REDSKIN

TM

Washington Redskins

CONFIDENTIAL INFORMATION MEMORANDUM

MORGAN STANLEY DEAN WITTER

WASHINGTON REDSKINS

Confidential Information Memorandum

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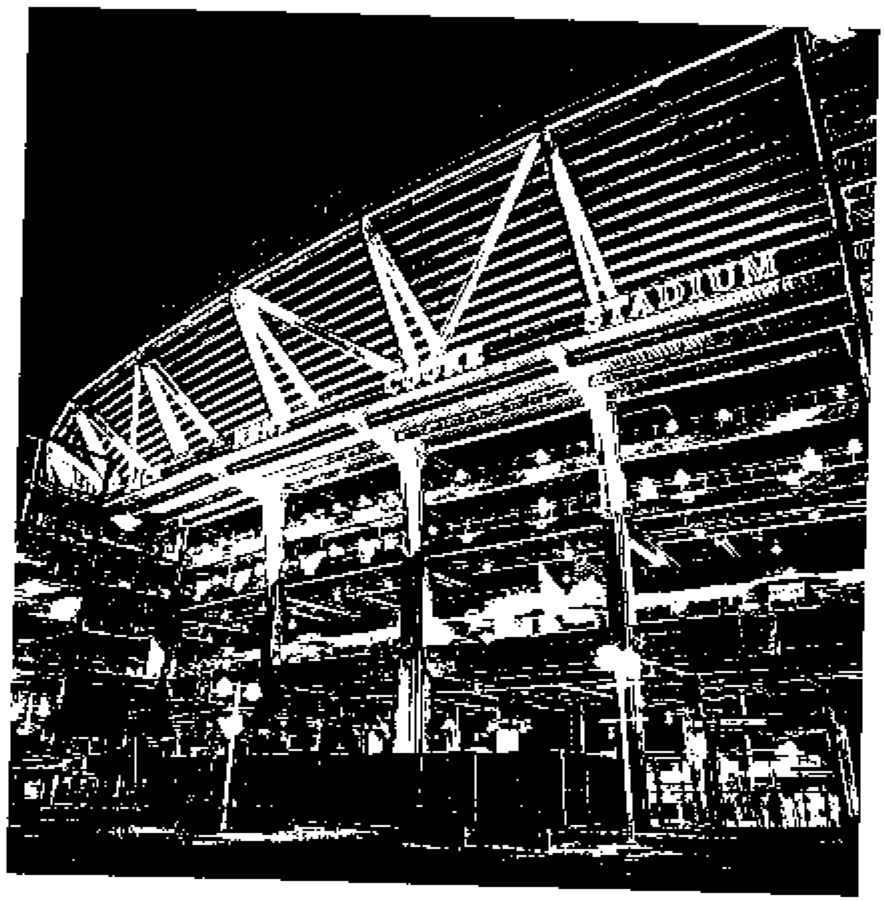
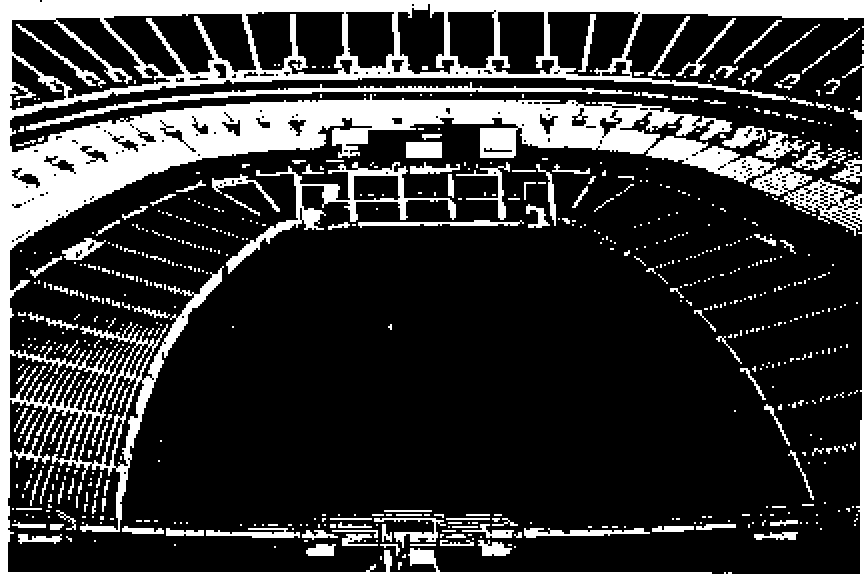
VI. Stadium

Jack Kent Cooke Stadium Overview

Jack Kent Cooke Stadium officially opened on September 14, 1997, with the Redskins posting a thrilling 19-13 overtime victory over the Arizona Cardinals. The Stadium is the largest outdoor stadium in the NFL, with 80,116 seats, including 208 luxury suites, 7,506 loge seats and 14,959 club seats. Every last detail of the Stadium and its surrounding area was designed to enhance the game day experience of the loyal Redskins fans





Location and Accessibility

Located on a 202-acre site owned by JKCSI in Raljon, Prince George's County, Maryland, the Stadium is located within the Washington Beltway (the "Beltway"), approximately 5 miles from the Capital Building. An array of new Beltway interchanges was constructed to provide easy access for fans and shuttle buses that provide transportation to and from the Cheverly, Addison Road and Landover Metro stations.

Parking

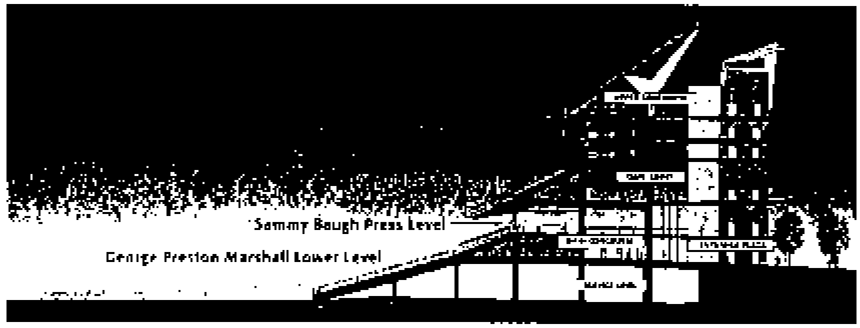
The Stadium is situated in the middle of 21,854 parking spaces, divided between pre paid and cash parking lots. JKCSI charges each car $15 per day for the pre-paid parking area closest to the Stadium and $12 per day for the outlying cash parking area. Parking spaces for disabled persons are conveniently located next to a tunnel that leads directly from the parking lot to a northeast elevator tower. Fans, who often come to the Stadium early and tailgate, are led to one of eight Stadium gates by tree-lined pathways.

The Plaza Area

A wide concrete apron known as The Plaza immediately surrounds the Stadium. The Plaza provides opportunities to set up large tents for promotion and corporate entertainment purposes.

Seating

The Stadium, with six seating levels, was designed to satisfy ADA requirements in order to accommodate disabled fans in wheelchairs and their companions. Each of the levels, described below, offers outstanding views of the playing field.



George Preston Marshall Lower Level. The Lower Level of the Stadium, named for the Franchise's original owner, has 28,174 General Admission seats. For each of the ten home games per season, the ticket price for seats in the end zone areas is $55 per game, and the ticket price for all other seats is $60 per game. The Lower Level features the following:

- A spacious 50-foot wide covered main concourse that circles the Stadium and sports the Redskins Hall of Fame
- A 5,186-square foot retail facility with a generous display of Redskins memorabilia, as well as several souvenir stands
- 12 concession stands located strategically around the concourse, serving standard stadium fare such as hot dogs, hamburgers, sausage sandwiches, french fries and beverages, as well as a variety of specialty concessions serving such fare as Mexican food, deli items, barbecue food and baked goods
- Approximately 60 portable carts selling draft beer, coffee, lemonade, pretzels, popcorn, ice cream and other light fare
- A bar/restaurant behind each end zone, each of which seats 160 persons and offers direct views of the playing field
- A 9,360-square foot central kitchen adjacent to the main concourse, which is manned by an executive chef and approximately 180 cooks

Sammy Baugh Press Level. One flight up from the Lower Level is the Press Level, named for quarterback Slingin' Sammy Baugh, one of the greatest players in Redskins history. This level has eight 185-square foot booths equipped for broadcast television and radio personnel, a 500-square foot national television broadcast booth and a 378-square foot local radio broadcast booth. In addition, the Shirley Povich Press Box can accommodate up to 200 additional media personnel. The Press Level also features a 2,400-square foot dining area to accommodate members of the print press and a 1,100-square foot dining area to accommodate broadcast media personnel. Finally, the Press Level houses a control center for Stadium operations, as well as a control room for all audio and video systems in the Stadium.

Owner's Suite. The luxurious 2,051-square foot owner's suite is located on the 50-yard line of the Press Level. The suite, currently configured to accommodate 24 seated guests in large comfortable seats, can easily be reconfigured to provide additional seating. In addition, adjacent to the owner's suite is a 710-square foot "promoter's box," which may be used at the owner's discretion.

Joe Gibbs Club Level. The recently upgraded Club Level, named for the enormously popular and successful Redskins coach of the 1980s and early 1990s, is serviced by four escalators, as well as 16-foot wide ramps. The Club Level has 14,959 seats, each of which is sold on a five-year, seven-year or ten-year subscription basis for prices ranging from $995 to $1,995 per season. The Club Level has the following noteworthy features:

- Premium club seats, which are wider than general seats and feature convenient cup holders
- Two enclosed upscale restaurants
  - The Stadium Humidor, a 250-seat brewpub which serves, among other things, steaks, Maryland crab cakes, wine, scotch and cigars
  - That's Amore, a branch of a popular local Italian restaurant, which has 240 seats
- The new Big Jack Stadium Brewery, which features a 9,200-square foot outdoor patio, includes two food courts featuring hot and spicy foods, grilled foods and a deli section
- Ten concession stands

Vince Lombardi Lower Suite Level. The Lower Suite Level, named for the famous coach who led the 1969 Redskins, boasts 142 luxury suites, each of which is accessible through eight elevators and the Stadium's main ramps. Each suite is luxuriously equipped with the following:

- Carpeting and wallpaper
- Mahogany wet bars
- Leather sofas and lounge chairs
- Televisions
- Private, oversized, handicap accessible marble bathroom
- Catered food with or without waiter/waitress service

Each suite on the Lower Suite Level is sold on a five-year, seven-year or ten-year subscription basis for prices ranging from $33,000 to $160,000 per season.

George Allen Upper Suite Level. The Upper Suite Level, named for the late great Redskins coach of the 1970s, has 66 luxury suites identical in appointment and price range to those on the Lower Suite Level. Each suite on the Upper Suite Level is sold on a five-year, seven-year or ten-year subscription basis for prices ranging from $49,950 to $159,950 per season.

The Upper Suite Level also offers two semi-private, climate controlled loge areas located at each end zone. The loge areas have 1,506 seats in three rows and are serviced by cash buffets and numerous private bathrooms distributed throughout an expansive lounge area. Loge seats are sold on a season subscription basis and range in price from $1,995 to $2,495 per season. The loge areas can be converted into private suites at a nominal cost.

Pete Rozelle Upper Level. The Upper Level of the Stadium, named for the late NFL Commissioner, is accessible by ramps and has 32,329 General Admission seats. The ticket price for these seats ranges from $40 to $60 per game. The 50-foot wide concourse surrounding the Upper Level has features similar to those on the Lower Level.

Field

The natural grass field's surface is highbred Bermuda turf. Beneath the surface, a state-of-the-art, integrated drainage, irrigation and heating system maintains optimal growing conditions and prevents the field from freezing. The Stadium was built so that the end zones face north and south. For night games, metal halide lamps light the field.

These improvements were privately financed by a loan syndicate led by Sumitomo Bank. In addition, the State of Maryland paid for the addition of an interchange for the northbound (outer loop) patrons on the Beltway to ease game day traffic.

Opportunity to Add Luxury Suites

One growth opportunity for JKCSI is the potential to build additional luxury suites. The Stadium is designed such that 74 additional luxury suites can be economically constructed on the Press Level on the visitor's side of the Stadium (opposite the existing press boxes). Such luxury suites would be extremely attractive due to their Press Level location just above the Lower Level of the Stadium (where the owner's suite is located) and could therefore be expected to command prices in excess of the most expensive existing luxury suites.

Stadium Revenues

License Fees. The NFL's revenue sharing policies require member clubs to share club seat premiums, or license fees, with visiting teams. License fees are determined by subtracting the total number of club seats sold multiplied by the most expensive General Admission seat ticket price from the total amount paid for club seats. However, to assist in financing construction of stadiums, the NFL routinely grants waivers which allow clubs to dedicate such premiums to servicing Stadium construction-related debt. The Redskins received two such waivers, one for the debt related to the Stadium construction and the other for the debt related to the Club Level renovation project. The waivers are effective until the earlier of 15 years from the date of the JKCSI's inception or such time that the JKCSI debt has been indefeasibly paid in full. Therefore, JKCSI currently receives all club seat license fees paid, an amount expected to be $15.3 million in 1998. It is important to note that the waivers allow the JKCSI debt to be refinanced; however, JKCSI may not extend the maturity date of the debt.

License fees from luxury suite and loge seats are not shared by visiting clubs. As with the club seat license fees described above, the Redskins have been allowed to dedicate license fees from luxury suite and loge seats to servicing Stadium construction-related debt. Therefore, JKCSI currently receives all license fees from these seats, an amount expected to total $14.6 million in 1998.

Rent. As noted earlier, the JKCSI currently receives rent from PFI equal to 15 percent of net ticket revenues. This amount is expected to be approximately $5.7 million in 1998.

Advertising. Advertising revenue is currently generated primarily by signage in the seating bowl and in the concourse areas. JKCSI expects 1998 advertising revenues of $3.8 million.

Food and Beverage Concessions. JKCSI, which boasts the highest per capita concessions revenue in the League, is currently in the process of negotiating a ten-year contract with Volume Services, a subsidiary of Advantica Restaurant Group, Inc., to operate the Stadium's food, beverage and catering concessions. While the contract is being finalized, Volume Services is operating under a letter agreement with JKCSI. As part of this relationship, Volume Services bears all capital costs and expenses associated with the food, beverage and catering concessions and pays JKCSI a commission calculated as varying percentages of sales based on the type of concession and aggregate annual food and beverage sales. JKCSI expects to generate revenues of $2.7 million from this relationship in 1998.

Parking. As noted earlier, the Stadium has a pre-paid parking area and a general parking area comprising a total of 21,854 spaces. The pre-paid parking area has 17,072 spaces and is reserved for luxury suite and club seat ticket holders, who purchase a pre-paid parking space for $15 per day. The remaining spaces in the general parking area each cost $12 per day. It is expected that all parking spaces will be utilized during each Redskins game. JKCSI expects to recognize 1998 parking revenues of $2.7 million.

Other Events. The Stadium is a tremendously attractive venue for other sporting and non-sporting events, and plans exist to host many such events each year. For example, in 1997 the Stadium hosted a sold out Rolling Stones concert. JKCSI currently expects the Stadium to host the following major events in the near future:

- The Navy vs. Notre Dame college football game on November 14, 1998, one of the premier college football events of the season
- The FIFA Women's World Cup Soccer tournament (one of eight sites) – six games over three days in June 1999

The Navy vs. Notre Dame game has already been sold out. JKCSI expects to receive approximately $2.6 million in ticket revenues from this event, as well as $0.4 million in additional revenues from food and beverage concessions, parking and advertising.

In addition, JKCSI recently sent a proposal to the D.C. United franchise in an attempt to bring the two-time defending Major League Soccer champions to the Stadium. D.C. United's contract with RFK Memorial Stadium expires at the end of the 1999 season.

Furthermore, JKCSI expects the Stadium to be the site of choice in the future for all major stadium concerts in the Washington area.

Finally, the newly improved Club Level is an impressive place to host conventions, trade shows and catered events. The climate-controlled, 70,400-square foot Club Level has ample power and telecommunications facilities to allow the Stadium to host a wide variety of such events. On September 23, 1998, the Stadium hosted its first such function, the Carapace Product Fair, an eight-hour event, which featured kitchen and bath products including Dupont Corian and Formica Brand Laminate surfacing materials. Catered events for which the Club Level is well suited include weddings, receptions, cocktail parties, dinners, corporate gatherings and other special celebrations. The convention, trade show and catered event hosting opportunity represents a significant potential source of additional revenue for JKCSI.

Other. Other revenues, expected to total approximately $0.6 million in 1998, are generated primarily through souvenir sales, fees charged for game day corporate tents and other miscellaneous items.

Naming Rights Opportunity. Corporate sponsors recently have experienced a great deal of success in securing naming rights deals for sports stadiums and arenas. Certain recent agreements have exceeded $50 million in total payments to stadium/arena owners and $3 million per year, significantly improving economics for sports facility owners. Selected recent naming rights agreements for NFL stadiums are summarized in the table below.

Selected NFL Naming Rights Agreements

Franchise	Facility Name	Term	Estimated Value (1)
Carolina Panthers	Ericsson Stadium	10 years	$20 million
Detroit Lions	Ford Motordome	20 years	$40 million
Indianapolis Colts	RCA Dome	10 years	$10 million
Miami Dolphins	Pro Player Stadium	10 years	$20 million
San Diego Chargers	Qualcomm Stadium	18 years	$18 million
St. Louis Rams	Trans World Dome	10 years	$37 million
Tampa Bay Buccaneers	Raymond James Stadium	13 years	$39 million

Note: (1) Derived from a variety of sources, including *Team Marketing Report, Inc.* The true value of each deal can only be determined by analyzing detailed terms of the deal, most of which are not publicly available.

The sale of naming rights for the Stadium could generate a substantial amount of additional revenue.

Stadium Expenses

General and Administrative Expenses. JKCSI expects to incur general and administrative expenses of approximately $6.4 million in 1998. This includes real estate taxes as well as other general expenses related to the operation of the Stadium. Real estate taxes are estimated at $2.1 million, while other general and administrative expenses are expected to total approximately $4.3 million.

It is important to note that upon issuance of a final Use and Occupancy Permit by Prince George's County (expected in 1998), JKCSI will qualify for a Prince George's County Revitalization Tax Credit. This tax credit will reduce real property (excluding land) taxes paid to Prince George's County for five years based on the following schedule: 100 percent tax credit in the first year, 80 percent tax credit in the second year, 60 percent tax credit in the third year, 40 percent tax credit in the fourth year and 20 percent tax credit in the fifth year.

Other Events. Expenses related to the Navy vs. Notre Dame football game are expected to be approximately $2.3 million. This consists of $2.0 million paid to Navy for the right to host the game, as well as expenses related to preparing and operating the Stadium.

Redskins Games. There are few expenses related to preparing and operating the Stadium for Redskins games and other events. Redskins game-related expenses are expected to total $2.2 million in 1998, or approximately $0.3 million per game.

Marketing Center. The marketing center is focused primarily on the sale of luxury suite and club seat licenses. This is accomplished through a sales force that consists of five experienced field sales representatives. Expenses related to marketing operations are expected to be $0.6 million in 1998.

Ticket Office. JKCSI controls the sale of tickets to both Redskins games and all other Stadium events. Expenses related to running the ticket office operations are expected to be $0.6 million in 1998.

Other

Capital Expenditures. Since state-of-the-art Jack Kent Cooke Stadium is practically new and the previously described $27.5 million Club Level improvement project was recently completed, future capital expenditure needs are expected to be relatively modest. Such expenditures will focus primarily on Stadium maintenance, general improvements and equipment as needed.

Charitable Contribution. Pursuant to JKCSI's agreement with the State of Maryland and Prince George's County, JKCSI committed to make charitable contributions in the amount of $4.46 million over the seven-year period from 1996 through 2002. Of this total commitment, $2.5 million remains outstanding.

Stadium Covenants

JKCSI is bound to Prince George's County and the State of Maryland by various covenants regarding operation of the Stadium which were designed to protect and promote the health, safety and welfare of the surrounding community. These covenants are reasonable and should not have any material adverse impact on the operation of the Stadium for Redskins games and other events.

V. FRANCHISE

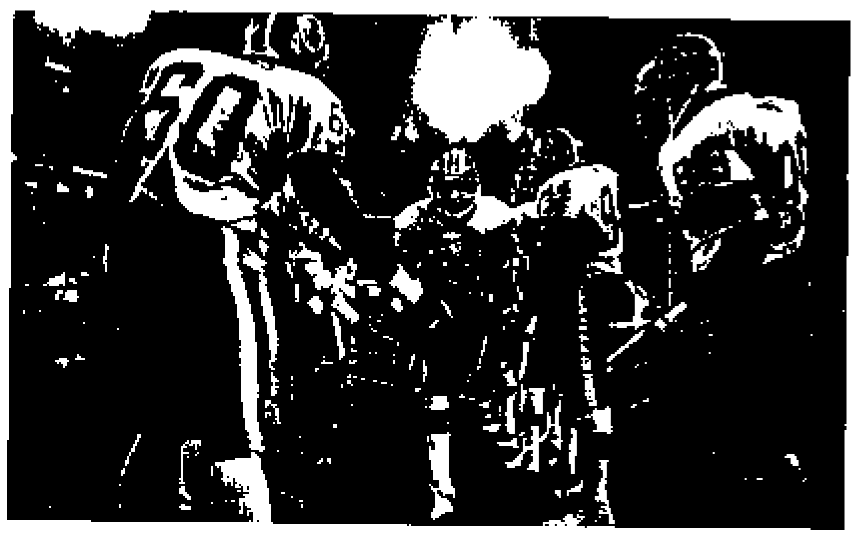
History

The Franchise first began play in 1932 as the Boston Braves. After an unremarkable opening campaign that included four wins and two ties in ten games, the Franchise moved from Braves Field to Fenway Park and changed its name to the Redskins. After four more seasons in Boston, characterized by losses and disappointing attendance, the Franchise moved to Washington, D.C. From the moment the Franchise set foot in Washington, the Redskins have set a standard of excellence. The Redskins began play in Washington on September 17, 1937, defeating the vaunted New York Giants 13-3. The team, led by legendary quarterback Slingin' Sammy Baugh, went on to cap an eight win and three loss season by defeating the Chicago Bears to win their first NFL Championship. Contributing to the well-regarded and recognized heritage of the Redskins, during the 1937 season, the Redskins were the first NFL team to introduce an official marching band and fight song. The Redskins collected their second NFL Championship five years later, winning ten games and losing just one in the regular season and defeating the Chicago Bears once again in the title game.

The Redskins played in Griffith Stadium from 1937 to 1960 before moving into RFK Memorial Stadium for the 1961 season, where they played through the 1996 season. In its long and storied history, the team has produced such NFL legends as Sammy Baugh, George Allen, Sonny Jurgenson, Sam Huff, John Riggins and Art Monk. However, no Redskin may be remembered more than former head coach Joe Gibbs. During the Joe Gibbs era (1981-1992), the Redskins won 140 games while losing only 65, earning eight playoff appearances, four NFC championships and three Super Bowl rings.

Three-time Super Bowl Champions

In the 31-year history of the Super Bowl championship, few teams have experienced the thrill of winning professional football's ultimate prize. However, during one ten-year period, the Redskins experienced this thrill three times with some of the NFL's most dominating teams. The first of these titles came in 1982. Although the regular season was shortened to nine games due to a players strike, the 1982 Redskins lost only one game the entire season. The team culminated this dream season by defeating the Miami Dolphins by a score of 27-17 to win Super Bowl XVII. In 1983, the team continued its dominance, losing only two regular season games (each by only one point) en route to another Super Bowl appearance. Unfortunately, the team lost the 1983 season title game to the Los Angeles Raiders. In 1987, the Redskins rebounded from a disappointing playoff loss the prior year by handily defeating the Denver Broncos by a score of 42-10 to capture Super Bowl XXII. Trailing 10-0 early in the game, the Redskins scored a NFL record 35 consecutive points in the second quarter to put the game away. While all of these Redskins teams were impressive, the 1991 team was perhaps the best ever assembled. During the 1991 season, the Redskins lost only two regular season games (by a combined total of five points) and easily beat the Buffalo Bills by a score of 37-24 to win Super Bowl XXVI.



Washington's love affair with the 1991 team was so intense that *The Washington Post* columnist Tony Kornheiser dubbed the team's fans the "Bandwagon" in order to signify the tremendous support the team had garnered.

Recent Performance

Throughout the 1980s and 1990s, the Redskins have been one of the NFL's strongest teams, compiling a cumulative regular season record of 160 wins, 119 losses and one tie, boasting a cumulative playoff record of 16 wins and five losses, and winning three Super Bowl championships.

Win-Loss Record: 1980-1997

Season	Wins	Losses	Ties	Winning Percentage	Playoff Record
1980	6	10		.375	-
1981	8	8	—	.500	-
1982	**8**	1	—	**.889**	**4-0 (Super Bowl Champions)**
1983	14	2	—	.875	2-1
1984	11	5	—	.688	0-1
1985	10	6	—	.625	-
1986	12	4	—	.750	2-1
1987	11	**4**	—	**.733**	**3-0 (Super Bowl Champions)**
1988	7	9	—	.438	-
1989	10	6	—	.625	-
1990	10	6	—	.625	1-1
1991	**14**	**2**	—	**.875**	**3-0 (Super Bowl Champions)**
1992	9	7	—	.563	1-1
1993	4	12	—	.250	-
1994	3	13	—	.188	-
1995	6	10	—	.375	-
1996	9	7	—	.563	-
1997	8	7	1	.531	-
Cumulative	**160**	**119**	**1**	**.573**	**16-5**

1997 Season

The 1997 season was one of promise for the Redskins. After improving under new coach Norv Turner from three wins during the 1994 season to nine wins in 1996, expectations were high for the team's 1997 campaign. Through the first ten weeks of the season, the Redskins did nothing to curtail these high expectations, winning six games and leading the NFC Eastern Division. Although the team was unable to overtake its chief rival, the New York Giants, and ultimately finished second in the Division, the Redskins were still in contention for a wild card playoff spot on the final weekend of the season. The Redskins needed to beat the Philadelphia Eagles and have the Detroit Lions lose to the New York Jets. While the team defeated the Eagles, the Redskins missed the playoffs by the slimmest of margins as the Lions edged the Jets by 3 points. Division standings for the 1997 season are set forth below.

1997 NFC Eastern Division Standings

Team	Wins	Losses	Ties	Winning Percentage
New York Giants	10	5	1	.656
Washington Redskins	**8**	**7**	**1**	**.531**
Philadelphia Eagles	6	9	1	.406
Dallas Cowboys	6	10	—	.375
Arizona Cardinals	4	12	—	.250

Franchise Rights

A NFL franchise allows the owner of the franchise to operate as a member club of the NFL in a designated geographic area. Each franchise is entitled to the following:

- Membership in the NFL
- The right to certain revenues in connection with the NFL's revenue-sharing agreements
- Equal ownership interest in NFL Properties, NFL Enterprises and NFL Films
- The benefits of the CBA

Franchise Revenues

The Franchise generate revenues from several sources:

- Television and radio broadcast rights (both national and local)
- Gate receipts (for both home and road games)
- Distributions from NFL Properties, NFL Enterprises and NFL Films
- Other revenues, primarily from promotions and publications

As described below, broadcast revenues and gate receipts account for over 90 percent of Franchise revenues.

Local Radio and Television. The Redskins have a lucrative three-year contract with WJFK-FM (106.7 MHz), in Manassas, Virginia ("WJFK") covering the seasons from 1998 through 2000, which pays the Franchise $15 million over the life of the contract. The contract gives WJFK the exclusive right to broadcast and license others to broadcast all portions of all preseason, regular season and playoff games played by the Redskins during the length of the contract.

The Redskins also have a local television contract with WJLA-TV that pays them approximately $1.5 million per season and is in effect through the 1998 season. The contract gives WJLA-TV exclusive rights to televise four preseason games and one scrimmage in the Redskins home territory. Contract renewal negotiations are expected to take place following the 1998 season.

The principal terms of each of the Franchise's broadcast agreements are summarized in the table below.

Broadcast Agreements

Category	Partner(s)	Term of Agreement	Summary of Financial Terms	Forecast FYE 12/31/98 Revenues ($MM)
National TV	FOX, CBS, ABC/ESPN	1998-2006	$18.3 billion over 8 years	$ 54.8 (1)
Local Radio	WJFK-FM	1998-2000	$15 million over 5 years	4.5
Local TV	WJLA-TV	1998	$1.5 million per year	1.5
			Total	$ 60.8

Note: (1) Represents approximately 85 percent of 1998 season distributions (new national television broadcast agreements) plus 15 percent of 1997 season distributions (previous agreements).

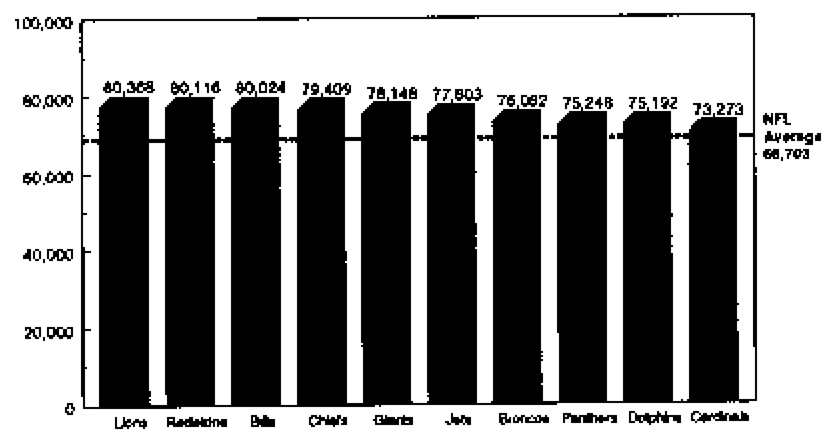
Gate Receipts. The Franchise receives ticket revenues for all home and road games. For home games, the Franchise currently receives revenues for all General Admission tickets, as well as the price of the most expensive General Admission ticket (currently $54.55) multiplied by the number of premium seats (i.e., luxury suite and club seats) sold. These revenues are shared with the visiting team, which receives 34 percent of net ticket revenues (equal to gross ticket revenues net of ten percent Maryland admissions tax) for regular season games and 40 percent of net ticket revenues for preseason games. For the 1998 season, Redskins home ticket revenues are expected to reach $24.4 million.

For road games, the Franchise receives 34 percent of net ticket revenues from the host team for regular season games and 40 percent of net ticket revenues for preseason games. For the 1998 season, ticket revenues from road games are expected to total $6.8 million. This figure should continue to increase as NFL clubs continue to upgrade or replace their stadiums.

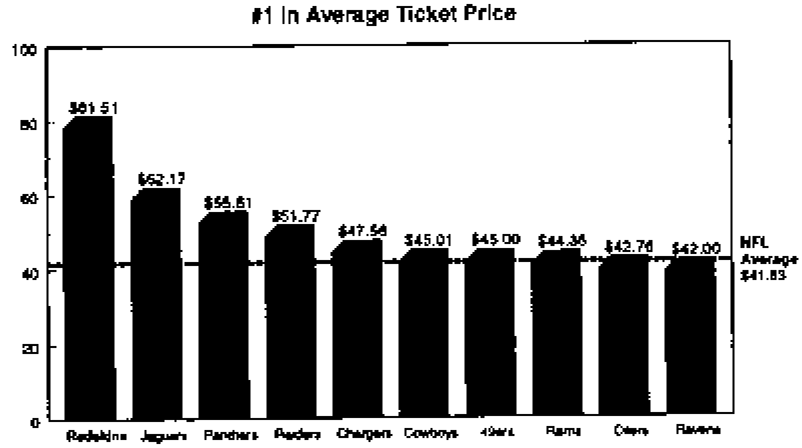
As set forth in the charts below, the Redskins are a powerful draw at the ticket office. The Redskins have the second largest stadium capacity in the NFL, and the Franchise boasts an extremely high season ticket base. Moreover, for the 1997 season, the Redskins had the highest average ticket price (including license fees) in the NFL.

Stadium Statistics – 1997 Season

#2 In Stadium Capacity



#1 In Average Ticket Price

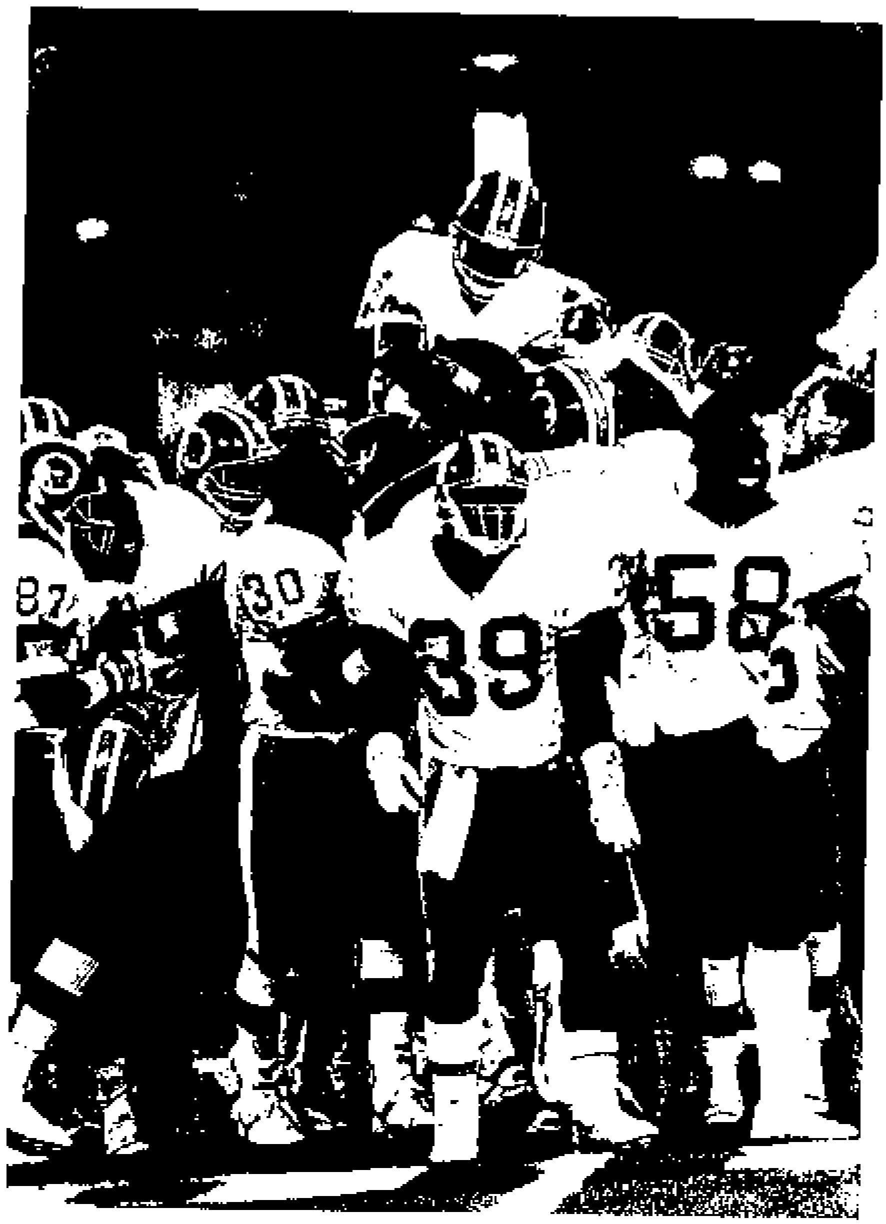


NFL Properties, Enterprises & Films. The Redskins expect to receive approximately $5.7 million in cumulative distributions from NFL Properties, NFL Enterprises and NFL Films in 1998.

Other Revenues. The Franchise generates other revenues from promotions, sponsorships, and the sale of publications, such as the yearbook, media guide and game programs. The Redskins expect such revenues to total approximately $0.9 million in 1998.

Expansion Fees. Expansion franchises pay the NFL a fee for the right to establish new NFL franchises. These fees are distributed equally among the existing NFL clubs. The last expansion process in 1993 resulted in the formation of two new clubs, the Carolina Panthers and the Jacksonville Jaguars. The Redskins are scheduled to receive a final fee distribution of approximately $625,000 plus interest in 1998 from the Jacksonville Jaguars franchise. As noted earlier, the NFL recently decided that Cleveland would receive an expansion team for the 1999 season. On September 8, 1998, the NFL announced that the investor group led by Alfred Lerner would pay $530 million for the Cleveland Browns expansion franchise. Of this amount, NFL member clubs (excluding the Baltimore Ravens and the St. Louis Rams) will receive an expansion fee of approximately $476 million. Therefore, the Redskins will receive approximately $17 million in pre-tax income, which is expected to be received upon closing of the Cleveland Browns transaction (expected to occur by the end of 1998). There has also been some speculation that Los Angeles or Houston will receive an expansion franchise in the near future.

Additional Revenue Opportunities. There are a number of additional opportunities which could substantially increase the Franchise's revenues and cash flow. First, given the attractiveness of the Washington market and the expanding presence of major corporations in Washington and surrounding areas, the Franchise has the opportunity to more aggressively pursue local corporate sponsorships. Such sponsorships are very attractive to selected corporations, offering them high local and national visibility and the unique ability to associate themselves and their products with a passion of millions of area residents, and have the potential to be extremely lucrative for the Franchise. Another opportunity would involve the production of preseason games for local television. Undertaking production of these games could be more profitable than the Franchise's current practice of selling local broadcast rights to WJLA-TV and allowing WJLA-TV to produce the telecasts. A related opportunity would involve the production of weekly television and radio programs featuring discussion and highlights with the Head Coach. Next, the rapidly increasing popularity and use of the Internet should allow the Redskins to generate substantial advertising, merchandising and other revenues from the Franchise's world wide web site, www.redskins.com. Finally, another business opportunity pursued by selected professional sports franchises is the production and distribution of a subscription-based newsletter, which could be targeted to Redskins fans nationwide.


87
30
39
58

Franchise Expenses

Player Costs. Player compensation is, by a wide margin, the largest expenditure item for the Franchise. The Redskins generally expect to spend the maximum amount allowable under the salary cap in order to field the highest quality team possible. Player compensation has the following primary components:

- Salaries, incentive bonuses and related miscellaneous items, which are expensed in the period paid
- Benefits
- Signing bonuses, which are capitalized in the period paid and amortized on a straight line basis over the life of the player's contract

Cash expenditures related to player compensation in 1998 are expected to be approximately $69.9 million, which includes salaries, incentive bonuses and related items totaling $36.0 million, benefits of $9.5 million and signing bonuses of $24.4 million.

Team Expenses. Team expenses include, among other things, coaching, scouting and staff compensation, as well as expenses related to travel, training camp, scouting services, equipment, laundry, photography, insurance, moving and computer services. Team expenses are expected to total $6.6 million in 1998.

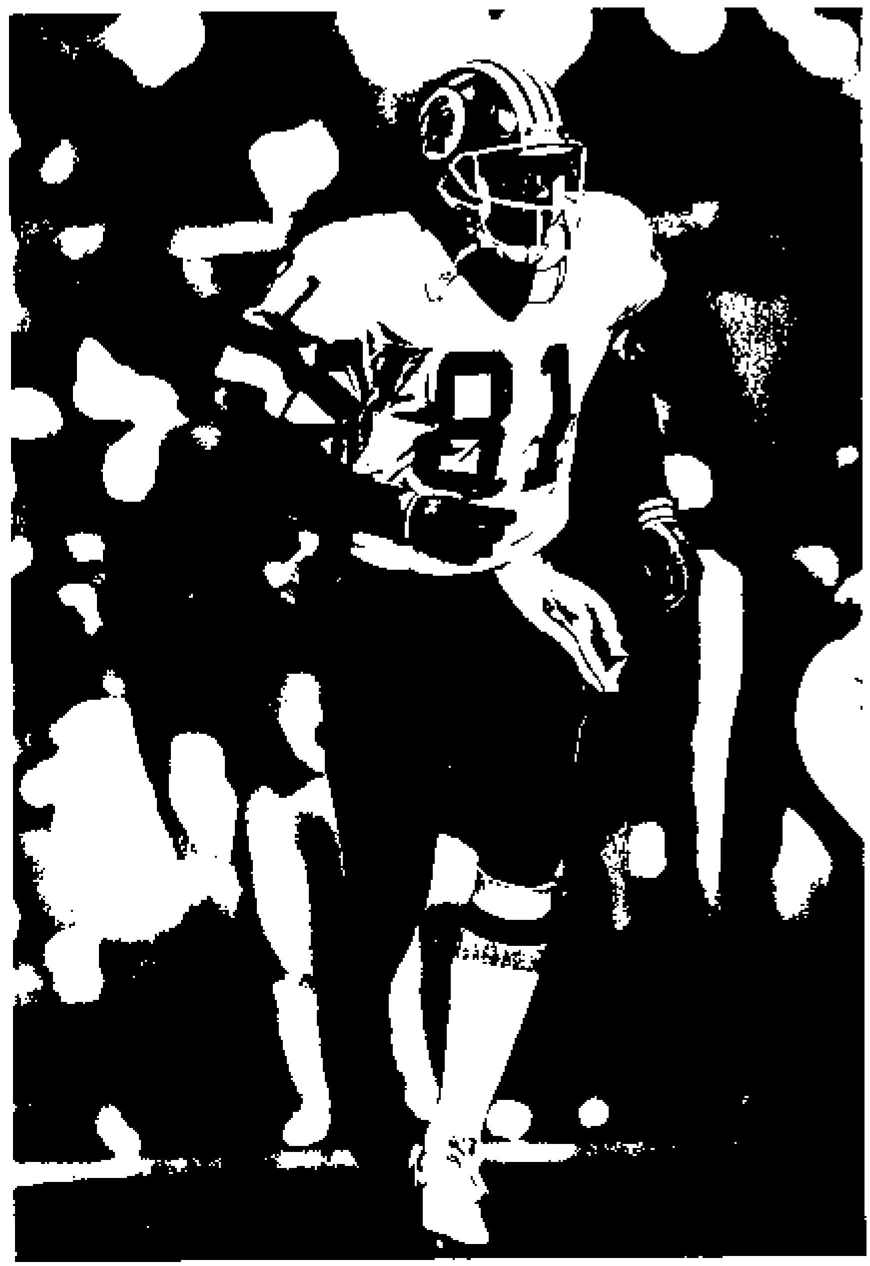
Stadium Rent. The Franchise currently pays to JKCSI rent equal to 15 percent of net ticket revenues, which are defined as gross ticket revenues less the ten percent Maryland admissions tax. This figure is expected to be $5.7 million in 1998.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries for employees, including salaries paid to Redskin Park personnel, as well as operating costs, maintenance costs and real estate taxes for Redskin Park. Such expenses are expected to total $4.6 million in 1998.

Training Facility Rent. Rent for Redskin Park represents debt service on a note held by RPI, which will be approximately $4.0 million in 1998.

League Assessments. Assessments imposed by the NFL on each of its member clubs are expected to total approximately $3.3 million in 1998.

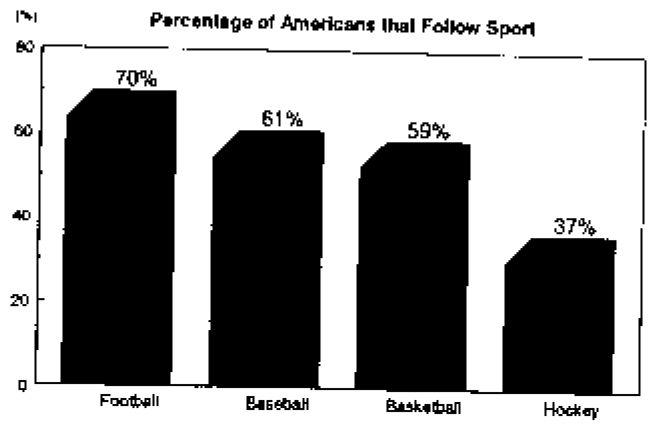
Game Expenses. Game expenses include, among other things, expenses related to travel, local transportation and game-related entertainment. Such expenses are expected to total $1.3 million in 1998.

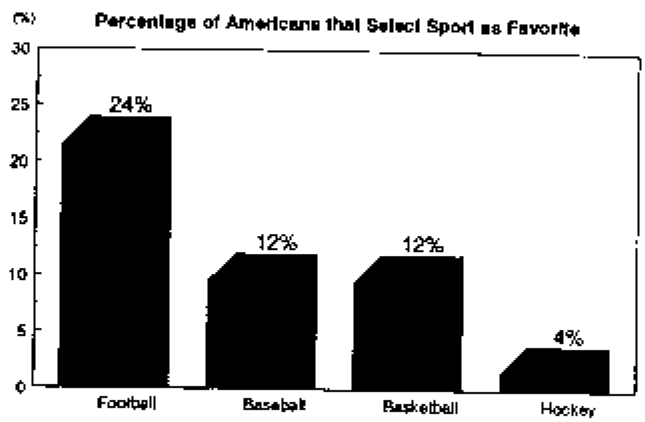


IV. National Football League

Overview

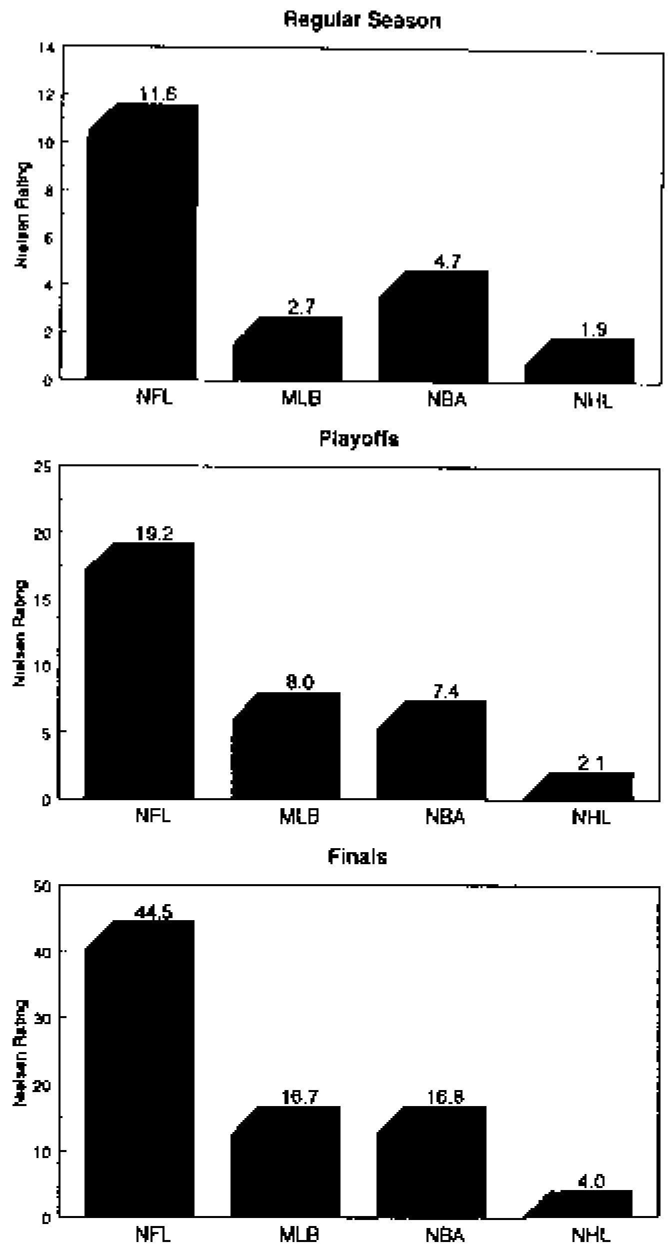
The NFL is the premier professional sports league in North America. As evidenced in recent polls, professional football is, by a wide margin, the American public's favorite and most widely followed sport. The following charts set forth data gathered in recent polls which highlight the popularity of professional football as compared to other professional sports.





Source. ESPN Chilton, 1997

This popularity has led to continued strong attendance at NFL games and tremendous television viewership. On average, approximately 130 million people watch NFL football on a weekly basis. The charts below set forth 1997 broadcast sports household ratings for each of the major professional sports leagues.



Source: TN Media Inc and Nielsen Media Research

The Super Bowl is the most anticipated and watched sporting event of the year. Generally the highest rated television program of the year in the United States, the Super Bowl is also tremendously popular abroad, where it is televised in 187 countries. As set forth in the table below, eight of the ten most watched television programs in U.S. history were Super Bowl telecasts.

Most Watched Television Programs in U.S. History

Date	Program	Network	U.S. Viewers
1/28/96	Super Bowl XXX	NBC	138,488,000
1/30/94	Super Bowl XXVIII	NBC	134,800,000
1/25/98	Super Bowl XXXII	NBC	133,400,000
1/31/93	Super Bowl XXVII	NBC	133,400,000
1/26/97	Super Bowl XXXI	FOX	128,900,000
1/26/86	Super Bowl XX	NBC	127,000,000
1/23/94	Winter Olympics	CBS	126,686,000
1/29/95	Super Bowl XXIX	ABC	125,216,000
1/25/87	Super Bowl XXI	CBS	122,640,000
1/28/83	M*A*S*H (Final Episode)	CBS	121,624,000

History

The NFL was formed in 1920 with 18 clubs. Regularly televised games began in the 1950s, contributing to the League's growth. In 1966, the NFL agreed to merge its operations with those of the AFL, which had operated independently of the NFL for several seasons. The NFL then introduced the Super Bowl as the championship game between the NFL and AFL champions. The merger was completed in 1970, creating a League comprised of 24 clubs. Through subsequent expansion, including the re-launch of the Cleveland Browns, the League has grown to 31 teams.

Structure & Management

The NFL, headquartered in New York City, is a joint venture organized as a not-for-profit unincorporated association of its 31 member clubs. Since November 1989, the NFL has been led by Commissioner Paul Tagliabue. The NFL provides a number of services to benefit the sport of football and its member clubs, including the following:

- Strategic planning
- Marketing and public relations
- Network television contract negotiation
- Operation of for-profit entities
- Labor relations
- Legal services

The Commissioner, appointed by an affirmative vote of at least two-thirds of NFL member clubs, has substantial authority to manage the operations of the League and its for-profit entities, to arbitrate League-related disputes and to protect the integrity of and public confidence in the sport of professional football. More specifically, the Commissioner's role includes the following:

- Interpreting and establishing NFL policies and procedures
- Investigating any transfer, sale or assignment of a NFL franchise
- Arbitrating disputes among member clubs
- Making assessments on member clubs for League obligations

Governance

Member clubs are governed by the NFL Constitution and By-laws, resolutions adopted by the member clubs and other established NFL policies. All NFL business is conducted by the Executive Committee, which consists of one representative from each club. League meetings are held periodically and include an annual meeting usually held in March. At all League meetings, three-fourths of member clubs constitutes a quorum, and each club receives one vote. The affirmative vote of three-fourths of those present is necessary to adopt resolutions or amend the NFL Constitution and By-laws. The NFL also has a number of committees responsible for recommending policies and actions to the Executive Committee. The Finance Committee oversees the sale or transfer of all NFL franchises.

League Structure and Competition

The NFL is comprised of 31 teams, each of which belongs to one of three Divisions (Eastern, Central or Western) in one of two Conferences (National Football Conference ("NFC") or American Football Conference ("AFC")). Following the re-introduction of the Cleveland Browns for the 1999 season, the League will be structured as set forth below.

National Football Conference

Eastern Division	Central Division	Western Division
Arizona Cardinals	Chicago Bears	Atlanta Falcons
Dallas Cowboys	Detroit Lions	Carolina Panthers
New York Giants	Green Bay Packers	New Orleans Saints
Philadelphia Eagles	Minnesota Vikings	St. Louis Rams
Washington Redskins	Tampa Bay Buccaneers	San Francisco 49ers

American Football Conference

Eastern Division	Central Division	Western Division
Buffalo Bills	Baltimore Ravens	Denver Broncos
Indianapolis Colts	Cincinnati Bengals	Kansas City Chiefs
Miami Dolphins	Jacksonville Jaguars	Oakland Raiders
New England Patriots	Pittsburgh Steelers	San Diego Chargers
New York Jets	Tennessee Oilers	Seattle Seahawks
	Cleveland Browns	

The NFL prides itself on the extremely high level of competition and parity in the NFL, which greatly contributes to the popularity of the sport and the League. The NFL spends a significant amount of time and effort to maintain a high level of play through its rules and policies. The NFL's Competition Committee, members of which are appointed by the Commissioner from a cross-section of general managers, coaches and club executives, proposes rule and policy changes as deemed necessary to maintain competitive balance.

Revenue Sharing

The NFL's revenue sharing policies help to ensure League competitiveness and give individual clubs an incentive to act in a manner consistent with League interests. Over one-half of League-related revenues are shared equally among the member clubs, ensuring that even smaller-market teams can compete with those in major media markets. As discussed earlier, network television broadcast contracts are the largest source of shared revenue. The second largest source of shared revenue is gate receipts. The visiting club receives 34 percent of net ticket revenues (defined as gross ticket revenues less admissions tax) in the regular season and 40 percent of net ticket revenues in the preseason. The other major sources of shared revenue are the NFL's for-profit entities, NFL Properties, NFL Enterprises and NFL Films, each of which is described later in this Section.

Labor Relations

The NFL has enjoyed essentially stable labor relations since 1992, when the NFL and the NFLPA agreed to a new CBA. The CBA, executed in May 1993 and originally set to expire in 2000, recently was extended on an unconditional basis through the 2002 season. Furthermore, the CBA will remain in effect through the 2003 season unless cancelled by either party by December 1, 2000. The CBA covers matters such as the college draft, veteran free agency, minimum salaries, medical and life insurance, pensions, disability, severance pay and grievance arbitration. The key provisions of the CBA are summarized below.

No Strike or Lock-out. The NFLPA and its members have agreed not to organize a strike, and the NFL has agreed not to lock out players.

Salary Cap. The NFL's salary cap, which went into effect in 1994, establishes the maximum player costs a club can incur each year, as well as the minimum amounts that must be paid to players in the form of salary, bonus and benefits. The salary cap is based on a formula that incorporates the concept of defined gross revenue ("DGR"), where DGR consists of all League and club football-related revenues (primarily preseason, regular season and playoff gate receipts and local and national television and radio broadcast rights), as well as local revenues related to luxury suites and other premium seating, corporate sponsorships, food and beverage concessions and parking, to the extent such local revenues have grown since 1992. Under the 1998 extension to the CBA, the amount payable as player salaries by any NFL club varies from 63 percent to 64 percent of projected League DGR less the League-wide projected amount payable as benefits to players for the applicable season, divided by the number of clubs. The salary cap for the 1998 season was determined to be approximately $60.0 million before deductions for League-wide player benefits and $52.4 million after such deductions.

Player costs include the following three primary types of compensation:

- Player salaries, which count toward the salary cap in the season earned
- Signing bonuses, which typically are paid in advance and are amortized over the life of the player's contract -- if a contract is terminated early, unamortized signing bonuses are accelerated and count toward the following season's salary cap
- Incentive bonuses that are deemed "likely to be earned" count against the current season's salary cap

Free Agency. Players with at least four accrued seasons (any season in which the player was on full pay status for at least six games) qualify for unrestricted free agency upon expiration of their contracts. Players with less than four accrued seasons may become restricted free agents; however, their prior clubs retain rights of first refusal and draft choice compensation under certain circumstances.

College Draft. The annual college draft, which typically takes place in April, consists of seven rounds, with each team receiving one pick in each round based on that team's performance during the prior season.

For-Profit Entities

The NFL runs several for-profit entities, including NFL Properties, NFL Enterprises and NFL Films, each of which is owned equally by all NFL member clubs.

NFL Properties. NFL Properties is the centralized marketing, licensing, corporate sponsorship and publishing arm of the NFL. A NFL member club's names, symbols, designs, colors and logos are owned by the club itself. The national marketing rights to these items currently are held by NFL Properties under trust and licensing arrangements with each of the member clubs that expire after the 2003 season. However, if NFL Properties does not have an exclusive national sponsorship agreement in a particular product category, the individual member clubs are free to enter into their own local sponsorship agreements. NFL Properties recently restructured several of its national sponsorship deals in order to give clubs the ability to enter into certain sponsorship deals within their own local markets.

NFL Enterprises. NFL Enterprises was created to explore, develop and operate business opportunities in the areas of satellite broadcasting (NFL Sunday Ticket) and new media (Internet and interactive television). NFL Enterprises also manages the international growth of the NFL through international television, licensing, sponsorship and events, as well as the NFL Europe League.

NFL Films. NFL Films, a leader in sports programming, produces, sells and distributes original sports programming, provides footage for franchise use, provides marketing and promotional support to franchises, and promotes the sport of professional football. NFL Films has earned 73 Emmy awards, as well as numerous other awards, throughout its history.

Each of these entities makes periodic distributions which are shared equally among NFL member clubs. Distributions for the past five years are set forth in the table below.

NFL Properties, Enterprises & Films – Distribution Per Club ($000)

	1993	1994	1995	1996	1997
NFL Properties	$ 2,722	$ 3,222	$ 3,403	$ 4,002	$ 4,458
NFL Enterprises	—	—	500	625	900
NFL Films	81	108	119	128	141
Total	**$ 2,803**	**$ 3,330**	**$ 4,022**	**$ 4,755**	**$ 5,499**
% Growth		**18.8%**	**20.8%**	**18.2%**	**15.6%**

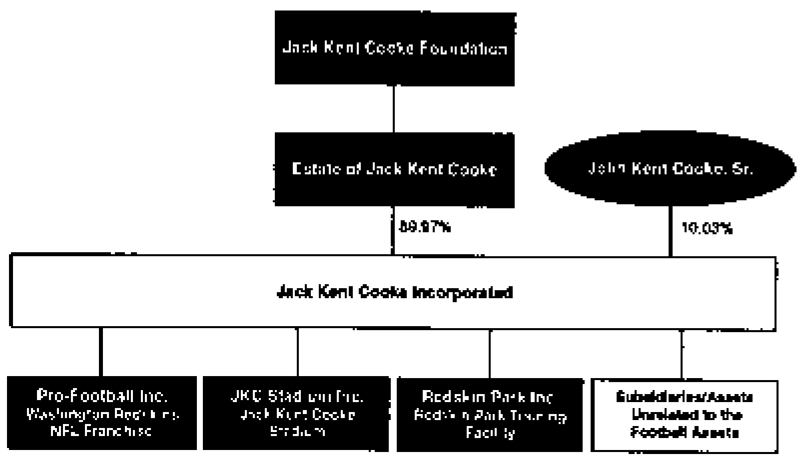
III. Overview of Contemplated Transaction

Current Ownership Structure

Upon the death of former owner Jack Kent Cooke, the Jack Kent Cooke Foundation was created to provide scholarships to deserving students and funding to their schools. The Estate of Jack Kent Cooke (the "Estate") owns 89.97 percent of Jack Kent Cooke Incorporated, a Nevada corporation that owns and operates, among other things, the following:

- Pro-Football Inc., a Maryland corporation that owns the Washington Redskins NFL Franchise
- JKC Stadium Inc., a Delaware corporation that owns and operates Jack Kent Cooke Stadium
- Redskin Park Inc., a Nevada corporation that owns and operates the Redskin Park training facility

Proceeds from the sale of the Estate's interest in JKCI and its subsidiaries ultimately will benefit the Jack Kent Cooke Foundation. John Kent Cooke, Sr., son of the late Jack Kent Cooke, owns the remaining 10.03 percent of JKCI. The chart below provides a graphical overview of the ownership structure of JKCI and the Football Assets.



It is also important to note that PFI and JKCSI are parties to a 30-year agreement with the State of Maryland and Prince George's County. A provision of this agreement creates a special class of ownership interest in both PFI and JKCSI via the issuance of one share of preferred stock in each of PFI and JKCSI. This share of preferred stock, governed by a voting trust for the benefit of the State of Maryland and Prince George's County, gives the State of Maryland and Prince George's County a voting interest for the sole purpose of precluding any relocation of the Franchise during the term of the agreement. These shares do not represent an economic interest in either PFI or JKCSI.

Contemplated Transaction

The Estate is evaluating alternatives with respect to the sale of the Football Assets either through an asset sale or through a sale of the Estate's equity interest in JKCI. While it is currently contemplated that the Franchise, the Stadium and Redskin Park will be sold together, the Estate may consider offers which would involve the sale of these entities in separate transactions.

NFL Guidelines

Ownership Structure. The NFL has rules regarding the ownership and sale or transfer of NFL franchises, which are outlined below.

- The primary purpose of any entity owning a NFL franchise must be the operation of the football team as a NFL member club
- Acceptable structures include the following:
  - A limited partnership (with one general partner and no more than 24 limited partners) may own a franchise as long as a single individual serves as the managing general partner and owns at least a 30 percent economic interest in the franchise
  - A corporation may own a franchise as long as a single individual maintains 100 percent voting control and at least 30 percent economic interest (with two classes of stock, voting and non-voting)
- A NFL franchise may not be publicly owned or owned by an entity which is publicly owned
- A NFL franchise may not be owned by a general partnership
- Cross ownership of a NFL franchise and a professional baseball, basketball or hockey franchise is restricted, except in the following circumstances:
  - The NFL franchise and non-NFL franchise are in the same metropolitan area
  - The non-NFL franchise is in a metropolitan area (i) without a NFL franchise and (ii) which is not designated as a potential expansion market (currently, only Los Angeles, California and Houston, Texas are designated as such)

While the NFL has not approved the use of a limited liability company ("LLC") as an ownership vehicle, it is likely that an appropriately structured LLC would be approved. Similarly, other structures that fail to satisfy one or more of the above rules are not necessarily unacceptable, but would ultimately require approval by the NFL.

Debt Ceiling. The NFL limits the amount of debt a franchise may incur. The debt ceiling, which the NFL raised from $55 million to $100 million in 1998, applies to the following:

- All debt incurred by the franchise
- All debt incurred by the controlling owner that is secured by any portion of the controlling owner's interest in the franchise (such debt is limited to $20 million unless further collateralized by a pledge of all franchise assets)

The following are not subject to the debt ceiling:

- Debts incurred in the ordinary course of business that are neither in default nor overdue
- Deferred compensation liabilities covered by the NFL's deferred compensation reserve mechanism
- Debt on a stadium, as long as the stadium is owned separately from the related franchise and the stadium debt is not guaranteed by the related franchise

Sale or Transfer. No franchise or interest in an entity holding a franchise may be sold or transferred without full disclosure of terms and approval by the NFL. Such approval requires a three-fourths vote of existing clubs. The NFL looks at several factors in its approval process, most notably whether the purchaser has sufficient financial resources to fund a competitive NFL franchise.

Relocation. Relocation of a club within or outside its designated home territory is not permitted without the affirmative vote of at least three-fourths of existing member clubs. As noted earlier in this section, agreements with the State of Maryland and Prince George's County would preclude any relocation of the Franchise during the 30-year term of the agreements.

II. Key Investment Considerations

The proposed sale of the Football Assets represents one of the most attractive investment opportunities in the world of professional sports. Set forth below are a few of the most compelling investment highlights to consider.

Unique Franchise Ownership Opportunity. The Washington Redskins NFL Franchise represents an extraordinary opportunity to own one of the premier professional sports franchises in the world. Opportunities to acquire professional sports franchises in general are limited, and the opportunity to own a NFL franchise of the reputation and caliber of the Washington Redskins is truly unique.

Popularity of the NFL. The NFL is the largest and indisputably the premier sports league in North America. Over the past two decades the popularity of the NFL has surged, making football the true "national pastime." Professional football ranks far ahead of professional baseball, basketball and hockey in both fan following and television ratings. Moreover, NFL attendance levels continue to climb. Total regular season paid attendance in 1997 was nearly 15 million, or an average of 62,364 per game.

Winning Tradition of the Redskins. Since their arrival in Washington for the 1937 season, the Redskins have enjoyed residence among the NFL elite. Redskins fans can brag about a glorious history supported by over 450 wins, including over 180 wins and two NFL Championships prior to the 1966 season (the season in which the Super Bowl Championship was introduced) and over 275 wins, six Division Championships, five Conference Championships and three Super Bowl Championships since that time. NFL legends who have worn the burgundy and gold with pride include:

• George Allen • Sammy Baugh • Joe Gibbs
• Sam Huff • Sonny Jurgenson • Vince Lombardi
• Art Monk • Charley Taylor • John Riggins • Joe Theisman

The Redskins' long list of Hall of Fame enshrinees includes:

• Cliff Battles • Sammy Baugh • Bill Dudley • Turk Edwards
• Ray Flaherty • Joe Gibbs • Ken Houston • Sam Huff
• Sonny Jurgenson • George Preston Marshall • Wayne Millner
• Bobby Mitchell • John Riggins • Charley Taylor

Current General Manager Charley Casserly and Head Coach Norv Turner are seeking to build upon this storied Redskins tradition.

New State-of-the-Art Stadium. Jack Kent Cooke Stadium is among the finest stadiums in the NFL. Located inside the Washington Beltway, the Stadium is the largest outdoor facility in the NFL. In addition to Redskins football, the venue is perfectly suited to host college football, world class soccer, major concerts and numerous other special events. With luxurious wood paneling, granite floors and leather seating, the recently completed upgrade to the Stadium's premium seat concourses provides JKCSI with ample opportunity to generate additional revenue through the hosting of conventions, trade shows and catered events on a year-round basis.

Top Tier Market. Washington, D.C. is one of the premier markets in the NFL. In addition to being the sixth largest population center and the seventh largest television market in the nation, Washington is the nation's center of political power and influence. Washington and its affluent suburbs are home to many of the most powerful political, business and media figures in the United States and the world.

Extremely Loyal Fan Base. If any single aspect could define the Washington Redskins, it is their incredibly loyal fan base, perhaps the most knowledgeable and devoted in the NFL. A city full of elected officials, dignitaries, lobbyists and business leaders join the taxi drivers, waitresses and construction workers at Jack Kent Cooke Stadium to go "Hog" wild over their beloved 'Skins. The Redskins boast a special relationship with their fans, who provide overwhelming support for the team they love. The Redskins have sold out every game since 1966 and have an incredible waiting list for over 84,000 seats, more than enough to fill a second Jack Kent Cooke Stadium. Tickets to Redskins games are among the most sought after tickets for any event in the nation's capital. In describing Jack Kent Cooke's box at the Redskins former home, Robert F. Kennedy ("RFK") Memorial Stadium, *The Washington Post* reported:

> "Next to a White House dinner, an afternoon in Cooke's box has become one of the most sought-after social invitations in Washington."

High and Stable Ticket Revenues. As noted above, the Redskins continue to sell out every game and boast an enormous waiting list for season tickets. Given this incredible demand in such an affluent market, the Redskins are able to command relatively high prices for tickets. The average ticket price for a Redskins game (including license fees for premium seats) in 1997 was $81.51, which was nearly $20 higher than the next highest average ticket price for a NFL club.

Landmark NFL Television Deal. NFL clubs already have begun to reap the rewards of the latest record-breaking network television contracts. The new agreements guarantee the League revenues of $18.3 billion over eight years, beginning in 1998. This represents more than double the payments received under the previous contracts signed a mere four years earlier. Importantly, the new contracts specify that the NFL has the unilateral right to terminate the agreements after the 2002 season. Therefore, the League could generate significantly higher revenues than the current contract contemplates for the 2003 season and beyond.

Increasing Franchise Values. Professional sports franchise values have increased considerably in the recent past, as viewing professional sports has become an ever more popular form of entertainment. The NFL has participated in this growth, as indicated by the substantial appreciation in NFL franchise values over the past two decades. Moreover, the sport of football has continued to grow more popular, and therefore more valuable to distributors, such as television networks, relative to other professional sports.

Strong Financial Profile. The Redskins are one of the highest revenue-generating and most profitable franchises in all of professional sports. The Football Assets generate more than $140 million in total revenues and nearly $50 million in earnings before interest and taxes. Importantly, most of these revenues are generated through multi-year NFL, Franchise and Stadium agreements and are thus relatively stable. Moreover, as noted below, substantial opportunities exist to grow revenues and profit.

Additional Revenue Opportunities. The Washington Redskins can benefit from many additional revenue opportunities, including the following:

- Additional corporate sponsorship agreements
- Naming rights for the Stadium
- Hosting of additional non-Redskins events in the Stadium, including:
  - Other sporting events, such as college football and professional soccer
  - Conventions, trade shows and catered events in the recently upgraded Club Level
  - Major concerts
- Ability to add 74 more luxury suites to the Stadium on the Press Level (just above the Lower Level), where the existing owner's suite is located
- Production of preseason local television broadcasts and weekly programs featuring the Head Coach and General Manager
- Advertising and merchandise sales on the Redskins web site, www.redskins.com
- Publication of a weekly subscription newsletter marketed to Redskins fans across the country

League Growth Opportunities. The Redskins, as a member of the NFL, will share in the future growth of the League. Typically, the primary drivers of such growth are the following:

- National television broadcast contracts
- For-profit entities NFL Properties, Inc. ("NFL Properties"), NFL Enterprises L.P. ("NFL Enterprises") and NFL Films, Inc. ("NFL Films")
- Ticket sales and license fees at new or renovated stadiums

Through NFL Enterprises, the League is actively pursuing a number of exciting periphery businesses, which include the following:

- NFL Sunday Ticket, the successful and growing satellite television service
- NFL Europe, a six-team joint venture with FOX television network
- www.nfl.com, the official Internet site of the NFL

Stable Labor Situation. The NFL boasts the most stable labor environment of the four major professional sports leagues. The Collective Bargaining Agreement ("CBA") between the NFL and the NFL Players Association ("NFLPA") was recently extended on an unconditional basis through the 2002 season. The CBA ensures that the NFLPA and its members will not strike and the NFL will not lock out the players. Moreover, the salary cap set forth in the CBA is one of the most attractive in professional sports. The League's stable labor situation relative to other professional sports leagues makes the NFL far more attractive to fans, television and radio networks, corporate sponsors and all others involved with the NFL and its member clubs.

Strong Team Roster. The Redskins organization has made substantial investments in developing its team roster. Examples of these investments include the following:

- The signing of free-agent defensive tackle Dana Stubblefield, a three-time Pro Bowl selection and the 1997 Defensive Player of the Year
- A trade for Dan 'Big Daddy' Wilkinson, a highly touted defensive tackle picked first overall in the 1994 draft
- The signing of the team's own top free agents, Ken Harvey, Brian Mitchell, Tré Johnson and Joe Patton

In addition, the Redskins have used the draft effectively to recruit and develop top talent, including players such as Darrell Green and Michael Westbrook. The current Redskins team has the talent in place to continue the Franchise's long tradition of on-the-field success.

I. Executive Summary

Overview

The Special Committee of the Board of Directors of Jack Kent Cooke Incorporated ("JKCI"), Pro-Football Inc. ("PFI"), JKC Stadium Inc. ("JKCSI") and Redskin Park Inc. ("RPI") is soliciting bids for the purchase of the Washington Redskins professional football club (the "Redskins" or the "Franchise"), Jack Kent Cooke Stadium ("the Stadium") and the Redskin Park training facility ("Redskin Park"). The Redskins, the Stadium and Redskin Park are collectively referred to herein as the "Football Assets." The Football Assets will provide the successful bidder with the prestige of owning one of the premier franchises in all of professional sports, the Washington Redskins.

Benefits of Ownership

Key benefits of ownership of the Football Assets include:

- Membership in the National Football League (the "NFL" or the "League"), the most popular professional sports league in North America
- Tremendous franchise reputation and popularity based on 62 years of on-field success, including three Super Bowl Championships and two NFL Championships, as well as 14 Hall of Fame enshrinees
- Home in the nation's capital and center of political power and influence, as well as one of the country's largest media markets
- Opportunity to become a prominent and influential member of the local and national political and business communities
- New state-of-the-art Stadium with 80,116 seats, the highest outdoor seating capacity in the NFL, as well as the highest number of premium seats (luxury boxes, loge and club seats) in the NFL
- One of the finest training facilities in the League, with three natural grass and one artificial turf practice fields, as well as a 66,106-square foot administrative building
- High and stable revenue base which includes, among other things, television and radio broadcast fees, license fees from luxury suites and other premium seats, and general ticket sales
- Ability to generate additional revenue and cash flow through, among other things, a naming rights agreement, hosting of additional events in the Stadium and local television and radio programming
- Sharing in the impressive growth of the NFL, including participation in established businesses, development of promising new ventures and sharing of future NFL expansion fees
- Opportunity to realize substantial long-term value appreciation as the popularity of professional sports as entertainment continues to grow

- Ability to watch, from the luxurious 2,051-square foot owner's suite, one of the NFL's most exciting teams compete for the NFC Eastern Division Championship and ultimately the Super Bowl Championship

Business Overview

The Washington Redskins NFL Franchise. Since the Franchise's inception in Boston in 1932 and subsequent move to Washington in 1937, few teams have enjoyed the on-field success of the Redskins. Prior to the 1966 season, the first season after the historic agreement to merge the operations of the American Football League ("AFL") into the NFL, the Redskins collected over 180 wins and two NFL Championships. Since that time, the Redskins have achieved the following impressive statistics:

- Over 275 wins
- 6 Division Championships
- 13 Playoff Appearances
- 5 Conference Championships
- **3 Super Bowl Championships**

The Redskins also have sent 14 individuals to the Pro Football Hall of Fame. This storied and successful history places the Redskins squarely among the NFL's elite franchises. The Redskins are led by a management team which includes General Manager Charley Casserly and Head Coach Norv Turner. The team's 1998 roster includes past Pro Bowl players such as Darrell Green, Terry Allen, Brian Mitchell and Ken Harvey. In addition, the team recently signed two of the NFL's premier defensive tackles, Dana Stubblefield and Dan Wilkinson.

Jack Kent Cooke Stadium. On September 14, 1997, the Washington Redskins played the inaugural game in Jack Kent Cooke Stadium, located in Raljon, Maryland. This privately financed state-of-the-art facility has the largest outdoor seating capacity in the NFL, as broken down in the following table.

Stadium Capacity

Section	Number of Seats
Luxury Suites (208)	3,148
Loge Areas	1,506
Club Level	14,959
General Admission	60,503
Total	80,116

The Franchise has entered into a 30-year lease agreement with JKCSI. The Stadium is also an attractive venue for many other types of events, including conventions, trade shows, catered events, concerts and other sporting events such as college football and soccer.

Redskin Park Training Facility. The Redskins lease from RPI a secluded state-of the-art training facility known as Redskin Park, located on 158 acres in rural Ashburn, Virginia. Redskin Park features the following attributes:

- Three specially-seeded natural grass practice fields
- One artificial surface practice field
- A 66,106-square foot team administration building which houses the following:
  - front office
  - coaches and team meeting rooms
  - auditorium
  - player and staff locker rooms
  - strength and conditioning room
  - training room
  - basketball and racquetball courts
  - extensive media facilities
  - the latest in physical training and video equipment to aid in the development of players and preparation for games

Financial Overview

The Redskins are one of the highest revenue-generating and most profitable NFL franchises. The forecast for the Football Assets, both on an entity-by-entity basis and combined, is set forth in the table below.

Consolidated Forecast – Fiscal Year Ending December 31, 1998 ($MM)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
Revenues					
Broadcast Revenues	$ 60.8	$ —	$ —	$ —	$ 60.8
Net Ticket Revenues	31.5	2.6	—	—	34.0
Net License Fees	—	29.9	—	—	29.9
Advertising, Concessions and Other	0.9	9.8	—	—	10.7
NFL Properties, Enterprises & Films	5.7	—	—	—	5.7
Rent	—	5.7	4.0	(9.6)	—
Total	$ 98.9	$ 47.9	$ 4.0	$ (9.6)	$ 141.2
Expenses					
Player Costs	$ 45.4	$ —	$ —	$	$ 45.4
General and Administrative	4.7	6.4	0.1	...	11.2
Team Expenses	6.6	—	—	—	6.6
Game Expenses and Other Events	1.3	4.4	—	—	5.7
League Assessments	3.3	—	—	—	3.3
Marketing Center and Ticket Office	0.0	1.2	—	—	1.2
Stadium and Training Facility Rent	9.6	—	—	(9.6)	—
Total	$ 70.9	$ 12.0	$ 0.1	$ (9.6)	$ 73.5
EBITDA	$ 28.0	$ 35.9	$ 3.8	$ —	$ 67.7
Amortization and Depreciation	14.2	7.6	0.3	—	22.0
Earnings Before Interest & Taxes	$ 13.8	$ 28.2	$ 3.6	$ —	$ 45.6

Note: Some figures do not add due to rounding.

It is important to note that the above forecast does not fully reflect the total revenues to be received for the 1998 season pursuant to the new network television contracts ($58.0 million). Since the 1998 season spans parts of both fiscal 1998 and fiscal 1999, revenue is recognized based on the number of games played in each fiscal year (and their television ratings). Therefore, forecast fiscal 1998 national broadcast revenues represent approximately 85 percent of distributions from the new television contracts plus about 15 percent of distributions from the prior contracts. The table below sets forth the key pro forma forecast fiscal 1998 figures as if fiscal 1998 national broadcast revenues represented 100 percent of 1998 distributions from the new contracts.

Pro Forma 1998 Forecast ($MM)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
Total Revenues	$ 102.1	$ 47.9	$ 4.0	$ (9.6)	$ 144.3
EBITDA	$ 31.2	$ 35.9	$ 3.8	$ —	$ 70.9
Earnings Before Interest & Taxes	$ 17.0	$ 28.2	$ 3.6	$ —	$ 48.8


HAIL TO THE
REDSKINS

Audited Financial Statements
and Other Financial Information

Pro-Football Inc

*Years ended December 28, 1997 and
December 29, 1996
with Report of Independent Accountants*

Audited Financial Statements
and Other Financial Information

PRO-FOOTBALL INC

December 28, 1997 and
December 29, 1996

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Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder
of Pro-Football Inc

In our opinion, the balance sheets and the related statements of income, of changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of Pro-Football Inc at December 28, 1997 and December 29, 1996, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

April 24, 1998

PRO-FOOTBALL, INC.
BALANCE SHEETS

	December 28, 1997	De
ASSETS		
Current assets:		
Cash	$ 773,368	$ 346,310
Accounts receivable	10,600,485	8,766,531
Other receivables	723,623	1,190,627
Due from related party	1,967,087	45,448
Franchise rights fee receivable (Note 2)	625,000	625,000
Prepaid expenses	395,083	51,617
Deferred compensation fund (Note 3)	1,501,259	2,751,946
Deferred income taxes (Note 8)	4,329,800	3,066,200
Total current assets	20,915,705	16,843,679
League franchise, acquired prior to 1970, not being amortized	8,800,000	8,800,000
Property and equipment, at cost:		
Leasehold improvements	32,381	81,585
Band and team equipment	1,650,922	1,623,492
Office equipment	371,563	509,254
Vehicles	33,095	62,585
	2,087,961	2,276,916
Less accumulated depreciation and amortization	1,494,215	1,593,752
Net property and equipment	593,746	683,164
Other assets:		
Franchise rights fee receivable (Note 2)	--	625,000
Unamortized players' signing bonuses	20,104,952	17,744,607
Investments in NFL Films, Inc. and NFL Properties, Inc., at cost	25,400	25,400
Investment in NFL Enterprises, L.P., WLAF	66,014	69,025
Investment in National Invitational Camp, Inc. and National Football Scouting Films, Inc., at cost	1,000	1,000
Deposits and other	1,000	1,000
Total other assets	20,198,366	18,466,032
Total assets	$50,507,817	$44,792,875

See notes to financial statements.

PRO-FOOTBALL INC
BALANCE SHEETS

	December 28, 1997	December 29, 1996
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 7,333,875	$ 7,695,890
Due to related party	520,871	80,103
Accrued expenses	8,460,624	4,262,646
Player litigation settlement (Note 9)	678,818	647,509
Deferred income	2,144,875	1,001,627
Lines of credit (Note 5 and 10)	--	4,625,000
Accrued payroll and deferred compensation	9,176,667	5,988,270
Severance pay liability (Note 6)	120,000	45,000
State taxes payable (Note 8)	341,391	719,500
Total current liabilities	28,777,121	25,065,545
Player litigation settlement (Note 9)	--	673,243
Severance pay liability (Note 6)	3,064,642	3,174,463
Deferred compensation	2,684,401	1,439,426
Deferred income taxes (Note 8)	4,094,300	4,396,200
Total liabilities	38,620,464	34,748,877
Commitments and contingencies (Notes 9 and 10)	--	--
Stockholder's equity:		
Common stock, 1,000 shares authorized, 300 shares issued at $8 stated value	2,400	2,400
Preferred stock (no par value; 1 share authorized, 1 share issued and outstanding)	--	--
Additional paid-in capital	8,476,075	6,846,175
Accumulated earnings	3,408,878	3,195,423
Total stockholder's equity	11,887,353	10,043,998
Total liabilities and stockholder's equity	$50,507,817	$44,792,875

See notes to financial statements.

PRO-FOOTBALL INC
INCOME STATEMENTS

	For Decemb 19[illegible]		Total
Revenues:			
Game	$27,859,[illegible]		[illegible]5,213
Broadcasting (Note 7)	45,450,875		
Distributions from NFL Films, Properties & Enterprises	4,260,413	4,464,8[illegible]	
Revenue sharing	704,000	2,012,000	
Other	1,002,641	2,210,230	
Total revenues	79,277,071	72,702,676	
Operating expenses:			
Game	5,880,918	3,447,383	
Player	36,999,090	32,696,408	
Team	6,671,237	6,117,631	
General and administrative	11,896,909	9,346,733	
Ticket office	307,529	242,306	
Total operating expenses	61,755,683	51,850,461	
Depreciation and amortization:			
Amortization of players' signing bonuses	16,864,655	11,063,655	
Other depreciation and amortization	191,992	224,467	
Total depreciation and amortization	17,056,647	11,288,122	
Interest income (expense):			
Interest income (Note 3)	366,311	298,459	
Interest expense	(302,497)	(844,267)	
Interest income (expense), net	63,814	(545,808)	
Income before income taxes	528,555	9,018,285	
Provision for income taxes (Note 8)	315,100	2,049,500	
Net income	$ 213,455	$ 6,968,785	

See notes to financial statements.

PRO-FOOTBALL INC
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Stock	Preferred Stock	Additional Paid-in Capital	Accumulated (Deficit) Earnings	Total
Balance, December 31, 1995	$2,400	$ --	$6,846,175	$(3,773,362)	$ 3,075,213
1996 Net Income	--	--	--	6,968,785	6,968,785
Balance, December 29, 1996	2,400	--	6,846,175	3,195,423	10,043,998
1997 Net Income	--	--	--	213,455	213,455
Contributed federal taxes (Note 8)	--	--	1,629,900	--	1,629,900
Balance, December 28, 1997	$2,400	$ --	$8,476,075	$ 3,408,878	$11,887,353

See notes to financial statements.

PRO-FOOTBALL INC
STATEMENTS OF CASH FLOWS

	For the Years Ended December 28, 1997	December 29, 1996
Cash flows from operating activities:		
Net income	$ 213,455	$ 6,968,785
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17,056,647	11,288,122
Loss on sale of assets	17,574	64,160
Contributed federal taxes	1,629,900	-
(Increase) decrease in assets:		
Accounts receivable	(1,833,954)	446,337
Other receivables	467,004	(771,800)
Due from related party	(1,921,639)	(45,448)
Prepaid expenses	(343,466)	54,309
Deferred income taxes	(1,263,600)	(3,066,200)
Players' signing bonuses	(19,225,000)	(8,026,000)
Franchise rights fee receivable	625,000	2,571,429
Increase (decrease) in liabilities:		
Accounts payable	(362,015)	4,033,433
Due to related party	440,768	(146,184)
Accrued expenses	4,197,978	(974,190)
Accrued payroll and deferred compensation	4,433,372	90,861
State taxes payable	(378,109)	-
Player litigation settlement	(641,934)	(622,759)
Deferred income	1,143,248	1,001,627
Severance pay liability	(34,821)	314,642
Deferred income taxes	(301,900)	5,115,700
Net cash provided by operating activities	3,918,508	18,296,824
Cash flows from investing activities:		
Net decrease (increase) in deferred compensation fund	1,250,687	(1,630,977)
Investment in NFL Enterprises	3,011	319,299
Acquisition of property and equipment	(120,148)	(122,081)
Net cash provided by (used in) investing activities	1,133,550	(1,433,759)
Cash flows from financing activities:		
Borrowings under lines of credit	41,671,000	43,939,000
Principal payments under lines of credit	(46,296,000)	(61,114,000)
Net cash used in financing activities	(4,625,000)	(17,175,000)
Net increase (decrease) in cash	427,058	(311,935)
Cash at beginning of year	346,310	658,245
Cash at end of year	$ 773,368	$ 346,310

See notes to financial statements.

PRO-FOOTBALL INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 28, 1997
AND DECEMBER 29, 1996

1. Organization and Significant Accounting Policies

Organization: Pro-Football Inc (the Company) is a Maryland corporation and a wholly owned subsidiary of Jack Kent Cooke Incorporated (Parent). The Company's activities are limited to owning and operating the Washington Redskins football team, which is a member club of the National Football League (NFL).

The Company's fiscal year ends on the Sunday closest to December 31.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates and assumptions.

Revenue Recognition: The Company recognizes revenue from games (principally ticket sales and broadcasting fees) in the period in which the games are played.

Depreciation and Amortization: Vehicles and equipment are recorded at cost and depreciated using the straight-line method over useful lives ranging from five to ten years. Leasehold improvements are amortized primarily on the straight-line method over the shorter of the life of the lease or the asset.

Deferred Compensation: Coaches', front office employees' and players' deferred compensation as well as deferred player signing bonuses are recorded at present value using tiered discount rates specified by the NFL for 1997 and 1996.

Players' Signing Bonuses: Players' signing bonuses are capitalized and amortized on a straight-line basis over the terms of the players' contracts. The accumulated amortization was $25,516,548 and $19,836,893 as of December 28, 1997, and December 29, 1996, respectively.

Supplemental Disclosure of Cash Flow Information: Interest payments of approximately $440,000 and $1,484,000 were made during 1997 and 1996, respectively. Cash paid for state income taxes was approximately $731,000 and $50,000 during 1997 and 1996, respectively.

Income taxes: A consolidated federal tax return is filed by the Parent. The Company has a tax sharing agreement with the Parent requiring that the Company provide for its tax liability in the ratio that its separate taxable income bears to the sum of the separate taxable incomes of all affiliated companies having taxable income for the year. Under this arrangement, the Company will receive benefit for its operating losses only in years when the Company has taxable income. Such benefit will be reduced to the extent that the Company's operating losses have been utilized by affiliated companies in the consolidated federal return.

The Company utilizes the liability method to account for income taxes as if it were a separate taxpayer. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Long-lived Assets: Effective the beginning of fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 121 (FAS 121), "Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of." This statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of this statement did not have a material impact on the Company's financial position, results of operations, or liquidity. The Company believes that no material impairment existed at December 28, 1997 and December 29, 1996.

Financial Instruments and Investments: The estimated fair value of the Company's financial instruments, which include cash, accounts receivable, investments and lines of credit, approximate their carrying value.

The Company has several investments in less than majority owned limited partnerships and the nature and extent of these investments changes over time. The investment in NFL Enterprises, L.P. had negative equity of $258,150 for the year ended December 31, 1997, which has been offset by a receivable and is classified as an other receivable.

Deferred Compensation Fund: FAS 115, "Accounting for Certain Investments in Debt and Equity Securities", requires that investments be classified and accounted for according to three categories: held-to-maturity, available for sale or trading securities. The Company's investment in the Deferred Compensation Fund is classified as available for sale and carried at fair market value. Fair value is based upon market or broker quotations

Concentration of credit risk: Financial instruments which subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. It is the Company's practice to place its cash with high credit quality financial institutions. Trade accounts receivable consist primarily of national network television revenues from the NFL. At December 28, 1997, the Company had no significant concentrations of credit risk

2. Franchise Rights Fee Receivable

In November and December 1993, the NFL and its 28 current member clubs granted NFL franchises to be operated in Charlotte, North Carolina and Jacksonville, Florida, commencing with the 1995 playing season. The Company's share of the contract price for both locations is $9,870,000 which was recorded as income in 1993. As of December 28, 1997 and December 29, 1996, approximately $9,245,000 and $8,620,000 of these fees have been received. This includes the early payoff of the debt owed by the Jacksonville Jaguars in 1996. The remaining $625,000 plus interest at 6%, is to be collected in November 1998. Interest receivable of $5,521 and $11,042 at December 28, 1997 and December 29, 1996, respectively is included in other receivables in the accompanying Balance Sheets. The grant of each franchise encompasses the transfer of a variety of assets and rights, including the right to participate in a special veteran draft, the receipt of additional rookie draft choices, the right to share in television revenue, the right to share in future NFL expansion revenue and the right to acquire stock in NFL Properties and NFL Films.

3. Deferred Compensation Fund

In March 1982, the NFL adopted a resolution requiring each member club to deposit funds with an NFL designated funding agent. Usage of those funds plus interest earned on those funds are restricted for payment of the liability for coaches', front office employees' and players' deferred compensation. Income earned on this account of approximately $104,000 and $98,000 for 1997 and 1996, respectively, is included in interest income on the accompanying Statement of Operations. At December 28, 1997 and December 29, 1996, the fair market value approximates the cost of the investment in the Deferred Compensation Fund.

4. Employee Benefit Plans

Bell Rozelle Pension Plan: The Bert Bell/Pete Rozelle NFL Player Retirement Plan is a multi-employer defined benefit pension plan covering players in the NFL. The combined contribution was $548,272 and $499,751 for 1997 and 1996, respectively.

NFL Club Employers Pension Plan: This plan ("the Club Plan") is a multi-employer defined benefit plan administered by the NFL and is maintained for the benefit of all coaches and employees except officers and players. The pension expense accrued and funded for the Club Plan in 1997 and 1996 was $534,456 and $473,932, respectively.

National Football League Supplemental Employee Retirement Plan: This plan ("the NFL SERP") is an unqualified plan which provides benefits to certain coaches and front office employees to supplement benefits provided under the Club Plan. The amount charged to pension expense and contributed to the Plan in 1997 and 1996 was $79,711 and $70,360, respectively.

401(k) Savings Plan: The Company sponsors a 401(k) savings plan under which eligible employees may choose to save up to 18 percent of salary income on a pre-tax basis, subject to certain IRS limits. The Company matches 50 percent of the employee's contribution up to 2.5% of salary or $3,750, whichever is lower. The Company match for 1997 and 1996 was $82,417 and $86,204, respectively.

5. Lines of Credit

As of December 28, 1997 and December 29, 1996, the Company had an unsecured line of credit with a bank in the amount of $10,000,000. Borrowings under this agreement bear interest, at the Company's option, at a floating rate based on the prime lending rate or at 1% over the London Interbank Offered Rate. At December 29, 1996, $4,625,000 was outstanding on the line of credit. Interest expense on the line of credit borrowings for 1997 and 1996 was approximately $322,000 and $246,000, respectively. The Company also has a demand credit agreement with its Parent (See Note 10).

On March 13, 1998, the Company increased its unsecured line of credit from $10,000,000 to $25,000,000. Borrowings under this agreement bear interest, at the Company's option, at a floating rate based on the prime lending rate, or either a fixed or floating rate of 1% over the London Interbank Offered rate. In addition, the Company pays a commitment fee of .25% per annum on the average daily unused balance. The entire unpaid principal balance with all accrued and unpaid interest is due August 30, 1998.

At December 28, 1997 and December 29, 1996, the Company has extended renewable letters of credit totaling $2,155,000 as collateral for payment of losses, loss expenses and applicable loss assessment expenses incurred under the Company's workers' compensation insurance policies. No amounts were drawn on at December 28, 1997. The Company also has letter of credit commitments in relation to Jack Kent Cooke Stadium, Inc. ("JKC Stadium, Inc.") (See Note 10).

6. Severance Pay

Under the terms of the 1993 Collective Bargaining Agreement, Article L, between the NFL Management Council ("NFLMC") and the NFL Players Association ("NFLPA"), NFL players with two or more years of credited service are entitled to severance pay benefits. Each eligible player will receive severance pay of $5,000 for each season played before 1993 and $10,000 for each season played between 1993 and 1999. Additions to the severance benefits liability in 1997 and 1996 were $610,000 and $625,000, respectively.

7. Broadcast Revenue

The Company receives revenue for the broadcast of NFL games on both local and national radio and television networks. The current NFL network television contract, which covers the 1994-1997 seasons, provides for the broadcast of the NFL preseason, regular season and postseason games. Revenue from the NFL network television contract is divided equally among the 30 current NFL Member Teams. For the 1997 and 1996 seasons, the Company's share of the NFL national network television revenues was approximately $39,500,000 and $39,100,000, respectively, which does not include revenue earned from preseason play. Total national network television broadcast revenue is allocated between the regular and postseason based on Neilsen ratings and is recorded by the Company in the fiscal year in which the games are played.

8. Income Taxes

The provision (benefit) for income taxes for fiscal 1997 and 1996 consists of:

	1997	1996
Current:		
Federal	$ 1.629.800	-
State	250.800	$ 719.500
	1.880.600	719.500
Deferred:		
Federal	(1.346.700)	1.150.200
State	(218.800)	179.800
	(1.565.500)	1.330.000
	$ 315.100	$2.049.500

The provision for income taxes is determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. "Accounting for Income Taxes", which requires that the consolidated amount of current and deferred income tax expense for a group that files a consolidated income tax return be allocated among members of the group when those members issue separate financial statements. Under the terms of the tax sharing agreement (see Note 1), the Company did not have a current Federal tax liability to the Parent at December 28, 1997. In accordance with SFAS 109, the current Federal provision of $1,629,900 has been recorded as a capital contribution by the Parent.

The Company used net operating loss carryforwards of approximately $10,680,000 to fully offset the 1996 provision for federal income taxes and approximately $2,320,000 to offset the 1996 state tax provision.

The Company provides deferred taxes for temporary differences between the book basis of assets and liabilities for financial reporting purposes and the book basis of assets and liabilities for tax return purposes. The net deferred tax asset (liability) is attributable to the following:

	December 28, 1997	December 29, 1996
Deferred compensation	$ 3,291,500	$ 2,629,000
Severance pay	1,249,000	1,234,000
Pension costs	810,000	707,000
Player litigation	234,000	507,000
Worker's compensation	983,000	417,000
NFL revenue sharing	223,000	
Other	86,000	143,000
Gross deferred tax asset	6,876,500	5,637,000
Amortization of signing bonuses	(6,640,000)	(6,715,000)
NFL revenue sharing	-	(227,000)
Depreciation	(1,000)	(23,000)
Other	-	(2,000)
Gross deferred tax (liability)	(6,641,000)	(6,967,000)
Net deferred tax asset (liability)	$ 235,500	$(1,330,000)

Deferred taxes result primarily from the accounting for signing bonuses, pension expenses, deferred compensation and severance arrangements in different periods for book and tax purposes.

9. Contingencies

The NFL and its Member Clubs (collectively, the "League") are engaged in various litigation, as follows:

Development Squad Litigation: Developmental squad litigation first filed in May 1990 by certain individual players, on behalf of themselves and all NFL players who signed developmental squad contracts in 1989, was finally resolved on June 20, 1996 when the Supreme Court affirmed a judgment in favor of the NFL.

New England Patriots' Litigation: A suit filed on May 16, 1991 by William H. Sullivan, Jr., the former owner of the New England Patriots, against the NFL, twenty-one of the NFL Member Clubs and the current and former commissioners, was finally resolved in August of 1996 when the parties entered into a settlement agreement, pursuant to which the NFL has paid Mr. Sullivan $11.5 million. This case has been dismissed by the court with prejudice.

In 1994, Francis Murray, a former minority owner of the New England Patriots (who was also from time to time a member of one of the groups that applied unsuccessfully for an expansion franchise in St. Louis) filed suit in federal District Court against the NFL, 27 of the Member Clubs, certain League management and others. The Complaint alleges violations of the Sherman A. as well as state law claims. The central allegation is that, as a result of the NFL's policies prohibiting public ownership and financing of expansion franchises with income from stadium leases, this former minority owner (1) was unsuccessful in his struggle with the then majority owner (Victor Kiam) for control over the Patriots and ultimately had to sell his interest in the team and (2) was unable to obtain an expansion franchise.

On December 1, 1994, the NFL filed a motion to dismiss the complaint as to all the NFL defendants, principally on the ground that under applicable precedents in the Third Circuit, there can be no cause of action under the antitrust laws based on either the League's failure to award an expansion franchise to the former minority owner or its acts or omissions with respect to the former minority owner's failure to gain control of the Patriots.

On December 5, 1994, the NFL filed a further motion seeking a stay of discovery pending decision on the motion to dismiss. The court heard arguments on these motions in January, 1995.

On June 26, 1996, the District Court granted in part and denied in part the League's motion, as well as a parallel motion by the former majority owner of the Patriots. Among the claims dismissed by the Court were those relating to relocation and expansion issues and those directed at two former NFL owners.

Discovery was completed and a motion for summary judgment on the remaining claims was filed on July 14, 1997. By order dated April 24, 1998, the court granted the summary judgment motion and entered judgment for all defendants. Plaintiffs have the right to appeal the decision to the Third Court of Appeals.

A third suit was filed in Federal District Court on November 16, 1994, by a former majority owner of the New England Patriots and various corporate entities that once held an interest in the Patriots. The defendants are the League, 22 of the then Member Clubs, and one of the expansion clubs. The Complaint alleges violations of the Sherman Act as well as state law claims, all challenging the NFL's franchise relocation policies and alleged interference with this majority owner's asserted efforts to move the Patriots to another city or to sell the club to a new owner who would move the team. The NFL answered the complaint on January 3, 1995.

Among the NFL's principal defenses in this case is that the plaintiffs agreed to forgo their claims in a binding release, which plaintiffs allege is not enforceable. On February 28, 1995, the NFL filed a motion for summary judgment based upon the release; that motion was denied by the District Court on April 10, 1998. Discovery on the merits had been stayed pending decision on the NFL summary judgment motion, but is expected to resume later in 1998. The NFL has also filed a counterclaim in this filing of the case by the plaintiffs breached their release of the NFL and is seeking recovery of its attorney's fees.

Although the League and outside counsel believe there are substantial legal defenses for the above actions, it is not presently possible to form an opinion as to the plaintiff's likelihood of success at trial or on the appeal or, in the event of success at trial, as to the possible amount of damages that may be assessed against the NFL. Accordingly, no reserve has been recorded for this litigation.

Oakland Raiders' Litigation

Federal Court Litigation:

The NFL and its Member Clubs are involved in various litigation with the Oakland Raiders (the "Raiders"). On August 31, 1995, the NFL filed a complaint in U.S. District Court in the Central District of California seeking declaratory and injunctive relief against the then Los Angeles Raiders relating to the Raiders' asserted desire to relocate to Oakland for the 1994 playing season and their failure to abide by the League's rules governing the sharing of certain ticket revenues. The Raiders subsequently relocated to Oakland for the 1995 playing season. In February 1996, the Raiders filed an answer to the NFL's complaint, denying the material allegations of the complaint and asserting various affirmative defenses. The Raiders also filed counterclaims and a third party complaint alleging antitrust and various state law claims arising from the League's alleged conduct as it related to the Raiders purported attempt to relocate in Oakland in 1994, and the Raiders actual relocation to Oakland in 1995.

In October 1995, the Raiders and a number of governmental agencies from the City of Oakland and the County of Alameda filed a complaint in U.S. District Court in the Northern District of California against the NFL, sixteen of its Member Clubs, the NFL Commissioner and the NFL President alleging antitrust and state law claims similar to those made in the counterclaim discussed above, as well as other claims asserting mismanagement and negligence in connection with NFL Properties, Inc. ("NFL Properties") and the World League of American Football (the "World League"). Together, the plaintiffs seek actual, treble and punitive damages in excess of $225 million. In January 1996, the NFL filed an answer denying the material allegations of the complaint, ass ... against the defenses, and asserting as counterclaims the same claims that wer ... aims, the the previous case. In February 1996, the Raiders moved for an ... aiders dismissal of their claims in this case, but not the Oakland entitie ... L's can be pursued as compulsory counterclaims in the previous c claims in the state case discussed below.

On May 17, 1996, the Court in the Northern District action granted the ... transfer the Oakland Entities' claims to the Central District.

On July 1, 1996, the NFL moved for summary judgment on its request for judicial validation of its relocation and revenue-sharing rules. The NFL also moved for summary judgment on all of the Raiders' counterclaims that were then pending.

On August 27, 1996, the Raiders filed a first amended counterclaim and third-party complaint, which added claims for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty and declaratory relief stemming from the Raiders' failed effort to relocate to Hollywood Park.

On January 27, 1997, the Raiders filed a second amended counterclaim and third-party complaint, which added claims for interference with contractual relations relating to the Raiders' relocation to Oakland (the "Oakland Interference Claims") and interference with prospective economic advantage in connection with the Raiders' failed negotiations with Hollywood Park (the "Hollywood Park Claims").

On May 22, 1997, the District Court denied certain motions for summary judgment filed by the NFL parties at the outset of discovery. In October 1997, the NFL and the Oakland Entities reached a tentative settlement of their disputes in this case. That settlement is, pursuant to a contractual arrangement between the Oakland Entities and the Raiders, subject to approval by the Raiders. At this point the Raiders have rejected the Oakland Entities' request for such approval. The Oakland Entities' have filed a motion with the Court seeking, among other things, an order that the Raiders specifically perform their obligation to approve the NFL/Oakland Entities' settlement. That motion is pending before the Court, but will not be resolved until the conclusion of Court-ordered settlement negotiations. Fact discovery has ended in the case. The parties are currently engaged in expert discovery, which they expect will be concluded within the next few months.

In November 1997, the NFL filed two motions for partial summary judgment against the Raiders' claims. These motions seek dismissal of the Raiders' 1994 Relocation Claims, the Hollywood Park Claims and the Oakland Interference Claim. At the same time, the Raiders filed a motion for partial summary judgment, asking the Court to strike certain of the NFL's affirmative defenses to the Raiders' claims. In response to the Raiders' motion for partial summary judgment, the NFL filed a cross-motion, seeking judgment of the Raiders' 1995 Relocation Claims. In response to the NFL's motions for partial summary judgment, the Raiders' abandoned their Oakland Interference Claim (but filed oppositions to the balance of the NFL's motions). These motions are currently pending before the Court, but will not be resolved until the conclusion of Court-ordered settlement negotiations.

State Court Litigation:

In February 1996, the Raiders filed a separate complaint in California Superior Court against the NFL, sixteen of its Member Clubs, the NFL Commissioner, the NFL President, NFL Properties and the World League. The complaint included certain of the claims originally brought in the Raiders Northern District federal case discussed above.

On July 12, 1996, the Court granted the League defendants' motion to strike and partial demurrer in part leaving only one claim in the case, for an accounting against the World League.

On September 20, 1996, the Raiders filed a First Amended Complaint in the state court case, containing 14 causes of action, variously brought against the same defendants the original complaint named, plus NFL Enterprises.

On October 18, 1996, the League defendants filed a demurrer to the Raiders' First Amended Complaint. The Court issued a decision on December 17, 1996, and an amended decision on December 20, 1996, sustaining in part, and overruling in part the demurrer and, on its own accord, striking portions of two accounting claims.

On February 14, 1997, the Raiders filed a Second Amended Complaint, containing [illegible]teen causes of action variously asserted against the same League defendants named in the First Amended Complaint. The causes of action include claims related to the operations of the World League; claims alleging breaches of alleged fiduciary duties; derivative claims purportedly on behalf of member clubs; claims relating to the operations of NFL Properties; claims relating to the Raiders' obligations to contribute to the expense of the settlement of the

New England Patriots litigation, and claims relating to revenues generated through the broadcast of preseason games.

On March 6, 1997, the League defendants filed a demurrer with respect to the claims relating to alleged breaches of fiduciary duty, and summary judgment motions with respect to the derivative claims and the New England Patriots claims. The Court heard argument on the motions on May 5, 1997, but has not yet issued a ruling.

On December 22, 1997, the Raiders filed a Third Amended Complaint which cited a variety of claims including breach of contract, breach of fiduciary duty, fraud, negligent misrepresentation, trademark and trade infringement, right to an accounting and declaratory relief.

Many of the claims are brought derivatively on behalf of the League and one or more of the NFL for-profit entities (NFL Enterprises, Inc., NFL Enterprises, L.P., or NFL Properties, Inc.) on the grounds that demand for suit on these entities would have been futile, allegedly because a majority of the member clubs of the League, and of the directors on the board of directors of the NFL Entities, are dominated and controlled by the Commissioner and the President, and therefore lack independent judgment. The Raiders seek compensatory and punitive damages in amounts according to proof, declaratory and injunctive relief, accountings, restitution, prejudgment and postjudgment interest and costs. A jury trial has been demanded by the Raiders.

Trial was previously scheduled to commence on February 10, 1998, but was continued indefinitely when the Court granted the Raiders' motion for leave to file its Third Amended Complaint in December 1997.

On February 3, 1998, certain of the NFL Defendants petitioned the Superior Court for an order compelling arbitration of three claims in the Third Amended Complaint and for a stay of the entire action pending completion of the arbitration. On March 9, 1998, the Court denied the motion (the "March 9 Order"). On March 12, 1998, certain of the NFL Defendants filed a notice of appeal of the trial court's March 9 Order with the California District Court of Appeal. On March 19, 1998, the Raiders moved for an order setting a September 1998 trial date on all causes of action and directing all defendants to proceed to trial on all claims. The NFL Defendants' opposition to the motion was filed March 31, 1998. On April 17, 1998, the superior court set a trial date of April 19, 1999, and ordered the action to proceed, except that it will not take any action that will result in a judgment being entered on the three claims in the third amended complaint of which the NFL defendants seek arbitration.

General:

Although the ultimate outcome of the above Raiders cases is uncertain, the NFL and its counsel believe that they have several valid and meritorious defenses to the claims and counterclaims made by the Raiders. Accordingly, no reserve is maintained for this litigation in the accompanying financial statements.

NFL Sunday Ticket Litigation

In July 1997, a class action was filed in federal court in Philadelphia against the League and five member clubs. Plaintiffs, residential subscribers to NFL Sunday Ticket, allege that the sale of all Sunday afternoon game telecasts exclusively as a package constitutes a violation of federal antitrust laws. They seek an injunction and attorney's fees, but not damages. In October 1997, the defendants filed a motion to dismiss. Briefing on the motion has been completed. No date for oral argument has been set.

Houston Astrodome Litigation

In November 1995, the operators of Astrodome USA in Houston, Texas, brought a third party action in federal District Court against the NFL challenging (i) the League's decision to cancel an August 19, 1995, exhibition game on the grounds that the condition of the artificial turf in the Astrodome posed a danger to player safety, and (ii) statements allegedly made by League Officials after the game cancellation concerning the suitability of the Astrodome as a venue for professional football games. The causes of action include negligence, fraud, conspiracy, tortuous interference and business disparagement. The plaintiff seeks both actual and punitive damages of an unspecified amount. The NFL has filed a motion to dismiss this complaint.

On April 11, 1997, the Court granted the motion for summary judgment and dismissed all claims against the League. On July 3, 1997, the court entered a final consent judgment effecting the settlement agreement and mutual release entered into by all parties to the litigation

St. Louis Litigation

In December 1995, an action was filed in federal District Court by the St. Louis Convention and Visitors Commission against the NFL and 24 of its member clubs. This complaint alleges that the League defendants impeded the relocation of the Rams from Los Angeles to St. Louis and restrained trade in an asserted stadium market in violation of Sections 1 and 2 of the Sherman Act as well as the Missouri antitrust laws. The complaint also asserts tort claims. On November 10, 1997, in the midst of a trial that had been underway for five weeks, the District Court directed a verdict for defendants on all counts. The St. Louis Convention and Visitors Commission has filed an appeal in the U.S. Court of Appeals in the Eighth Circuit. Briefing is now underway.

Although the League and its outside counsel believe that there are substantial legal defenses for the above appeal, it is not presently possible to form an opinion as to the plaintiff's likelihood of success or, in the event of success, the possible amount of damages that may be assessed against the NFL if the claim is retried. Accordingly, no reserve is maintained in the accompanying financial statements for this litigation.

Settled Player-Related Litigation

NFLPA 1987 Strike Litigation: The NFLPA had brought an unfair labor practice charge against the NFL, the NFLMC and the 28 member clubs before the National Labor Relations Board. The NFLPA sought back pay as a result of Management Council's determination not to allow striking players to return to club rosters for the first game following the termination of the strike in October 1987.

NFLPA Antitrust Litigation: A number of actions were filed in the past few years by either the NFLPA and/or individual player plaintiffs, on behalf of themselves or small groups of players and/or on behalf of alleged classes of NFL players, against the NFL and the 28 member clubs. Plaintiffs in these various actions sought a declaration that the antitrust labor exemption applicable to collectively-bargained "player restraints", including rules governing movement among teams of veteran free agents, the college draft and the standard player contract, had expired and the continued application of these provisions by the NFL was, therefore, in violation of the antitrust laws. Plaintiffs also sought an injunction against the continuing application of these alleged restraints to NFL players. In addition, plaintiffs sought damages, to be trebled under the antitrust laws, allegedly caused by the past application of these restraints to NFL players in the 1989 through 1992 seasons and continued adherence to these practices.

Settlement: On January 6, 1993, the League and the players announced a global settlement (the "Settlement") of a wide range of player-related litigation, including the NFLPA 1987 Strike Litigation and the cases related to the NFLPA Antitrust Litigation referred to above. That Settlement was reached after extensive negotiations with attorneys for the players and representatives of the NFLPA. On April 30, 1993, the United States District Court in Minneapolis found the Settlement to be "fair, reasonable and adequate" and permanently enjoined all members of the plaintiff class from further prosecution of pending lawsuits challenging the same player practices at issue above and from initiating any such actions in the future. On August 20, 1993, the District Court granted final approval to the Settlement and entered a final consent judgment. After unsuccessful appeals to both the Court of Appeals and the Supreme Court by some of the players and one team, the Settlement became final on July 7, 1995.

The key structural terms of the Settlement include revisions to the college draft, limitations on contract negotiations for entry level players, agreement on eligibility requirements for players as unrestricted free agents and the institution of a salary cap if player costs reach specified levels.

The financial terms call for the member clubs to make overall payments of $195 million, according to the following schedule: (a) $70 million within ten days of the final consent judgment; (b) $27 million by October 15, 1993; and (c) the remaining $98 million in five equal installments of $19.6 million on October 15 of each year from 1994 through 1998. No interest was to be due on any of the payments. Of the total monetary payment, $10 million was paid to the NFLPA in settlement of certain licensing litigation. In the event the Settlement is terminated prior to its stated expiration, the member clubs will be entitled to recover, or decline to pay, certain of these amounts.

In addition, as settlement of certain licensing litigation, the member clubs are to pay to the NFLPA between February 28, 1994, and February 28, 2000, a fixed annual payment plus a contingent payment based upon specified trading card royalties, not to exceed a total of $5 million. These payments range from a total minimum of approximately $15 million to a total maximum of $35 million.

The NFLPA, again acting as the exclusive collective bargaining agent for NFL players, agreed on May 6, 1993, to a new Collective Bargaining Agreement that incorporates in large part (and modifies in certain operational respects) the terms of the Settlement. The new Collective Bargaining Agreement was ratified by a majority of NFLPA members.

At December 28, 1997 and December 29, 1996, the Company has a liability in the accompanying balance sheet representing the present value (computed with an effective annual rate of approximately 4%) of its remaining share of the financial settlement.

During 1994, the Executive Committee reached agreement on a number of still-outstanding issues from the Settlement. As part of this agreement, and in return for concessions by the NFLPA, the Executive Committee agreed that, subject to certain limitations, the member clubs would pay the employers' share of withholding taxes on settlement fund distributions. The total amount of such taxes to be paid is not susceptible to estimation by the NFL at this time and no amounts for taxes on future distributions have been reflected in the accompanying financial statements. During the years ended March 31, 1998 and 1997, a total of $1.9 million ($67,289 per club) and $1.7 million ($60,723 per club), respectively, was paid relating to the employer share of taxes on the $147.3 million of distributions made to date.

In 1997, the NFL moved the District Court for an order declaring that the Court no longer had continuing jurisdiction over the disputes between the NFL and the NFLPA. The Court denied that motion, and the NFL appealed the denial to the United States Court of Appeals for the Eighth Circuit. By agreement of the parties, the appeal in the Eighth Circuit has been stayed pending finalization of negotiations between the NFL and the NFLPA to extend the current Collective Bargaining Agreement.

Other Litigation: The NFL and its member clubs are involved in various other litigation incidental to their businesses. The cost of any claims ultimately paid with respect to these matters constitute expenses to be shared equally among the member clubs of the NFL in accordance with provisions of the NFL Constitution and Bylaws. Payment of these contingencies may be made through assessments to the member clubs by the League Office. In the opinion of the League's management and outside legal counsel, the ultimate resolution of these other various litigation issues will not have a material effect on the NFL and its member clubs.

Cleveland Browns Stadium Commitment

In connection with the settlement of certain litigation relating to the proposed move of the Cleveland Browns to Baltimore, the City of Cleveland, the League, Cleveland Browns, Inc. ("CBI"), the Cleveland Stadium Corporation ("CSC"), Arthur B. Modell and the Maryland Stadium Authority ("MSA") have concluded certain agreements that among other things (i) permitted CBI to relocate its NFL franchise to Baltimore (where it is now known as the

Baltimore Ravens), (ii) required CBI to relinquish all right, title and interest in the Cleveland Browns team name, colors, history and heritage and transfer them in trust to the Commissioner of the NFL for the benefit of the City of Cleveland pending transfer to the new owner of the Cleveland NFL franchise, (iii) will require the League to locate an NFL franchise in Cleveland upon completion by the City of Cleveland of construction of a new stadium and satisfaction of certain other conditions, (iv) will require the League upon satisfaction of certain conditions to provide certain funds to assist the City of Cleveland in paying costs of constructing a new stadium and (v) require CBI and CSC to pay damages to the City of Cleveland in settlement of the above-referenced litigation filed by the City of Cleveland and in consideration of early termination of their leases with the City of Cleveland.

In these agreements, the NFL has committed to contribute (through an affiliated entity) up to a maximum of $48 million to pay for certain construction and other costs related to the new stadium being constructed by the City of Cleveland which is expected to be completed and available for League play prior to commencement of the 1999 NFL season and has entered into a lease for the new stadium as nominee for the Cleveland Browns franchise to begin play in 1999 (which lease will be assigned to such franchise when such franchise is awarded). The NFL currently anticipates that League contributions will be funded from a variety of sources, including the sale of premium seating and permanent seat licenses at the new stadium.

Workers' Compensation Insurance: The Company maintains workers' compensation insurance coverage for which premium charges have previously been assessed based upon participation in Virginia's assigned risk pool. A court decision stated that all players who have played in a professional football game in the District of Columbia are entitled to benefits in accordance with the District of Columbia's workers' compensation law. As a result of this court decision, the Company's insurance carrier assessed additional premiums relating to prior policy years in the amount of $5.9 million for the difference in coverage costs between participating in the District of Columbia's and Virginia's assigned risk pools. On October 20, 1994, the Company's insurance carrier filed a lawsuit in the U.S. District Court for the District of Columbia. The Company filed its reply brief and reply memorandum in support of its motion to dismiss on December 9, 1994. The Company's request for status conference and oral argument on its motion to dismiss was filed on July 21, 1995. The Company's motion to dismiss was denied. The Company filed its counterclaim on November 13, 1995. On August 26, 1996, the Court granted the Company's motion for summary judgment thus defeating the insurance carrier's claim. The Court also granted the insurance carrier's motion for summary judgment, thereby defeating the Comp claim.

On October 27, 1997, the U.S. Court of Appeals for the District of Columbia rever grant of summary judgment in favor of the Company on the insurance carrier's claim for additional premiums and remanded to the District court with instructions to enter summary judgment for the insurance carrier on this claim. The Company filed a petition for rehearing and a suggestion for rehearing *en banc* in the Court of Appeals on November 26, 1997.

On January 22, 1998, Judge Green entered an Order postponing the commencement of proceedings on remand until after any proceedings in the Supreme Court have been concluded.

The Company filed a Petition for Writ of Certiorari with the U.S. Supreme Court on March 10, 1998. The insurance carrier filed its opposition to the Petition for Writ and the Company thereafter filed a Reply Brief.

On April 20, 1998, the Supreme Court denied the Company's writ.

(Unaudited) On May 6, 1998, the Company filed a motion for summary judgment on the issue of damages and memorandum regarding its rights to set-off and recoupment and the applicability of DC code 36-303 (a-3).

A final outcome is not yet determinable and accordingly, the Company has not recorded any amounts in the accompanying financial statements.

10. Related Party Transactions

Line of Credit: The Company has a demand credit agreement in the amount of $20,000,000 with its Parent. Under the terms of the agreement, interest accrues at the Applicable Federal Rate (AFR). The applicable rates at December 28, 1997 and December 29, 1996 were 5.91% and 5.88%, respectively. The Company recognized interest expense of approximately $0 and $436,000 in 1997 and 1996, respectively. No amounts were outstanding at December 28, 1997 and December 29, 1996.

Intercompany Payable: At December 28, 1997, the Company had net payables of $520,871 due to the Parent.

Agreements with JKC Stadium Inc: The Company has entered into a thirty-year lease agreement with JKC Stadium Inc for the use of the stadium as the home field of the

Washington Redskins. Revenue derived from ticket sales are recognized by the Company. Rent is calculated at the rate of 15% of net home game ticket sales. During fiscal 1997, the Company recorded rent expense of $4,418,791 under this lease agreement.

In conjunction with the construction and operation of Jack Kent Cooke Stadium, the Company is a party to a thirty-year agreement with the State of Maryland and Prince George's County. A provision of this agreement requires creation and issuance of one share of preferred stock. The holder of this share has certain rights of approval with respect to certain potential transactions and is entitled to a liquidation payment of $100 per share upon liquidation of the Company or redemption of the preferred stock. Redemption of the preferred stock is at the option of the Company any time on or after the 30th anniversary of the first home game at the new stadium or August 31, 2027, whichever is later. Aside from the specific approval rights and liquidation payment referenced above, the holder of the preferred stock has no voting rights and has no right to receive dividends or other distributions.

As part of the fifteen-year financing agreement entered into during fiscal 1997 for the construction of the new stadium, the Company made certain guarantees to JKC Stadium Inc to provide certain funding until, but not beyond, the time at which club seat premium revenues, luxury suite premium revenues, qualifying advertising and other revenues achieve required levels to meet contractually obligated income from operations, and also to ensure rent under the stadium lease meets minimum actual levels of $3,500,000 in 1997 and $4,000,000 in 1998 and beyond. The Company did not provide any funding during fiscal 1997 under these guarantees.

At December 28, 1997, the Company had net receivables of $1,967,087 due from JKC Stadium Inc.

Guarantees: During 1997, the Company guaranteed letters of credit totaling $1,874,686 for JKC Stadium Inc. No amounts were outstanding at December 28, 1997.

Leases: The Company entered into a five-year operating lease for office space with Redskin Park Inc, an affiliated entity wholly-owned by the Parent, which commenced on July 26, 1996. The minimum lease payments are not of equal amounts and escalate during the life of the lease and the corresponding rent expense is recognized on a straight-line basis over the term of the lease. The Company recognized rent expense of approximately $4,399,000 and $1,757,000 during 1997 and 1996, respectively.

The future minimum lease payments due under the non-cancelable operating lease are approximately as follows:

Year Ended	Operating Lease Payments
1998	$ 1,876,000
1999	2,064,000
2000	7,235,000
2001	6,158,000
	$ 17,333,000

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS
ON OTHER FINANCIAL INFORMATION

To the Stockholder
of Pro-Football Inc

In our opinion, the accompanying other financial information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, of Pro-Football Inc for the years ended December 28, 1997 and December 29, 1996, which is covered by our report dated April 24, 1998 presented in the first section of this document. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. This other financial information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such other financial information has been subjected to the auditing procedures applied in our audits of the basic financial statements.

Price Waterhouse LLP

April 24, 1998

PRO-FOOTBAL'

SCHEDULES OF GA

29.

Home games, net after visiting teams' share and admission taxes		
Road games	5,966,288	
Preseason games visitors share, net of admission taxes; preseason games hosts share, net after visiting teams' share admission taxes	2,450,353	3,021,996
Total game revenue	$ 27,859,142	$ 19,790,381

PRO-FOOTBALL INC

SCHEDULES OF BROADCAST REVENUE

	For the Years Ended	
	December 28, 1997	December 29, 1996
Preseason:		
Radio	$ 800,000	$ 700,000
Television	1,510,460	1,505,443
	2,310,460	2,205,443
Regular:		
Radio	3,399,000	2,930,000
Television	31,467,586	31,178,536
	34,866,586	34,108,536
Postseason:		
Radio	--	--
Television	8,273,829	7,911,215
	8,273,829	7,911,215
Total broadcast revenue	$ 45,450,875	$ 44,225,194

PRO-FOOTBALL INC

SCHEDULES OF GAME EXPENSES

	For the Years Ended	
	December 28, 1997	December 29, 1996
Stadium expense:		
Rent	$ 4,418,791	$ 1,704,263
Security	--	71,178
Other	154,133	351,349
Travel:		
Air	560,629	524,629
Food and lodging	267,399	198,461
Preseason game expense	399,052	527,881
Band and halftime	39,891	31,690
Local transportation	39,923	35,632
Postseason game expense	1,100	2,300
Total game expenses	$ 5,880,918	$ 3,447,383

PRO-FOOTBALL INC

SCHEDULES OF PLAYER EXPENSES

	For the Years Ended December 28, 1997	December 29, 1996
Salaries:		
Preseason	$ 431,500	$ 373,368
Regular season	26,670,760	25,379,739
Incentive bonuses	2,780,000	2,100,000
Medical	321,242	206,470
Severance pay	610,000	625,000
Termination pay	86,030	(20,941)
Travel and per diems	72,990	72,175
Payroll taxes	1,057,676	898,409
Retirement and insurance	1,400,534	1,251,658
Worker's compensation insurance	2,901,285	947,442
Grievances and claims settlements	448,000	579,412
Moving	--	13,680
Offseason workouts	219,073	269,996
Total player expenses	$ 36,999,090	$ 32,696,408

PRO-FOOTBALL INC

SCHEDULES OF TEAM EXPENSES

	For the Years Ended December 28, 1997	For the Years Ended December 29, 1996
Salaries:		
Coaching	$ 2,795,904	$ 2,644,736
Scouting	902,300	830,636
Other	580,052	545,571
Equipment	45,493	43,033
Laundry	34,447	39,431
Photography	92,118	108,803
Insurance	90,304	80,694
Training camp	324,918	335,380
Spring training	357,606	286,488
Scouting service	133,723	128,320
Computer services	37,081	--
Travel	1,183,264	1,042,646
Moving	64,861	--
Miscellaneous	29,166	31,893
Total team expenses	$ 6,671,237	$ 6,117,631

PRO-FOOTBALL INC

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 28, 1997	December 29, 1996
League assessments	$ 2,662,494	$ 2,232,500
Strike fund expense	--	1,000,000
Payroll and other taxes	480,429	403,088
Salaries-administrative	1,664,638	1,260,386
Salaries-publicity and promotion	217,293	189,595
Rent	4,399,452	1,756,535
Insurance	304,907	363,605
Retirement	697,355	630,496
Telephone	193,204	163,508
Legal and audit	407,224	617,930
Management fees	17,872	12,432
Publicity and promotion, other than salaries	80,927	63,632
Repairs and maintenance	130,743	141,163
Loss on disposal/sale of assets	17,574	64,160
Travel	86,740	70,143
Utilities	159,550	169,379
Office supplies	102,564	96,908
Automobile	20,234	14,628
Postage	91,453	54,913
Contributions	9,000	8,500
Dues and subscriptions	15,928	16,010
Miscellaneous	137,328	17,222
Total general and administrative expenses	$ 11,896,909	$ 9,346,733

PRO-FOOTBALL INC

SCHEDULES OF TICKET OFFICE EXPENSES

	For the Years Ended	
	December 28, 1997	December 29, 1996
Salaries	$ 72,182	$ 138,033
Computer	45,032	2,704
Other	190,315	101,569
Total ticket office expenses	$ 307,529	$ 242,306

XIII. Consolidated Financial Statements

Set forth below are the consolidated earnings and cash flow forecast for the fiscal year ending December 31, 1998, as well as the consolidated balance sheet forecast for December 31, 1998, for the Football Assets. Please note that some of the figures may not add due to rounding.

Consolidated Earnings Forecast – Fiscal Year Ending December 31, 1998 ($MM)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
Revenues					
Broadcast Revenues – National	$ 54.8	$ –	$ —	$ —	$ 54.8
Broadcast Revenues – Local	6.0	—	—	—	6.0
Net Ticket Revenues	31.5	2.6	—	—	34.0
Net License Fees	—	29.9	—	—	29.9
NFL Properties, Enterprises & Films	5.7	—	--	—	5.7
Advertising	~	3.8	—	—	3.8
Food and Beverage Concessions	—	2.7	—	—	2.7
Parking	—	2.7	—	—	2.7
Other	0.9	0.6	—	—	1.5
Rent	—	5.7	4.0	(9.6)	—
Total	$ 98.9	$ 47.9	$ 4.0	$ (9.6)	$ 141.2
Expenses					
Player Costs	$ 45.4	$ —	$ —	$ —	$ 45.4
General and Administrative	4.7	6.4	0.1	—	11.2
Team Expenses	6.6	—	—	—	6.6
Game Expenses	1.3	2.2	..	—	3.5
League Assessments	3.3	—	—	—	3.3
Other Events	—	2.3	—	..	2.3
Marketing Center	—	0.6	—	—	0.6
Ticket Office	0.0	0.6	—	—	0.6
Stadium Rent	5.7	—	—	(5.7)	-
Training Facility Rent	4.0	—	—	(4.0)	—
Total	$ 70.9	$ 12.0	$ 0.1	$ (9.6)	$ 73.5
EBITDA	$ 28.0	$ 35.9	$ 3.8	$ —	$ 67.7
Amortization	13.9	0.6	—	—	14.5
Depreciation	0.2	7.1	0.3	—	7.5
Earnings Before Interest & Taxes	$ 13.8	$ 28.2	$ 3.6	$ —	$ 45.6
Interest Income	0.5	1.5	0.0	(0.2)	1.8
Interest Expense	(0.4)	(14.2)	(1.1)	0.2	(15.6)
Earnings Before Taxes	$ 13.9	$ 15.5	$ 2.5	$ —	$ 32.0
Taxes	5.5	4.0	1.0	---	10.4
Net Income	$ 8.5	$ 11.5	$ 1.5	$ —	$ 21.5
Cleveland Expansion Fees (after-tax)	11.0	—	—	—	11.0
Prior Period Adjustment	—	0.2	--		0.2
Adjusted Net Income	$ 19.5	$ 11.7	$ 1.5	$ —	$ 32.8

Consolidated Cash Flow Forecast – Fiscal Year Ending December 31, 1998 ($MM)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
Cash Flow From Operating Activities					
Adjusted Net Income	$ 19.5	$ 11.7	$ 1.5	$ —	$ 32.8
Amortization	13.9	0.6	-	—	14.5
Depreciation	0.2	7.1	0.3	—	7.5
Decrease/(Increase) in Assets					
Accounts Receivable [1]	10.2	2.5	—	—	12.7
Accounts Receivable – State/County [2]	—	29.5	—	-	29.5
Other Receivables	(0.8)	—	—	—	(0.8)
Due from JKCSI	(1.0)	—	—	1.0	—
Due from PFI	—	—	(2.1)	2.1	—
Prepaid Expenses	0.3	(1.3)	—	—	(1.0)
Franchise Rights Receivable	0.6	—	—	—	0.6
Unamortized Player Signing Bonuses	(28.1)	—	—	—	(28.1)
Other	—	0.0	0.0	—	0.0
Increase/(Decrease) in Liabilities					
Accounts Payable	(6.1)	(5.4)	—	—	(11.5)
Due to JKCI	(0.5)	—	.	—	(0.5)
Due to PFI	—	1.0	—	(1.0)	—
Due to RPI	2.1	—	—	(2.1)	—
Accrued Expenses	(2.1)	(5.7)	—	—	(7.8)
Accrued Payroll and Deferred Comp	0.8	—	—	—	0.8
State Taxes Payable	5.1	2.4	1.0	—	8.5
Player Litigation Settlement	(0.7)	—	—	—	(0.7)
Deferred Income [3]	6.8	(0.1)	—	—	6.7
Severance Pay Liability	0.3	—	—	—	0.3
Deferred Income Taxes	—	(0.2)	—	—	(0.2)
Interest Payable	—	0.1	(0.0)	—	0.1
Other	—	0.0	—	—	0.0
Net	**$ 20.7**	**$ 42.2**	**$ 0.7**	**$ —**	**$ 63.6**
Cash Flow from Investing Activities					
Capital Expenditures	$ (0.3)	$ (33.9)	$ —	$ —	$ (34.2)
Net	**$ (0.3)**	**$ (33.9)**	**$ —**	**$ —**	**$ (34.2)**
Cash Flow from Financing Activities					
Borrowings From (Payments To) JKCI	$ —	$ (26.5)	$ 0.2	$ —	$ (26.3)
Borrowings Under Lines of Credit	46.7	12.4	—	—	59.1
Principal Payments	(46.7)	(5.9)	(0.8)	—	(53.3)
Net	**$ —**	**$ (19.9)**	**$ (0.6)**	**$ —**	**$ (20.5)**
Net Increase/(Decrease) in Cash	**$ 20.4**	**$ (11.6)**	**$ 0.1**	**$ —**	**$ 8.9**

Consolidated Balance Sheet Forecast – December 31, 1998 ($MM)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
ASSETS					
Current Assets					
Cash and Marketable Securities	$ 15.4	$ 0.9	$ 0.6	$ —	$ 17.9
Restricted Cash [A]	6.2	27.8	—	—	34.0
Accounts Receivable	0.4	1.0	—	—	1.4
Accounts Receivable – State/County	—	0.2	—	—	0.2
Other Receivables	1.6	—	—	—	1.6
Rent Receivable	—	—	5.6	(5.6)	—
Deferred Income Taxes	4.3	—	—	—	4.3
Due From JKCSI	3.0	—	—	(3.0)	—
Prepaid Rent	—	1.4	—	—	1.4
Franchise Rights Fees Receivable	—	0.4	—	—	0.4
Prepaid Expenses	0.1	—	—	—	0.1
Total	$ 32.0	$ 31.7	$ 6.2	$ (8.5)	$ 61.3
NFL Franchise [B]	$ 8.8	$ —	$ —	$ —	$ 8.8
Property, Plant & Equipment					
Land & Land Improvements	$ —	$ 4.2	$ 6.5	$ —	$ 10.7
Building	0.1	185.0	5.9	—	191.0
Equipment	2.1	22.0	0.2	—	24.3
Less Accumulated Depreciation	(1.6)	(10.7)	(1.6)	—	(13.9)
Net	$ 0.7	$ 200.5	$ 10.9	$ —	$ 212.1
Other Assets					
Due From JKCI [B]	$ —	$ —	$ 14.9	$ —	$ 14.9
Deferred Charitable Contributions	—	4.2	—	—	4.2
Player Signing Bonuses, Net	34.3	—	—	—	34.3
Investment in NFL Entities	0.1	—	—	—	0.1
Financing Costs	—	5.8	0.1	—	5.9
Other	0.0	—	—	—	0.0
Total	$ 34.4	$ 10.0	$ 15.0	$ —	$ 59.4
Total Assets	$ 75.8	$ 242.2	$ 32.1	$ (8.5)	$ 341.6

Consolidated Balance Sheet Forecast – December 31, 1998 ($MM) (continued)

	PFI	JKCSI	RPI	Inter-company	Consol-idated
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable	$ 1.3	$ 0.4	$ —	$ —	$ 1.7
Accrued Liabilities	2.9	2.1	—	—	5.0
Accrued Income Taxes	—	4.0	1.0	—	5.0
Interest Payable	—	1.1	0.1	—	1.2
Income Taxes Payable	5.5	—	—	—	5.5
Mortgage Payable – Current Portion [7]	—	6.8	1.0	—	7.8
Deferred Revenue [8]	9.0	0.5	—	—	9.5
Deferred Tax Liability	—	1.0	—	—	1.0
Due to JKCI [9]	0.1	4.2	—	—	4.3
Due to PFI	—	3.0	—	(3.0)	—
Accrued Payroll & Deferred Comp	10.8	—	—	—	10.8
Total	$ 29.5	$ 23.1	$ 2.1	$ (3.0)	$ 51.7
Other Liabilities					
Mortgage Payable – Bank [7]	$ —	$ 149.0	$ 12.8	$ -	$ 161.7
Mortgage Payable – JKCI [10]	—	2.5	—	—	2.5
Premium Seats Security Deposits	—	8.3	—	—	8.3
Severance Pay [11]	3.5	—	—	—	3.5
Deferred Income Taxes	4.1	—	—	—	4.1
Deferred Compensation	1.8	—	—	—	1.8
Deferred Rent Payable	5.6	—	-	(5.6)	—
Total	$ 14.9	$ 159.7	$ 12.8	$ (5.6)	$ 181.8
Total Liabilities	$ 44.4	$ 182.8	$ 14.8	$ (8.5)	$ 233.5
Stockholders' Equity					
Preferred and Common Stock	$ 0.0	$ 0.0	$ 0.0	$ —	$ 0.0
Paid-In Capital	8.5	32.4	12.0	—	52.9
Retained Earnings	22.9	27.0	5.3	—	55.3
Total	$ 31.4	$ 59.4	$ 17.3	$ —	$ 108.1
Total Liabilities & Stockholders' Equity	$ 75.8	$ 242.2	$ 32.1	$ (8.5)	$ 341.6

Notes to the Consolidated Financial Statements

1. **Decrease in Accounts Receivable.**

   PFI: Prior to 1998, national television broadcast rights fees were distributed to clubs in installments from September through January. However, in 1998, each club will receive its full share of the broadcast rights fees by the end of December, thereby eliminating this receivable.

2. **Decrease in Accounts Receivable – State/County.**

   JKCSI: This figure represents reimbursement for the remainder of the $70.5 million promised by the State of Maryland and Prince George's County for infrastructure improvements related to construction of the Stadium.

3. **Increase in Deferred Income.**

   PFI: Prior to the 1998 season, the NFL entered into new national television broadcast rights agreements with several networks. As a result, the broadcast rights fees to be distributed to each club rose from $39.5 million to $58.0 million, a portion of which will be earned during postseason play in January 1999 but will be received in 1998 (see Note 1). In addition, in 1997, season ticket holders were billed for postseason tickets in anticipation of the Redskins earning a playoff berth. When this did not occur, season ticket holders were given the option to either receive a refund or to apply the playoff ticket expenditures to 1998 season ticket costs. Approximately $2 million was applied to 1998 season ticket costs and was therefore recorded as deferred income as of December 31, 1997.

4. **Restricted Cash.**

   PFI: The NFL requires that each club maintain a deferred compensation account. This figure represents the value of the club's deferred compensation obligations.

   JKCSI: The Credit Agreement with Sumitomo Bank requires JKCSI to maintain the following cash reserves:

   (i) Debt Service Reserve: six months debt service
   (ii) Annual Debt Service: current one-year debt service payments
   (iii) Cash Flow Reserve Account: 33 percent of annual excess cash flow
   (iv) Verification Account: amounts to be distributed by JKCSI upon issuance of annual audited financial statements

   This figure represents the total of such reserves.

5. **NFL Franchise.**

   PFI: When JKCI acquired the stock of PFI in 1981, the book value of the Franchise was written up from zero to $8.8 million to reflect its fair market value. The tax basis of the Franchise is zero.

6. **Due from JKCI.**

   RPI: On June 26, 1996, RPI received a $15 million mortgage loan from NationsBank, the proceeds from which were loaned to JKCI to be used as an equity contribution to JKCSI.

7. **Mortgage Payable – Bank.**

   JKCSI: This figure represents the outstanding balance on the construction loan used to build the Stadium and upgrade the Club Level. This loan is split into the following two portions:

   (ii) Floating Rate. The principal amount outstanding on the floating rate portion of the loan is $90.35 million and the interest rate is LIBOR + 1.5 percent. Principal payments are made semiannually over the term of the loan.

   (i) Fixed Rate Swap Agreement. On March 31, 1997, a six-year swap agreement was executed with the bank syndicate fixing the interest rate on one-half of the loan at 6.625 percent. The outstanding principal on the fixed rate portion of the loan is reduced semiannually by one-half of the total loan principal payment. The current outstanding principal on the fixed rate portion of the loan is $65.35 million and interest payments are made monthly.

Notes to the Consolidated Financial Statements
(continued)

8. **Deferred Revenue.**

PFI: The new national television broadcast rights agreements require the networks to pay all 1998 season broadcast rights fees in the four months of the regular season (September through December). A portion of the 1998 season broadcast rights fees are for the broadcast of playoff games played in January 1999. The deferred revenue amount represents the 1998 season broadcast rights fees allocated to such playoff games played in PFI's fiscal year ending December 31, 1999.

JKCSI: In 1997, JKCSI entered into a ten-year agreement with Sony for advertising rights in the Stadium. The advertising rights fees were paid in 1997

9. **Due to JKCI.**

JKCSI: This figure represents amounts loaned to JKCSI for the payment of Stadium-related construction costs.

10. **Mortgage Payable – JKCI.**

JKCSI: This figure represents a loan to JKCSI to pay construction costs related to the Club Level upgrade

11. **Severance Pay.**

PFI: This figure represents an employee benefit earned by NFL players pursuant to the terms of the CBA.

XII. FINANCIAL OVERVIEW – TRAINING FACILITY

Overview

RPI receives a monthly rent payment from PFI which covers debt service to retire RPI's note payable. Substantially all operating costs, maintenance costs and real estate taxes for RPI are paid directly by PFI and are reflected in the general and administrative expenses of PFI.

1998 Forecast

The following tables summarize RPI's financial forecast for the fiscal year ending December 31, 1998. Please note that some of the figures may not add due to rounding.

RPI Earnings Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Revenue	
Rent	$ 4.0
Total	$ 4.0
Expenses	
General and Administrative Expenses	$ 0.1
Total	$ 0.1
EBITDA	$ 3.8
Depreciation	0.3
Earnings Before Interest & Taxes	$ 3.6
Interest Income	0.0
Interest Expense	(1.1)
Earnings Before Taxes	$ 2.5
Taxes	1.0
Net Income	$ 1.5

RPI Cash Flow Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Cash Flow From Operating Activities		
Net Income	$	1.5
Depreciation		0.3
Decrease/(Increase) in Assets		
Due from PFI		(2.1)
Other		0.0
Increase/(Decrease) in Liabilities		
State Taxes Payable		1.0
Interest Payable		(0.0)
Net	**$**	**0.7**
Cash Flow from Investing Activities	**$**	**—**
Cash Flow from Financing Activities		
Borrowings From JKCI	$	0.2
Principal Payments		(0.8)
Net	**$**	**(0.6)**
Net Increase in Cash	**$**	**0.1**

Outlook

Management is very excited about the outlook for JKCSI. Given the historically high and steady demand for Redskins tickets, as well as multi-year premium seat and luxury suite license agreements, the revenue generated related to the Redskins franchise is quite predictable for the foreseeable future. Furthermore, as described earlier, there are many exciting opportunities to generate additional revenue and cash flow at JKCSI. For example, a naming rights agreement could generate several million dollars per year. In addition, the Stadium is expected to host a number of major sporting and non-sporting events each year, such as college football games and concerts. The newly upgraded Club Level is likely to generate substantial interest from corporations as well as private individuals for hosting conventions, trade shows and catered events. Finally, given tremendous demand for luxury suites and premium prices which could be charged for suites closer to the field, the construction of up to 74 additional suites on the Press Level would quickly pay for itself.

Revenue Assumptions

The following is an overview of key revenue assumptions underlying the 1998 financial forecast for JKCSI.

Net License Fees. As described earlier, for the 1998 season, JKCSI has forecast license fees based on sales of 87 percent of club seats, 90 percent of loge seats and 98 percent of luxury suites. As JKCSI continues to sell the few remaining premium seat and luxury suite licenses, full attendance is expected for the 1999 season and beyond. Furthermore, based on historical experience, JKCSI has the ability to increase premium seat license fees each time a seat license is up for renewal to at least keep pace with inflation.

Rent. Rent received from PFI is equal to 15 percent of forecast PFI net ticket revenues.

Advertising. Forecast advertising revenue is based on existing contracts.

Food and Beverage Concessions. Forecast revenue from food and beverage concessions is based on per capita spending information for Stadium guests during the 1997 season and the Stadium attendance forecast for the 1998 season.

Parking. The forecast assumes all parking spaces will be utilized for every Redskins home game and a certain percentage of parking spaces will be utilized for events such as the Navy vs. Notre Dame college football game. Forecast parking revenue is based on the daily fee charged for individual parking spaces.

Net Ticket Revenues – Other Events. In 1998, JKCSI net ticket revenues are generated by the Navy-Notre Dame football game. In the future, JKCSI is expected to generate substantial ticket revenues through hosting college football games, other sporting events and major concerts in the Stadium.

Other. Other revenues are forecast based primarily on per capita spending information for Stadium guests during the 1997 season and the Stadium attendance forecast for the 1998 season.

Expense Assumptions

The following is an overview of key expense assumptions.

General and Administrative Expenses. Forecast general and administrative expenses include real estate taxes of $2.1 million in 1998. As described earlier, real estate taxes over the next five years are expected to be reduced by a Prince George's County Revitalization Tax Credit. Other general and administrative expenses are based on historical data and are generally projected to increase several percent from the prior year.

Other Events. As described earlier, other event expenses in 1998 consist solely of expenses related to the Navy vs. Notre Dame football game, and are forecast to include $2.0 million paid to Navy for the right to host the game, as well as expenses related to preparing and operating the Stadium.

Redskins Games. The forecast assumes Redskins game-related expenses increase three percent per year from prior year levels.

Marketing Center. Forecast marketing center expenses are based on 1998 expenses incurred to date and those expected to be incurred through the end of the fiscal year.

Ticket Office. Forecast ticket office expenses are based on 1998 expenses incurred to date and those expected to be incurred through the end of the fiscal year.

Other Assumptions

The following is an overview of other key assumptions.

Capital Expenditures. Capital expenditures for the Stadium are forecast to be $30.7 million in 1998. This consists of the $27.5 million spent on the Club Level improvement project described earlier as well as approximately $3.2 million to cover ongoing maintenance, general improvements and equipment as needed. JKCSI is expected to incur approximately $3 million of capital expenditures in 1999 and believes capital expenditures beyond 1999 will be a relatively modest $1 million per year.

Charitable Contributions. As discussed earlier, JKCSI has committed to make an additional $2.5 million in charitable contributions from 1998 through 2002. There is no further commitment beyond 2002. For accounting purposes, the original commitment of $4.46 million was capitalized as part of the Stadium construction.

1998 Forecast

The following tables summarize JKCSI's financial forecast for the fiscal year ending December 31, 1998. Please note that some of the figures may not add due to rounding.

JKCSI Earnings Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Revenues	
Net License Fees	$ 29.9
Rent	5.7
Advertising	3.8
Food and Beverage Concessions	2.7
Parking	2.7
Net Ticket Revenues – Other Events	2.6
Other	0.6
Total	$ 47.9
Expenses	
General and Administrative	$ 6.4
Other Events	2.3
Redskins Games	2.2
Marketing Center	0.6
Ticket Office	0.6
Total	$ 12.0
EBITDA	$ 35.9
Depreciation	7.1
Amortization	0.6
Earnings Before Interest & Taxes	$ 28.2
Interest Income	1.5
Interest Expense	(14.2)
Earnings Before Taxes	$ 15.5
Taxes	4.0
Net Income	$ 11.5
Prior Period Adjustment	0.2
Adjusted Net Income	$ 11.7

JKCSI Cash Flow Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Cash Flow From Operating Activities	
Adjusted Net Income	$ 11.7
Depreciation	7.1
Amortization	0.6
Decrease/(Increase) in Assets	
Accounts Receivable	2.5
Accounts Receivable – State/County	29.5
Prepaid Expenses	(1.3)
Other	0.0
Increase/(Decrease) in Liabilities	
Accounts Payable	(5.4)
Due to PFI	1.0
Accrued Expenses	(5.7)
State Taxes Payable	2.4
Deferred Income	(0.1)
Deferred Income Taxes	(0.2)
Interest Payable	0.1
Other	0.0
Net	$ 42.2
Cash Flow from Investing Activities	
Capital Expenditures	$ (33.9)
Net	$ (33.9)
Cash Flow from Financing Activities	
Borrowings From (Payments To) JKCI	$ (26.5)
Borrowings Under Lines of Credit	12.4
Principal Payments	(5.9)
Net	$ (19.9)
Net (Decrease) in Cash	$ (11.6)

Outlook

The financial outlook for the Franchise is extremely bright. Substantially all of the Franchise's broadcast revenues are guaranteed under multi-year agreements. Ticket revenues are extremely predictable given multi-year seat license arrangements and the Franchise's historically high and steady demand for tickets. Furthermore, the Franchise has the ability to generate substantially higher revenues and cash flow through a number of opportunities discussed earlier, such as corporate sponsorship agreements, local television and radio production, Internet-related sales and subscription-based newsletter publishing. On the expense side, the NFL's long-term CBA and salary cap structure will keep player costs under control for the foreseeable future. Finally, the Franchise will receive a $17 million share of the expansion fee from the Cleveland Browns expansion franchise (expected to be received by the end of 1998) and will benefit similarly from any future League expansion.

Revenue Assumptions

The following is an overview of key revenue assumptions underlying the 1998 financial forecast for PFI.

Broadcast Revenues. Revenues from the NFL network television contracts, national radio contracts and international television contracts are based on the scheduled distributions from the networks described earlier. Since the NFL season spans parts of two fiscal years, revenue is recognized based on the number of games played in each fiscal year. For example, approximately 85 percent of forecast 1998 broadcast revenues come from 1998 season distributions while the remaining 15 percent come from 1997 season distributions. Revenues from local radio are based on the current contract, which calls for a ten percent annual increase through 2000. Revenues from local television are also based on the current contract, which is in effect through the 1998 season.

Net Ticket Revenues. For home contests during the 1998 season, the Franchise has forecast net ticket revenues based on sales of approximately 100 percent of General Admission seats, 87 percent of club seats, 90 percent of loge seats and 98 percent of luxury suites. As the Stadium continues to sell the few remaining premium seat and luxury suite licenses, full attendance is expected for the 1999 season and beyond. Furthermore, based on historical experience, the Franchise has the ability to increase ticket prices approximately every three years to at least keep pace with inflation. On the road, the Franchise assumes revenues based on last season's average visiting team share for their opponents. This figure is expected to grow through both expected ticket price increases and attendance growth, especially as other NFL franchises continue to upgrade and replace their existing stadiums.

NFL Properties, Enterprises & Films. The forecast for distributions from NFL Properties, NFL Enterprises and NFL Films is based on projections provided by the NFL. As described earlier, cash flow generated by these entities has exhibited impressive growth over the past several years, growth which is expected to continue as the League continues to grow in popularity.

Other. Other revenues, comprised primarily of revenues from publications and promotions, are forecast to increase slightly from prior year levels.

Expense Assumptions

The following is an overview of key expense assumptions.

Player Costs. The forecast assumes the Franchise spends the maximum amount on player salaries allowable under the salary cap. As noted earlier, the salary cap for the 1998 season is $52.4 million.

Team Expenses. Salaries for Franchise employees are based upon current contracts, where applicable, or are forecast to increase 4.5 percent from prior year levels. All other team expenses are based upon historical data and are generally projected to increase several percent from prior year levels.

Stadium Rent. Stadium rent is equal to 15 percent of forecast Franchise net home ticket revenues.

General and Administrative Expenses. Salaries for employees are based on current contracts, where applicable, or are forecast to increase 4.5 percent from prior year levels. Other general and administrative expenses are based on historical data and are generally projected to increase several percent from prior year levels.

Training Facility Rent. Rent for Redskin Park, which represents debt service on a note held by RPI, is approximately $4.0 million in 1998. This figure likely exceeds what would be considered the fair market value for rent if it were to be negotiated on an arm's length basis.

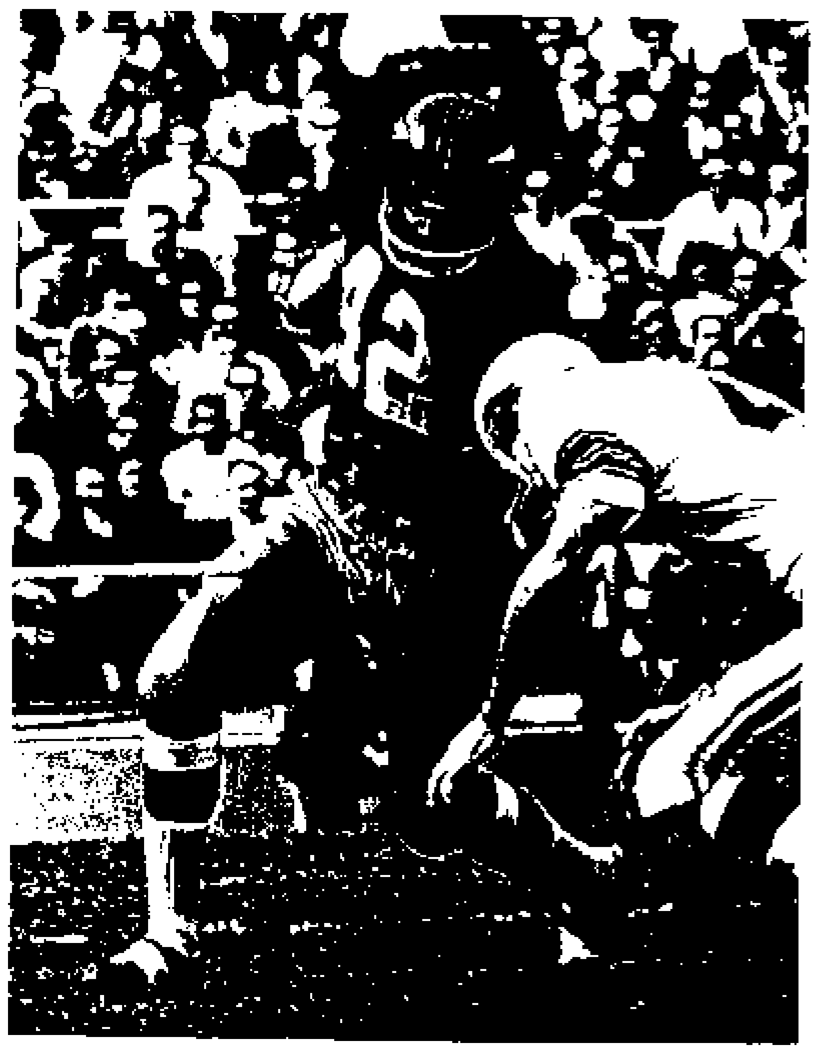
League Assessments. The forecast for League assessments is based on projections provided by the NFL.

Game Expenses. Game expenses are based upon historical data and are generally projected to increase several percent from prior year levels.

Other Assumptions

The following is an overview of other important assumptions.

Signing Bonuses. The forecast includes player signing bonuses of $28.1 million, a figure which includes a combined $13 million paid to the club's two premier defensive tackles, Dana Stubblefield and Dan Wilkinson. Of this total, $20.0 million is payable in 1998, $6.8 million is payable in 1999 and $1.3 million is payable in 2000. Each signing bonus is amortized over the life of the individual player's contract.



1998 Forecast

The tables below summarizes PFI's financial forecast for the fiscal year ending December 31, 1998. The forecasts for JKCSI and RPI are separately presented in Section XI and Section XII, respectively. Please note that some of the figures may not add due to rounding.

PFI Earnings Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Revenues	
Broadcast Revenues - National	$ 54.8
Broadcast Revenues - Local	6.0
Net Ticket Revenues	31.5
NFL Properties, Enterprises & Films	5.7
Other	0.9
Total	$ 98.9
Expenses	
Player Costs	$ 45.4
Team Expenses	6.6
Stadium Rent	5.7
General and Administrative	4.7
Training Facility Rent	4.0
League Assessments	3.3
Game Expenses	1.3
Ticket Office	0.0
Total	$ 70.9
EBITDA	$ 28.0
Amortization of Signing Bonuses	13.9
Depreciation	0.2
Earnings Before Interest & Taxes	$ 13.8
Interest Income	0.5
Interest Expense	(0.4)
Earnings Before Taxes	$ 13.9
Taxes	5.5
Net Income	$ 8.5
Cleveland Expansion Fees (after-tax)	11.0
Adjusted Net Income	$ 19.5

PFI Cash Flow Forecast – Fiscal Year Ending December 31, 1998 ($MM)

Cash Flow From Operating Activities	
Adjusted Net Income	$ 19.5
Amortization of Signing Bonuses	13.9
Depreciation	0.2
Decrease/(Increase) in Assets	
Accounts Receivable	10.2
Other Receivables	(0.8)
Due from JKCSI	(1.0)
Prepaid Expenses	0.3
Franchise Rights Receivable	0.6
Unamortized Player Signing Bonuses	(28.1)
Increase/(Decrease) in Liabilities	
Accounts Payable	(6.1)
Due to JKCI	(0.5)
Due to RPI	2.1
Accrued Expenses	(2.1)
Accrued Payroll and Deferred Compensation	0.8
State Taxes Payable	5.1
Player Litigation Settlement	(0.7)
Deferred Income	6.8
Severance Pay Liability	0.3
Net	$ 20.7
Cash Flow from Investing Activities	
Capital Expenditures	$ (0.3)
Net	$ (0.3)
Cash Flow from Financing Activities	
Borrowings Under Lines of Credit	$ 46.7
Principal Payments	(46.7)
Net	$ —
Net Increase in Cash	$ 20.4

IX. Stadium Lease and Related Agreements

Overview

As described earlier, the Franchise and the Stadium are currently subject to the common ownership of JKCI. When JKCI decided to build the Stadium, certain agreements were entered into between PFI and JKCSI, and between each of these entities and the NFL. Selected key provisions of these agreements are described below.

Stadium Lease Agreement

PFI has entered into a 30-year lease agreement with JKCSI which terminates on September 13, 2027. The key terms of the lease are described below.

Rent. PFI pays JKCSI rent equal to 15 percent of net home ticket revenues, which are defined as gross home ticket revenues net of the ten percent Maryland admissions tax.

License Fees. JKCSI receives all license fees generated by the sale of premium seats (luxury suite and club seats). The license fee for a premium seat is the amount charged for the premium seat exceeding the highest General Admission seat ticket price.

Revenues From NFL Football Operations. JKCSI is responsible for such NFL football-related operations as advertising, food and beverage concessions and parking, and is entitled to all revenues generated by such operations. In addition, JKCSI is entitled to revenues generated from any naming rights agreements.

Club Seat License Fee Sharing Exemption

As described earlier, the NFL requires member clubs to share ticket revenues with the visiting team. The NFL also typically requires that club seat license fees be shared with the visiting team. However, it has long been the League's policy to extend waivers to clubs to dedicate club seat license fees to stadium construction and renovation. On March 31, 1997, PFI entered into a letter agreement with the NFL. This agreement granted PFI an exemption which allows PFI to dedicate club seat license fees to JKCSI debt retirement. On July 7, 1998, a second letter agreement modified and extended the first letter agreement, primarily to cover debt related to the Club Level renovation project. This exemption expires when the JKCSI debt has been indefeasibly paid in full (currently expected to occur in 2012). However, it is important to note that the debt may be refinanced at any time without the resultant loss of the exemption, provided the amount of the debt is not increased and the ultimate maturity of the debt is not extended.

VIII. Management, Organization & Employees

The Redskins have a hard-earned and well-deserved reputation as one of the best organizations in all of professional sports. This has manifested itself in the performance of the team on the field, as well as in the financial performance of the Football Assets.

Leading the Redskins is one of the strongest and most experienced management teams in the NFL. General Manager Charley Casserly, a Redskin for more than 20 years, and his scouting staff have been aggressively building a talented Redskins team. Head Coach Norv Turner, one of the most highly-respected coaches in the NFL, has led the Redskins to winning records in each of the past two seasons. These leaders are supported by an outstanding array of assistant coaches, scouts and staff.

Please refer to the enclosed 1998 Press Guide for detailed biographies of all key Redskins personnel and team members.

VII. TRAINING FACILITY

Redskin Park Overview

Redskin Park, set on 158 acres of land in rural Loudoun County, Virginia, is the Redskins' secluded state-of-the art training facility and is the envy of the League's member clubs. The complex is located in Beaumeade Corporate Park in Ashburn, Virginia near the intersection of Virginia State routes 28 and 625 (Waxpool Road). Redskin Park features four football fields (three natural grass and one artificial turf), a 66,106-square foot multi-purpose building and ample parking facilities. The two-story concrete and glass building houses the front office, coaches' offices, team meeting rooms, an auditorium, player and staff locker rooms, a strength and conditioning room, training rooms, an equipment room and a video room. The training room also has an X-ray room and dentist office, in addition to private examining rooms for doctors. Adjacent to the large team meeting auditorium are various break-out rooms for position coaches and players. Also included in the building are offices for college and pro scouts, an enlarged video department and the players' recreation area, including a basketball court, two racquetball courts, a Jacuzzi, steambath and lounge. The media room has individual cubicles furnished with desks, file cabinets and electrical outlets for beat reporters, as well as a separate interview room, kitchen and restroom facilities. Each cubicle is prewired for telephones and computers. The media room, as well as the auditorium and locker room, is prewired for direct television uplink.

Construction

Redskin Park was completed in 1992 at a cost of approximately $12.5 million. RPI currently has a $13.8 million mortgage note payable to NationsBank, N.A. ("NationsBank") which matures in 2001.

Lease Agreement

RPI has entered into a five-year lease agreement with the Franchise which terminates on June 26, 2001. Under the lease, the Franchise pays all maintenance costs, operating costs and real estate taxes. The monthly lease payment covers the debt service required to retire the mortgage note.

JKC STADIUM INC

Financial Statements and
Report of Independent Accountants

December 28, 1997 and
December 29, 1996

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Price Waterhouse

<u>Report of Independent Accountants</u>

Board of Directors
JKC Stadium Inc

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholder's equity (deficit) and of cash flows present fairly, in all material respects, the financial position of JKC Stadium Inc at December 28, 1997 and December 29, 1996, and the results of its operations and its cash flows for the year ended December 28, 1997 and for the period from March 13, 1996 (inception) to December 29, 1996 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

April 24, 1998

JKC STADIUM INC
BALANCE SHEETS
DECEMBER 28, 1997 AND DECEMBER 29, 1996

ASSETS	1997	1996
Current assets:		
Cash and cash equivalents	$ 1,817,893	$ 175,847
Accounts receivable	3,463,406	
Receivables from State of Maryland and Prince George's County	29,637,942	11,340,297
Prepaid expenses and other assets	560,126	309,065
Total current assets	35,479,367	11,825,209
Restricted cash	38,493,422	
Property and equipment, net	178,054,059	91,214,514
Deferred financing costs, net	6,187,802	
Total assets	$258,214,650	$103,039,723
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,618,855	$ 13,600,765
Contract retainage payable	3,205,385	4,445,814
Accrued expenses	7,775,389	18,037
Interest payable	933,482	49,130
Deferred revenue	612,304	15,628,395
Note payable due to Parent		4,134,858
Income taxes payable	1,586,000	
Mortgage payable	12,150,000	
Due to related parties	35,159,106	61,873,389
Total current liabilities	64,040,521	99,750,388
Deferred income taxes payable	1,265,000	
Premium seat security deposits	8,249,506	4,152,168
Mortgage payable	137,000,000	
Total liabilities	210,555,027	103,902,556
Commitments and contingencies (Note 11)		
Stockholder's equity (deficit):		
Common stock ($1 par value; 1,000 shares authorized, 10 shares issued and outstanding)	10	10
Preferred stock (no par value; 1 share authorized, 1 share issued and outstanding)	-	-
Additional paid-in-capital	32,373,990	(10)
Accumulated earnings (deficit)	15,285,623	(862,833)
Total stockholder's equity (deficit)	47,659,623	(862,833)
Total liabilities and stockholder's equity (deficit)	$258,214,650	$103,039,723

See accompanying notes.

JKC STADIUM INC
STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 28, 1997 AND
PERIOD FROM MARCH 13, 1996 (INCEPTION) TO DECEMBER 29, 1996

	1997	1996
Revenues:		
Premium seat license fees	$26,212,537	$
Rent	4,566,329	
Advertising	3,852,088	
Parking	1,977,377	
Concessions	2,173,690	
Other	163,534	
Total revenues	38,945,555	
Operating expenses:		
Event expense	2,250,765	
Marketing and selling	1,225,428	851,798
General and administrative	2,915,809	
Total operating expenses	6,392,002	851,798
Depreciation and amortization	3,441,632	11,438
Interest income (expense):		
Interest income	1,202,017	403
Interest expense	(3,940,482)	
Interest (expense) income, net	(2,738,465)	403
Income (loss) before income taxes	26,373,456	(862,833)
Provision for income taxes	10,225,000	
Net income (loss)	$16,148,456	$(862,833)

See accompanying notes.

JKC STADIUM INC
STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)
YEAR ENDED DECEMBER 28, 1997 AND PERIOD FROM
MARCH 13, 1996 (INCEPTION) TO DECEMBER 29, 1996

	Common stock	Preferred stock	Additional paid-in-capital	Accumulated earnings (deficit)	Total
Balance, March 13, 1996 (inception)					
Issuance of 10 shares of common stock, $1 per share	$ 10	$	$ (10)		
Issuance of 1 share of preferred stock, no par value					
1996 net loss				$ (862,833)	$ (862,833)
Balance, December 29 1996	10	-	(10)	(862,833)	(862,833)
Capital contribution			25,000,000		25,000,000
Contributed federal taxes (Note 9)			7,374,000		7,374,000
1997 net income				16,148,456	16,148,456
Balance, December 28, 1997	$ 10	$ -	$32,373,990	$15,285,623	$47,659,623

See accompanying notes.

JKC STADIUM INC
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 28, 1997 AND PERIOD FROM MARCH 13, 1996 (INCEPTION) TO DECEMBER 29, 1996

	1997	1996
Cash flows from operating activities:		
Net income (loss)	$ 16,148,456	$ (862,833)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,441,632	11,438
Contributed federal taxes	7,374,000	
Increase in accounts receivable	(3,463,406)	
Increase in accounts receivable from State of Maryland and Prince George's County	(18,297,645)	(11,340,297)
Increase in prepaid expenses and other assets	(251,061)	(309,065)
(Decrease) increase in accounts payable	(10,981,910)	13,600,765
(Decrease) increase in contract retainage payable	(1,240,429)	4,445,814
Increase in accrued expenses	7,757,352	18,037
Increase in interest payable	884,352	49,130
(Decrease) increase in deferred revenue	(15,016,091)	15,628,395
Increase in income taxes payable	1,586,000	
Increase in deferred income taxes payable	1,265,000	
(Decrease) increase in due to related parties	(26,777,848)	61,873,389
Increase in premium seat security deposits payable	4,097,338	4,152,168
Net cash (used in) provided by operating activities	(33,474,260)	87,266,941
Net cash used in investing activities:		
Capital expenditures	(89,918,976)	(91,225,952)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	155,000,000	
Repayment of long-term debt	(5,850,000)	
Capital contribution	25,000,000	
(Repayment) issuance of note payable due to Parent	(4,134,858)	4,134,858
Increase in deferred financing costs	(6,486,438)	
Transfer to restricted cash	(38,493,422)	
Net cash provided by financing activities	125,035,282	4,134,858
Net increase in cash and cash equivalents	1,642,046	175,847
Cash and cash equivalents at beginning of period	175,847	
Cash and cash equivalents at end of period	$ 1,817,893	$ 175,847

See accompanying notes.

1. Organization and business

JKC Stadium Inc (the Company) is a Delaware corporation which was formed to develop, construct, own, operate and maintain a professional football stadium located in Raljon, Maryland (the Stadium). The Company is a wholly-owned subsidiary of Jack Kent Cooke Incorporated (the Parent). The Company, formerly known as New Stadium Corporation, was incorporated in August 1990 but was inactive until developmental stage activities, which consisted primarily of constructing the Stadium, began on March 13, 1996. By September 15, 1997, the Company had finished construction of the Stadium and commenced operations. The Stadium's major tenant is the Washington Redskins, a member club of the National Football League.

2. Significant accounting policies

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Fiscal year

The Company's fiscal year ends on the Sunday that falls closest to December 31st.

Cash and cash equivalents

The Company considers short-term highly liquid investments that are readily convertible to known amounts of cash, with original maturities of 90 days or less, to be cash equivalents.

Restricted cash

The Company, as part of its financing agreement (Note 6), is required to have certain amounts set aside in separate cash reserve accounts to fund future principal and interest payments. This restricted cash, because it will be used to pay down long-term debt, is classified as a non-current asset in the accompanying balance sheets.

Property and equipment

Property and equipment is stated at cost. All direct and indirect costs related to the development and construction of the Stadium were capitalized. Repair and maintenance costs are charged to operations as incurred.

Depreciation is calculated using the straight-line method over the related assets estimated useful lives ranging from 3 to 40 years.

Deferred financing costs

Deferred financing costs primarily include costs related to the acquisition of financing. Such charges are being amortized on a straight-line basis over the life of the respective financing agreement (Note 6). Amortization of these financing costs was $298,636 during fiscal 1997.

Income taxes

A consolidated federal tax return is filed by the Parent. The Company has a tax sharing arrangement with the Parent which requires the Company to provide for its tax liability in the ratio that its separate taxable income bears to the sum of the separate taxable incomes of all affiliated companies having taxable income for the year. Under this arrangement, the Company will receive benefit for its operating losses only in years when the Company has taxable income. Such benefit will be reduced to the extent that the Company's operating losses have been utilized by affiliated companies in the consolidated federal return.

The Company utilizes the liability method to account for income taxes as if it were a separate taxpayer. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Revenue recognition

Revenue from premium seat license agreements and advertising contracts is recognized ratably over the regular football season and the life of the contract, respectively. Revenue derived from rent, parking and concessions is recognized at the time of the event. Cash received in advance of the event is recorded as deferred revenue.

Receivables from State of Maryland and Prince George's County

Receivables from the State of Maryland and Prince George's County represent net amounts due for the reimbursement of all infrastructure work (see Note 11).

Credit risk

Financial instruments which subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, interest rate swap agreements (see Note 7) and trade accounts receivable. It is the Company's practice to place its cash and cash investments with high credit quality financial institutions. The counterparties to the Company's interest rate swap agreements consist of highly rated financial institutions. The credit ratings and concentration of risk of these financial institutions are monitored by the Company and present no significant credit risk to the Company. Trade accounts receivable consist primarily of those generated from concession and advertising revenue. The Company has not incurred any credit losses to date. At December 28, 1997, the Company had no significant concentrations of credit risk.

Financial instruments

Financial instruments consist primarily of cash and cash equivalents, interest rate swap agreements, receivables, and payables, including the mortgage payable. The estimated fair value of the interest rate swap agreements was $1,553,974 at December 28, 1997, based on quoted market rates. The estimated fair value of the Company's financial instruments approximates their carrying amounts.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates and assumptions.

Preoperating expenses

Prior to commencement of operations, preoperating expenses such as salaries, marketing, and administrative costs, were expensed as incurred. Preoperating expenses totaling $851,798 for the period from inception to December 29, 1996 are classified as marketing and selling expenses in the Statements of Operations.

Supplemental disclosure of cash flow information

Cash paid for interest to non-affiliated entities and income taxes during fiscal 1997 was $6,191,741 and $1,500,000, respectively. The Company did not make any interest payments to any non-affiliated entity or any tax payments during the period from inception to December 29, 1996. Noncash investing activities included the receipt of office equipment, hardware and software from Pro-Football Inc with a net book value of $63,565 (Note 3).

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. Property and equipment

Property and equipment consists of the following:

	December 28, 1997	December 29, 1996
Land	$ 4,232,361	$ 4,134,858
Building and improvements	143,934,521	87,027,945
Furniture and fixtures	19,080,069	
Office, field and video equipment	13,989,109	63,149
	181,236,060	91,225,952
Accumulated depreciation	(3,182,001)	(11,438)
	$178,054,059	$91,214,514

During fiscal 1997, Pro-Football Inc transferred office equipment, hardware and software with a cost basis of $91,132 and accumulated depreciation of $27,567, to the Company.

Depreciation expense for the year ended December 28, 1997 and the period from inception to December 29, 1996 was $3,142,996 and $11,438, respectively.

4. Premium seat license agreements

The Company licenses club seats and suites under agreements having terms of 5, 7, and 10 years. Amounts due from ticket sales, included as part of the premium seat license agreements, are recognized by Pro-Football Inc (Note 5) and are included in the amounts due to the Company. At December 28, 1997, amounts due to the Company under existing non-cancelable license agreements are approximately as follows:

1998	$ 33,789,000
1999	33,639,000
2000	33,611,000
2001	33,501,000
2002	19,515,000
Thereafter	71,857,000
	$225,912,000

5 Related party transactions

On October 1, 1996, the Company executed a term loan promissory note with the Parent in the amount of $4,134,858 for the purchase of land. During fiscal 1997 and the period from inception to December 29, 1996, interest accrued at 7.25%. On March 31, 1997, the Company paid the total principal balance outstanding.

The Company was advanced funds by the Parent during fiscal 1997 and the period from inception to December 29, 1996 primarily to pay for construction and other development costs of the Stadium prior to arranging financing. Interest accrued monthly at the applicable federal rate of approximately 7% during these periods. At December 28, 1997 and December 29, 1996, the Company had net payables of $34,690,979 and $61,873,389, respectively, due to the Parent.

The Company incurred interest expense of $2,521,872 and $1,304,034 of which $1,941,682 and $1,304,034 was capitalized during construction relating to amounts advanced and borrowed from the Parent during fiscal 1997 and the period from inception to December 29, 1996, respectively.

Certain liabilities, including the workers' compensation and group health insurance liabilities, have been allocated to the Company from the Parent.

The Company has entered into a thirty-year lease agreement with Pro-Football Inc. an affiliated entity wholly-owned by the Parent. Pro-Football Inc leases the Stadium for use as the home field of the Washington Redskins. Rental payments are calculated at the NFL determined rate of 15% of net home game ticket sales, with no minimum future rentals. During fiscal 1997, the Company recorded rental income of $4,418,791 under this lease agreement. Advertising, parking, novelties, concessions and premium seat license fees revenues generated during games played by the Washington Redskins at the Stadium are recognized by the Company. Revenue derived from ticket sales are recognized by Pro-Football Inc. At December 28, 1997, the Company had net payables of $1,968,127 due to Pro-Football Inc.

In connection with the construction of the Stadium, Pro-Football Inc has guaranteed letters of credit totaling $1,874,686 on the Company's behalf. No amounts had been drawn at December 28, 1997.

6. Mortgage payable

On March 31, 1997, the Company entered into a financing agreement with six lenders. This agreement provided $155,000,000 to the Company to pay for the construction and development of the Stadium. The first payment on the loan of $5,850,000 was due and paid on December 1, 1997 and the final payment is due on December 1, 2012. The loan is secured by the new Stadium and all affixed property. Interest accrues on amounts borrowed at a rate dependent on certain financial ratios. The Company has entered into interest rate swap agreements as part of this financing agreement (Note 7). These swap agreements have effectively converted $74,575,000 of the amount outstanding to a fixed rate loan of 8.625% at December 28, 1997. Interest accrued on the remaining amount outstanding at a rate of 7.47% as of December 28, 1997. During fiscal 1997, the Company incurred interest expense of $7,164,444, of which $3,812,459 was capitalized, and had interest payable of $933,482 at December 28, 1997. In addition, the Company pays a commitment fee of .35% per annum on the average unused balance and an agency fee of $100,000 per annum. The commitment fees and agency fees are recorded as interest expense in the accompanying Statements of Operations.

The loan repayment schedule is as follows:

1998	$ 12,150,000
1999	13,050,000
2000	14,000,000
2001	15,050,000
2002	16,150,000
Thereafter	78,750,000
	$149,150,000

According to the terms of the loan, the Company is restricted in its ability, among other things, to acquire or dispose of assets, lend or advance money, or pay dividends. The Company is also required to maintain a certain debt service coverage ratio and specified income levels until the loan has been repaid.

As part of the financing agreement, the Parent and Pro-Football Inc made certain guarantees to the Company to provide certain funding until, but not beyond, the time at which club seat premium revenues, luxury suite premium revenues, qualifying advertising and other revenues achieve required levels to meet contractually obligated income from operations and also to ensure rent under the stadium lease meets minimum actual levels of $3,500,000 in 1997 and $4,000,000 in 1998 and beyond. The Parent and Pro-Football Inc did not provide any funding during fiscal 1997 under this guarantee.

7. Interest rate swap

The Company entered into interest rate swap agreements, effective September 1, 1997, to manage interest rate risk on its floating rate debt. The amortizing interest rate swaps are matched as a hedge against a specific debt instrument and have a notional amount equal to one half of the principal balance outstanding on the debt ($74,575,000 at December 28, 1997). The interest rate swap agreement was entered into at the time the debt was issued in order to convert half of the floating rate debt to fixed rates. The agreement terminates September 1, 2003.

Amounts to be paid or received under the swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to interest expense. The carrying amount of these interest rate swap agreements of approximately $482,000 at December 28, 1997 is included in interest payable in the accompanying balance sheets.

While it is not the Company's intention to terminate the interest rate swap agreements, the Company would be required to pay a termination fee. At December 28, 1997, the termination fee would be approximately $1,927,000, exclusive of any accrued interest.

8. Stockholder's equity

The Company is authorized to issue 1,000 shares of common stock with a $1 par value (10 shares issued and outstanding as of December 28, 1997 and December 29, 1996) and 1 share of preferred stock with no par value (1 share issued and outstanding as of December 28, 1997 and December 29, 1996).

The holder of the preferred stock has certain rights of approval with respect to certain potential transactions and is entitled to a liquidation payment of $100 per share upon liquidation of the Company or redemption of the preferred stock. Redemption of the preferred stock is at the option of the Company any time on or after the 30th anniversary of the first home game at the new stadium or August 31, 2027, whichever is later. Aside from the specific approval rights and liquidation payment referenced above, the holder of the preferred stock has no voting rights and has no right to receive dividends or other distributions.

The holder of the common stock has exclusive voting power and is entitled to receive dividends at such time and in amounts approved by the Board of Directors of the Company. Upon liquidation of the Company, the holder of the common stock would receive the remaining assets of the Company after all liabilities have been satisfied and the preferred stock holder has been paid the liquidation payment.

During fiscal 1997, the Parent contributed $25,000,000 in capital to the Company.

9. Income taxes:

The provision for income taxes for fiscal 1997 consists of:

Current:	
Federal	$ 7,374,000
State	1,586,000
	8,960,000
Deferred:	
Federal	1,041,000
State	224,000
	1,265,000
	$10,225,000

The provision for income taxes is determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires that the consolidated amount of current and deferred income tax expense for a group that files a consolidated income tax return be allocated among members of the group when those members issue separate financial statements. Under the terms of the tax sharing agreement (see Note 2), the Company did not have a federal tax liability to the Parent at December 28, 1997. In accordance with SFAS 109, the current federal provision of $7,374,000 has been recorded as a capital contribution by the Parent.

At December 28, 1997, the Company had a deferred tax liability of approximately $1,265,000 related to depreciation on their fixed assets. At December 29, 1996, the Company had a net deferred tax asset primarily related to loss carryforwards and had provided a full valuation allowance for the net deferred tax asset since realization of these benefits could not be reasonably assured.

10. Significant agreement

In 1993, the Company entered into an agreement with Volume Services, Inc. (VSI). Under this agreement, VSI is responsible for the overall management and operation of all concession, catering and restaurant services for all stadium events. The Company receives a percentage of all revenues earned by VSI at Stadium events.

11. Commitments and contingencies

Agreement with the State of Maryland and Prince George's County

On March 13, 1996, the Company entered into an "Agreement as to Stadium Land Acquisition, Construction and Operation" (the Agreement) with, among other parties, the State of Maryland and Prince George's County. Pursuant to the Agreement, the Company has responsibility to oversee and coordinate the construction of the infrastructure on behalf of the State and County. The State and County will reimburse the Company for all of the infrastructure costs up to $70.5 million.

The State and County are required to reimburse the Company for 90% of the costs within 30 days after the Company's request. The remaining 10% of the costs are due to the Company within 30 days after the completion of the infrastructure construction. As of December 28, 1997 and December 29, 1996, the Company had incurred $68,520,000 and $11,340,000, respectively, for infrastructure work of which $38,882,000 was reimbursed to the Company as of December 28, 1997. As of December 28, 1997, approximately $16,447,000 had not yet been billed in accordance with the terms of the Agreement.

Pursuant to the Agreement, the Company is committed to make contributions of $4.46 million to a charitable foundation in varying amounts over the next seven years. In accordance with the Agreement, the Company paid $500,000 and $1,500,000 of this commitment during fiscal 1997 and the period from inception to December 29, 1996, respectively. The total amount of the contributions have been capitalized to property and equipment as part of the costs of constructing the Stadium.

The Company was required to provide to the County, and had outstanding at December 29, 1996, an irrevocable stand-by letter of credit totaling $850,000 to cover any outstanding permit fees the Company had incurred. The letter of credit expired unused, on March 15, 1997.

Navy versus Notre Dame Football Game and Women's World Cup League 1999
The Company has committed its facilities as a host venue for the Navy versus Notre Dame football game and the Women's World Cup in 1998 and 1999, respectively

Significant Contractors
The Company entered into an agreement with Clark Construction Group Inc (Clark) for the overall construction and completion of the Stadium and infrastructure. Pursuant to the agreement with Clark, the Company is entitled to retain 10% of charges billed by Clark on certain construction items until completion of the Stadium. The amount of contract retainage payable to Clark at December 28, 1997 and December 26, 1996 is $3,205,385 and $4,445,814, respectively.

12. Subsequent events

At the date of these financial statements, the Company has started a $25,000,000 renovation to the Stadium's club seating level and is currently seeking financing.