Report of the Independent Members
of the
Metropolitan Milwaukee
Association of Commerce (MMAC)
Business Task Force

Milwaukee Brewers Baseball Club Financial Review (1994 – 2003)

May 2004

MMAC Metropolitan Milwaukee Association of Commerce
Council of Small Business Executives
www.mmac.org

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INTRODUCTION

Approximately 90 days ago the Metropolitan Milwaukee Association of Commerce ("MMAC Task Force") began a review of certain financial matters with respect to the Milwaukee Brewers Baseball Club ("Brewers") from the years 1994 through 2003. The purpose of this document is to report on the financial information that was reviewed.

Our objective is to put the facts on the table as they relate to concerns raised by the public and legislators regarding the club's revenues, expenses, and cash flows, as well as debt, related-party transactions, and ownership activity.

Specifically, our goal was to produce a report that summarized the historical sources and uses of the Brewers' cash flows, including operating revenue and expense, financing and investing activities, related-party transactions, and comparisons to Major League Baseball ("MLB") where applicable.

We were able to accomplish this goal because we had access to audited financial statements for the years 1994-2003 as reported by KPMG LLP, the team's independent auditor. To the extent that we had questions regarding specific line items contained in these audited financial statements, the MMAC Task Force had the ability to review any existing support documentation. For example, we were able to review the general ledger detail, tax returns, IRS Forms W-2, as well as industry data and surveys where appropriate.

We also had access to club personnel, the independent auditor and designated officials from MLB. The Brewers' staff was always cooperative and provided all of the additional information requested.

As members of the MMAC Task Force we were also supported by the Association's resources, and the pro-bono resources of American Appraisal Associates Inc. ("AAA"), an international consulting firm that specializes in the valuation of businesses.

We also want to acknowledge that, while broad access to data and personnel was granted, the MMAC Task Force respects the legitimate interests of the Brewers in preserving the confidentiality interests of third parties that do business with the Brewers and ensuring that the Brewers' ability to do business in a competitive environment is not compromised. The Brewers had no legal obligation to allow the MMAC Task Force to review the Brewers' financial records, but did so consistent with the spirit and goal of this report.

The summary of our findings appears in the following section of this report. These findings, along with the supporting data, represent our clear commitment to present the facts as we found them. Any relationships we have with the Brewers are detailed in Exhibit III of this report.

Curt Culver ***Jim Keyes*** ***Bob O'Toole***

After 90 days of review and third-party, independent confirmation of the financial information and other records of the Brewers for fiscal years 1994-2003 (11/01/93 - 10/31/03), our findings are as follows:

1. During the period under review, the owners committed $43.8 million in equity to the club. Of this total, $32 million was contributed through fiscal 2003. The remaining $12 million was committed in 2003 and was funded in 2004. An additional $3 million was contributed in 2004 which brings the total funding by the owners to $46.8 million over the last eight years.

2. Notes payable under credit agreements with banking institutions increased from $32.4 million at the beginning of fiscal 1994 to $122 million at October 31, 2003 – an increase of $89.6 million. These notes payable, together with the balance of a non-resource note payable to MMAC, bring the total debt of the club to $133.1 million as of October 31, 2003. The club's debt is below the industry average of $140.1 million for the 12 clubs with new ballparks.

3. The Brewers $90 million investment in the construction of Miller Park was funded during 1999 through the issuance of three non-recourse notes totaling $50 million to unrelated third parties and $40 million in 1999 and 2000 through other financing arrangements.

4. No other businesses or entities were funded or supported by the club. All sources of cash – equity contributions, borrowing under credit agreements and non-recourse notes, and results from operations – were used to fund the Brewers' investment in Miller Park and to fund ongoing operations of the club.

5. Stock sales occurred between owners, but the Brewers did not repurchase shares from owners with club assets or through borrowings under credit agreements.

6. No dividends were paid to owners.

7. Related party transactions are detailed in the report and do not appear to be excessive.

8. Stadium District Findings – a) Brewers' rent payments to the District over the life of the lease will total $33.4 million; b) Brewers' contributions to the Segregated Reserve Fund used to finance major repairs will total $21.7 million over the life of the lease; and c) in consideration for the retirement of a portion of the non-recourse notes that resulted in a $41.2 million non-cash gain to the Brewers, the District reduced maintenance payment to the Brewers that will save the District approximately $78 million over the life of the lease.

9. The Brewers had total operating revenues of $703 million during this 10-year period, averaging $53.2 million during the seven-year period prior to the opening of Miller Park, and averaging $110.1 million during the first three years in Miller Park.

TABLE 1: OPERATING REVENUE

	County Stadium 1994 to 2000 Average (millions)	*Miller Park 2001 to 2003 Average (millions)*	*% Increase*
Local baseball Revenue	$30.6	$70.4	130
MLB Revenue	14.5	25.3	74
Revenue Sharing	5.5	11.8	115
Other	2.6	2.6	-
Average Revenue	$53.2	$110.1	107%

10. The Brewers had total operating expenses of $731.8 million during this 10-year period, averaging $60.6 million during the seven-year period prior to the opening of Miller Park, and averaging $102.8 million during the first three years in Miller Park.

TABLE 2: OPERATING EXPENSE

	County Stadium 1994 to 2000 Average (millions)	*Miller Park 2001 to 2003 Average (millions)*	*% Increase*
Major League Player Compensation	$31.3	$52.0	66%
Baseball Operations	15.0	24.2	61
Other Team Operations	12.1	18.9	56
Major League Baseball Expenses	2.1	3.7	76
Depreciation	0.1	4.0	39
Average Expense	$60.6	$102.8	70%

During the seven-years prior to opening Miller Park, the Brewers spent an average of $46.3 million on baseball operations, $31.3 million for player compensation and $15.0 million for scouting and player development. Subsequent to the opening, the Brewers spent an average of $76.2 million on baseball operations, $52.0 million for player compensation and $24.2 million for scouting and player development.

Net operating loss for the 10-year period was $28.8 million.

The data and analyses that follow reflect a summary of the information that was reviewed to support these findings.

A. REVENUES

The Brewers had total operating revenues of $703 million during this 10-year period, averaging $53.2 million during the seven-year period prior to the opening of Miller Park, and averaging $110.1 million during the first three years in Miller Park.

The $56.9 million (107 percent) increase in average operating revenues in Miller Park was primarily due to the $39.8 million increase in locally generated revenues such as gate receipts, concession sales, parking, suite revenue, local broadcast revenues, and advertising/sponsorship revenue. The remaining increases related primarily to MLB revenues, revenue sharing and other increases totaling an average of $17.1 million.

The Brewers local baseball revenue ranged from a low of $22.7 million in 1995 to a high of $83.3 million with the opening of Miller Park in 2001. Local baseball revenue declined to $59.4 million in 2003 primarily due to a decline in attendance of 1.1 million from 2001 to 2003. In comparing local baseball revenue to other Major League Baseball clubs, the Brewers ranked 23rd on average of all clubs leading up to the opening of Miller Park, 16th in 2001, and 20th in 2002.

The Brewers receipts from revenue sharing under the collective bargaining agreement increased an average of $6.3 million over the two time periods analyzed, ranging from a low of $1.5 million in 2001 and a high of $24.7 million in 2003. However, the 2003 amount includes $8.4 million that was earned and received in 2000, but was recognized in 2003 due to generally accepted accounting principles. Based on industry comparisons for revenue sharing receipts, the Brewers ranked 6th on average of all clubs leading up to the opening of Miller Park, 12th in 2001, and 11th in 2002.

B. EXPENSES

The Brewers had total operating expenses of $731.8 million during this 10-year period, averaging $60.6 million during the seven-year period prior to the opening of Miller Park, and averaging $102.8 million during the first three years in Miller Park.

The $42.2 million increase in average operating expenses is primarily due to: a) an increase of $29.9 million relating to baseball operations ($20.7 million for major league player compensation and $9.2 million for scouting, player development, team travel and baseball administration); b) an increase of $8.4 million to other team operation expenses such as marketing, ticket operations, stadium operations, and general and administrative costs as well as an allocation of expenses related to the management of the central offices of Major League Baseball; and c) an increase of $3.9 million in depreciation expense.

Baseball Operations (including Major League compensation)
During the seven years prior to opening Miller Park, the Brewers spent an average of $46.3 million on baseball operations, ranging from $30.3 million in 1995, $54.9 million in 1998, and $63.7 million in 2000. As a percentage of total expenses, less depreciation, baseball operations was 71 percent in 1994, peaked at 80 percent in 1999 and declined to 76 percent in 2003.

Subsequent to the opening of Miller Park, the Brewers spent an average of $76.2

million on baseball operations – $74.7 million in 2001, $78.5 million in 2002 and $75.2 million in 2003 – despite a drop in attendance of almost 40 percent and a decline in local baseball revenue of 29 percent from $83.3 million to $59.4 million over the three-year period.

A further breakdown of baseball operation costs illustrates the club's increase in major league player compensation leading up to the opening of Miller Park as well as an increase in the scouting and player development expenses.

- Major league player compensation climbed from $17.8 million in 1995, $39.7 million in 1998, $41.4 million in 2000, and to $52.4 million and $55.2 million in 2001 and 2002, respectively. During the seven-year period leading up to the opening of Miller Park, the Brewers major league player compensation ranked 23rd on average in comparison to other clubs. In 2001 and 2002, the Brewers ranked 22nd.

- Baseball operating expenses climbed from $12.5 million in 1995 to $15.2 million in 1998, $22.3 million in 2000 and 2001, and $23.3 million in 2002. In 2003, it climbed another $3.6 million to $26.9 million. During the seven-year period leading up to the opening of Miller Park, the Brewers spending on scouting and player development ranked 20th on average in comparison to other clubs. In 2001 and 2002, the Brewers ranked 17th and 9th, respectively.

Other Team Operations
On average, the Brewers spent $12.1 million on other team operating expenses during the seven years prior to opening Miller Park and $18.9 million subsequent to the opening of Miller Park.

General and administrative costs increased more than 50 percent over the last three years as compared to the seven years prior to the opening of Miller Park, accounting for approximately half of the increase in other team operation expenditures. The increase was primarily attributable to: a) the transition to the new management team in 2003; b) pension expense doubling as a result of lower interest rates and a declining stock market; and c) a doubling of general liability and property insurance as a result of the tragic events of September 11, 2001.

To operate and maintain Miller Park, the Brewers stadium operation expenditures more than doubled accounting for the remaining increase in the expense category.

Despite increases noted above, the Brewers still rank in the bottom third of all major league baseball clubs at 24th in spending on other team operations. Specifically, spending on general and administrative costs ranked 23rd on average leading up to the opening of Miller Park and was 24th and 23rd in 2001 and 2002, respectively. Stadium operation expenditures ranked 21st on average leading up to the opening of Miller Park and were 16th and 15th in 2001 and 2002, respectively.

Other Operating Expenses
Other expense categories impacting net operating results include: a) major league baseball expenses relating to the central offices of major league baseball, which increased from an average $2.1 million for the seven years leading up to the opening of Miller Park, to $3.7 million since 2001; and b) depreciation expense, which has averaged $4.0 million since the opening of Miller Park relating to the depreciation associated with the Brewers $90 million investment in Miller Park.

C. NET OPERATING INCOME (LOSS)

The Brewers had a net loss from operations of $28.8 million over this ten year period, or $2.9 million on average per year, ranging from a loss of $15.7 million in 1999 to income of $11.8 million in 2001. As noted above, the net operating income for 2003 in the amount of $12.1 million resulted in part from the recognition of $8.4 million of revenue sharing that was earned and received in 2000, but was recognized in 2003 due to generally accepted accounting principles.

In comparing net operating results to other Major League Baseball clubs, the Brewers ranked 13th highest on average for all clubs leading up to the opening of Miller Park, 1st in 2001, and 9th in 2002.

D. NON-OPERATING ITEMS

Non-operating items include: a) interest income and expense; b) expansion proceeds of $9.3 million received in 1998; c) insurance settlements to recover additional costs incurred due to the crane accident in 1999; d) a non-cash gain of $41.2 million relating to the retirement of a portion of the non-recourse notes issued in conjunction with the construction of Miller Park, which is more fully described in the section on the Stadium District; and e) a non-cash loss booked on a derivative financial instrument of $2.3 million in 2003.

In each of the last 10 years, the Brewers have required more cash than that provided by all revenue sources to fund ongoing operations, player investments (signing bonus commitments) and their investment in Miller Park. A summary of the cumulative cash requirement components during this 10-year period is shown in the following table.

TABLE 3: CASH REQUIREMENT COMPONENTS 1994 - 2003 (millions)

Operations	$11.9
Signing Bonus Commitments	58.7
Investment in Miller Park	
Hard Costs - to District	90.0
Soft Costs - Interest Expense and Consulting/Legal Fees	10.1
Total Cash Requirements	$170.7

To fund this $170.7 million cash requirement, the Brewers have relied on $31.8 million in contributions from owners and $139.6 in debt financing. The historical summary of the cash requirement and related financing is reflected in the following table.

TABLE 4: CASH FLOW (millions)

	Cash Requirement	*Equity Financing*	*Debt Financing*	*Total Financing*	*Net Change in Cash*
1994	$8.5	$ -	$5.7	$5.7	$(2.8)
1995	15.9	-	15.1	15.1	(0.8)
1996	13.3	-	13.1	13.1	(0.2)
1997	7.4	10.0	(1.2)	8.8	1.4
1998	4.6	-	3.2	3.2	(1.4)
1999	88.9	10.0	78.7	88.7	(0.2)
2000	12.9	-	12.9	12.9	-
2001	7.8	-	7.7	7.7	(0.1)
2002	11.1	11.7	1.3	13.0	1.9
2003	0.3	0.1	3.1	3.2	2.9
	$170.7	$31.8	$139.6	$171.4	$0.7

The cash requirements from 1994 through 1998 were attributable to the losses incurred as a result of the 1994-1995 players' strike. The large cash requirements for 1999 and 2000 totaling $101.8 million included the Brewers' investment in Miller Park. The ongoing cash requirements in 2001 through 2003 reflect the club's investment in scouting and player development. Signing bonuses for amateur draftees totaled $26.8 million over this three-year period.

The Brewers borrow money under credit agreements with banking institutions as notes payable. Notes payable increased from $32.4 million at the beginning of fiscal 1994 to $122 million at October 31, 2003 – an increase of $89.6 million.

TABLE 5: THE BREWERS' DEBT LEVELS

	Notes Payable	*Non-Recourse Notes*	*Total*
1993	$32.4	$ -	$32.4
1994	38.1	-	38.1
1995	53.2	-	53.2
1996	66.3	-	66.3
1997	65.1	-	65.1
1998	68.3	-	68.3
1999	97.0	51.7	148.7
2000	109.9	54.3	164.2
2001	117.6	53.7	171.3
2002	118.9	12.1	131.0
2003	122.0	11.1	133.1

Note: - The non-recourse notes total includes accrued interest.

As part of the funding for the Brewers' investment in Miller Park, $50 million in non-recourse notes were issued in 1999 to the Bradley Foundation ($20 million), the Helfaer Foundation ($1 million), the Metropolitan Milwaukee Association of Commerce ($14 million) and the City of Milwaukee ($15 million). In October 2002, the Brewers and the District entered into an agreement that retired a portion of the non-recourse notes in exchange for a reduced maintenance contribution payment (in amount and term) by the District.

The historical summary of outstanding debt under these arrangements is reflected in Table 5.

The Brewers' $133.1 million debt balance is below the industry average of $140.1 million for 12 clubs with new ballparks. The overall industry average indebtedness for all clubs is $120.5 million.

OWNERSHIP, EQUITY CONTRIBUTIONS AND WITHDRAWALS

The club's current owners are: Barkin Descendants Trust, Bowman Farms, Inc., John A. Canning, Jr., Mitchell S. Fromstein, Charles V. James, Stephen H. Marcus, Jane B. Pettit Trust, Allan H. (Bud) Selig Baseball Voting Trust, Everett Smith Holdings, Inc., David Uihlein, Mrs. Robert A. Uihlein, Jr., David Walsh, and Harris Turer (Baseball Milwaukee Trust).

TABLE 6: EQUITY COMMITMENTS/FUNDING

	Equity Commitments	*Equity Funding*
1997	$10.0	$10.0
1999	10.0	10.0
2002	11.7	11.7
2003	12.1	0.1
Sub-Total	$43.8	$31.8
2004	3.0	15.0
Total	$46.8	$46.8

During the period under review, the owners have committed $43.8 million to the club. Of this total, $32 million was contributed through fiscal 2003. The remaining $12 million was committed in 2003 and was funded in 2004. An additional $3 million was contributed in 2004, which brings the total funding by the owners to $46.8 million over the last eight years. A summary of the equity commitments and funding is reflected in Table 6.

Stock sales occurred between owners, but the Brewers did not repurchase shares from owners with club assets or through borrowings under credit agreements.

No dividends were paid to shareholders.

A distribution of $94,000 was made for federal income taxes owed under the Alternative Minimum Tax in 2001.

The following is a listing of the related-party transactions which were identified in connection with this review:

A. MANAGEMENT SALARIES – A review of the Forms W-2 for Allan H. Selig, Wendy Selig-Prieb, and Laurel Prieb, indicated that their combined salaries never exceeded $736,000 in any single year during the period under review. A summary of the Form W-2, Box 1 wages is reflected on the following table.

TABLE 7: MANAGEMENT SALARIES ($000)

	Allan H. Selig	*Wendy Selig-Prieb*	*Laurel Prieb*	*Combined*
1994	$543	$103	$88	$734
1995	453	114	95	662
1996	458	152	105	715
1997	451	165	120	736
1998	317	223	133	673
1999	-	299	142	441
2000	-	346	146	492
2001	-	442	146	588
2002	-	437	173	610
2003	-	242	156	398

The Brewers' salaries were compared to those reported in the *Major League Baseball Compensation Surveys* conducted in 2002 by Mercer Human Resource Consulting, and in 2000, 1998 and 1996 by Hay Associates. This comparison showed that the compensation paid was within industry averages.

B. TRAVEL & ENTERTAINMENT - Direct reimbursement to all related parties for travel and entertainment expenses averaged $10,500 per year.

C. DIRECTOR FEES – Combined annual payments to owners for director fees ranged from $10,000 to $29,000.

D. CAR LEASES – Annual payments for car leases to Selig Leasing Company, Inc. ranged from $358,000 in 1996 to a high of $521,000 in 2003. Prior to 2003, the previous high was $461,000 in 2002. The $60,000 increase from 2002 to 2003 was a result of the management transition. The club remained liable for leases outstanding to former employees not retained as part of this transition. The Brewers lease approximately 40 vehicles per year from Selig Leasing, primarily for the scouting staff and executives. It should be noted that the Brewers also have auto leasing arrangements with other non-related companies.

E. OWNER FINANCING ARRANGEMENTS – In 1995, an owner made a $1.5 million short-term personal loan to the club during the baseball strike, when a bank loan wasn't possible. Interest was paid at market rates.

TABLE 8:
OWNER FINANCING GUARANTY FEES AND INTEREST PAYMENTS
($000)

1994	$38
1995	311
1996	455
1997	4
1998	398

Additionally, owners (current and former) have received fees for guaranteeing the club's debt under its loan agreements. Loan guaranty fees and interest payments under such arrangements are reflected in Table 8.

Guaranty fees have not been paid since 1998. Guarantee fees accrued, but not paid, totaled $1.6 million as of October 31, 2003.

No other payments to related parties were identified during this review.

The relationship between the Brewers and the Southeast Wisconsin Professional Baseball Park District (the "District") is governed by a Memorandum of Understanding ("MOU") signed in August 1995 by and between the State of Wisconsin, Milwaukee County, the City of Milwaukee and the Brewers. The MOU outlined the commitments and obligations of each of the parties related to the development of Miller Park. In October 1995, Wisconsin Act 56 was adopted by the state legislature incorporating the terms of the MOU.

The Brewers were obligated to invest $90 million in the construction of Miller Park, which was funded during 1999 through the issuance of three non-recourse notes totaling $50 million to unrelated third parties and $40 million in 1999 and 2000 through other financing arrangements. The District invested $219.6 million, bringing total construction costs to $309.6 million. Ownership percentages are currently 70.9 percent for the District and 29.1 percent for the Brewers.

The club has executed a lease with the District for the use of Miller Park through 2030. The key provisions of the lease and its amendments are described below:

A. RENT – The Brewers pay annual rent to the District of $900,000 from 2001 to 2010, $1,200,000 from 2011 to 2020, and $1,208,201 from 2021 to 2030. Rent payments over the life of the lease will total $33.4 million.

B. SEGREGATED RESERVE FUND – The Brewers are obligated to contribute $300,000 during each year of the Miller Park lease to a fund (the Segregated Reserve Fund or "SRF") to be used to finance major repairs. As part of the fourth amendment executed in connection with the retirement of a portion of the non-recourse notes issued to fund the construction of Miller Park in exchange for a reduction in Annual Maintenance and Repair Contribution commitment by the District (see discussion below), the Brewers agreed to contribute a portion of maintenance commitment payment to the SRF. Contributions to the SRF over the life of the lease will total $21.7 million.

C. ANNUAL MAINTENANCE AND REPAIR CONTRIBUTION –
The MOU indicated that, in recognition of the District's anticipated 64 percent ownership of Miller Park, the District was obligated to make an Annual Maintenance and Repair Contribution (the "AMRC") to the club in an amount computed as the lesser of 64 percent of defined expenses incurred by the club or $3.85 million through 2029.

On October 31, 2002, the terms of the lease were modified to reflect an obligation by the District to make an AMRC payment of only $2.16 million through 2008. This represents a savings of approximately $78 million to the District over the life of the lease.

In consideration for the reduction in the AMRC payments, a portion of the non-recourse notes issued in conjunction with the Brewers investment in Miller Park were retired. Beginning in 2003, all AMRC payments were used to fund principal and interest payments on the balance of the non-recourse notes that remained outstanding.

D. RETIREMENT OF DEBT AND REDUCTION IN ANNUAL MAINTENANCE AND REPAIR CONTRIBUTION COMMITMENT BY THE DISTRICT – As notedabove, a portion of the club's investment in Miller Park was funded during 1999 through the issuance of three non-recourse notes (Series A note, Series B note, and Series C note) totaling $50 million to unrelated third parties. On January 1, 2000, all interest that accrued on the NR Notes since the date of issuance was added to principal and principal amortization commenced.

On October 31, 2002, the Series B and C notes were retired as part of an amendment to the Miller Park Lease in exchange for a reduction to the AMRC by the District. Upon execution of the amendment, the club recognized an extraordinary non-cash gain on extinguishment of debt of $41.2 million. In consideration for this exchange, the Brewers agreed to a reduced AMRC payment that will, as mentioned above, save the District approximately $78 million over the life of the lease.

The Series A note, issued in the amount of $14 million at fixed rate of 6 percent per annum, maturing January 1, 2009, remains outstanding between the Brewers and the District.

REVENUE AND EXPENSES (1994 - 2003)

(millions)

	Total	Average	2003	2002	2001	Average	2000	1999	1998	1997	1996	1995	1994
Paid Attendance	16.7	2.2	1.7	2.0	2.8	1.5	1.6	1.7	1.8	1.4	1.3	1.1	1.3
Operating Revenue													
Local baseball Revenue	$425.6	$70.4	$59.4	$68.6	$83.3	$30.6	$39.6	$35.2	$36.6	$28.9	$27.5	$22.7	$23.8
MLB Revenue	177.8	25.3	29.4	25.0	21.6	14.5	20.2	20.0	18.4	16.3	13.8	7.3	5.8
Revenue Sharing	74.0	11.8	24.7	9.1	1.5	5.5	6.4	9.2	8.1	5.8	4.0	2.9	2.3
Other	25.6	2.6	2.4	1.7	3.6	2.6	1.5	1.0	10.3	1.8	1.4	0.9	1.0
Total	703.0	110.1	115.9	104.4	110.0	53.2	67.7	65.4	73.4	52.8	46.7	33.8	32.9
Operating Expenses													
Major League Compensation	375.3	52.0	48.3	55.2	52.4	31.3	41.4	47.9	39.7	27.2	23.1	17.8	22.3
Baseball Operations	177.2	24.2	26.9	23.3	22.3	15.0	22.3	17.2	15.2	13.9	12.7	12.5	10.9
Other Team Operations	141.2	18.9	20.3	19.4	16.9	12.1	12.7	13.7	12.9	12.1	11.5	10.1	11.6
Major League Baseball Expenses	25.6	3.7	3.6	3.4	4.0	2.1	3.1	2.3	1.7	2.5	1.7	1.2	2.1
Depreciation	12.5	4.0	4.7	4.7	2.6	0.1	0.5	-	-	-	-	-	-
Total	731.8	102.8	103.8	106.0	98.2	60.6	80.0	81.1	69.5	55.7	49.0	41.6	46.9
Operating Income (Expense)	(28.8)	7.3	12.1	(1.6)	11.8	(7.4)	(12.3)	(15.7)	3.9	(2.9)	(2.3)	(7.8)	(14.0)
Net Interest Income (Expense)	(59.5)	(7.7)	(7.6)	(9.2)	(6.3)	(5.2)	(6.2)	(6.3)	(6.1)	(5.8)	(6.0)	(4.2)	(1.8)
Extraordinary Items	60.3	13.4	(2.3)	41.2	1.2	2.9	20.5	(0.3)	-	-	-	-	-
Net	0.8	5.7	(9.9)	32.0	(5.1)	(2.3)	14.3	(6.6)	(6.1)	(5.8)	(6.0)	(4.2)	(1.8)
Net Income (Loss)	$(28.0)	$13.0	$2.2	$30.4	$6.7	$(9.7)	$2.0	$(22.3)	$(2.2)	$(8.7)	$(8.3)	$(12.0)	$(15.8)

REVENUE CATEGORIES
Local Baseball Revenue: Tickets, concessions, parking, suites, local broadcasting, advertising, sponsorships
MLB Revenue: National broadcasting, Internet and interactive media, MLB Enterprises
Other: Non-baseball revenue, one-time items such as MLB expansion proceeds

EXPENSE CATEGORIES
Major League Compensation: base salary, deferred compensation, incentives, pension funding, and prorated signing bonus payments
Baseball Operations: Scouting and player development, team travel, baseball administration
Other Team Operating Expenses: Marketing, ticket operations, stadium operations, general and administrative
Major League Baseball Expense: Expenses related to the Central Offices of MLB

Extraordinary Items
2003—Loss on derivative investment (non-cash item)
2002—Gain on retirement of debt (non-cash item)
2001—Net of insurance for const. accident (1.8 million) and loss on retirement of debt (.6 million)
2000—Construction accident insurance

A. NATIONAL
The primary source of the following information is *The Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics, July 2000.*

During the 1990's, MLB withstood significant turmoil caused primarily by the 1994-1995 players' strike. The industry suffered staggering losses and increasing debt levels. The average club lost $7.6 million per year (loss from operations, before interest), and the industry debt level exceeded $3 billion in 2000, or $100 million per club. By the end of 2003, the industry debt level had exceeded $3.6 billion, or $120 million per club. Furthermore, as a result of the strike, the industry suffered declining attendance and its Central Fund revenues, including its national broadcast revenues, were significantly below the pre-strike levels. To exacerbate matters, revenue and payroll disparities increased to record levels. In fact, during the period from 1994-2000, a total of 189 postseason games were played, and only three clubs which had a below-average payroll won a single postseason game.

The economics and competitive disparity of the industry had deteriorated to such an extent that MLB Commissioner Selig formed a "Blue Ribbon Panel" to review the economic problems of the industry. The resulting report, The Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics, July 2000, provides an excellent synopsis as to the state of the industry economics, as well as specifically how the small-market and low-revenue teams rank within the industry during this period.

Also during the 1990s, the industry underwent a transformation in that 12 clubs either built or were in the process of building new ballparks. These facilities were primarily funded by public dollars with the small to middle markets investing, on average, 20 percent to 30 percent of the ballpark construction costs. It became apparent during the 1990s that, for a small- to middle-market franchise to be viable and competitive over the long term, they would need to play in a baseball-only venue with modern fan amenities similar to those of Miller Park.

B. LOCAL

During this period, the Brewers experienced the same economic plight as the rest of the industry, only compounded by the facts that the Brewers were handicapped by 1) playing in an antiquated facility, County Stadium, for the first seven years of this period, and 2) operating in the smallest market in all of MLB.

The Brewers' transformation began in 2001 with the opening of a state-of-the-art facility, Miller Park. This new infrastructure, together with the effects of the CBA in 2002, provides the Brewers an opportunity to compete over the long term. However, these positive changes have been masked by the team's losing record during this period.

C. ATTENDANCE AND WINNING PERCENTAGE

The Brewers' average attendance during the seven years prior to opening Miller Park was 1.5 million fans, ranging from a low of 1.1 million in 1995 to a high of 1.8 million in 1998. During this seven-year period, the team winning percentage averaged .466.

Since the opening of Miller Park, attendance has averaged 2.2 million fans, ranging from a high of 2.8 million in 2001 and a low of 1.7 million in 2003. During this three-year period, the team winning percentage averaged .395. The sub-par performance by the team is the primary reason for the 1.1 million decline in attendance from 2001 to 2003.

The Independent Members of the task force are:

Curt S. Culver, President and CEO of MGIC Investment Corporation the nation's leading private mortgage insurer. Mr. Culver has a master's degree in real estate finance. He currently serves on the MMAC Board of Directors.

James H. Keyes, member of the board of directors of Johnson Controls, a manufacturer and supplier of automotive interiors and batteries and building controls. Mr. Keyes is the retired Chairman and CEO of Johnson Controls, Wisconsin's largest publicly traded company, and has an M.B.A. from Northwestern University. He is a past chairman of MMAC and currently serves on the MMAC Board of Directors.

Robert J. O'Toole, Chairman and CEO of A.O. Smith, a publicly traded company headquartered in Milwaukee with $1.5 billion in revenues. Mr. O'Toole has a degree in accounting and has served as a financial analyst and controller. He is a past Chairman of the MMAC and currently serves on the MMAC board of directors.

Additional resources included:
Ron Goergen, Chairman and President of American Appraisal Associates Inc. ("AAA"). American Appraisal is an international consulting firm that specializes in the valuation of businesses. AAA was founded in 1896. Mr. Goergen has a law degree from Drake University. He is a member of the MMAC Board of Directors.

Richard J. Siladi, Senior Vice President of American Appraisal Associates. As National Director, he is responsible for AAA's valuations of businesses, business interests and intellectual property. He earned undergraduate and MBA degrees from Marquette University and has performed valuations of sports teams since 1985.

Tim Sheehy, President of the Metropolitan Milwaukee Association of Commerce. Mr. Sheehy has ten years of experience as the chief paid professional at the MMAC.

Mary Ellen Powers, Chief Operating Officer for the Metropolitan Milwaukee Association of Commerce. Ms. Powers has financial responsibilities for the MMAC.

Relationship of the Independent Members and the Association with the MBBC:
- The Brewers are a member of the Association.
- The Association signed a season ticket commitment with the Brewers in 1995 that guaranteed a cash payment to the Brewers in any year they sold less than 10,000 season tickets while playing in County Stadium. Under the terms of the agreement, the Association made payments to the Brewers totaling $6 million from 1995 to 1999.
- The Association participated in the $50 million in non-recourse notes issued by the Brewers in 1999 as part of their investment in Miller Park. The Association's share of notes was $14 million.
- The Association holds four season tickets.
- MGIC holds four season tickets and a 33% interest in a suite. Curt Culver and his family own 16.67% of Culver's Franchise System, one of the Brewers' sponsors.
- Johnson Controls is in the fourth year of a five-year contract to provide work at Miller Park, the dollar amount of the contract is $771,000 per year. The company has six season tickets and a leases a suite at Miller Park.
- A.O. Smith holds eight season tickets and a 25% interest in a suite.
- The Brewers have never been a client of American Appraisal Associates.