

MARYLAND STADIUM AUTHORITY



ANNUAL REPORT

2004

Maryland Stadium Authority

Carl A. J. Wright, Chairman

**Earl U. Bravo, Sr.
Michael R. Enright
Dennis B. Mather
Robert L. McKinney
Dennis C. Murphy
Robin O. Oegerle**

**Alison L. Asti
Executive Director**

**M. Carol Salmon
Editor**

MARYLAND STADIUM AUTHORITY

2004 ANNUAL REPORT

**Maryland Stadium Authority
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MARYLAND STADIUM AUTHORITY

ROBERT L. EHRlich, JR.
GOVERNOR

ALISON L. ASTI
EXECUTIVE DIRECTOR



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MEMBERS

CARL A. J. WRIGHT
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DENNIS B. MATHER
ROBERT L. MCKINNEY
DENNIS C. MURPHY
ROBIN O. OEGERLE

To the Governor and Members of the Maryland General Assembly:

The Maryland Stadium Authority is pleased to present its Annual Report for 2004, another productive year for the Authority. Construction was completed on the Hippodrome Performing Arts Center which opened to rave reviews in February. The North Bethesda Conference Center project was completed in October with a grand opening in December attracting public officials from around the State. Work on the restoration of Camden Station for "Sports Legends at Camden Yards" continued smoothly; the opening is scheduled for Spring, 2005.

Changes were made within the Stadium Authority's management and organizational structure and procedures were adopted to ensure that the Authority followed a fair and competitive procurement process. Efforts to seek new projects for the Authority were renewed and, during the summer, steps were taken to create the Sports and Entertainment Commission with the mission of attracting more events to Camden Yards.

The Orioles celebrated the team's 50th Anniversary with an assortment of special events that included concerts, "old-timers" games and special game day give-aways. The Ravens brought their usual excitement to Camden Yards. An abundance of non-game events, including the record-setting attendance of the NCAA Men's Lacrosse Championships, took place at Camden Yards.

As always, the Stadium Authority looks forward to the challenges that await us in 2005 and is eager to work with the Governor and members of the Maryland General Assembly to pursue projects that will enhance the State's economy.

Sincerely,

Carl A. J. Wright
Chairman

Alison L. Asti
Executive Director

THE CAMDEN YARDS SPORTS COMPLEX

Continuing our efforts to maintain the excellent reputation of Oriole Park at Camden Yards, several physical improvements were made during the 2004 Calendar Year. Two new rows of seats were added behind home plate, 6,600 padded seats with cup holders were installed and the backstop wall was redone in brick. As a part of this expansion, two new rotational signs from ANC Sports were added on either side of the home plate umpires' tunnel. These 8-foot signs display advertising and are visible during every pitch from the center field camera. The home plate radar gun was relocated and remounted in a newly designed housing.



Photo Courtesy of the Orioles

The control computers for all traditional light bulb scoreboards in Oriole Park were upgraded prior to the 2004 season. Now operating on the most modern Daktronics Venus 7000 software, the system was designed with complete redundancy to preclude any catastrophic failures of the scoreboards from interfering with the fans'

experience at the ballpark. The scoring and SportsTicker interface software also was upgraded to permit the display of more statistics.

The Stadium Authority completed repairs to the roof of the Warehouse and installed new snow guards necessitated by damage from the storms in 2003/04. Other routine maintenance included an exterior survey of The Warehouse for cracks and caulking needs and 40,000 square feet of stucco painting.

In addition to the excitement arising from 81 Oriole home games and 10 Ravens' contests, Camden Yards again was the site of a variety of non-game events during 2004. The Camden Club hosted more than 100 events, ranging from corporate sessions to college and high school functions, in the elegant and versatile facilities.



Photo Courtesy of ARAMARK

In 2004, more than 30,000 guests attended nearly 140 non-game events at the other facilities located within Oriole Park at Camden Yards. Some of these activities were tied to Baltimore celebrations, e.g., the Preakness, and others were sponsored by returning clients, such as the Taste of Baltimore. Network television filming took place within the Camden Yards site for *The Wire* and *West Wing*. Camden Yards, of course, continues to be a very popular site for weddings with devoted Orioles' fans

having their photographs taken on the field. The Club Level of the baseball park remained in high demand for trade shows, job fairs, retirement parties, fundraisers, blood drives, proms and even the Bar exam.



Photo Courtesy of ARAMARK



Photo Courtesy of ARAMARK



Photo Courtesy of ARAMARK

The parking lots at Camden Yards provide an excellent location for outdoor activities including ride-and-drive events. The African American Heritage Festival again hosted its celebration on the Camden Yards lots and the Baltimore Marathon, Race for the Cure and other charity fundraising events utilized the parking lots as well as the facilities of both Oriole Park and M&T Bank Stadium.



Race for the Cure

Photo by John Dean

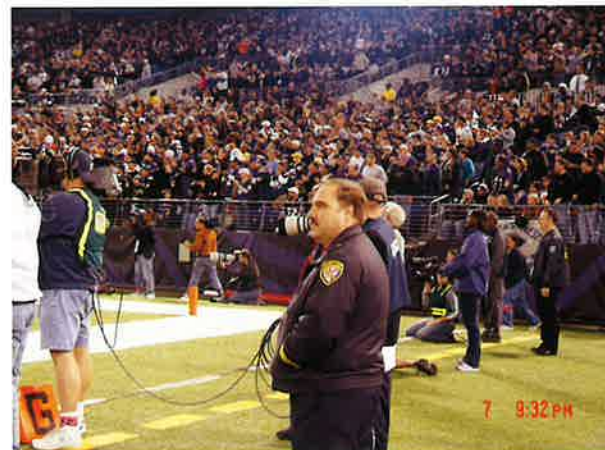
The Maryland Stadium Authority assisted with the implementation of improvements to M&T Bank Stadium including the installation of two 96-foot long, 3-foot wide LED boards beneath each video screen. The boards, in addition to providing a marketing opportunity for the Ravens, display out-of-town scores and scoring updates, allowing fans access to more fantasy football related statistics. The state-of-the-art boards were manufactured by Saco for ANC Sports.



Photo Courtesy of ANC Sports

High definition television made a limited debut at M&T Bank Stadium in 2004. An agreement between the Ravens and Comcast resulted in the addition of high definition television at Comcast promotional kiosks on the Club Level and in six suites as a "template" for use in other suites in the future. Televisions were added to the restrooms on the upper and lower concourses and to the smoking areas on the Club Level.

Other enhancements to the football stadium during 2004 included a \$105,000 state-of-the-art digital recording system in the security control center. This system will provide "evidence quality" recorded photographs from the twenty-six (26) computerized surveillance camera system. This process permits easy access to the stored information via date/time programming and eliminates the need to review hours of VHS tapes.



Additional security was established around the perimeter of M&T Bank Stadium through the installation of sixty-three (63) steel-reinforced bollards.

Special events at M&T Bank Stadium included the return of the NCAA Lacrosse Championship Tournament with a record-setting 60,000 fans attending the three-day event, the traditional high school football rivalries of City vs. Poly and Loyola vs. Calvert Hall and the Maryland State High School Football Championship games. Other exciting happenings included Rite Aid's Annual Conference, the Ed Block Courage Awards, the Chocolate Affair, the Baltimore Job Fair and an assortment of holiday parties, proms and receptions.



Rite Aid Convention

Photo Courtesy of ARAMARK



LAX Finals Navy v. Syracuse

Photo Courtesy Phil Hoffman

During the 2004 calendar year, the Maryland Stadium Authority (MSA) underwent several significant changes. Alison L. Asti, who joined the Authority in 1990 as General Counsel, was named acting and then permanent Executive Director. Under her leadership, the Authority adopted new procurement regulations to ensure that the Authority obtains the best pricing from a wide assortment of qualified bidders, including Minority Business Enterprises.

A reorganization of the Authority's staff also took place during 2004, establishing an executive team responsible for overseeing the diverse mission of the Authority. In addition to Alison Asti, the team consists of David A. Raith, Chief Financial Officer, Gary A. McGuigan, Project Executive and Gregory J. Smith, Chief Operating Officer and President of the Camden Yards Sports & Entertainment Commission.



Alison Asti



(Left to Right) Dave Raith, Gary McGuigan, Greg Smith

PROJECT UPDATES

COMPLETED PROJECTS

THE HIPPODROME THEATRE AT THE FRANCE-MERRICK PERFORMING ARTS CENTER



Project Manager:
Jeffrey K. Provenzano

Budget:
\$63 Million

Construction Manager:
The Whiting-Turner Contracting Company

Architect/Engineering
Hardy Holzman Pfeiffer Associates
New York, New York

Murphy & Dittenhafer
Baltimore, Maryland

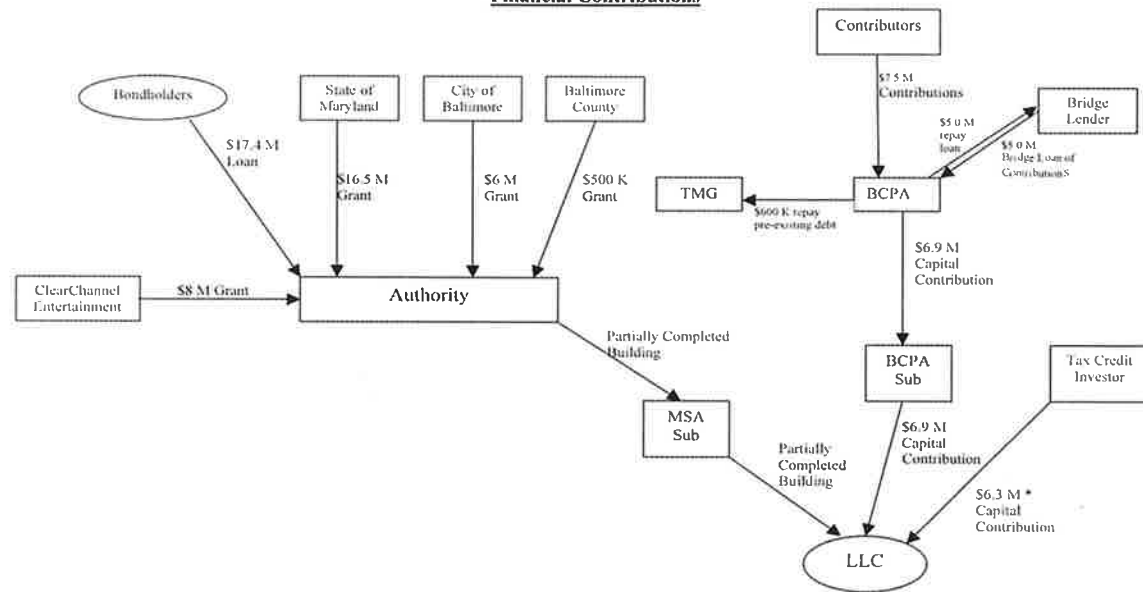
Schamu Machowski Greco Architects
Baltimore, Maryland

The restored Hippodrome Theatre opened to rave reviews on February 10th with a lively production of *The Producers*. An assortment of Broadway performances, including *The Phantom of the Opera*, *Mamma Mia*, *Grease* and *Thoroughly Modern Millie*, were among the first-class performances held in the theater in 2004.

The Maryland Stadium Authority oversaw the design and construction of the renovated Hippodrome, working with representatives of the Hippodrome Foundation and Clear Channel Entertainment, the theater operator. The Stadium Authority also was responsible for the complex legal and financial agreements necessary to initiate this project and bring it to a successful completion. The diagrams that follow illustrate the multifaceted relationships involved.

HIPPODROME PERFORMING ARTS CENTER

Financial Contributions

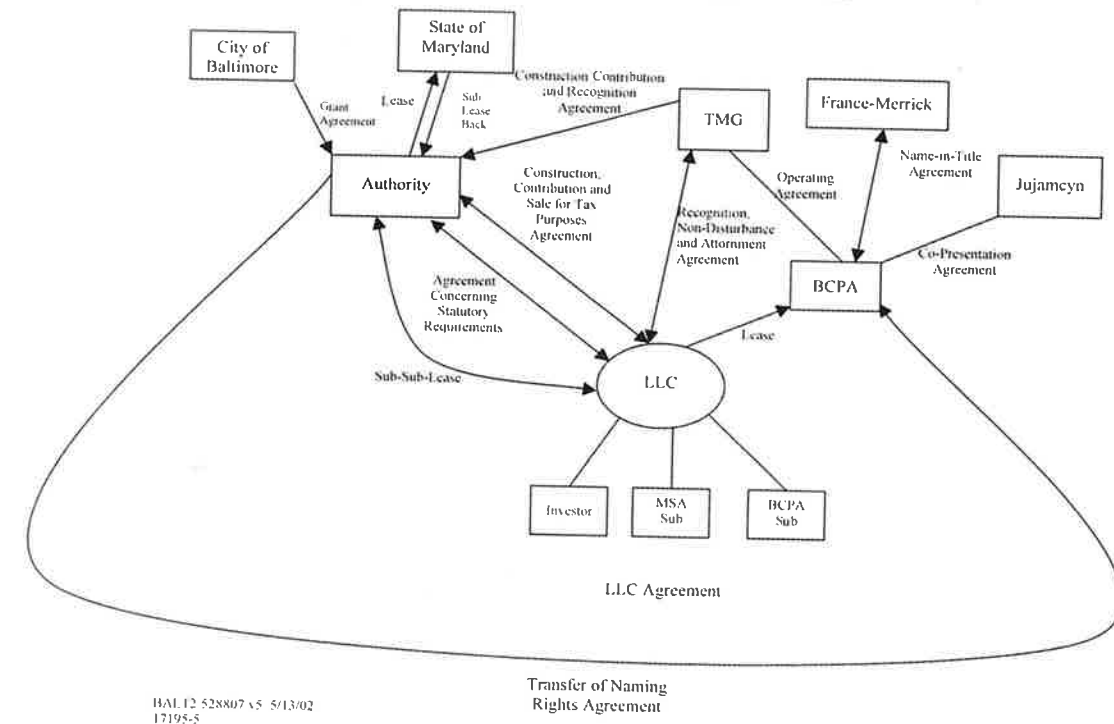


* An additional \$1.6 M of tax credit equity is payable after the end of the construction period upon the satisfaction of certain conditions.

BAL12 652678 v3 5/13/02
17195-5

HIPPODROME PERFORMING ARTS CENTER

Required Legal Documents



BAL12 528807 v5 5/13/02
17195-5

Transfer of Naming Rights Agreement

The Hippodrome is exceeding all predictions for its success. The award by Disney of the *Lion King* production to the Hippodrome over strong competition from the Kennedy Center is a major coup in the theater world. Attendance is on target in the theater's first year with approximately 300,000 theater-goers enjoying shows and more than eighty (80) non-performance events being held in the Hippodrome Theatre at the France-Merrick Performing Arts Center.



The theater is proving to be the catalyst for renewal of the area associated with Baltimore's west side surrounding the Hippodrome. Construction is progressing on "Center Point" (an apartment/retail complex) with commitments made for more than 50 percent of the apartments in this building currently being renovated. The corner building at Fayette and Eutaw Streets has been leased and Maggie Moore's Irish Pub is expected to open on St. Patrick's Day, 2005.

The Hippodrome is another successful project completed on time and on budget that brings great pride to the Stadium Authority and economic benefits to both the Baltimore Metropolitan Area and the State of Maryland.

MONTGOMERY COUNTY CONFERENCE CENTER



Project Executive:
Gary A. McGuigan

Project Budget:
\$36.5 Million

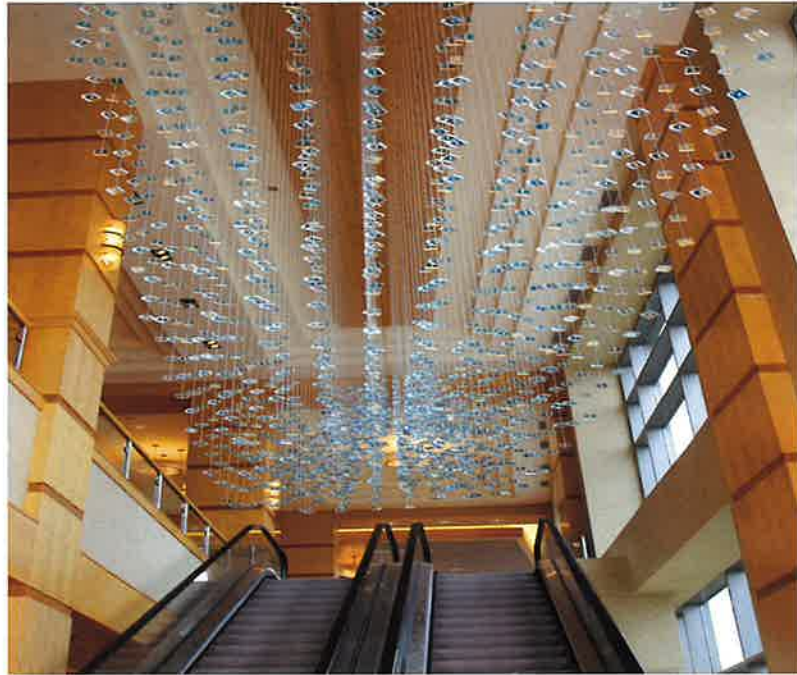
Developer:
Quadrangle Development Center
Washington, D. C.

Architect:
RTKL Associates

Contractor:
Hitt Construction, Inc.

The Maryland Stadium Authority was responsible for oversight of the design, construction and financing of the Montgomery County Conference Center. The cost of the Center was financed through funding from Montgomery County and \$20.3 million in Maryland Stadium Authority revenue bonds.

The facility received its occupancy permit four days ahead of schedule and the official grand opening of the Conference Center was held on December 1st. The celebratory event was attended by elected State officials, representatives of the Montgomery County government and organizations from throughout the State of Maryland.



Located in the heart of Bethesda, adjacent to the White Flint Metro Station on Rockville Pike, the Conference Center features 35,000 square feet of meeting space, including 21 meeting rooms. The 23,000 square foot ballroom can accommodate meetings ranging from 100 to 3,000 guests and may be utilized for receptions of 3,200 guests and banquets seating 1,700 people. All of the lower level meeting space meets the standards established by the International Association of Conference Centers. Beautifully decorated in bold primary colors, the Conference Center offers an exciting atmosphere to all organizations choosing it as the site of their event.

The adjoining 225-room Marriott hotel was developed by Quadrangle Development Corporation. Guest rooms offer high-speed internet access and other first-class amenities. The restaurant occupies an expansive area, strategically placed at the convergence of the hotel and Conference Center where guests may enjoy breakfast, lunch or dinner. Additional accoutrements available to guests include an indoor pool, fitness center, business center, valet service and a Notary Public. The investment in technology for this facility is attracting national interest. In fact, conferences held in the Conference Center have been broadcast throughout the country.



These easily accessible facilities provide opportunities for economic growth in Montgomery County not only through the booking of conventions and meetings but by providing modern, state-of-the-art facilities for social events - weddings, bat- and bar-mitzvahs and other celebrations.

The proximity of the conference center and hotel to the National Institutes of Health, Lockheed Martin, the Food and Drug Administration, the National Institute of Standards and Technology, the Nuclear Regulatory Commission and the Music Center at Strathmore is expected to place these facilities in great demand. In fact, prior to its opening, more than \$2 million in business commitments had been received, more than that originally projected. Both facilities are managed by Marriott International, Inc.

CURRENT PROJECTS

CAMDEN STATION



Project Executive:
Gary A. McGuigan

Estimated Budget (Core & Shell):
\$8.5 Million

Contractor:
J. Vinton Schafer & Sons
Baltimore, Maryland

Architect:
Cho Benn Holback

The Maryland Stadium Authority is overseeing a complete renovation of the interior of Camden Station, the 45,000 square foot historic building at the gateway to the Camden Yards Sports Complex. The exterior of the Station was refurbished for the opening of Oriole Park at Camden Yards in 1992 and again in 2003. The Station, however, unused since the 1980's, was in serious danger of suffering substantial structural damage unless steps were taken to preserve its core and shell.

The groundbreaking for the Station's restoration was held in February, 2004. Guests with a variety of interests in the Station's redevelopment included Congressman Benjamin Cardin, State Comptroller William Donald Schaefer, Baltimore Mayor Martin O'Malley, Maryland Stadium Authority Chairman Carl A. J. Wright, Babe Ruth Museum Chairman Michael Hodes and an assortment of sports' celebrities – Gary Williams, Debbie Yow, Sandy Unitas, Lenny Moore, Paul Johnson, Brooks Robinson, Mike Flanagan, Jim Beattie and Vince Bagli. Equipped with "shiny shovels," the distinguished participants turned over the ground to mark the first step in returning Camden Station to the prominence it enjoyed in the past.



Photo by Lewis Lyles, Babe Ruth Museum

The Babe Ruth Museum will occupy the basement and first floor of the Station. Approximately 23,000 square feet of this space will be utilized for exhibits featuring the Orioles, Cal Ripken, Johnny Unitas, the Baltimore Ravens, the University of Maryland Terrapins, the Naval Academy's teams and the Station's role during the Civil War.

The naming of "Sports Legends at Camden Yards" took place in July with a gathering of prominent guests, including Lieutenant Governor Michael S. Steele, who praised the progress of the restoration project and expressed enthusiasm for the promise Camden Station holds for the future. Restoration of the Station's interior will be completed in the Spring of 2005.



Photo by Lewis Lyles, Babe Ruth Museum

The Maryland Stadium Authority is seeking a commercial tenant to occupy the remaining 17,000 square feet of space on the second and third floors of this historic Baltimore landmark. This property will provide a unique opportunity for a tenant to be a part of Baltimore's past via the Station's ties to the railroad, the present in its role as gateway to the home of the Orioles and the Ravens, and the future as a part of the re-development of Baltimore's West Side.

SOUTHERN MARYLAND BASEBALL STADIUM

Project Executive:
Gary A. McGuigan

Architect:
Tetrattech, Inc.
Newark, Delaware

Estimated Budget:
\$18 Million



The Maryland Stadium Authority has assisted Charles County with the design of a multi-use minor league baseball stadium in Southern Maryland. A Minor League team, to be owned by Peter Kirk of Maryland Baseball, LLC, will be the stadium's primary tenant. This stadium is to be a smaller version of Ripken Stadium.

If construction is funded, the 5,000 seat stadium will be built on a site in the southern part of Charles County. Costs of architectural and engineering fees will be split by the Charles County government and Maryland Baseball.

A significant economic impact is anticipated from construction of the stadium. An annual impact of nearly \$15 million should be derived primarily through direct expenditures but also from secondary benefits resulting from tourist spending. This activity should support more than 200 full time equivalent jobs with combined wages of \$6.6 million. The construction phase of the stadium will yield in excess of \$27 million in economic activity and 232 jobs with wages of \$8.5 million. Additional benefits from the stadium are expected from local businesses locating in the vicinity of the stadium as has been the case with the Prince George's County Stadium. Revenues approximated at \$200,000 are expected to be generated by activities associated with local non-profit organizations.

Once operational, the stadium is expected to yield \$584,000 annually to the State of Maryland from personal income and retail sales taxes. Local jurisdictions would receive \$277,000 from local income and admissions taxes. During the construction phase, revenues from the stadium are anticipated to produce \$384,000 for the State and \$174,000 in local revenues.

The project, expected to take two to three years to complete, formally began with the signing of the Memorandum of Understanding between Charles County and Sports Management Services on May 25, 2004. Funding for the stadium is planned to be a three-way split by the team, Charles County and the State of Maryland. Charles County is expected to request State funding during the 2005 legislative session.



Signing of Memorandum of Understanding, May 25, 2004

Front Row (Left to Right): Peter Kirk, Maryland Baseball, LLC; Carl A. J. Wright, Chairman, Maryland Stadium Authority; Murray D. Levy, President, Charles County Commissioners

Standing (Left to Right): Charles County Commissioner Wm. Daniel Mayer (District 1); Joseph Shannon, Bolton, Latham, LLC (Engineering Firm); Charles County Commissioner Allan "Al" R. Smith; Del. Sally Jameson (D-District 28) and Executive Director, Charles County Chamber of Commerce; and Aubrey Edwards, Executive Director, Economic Development Commission of Charles County

It is anticipated that the stadium will have twelve skyboxes, a picnic area, and an assortment of fan amenities including wide concourses, a generous number of restroom facilities, security, first aid stations, ATM's, a fan information center and concession stands. The stadium will accommodate baseball and football games and will be used and enjoyed by the citizens of Southern Maryland.

Board Members

Carl A.J. Wright

Chairman



Carl A. J. Wright was appointed to the Maryland Stadium Authority and named as Chairman effective July 1, 2003. Serving as Senior Vice President of Spherion (formerly Interim Financial Solutions), an executive search and staffing firm specializing in finance, human resources and information systems, Carl is active in professional, civic and political organizations. Carl received his Bachelor of Arts degree in accounting from Loyola College in 1976 and became a Certified Public Accountant (CPA) in 1978. His professional career began with Ernst & Young in the auditing and tax departments; he joined A. J. Burton in 1980. Carl has been active with the Maryland Association of CPAs and served on boards and committees affiliated with Loyola College and Loyola Blakefield. He is Past President of the Baltimore Junior Association of Commerce and serves on Governor Ehrlich's Strategic and Finance Committees. Carl also is an active supporter of Catholic Charities and of Maryland Business for Responsive Government.

Alison L. Asti

Executive Director



Alison Asti was appointed as Executive Director of the Maryland Stadium Authority on September 22, 2004 after serving six months as Acting Executive Director. Ms. Asti has worked with the Stadium Authority for 14 years, serving as General Counsel and Director of Development. In those capacities, she was responsible for all commercial transactions with regard to the construction and operation of the Camden Yards Sports Complex, Baltimore Convention Center expansion, Ocean City Convention Center expansion, Montgomery County Conference Center, Hippodrome Performing Arts Center and other projects assigned to the Authority by the Maryland General Assembly. Ms. Asti also led the lease negotiations with the Orioles and Baltimore Ravens and managed dealings with tenants, architects, contractors, consultants, representatives of local governments and firms providing goods and services. She also was responsible for oversight of all legislative matters for the Authority. Prior to joining the Stadium Authority in 1990, Ms. Asti was a partner in the law firm of Gordon, Feinblatt, Rothman, Hoffberger & Hollander, LLC. Ms. Asti has been a Bar Association leader for many years including: American Bar Association House of Delegates (1995-98); National Conference of Bar Presidents Executive Council Member (2000-03); American Bar Foundation Fellow (1998-Present); Metropolitan Bar Caucus President (1999-2000); Maryland State Bar Association Board of Governors (1986-88, 1995-97, 2003-05); Bar Association of Baltimore City President (1994-95); Baltimore Women's Bar President (1986-87); Maryland Bar Foundation President (1999-2001) and Baltimore City Bar Foundation President (1995-96). Her professional affiliations also include: "The Daily Record" Editorial Board, Chair (1998-Present) and the University of Maryland Law School, Board of Visitors (1997-Present). She has been a speaker at numerous national and international conferences on sports facility development and finance. Chosen as one of "Maryland's Top 100 Women" by Warfield's Business Journal in 1996, Ms. Asti received her J.D. from the University of Maryland School of Law where she was Editor of the University of Maryland Law Review and was a cum laude graduate of Duke University, receiving a Master of Arts Degree in Economics (Public Finance)(1976) and a B.A. in Economics and Political Science (1975).



Earl U. Bravo, Sr.

Earl U. Bravo, Sr. was appointed to the Maryland Stadium Authority in July, 2001 for a four-year term beginning July 1st. Mr. Bravo serves as Chief Operating Officer of The Chapman Companies, a publicly-traded, minority-controlled brokerage firm in Baltimore City. Before assuming his current responsibilities, Mr. Chapman was President of The Chapman Capital Management subsidiary, managing all planning, marketing, administration, regulatory filings and portfolio management for the firm. Prior to joining the Chapman Company, Mr. Bravo was Vice President in the Retail Finance Division of the Maryland National Corporation. A member of the Greater Baltimore Committee's Public Policy Committee, Mr. Bravo is on the Advisory Board of the Urban Financial Services Coalition (formerly the Maryland Association of Urban Bankers) where he formerly served as Association President. Mr. Bravo earned a B.A. in economics from Howard University and received his M.B.A. from the University of Maryland, College Park. Mr. Bravo lives in Baltimore City.



Michael R. Enright

Michael R. Enright was named as a member of the Maryland Stadium Authority on April 10, 2000 representing the City of Baltimore. Mr. Enright serves as Baltimore's First Deputy Mayor. Prior to joining the Mayor's staff, Mr. Enright was Legislative Director for United States Congressman Benjamin Cardin where he oversaw management of the legislative staff and the day-to-day legislative activities for Representative Cardin. From 1991 until 1998, Mr. Enright served as Executive Assistant to Maryland Attorney General J. Joseph Curran. In this role, he directed the communications operation and served as speech writer and spokesperson for the Attorney General. Before joining General Curran's staff, Mr. Enright worked as a newspaper reporter and free lance writer for the Baltimore Sun and a wire service syndicated by the New York Times. Born in Washington, D. C., Mr. Enright received his Bachelor of Arts Degree in English (with honors) from Tulane University in New Orleans, Louisiana and his Master's Degree in Public Administration from Harvard University's Kennedy School of Government.



Dennis B. Mather

Dennis "Denny" B. Mather was appointed as a member of the Board of the Maryland Stadium Authority effective July 1, 2004. He serves as President and CEO of The Mather Companies. The Human Resources Division of his company provides all aspects of human resources outsourcing from consulting on a specific project to managing an entire human resources department. Prior to this undertaking, Mr. Mather served as Vice President in the Morgan Financial Group and then formed Mather & Morgan Group Insurance Services, Inc. (1983) and Mather & Strohl Administrative Services, Inc. (1990), both now known as The Mather Companies. The stock and assets of these two firms were acquired by BenefitMall as of April 1, 2000 for whom he served as Vice President of Sales for the Eastern Region for BenefitMall from April, 2000 until July, 2003; he then retired from BenefitMall. Mr. Mather serves on Governor Robert Ehrlich's Executive Finance Committee and as a regular advisor on numerous insurance and business issues. In addition, he serves as Secretary to the Towson University Foundation; as a member of the Board of Visitors for Towson University; on the Board of Directors for Baltimore Reads; on the Board of Directors of Baltimore Life Underwriters Charitable Foundation and on the Advisory Board to the MSDE for Adult Education. A graduate of Towson University (1972), Mr. Mather received his Chartered Life Underwriter Degree from the American College (1976), an MBA from the University of Baltimore (1981) and his Chartered Financial Consultant Degree from the American College (1983).



Robert L. McKinney

Robert L. McKinney was appointed as a member of the Maryland Stadium Authority board effective July 1, 2003. He has worked as a senior executive with the National Soft Drink Association (NSDA), a Washington, D. C. based trade group, since 2000. His work as Vice President for Industry Relations involves the development and execution of strategies to promote the interests of the non-alcoholic beverage industry. Before joining the NSDA in 1986, Bob served as Vice President for Public Affairs for the Mid-Atlantic Food Dealers Association in Baltimore. In 1996, he managed the successful Congressional campaign for Maryland's current Governor, Robert L. Ehrlich, Jr. Following that election he returned to association management and was appointed President of the Baltimore County Chamber of Commerce. Bob holds graduate and undergraduate degrees from East Tennessee State University and is a member of the Kenwood (Maryland) High School Hall of Fame.



Dennis C. Murphy

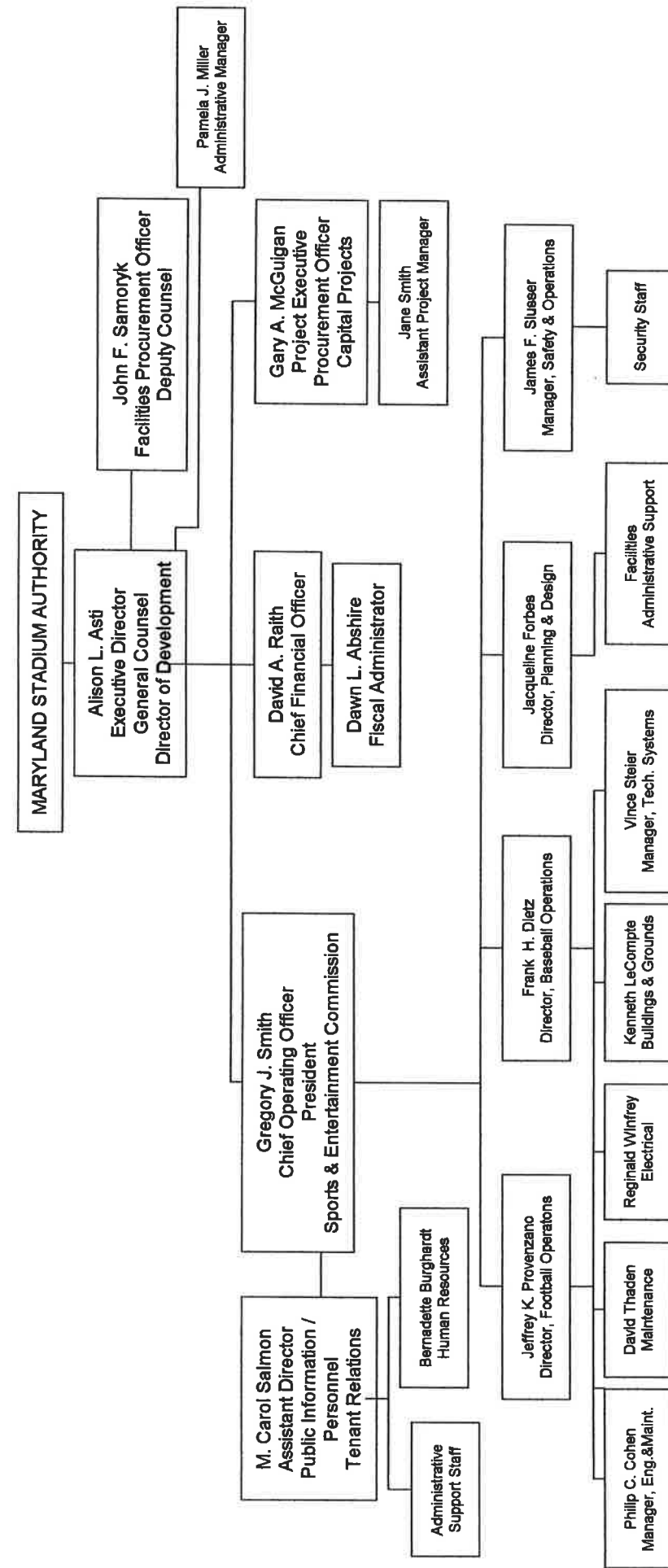
Dennis C. Murphy became a member of the Maryland Stadium Authority on August 1, 1997. He serves as President of Murphy and Hogan Commercial Real Estate Services in Annapolis. A Professional Certified Economic Developer, Mr. Murphy has served as President of the Maryland Industrial Development Association, a member of the Board of Directors of the American Economic Development Council and a member of the Prince George's County Private Industry Council. Mr. Murphy also served as President and Chief Executive Officer of the Prince George's County Economic Development Corporation. A Washington area native, Mr. Murphy attended secondary school and college in Prince George's County and served in the U.S. Marine Corps.



Robin O. Oegerle

Robin O. Oegerle was appointed to the Maryland Stadium Authority on January 1, 1999. She serves as Director of Marketing and media spokesperson for Ferris Baker Watts, Inc. in Baltimore as well as functioning as Coordinator of the Ferris Baker Watts Foundation. Ms. Oegerle served as Treasurer for Governor Parris N. Glendening's election campaign; as Vice Chairman for Maryland Public Television; as Treasurer to the Committee to Re-Elect Sitting Judges in Prince George's County and as Chairman, Vice Chairman and Treasurer of the Parking Authority of Prince George's County. Ms. Oegerle received a B.A. Degree from the University of Florida and a Master's Degree from the University of Massachusetts.

Facilities Management



MARYLAND STADIUM AUTHORITY STAFF



Photo by John Dean

Row 1 (Left to Right):

Ray Winfrey, John Waters, Suzanne Biden, Denise Dupree, Delroy Gaither, Alison Asti, Robert Bryant, Chris Heun, Cynthia Harris, Rick Pack, Nolan Rogers, Willie Mason, Jeromy Lopez

Row 2 (Left to Right)

Gary McGuigan, Jeff Provenzano, Phil Cohen, Vince Steier, Dave Thaden, Theresa Masilek, Vola Linton, Scott Watson, Dave Beam, John Smith, Bill Schier, Jerone Evans, Dawn Abshire, Bernadette Burghardt, Diane Connelly, Carol Salmon, David Raith, Pam Miller, Mark Cook, John Samoryk, Greg Smith, Walt Schmidbauer

Row 3 (Left to Right):

Mel Jackson, Nathaniel Walker, Mary Buckingham, David Kirby, Hugh McClurkin, Gilbert Cooper, Tyrone Frederick, James Bell, John McKinney, Daniel Hopple, David Horowitz, Ken LeCompte, Frank Dietz, Carolyn Wright, Shelley Nelson, Alonzo Andrews, Jerry Parks, James Slusser

Shutter Shy:

Stella Fullwood, David Barnes, Bart Shifler, John Potts, Jackie Forbes, Scott Brewer, Dana Brown, Que Mullins, Darryl Matthews, Dana Moore, Bill Brant, James Golley, Francis Green, Richard Smith, Alvenia Williams, Arlene Wiggins, Jerry Parks, Eugene Holden, David Walker

Maryland Stadium Authority

Basic Financial Statements

Year ended June 30, 2004

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MARYLAND STADIUM AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)

Basic Financial Statements

Year ended June 30, 2004 with Report of Independent Auditors

Report of Independent Auditors

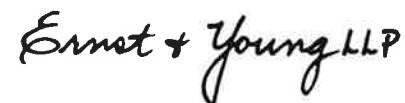
To the Board of the
Maryland Stadium Authority

We have audited the accompanying basic financial statements of the Maryland Stadium Authority (the Authority), a component unit of the State of Maryland, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



October 15, 2004

Maryland Stadium Authority

Management's Discussion and Analysis

June 30, 2004

Overview of the Financial Statements and Financial Analysis

The Maryland Stadium Authority, an agency of the State of Maryland, is honored to present the fiscal year 2004 financial statements. The Authority's responsibilities include operation of the stadiums located at Camden Yards, oversight of several convention centers, and construction management for various projects throughout the State of Maryland. There are three financial statements presented for the reader: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows.

Statement of Net Assets

The Authority's Statement of Net Assets presents the assets, liabilities, and the net assets for the period ended June 30, 2004. The Statement of Net Assets is to provide the reader with a financial picture of the Authority's assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

From the information presented, the user of the Statement of Net Assets is able to determine the assets available for the continuing operations of the Authority. The user is able to determine what cash and cash equivalents are available and amounts owed to and by the Authority. The purpose of the Statement of Net Assets is to show the user what is available for future needs of the Authority.

The Net Assets are divided into four categories. The first category, "invested in capital assets," reflects the Authority's investment in the stadiums at Camden Yards and the expansion of the Baltimore City and Ocean City Convention Centers, the Hippodrome Performing Arts Center, Montgomery County Conference Center and the renovations of Camden Station. The second category, "restricted for debt service," represents funds held by the Authority with the restricted purpose of paying debt service on the outstanding bonds. The third category, "restricted for capital assets," is funds available for use on specific projects only. The final category, "unrestricted," is available funds held by the Comptroller's office at the State of Maryland.

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Net Assets (continued)

Condensed Statements of Net Assets

	June 30	
	2004	2003
Assets		
Current assets	\$ 42,169,288	\$ 55,488,930
Net capital assets	251,885,440	236,544,963
Noncurrent assets	302,167,379	298,679,341
Total assets	<u>596,222,107</u>	<u>590,713,234</u>
Liabilities		
Current liabilities	28,986,779	26,593,161
Noncurrent liabilities	322,626,249	326,476,906
Total liabilities	<u>351,613,028</u>	<u>353,070,067</u>
Net assets		
Invested in capital assets	216,075,341	221,559,522
Restricted for debt service	2,891,737	669,003
Restricted for capital assets	24,546,999	6,533,872
Unrestricted	1,095,002	8,880,770
Total net assets	<u>\$ 244,609,079</u>	<u>\$ 237,643,167</u>

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Net Assets (continued)

During fiscal year 2004 total assets for the Authority increased from the prior year by approximately \$5.5 million. There are several reasons for this increase. First, capital lease receivables increased by approximately \$8.7 million which includes an increase to the capital lease receivable of \$19.7 million for bond proceeds used for the Hippodrome, Montgomery County and Camden Station projects plus improvements made to Oriole Park at Camden Yards and a decrease of \$11.0 million for the current year principal payment received from the State of Maryland. Secondly, net capital assets increased by approximately \$15.3 million, the result of an increase to net capital assets for \$26.3 million in costs that were incurred due to the renovation of the Hippodrome Theatre, construction of the Montgomery County Conference Center, renovations to Camden Station, less annual depreciation of approximately \$11.0 million. There also was a decrease in unrestricted cash, restricted cash and money market mutual fund investments of approximately \$21.8 million that was primarily the result of bond proceeds plus other funding sources used at the Hippodrome, Montgomery County, Camden Station and at Oriole Park at Camden Yards. An increase in accounts receivable of approximately \$3.8 million, net, is the result of the following: the NCAA Lacrosse Finals at M & T Bank Stadium generating \$.7 million, an increase in Oriole rent of \$.7 million which is the result of increased ticket prices and attendance, an increase of \$.7 million for the Baltimore City agreement for the sales proceeds related to the Memorial Stadium site and an increase of \$1.7 in other receivables which consists largely of funds due from Montgomery County for reimbursement of construction costs that relate to the construction of the Montgomery County Conference Center. Deferred financing costs decreased approximately \$.4 million from the issuance of bonds for Camden Station (approximately \$.1 million) and a decrease from the current year's amortization of approximately \$.5 million. Finally, furniture and equipment decreased by approximately \$.6 million for the current year's depreciation.

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Net Assets (continued)

Total liabilities for the fiscal year decreased by approximately \$1.5 million. Interest and accounts payable for fiscal year 2004 increased by approximately \$2.8 million. The main reason for the increase relates to a rent payment to the State of Maryland for \$3.0 million required under a lease agreement between the Authority and the State of Maryland. There is approximately a \$.2 million decrease in accounts payable relating to the operation of Camden Yards, the construction of the Hippodrome Theatre, the Montgomery County Conference Center and Camden Station. There is an increase of \$.8 million in interest payable which is largely the result of the swap portion of the Series 1998 and Series 1999 bonds not being paid until July 2004 where in 2003 this swap portion of the payment was made in June 2003. There was an decrease in the lease revenue bonds of approximately \$2.2 million as a result of the Authority paying \$11.0 million toward the outstanding principal on the lease revenue bonds and the issuance of long-term debt of \$8.8 million for the renovation of Camden Station. The Project Advances declined by approximately \$.9 million because the Authority paid expenses to complete projects on behalf of the University of Maryland Baltimore County and Towson University. Finally for fiscal year 2004, approximately \$1.0 million of deferred revenue was recognized as income.

Statement of Revenues, Expenses, and Changes in Net Assets

The change to Net Assets as seen on the Statement of Net Assets is based on the activity that is presented on the Statement of Revenues, Expenses, and Changes in Net Assets. The presentation of the 2004 Statement of Revenues, Expenses, and Changes in Net Assets reflects the revenues and expenses for the Authority during fiscal year 2004. The reader will see the revenues and expenses broken down into operating and nonoperating categories.

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

Operating revenues are generated at the Camden Yards Sports Complex. Most of the revenues received by the Authority relate to the operation of the stadiums. The Baltimore Orioles' rent is based upon a percentage of revenue streams formula and the Baltimore Ravens pay 100% of the operating and maintenance expenses of the football stadium. This accounts for approximately \$12.7 million of the revenue for fiscal year 2004. Both teams are required to pay a 10% ticket charge to the State of Maryland of which the Authority receives 8% and Baltimore City receives 2%. The revenues from the admission taxes for both teams were approximately \$8.9 million. Located at the Camden Yards Sports Complex is the B & O Warehouse that was renovated for office space. There currently are eight tenants renting more than 180,000 square feet that, combined with several cellular antenna sites, generate approximately \$3.2 million a year. Other revenues from the Camden Yards Sports Complex include parking receipts from non-game days, catering commissions, pay telephone commissions and trademark revenue along with construction management fees, for other construction projects not part of the Camden Yards Sports Complex, which total approximately \$2.9 million for fiscal year 2004.

Nonoperating revenue is generated by two sources. The first is the recognition of deferred revenue from an interest rate swap on the 1989 C Notes and 1989 D bonds. In April 1996, the Authority received approximately \$15.5 million, which represented the present value of the interest savings for both the 1989 C Notes and 1989 D bonds. A portion of these savings is recognized as revenue each year. This figure was approximately \$1.0 million for fiscal year 2004. The second source of nonoperating revenue is investment income received on money held by the Treasurer's office of the State of Maryland, by trustees on various bond issuances and from an outstanding note from the Baltimore Orioles, \$1.3 million for fiscal year 2004. Finally in 2004, the Authority entered into a sales agreement with Baltimore City for the disposal of the land at the old Memorial Stadium site for \$.7 million payable over a 10 year period. Overall, revenue for fiscal year 2004 increased by approximately \$2.6 million from revenue in fiscal year 2003 due from the increase in admission taxes of approximately \$1.0 million as the result of higher ticket prices, higher attendance, and additional events such as the Ravens playoff game and the NCAA lacrosse finals. Also the rent paid by the Baltimore Orioles and other income increased by \$.5 million as a result of better baseball attendance. Finally, interest income decreased by approximately \$.6 million as a result of the spend down of bond proceeds from various construction projects.

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

The Authority also received appropriations from the State of Maryland to be used for several purposes. An appropriation was made for the outstanding Capital Lease Receivables due from the State of Maryland. The money received from the State of Maryland along with \$1.0 million received yearly from Baltimore City is used to pay the debt service on the outstanding bonds issued by the Authority. The Authority also has a contractual obligation to pay one-half of the operating deficits at the Ocean City Convention Center and two-thirds of the operating deficit of the Baltimore City Convention Center. Further, the Authority is required to contribute annually to an improvement fund for the Ocean City and Baltimore City Convention Centers of \$50,000 and \$200,000, respectively. These contributions for fiscal year 2004 were approximately \$5.3 million. During fiscal year 2004, the Authority also recognized \$7.7 million from Montgomery County to be used for the Montgomery County Conference Center, \$8.2 million from the Hippodrome Foundation, Inc. and Bank of America Historic Ventures to be used for the renovations of the Hippodrome Performing Arts Center, LLC and \$.3 million from the Babe Ruth Museum Foundation to be used for the renovation of Camden Station.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30	
	2004	2003
Operating revenues	\$ 28,770,931	\$ 26,160,732
Operating expenses	32,845,310	34,528,077
Operating loss	(4,074,379)	(8,367,345)
Nonoperating expense	(28,772,630)	(22,494,626)
Loss before contributions	(32,847,009)	(30,861,971)
Contributions from primary and local governments and other sources	39,812,921	41,891,895
Increase in net assets	6,965,912	11,029,924
Net assets at beginning of year	237,643,167	226,613,243
Net assets at end of year	<u>\$ 244,609,079</u>	<u>\$ 237,643,167</u>

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

The Statement of Revenues, Expenses, and Changes in Net Assets shows an increase in the net assets at year-end. The primary reason for the increase is the additional money received from local government and other sources for the Hippodrome Project, Montgomery County Project and the Camden Station Project to help pay for the construction of these facilities. Additional explanations for the increase in fiscal year 2004 are as follows:

- During fiscal year 2003, the Authority exercised an option to purchase the scoreboard and other related equipment at M & T Bank Stadium. By exercising this option, the Authority recognized an expense of approximately \$3.4 million. This results in a decrease in operating expenses in 2004.
- There was approximately a \$.8 million increase for other contractual services during 2004. This includes a reimbursement to the Ravens for operating costs associated with holding catered events at M & T Bank Stadium from 1998 to 2002 of \$195,000, increase in outside computer consulting of \$100,000, increase in costs associated with other non-football related events of \$105,000, increase of \$400,000 for expenses related to expansion joints replacement, concrete replacement, caulking and painting, \$100,000 for expenses related to the Ravens' playoff game in 2004, and increased cleaning costs of \$100,000.
- The salaries and benefits paid to the employees decreased approximately \$225,000. The decrease is the result of several senior level employees leaving to take positions elsewhere.
- An increase in depreciation expense of approximately \$.8 million as a result of the Hippodrome Project being placed in service during 2004.
- A increase of approximately \$105,000 for supplies for light bulbs, paper products and filters.

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Statement of Cash Flows

The last statement presented is the Statement of Cash Flows. The statement presents detailed information about the activities involving cash, and the statement is broken down into five parts. The first part of the statement relates to the operating cash flow and shows the net cash used to operate the Camden Yards Sports Complex; the second relates to the cash flow resulting from noncapital financing activities; the third relates to cash flow from capital and related financing activities; the fourth relates to the cash flow from investing activities and the fifth reconciles the net cash used to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statements of Cash Flows

	Year ended June 30	
	2004	2003
Cash (used in) provided by:		
Operating activities	\$ 1,938,234	\$ 1,732,038
Noncapital financing activities	(41,394,050)	(48,630,953)
Capital and related financing	17,465,765	76,312,824
Investing activities	10,916,787	(25,920,022)
Net (decrease) increase in cash	(11,073,264)	3,493,887
Cash and cash equivalents at beginning of year	12,575,001	9,081,114
Cash and cash equivalents at end of year	<u>\$ 1,501,737</u>	<u>\$ 12,575,001</u>

Maryland Stadium Authority

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

The Authority had additions to capital assets and debt during fiscal year 2004. The additions to the capital assets resulted from the continuing renovations of the Hippodrome Performing Arts Center, continuing construction of the Montgomery County Conference Center and start of renovations to Camden Station. The theater with approximately 2,250 seats will be capable of accommodating large touring Broadway shows. The project was funded with State, City, County and private funds. The cost for the entire project is approximately \$62.7 million and the theater opened in February 2004. The Authority issued taxable bonds in July 2002 in the amount of \$20.25 million of which \$17.4 million were used for project costs and \$2.85 million were used for interest and closing costs. The Montgomery County Conference Center is a 100,000 s.f. building which will include a 120-seat amphitheater, a board room, classrooms, breakout rooms, a 23,300 s.f. grand ballroom, a 175-seat restaurant, a 75-seat lounge, and an outdoor café. A 225-room hotel will be adjacent to and physically connected with the conference center. The hotel will be funded and owned by a consortium of private investors. The conference center will be funded with state and county money. The estimated cost for the conference center is approximately \$33.5 million and is expected to be open in November 2004. The Authority issued tax-exempt bonds in January 2003 in the amount of \$23.18 million of which \$20.30 million will be used for the conference center and \$2.88 million will be used for interest and closing costs. In fiscal year 2003, the Authority started the renovation of the Camden Station project that is located on the Camden Yards site. Camden Station is a 40,000 s.f. brick building. The renovations will include the development of 23,000 s.f. for the Babe Ruth Museum, a local attraction that contains sports memorabilia. The remaining 17,000 s.f. will be developed for a commercial tenant. The estimated cost of the renovation is projected at \$9.5 million of which \$1.0 million has already been spent. The remaining \$8.5 will come from the sale of taxable bonds which were sold in February 2004. The project is expected to open in the first six months of 2005.

Economic Outlook

The Authority is not aware of any facts, decisions or conditions that will have a significant impact on the financial conditions during the fiscal year beyond those unforeseen situations that will have the same global effect on virtually all types of business operations.

The Authority has the support of the Maryland General Assembly for its current activities. The Authority will continue to monitor revenues and closely watch expenditures to the best of its ability.

Maryland Stadium Authority

Statement of Net Assets

June 30, 2004

Assets

Current assets:

Unrestricted cash and cash equivalents	\$ 1,427,114
Restricted cash and cash equivalents	74,623
Money market mutual fund investments—restricted	18,024,281
Accounts receivable, net of allowance for bad debts	10,321,396
Interest receivable	219,085
Note receivable, current portion	342,789
Capital leases receivable, current portion	11,760,000
Total current assets	<u>42,169,288</u>

Noncurrent assets:

Capital assets:

Furniture and equipment, net of accumulated depreciation of \$1,926,761	1,820,237
Other capital assets, net of accumulated depreciation of \$69,455,478	250,065,203

Net capital assets

251,885,440

Other noncurrent assets:

Money market mutual fund investments—restricted	9,338,833
Other assets	151,000
Note receivable, net of current portion	4,887,607
Capital leases receivable, net of current portion	282,683,013
Deferred financing costs, net of accumulated amortization of \$3,259,235	5,106,926

Total noncurrent assets

302,167,379

Total assets

596,222,107

Maryland Stadium Authority

Statement of Net Assets (continued)

June 30, 2004

Liabilities

Current liabilities:

Accounts payable and accrued expenses, current portion	\$ 13,352,718
Interest payable	2,877,921
Lease revenue bonds payable, net of discount, premium, and current portion	11,760,000
Deferred revenue, current portion	996,140
Total current liabilities	<u>28,986,779</u>

Noncurrent liabilities:

Accrued expenses, net of current portion	784,675
Lease revenue bonds payable, net of discount of \$97,925, premium of \$91,984 and current portion	309,189,059
Deferred revenue, net of current portion	12,652,515
Total noncurrent liabilities	<u>322,626,249</u>
Total liabilities	<u>351,613,028</u>

Net assets

Invested in capital assets	216,075,341
Restricted for debt service	2,891,737
Restricted for capital assets	24,546,999
Unrestricted	1,095,002
Total net assets	<u>\$ 244,609,079</u>

See accompanying notes.

Maryland Stadium Authority

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2004

Operating revenues:	
Baltimore Orioles' rent	\$ 6,478,025
Admission taxes	8,918,962
Baltimore Ravens' contributions	6,209,732
Warehouse rents	3,205,381
Catering commissions	385,188
Parking revenues	1,825,149
Memorial Stadium	728,000
Miscellaneous sales	1,020,494
Total operating revenues	<u>28,770,931</u>
Operating expenses:	
Salaries and wages	5,475,282
Telephone and postage	123,874
Travel	23,508
Utilities	5,320,230
Vehicle expense	49,223
Contractual services	8,106,873
Parking	1,343,275
Memorial Stadium demolition	3,160
Supplies and materials	837,606
Depreciation and amortization	11,008,329
Fixed charges	258,208
Miscellaneous	295,742
Total operating expenses	<u>32,845,310</u>
Operating loss	<u>(4,074,379)</u>
Nonoperating revenue (expenses):	
Contributions to others for operating deficit and capital improvements	(5,292,861)
Contributions to primary government – Camden Yards	(3,019,730)
Public school construction contribution	(2,600,000)
Unrestricted investment income	333,738
Restricted investment income	936,423
Interest expense	(19,130,200)
Total nonoperating expense	<u>(28,772,630)</u>
Loss before contributions	<u>(32,847,009)</u>

Maryland Stadium Authority

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

Year ended June 30, 2004

Contributions from local government and other sources—Hippodrome Project	\$ 9,077,092
Contributions from other sources – Camden Station	322,330
Contributions from local government – Montgomery County	7,663,642
Contributions from local government—Camden Yards	1,000,000
Contributions from primary government—Camden Yards	14,890,000
Contributions from primary government—Baltimore City Convention Center	5,004,552
Contributions from primary government—Ocean City Convention Center	1,855,305
Total contributions	<u>39,812,921</u>
Change in net assets	<u>6,965,912</u>
Total net assets at beginning of year	<u>237,643,167</u>
Total net assets at end of year	<u>\$ 244,609,079</u>

See accompanying notes.

Maryland Stadium Authority

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities	
Receipts from Camden Yards	\$ 24,994,462
Payments to employees:	
Salaries and benefits	(5,689,021)
Payments to suppliers	(16,475,222)
Other payments:	
Project advances	(888,825)
Demolition costs	(3,160)
Net cash provided by operating activities	<u>1,938,234</u>
Cash flows from noncapital financing activities	
Payments from investment in direct financing leases	(8,659,513)
Convention center operating deficit and capital improvements	(3,917,827)
Principal paid on notes payable and revenue bonds	(11,015,000)
Interest payments	(17,801,710)
Net cash used in noncapital financing activities	<u>(41,394,050)</u>
Cash flows from capital and related financing activities	
Contributions from local governments—Hippodrome Project	9,077,092
Contributions from local government—Camden Yards	1,000,000
Contributions from other sources—Camden Yards	322,330
Contributions from primary government—Camden Yards	14,890,000
Contributions from primary government—Baltimore City Conv Center	5,004,552
Contributions from primary government—Ocean City Convention Center	1,855,305
Contributions from primary government—Montgomery County	7,663,642
Contributions to primary government – School Construction	(5,000,000)
Bond issuance plus premium less discount	8,730,121
Acquisition and construction of capital assets	(26,077,277)
Net cash provided by capital and related financing activities	<u>17,465,765</u>
Cash flows from investing activities	
Decrease in investments	10,580,074
Interest and gains on investments	275,922
Proceeds from notes receivables	60,791
Net cash provided by investing activities	<u>10,916,787</u>
Net decrease in cash	<u>(11,073,264)</u>
Cash and cash equivalents at beginning of year	<u>12,575,001</u>
Cash and cash equivalents at end of year	<u>\$ 1,501,737</u>

Maryland Stadium Authority

Statement of Cash Flows (continued)

Year ended June 30, 2004

Reconciliation to operating loss	
Cash flow from operating activities:	
Operating loss	\$ (4,074,379)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	11,008,329
Effects of changes in assets and liabilities:	
Accounts and interest receivables	(3,776,469)
Accounts and accrued payables	(330,422)
Project advances	(888,825)
Net cash provided by operating activities	<u>\$ 1,938,234</u>

See accompanying notes.

Maryland Stadium Authority

Notes to Financial Statements

June 30, 2004

1. Nature of Operations

The Maryland Stadium Authority (the Authority) was established by legislation enacted by the State of Maryland (the State), effective July 1, 1986 (Annotated Code 1957, Sections 13-701 through 13-722 of the Financial Institutions Article), to select a site and develop financing alternatives for stadium facilities in the Baltimore Metropolitan area. Effective July 1, 1987 the law was amended (Chapter 123, 1987 Laws of Maryland) to enable the construction of new facilities, including baseball and football stadiums, in the Camden Yards area of Baltimore City (the City). The amendment also established that the Authority is an independent unit in the Executive Branch of the State government.

Pursuant to an agreement with Orioles, Inc. (the Orioles), the Authority has financed and constructed a baseball stadium, Oriole Park at Camden Yards, which it owns, operates and leases to the Orioles for 30 full baseball seasons. During the term of the lease, the Orioles are paying rent based on a sharing arrangement based on the percentage of admission, concession, novelty, parking, advertising and other revenues of the Orioles. In addition, the Authority and the City share the 10% statewide admissions and amusement taxes (8% to the Authority and 2% to the City).

On May 1, 1989, the Authority entered into a lease agreement with the State whereby the State leases the land and all facilities constructed thereon from the Authority in accordance with the provisions of a Master Lease Agreement (the Master Lease) dated May 1, 1989. The State, in turn, subleases the project to the Authority in accordance with the terms of a Sublease Agreement (the Sublease) dated May 1, 1989. Under the terms of the Master Lease, the State pays basic and additional rent payments, which are generally equal to the Authority's debt service payments and related financing costs. The source of funds for these payments is lottery revenues generated for the benefit of the Authority. Under the terms of the Sublease, the Authority remits to the State any excess revenues from the operation and lease of the facility.

Maryland Stadium Authority

Notes to Financial Statements (continued)

1. Nature of Operations (continued)

Effective April 7, 1992, as established by legislation (Annotated Code 1957, Sections 13-701 through 13-1013 of the Financial Institutions Article), the Authority was given the powers to review and make recommendations on proposed Baltimore City Convention Center Facilities (Baltimore Center), including the expansion and enhancement of the Baltimore Center, with respect to location, purpose, design, function, capacity, parking, costs, funding mechanisms, and revenue alternatives. Under this plan, a separate Baltimore Convention Center Financing Fund has been established. No provision of the Act transfers to the Authority the control, management or operation of the Baltimore Convention Center but the Authority has an approval right on certain operational items and pays two-thirds of the operating deficit. Under the Comprehensive Plan of Financing (the Plan) submitted by the Authority under Section 13-712.1 of the Annotated Code of Maryland, the State of Maryland contributed \$20 million in 1993, \$20 million in 1995, \$10 million in 1996 and \$8 million in 1997 through the sale of general obligation bonds. In order to comply with the Plan, the Authority has issued \$55 million Convention Center Expansion Lease Revenue Bonds Series 1994, the debt service for which is provided by future appropriations from the State, pursuant to the Master Lease. In addition, the City was required to contribute \$50 million for the Baltimore Center. At June 30, 1996, all contributions from the City had been received. Upon completion of the Baltimore Center in 1997, it was turned over to the City for operation, but leased jointly by the City and the Authority as tenants in common, as long as the Convention Center Expansion Lease Revenue Bonds are outstanding. Commencing with the completion of the Baltimore Center through 2008, the Authority shall fund two-thirds of any operating deficiencies of the Baltimore Center and shall contribute \$200,000 per year to a capital improvement fund.

Effective in 1995, the Authority was assigned responsibility for constructing an expansion of the Convention Center in Ocean City (Ocean City Center). The expansion cost approximately \$32 million and is financed through a combination of funding from Ocean City and the Authority. Under the Ocean City Comprehensive Plan of Financing as required under Section 13-712 of the Finance Institutions Article of the Annotated Code of Maryland, the Authority was required to contribute approximately \$17,340,000 to the project. In October 1995, the Authority issued \$17,340,000 in revenue bonds to satisfy its funding requirement. The debt service of the revenue bonds is being provided for by future appropriations by the State, pursuant to the Master Lease. Upon its completion, the Ocean City Center was turned over to Ocean City and is leased jointly by Ocean City and the Authority as tenants in common, as long as the revenue bonds are outstanding. Commencing with the completion of the Ocean City Center through 2015, the Authority shall contribute one-half of any annual operating deficiencies and \$50,000 per year to a capital improvement fund.

Maryland Stadium Authority

Notes to Financial Statements (continued)

1. Nature of Operations (continued)

Pursuant to a Memorandum of Agreement (Memo) between the Authority and the entities formerly known as Cleveland Browns, Inc. and BSC, LLC, which collectively are referred to as the "Ravens," the Authority designed and constructed a state-of-the-art, open-air football stadium at Camden Yards. The cost of the football stadium was \$229 million, of which \$148 million was funded by the Authority, \$57 million was funded from lottery proceeds, and \$24 million was funded by the Ravens. In 1996, the Authority issued \$87,565,000 Sports Facilities Lease Revenue Bonds, Series 1996 to begin funding this project. In 1997, the Authority issued \$4,640,000 Sports Facilities Lease Revenue Bonds, Series 1997, as additional funding for the project. The debt service for these revenue bonds is being provided through future appropriations by the State, pursuant to the Master Lease. The source of these appropriations is lottery revenues generated for the benefit of the Authority. The project was completed in July 1998, and the Authority has agreed to lease the football stadium to the Ravens for 30 full football seasons.

Effective June 1, 1996, the Authority was authorized to provide for the development and construction of the Montgomery County Conference Center. The development of the Montgomery County Conference Center is expected to cost \$33,500,000. The Authority issued in January, 2003, \$23,185,000 in bonds for the project of which \$20,304,000 will be used for capital construction costs. Montgomery County is required to contribute \$13,196,000 toward capital construction costs. Construction started in February 2003 and the project is expected to be completed in the last quarter of 2004. As of June 30, 2004, \$21,941,379 has been spent which also includes capitalized interest of \$949,615 for the construction period.

Effective July 1, 2000, the Authority was authorized to implement the acquisition, renovation and construction of the Hippodrome Performing Arts Center. The Hippodrome Performing Arts Center includes the Hippodrome Theater and several adjacent properties. In July 2002, the Authority issued \$20,250,000 in taxable bonds for the project of which \$17,400,000 was used for capital costs, \$12,900,205 was used for capital costs during the fiscal year ended June 30, 2004. The State of Maryland has contributed \$16,500,000 in general funds, the City of Baltimore was required to contribute \$6 million and \$22,770,000 has been provided from private contributions. All of the property has been acquired and construction has been completed. The project opened in February 2004. The development cost for the Hippodrome Performing Arts Center as of June 30, 2004 is \$63,431,444 which also includes capitalized interest costs of \$764,861 during construction.

Maryland Stadium Authority

Notes to Financial Statements (continued)

1. Nature of Operations (continued)

In January 2003, the Authority received approval from the Legislative Policy Committee for the redevelopment of Camden Station located on the Camden Yards Complex. This historic building will become the home of the Babe Ruth Museum and other commercial tenants. The Authority received approval from the Board of Public Works in December 2003 to issue \$8.73 million in Lease Backed Taxable Bonds and issued them in March 2004. Capitalized interest during the construction period of approximately \$582,000 will be paid from the bond proceeds and the balance of the proceeds will be used for the renovation. The State of Maryland granted \$850,000 in matching funds for the project. The Babe Ruth Museum will contribute the cost of improvements to their space of approximately \$6.0 million. The project is expected to open in early 2005.

2. Summary of Significant Accounting Policies

Reporting Entity

The Authority is a component unit of the State of Maryland. The Authority is governed by a Board, six members of which are appointed by the Governor of the State of Maryland and one member being appointed by the Mayor of Baltimore City with the advice and consent of the Maryland State Senate.

Measurement Focus and Basis of Accounting

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority has the option under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to not apply FASB pronouncements issued after the applicable date.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Maryland Stadium Authority
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on deposit with the Treasury or financial institutions to be cash equivalents as well as all highly liquid investments with original maturities of three months or less.

Investments

Investments are stated at fair value. Shares of money market mutual funds are valued at quoted market prices, which represent the net value of shares held by the Authority at year-end.

Capital Assets

Furniture and equipment are stated at cost and depreciated using the straight-line method over three to five years. The capitalization threshold for all capital assets is \$1,000. Other capital assets are stated at cost and depreciated using the straight-line method over the life of the related bond issue, 18 to 28 years.

Capital Leases Receivable

Under the terms of the Master Lease, principal and interest payments on the Authority's Lease Revenue Bonds are paid by the State when due. The Authority has established a capital lease receivable equal to the future principal payments, less any unspent proceeds, on its outstanding debt.

Any costs incurred in the construction or expansion of the stadiums, convention centers and theater over the capital lease receivable are recorded as other capital assets. Other capital assets are depreciated on the straight-line basis over the lesser of the estimated useful life of the underlying asset leased to the State or the remaining term of the debt issued to finance the underlying assets leased to the State.

Deferred Financing Costs

Financing costs associated with the issuance of bonds and notes are deferred and amortized over the life of the debt using the effective interest method.

Maryland Stadium Authority
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Project Advances

The Authority is overseeing projects for various state universities and local jurisdictions. Advances are received to pay for expenses incurred or to be incurred. Unexpended advances are not the property of the Authority and are recorded as liabilities. Total advances during the year ended June 30, 2004 were approximately \$228,998. Total related disbursements for the year were approximately \$1,117,123.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The Authority participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities and certain employee health benefits.

The State allocates the cost of providing claims servicing and claim payments by charging a "premium" to the Authority based on a percentage of the Authority's estimated current year payroll or based on the average loss experienced by the Authority. This charge considers recent trends in actual claims experienced by the State as a whole and makes provisions for catastrophic losses.

There have been no significant reductions in insurance coverage from the prior year. Additionally, settlements have not exceeded insurance coverage for the past three fiscal years.

Use of Restricted Assets

When an expense is incurred, the Authority first applies resources from restricted assets; to the extent they are available, before applying resources from unrestricted assets.

Maryland Stadium Authority

Notes to Financial Statements (continued)

3. Deposits and Investments

At June 30, 2004, the Authority had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (the Treasurer). The Treasurer maintains these and other Maryland State agency funds on a pooled basis in accordance with the annotated Code of the State of Maryland. The internal cash pool functions similar to a mutual fund in the sense that each state agency holds a share of the pool; thus the Authority's share of this pool cannot be categorized in accordance with GASB Statement No. 3. The State Treasurer's Office invests pooled cash balances on a daily basis. The investment consists of direct purchases of securities or repurchase agreements. The carrying value of cash on deposit with the Treasurer at June 30, 2004 was \$1,094,996. All amounts held on deposit by the Treasurer at June 30, 2004 are unrestricted.

The carrying value of other deposits at June 30, 2004 is \$332,118 and the associated bank balances are \$332,118. Those balances are covered by federal depository insurance and are unrestricted.

The Authority has \$74,623 held in an account with the Bank of New York. These funds are required to be available if needed under the 1998 or 1999 remarketing agreements. This deposit is uninsured and uncollateralized.

The Authority had money market mutual funds of \$25,395,049 and U.S. Treasury Obligations of \$1,968,065 at June 30, 2004 that are reflected on the balance sheet at fair value and held by the Bond Trustee. Proceeds to purchase these marketable securities were derived from various bond issues and any proceeds from the sale of these marketable securities are restricted to the purpose of the originating bond issue. Allowable investments under the agreement with the Bond Trustee consist of government obligations, U.S. agency obligations, bonds or other obligations of any state of the United States of America, or of any local government unit or any political subdivision of any such state, certificates of deposit, and repurchase agreements. All investment decisions are made by the Treasurer. The investments in money market mutual funds are not categorized in accordance with GASB Statement No. 3. The investments in U.S. Treasury Obligations are maintained in the Bond Trustee's pooled investments and are classified as to custodial credit risk as Category 1, defined as insured or registered, or securities held by the State or its agent in the State's name.

	<u>Cost</u>	<u>Market Value</u>
U.S. Treasury Obligations	\$ 1,978,356	\$ 1,968,065

Maryland Stadium Authority

Notes to Financial Statements (continued)

4. Income from State and Municipal Sources

Contributions from the primary government represents payments received from the State of Maryland under the Master Lease and other agreements to fund debt service, operating deficits, and certain development costs for various Authority projects.

During 2004, Baltimore City made an annual contribution of \$1 million per the Annotated Code establishing the Authority. The City funds are invested with the State Treasurer for the purpose of retiring the Authority's debt incurred to construct Oriole Park at Camden Yards.

During 2004, the Authority also received \$9,077,092 from private sources as capital contributions for the Hippodrome Theater.

During 2004, the Authority received \$7,663,642 from Montgomery County for their percentage of construction costs associated with the Montgomery County Conference Center.

5. Accounts Receivable

Accounts receivable as of June 30, 2004 consists of the following:

Baltimore Orioles	\$ 3,558,154
State of Maryland	3,679,396
City of Baltimore	728,000
Other	2,438,143
Less allowance for bad debts	<u>(82,297)</u>
	<u>\$10,321,396</u>

6. Note Receivable

Under the Orioles' lease, the Orioles shall reimburse the Authority for amounts advanced to equip, furnish and renovate private suites in Oriole Park at Camden Yards. Private Suite construction costs are repayable over a 30-year period and furnishing and renovation costs over a five-year period with interest at 6.5%, which will be adjusted on April 1, 2012 to the prime rate of interest plus 1.75%.

Maryland Stadium Authority

Notes to Financial Statements (continued)

6. Note Receivable (continued)

Future note receivable payments to be received as of June 30, 2004 are as follows:

2005	\$ 342,789
2006	324,959
2007	324,959
2008	324,959
2009	324,959
2010-2014	1,353,880
2015-2019	1,353,880
2020-2023	880,011
	<u>\$ 5,230,396</u>

7. Capital Leases Receivable

At June 30, 2004, the capital leases receivable consists of the following:

Total minimum lease payments to be received	\$ 522,249,455
Less unearned interest income	<u>(201,294,455)</u>
Principal balance on outstanding debt	320,955,000
Less liquid assets to be used in construction	<u>(26,511,987)</u>
Total	<u>\$ 294,443,013</u>

Future minimum lease payments to be received as of June 30, 2004 are as follows:

2005	\$ 30,480,499
2006	31,542,701
2007	31,695,398
2008	31,858,321
2009	31,296,663
2010-2014	157,758,026
2015-2019	129,470,980
2020-2023	64,306,411
2024-2026	13,840,456
	<u>\$ 522,249,455</u>

Maryland Stadium Authority

Notes to Financial Statements (continued)

8. Capital Assets

Furniture and equipment and other capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets:				
Furniture and equipment	\$ 3,703,639	\$ 43,359	\$ -	\$ 3,746,998
Camden Yards	252,597,640	2,010,329	1,263,959	253,344,010
Baltimore City Conv Ctr	6,619,095	-	18,433	6,600,662
Ocean City Conv Ctr	11,890	86	-	11,976
Hippodrome	31,521,623	13,354,890	-	44,876,513
Montgomery County	1,433,959	7,793,079	-	9,227,038
Camden Station	1,035,950	4,424,532	-	5,460,482
Total capital assets at historical cost	<u>296,923,796</u>	<u>27,626,275</u>	<u>1,282,392</u>	<u>323,267,679</u>
Less accumulated depreciation:				
Furniture and equipment	1,327,511	599,250	-	1,926,761
Camden Yards	56,319,422	9,073,025	-	65,392,447
Baltimore City Conv Ctr	2,695,694	367,662	-	3,063,356
Ocean City Conv Ctr	36,206	366	-	36,572
Hippodrome	-	963,103	-	963,103
Total accumulated depreciation	<u>60,378,833</u>	<u>11,003,406</u>	<u>-</u>	<u>71,382,239</u>
Capital assets, net	<u>\$ 236,544,963</u>	<u>\$ 16,622,869</u>	<u>\$ 1,282,392</u>	<u>\$ 251,885,440</u>

9. Current Accounts Payable and Accrued Expenses

At June 30, 2004, accounts payable and accrued expenses consisted of the following:

Trade payables	\$ 9,813,655
Compensated absences	78,135
Accrued parking	411,748
Due to State of Maryland	3,019,730
Workers' compensation	29,450
Total	<u>\$ 13,352,718</u>

Maryland Stadium Authority

Notes to Financial Statements (continued)

10. Bonds Payable

Bonds payable as of June 30, 2004 consist of the following:

Revenue bonds payable:

1994 Series: Issued \$55,000,000 in September 1994 at 5.25% to 5.88% per annum, due in varying installments through December 15, 2014	\$ 39,695,000
1995 Series: Issued \$17,340,000 in October 1995 at 4.80% to 5.38% per annum, due in varying installments through December 15, 2015	13,175,000
1996 Series: Issued \$87,565,000 in April 1996 at rates varying from 5.30% to 5.80%, due in varying installments through March 1, 2026	79,250,000
1997 Series: Issued \$4,640,000 in December 1997 at 4.66% per annum, due in varying installments through June 15, 2008	2,140,000
1998 Series A: Issued \$16,300,000 in December 1998 at a variable rate, due in varying installments through December 15, 2019	16,300,000
1999 Series: Issued \$121,380,000 in December 1999 at a variable rate, due in varying installments through December 15, 2019	109,180,000
2002 Series: Issued \$10,250,000 in July 2002 at 3.0% to 5.7% per annum, due in varying installments through September 15, 2013	9,640,000
2002 Series: Issued \$20,250,000 in July 2002 at 5.0% to 6.25% per annum, due in varying installments through June 15, 2022	19,660,000
2003 Series: Issued \$23,185,000 in January 2003 at 2.0% to 5.0% per annum, due in varying installments through June 15, 2024	23,185,000
2004 Series: Issued \$8,730,000 in February 2004 at 3.0% to 5.21% per annum, due in varying installations through December 15, 2024	<u>8,730,000</u>
Total revenue bonds payable	320,955,000
Plus unamortized premium (includes unamortized premium related to both series of 2002, 2003 and the 2004 revenue bonds payable of \$5,617, \$84,157, \$2,088 and \$121)	91,984
Less unamortized discount (includes unamortized discount relating to the 1995 and 1996 revenue bonds payable of \$13,830 and \$84,095 as of June 30, 2004)	<u>(97,925)</u>
	<u>\$ 320,949,059</u>

Maryland Stadium Authority

Notes to Financial Statements (continued)

10. Bonds Payable (continued)

On September 1, 1994, the Authority issued Convention Center Expansion Lease Revenue Bonds, Series 1994, to finance, together with certain other funds, the expansion and renovation of the Baltimore Convention Center. Principal and interest on the Series 1994 Bonds are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 5.25% to 5.88% per annum. The Bonds mature serially in varying amounts through December 15, 2014.

On October 15, 1995, the Authority issued Ocean City Convention Center Expansion Lease Revenue Bonds, Series 1995, to finance, together with certain other funds, the expansion and renovation of the Ocean City Convention Center. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 4.80% to 5.38% per annum. This issue contains \$13,265,000 of serial bonds that mature in varying amounts through December 15, 2013 and a \$2,815,000 term bond that matures December 15, 2015. The term bond requires a sinking fund redemption beginning December 15, 2014.

On December 10, 1997, the Authority issued the tax-exempt Sports Facilities Lease Revenue Bonds, Series 1997, to finance the construction of the football stadium and to refinance, in part, the costs of acquiring and preparing the property at the Stadium site. Principal and interest on the Series 1997 Bonds are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at 4.66% per annum.

On December 15, 1998, the Authority issued the taxable Sports Facilities Lease Revenue Refunding Bonds, Series 1998 A and B, to retire, together with certain other funds, the Authority's Sports Facilities Lease Revenue Notes, Series 1989 C, and to pay related financing and issuance costs. Principal and interest on the Series 1998 A and B Bonds are payable primarily from the basic rent to be paid by the State under the Master Lease. The interest rates for the Series 1998 A Bonds are based on the 30-day USD LIBOR, which is reset weekly. The Series 1998 B Bonds were paid off in 2004.

On December 9, 1999, the Authority issued the tax-exempt Sports Facilities Lease Revenue Refunding Bonds, Series 1999, to retire, together with certain other funds, the Series 1989 D Bonds. The Series 1989 D Bonds were used to finance the construction of Oriole Park at Camden Yards and in part to refinance the costs of acquiring and preparing the property at the site. The interest rate for the Series 1989 D Bonds is based on the 30-day USD LIBOR, that is reset weekly.

Maryland Stadium Authority

Notes to Financial Statements (continued)

10. Bonds Payable (continued)

On July 10, 2002, the Authority issued taxable Sports Facilities Lease Revenue Bonds, Series 2002, to retire the 2001 Bond Anticipation Notes. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 3.0% to 5.7% per annum. The bonds mature serially in varying amounts through September 15, 2013.

On July 10, 2002, the Authority issued taxable Hippodrome Performing Arts Center Taxable Revenue Bonds, Series 2002, to finance, together with certain other funds, renovation of the Hippodrome Performing Arts Center. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 5.0% to 6.25% per annum. The bonds require a sinking fund redemption beginning June 15, 2014.

On January 14, 2003, the Authority issued tax-exempt Montgomery County Conference Center Lease Revenue Bonds, Series 2003, to finance, together with certain other funds, construction of the Montgomery County Conference Center. Principal and interest are payable primarily from the basic rent to be paid by the State under the Master Lease. Interest is payable semiannually at rates varying from 2.0% to 5.0% per annum. The bonds mature serially in varying amounts through June 15, 2024.

On March 2, 2004, the Authority issued taxable Camden Station Lease Revenue Bonds, Series 2004, to renovate Camden Station located at Camden Yards. Principal and interest are payable primarily from the basic rent to be paid by the State of Maryland under the Master Lease Agreement. Interest is payable semiannually at rates varying from 3.0% to 5.21% per annum. The bonds mature in varying amounts through December 15, 2024.

The Authority incurred total interest costs of \$21,003,768 during the year ended June 30, 2004, of which \$1,873,568 was capitalized.

Maryland Stadium Authority

Notes to Financial Statements (continued)

10. Bonds Payable (continued)

Debt service requirements subsequent to June 30, 2004 are as follows:

Year ending June 30	Principal Maturities	Interest	Total
2005	\$ 11,760,000	\$ 18,720,499	\$ 30,480,499
2006	12,915,000	18,627,701	31,542,701
2007	13,940,000	17,755,398	31,695,398
2008	14,925,000	16,933,321	31,858,321
2009	15,210,000	16,086,663	31,296,663
2010-2014	92,500,000	65,258,026	157,758,026
2015-2019	93,540,000	35,930,980	129,470,980
2020-2024	53,575,000	10,731,411	64,306,411
2025-2027	12,590,000	1,250,456	13,840,456
	<u>\$ 320,955,000</u>	<u>\$ 201,294,455</u>	<u>\$ 522,249,455</u>

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps

On October 1, 1993, the Authority entered into certain Interest Rate Swap Agreements, a liquidity guarantee agreement, and certain forward bond purchase and remarketing agreements for the purpose of realizing cost savings associated with the refunding of the Series 1989 C Notes and the Series 1989 D Bonds fixed rate debt. At the call dates, December 15, 1998 and December 15, 1999 for Series 1989 C Notes and Series 1989 D Bonds, respectively, the Authority extinguished the existing fixed rate debt with the proceeds from newly issued variable rate debt. A liquidity guarantee agreement was entered into which guarantees the Authority liquidity for the variable rate bonds, at a fixed fee, for the life of the bonds. A forward bond purchase and remarketing agreement was also entered into which guarantees the purchase and remarketing of the variable rate bonds. For the above agreements, the Authority is making payments equal to the debt service on the previously existing fixed rate debt. The Authority receives variable rate payments equal to the payments due on the new debt.

On June 10, 1998, the Authority entered into a similar swap agreement for the Series 1994 and Series 1996 Bonds. At the call dates, December 15, 2006 and March 31, 2007 for the Series 1994 and 1996 Bonds, respectively, the Authority has agreed to issue variable rate debt sufficient to extinguish the existing fixed rate debt in the amount of \$104,350,000. All issue costs of the new variable rate debt and premiums to call the existing debt will be paid by the Authority.

Maryland Stadium Authority

Notes to Financial Statements (continued)

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps (continued)

The Authority received \$15,522,129 and \$3,313,500 on April 1, 1996 and June 10, 1998, respectively, pursuant to the above swap agreements as premiums on the swap agreements. These premiums have been recorded as deferred revenues and are being amortized over the life of the corresponding variable rate debt. The swap premiums were used toward the cost of constructing the football stadium. In addition, semiannual liquidity fees were required for the October 1, 1993 Swap Agreement under the liquidity guarantee agreement through the issue date of the new variable rate debt. The fees, which totaled \$760,762, are included in deferred financing costs and are being amortized over the life of the new variable rate debt.

As noted above, on December 9, 1999, the Authority issued, in accordance with the October 1, 1993 Swap Agreement, tax-exempt variable rate bonds, Series 1999, to retire the \$121,380,000 of outstanding Series 1989 D Bonds. This refunding resulted in an excess of the reacquisition price over the net carrying amount of the old debt of \$3,467,367. This difference, which is reported as a deduction from lease bonds payable, is being amortized to interest expense through the year 2019, the life of the new bonds. The Authority completed the refunding to reduce its debt service payments by \$1,727,891 and to obtain an economic gain of \$10,323,329.

Estimated recognition of deferred revenue subsequent to June 30, 2004 is as follows:

2005	\$ 996,140
2006	1,058,716
2007	1,163,419
2008	1,218,605
2009	1,160,070
2010-2014	4,727,531
2015-2019	2,808,978
2020-2024	461,964
2025-2027	53,232
Total	<u>\$ 13,648,655</u>

Maryland Stadium Authority

Notes to Financial Statements (continued)

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps (continued)

Objective of the Interest Rate Swaps. The Authority entered into four swaps: two (2) swaps dated as of October 1, 1993, and two (2) swaps dated June 10, 1998. The 1999 Swap Agreement and the 1998 Swap Agreement were entered into on October 1, 1993, along with other agreements corresponding with the issuance of the Authority's Series 1999 Bonds and the Series 1998 Bonds for the purpose of realizing certain cost savings associated with refunding the Authority's Series 1989D Bonds and the Series 1989C Notes. The Authority received a payment of \$15,522,129 from AIG Financial Products ("AIG-FP"), the counterparty, in order to induce the Authority to enter into the swap agreements. The Authority entered into the Convention Center Swap Agreement and the Football Swap Agreement on June 10, 1998, along with other agreements associated with the planned future refunding of the Authority's Series 1994 Bonds and the Series 1996 Bonds at the first par call date of the Series 1994 Bonds and the Series 1996 Bonds, 2006 and 2007, respectively. The Authority received a payment of \$3,313,500 from Ambac Financial Services, L.P. ("Ambac"), the counterparty, in order to induce the Authority to enter into the swap agreements.

Terms. The terms, including the fair values and credit ratings on the swap counterparties as of June 30, 2004, are as follows. The notional amounts of the swaps match the principal amounts of the associated bond issues. The Authority's swap agreements contain scheduled reductions to the outstanding notional amounts that match scheduled principal reduction in the associated debt.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Rating
Series 1999	\$ 121,380,000	12/15/99	5.975% to 5.540%	Bond Rate*	\$ (15,393,337)	Dec. 2019	AAA/Aaa
Series 1998	\$ 16,300,000	12/15/98	11.075% to 7.510%	30-day CP plus 10 basis points [#]	\$ (3,603,840)	Dec. 2019	AAA/Aaa
Series 2006 ⁺	\$ 31,225,000	12/15/06	5.83% to 5.88%**	Bond Rate*	\$ (1,917,025)	Dec. 2014	AAA/Aaa
Series 2007 ⁺	\$ 73,125,000	03/02/07	5.69% to 5.80%**	Bond Rate*	\$ (5,456,840)	March 2026	AAA/Aaa
	<u>\$ 242,030,000</u>				<u>\$ (26,371,042)</u>		

* Rate paid on Associated Bond Issue.

[#] An index equal to a 30-day commercial paper rate plus 10 basis points.

⁺ Bonds have not been issued.

** Calculated rate based upon the fixed payments established in the swap agreements divided by the notional amount outstanding at each fixed rate payment date.

Maryland Stadium Authority
Notes to Financial Statements (continued)

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps (continued)

Fair Value. Because interest rates have declined from rates that were in effect on dates the swaps were entered into, all swaps have a negative fair value as of June 30, 2004. The fair values of the swaps were developed by an independent pricing consultant to the Authority that does not have a financial interest in the swaps, using a market accepted method similar to the zero coupon method example described in the GASB Technical Bulletin No. 2003-1 of calculating fair value. The methodology used consists of calculating the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement date of the swap.

Credit Risk. As of June 30, 2004, the Authority was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the value of the swaps become positive, the Authority would be exposed to credit risk in the amount equal to the swaps' fair value. American International Group, Inc. which provides a guarantee to the counterparty for the 1999 Swap and the 1998 Swap was rated AAA by Standard and Poor's and Aaa Moody's Investors Service as of June 30, 2004. AMBAC Assurance Corporation, the counterparty to the Convention Center Swap and the Football Swap was rated AAA by Standard and Poor's and Aaa Moody's Investors Service as of June 30, 2004. To mitigate the potential for credit risk for the 1999 Swap and the 1998 Swap, if the guarantor's long-term unsecured unsubordinated debt ratings are suspended by either S&P or Moody's or the guarantor's ratings fall below AA- or Aa3 by S&P and Moody's, the fair value of the associated swap will be fully collateralized with cash or securities. Collateral would be posted with an independent third-party custodian. In addition, if the Authority's ratings for debt secured by the master lease with the State of Maryland fall below BBB+ or Baa1 by S&P and Moody's or are suspended, the fair value of the swap will be fully collateralized by the Authority with cash or securities. Collateral would be posted with an independent third-party custodian. The Authority was rated AA+ by Standard and Poor's and Aa2 Moody's Investors Service as of June 30, 2004.

Maryland Stadium Authority
Notes to Financial Statements (continued)

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps (continued)

Basis Risk. As of June 30, 2004, the 1999 Swap, the Convention Center Swap and the Football Swap do not expose the Authority to basis risk. The Authority is receiving a variable rate payment from the counterparty on the 1999 Swap equal to the variable rate it pays on the associated bonds. Under certain circumstances, the counterparty could pay an alternative floating rate to the Authority which would not be equal to the variable rate interest accrued on the Series 1999 Bonds, which would subject the Authority to basis risk. The Convention Center Swap and the Football Swap have not reached their respective payment start dates. The 1998 Swap does expose the Authority to basis risk. The Authority is receiving a variable rate payment from AIG-FP equal to a 30 day commercial paper index plus 10 basis points and pays a floating rate on the Series 1998 Bonds, which is currently remarketed at an interest rate mode that is reset weekly. The Authority will pay or receive the difference between (i) the commercial paper index plus 10 basis points it receives from the counterparty and (ii) the rate the Authority pays on its Series 1998 Bonds. If the rates on the index are below the floating rates on the Series 1998 Bonds, the Authority is liable for the difference.

Termination Risk. The swap agreements provide for certain events that could cause the counterparties or the Authority to terminate the swaps. The swaps may be terminated by the counterparties or the Authority if the other party fails to perform under the terms of the swap agreements. If the swaps are terminated the Authority would no longer have synthetic fixed rate obligations. Also, if at the time of termination of one of its swaps, the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps' fair value which approximated \$26.4 million at June 30, 2004. The swaps' potential termination liability is not reflected in the accompanying financial statements.

Swap Payments and Associated Debt. Using rates as of June 30, 2004, for the debt service requirements of the Authority's outstanding variable rate bonds and using the forward rates as of the effective date for the Authority's forward starting swap, the net swap payments are as follows. As rates vary, variable-rate bonds interest payments and net swap payments will vary.

Maryland Stadium Authority

Notes to Financial Statements (continued)

11. Deferred Revenue, 1999 Refunding and Interest Rate Swaps (continued)

Fiscal Year Ending June 30	Variable-Rate Bonds (1)(2)		Interest Rate Swaps, Net	Total
	Principal	Interest		
2005	\$ 4,230,000	\$ 1,495,799	\$ 7,080,562	\$ 12,806,361
2006	5,495,000	1,441,810	6,132,025	13,068,835
2007	5,945,000	2,777,547	5,333,723	14,056,270
2008	11,730,000	4,787,847	7,948,815	24,466,662
2009	12,435,000	4,527,139	7,527,898	24,490,037
2010	13,190,000	4,251,077	7,077,907	24,518,984
2011	13,995,000	3,958,554	6,594,895	24,548,449
2012	14,850,000	3,648,534	6,077,658	24,576,192
2013	15,760,000	3,319,879	5,527,916	24,607,795
2014	16,730,000	2,971,433	4,942,284	24,643,717
2015	17,760,000	2,601,813	4,318,419	24,680,232
2016	13,805,000	2,301,990	3,709,755	19,816,745
2017	14,660,000	2,062,060	3,129,579	19,851,639
2018	15,570,000	1,807,538	2,512,593	19,890,131
2019	16,545,000	1,537,477	1,856,286	19,938,763
2020	17,555,000	1,251,007	1,158,480	19,964,487
2021	4,580,000	1,037,954	800,283	6,418,237
2022	4,845,000	877,856	697,032	6,419,888
2023	5,125,000	708,497	587,803	6,421,300
2024	5,420,000	529,365	469,685	6,419,050
2025	5,735,000	339,888	344,802	6,419,690
2026	6,070,000	139,379	212,681	6,422,060
	<u>\$242,030,000</u>	<u>\$ 48,374,443</u>	<u>\$ 84,041,081</u>	<u>\$374,445,524</u>

- (1) Includes Principal, Interest and Net Swap Payments on the Convention Center and Football Swap Agreements and related bonds, expected to be issued in FY 2007.
- (2) Using rates as of June 30, 2004, for the debt service requirements of the Authority's outstanding tax-exempt and taxable variable rate bonds (1.07% and 1.37%) and using the forward rates (3.37% and 3.43%), as of the effective date, for the Authority's forward starting Convention Center and Football Swap swaps, respectively.

Maryland Stadium Authority

Notes to Financial Statements (continued)

12. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 546,458	\$ —	\$ 155,596	\$ 390,862	\$ 78,135
Retainage payable	2,253,580	1,302,237	1,798,228	1,757,589	1,446,191
Workers' compensation	86,000	104,000	—	190,000	29,450
Project advances	888,825	228,298	1,117,123	—	—
Lease revenue bonds payable, net	323,236,328	8,730,121	11,017,390	320,949,059	11,760,000
Deferred revenue	14,700,204	—	1,051,549	13,648,655	996,140
Total	<u>\$341,711,395</u>	<u>\$10,364,656</u>	<u>\$15,139,886</u>	<u>\$336,936,165</u>	<u>\$14,309,916</u>

13. Operating Leases

The Authority has leased certain office space in the Camden Yards Warehouse to various tenants with terms ranging from 3 years to 16 years, 9 months. The future minimum lease rentals to be received on noncancelable operating leases as of June 30, 2004 are as follows:

2005	\$ 2,931,707
2006	1,817,566
2007	1,146,451
2008	862,859
2009	489,762
2010-2024	9,731,415
Total	<u>\$16,979,760</u>

Lease rental income for the year ended June 30, 2004 was \$3,205,381.

Maryland Stadium Authority

Notes to Financial Statements (continued)

13. Operating Leases (continued)

The Authority entered into various leases for electric generation equipment, stadium chiller systems, and scoreboard devices. The leases commenced during 1998 and 1999 with the first lease payment being due December 30, 1998. In August 2002, the Authority paid off the lease for the scoreboard and devices in accordance with the purchase option price of 22% of the costs of the equipment. The remaining leases expire on various dates through June 15, 2007. Noncancelable lease payments due under these operating lease agreements are as follows:

2005	\$ 1,604,892
2006	1,604,892
2007	1,604,892
Total	<u>\$ 4,814,676</u>

Lease expense for the year ended June 30, 2004 was \$1,604,892.

In fiscal year 2008, the Authority will have the option to purchase the chiller system and generator equipment for approximately 20% of the original cost or extend the lease for an additional four years.

14. Retirement Plans

Maryland State Retirement and Pension System

The Authority contributes to the Retirement and Pension System of Maryland (the System), established by the State to provide pension benefits for State employees of various participating entities within the State. Although the System is an agent, multiple-employer public employee retirement system, the System does not perform a separate valuation for the Authority, and the Authority's only obligation to the System is its required annual contribution. The System is considered part of the State's financial reporting entity and is not considered part of the Authority's reporting entity. The System prepares a separate Comprehensive Annual Financial Report, which can be obtained from the Retirement and Pension System of Maryland at the State Office Building, 120 East Baltimore Street, Baltimore, Maryland 21202.

Maryland Stadium Authority

Notes to Financial Statements (continued)

14. Retirement Plans (continued)

Plan Description

The System, which is administered in accordance with article 73B of the Annotated Code of Maryland, consists of several plans that are managed by the Board of Trustees for the System. All State employees hired into positions that are permanently funded and employees of the participating entities are eligible for coverage by the plan.

Funding Policy

The Authority's required contribution is based upon actuarial valuations. Effective July 1, 1980, in accordance with the laws governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the Authority and covered employees are required by state statute to contribute to the System. The employees contribute from 2% to 5% of compensation, as defined, depending on the participant's plan. The Authority made its required contribution during fiscal years ended June 30, 2004, 2003, and 2002 of \$151,996, \$210,802, and \$191,364, respectively.

Postretirement Benefits

Former Authority employees who are receiving retirement benefits may participate in the State's health care insurance plans. These plans, which provide insurance coverage for medical, dental and hospital costs, are funded currently by the payment of premiums to the carriers and, under State policy, are contributory. Substantially, all employees become eligible for these benefits when they retire with pension benefits. Two employees are receiving benefits under these plans. The Authority's cost for current and future retirees' health care benefits is expensed when paid, and totaled \$124,674 for the year ended June 30, 2004.

Maryland Stadium Authority

Notes to Financial Statements (continued)

15. Commitments

In 1995, approximately \$235 million in bonding capacity was set aside for the Camden Yards Sports Complex. Approximately \$90 million of this amount was unused. This money was set aside for the city of Baltimore to find a football team. If the City did not obtain a team by December 31, 1995, then the money was to be distributed into a public school construction fund. In November 1995, the City secured the Baltimore Ravens football team. As a result, a portion of the money that was set aside for the construction of public schools in the Baltimore area was now going to be used for the construction of the football stadium. Consequently, the legislators in Annapolis took the stance that, because the Ravens will benefit from being in Baltimore, the Authority should contribute an amount to the Public School Construction Fund. Pursuant to legislation enacted effective April 1996, the Authority is committed to pay \$24 million into the Public School Construction Fund over 10 years, or \$2,400,000 per year, beginning in fiscal year 2001. The Authority has committed to pay the annual amount in \$200,000 monthly increments. The Authority made its first installment of \$2,400,000 during fiscal 2001. The Authority was relieved of its fiscal 2002 obligation through the approval of the State's Budget. A payment for the years ended June 30, 2003 and 2004 was required and paid.

16. Litigation

In the normal course of operations, certain claims have been brought against the Authority, which are in various stages of resolution. Management believes that the ultimate resolution of the claims will not have a material adverse effect on the Authority's financial position.

