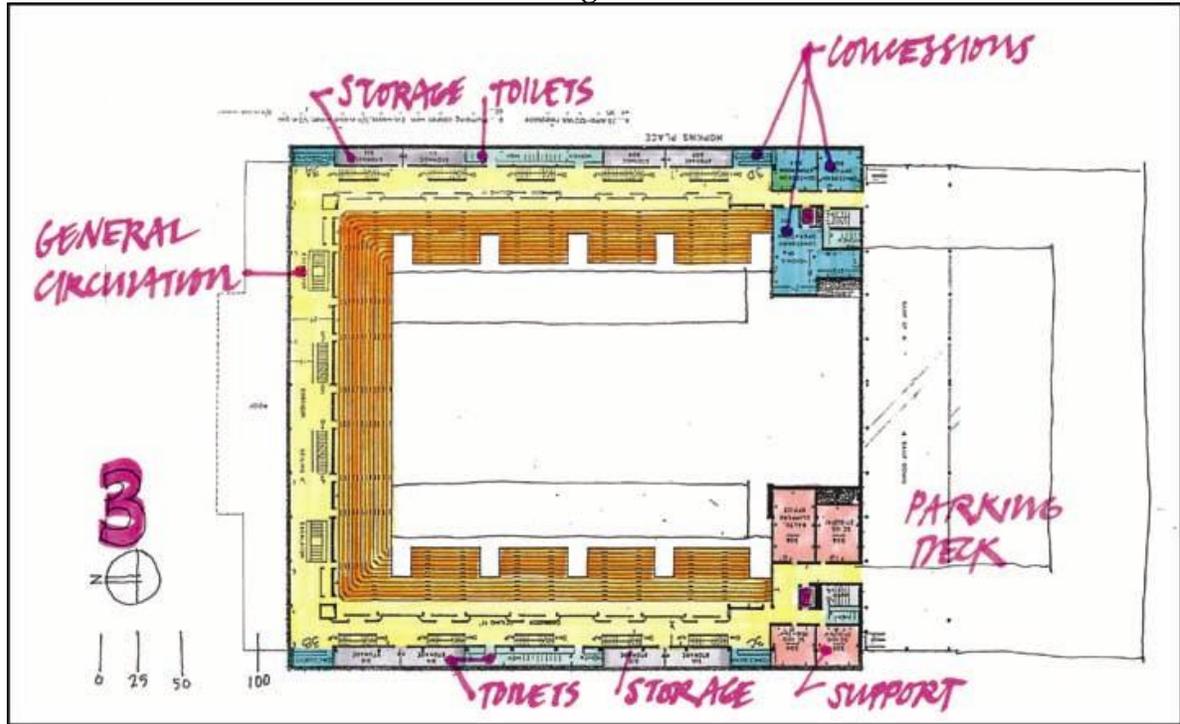
This main concourse lacks sufficient toilets, concessions, and concourse dimension. Vertical circulation is cramped.

Hopkins Place



Much of this space can be recovered for the renovation option or the replacement option.

Existing Level 3



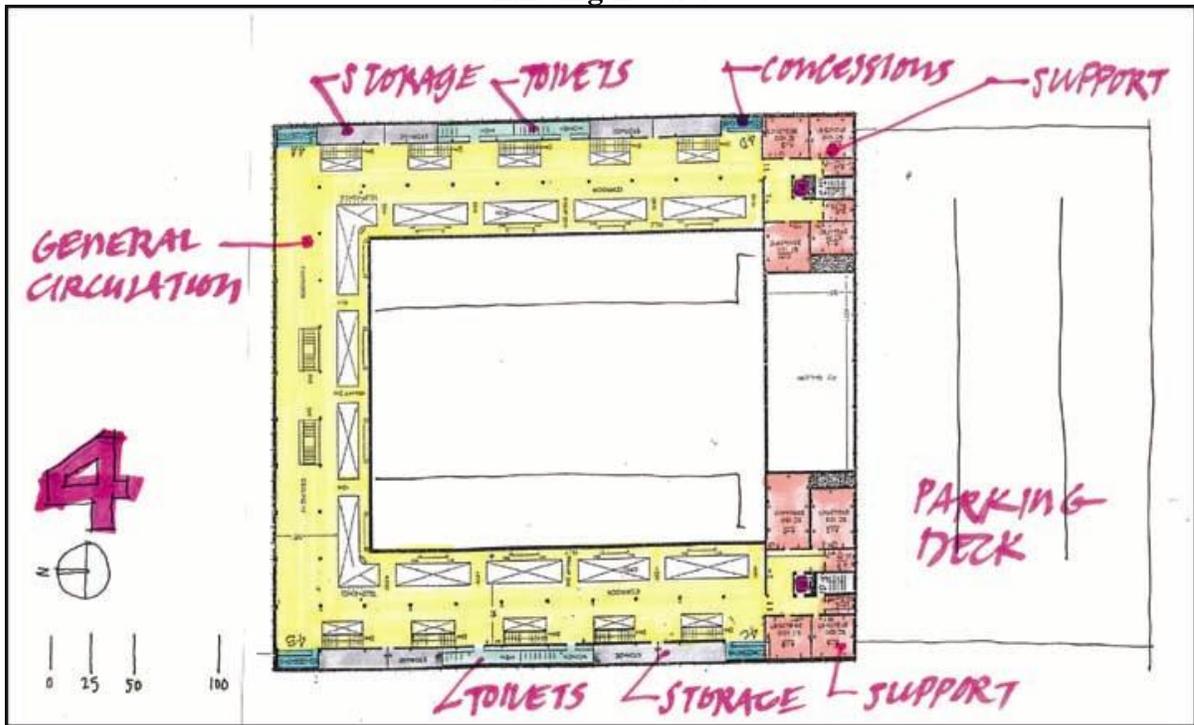
The concourse widths, vertical circulation, restrooms, and concessions are all undersized at this level.

Interior Image of Northeast Corner of the Event Floor



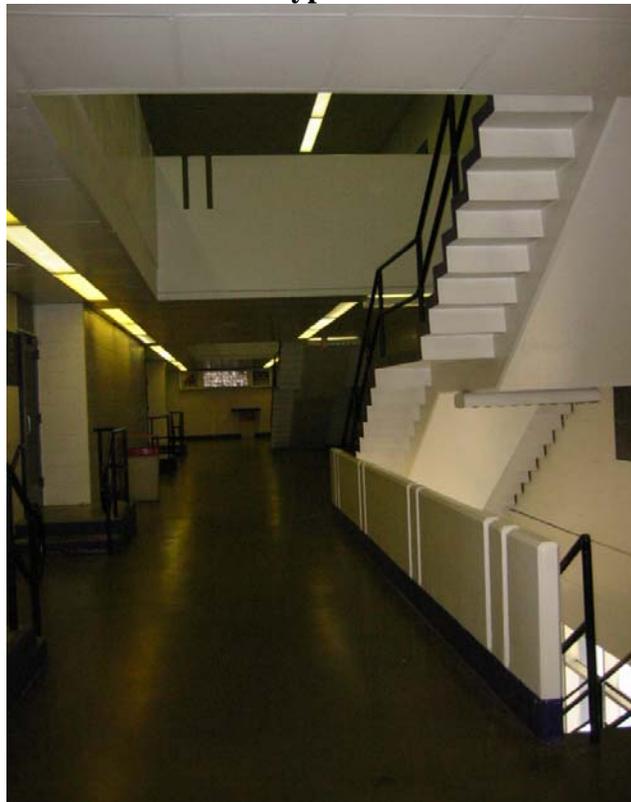
Note that corner seating has poor directional sightlines and uncomfortable corner conditions. There is little sense of being close to the event.

Existing Level 4

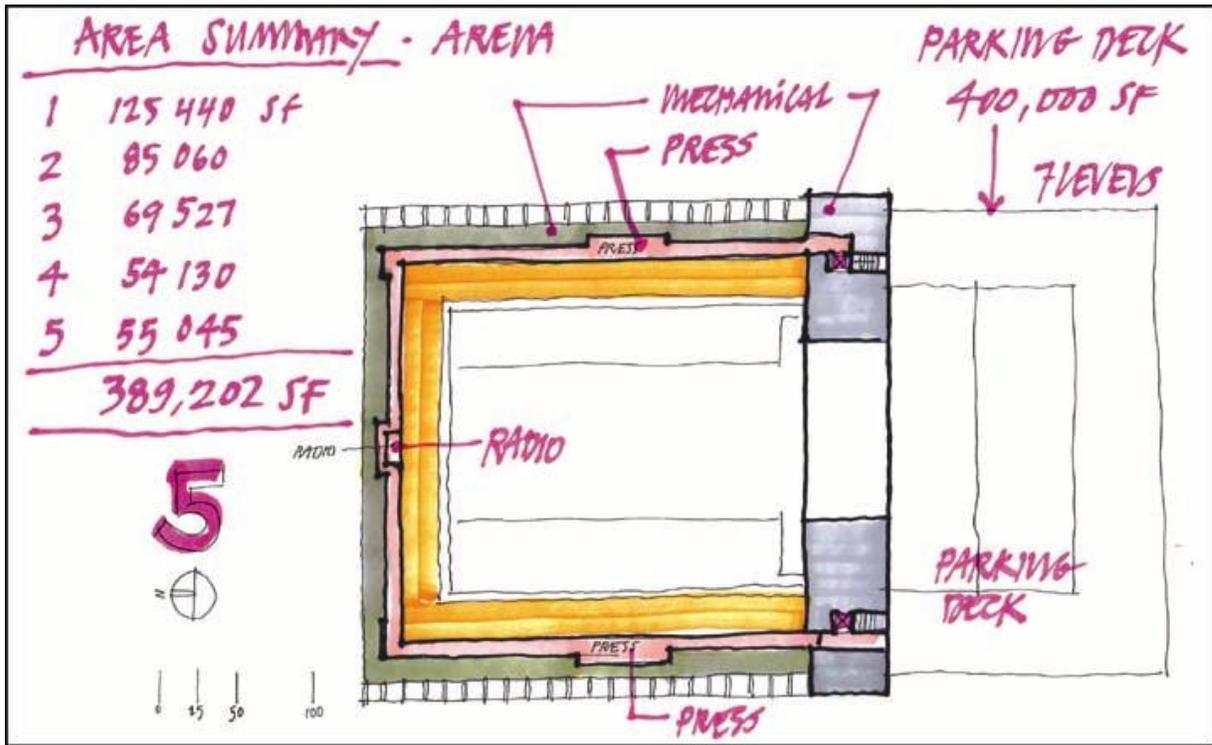


Concourse widths, restrooms, and concessions are uncomfortably small.

Interior of Typical Concourse

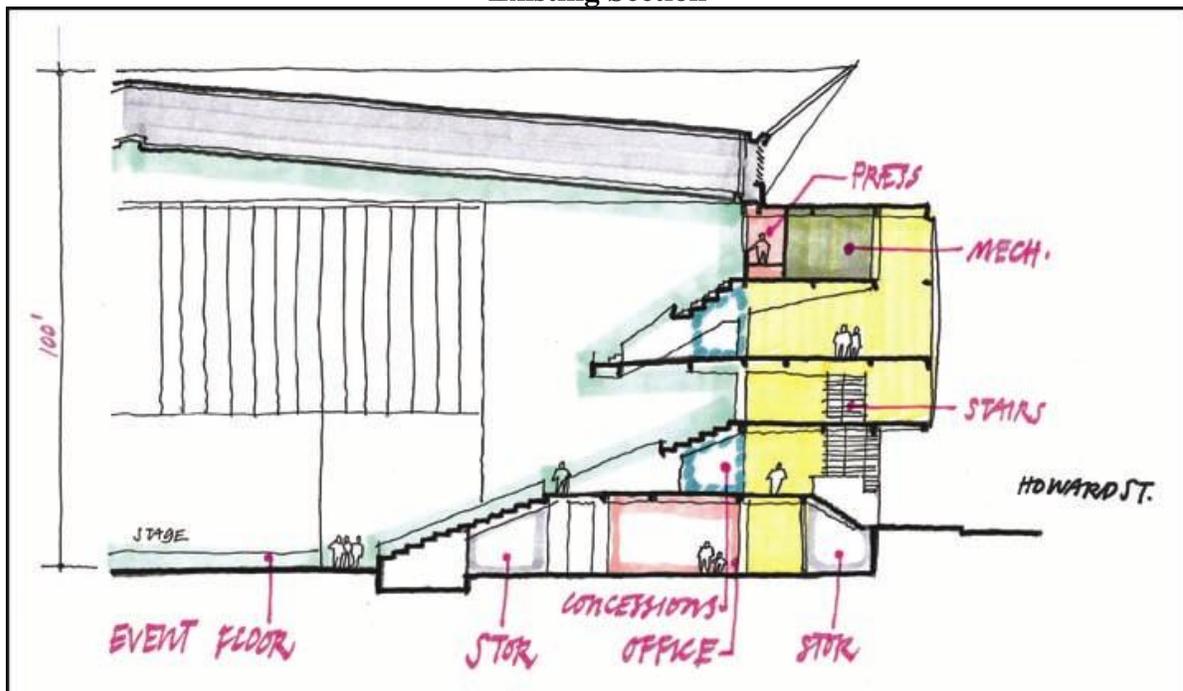


Existing Level 5



The rectangular geometry compromises sightlines and sense of being close to the event.

Existing Section



Note the minimum concourse widths and inefficient multi-level circulation.

EXISTING FACILITY ASSESSMENT - ENGINEERING SYSTEMS

This section of the report includes a summary of the major systems (e.g. mechanical, electrical, and plumbing) at the existing facility.

MECHANICAL

Most mechanical systems in the building are 40+ years old. Most of the air handlers have reached the end of their useful life. There are some that may have a short remaining useful life. Unfortunately, even these units have no place in a "State of the Art" mechanical system. Therefore, all mechanical air handlers should be replaced. Arena bowl H & V units would be replaced. Arena bowl ventilation exhaust fans would be replaced due to code changes over the years. These fans would not be adequate for smoke evacuation duty. The ductwork and piping systems would also be replaced due to age and inappropriate routing, size, etc. Mechanical system controls are outdated and would need to be replaced. Condenser water pumps and piping would be replaced because of age and the pumps' inability to fit into an up-to-date control system. This is also true of the chilled water pumps. The chillers are fairly new (approximately 10 years) and could remain. Their controls could be updated. The chillers would have to be cleaned, checked and any problems fixed (one chiller appears to have been out of service since 2000). The chiller capacity is adequate for the building now. There may even be some excess capacity. There are three (3) cooling towers - one 800 ton tower is only 1-2 years old and in excellent shape. One tower (200 + tons) is older but is in good shape with a useful life of 15+ years. One 800 ton tower is outdated and would need to be replaced. The renovation of this building would require the replacement of virtually all the mechanical systems to reach up-to-date "State of the Art" status.

ELECTRICAL

UTILITY SERVICE

The BG&E Power Company feeds medium voltage normal power to the arena transformer vault located at the central perimeter of the ground floor. The vault contains 3 transformers that convert medium voltage to utilization voltage of 3 phase, 480/277. The transformers are owned and have been well maintained by BG&E. They have had the original hazardous PCB fluid replaced with silicon. The transformers are believed to have been installed when the building was constructed in 1961 (44 years). The normal operating lifespan of a utility transformer is 30 years. It is recommended to have the utility replace these transformers upon a major renovation to modern units.

POWER DISTRIBUTION

The transformers feed Westinghouse switchboards located adjacent to the transformer vault. The switchboards were installed when the building was constructed in 1961 (45 years). The normal operating lifespan of a switchboard is 25 years. The switchboard is past its useful operating lifespan. If a failure was to occur replacement breakers and parts are difficult to find, expensive, or unavailable.

The switchboards feed antiquated Westinghouse power distribution centers located throughout the facility levels. These units contain a 480/277 volt distribution panelboard as well as an integral transformer to a 120/208 volt distribution panelboard. The distribution centers, in turn, feed branch circuit panelboards throughout the facility. The distribution centers and panelboards were installed when the building was constructed in 1961 (45 years). The normal operating lifespan of this equipment is 25 years. Distribution breakers and branch breakers have not been manufactured for these panels for many years. If a failure was to occur, replacement breakers and parts are difficult to find, expensive, or unavailable.

The wiring observed throughout appeared to be copper and not aluminum. The conductor insulation was of the cloth type and not of the typical thermoplastic insulation commonly used today. This old insulation is not as safe as more modern varieties. It is recommended that this type of wiring be replaced throughout the facility.

EMERGENCY GENERATOR

The emergency generator is a Cummings 156 KVA diesel generator. The generator was installed when the building was constructed in 1961 (45 years). The normal operating lifespan of a generator is typically 20 to 25 years when well maintained. The generator is past its useful operating lifespan. If a failure was to occur replacement parts are difficult to find, expensive, or unavailable.

LIGHTING

The bowl house lighting system is approximately five years old. The remaining useful life of these fixtures is 10 years. It was noted by maintenance that the circuitry to the house lights is inadequate and to alleviate the feeder breakers from tripping, not all lights can be utilized at the same time.

The concourse lighting contains many incandescent lighting fixtures that were installed when the building was constructed in 1961 (45 years). These incandescent lighting fixtures are past their useful lifespan and do not meet the current energy code. Many fixtures were observed with covers and parts missing exposing wiring which is a code violation. Facility management indicated that they are aware of this and are addressing these issues based on available financing. Illumination levels are low and do not meet Illumination Engineering Society (IES) guidelines. It is recommended these fixtures be replaced with modern, energy code compliant, fluorescent fixtures designed for proper illumination.

BUILDING AUTOMATION SYSTEM (BAS)

The Andover building automation system controls the HVAC and lighting throughout the arena. The system is obsolete and no part or product support is available. If an electronic failure on a board was to occur the facility automation system will be disabled. A replacement system is recommended as soon as possible.

FIRE ALARM SYSTEM

The fire alarm system panel and fire command center is approximately five years old. The remaining useful life of this system is 10 years. Smoke detection is currently only utilized within the HVAC duct work, for elevator recall, and minimal locations on the first floor concourse. A major renovation of the arena would require an expansion of the existing system to allow coverage throughout the facility to meet today's code. Beam detection or a VESDA system is recommended within the bowl.

SHOW POWER

The show power for road show lighting, sound equipment, etc. consists of (2) 400, (1) 200, & (1) 200 ampere 3 phase 120/208 volt disconnect switches located in the stage vicinity. Road show staff is required to bring their own breakout boxes. Show power is sufficient and the arena maintenance group has had no complaints with lack of power availability from road show event staff. Modern arenas provide an additional 480 volt connection and isolation transformers ahead of the 120/208 volt switches to reduce interference on the delicate electronics within the road show equipment. It is recommended to add a 480 volt connection as well as isolation transformers ahead of existing switches.

PLUMBING

Existing bathroom capacity is inadequate. The plumbing system is 40+ years old. Increasing capacity would probably mean that the piping is inadequate and would have to be increased in size. Fixtures should be modernized. The water heater (1,000 gallon) is in need of replacement now. The fire sprinkler is only on the first floor. The entire building would have to be sprinklered. If the existing kitchen is to remain a kitchen, then all systems serving the kitchen would be replaced.

Building Systems Summary

BUILDING SYSTEMS					
MECHANICAL					
	INSTALLED	USEFUL LIFE	REMAINING LIFE	REPLACE	COMMENTS
AIR HANDLERS	1961 44 YRS	25 ±	25 YRS	✓	
BOWL VENT - EXHAUST FAN	"	25		✓	CODE CHANGES
DUCTWORK PIPING	"	25-30		✓	
MECH SYSTEM CONTROLS	"	25		✓	
CONDENSER/WATER PIPING					
CHILLERS	1995	25+	15 ±		
COOLING TOWERS	800 TON 2002	25	20+		
	200 TON ?		15 ±		
	800 TON 1961	25	-	✓	
BUILDING SYSTEMS					
ELECTRICAL					
	INSTALLED	USEFUL LIFE	REMAINING LIFE	REPLACE	COMMENTS
UTILITY SERVICE TRANSFORMER	1961 44 YRS	30 YRS	-	✓	
POWER DISTRIBUTION SWITCHBOARD	1961 44 YRS	25 ±		✓	
DISTRIB CTN + PANEL BOARD	"	25		✓	
WIRING	"	25-30		✓	
EMERGENCY GENERATOR	"	20-25		✓	
LIGHTING					
BOWL HOUSE	2001	15-20	10-15	-	
CONCOURSE	1961 44 YRS	25 ±	0	✓	
BUILDING AUTOMATION	"	15-20	0	✓	
FIRE ALARM	2001	15-20	10-15	-	
SHOW POWER	1961+	15-20	-	-	ADEQUATE FOR NOW NEED 980 CORRECTION
PLUMBING SYSTEMS					
PIPING	1961 44	30	LIMITED REMAINING	✓	
HOT WATER	"	25	-	✓	
SPRINKLER	"	25-30	FIRST FLOOR		

EXISTING FACILITY ASSESSMENT - SUMMARY

In addition to the basic building systems evaluation (mechanical, electrical, and plumbing), a review of plans of the original building; plans of the parking deck expansion; on-site building tours; meetings with the building operators (SMG); and an evaluation of functional, planning and architectural condition were used to create this description of the existing facility. The following table summarizes the basic building evaluation.

Basic Building Evaluation

COMPONENT	CONDITION		
	POOR	ADEQUATE	GOOD
Seat Count		●	
Sightlines	●		
Premium Seating	●		
Public Restrooms	●		
Concessions	●		
Marshaling/Staging Area	●		
Concourse Dimensions	●		
Rigging Capacity		●	
Site Development		●	
Parking (Premium)			●
Lighting, Acoustics		●	
Signage Graphics	●		
ADA Compliance	●		
Exterior Walls		●	
Roof	●		
Aesthetics/Image	●		

EXISTING FACILITY ASSESSMENT – COST ESTIMATE

Based on the existing facility assessment, the table below provides a preliminary cost estimate for the engineering systems upgrade to the existing facility, exclusive of asbestos abatement costs. Of the total costs outlined, \$10 million are anticipated to be the replacement cost of the primary equipment including chillers, cooling towers, boilers, switchgear, and emergency generators, which have all exceeded their respective useful life. The system replacement can be implemented within a 24-month time period. Temporary equipment can be provided, as required, to allow for scheduled replacement without incurring downtime to events. If a system failure occurs prior to the scheduled replacement, temporary equipment can be installed to accommodate replacement of the respective failed system without significantly affecting event operations.

Engineering Systems Upgrade Preliminary Project Budget 1st Mariner Arena

BALTIMORE ARENA MARKET & FINANCIAL ANALYSIS				MARYLAND STADIUM AUTHORITY			
SCENARIO B		ENGINEERING SYSTEMS UPGRADE					
PRELIMINARY PROJECT BUDGET							
SCOPE ELEMENTS		COST RANGE					
SEAT COUNT	15,300	CONSTRUCTION COST/SEAT		\$2,059	CONSTRUCTION COST/SEAT		\$2,745
		UNIT	UNIT COST	COST	UNIT	UNIT COST	COST
1 CONSTRUCTION							
A	DEMOLITION			\$0			\$0
B	NEW CONSTRUCTION	0	\$0	\$0	0	\$0	\$0
C	RENOVATION	350,000	\$75	\$26,250,000	350,000	\$100	\$35,000,000
SUBTOTAL CONSTRUCTION COSTS (2007 DOLLARS)				\$26,250,000			\$35,000,000
CONTINGENCY		20.00%		\$5,250,000	20.00%		\$7,000,000
TOTAL CONSTRUCTION				\$31,500,000			\$42,000,000
2 ADMINISTRATIVE							
A	REAL ESTATE ACQUISITION			NA			NA
B	FURNITURE, FURNISHINGS & EQUIPMENT			\$2,520,000			\$3,360,000
C	OWNER EXPENSES			\$315,000			\$420,000
D	PROFESSIONAL FEES & EXPENSES			\$4,725,000			\$6,300,000
E	CONSTRUCTION MANAGEMENT FEE			\$945,000			\$1,260,000
F	LEGAL & CONSULTING			\$630,000			\$840,000
G	PAYMENT OF CURRENT DEBT			\$0			\$0
SUBTOTAL CONSTRUCTION RELATED COSTS				\$9,135,000			\$12,180,000
SUBTOTAL PROJECT CONTINGENCY		5.00%		\$40,635,000	5.00%		\$54,180,000
TOTAL				\$42,666,750			\$56,889,000

Note: Costs are projected to mid-2007.

BUILDING PROGRAM

COMPARABLE FACILITIES

Benchmarking comparable arenas can be an effective tool in understanding the arena marketplace and positions Baltimore to be as operationally efficient as possible. As noted earlier, Baltimore currently compares favorably in square footage but is very inadequate in support amenities. The primary tenants and their support requirements can significantly change these gross square footage figures. The following table provides a comparison of various programming issues for comparable arenas.

Comparable Arena Statistics

FACILITY	YEAR COMPLETED	BASKETBALL SEATS	AREA	
			GROSS SF	AREA SF/SEAT
<i>RBC CENTER Raleigh, NC</i>	1999	21,000	661,000	31
<i>VERIZON CENTER Washington, DC (formerly the MCI Center)</i>	1998	20,000	700,000	35
<i>NATIONWIDE ARENA Columbus, OH</i>	2000	19,500	685,000	35
<i>FORD CENTER Oklahoma City, OK</i>	2002	19,000	586,000	30
<i>CHARLOTTE ARENA Charlotte, NC</i>	2005	18,500	798,000	43
<i>TULSA ARENA Tulsa, OK</i>	2008	18,500	598,000	32
<i>CONSECO FIELDHOUSE Indianapolis, IN</i>	1999	18,345	750,000	40
<i>COMCAST CENTER College Park, MD</i>	2002	18,000	470,000	26
<i>RESCH CENTER Green Bay, WI</i>	2002	11,200	269,300	24
<i>COLUMBUS CIVIC CENTER Columbus, GA</i>	1996	8,724	210,000	24
<i>1ST MARINER ARENA Baltimore, MD</i>	1962	12,600	390,000	31

SPACE PROGRAM

The following outlines the varying seating configurations for the proposed new facility compared to the existing 1st Mariner Arena based on the recommended program illustrated in the market demand assessment.

Primary Event Seating Configuration

CONFIGURATION	EXISTING	PROPOSED	+
END STAGE CONCERT	13,600	15,000	1,400
BASKETBALL	12,600	15,300	2,700
CENTER STAGE CONCERT	14,000	15,300	1,300
HOCKEY	11,000	14,300	3,300
ARENA FOOTBALL	11,000	13,300	2,300
LOWER BOWL CONCERT	5,000 (North end theater configuration)	8,250	3,250

User/Owner Program and Benchmarking Target

USER/OWNER PROGRAM BENCHMARKING TARGET

<p>GOALS</p> <ul style="list-style-type: none"> • FOOD COURT • "SPECTACULAR IMAGE" • LOBBY TOWARDS SPORTS ZONE • IMPROVED TEAM LOCKERS • ADA COMPLIANT • "STATE OF THE ART" TECHNOLOGY • PREMIUM SEATING • RETAIL POTENTIAL 	<ul style="list-style-type: none"> • 420,000 SF • 15,000 END STAGE SEATS • 27.5 SF/SEAT
--	--

In order to create a complete space program, three areas of focus were studied: (1) event seating for market venue, (2) user/owner program goals, and (3) benchmarking targets gleaned from other arenas. Using these guides, the final program for a new arena was developed.

Program for Replacement Arena

PROGRAM DATA			
	Proposed Arena		Notes
	Quantity	Area/SF	
FLOOR LENGTH	248'		
FLOOR WIDTH	108'		
SEAT WIDTHS	19, 20, 21, 22"		VARIES
CONCOURSE AVERAGE WIDTH	30'		
AISLE WIDTH	4'		
ARENA FLOOR		23,976	EXCLUDING RETRACTABLE SEATS
SEATING			
TOTAL NUMBER BASKETBALL SEATS	15,300		
TOTAL NUMBER END STAGE CONCERT SEATS	15,000		
TOTAL NUMBER CENTER STAGE CONCERT SEATS	15,300		
TOTAL NUMBER DEMOUNTABLE SEATS	1,900		EXCLUDES TELESCOPIC IN LOWER BOWL
NUMBER LOWER BOWL SEATS	6,700		INCLUDES RETRACTABLE AND COMPANION
NUMBER UPPER BOWL SEATS	6,700		
TOTAL NUMBER PREMIUM SEATS	1,400		20 SUITES @ 10 + 1200 CLUB
TOTAL AREA LOWER BOWL FIXED SEATS		43,550	EXCLUDES DEMOUNTABLE SEATING ON ARENA FLOOR
TOTAL AREA OF UPPER BOWL SEATING		43,550	
TOTAL AREA FOR SEATING		87,100	
SPACE PROGRAM:			
EVENT LEVEL			
STAGING/MARSHALING		20,000	
LOCKERS/OFFICIALS/STAR		12,000	(2) MINOR LEAGUE HOME LOCATIONS + (2) VISITORS
COMMISSARY AND FOOD SERVICE SUPPORT		12,500	
OPERATION STAFF & SUPPORT		7,000	
STORAGE		16,000	
PRESS		4,500	
BUILDING SYSTEMS		12,000	
ICE PLANT (ZAMBONI)		1,800	
EVENT LEVEL SERVICE MEZZANINE		8,500	
VERTICAL CIRCULATION/SHAFTS		6,200	
INACCESSIBLE SPACE		5,000	
MISCELLANEOUS CIRCULATION 10%		2,000	
EVENT LEVEL SUBTOTAL		107,500	
MAIN CONCOURSE (INCLUDING PREMIUM)	Proposed Arena		Notes
	Quantity	Area	
CONCOURSE		63,000	
VERTICAL CIRCULATION, SHAFTS		7,600	
LOBBIES		11,000	
CONCESSIONS/SUPPORT		12,500	
FOOD COURT		5,000	
PUBLIC RESTROOMS		16,000	
SYSTEMS AND OPERATIONS SUPPORT		6,000	
PREMIUM SEATING			
20 SUITES	20	6,160	
CLUB SEATS	1,200		AREA INCLUDED IN SEATING
OFFICES			
ADMINISTRATIVE OFFICES		4,000	
SUBTOTAL MAIN CONCOURSE		131,260	
BUILDING SERVICES			
MECHANICAL, ELECTRICAL, PLUMBING		32,000	
SUBTOTAL		381,836	
STRUCTURE, WALLS, MISC. CIRCULATION			
10% TOTAL		38,184	
TOTAL		420,000	SF

CONCEPTUAL DESIGN OPTIONS

This section illustrates conceptual design options for both the new construction and renovation scenarios.

DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE

Design Option A is to demolish the existing arena and construct a new arena on the existing site. This analysis indicates that this concept is physically feasible in a horseshoe seating configuration. To accomplish this option, substantial event revenue would be lost during the duration of demolition and construction unless a replacement site is identified during the construction period. In addition, the existing parking deck would be demolished. The following illustrations and cost estimate document one possible alternative. This option has two distinct characteristics:

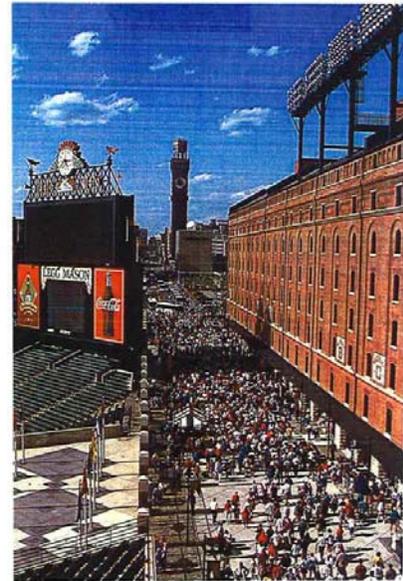
1. Given that the proposed arena is most likely going to experience its highest capacity at concerts and the seats behind the stage for an end-stage concert typically go unsold, the recommendation is to have a horseshoe geometry which best accommodates these events. Such a configuration can also adequately accommodate minor league sports.
2. The natural entrance side of the building is from the south toward the other sports, entertainment, and assembly projects, but the service also would be from the lower south side. The proposal is to create a marshalling and service area under a flexible main concourse level area, which could be filled with movable seats, used as an interactive viewing area, or become a performance area.

These urban arenas are most successful when the streets surrounding the venue are inviting rather than blank facades. Some of this can be accomplished with glass opening into the public spaces, but the most effective street fronts are those with shops, restaurants, entertainment and retail.

The new arena proposes to add as much perimeter retail as possible on Lombard, Hopkins, Baltimore and Howard Streets.

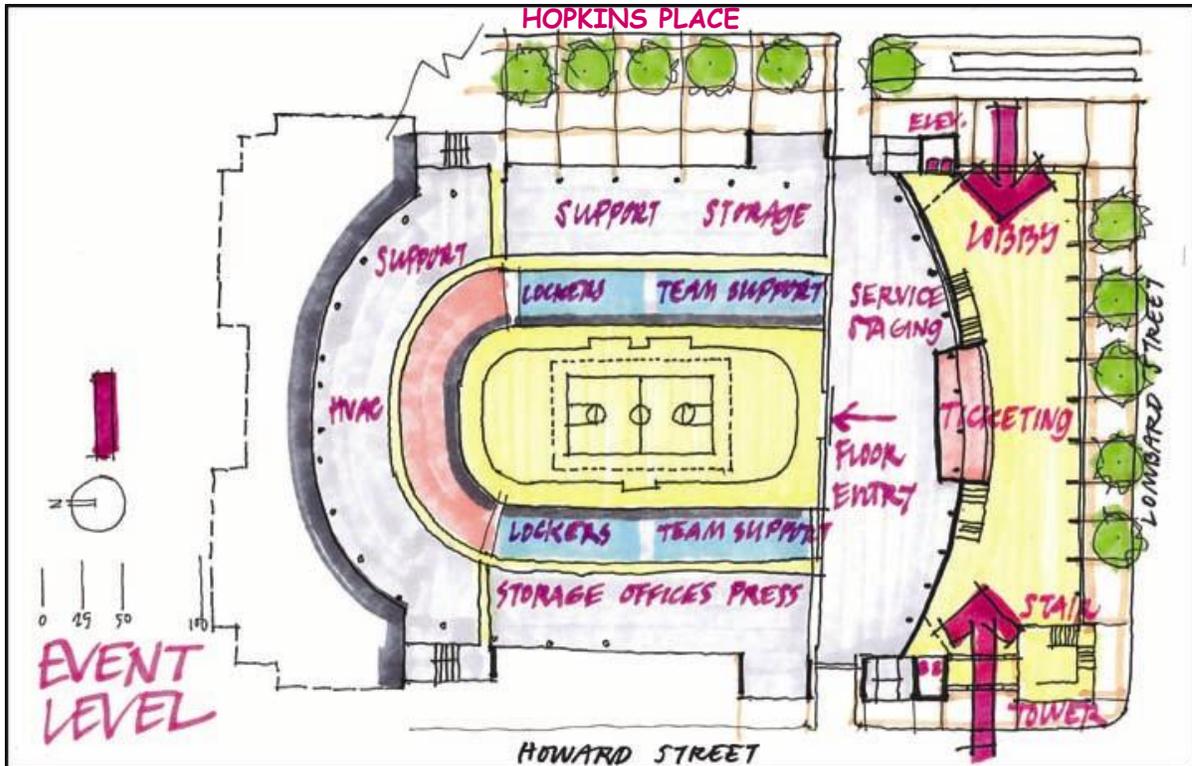
Note that the program for this study envisions a building of approximately 420,000 gross square feet. If the site is utilized by recovering the area now used by the parking deck to the south, and the building footprint expands to the limits on the east, a NBA or NHL building program can fit on this site.

DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

Event Level Plan

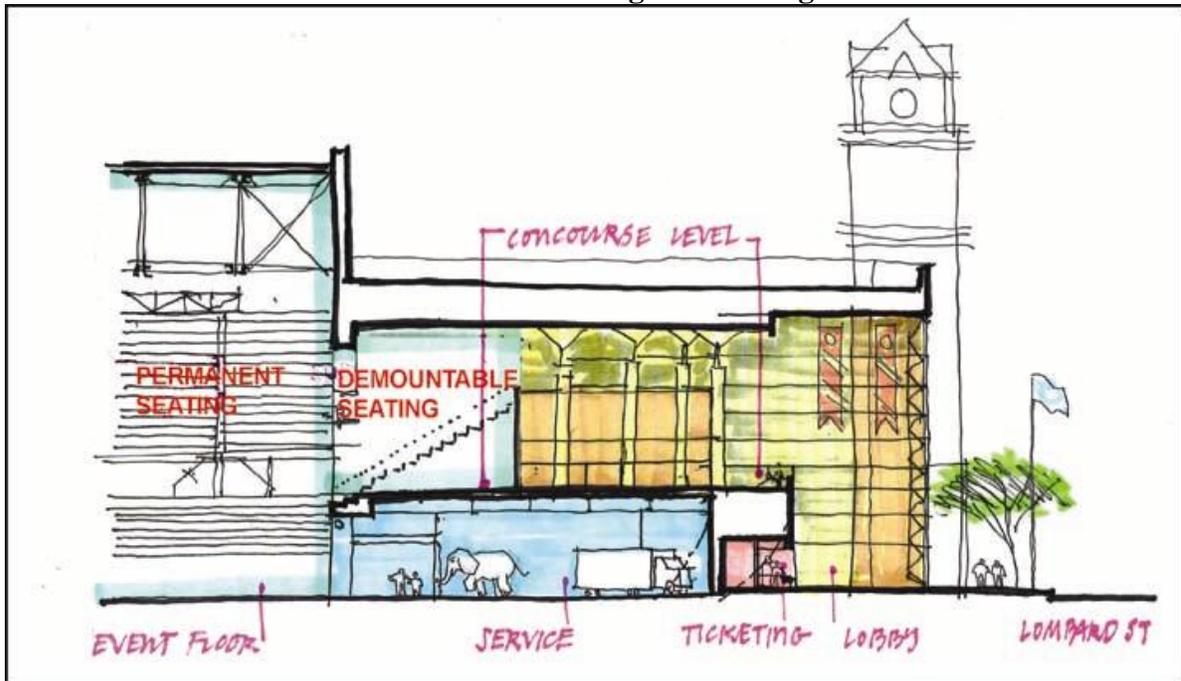


Note these features:

1. The services/marshalling area enters from Hopkins Place under an expanded concourse that can have demountable seating or can be used as an interactive deck for certain events.
2. This is the proper service end of the building given the site's grades.
3. This section at the south end also allows for the entrance to be from the south toward the other sports and entertainment venues.
4. This entrance lobby should be generously glazed to present an inviting image to the City.

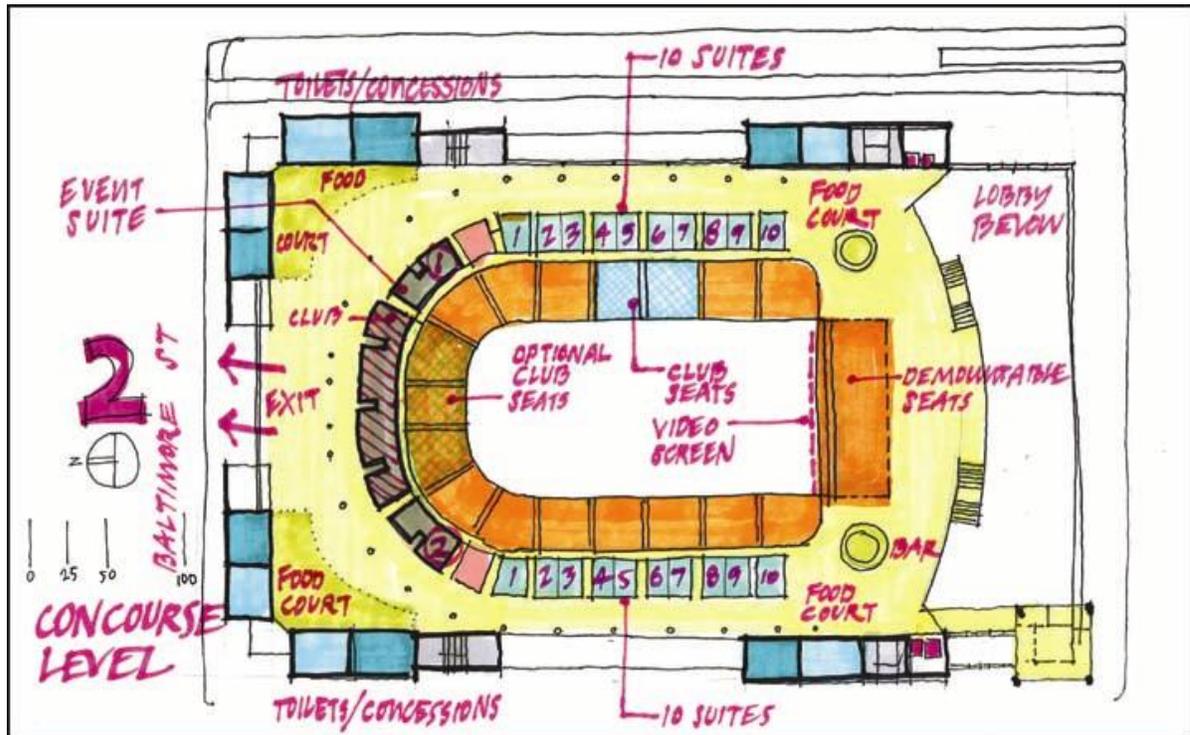
DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

Section of New Building On Existing Site



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

Concourse Level

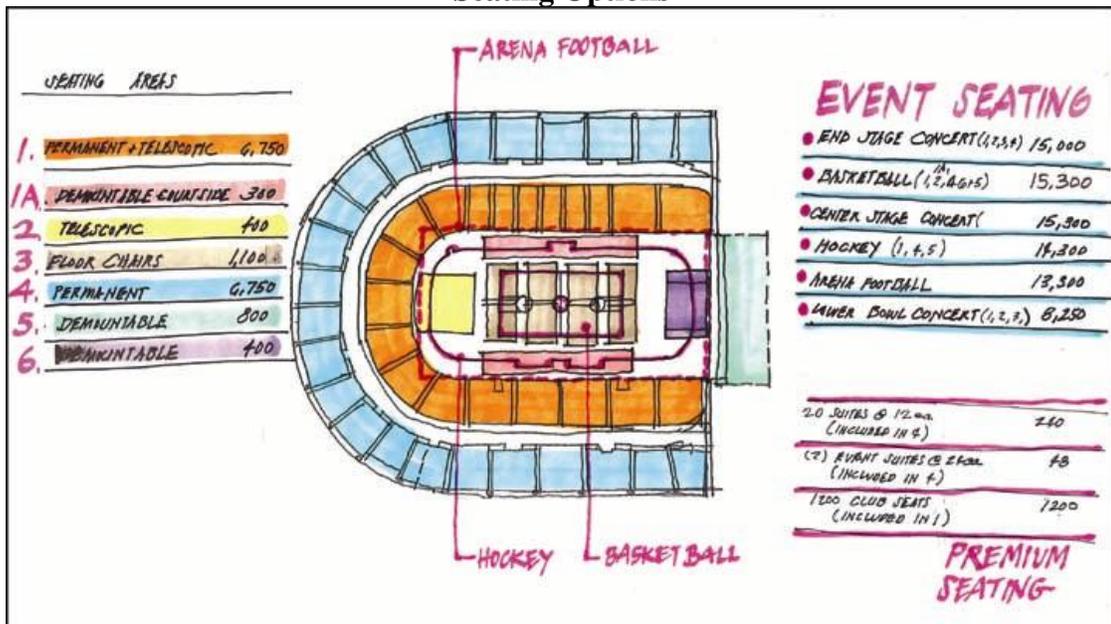


This sketch indicates the one concourse plan that locates the premium seating (suites and club) on the inside of the concourse close to the events, and the other patron amenities on the perimeter. It also can be configured to allow for food courts and other social spaces near the entrance lobby to the south.

The combination of telescopic demountable seating and house reduction curtains, both on the floor and on the south end concourse deck, allow for many event combinations.

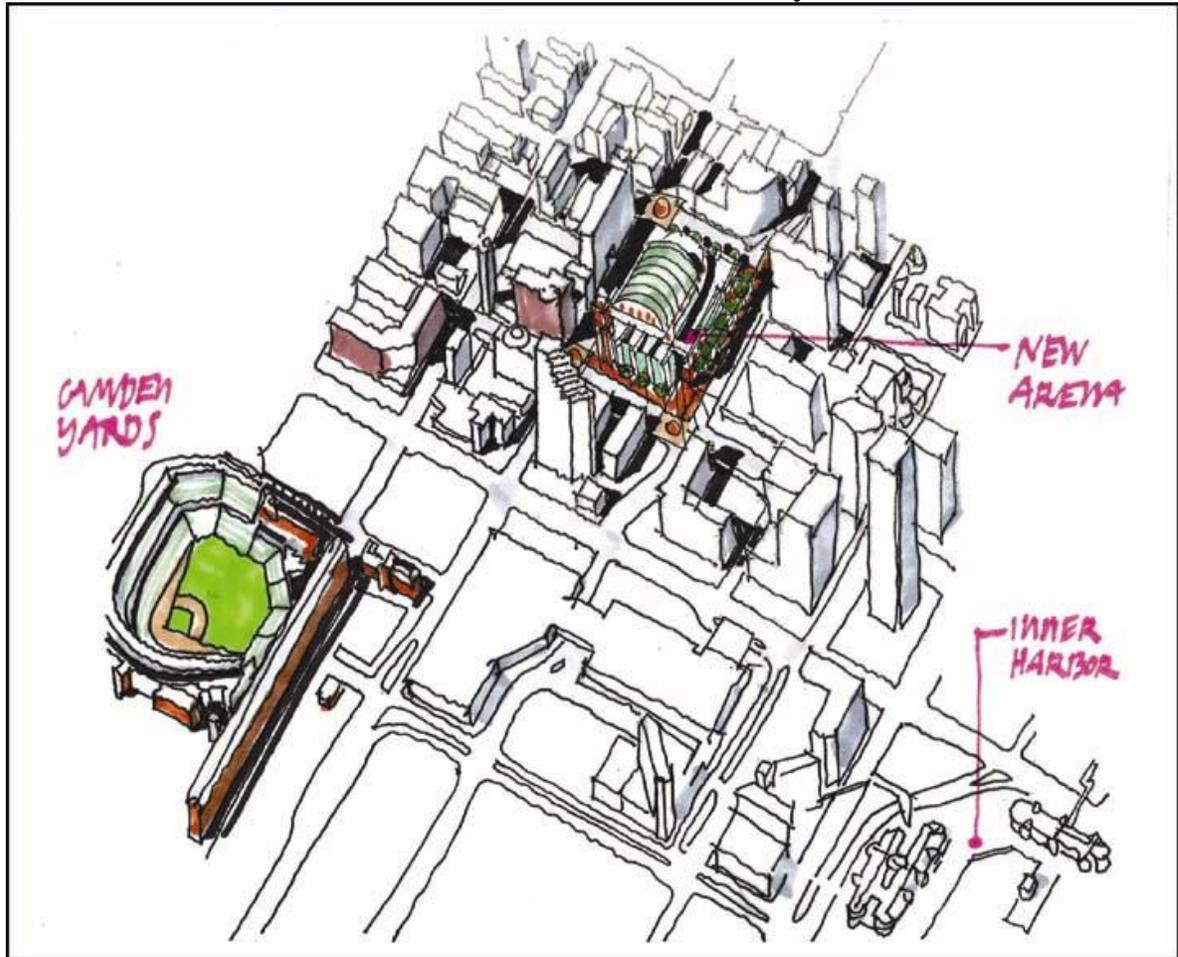
DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

Seating Options



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

View From South – Arena Only

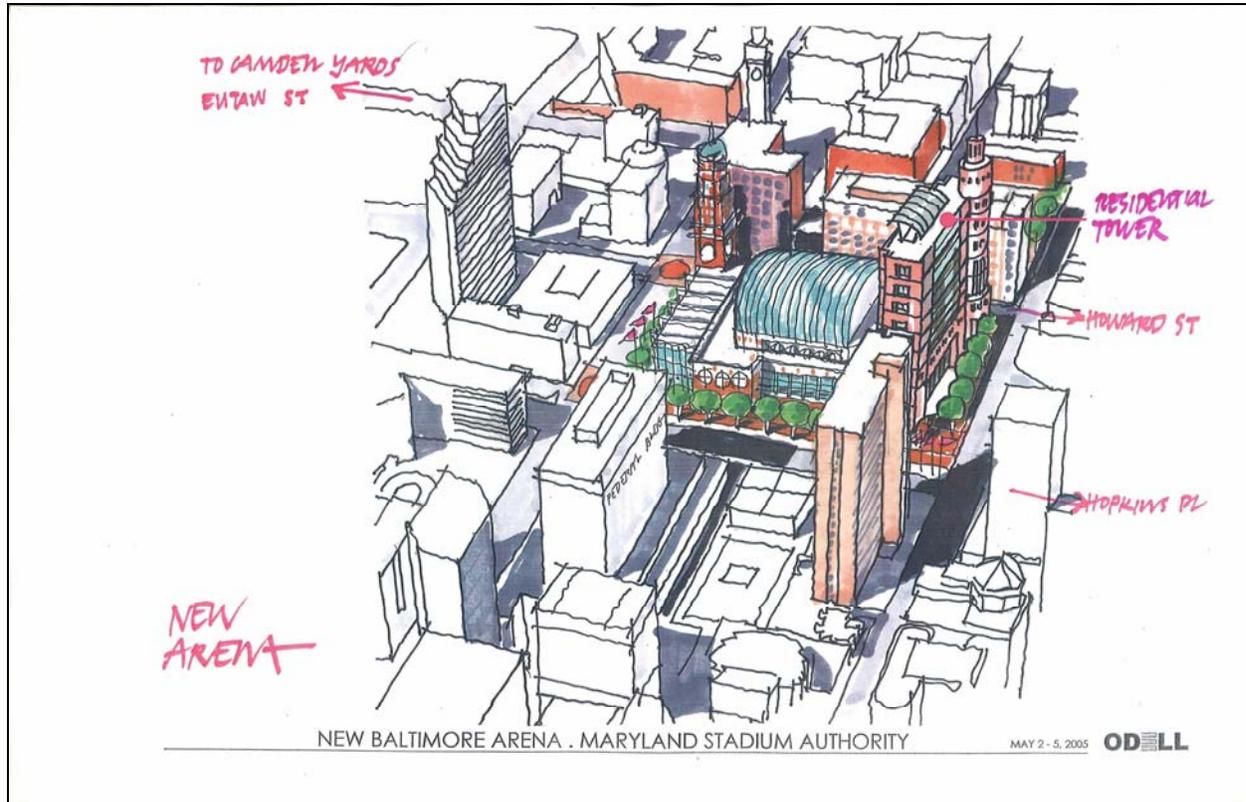


A new building on its present site has a positive relationship to Camden Yards, the Convention Center, and to the Inner Harbor.

DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

View from the east showing the potential for streetscape and glazing along Hopkins Place, and a possible vertical element marquee.

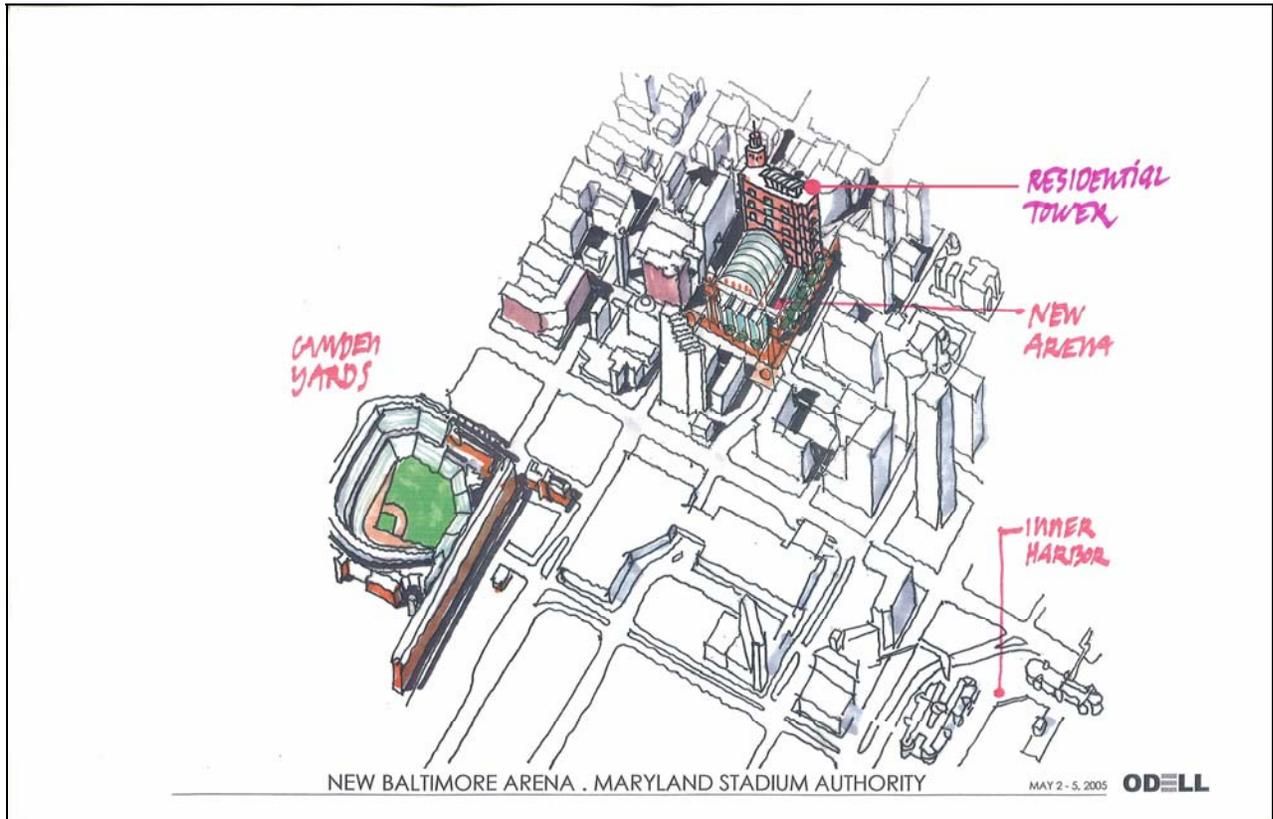
View From East – Arena With A Potential Residential Tower



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

The potential exists for a residential tower on the northern edge of the site integrated with the new arena, which could have retail on the ground floor street level.

View From the South – Arena With A Potential Residential Tower



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

View From the East – Arena With A Potential Residential Tower



DESIGN OPTION A – CONSTRUCT NEW ARENA ON EXISTING SITE (cont'd)

The following provides the construction cost estimate for the new construction development scenario, which ranges from approximately \$131 million to \$162 million in mid-2007 dollars.

On-Site Replacement Preliminary Project Budget

BALTIMORE ARENA MARKET & FINANCIAL ANALYSIS **MARYLAND STADIUM AUTHORITY**

SCENARIO A | **ON-SITE REPLACEMENT**

PRELIMINARY PROJECT BUDGET								
SCOPE ELEMENTS		COST RANGE						
SEAT COUNT	15,300	CONSTRUCTION COST/SEAT			\$6,471	CONSTRUCTION COST/SEAT		\$8,052
		UNIT	UNIT COST	COST	UNIT	UNIT COST	COST	
1	CONSTRUCTION							
A	DEMOLITION			\$6,000,000			\$7,000,000	
B	NEW CONSTRUCTION	420,000	\$200	\$84,000,000	420,000	\$250	\$105,000,000	
C	RENOVATION	0	\$0	\$0	0	\$0	\$0	
	SUBTOTAL CONSTRUCTION COSTS (2007 DOLLARS)			\$90,000,000			\$112,000,000	
	CONTINGENCY	10.00%		\$9,000,000	10.00%		\$11,200,000	
	TOTAL CONSTRUCTION			\$99,000,000			\$123,200,000	
2	ADMINISTRATIVE							
A	REAL ESTATE ACQUISITION			NA			NA	
B	FURNITURE, FURNISHINGS & EQUIPMENT			\$6,930,000			\$8,624,000	
C	OWNER EXPENSES			\$990,000			\$1,232,000	
D	PROFESSIONAL FEES & EXPENSES			\$9,900,000			\$12,320,000	
E	CONSTRUCTION MANAGEMENT FEE			\$2,970,000			\$3,696,000	
F	LEGAL & CONSULTING			\$1,980,000			\$2,464,000	
G	PAYMENT OF OUTSTANDING PARKING GARAGE DEBT			\$3,000,000			\$3,000,000	
	SUBTOTAL CONSTRUCTION RELATED COSTS			\$25,770,000			\$31,336,000	
	SUBTOTAL PROJECT CONTINGENCY	5.00%		\$124,770,000	5.00%		\$154,536,000	
				\$6,089,000			\$7,577,000	
	TOTAL			\$130,859,000			\$162,113,000	

Note: Project contingency excludes payment of outstanding parking garage debt.

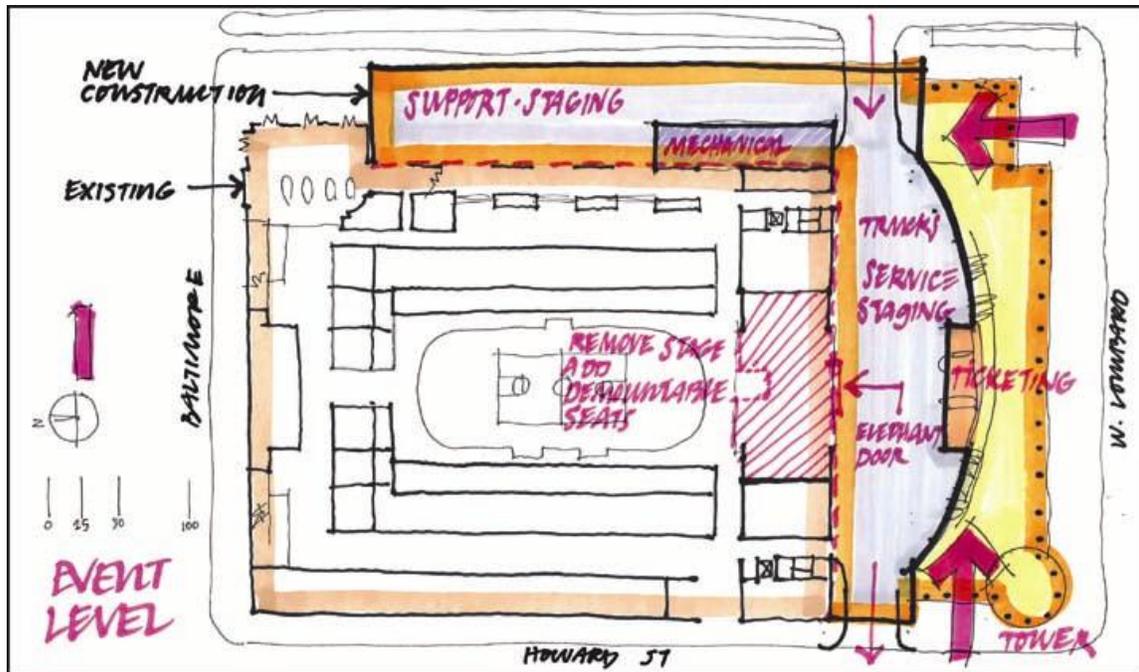
Factors contributing to the new arena development cost range include:

- The scope of the proposed project, although generally defined herein, is not complete.
- The community’s goal for the proposed venue’s design can impact cost. Architectural design can place a premium on development of up to 15% in some cases. This includes both the exterior design (architectural icon versus a “box”) as well as interior finishes.
- Preliminary nature of the project at this point.
- Current status of the cost market is dynamic attributed, in part, to the burgeoning Chinese market, which has driven costs for some raw materials up by 40% in the last year.
- Fuel and petroleum costs.
- Any additional costs associated with the construction of a residential tower (i.e. additional supports) are not included in this estimate.

DESIGN OPTION B – RENOVATE AND EXPAND EXISTING ARENA

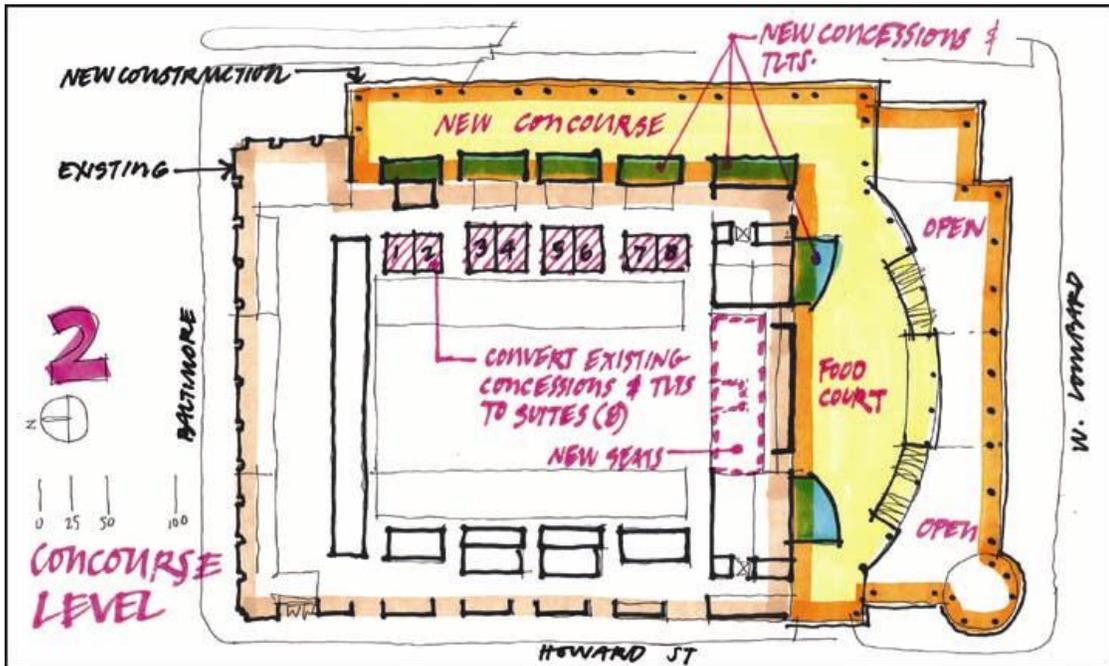
Design Option B studies the viability of renovating the existing arena in an attempt to save construction cost. Accomplished in a phased approach, the goal would be to remain operational for some period of time, however short that may be. The diagrammatic plans reveal that this is possible but the end product is expensive and does not fully change the building's image.

Plan Showing Expansion to the East and South



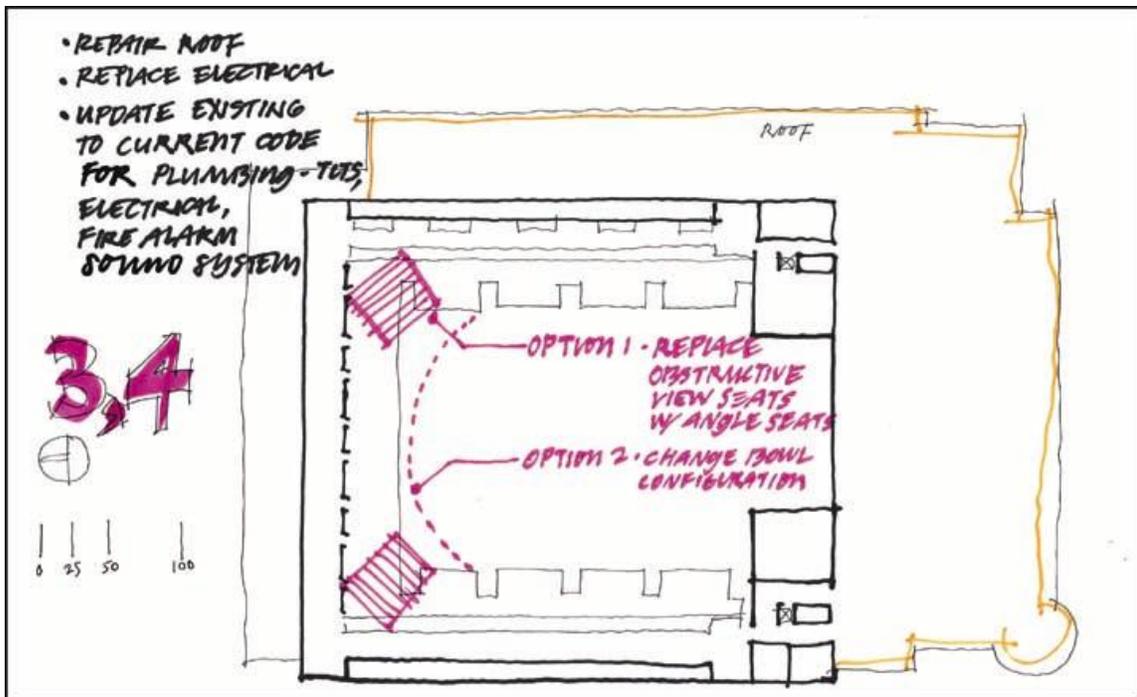
DESIGN OPTION B – RENOVATE AND EXPAND EXISTING ARENA (cont'd)

Plan of New Concourse, Restrooms, Concessions, and Lobby



DESIGN OPTION B – RENOVATE AND EXPAND EXISTING ARENA (cont'd)

Seating Bowl Renovations



While this renovation scenario would add additional amenities, many less-than-ideal features such as poor sight lines would still remain. Some of these, but certainly not all, could be corrected with additional, more major renovations associated with changing elements of the seating bowl.

DESIGN OPTION B – RENOVATE AND EXPAND EXISTING ARENA (cont'd)

The following table outlines the estimated project cost associated with the on-site expansion and renovation scenario, ranging in cost from approximately \$123 million to \$138 million in mid-2007 dollars, exclusive of asbestos abatement costs.

On-Site Expansion & Renovation Preliminary Project Budget

BALTIMORE ARENA MARKET & FINANCIAL ANALYSIS				MARYLAND STADIUM AUTHORITY			
SCENARIO C ON-SITE EXPANSION & RENOVATION							
PRELIMINARY PROJECT BUDGET							
SCOPE ELEMENTS		COST RANGE					
SEAT COUNT	15,300	CONSTRUCTION COST/SEAT \$5,972			CONSTRUCTION COST/SEAT \$6,708		
		UNIT	UNIT COST	COST	UNIT	UNIT COST	COST
1 CONSTRUCTION							
A	DEMOLITION			\$1,700,000			\$2,000,000
B	NEW CONSTRUCTION	50,000	\$225	\$11,250,000	50,000	\$275	\$13,750,000
C	RENOVATION	350,000	\$190	\$66,500,000	350,000	\$210	\$73,500,000
SUBTOTAL CONSTRUCTION COSTS (2007 DOLLARS)				\$79,450,000			\$89,250,000
CONTINGENCY		15.00%		\$11,918,000	15.00%		\$13,388,000
TOTAL CONSTRUCTION				\$91,368,000			\$102,638,000
2 ADMINISTRATIVE							
A	REAL ESTATE ACQUISITION			NA			NA
B	FURNITURE, FURNISHINGS & EQUIPMENT			\$6,396,000			\$7,185,000
C	OWNER EXPENSES			\$914,000			\$1,026,000
D	PROFESSIONAL FEES & EXPENSES			\$10,964,000			\$12,317,000
E	CONSTRUCTION MANAGEMENT FEE			\$2,741,000			\$3,079,000
F	LEGAL & CONSULTING			\$1,827,000			\$2,053,000
G	PAYMENT OF OUTSTANDING PARKING GARAGE DEBT			\$3,000,000			\$3,000,000
SUBTOTAL CONSTRUCTION RELATED COSTS				\$25,842,000			\$28,660,000
SUBTOTAL PROJECT CONTINGENCY		5.00%		\$117,210,000	5.00%		\$131,298,000
PROJECT CONTINGENCY				\$5,711,000			\$6,415,000
TOTAL				\$122,921,000			\$137,713,000

Note: Project contingency excludes payment of outstanding parking garage debt.

SUMMARY OF CONCLUSIONS

This study concludes that Design Option A, constructing a new arena on the existing site, is more desirable for the following reasons:

1. The site is adequate by including the surface land currently used for staging and the parking deck land.
2. Ample parking is available within walking distance.
3. Mass transit (light rail, subway, and city bus routes) borders the property.
4. The construction cost of \$131 million to \$162 million is favorable when compared to the other options.

Although a possible alternative, as the diagrams illustrate, the conclusion regarding Option B, to renovate and expand, is less desirable for the following reasons:

1. Renovation could prove difficult in engineering systems.
2. Image will not change.
3. Difficulty in providing premium seating.
4. The construction cost of \$123 million to \$138 million is close to the total replacement cost and would not be a recommended long-term strategy.

During the facility assessment, Odell and the Manhattan Construction Company studied the viability of simply upgrading the engineering systems. This temporary approach costs between \$43 million and \$57 million. Interior amenities, sightlines, and other critical issues would remain as they exist today.

Concepts Evaluation Criteria

CONCEPTS EVALUATION CRITERIA	CONCEPT A REPLACEMENT	CONCEPT B RENOVATION	CONCEPT C SYSTEMS REPAIR
Meets Program Requirements	●	◐	○
Operational Efficiency	●	◐	◐
Seating Capacity	●	◐	◐
Premium Seating	●	◐	○
Seating Flexibility	●	◐	○
Public Amenities	●	◐	○
Patron Circulation (Vertical & Horizontal)	●	○	○
Engineering Systems	●	◐	◐
Rigging Capacity	●	◐	◐
Urban Planning	●	○	○
Limited Downtime	○	◐	●
Image	●	○	○
Cost Effective			◐
<p style="text-align: center;"> POOR = ○ ADEQUATE = ◐ GOOD = ● </p>			