Presentation to Governor Pawlenty's Stadium Screening Committee

January 6, 2004

Introduction

(Jerry Bell)

Presentation Outline

- Why now is the right time for a new ballpark.
- Industry and team improvements since 2002 legislation.
- Characteristics of a workable proposal.
- Twins/MLB importance to Minnesota.
- Our vision for a new ballpark.

Two Types of Ballpark Proposals According to Pat McCormack

- ***Type I—Workable***
  - **Leads to building a ballpark.**
- ***Type II—Impractical***
  - **Politically "saleable" but would not build a ballpark.**

"Top Ten List"
Past Reasons Not to Build a Ballpark

10. There's nothing wrong with the Dome.
9. Sports facilities don't have a significant economic impact.
8. Pay for it yourself. If San Francisco can do it, so can the Twins.
7. Come back when the Twins are more competitive.
6. Come back when your lease is up.

"Top Ten List"
Past Reasons Not to Build a Ballpark (Cont'd.)

5. Come back when MLB has its financial house in order.
4. Come back after MLB's owners agree to more revenue sharing.
3. Come back after baseball solves its competitive balance issues.
2. Come back after you achieve peace with the players.
1. The timing isn't quite right. Come back next year.

Why Now is the Right Time for a New Ballpark

(Jerry Bell)

Why Build a Ballpark Now?

- Prior obstacles have been eliminated.
- Twins cannot sustain recent success in the Metrodome.
- Use agreement has expired.
- MSFC agrees that a new facility is needed.
- Take advantage of low interest rates.
- Avoid future cost of inflation.

A New Ballpark for Minnesota

A new Twins ballpark is the only way for Minnesotans to continue enjoying this competitive and affordable family entertainment for generations to come.

Industry and Team Improvements Since 2002 Legislation

(Bob Starkey)

2002 Collective Bargaining Agreement

- The objectives of the CBA were to:
  - Enhance competitive balance.
  - Increase the financial stability of the industry.
- These objectives were addressed with the following economic mechanisms:
  - Revenue Sharing.
  - Competitive Balance Tax.
  - Debt Service Rule.

Enhanced Revenue Sharing

- Clubs now share 34% of all locally revenues.
- Lower revenue clubs now receive more national revenues.
- In 2003:
  - Highest revenue club will pay over $50 million.
  - Twins will receive over $17 million.
  - Lowest revenue club will receive over $29 million.
  - *The industry will transfer over $220 million*.

Revenue Sharing Credits

- **The league is providing *revenue sharing credits* for clubs investing in new facilities by allowing club deductions against shared revenues:**
  - **Accelerated depreciation.**
  - **Rent payments.**
  - **Stadium operating expenses.**
- **The greatest credits are realized with a rent payment structure.**

Competitive Balance Tax

- Beginning in 2003, clubs whose payroll exceed the $117 million threshold will be assessed a Competitive Balance Tax at a rate of 17.5%.
- The tax rate can escalate to as high as 40% by 2005 and 2006.
- The *threshold* increases, on average, approximately 5% per year over the term of the CBA.
- Tax proceeds are used to fund pension costs and promote the game of baseball.

Debt Service Rule: A Financial Stability Test

- The CBA now mandates that clubs generate enough *positive cash flow* to service their debt payments.
- This covenant will *reduce industry losses* and indebtedness.
- This rule must be considered when structuring new ballpark investments.
  - Otherwise operating flexibility and competitiveness could be diminished.

16 New Ballparks Built Since 1990

MAJOR LEAGUE BASEBALL®

Twins Baseball Awards

- Voted the "Best Baseball Organization" by both *Baseball America* and *USA Today*.
- Rated the fourth best baseball operation in 2003 and the best in the American League by *Baseball America*.
- Terry Ryan has been named best general manager in Major League Baseball.
- Dave St. Peter has been cited as one of the 40 people under age 40 to watch in all of sports management.

Structuring a Proposal

The structure must MINIMIZE the Twins' revenue-sharing burden and MAXIMIZE their operating flexibility.

Characteristics of a Workable Proposal

(Ralph Strangis)

Two Types of Ballpark Proposals According to Pat McCormack

- ***Type I—Workable***
  - Leads to building a ballpark.
- ***Type II—Impractical***
  - Politically "saleable" but would not build a ballpark…"even if passed, even if signed by the Governor"

Characteristics of "Type I" Proposal

1. Financially efficient structure.
2. Private sector participation must consider several variables.
3. Detailed negotiations should be left to the team and host community.
4. Should allow for prompt construction.
5. Legislation should not contain unachievable conditions.

Twins/MLB Importance to Minnesota

(Dave St. Peter)

Minnesota and Twins Baseball

- Affordable family entertainment.
- Baseball/softball top youth sports.
- Twins game attendance *three times greater* than all other pro sports.
- Statewide/regional appeal for all ages.

The Twins Are the Most Affordable Family Entertainment Among Professional Sports

Team	Average Ticket Price
Twins	$ ***14.40***
Vikings	**59.00**
Timberwolves	**37.01**
Wild	**49.72**

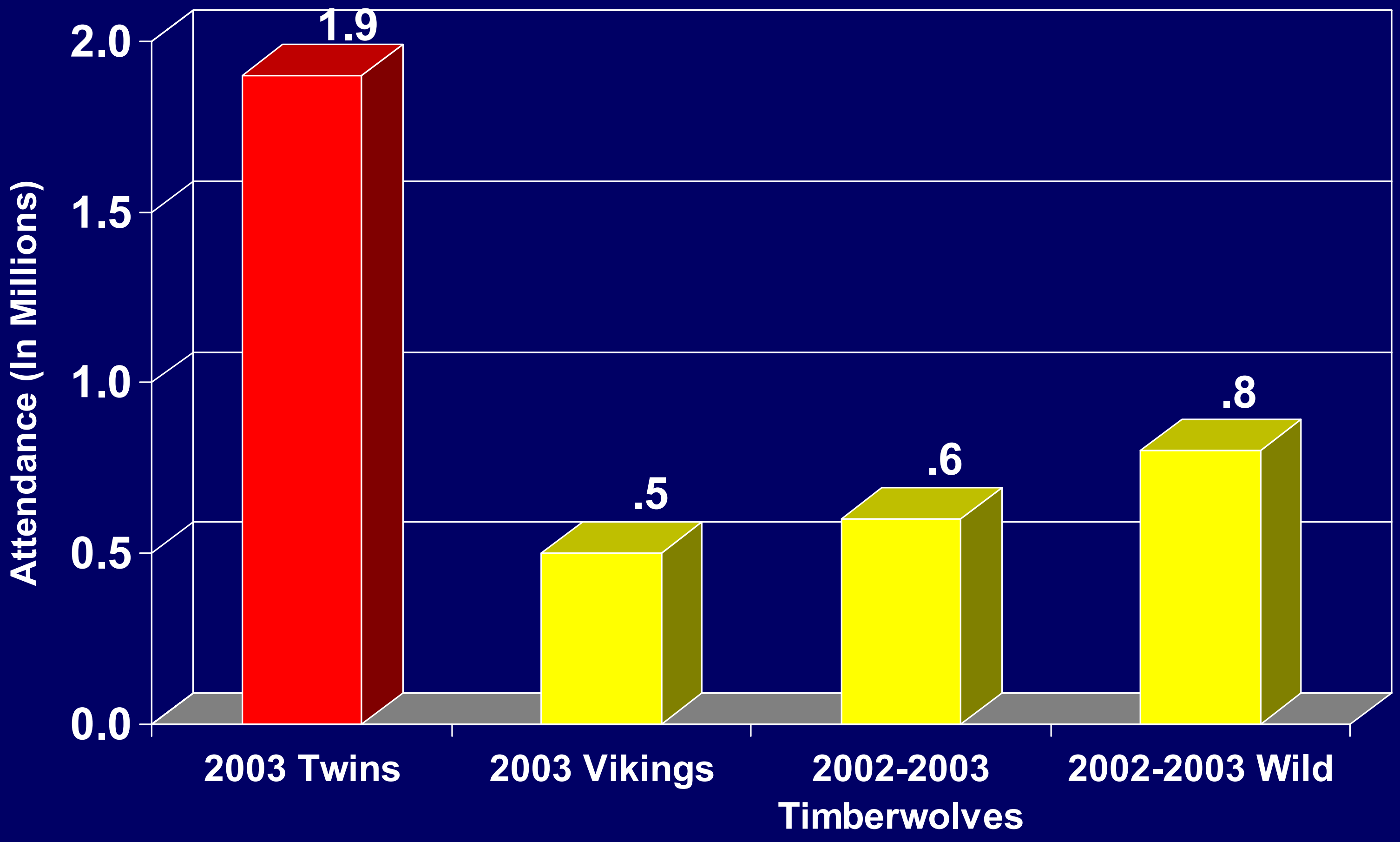
Source: *Team Marketing Report*

Kids and Baseball

- 7 of 10 Kids Ages 6-17 are MLB fans.
- 28.4 million kids play baseball/softball
  - 61% more than soccer.
  - Five times than tackle football.

Source: MLB / American Sports Data, Inc.

Baseball Attendance Versus Other Sports



Statewide Appeal of Twins Baseball

- 61 Million total fan impressions in 2003
  - Twins Radio Network
  - Twins Television

Source: Arbitron / Nielsen Media Research

Twins Charitable Activities

- Pohlad Family Foundation
- Twins Community Fund
- Tickets for Kids
- Players Giving Back

Twins Community Fund Contributions

- $2.2 million in 2003 charitable contributions.
- 2,500 organizations receive in-kind support (autographs, tickets, memorabilia).
- Over $700,000 to renovate ball fields in 159 Upper Midwest communities since 1999.
- $155,000 in 2003 to Minneapolis and St. Paul Parks and Recreation for inner city youth leagues.
- Over 150,000 Twins tickets given to underprivileged families and youth in 2003 alone.

Our Vision for a New Ballpark

(Dave St. Peter)

New Ballpark Vision

- Tradition: Baseball and the great outdoors.
- Express Minnesota's natural beauty.
- Environmentally sensitive.
- Like Xcel Energy Center: Fans' dream.
- Twins Walk of Fame and Museum.
- Fan-friendly amenities.
- Retractable roof.


FIRST BASE


SECTION
Twins

Questions
and
Answers

Minnesota Twins
Supplemental Questions and Answers to
Governor's Stadium Screening Committee
January 6, 2004

METRODOME QUESTIONS

The Twins won two World Series Championships in the Metrodome. What's wrong with playing baseball in the Metrodome?

While the Metrodome has served the Twins and the Twin Cities community well, it has surpassed its usefulness as a modern-day baseball facility. This is not only the opinion of the Twins, but of the Metropolitan Sports Facility Commission, which currently operates the Metrodome.

The Metrodome does not have the fan-friendly and intimate character that the Upper Midwest has come to appreciate and expect in a facility like the Xcel Energy Center, where the sight lines are outstanding, the proximity to the playing surface is extremely close, the concourses are wide and open, and the concession stands and modern restroom facilities are plentiful. From a baseball fan's perspective, playing baseball inside the Metrodome on a beautiful summer day is the antithesis of the Xcel Energy Center experience.

With the building boom of new ballparks experienced since the 1987 and 1991 World Series, the Metrodome is generally considered one of the two worst baseball facilities in Major League Baseball by a considerable margin.

In 2002 and 2003, the Twins finished in first place in the American League's Central Division; nevertheless, the revenues they were able to generate in the Metrodome ranked only 25th out of 30 major league franchises. This is due to the configuration of the Metrodome as a football facility, as well as the lease limitations on major revenue streams such as advertising, suites and parking. This will result in the team's inability to field a competitive team and offer fans an exciting Major League Baseball experience over the long-term.

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NEW BALLPARK QUESTIONS

How will the new ballpark improve the fans' entertainment experience?

In keeping with our deep baseball heritage in Minnesota, the new ballpark will restore baseball to its rightful place – the great outdoors. Virtually every aspect of the fan experience will improve in a new ballpark, including:

- Outdoor baseball on real grass
- A protective roof in the event of rain, snow or other inclement weather
- Thousands of additional quality seats between first and third base
- Better sightlines from virtually every seat in the park
- Closer proximity of the seats to the playing field
- Wide and open concourses, which enable fans to see the action while getting refreshments or visiting the restroom
- Many more concession and novelty stands, resulting in shorter lines
- Many more modern restroom facilities, especially for women
- On-site restaurants for eating before or after the game

Why is a retractable roof important to the out-of-state and Greater Minnesota fans?

A retractable roof is actually important to all Minnesota Twins fans. Today's generation of fans has never experienced a rainout, and it has become accustomed to the certainty of watching a ballgame on the date it purchased tickets for. This has become particularly important to fans traveling long distances from Greater Minnesota and from outside the state.

Attracting fans from outside our state borders is a significant economic generator for our region. Furthermore, these fans and Greater Minnesota fans often attend more than one game to watch a weekend series, and spend money not only on game tickets and concessions, but also in retail establishments, hotels, restaurants and local tourist attractions. A retractable-roofed facility helps expand the market and improves Major League Baseball as a major attraction for the entire Upper Midwest.

Four other ballparks with retractable roofs have been built in locations that have significant weather related concerns: Seattle for the rain, Houston for the heat and humidity, Phoenix for the heat, and neighboring Milwaukee for the cold and rain. All of these franchises have been able to address their weather concerns and expand their markets with a retractable roof. The potential for inclement weather during half of the regular season (April, May and September) and the post-season in October makes a retractable roof a common sense choice for the Twin Cities market.

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Who would own the new ballpark?

The Twins do not have a strong preference as to who owns the facility. Most other new ballparks are owned by a public entity or authority, such as the Metropolitan Sports Facilities Commission.

Will a new ballpark be used for any other activities?

While the ballpark is considered a single-purpose facility, it could also be used for amateur baseball, including the University of Minnesota team, as well as meetings and other public and private gatherings. It is also anticipated that the ballpark would contain a year-round restaurant and retail facilities.

Will tickets still be affordable in a new ballpark?

The Minnesota Twins have historically been very fan-friendly from a pricing standpoint, with one of the lowest average ticket prices in all of Major League Baseball. There is no intention to abandon the successful strategy of providing our market with one of the most affordable forms of family entertainment, which costs ***less than half*** the average ticket price of other professional sporting events. (Average ticket prices: Twins-$14.40; Vikings-$59.00; Timberwolves-$37.01; Wild-$49.72)

While the Twins expect the average ticket price in the new ballpark to increase to the industry average, this is primarily attributable to the increased number of quality seats. The pricing on higher quality seats and suites is actually expected to help subsidize lower priced seats within the seating bowl.

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What factors should be considered in crafting a ballpark funding proposal?

The Twins have one primary consideration in crafting a ballpark funding plan, and that is to maintain the team's operating flexibility and resulting ability to compete over the long-term. This should also be a primary consideration for the public sector investing in a new ballpark.

The "engine" that supports the economic and sociological success of the project is the team's ability to offer a competitive and entertaining product, thus attracting the maximum number of fans to our region, year in and year out.

Crafting a "workable" plan for the private sector must involve weighing numerous factors, including:

- Amount of debt burden on the team and its effect on the team's ability to compete
- Form of the funding payment (i.e., annual rent versus up-front payment)
- Effects of league regulatory factors, such as Revenue Sharing and the Debt Service Rule
- Lease terms with the host community or authority, including revenue streams available to the team, responsibility for operating costs, and capital improvements
- The allocation of construction risks, including cost overruns
- Venue-specific assessments

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TWINS QUESTIONS

What are the Twins willing to invest in the construction of a new ballpark?

The Twins' investment in a new ballpark will be significant. The final amount will depend on the many variables and factors discussed in the section above, including the design of the ballpark, the form of payment, the impact on league regulations, and the overall lease terms with the host community.

The dynamics and quality of the site are also important considerations to the amount the team is willing to invest in the project. The considerations include size and location of the site; our fans' ease of access; availability and proximity of parking; proximity to existing bars, restaurants and hotels; etc. These factors are especially important, considering that a baseball season consists of 81 games.

Paying for a new ballpark is not unlike the purchase of a house. You don't decide how much to pay or put down, or how large a mortgage to carry on the house, until you determine where the house is located, the characteristics of the lot, the square footage of the house, the number of bedrooms and bathrooms, etc.

Do the Twins have a preferred funding structure for the new ballpark?

Based on league rules and regulations, as well as the desire to maintain maximum operating flexibility to field a competitive team, it is the team's preference to structure its contribution as an annual rental payment, similar to the structure of the Minnesota Wild transaction in 1998.

The Twins recognize that they will have to pay considerably more in annual rental payments compared to a one-time payment made entirely up front. For example, the Twins would have to make total rental payments in excess of $250 million, spread over 30 years, to equal the same present value of a one-time, up-front payment of $120 million.

The Twins do not have a preference as to the source for the public sector's contribution for funding the ballpark project.

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Will the Twins commit to paying for any cost overruns in the construction of the new ballpark?

Yes. The Twins are prepared to assume the construction risk of the project and thus limit the public's exposure. In assuming this risk, the Twins would require that they control the design and construction process. It is a customary practice for the risk taker to have primary control over the construction process.

What type of lease commitment are the Twins willing to make?

The Twins are willing to enter into an "iron clad" 30-year lease arrangement that does not contain the attendance-related type of escape clause that was present under the Twins' original use agreement with the Metropolitan Sports Facility Commission.

Who will pay the operating costs in the new ballpark?

This lease term will need to be negotiated with the host community. However, it is currently anticipated that the Twins will be responsible for paying those operating costs of the new ballpark that are directly attributable to the operation of the team. Based on other clubs' experiences, this obligation will likely cost the Twins in excess of $10 million per year.

Do the Twins have a preferred site for the new ballpark?

No. The Twins believe there is currently more than one site that can meet the necessary requirements relating to accessibility, size, location and parking.

Are the Twins currently for sale? Would they be for sale if the new ballpark is built?

The Pohlad family's current interest is simple and straightforward: ***To seek a new ballpark solution which will help secure the future of Major League Baseball in the Upper Midwest and the Twin Cities for generations to come.***

One of the essential elements of sustaining Major League Baseball in our community is a new ballpark that serves the Upper Midwest as a defining landmark facility offering affordable family entertainment and an opportunity for the team to be competitive over the long-term.

While the Pohlad family cannot reasonably commit to owning the franchise in perpetuity, they have no current intent to sell the team, even with an acceptable new ballpark deal.

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Will the Twins realize a windfall profit from the construction of a new ballpark?

To the extent there is a windfall, the Twins are willing to enter into discussions regarding a sharing arrangement with other investors or participants in the development of the ballpark.

What assurances are there that the Twins will be competitive in a new ballpark?

While there are no guarantees in any competitive activity, there are several factors that suggest the Twins would be competitive in a new ballpark.

First, the Twins have a proven baseball organization that has demonstrated the ability to field competitive teams with limited resources. The incremental revenues generated by a new ballpark should help stabilize the franchise and provide the team with additional resources to be competitive.

Second, the league has taken significant steps to improve competitive balance, increase the amount of revenue sharing with small and middle market teams, and improve the league's financial stability with the Debt Service Rule.

In 2002 and 2003, the Twins have shown that they can compete in the Metrodome. Why do they need a new ballpark to be competitive?

During both 2002 and 2003, even though the Twins won the American League Central Division, they sustained cash losses of more than $10 million each year due to the limited revenue opportunities in the Metrodome. As a result of these budgetary constraints, the Twins have been unable to retain some of the long-time players that led them to the division title.

With the increasing salaries of their successful, homegrown players, the Twins have been forced to make some difficult player moves in order to pay for these payroll increases, as well as to sign free agents to fill their roster and competitive needs. As a result, players such as Eric Milton and A.J. Pierzynski were traded.

As a middle- to low-revenue team, the Twins will always be forced to make some unpopular player moves while operating within their budgetary constraints, even when playing in a new ballpark. However, with the incremental revenues generated by a new ballpark, the Twins should have more operating flexibility to keep their core roster in tact.

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Why is Mr. Pohlad forming Victory Sports One, and how does it affect this transaction?

In Major League Baseball, clubs are very dependent on their locally-generated revenues to operate in a competitive environment. For several years, the amount of local cable revenues paid to broadcast Twins games has been substantially below that of teams in comparable-sized markets.

Despite negotiations with their cable partner, the Twins have been unable to earn a market rate due to the limited number of broadcasting outlets. In response to this lack of competition for broadcasting rights, the Twins have no other course of action but to create their own alternative. This resulted in the formation of the Victory Sports One network.

The formation of alternative networks such as Victory Sports One is occurring throughout the country, as clubs try to generate local broadcast revenues commensurate with comparable markets.

The formation of this network should not directly affect the development of a new ballpark. The successful launch of Victory Sports One should increase the Twins' locally generated revenues, thus adding financial stability to the franchise and enhancing its ability to compete.

What has Mr. Pohlad done to help stabilize the baseball franchise in Minnesota?

Mr. Pohlad has incurred significant and recurring operating losses to provide Minnesotans with a competitive baseball team. This commitment has resulted in World Series Championships in 1987 and 1991, Divisional Championships in 2002 and 2003, and a League Championship Series appearance in 2002. In the past 16 years, only the New York Yankees have achieved a higher success rate in the American League. This is particularly impressive given the limited resources available to the Twins in the Metrodome.

Additionally, Mr. Pohlad has fought during the past decade as an advocate for increased Revenue Sharing for the lower revenue clubs, improved competitive balance, and the need to implement industry-wide financial stability tests.

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INDUSTRY/MAJOR LEAGUE BASEBALL QUESTIONS

What is the status of contraction?

In connection with the Collective Bargaining Agreement (CBA) entered into with the Major League Baseball Players' Association (MLBPA) in 2002, Major League Baseball (MLB) agreed not to contract any club during the term of the CBA, which extends through the 2006 playing season.

In return, the MLBPA agreed not to oppose contraction after 2006, provided that the MLBPA receives adequate notice of the club's intent to contract and that MLB bargains the "effects" of its decision to contract with the MLBPA.

How many other new Major League ballparks have been built in recent years?

By the upcoming 2004 playing season, 16 clubs will have built and opened new ballparks since 1991. Of these ballparks, all are single-purpose, open-air ballparks with natural grass; four of them have retractable roofs.

New ballparks will open in Philadelphia and San Diego in 2004, and significant negotiations are taking place for new ballparks or renovations in St. Louis, Miami, and Kansas City.

How have the new ballparks been funded?

All of the new ballparks have required a combination of public and private participation. There has generally been a direct correlation between the amount of private funding and the market size of the franchise. For example, ballparks constructed in the large market area franchises of San Francisco, Detroit, and Philadelphia have had some of the highest private participation (more than 50%). It is well known that San Francisco has had the highest participation of private funds, exceeding 90%. On the other hand, the funding of ballpark construction in smaller market areas such as Pittsburgh and Cincinnati has included more modest private participation (below 20%).

The average private participation for small to middle market clubs, such as in the Twin Cities, has been in the $50-million range for open-air ballparks (including Atlanta, Baltimore, Cincinnati, Cleveland, Colorado, Pittsburgh, San Diego, and Texas), and $95 million for ballparks with retractable roofs (including Arizona, Houston, Milwaukee and Seattle).

The comparable new ballpark case studies presented by Mr. Lester during the initial hearing of the Screening Committee included private participation that ranged from 17% to 27% for Milwaukee, Pittsburgh, Seattle and Colorado. The average private participation for these four clubs was 21%.

The public participation in funding these ballparks has generally come from a combination of public sources, including state, county and host community revenue sources. These sources have generally supported revenue and general obligation bonds, both taxable and tax-exempt.

With the new reforms in Major League Baseball, why is a new ballpark still necessary?

While the league has undertaken several initiatives and measures to "level the playing field," enhance competitive balance, improve financial stability covenants, and provide Revenue Sharing credits to reward new ballpark projects, the burden continues to lie with the local club and the local community to resolve their local facility issues.

There is no "silver bullet" to addressing local franchise issues; rather, it is the combination of league economic initiatives and local initiatives (such as new ballparks and local broadcast networks) which will ultimately assist in enhancing franchise stability and competitiveness.

Why hasn't the new ballpark in Milwaukee been as successful as those in Colorado, Baltimore and Cleveland?

Milwaukee will always be disadvantaged as one of the smallest markets in all of Major League Baseball. Since 1995, the Brewers' ownership and management teams have taken every action possible for this franchise to survive in its small market. The benefits of these actions were ultimately realized in 2001 with the opening of Miller Park, when the franchise drew 2.8 million fans.

In anticipation of opening their new ballpark, the Brewers increased their player payroll more than 100% in an effort to be competitive in the year they began playing in their new facility. This business strategy had been successfully executed by several clubs opening new ballparks.

However, from 2001 through 2003, Milwaukee's significant investment in free agents and player signings yielded limited success, and the Brewers continued to finish with one of the worst win/loss records in all of baseball.

Beginning in 2002, the fan interest waned and the club's operating losses mounted as the Brewers experienced historic declines in fan interest and attendance. In reaction to these events, the Brewers have decided to cut their losses in 2004, trade their highest priced and most popular players, and downsize their payroll to match their diminished revenue levels until they can put a more competitive product on the field. The fans and public have reacted loudly to the roster restructuring.

The Twins took the same downsizing approach in the late 1990s, and that decision led to a nucleus of Twins players that led to back-to-back division championships.

The lesson to be learned from this case study is the importance of maintaining a competitive product on the field while sustaining the success of a new facility.

Will Major League Baseball guarantee that the Twins will fulfill their lease obligation?

No. Major League Baseball considers lease negotiations a local issue between the franchise and the host community. As a result, Major League Baseball does not provide such guarantees.

Will Major League Baseball participate in funding the new ballpark?

Major League Baseball does not provide direct funding of ballpark projects. However, it does recognize the benefits that new ballparks provide, and as a result it provides significant incentives for clubs to invest in new ballparks in the form of credits against Revenue Sharing obligations. The credits permit clubs to offset shared revenues with the depreciation of new ballpark investments, rent payments, and stadium operating expenses.

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PUBLIC SECTOR QUESTIONS

The Xcel Energy Center has been an extraordinarily successful sports facility for the city of St. Paul, the Twin Cities metropolitan area, and the state of Minnesota. Would a financing structure similar to that of the Minnesota Wild work for the Twins?

Yes. The Xcel Energy Center was funded 50% by an interest-free loan from the state of Minnesota, to be fully repaid by the team in rent over a 25-year lease term. The other 50% was funded by revenue bonds issued by the city of St. Paul. The team received 100% of the revenues generated by the facility, but in addition to rent, they were required to pay for 100% of the operating costs of the facility.

The Twins believe this precedent is an excellent and fair model. The state would fully recoup the amount of its loan from the team, and the host community would issue revenue bonds to support its portion of the project financing.

Why didn't the 2002 legislation work?

The 2002 ballpark legislation provided a giant step forward in the new ballpark solution. While progress was made, the legislation had several impediments that prevented building a new ballpark.

First, the legislation was deliberately structured to exclude Hennepin County from participation. As a result, the city of St. Paul was the only host community actively attempting to structure a ballpark solution. St. Paul undertook the Herculean task and, together with the Minnesota Twins, worked diligently to try find a new ballpark solution. However, there were too many unknowns, uncertainties, risks and loose ends to consummate a transaction within the time period required by the legislation. While we essentially ran out of time, significant progress was made and lessons were learned.

Additionally, the Legislature imposed significant conditions that resulted in an unworkable solution. These conditions included league guarantees that were not available and the requirement for a referendum that would prolong the process. Furthermore, the legislation did not provide for a retractable-roofed facility.

Finally, the legislation relied primarily on the arbitrage financing structure, which the Twins, their advisors, and the host communities did not consider to be feasible, as discussed below.

What is the Twins' view of the arbitrage financing structure proposed in 2002?

The arbitrage structure was aptly described by the Finance Department during the first Committee hearing. The Twins believe the arbitrage structure proposed in 2002 to be very creative. Unfortunately, the Twins financial advisors believe the structure contains substantial interest rate risk which the Twins are unwilling to accept.

Furthermore, the Twins have been advised by capital markets professionals and the investment community that it would be extraordinarily difficult to market the bonds, which rely on the arbitrage structure, without a guarantee by the state or another creditable entity to assume the inherent structural interest risk. Also, it may be very difficult, if not impossible, to achieve tax exempt benefits under the arbitrage structure.

Finally, the arbitrage structure requires the Twins and private sector contributions to be paid 100% up-front. As previously discussed, this requirement has little appeal to the Twins, as it is the least efficient, most costly, and most restrictive on the team's ability to compete.

Why doesn't a local referendum make sense?

The Twins do not believe it is appropriate for a local referendum to determine the fate of a statewide attraction. State legislators frequently make difficult economic and financial decisions on behalf of their constituents. The Twins believe the decision regarding the direction of Major League Baseball in Minnesota can best be determined by state legislators and interested host communities.

Prompt, decisive action is required to complete the project on a timely basis, to begin expending the millions of dollars necessary to plan and design the project, and to assure that a favorable interest rate environment is seized. Further delays and conditions such as a referendum could result in the failure of this project and affect the long-term future of professional sports in Minnesota.

Is tax-exempt financing available to finance the new ballpark?

Yes. While tax-exempt structuring is very complex and restrictive, our financial advisors believe this structure has the potential of saving the project $40-45 million on a present value basis.

The Twins believe this level of savings should be among the highest priorities in structuring the transaction. Alternatively, if 100% of the bonds cannot qualify for tax-exempt treatment, a portion of the project should be structured accordingly.

Tax exempt financing has been used in several ballpark transactions on a full or partial basis. The Twins believe it makes good business sense to try find ways to utilize this most efficient financing structure and the related cost savings.

Why should the public help fund a ballpark for a privately owned team?

Major League Baseball provides economic and social benefits to millions of state and regional fans. The burden of financing a new ballpark should not be borne by any one group or entity, but rather should be a combined effort of the public and private sectors. This conclusion has been reached in virtually every community in which a new ballpark has been built since 1990.

Allocating the financing burden to the private sector should be a function of the local market size and the many other factors discussed previously.

Clearly, the state reaps the benefits of player income taxes, which would not be collected without the presence of Major League Baseball in Minnesota. Significant state sales taxes are also generated from the sale of tickets and concessions. The Twins estimate that the present value to the state of Minnesota of only the ***incremental*** sales and income taxes that would result from within the new ballpark exceeds $100 million.

The host community arguably realizes the most significant economic benefits of attracting two to three million fans to its community each year. The benefits a sports facility can bring to the host community have been dramatically demonstrated by the impact of the Xcel Energy Center on St. Paul, which have been quantified to exceed $200 million per year. Even if this amount is half right, the impact is significant.

While the ultimate allocation of each entity's participation varies on each new ballpark project, it is clear that the state, the host community, and the team should all be at the table. Again, the financing of Xcel Energy Center provides an excellent example of how the state, a host community, and the team can all come together to create a workable solution.

Minnesota Twins and Major League Baseball:

Their Current Standings (On and Off the Field)

Governor Pawlenty's
Stadium Screening Committee
January 6, 2004

MAJOR LEAGUE BASEBALL

MINNESOTA Twins

2003 On the Field Standings
American League Central

AL Central	Wins	Losses	Percent
Minnesota	***90***	***72***	***.556***
Chicago	86	76	.531
Kansas City	83	79	.512
Cleveland	68	94	.420
Detroit	43	119	.265

A first place team on the field. Off the field . . .

Revenue Rankings

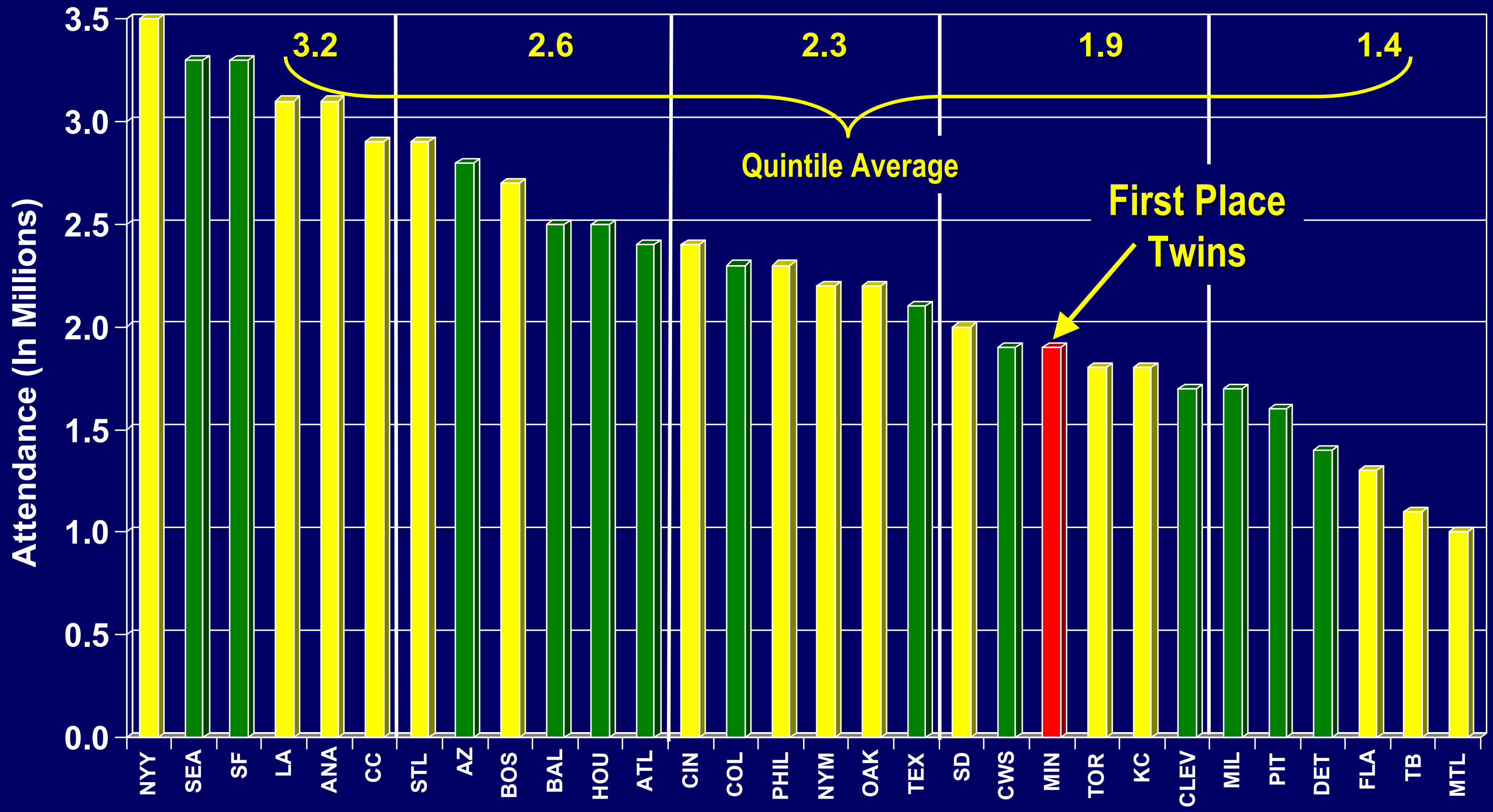
- **Despite their first-place finish, the Twins are among the last place teams in attendance and revenues.**

	Amount (In Millions)	Rankings
2003 Attendance	1.9	***20th***
2003 Local Revenue	$ 48.3	***25th***

What Should the Twins' Attendance Be?

Minnesota Twins:	
2003 (First Place Finish)	1.9
Three-Year Average	1.6
2003 Industry Average	2.3
2003 New Ballpark Average	***2.3***

Attendance Rankings



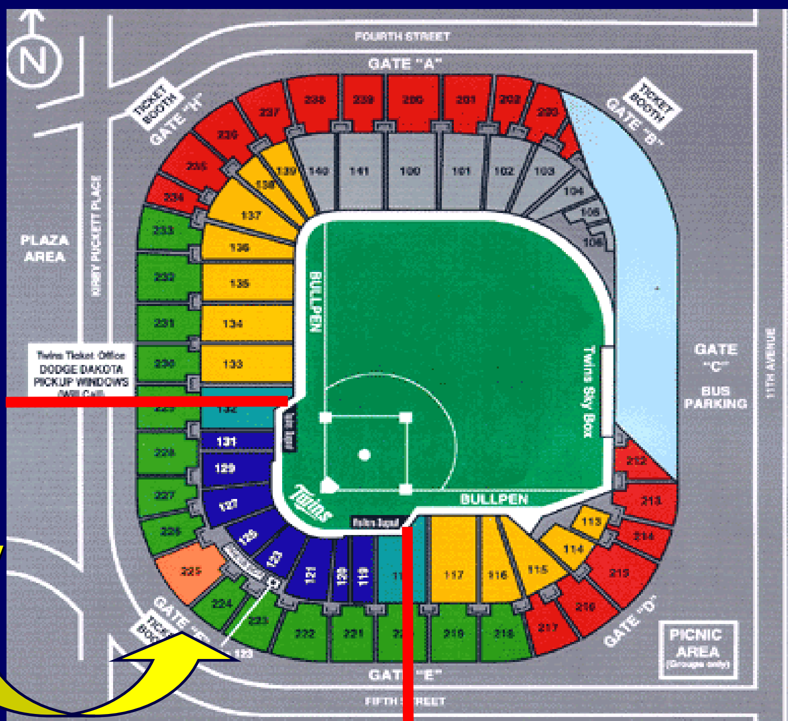
New ballpark clubs.

Revenue Rankings in the Metrodome (Despite First Place Finish)

Revenue Source	2003 Ranking
Gate Receipts	25
Concessions	24
Advertising	26
Parking	27
Suite Rentals	30
Total Revenues	25

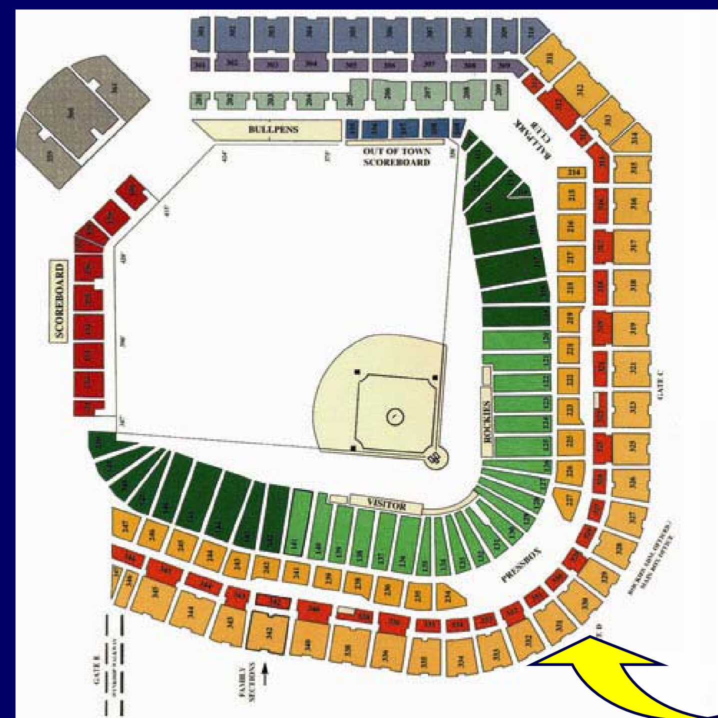
Why Are Revenues So Low?

- The Twins are playing baseball on a football field with few "quality" baseball seats.



25% Quality Seats

Metrodome



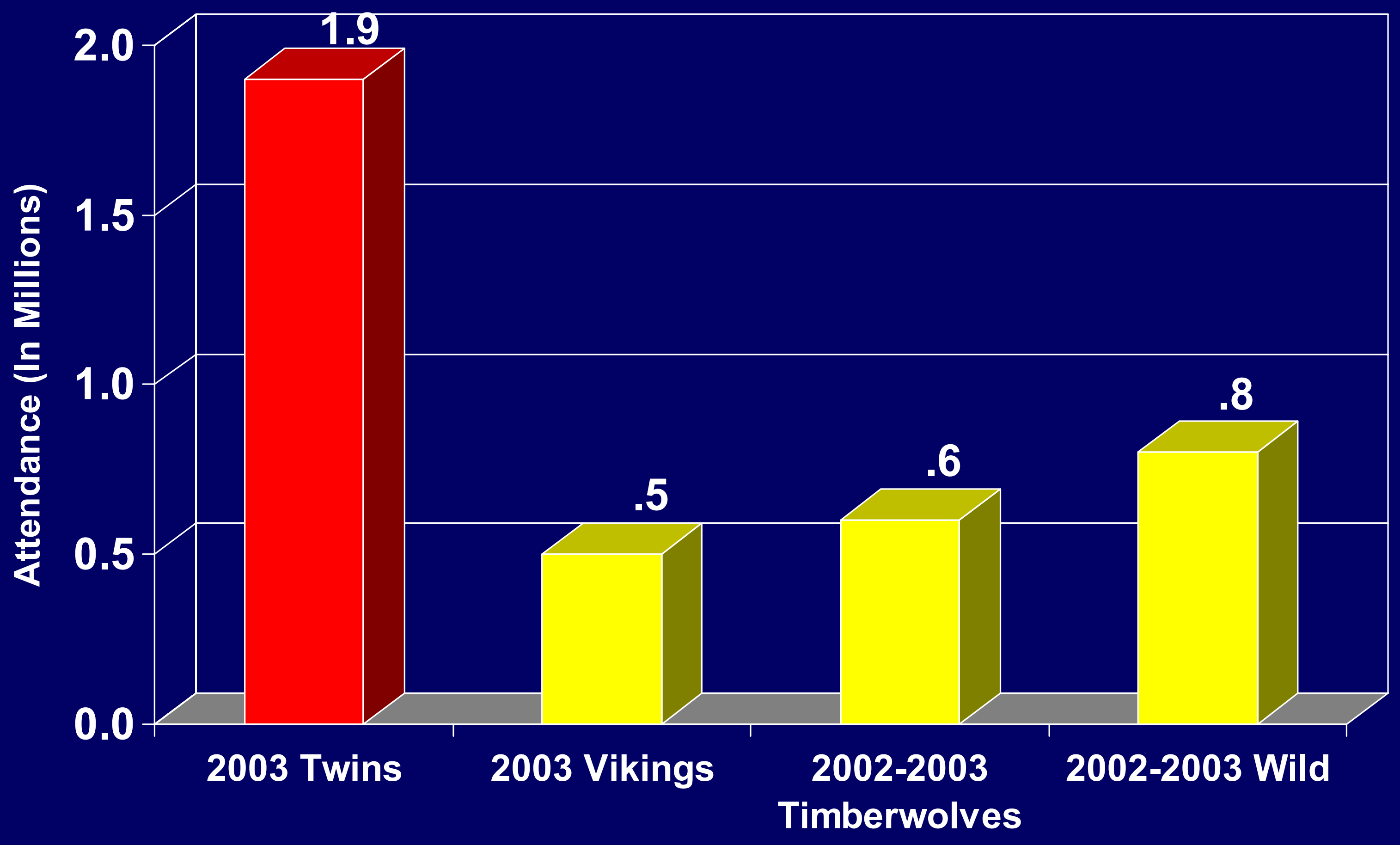
Almost 50% Quality Seats

Coors Field

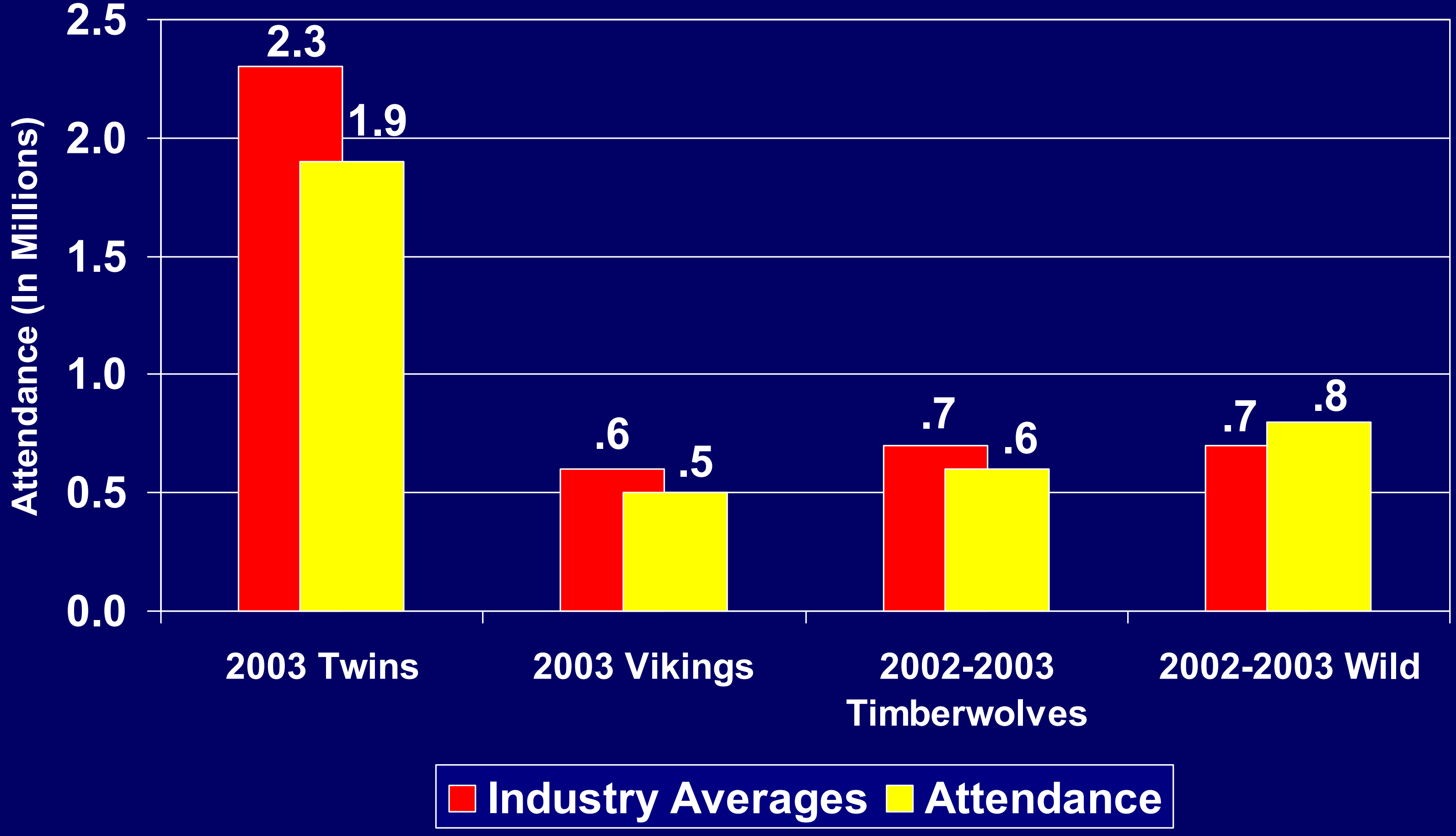
Baseball Attendance:
Did You Know?

Even With 1.9 Million Fans, the Twins Attract More Fans Than the Other Professional Sports COMBINED!

Baseball Attendance Versus Other Sports



Baseball Still Has MUCH MORE UPSIDE Than the Other Sports



Ticket Affordability: Did You Know?

Baseball Costs Less Than *1/2* of the Other Professional Sports

The Twins Are the Most Affordable Family Entertainment Among Professional Sports

Team	Average Ticket Price
Twins	***$ 14.40***
Vikings	59.00
Timberwolves	37.01
Wild	49.72

Source: *Team Marketing Report*

Demographics:
Did You Know?

- **The Twins ARE NOT a small-market club . . . they are a middle-market club with below average revenues.**
- **The market ranking for the Twin Cities is *12 out of 24 U.S. markets*.**

How MLB Measures Market Potential

- MLB Considers a **DOZEN factors** in the following categories to evaluate market potential:
  - Population, growth and media market.
  - Income, buying power and spending.
  - Business community.
  - Proximity to other franchises.

Minneapolis/St. Paul Demographics
Population, Growth and Media Market

Demographic Measure	Amount	Rank (1-24)
Population and Growth (2002):		
35-Mile Radius	2.85 M	15
70-Mile Radius	3.66 M	19
Media Market Size (DMA)	4.16 M	13
Projected Growth Rate	5.2%	12
Number of TV Households	1.60 M	13
Average Rank		***14***

Based on 24 U.S. MLB markets.

Minneapolis/St. Paul Demographics
Income, Buying Power and Spending

Demographic Measure	Amount	Rank (1-24)
Income and Spending:		
Income Per Capita (EBI)	19,173	15
Households With EBI >$150,000	41,000	14
Buying Power Index (BPI)	1.6609	12
Retail Sales Per Capita	16,312	1
Average Rank		***11***

Based on 24 U.S. MLB markets.

Minneapolis/St. Paul Demographics
Business Community and Proximity

Demographic Measure	Amount	Rank (1-24)
Business Community:		
Fortune 1000 Companies— 35 Miles	33	7
Number of Businesses	176,897	14
Average Rank		***11***
Proximity:		
Approximate Distance to Nearest MLB Team (Milwaukee)		***295***
Overall Ranking		***12***

Based on 24 U.S. MLB markets.

Market Ranking—12

- The Bad News: Despite their "on-field" success, the Twins are performing significantly below their market potential due to their facility.
- The Good News: There is significant upside to the Club, City, County and State if the facility issue is resolved.

State Tax Generating Potential: Did You Know?

- Currently, the Twins generate approximately *$5 million* per year in sales and income taxes from *inside* the ballpark.
  - Excludes bars, restaurants, hotels, services, etc.
- In a new ballpark, the tax revenue should more than double to *$11 million* per year.
- The present value of this increment to the State, over 30 years, is *greater than $100 million*.

Can the Twins Reach Their Potential in the Twin Cities Market?

Factors Necessary to Reach Their Potential
(All Factors Are Necessary)

1. A productive player development system.
2. An economic system which enables all clubs to compete.
3. A fan-friendly outdoor ballpark.
   – Funded in a way which enables the club to compete.
   – *Don't "kill the golden goose" by over-leveraging the club*.
4. Supportive partners from the public sector and business community.

Evaluation Factor 1: Player Development System

- The Twins have become an industry leader of outstanding player development.
- In 2003, several clubs are demonstrating that you don't need to outspend your competitors to win.

The "Fab 5"	Payroll Rank (1-30)
Kansas City	28
Montreal	27
Oakland	23
Minnesota	20
Florida	19

- The industry trend is to emulate this efficient approach.

Evaluation of Factor 2: An Economic System That Works

- **During the past few years, Commissioner Selig has taken monumental steps to reform the economics of MLB.**
- **The cornerstone of this reform is the Collective Bargaining Agreement ("CBA") entered into with in August of 2002.**
- ***The CBA was achieved without suffering the economic damage of a work stoppage.***
- **This agreement assures the industry of labor peace through 2006.**

Collective Bargaining Objectives

- The objectives of the CBA were to:
  - Enhance competitive balance.
  - Increase the financial stability of the 30 major league franchises.
- These objectives were addressed with the following economic mechanisms:
  - Enhanced Revenue Sharing.
  - Competitive Balance Tax on players' salaries.
  - Debt Service Rule.

CBA: Enhanced Revenue Sharing

- Under the new CBA, clubs are required to share 34% of all locally generated revenues.
- Additionally, the clubs agreed to share national revenues on a disproportionate basis.
- In 2003, the highest revenue clubs will share over $50 million; the lowest revenue club will receive in excess of $29 million.
- In 2003, the industry will transfer approximately $220 million to lower revenue clubs.
- The amount of revenue sharing will continue to increase as the plan becomes fully implemented by 2005.

League Participation in New Ballparks:
Revenue Sharing Credits

- The league is participating in the funding of new ballparks by providing *revenue sharing credits* for clubs investing in new facilities, by allowing club deductions against shared revenues:
  - Accelerated depreciation.
  - Rent payments.
  - Stadium operating expenses.
- The amount of credit depends on the ballpark investment and structure, *but could exceed $5 million per year*.
  - The greatest credits are realized with a rent payment structure.

CBA: Competitive Balance Tax

- Beginning in 2003, the clubs who exceed a predefined payroll threshold ($117 million) will be assessed a Competitive Balance Tax at a rate of 17.5%.
- The tax rate can escalate to as high as 40% by 2005 and 2006.
- The *threshold* increases, on average, approximately 5% per year over the term of the CBA.

CBA: Debt Service Rule

- The CBA now mandates that clubs generate enough *positive cash flow* to service their debt payments.
- This covenant will *reduce industry losses* and indebtedness.
- This rule must be considered when structuring franchise acquisitions, new ballpark investments and working capital needs.
  - Otherwise operating flexibility could be diminished.

CBA: Contraction/Relocation Status

- **Contraction.**
  - No contraction during term of new CBA (2006).
  - *No challenge to contraction by the MLBPA effective for 2007*.
- **Relocation.**
  - Several markets are actively competing to host the Montreal Expos on a permanent or part-time basis.
    - Washington, D.C.
    - Northern Virginia
    - Portland
    - Las Vegas
    - San Juan, Puerto Rico
    - Monterey, Mexico

Is Competitive Balance Improving Under the New CBA?

Clubs in Postseason Contention on 9/1/03

Arizona	Minnesota
Atlanta	Montreal
Boston	New York Yankees
Chicago Cubs	Oakland
Florida	Philadelphia
Houston	San Francisco
Kansas City	Seattle
Los Angeles	St. Louis

Evaluation Factor 3: A Fan-Friendly, Outdoor Ballpark

- The success of this factor will be based on:
  - Site selection.
  - Ballpark design to fit the Twin Cities market.
    - Intimate, not too big, not too small.
  - Ballpark deal to fit the Twin Cities market.
    - "Fair" participation by all stakeholders and beneficiaries (Twins, City, County, State, business community).
    - Ballpark lease whereby the club has rights to all revenue streams.
    - Will the deal enable the club to compete?
  - Roof or no roof?

Ballpark Funding for Small to Mid-Sized Markets

	In Millions
Average Club Up-Front Payment:	
4 Roofed Ballparks (Arizona, Houston Milwaukee and Seattle)	$96
8 Open-Air Ballparks (Atlanta, Baltimore, Cincinnati, Cleveland, Colorado, Pittsburgh, San Diego and Texas)	$47
Average Annual Lease Payments	$2 to $3

The Amount of Club Payment Will Depend on Ballpark Design, Location and Lease Terms.

The Remaining Funding is a Combination of City, County and State Participation

Evaluation of Factor 4: Supportive Partners

- Corporate community is needed for:
  - Season tickets.
  - Suites and club seats.
  - Sponsorships.
  - Naming rights.
  - Other support.
- Support is necessary by Club, City, County and State.
  - Structure is to be determined.
  - May take a variety of forms.

Forms of Support

- Direct funding.
  - Supported by a variety of revenue sources.
- Site acquisition and preparation.
- Infrastructure.
- Tax havens.
- Credit enhancement.
- Enabling legislation.
- Bonding authority.
- Risk assumption.

Is This Market Large Enough to Support Four Professional Franchises AND the University of Minnesota?

The Twin Cities Demographic Rating is Within the Range of Other Four-Team Markets

Four-Team Markets, Excluding Mega Markets	Overall Demographic Ranking	DMA Population (In Millions)
Dallas	4	6.0
Boston	6	6.2
Philadelphia	7	7.6
Atlanta	9	5.4
Detroit	10	5.0
Twin Cities	***12***	***4.2***
Denver	13	3.6
Phoenix	14	4.2
Miami	15	4.1

Note: Houston and Seattle have a higher demographic rating, but only three teams (no NHL team).

Four-Team Markets
Population "Coverage" Versus Sports Attendance

Four-Team Markets, Excluding Major Markets	DMA Population (In Millions)	Major Sports Attendance (In Millions)[1]	Coverage: Population Per Attendee
Dallas	6.0	4.4	1.4
Boston	6.2	4.5	1.4
Philadelphia	7.6	3.7	2.0
Atlanta	5.4	4.2	1.3
Detroit	5.0	3.7	1.4
Twin Cities	***4.2***	***3.8***	***1.1***
Denver	3.6	4.7	0.8
Phoenix	4.2	4.7	0.9
Miami	4.1	2.7	1.5
Average	***5.1***	***4.0***	***1.3***

[1] Total of MLB, NFL, NBA and NHL attendance.

Four-Team Markets and Universities

- Most of the other four-team markets also support major universities with athletic attendance *at least equal to* the U of M.
- 2002 attendance for the top three drawing teams at the U of M was 720,000 (men's football, basketball and hockey).

Characteristics of Four-Team Markets

- ***The Twin Cities falls squarely within the range of other four-team markets*.**
- **The *"avid fan"* base of each of the four sports are each very different and will generally be supportive of their team, win or lose.**
- **The "ebb and flow" of attendance by the more *"casual fans"* will follow the contenders.**
  - **When local teams are competitive, they have been supported.**
  - **If they are NOT competitive, casual fans will jump off the bandwagon.**
- **Baseball is advantaged in being the only summertime sport and is supported by non-school months and tourism.**

In Summary

- **The Twins have performed exceptionally well *on the field* despite their facility.**
  - **This success *cannot* be sustained.**
- **Baseball is an underperforming asset for this 12th ranked market.**
- **The Twin Cities market falls within the range of other middle-market cities (with a major university).**
- **MLB has taken meaningful steps to get its house in order.**
  - **Still, the club must resolve its local issues.**

In Summary (Cont'd.)

- The many hurdles raised in past legislative sessions have been removed.
- The Twins' Metrodome use agreement expired following the 2003 season.
- Further delays in addressing the Twins' facility issues will only cost more (higher construction costs and interest rates).

Summary (Cont'd.)

- The success or failure of maximizing the potential of the Twins for the Club, City, County and State are still "to be determined."
- The success or failure will depend on who steps up to the plate and whether they ***strike-out, slap a single or hit a home run***.