

BOCA RESORTS INC  
Form 10-K  
September 13, 2004

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **June 30, 2004**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 1-13173**

**Boca Resorts, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State of Incorporation)

**65-0676005**  
(I.R.S. Employer Identification No.)

**501 E. Camino Real, Boca Raton, Florida**  
(Address of Principal Executive Offices)

**33432**  
(Zip Code)

Registrant's telephone number, including area code: **(561) 447-5300**

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered
Class A Common Stock, par value \$.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

**None**

(Title of class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

As of August 31, 2004, the registrant had 39,985,789 shares of Class A common stock, \$.01 par value (the Class A Common Stock), outstanding and 255,000 shares of Class B common stock, \$.01 par value (the Class B Common Stock), outstanding.

The aggregate market value of the Registrant's common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter was \$455.4 million.

### DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Proxy Statement relating to the 2004 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

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**PART I**

**Item 1. Business**

**Introduction**

Unless the context otherwise indicates, references to we, us and our mean Boca Resorts, Inc., a company incorporated in Florida in 1996 and re-incorporated in Delaware in 1997.

We are an owner and operator of five distinctive destination resorts located in Florida with hotels, conference facilities, golf courses, spas, marinas and private clubs. We have focused on the luxury and upscale resort segment because we believe these segments outperform other lodging industry segments, particularly in times of economic downturn. We previously owned an entertainment and sports business, which primarily included the operations of the Florida Panthers Hockey Club and related arena management operations. This business was sold in July 2001 and, therefore, our entertainment and sports business has been accounted for as discontinued operations.

Our resorts include the Boca Raton Resort & Club (Boca Raton), the Registry Resort at Pelican Bay (Naples), the Edgewater Beach Hotel (Naples), the Hyatt Regency Pier 66 Hotel and Marina (Fort Lauderdale) and the Radisson Bahia Mar Resort and Yachting Center (Fort Lauderdale). We also own and operate two golf clubs located in Florida (Grande Oaks Golf Club in Davie and Naples Grande Golf Club in Naples) that serve as additional amenities to our resorts, as well as components of our exclusive social club, known as the Premier Club. In addition, we own and operate two golf courses in Boca Raton that are part of the Boca Raton Resort & Club.

Our resorts possess considerable competitive and operational strengths. They are unique, irreplaceable assets in desirable waterfront locations with strong name recognition and positioning in their respective markets. We believe it would be difficult for potential competitors to replicate our resorts and, therefore, we benefit from high barriers to entry. Our resorts provide us with multiple, diverse revenue streams and primarily attract corporate groups and affluent leisure customers. We further believe that each of our properties is well positioned to maintain or increase market share. We historically increased revenue and cash flow in large part through the development of additional guestrooms and resort amenities at our existing properties and believe there are additional opportunities for development initiatives to our portfolio in the future.

Our corporate website is located at [www.bocaresortsin.com](http://www.bocaresortsin.com). It is our policy to post on our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those Reports filed pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission. We also make available on our website beneficial ownership reports (Forms 3, 4 and 5) filed by our directors, our officers and other reporting persons under Section 16 of the Securities Exchange Act of 1934. Our Code of Business Conduct, corporate governance guidelines, important committee charters and committee and board composition are also available through our corporate website. Information contained on our website is not part of this Annual Report on Form 10-K or our other filings with the Securities and Exchange Commission.

This Annual Report on Form 10-K is available at no charge upon written request to Boca Resorts, Inc., Attention: Investor Relations, 501 E. Camino Real, Boca Raton, Florida 33432.

For a discussion of our revenue, income and assets, see Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included later in this report.

**Business Strategy**

Our objective is to enhance shareholder value principally through improvements in earnings, cash flow and the quality of our resorts. While management continuously evaluates ownership, acquisition and

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divestiture alternatives, we continue to pursue internal expansion and development opportunities at our existing properties. Specifically, we are focused on the following business strategy:

*Continuing internal growth through capital improvements at our resorts.* We believe our resorts have the opportunity for continued internal growth. We have invested over \$350.0 million in our resort portfolio since 1997 to enhance our properties' unique character and market leadership. In addition to comprehensive guestroom renovations at all of our properties, capital enhancements have included the following projects: at the Boca Raton Resort & Club, a new 112 room yacht club overlooking our marina, a world-class 50,000 square foot spa complex, a golf clubhouse, additional retail and restaurant space, a 140,000 square foot conference center known as the Mizner Center, a redesigned golf course, a tennis and fitness center and a five story parking garage; at the Registry Resort at Pelican Bay, a new aquatic center, additional meeting space, newly renovated restaurant and night club facilities and beachfront improvements; at the Radisson Bahia Mar Resort and Yachting Center, a state-of-the-art marina renovation that includes 245 slips sized to accommodate yachts ranging in size from 80 feet to over 200 feet; at Hyatt Regency Pier 66 Hotel and Marina additional meeting space and the opening of Grille 66, an elegant restaurant with a waterfront setting; and at the Edgewater Beach Hotel additional meeting space and the construction of the Market on Gulf Shore, a new gourmet market. To enhance the Premier Club golf experience and further add to our resort amenities, we renovated Grande Oaks Golf Club in 1999 and constructed Naples Grande Golf Club in 2000.

We believe that these capital expenditures have resulted in, and will continue to produce, increases in room and non-room revenue at our resorts. We also believe that the high quality of our resorts will continue to attract higher spending corporate groups, which in turn will increase total revenue per available room. Despite the economic recession and world events outside of our control including terrorism, war and political unrest, room revenue per available room was \$146.02, \$138.09 and \$131.46 for the years ended June 30, 2004, 2003 and 2002, respectively, while total revenue per available room was \$369.59, \$343.12 and \$329.73 for the years ended June 30, 2004, 2003 and 2002, respectively.

*Continuing to focus on corporate groups and affluent leisure customers.* We believe that our primary focus on corporate group customers and upscale leisure customers allows us to maximize total revenue per available room. It has been our experience that these customers are more likely to use the additional fee-for-use amenities and facilities available at our resorts, thereby increasing revenue. Additionally, group customers tend to book reservations 12 to 36 months in advance of their stay, which enables us to better estimate future revenue streams and manage corresponding expenses. We have also used group business to fill off-peak leisure periods. We believe by targeting upscale customers we are well positioned to take advantage of demographic trends (which include an aging baby-boom population with increasing disposable income) that are creating increased demand for luxury resorts and related amenities. We also believe we will be able to capitalize on these trends given our properties' unique nature and locations. Our ability to capitalize on these trends is enhanced by the high barriers of entry into the luxury and upscale resort industries.

*Continuing to capitalize on integration and cost-saving opportunities.* We own and operate all of our properties. As a result, we continue to integrate the operations of our properties, including reservations, purchasing, training, information systems, insurance, benefits and marketing, in order to achieve greater operating efficiencies and improved profit margins. In addition, we believe that managing all of our resorts by a single management team with established practices and systems will continue to improve the efficiency of the resort operations, create economies of scale and offer employees internal advancement opportunities.

*Continuing to enhance Premier Club value.* We continue to enhance our Premier Club, which was first introduced in 1991 at the Boca Raton Resort & Club, by expanding its amenity base. Since the Boca Raton Resort is a private facility restricted to resort guests, membership in the Premier Club allows members access to the Boca Raton Resort grounds, restaurants, recreational facilities and other private social functions. We have consistently added to the resort amenity base with projects such as the world-class spa complex and golf clubhouse at the Boca Raton Resort and the aquatic center at the

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Registry Resort at Pelican Bay. We expanded Premier Club operations with the opening of Grande Oaks Golf Club in June 1999 and Naples Grande Golf Club in February 2000. All Premier Club members have reciprocal privileges at each club. In addition to attracting new club members who provide an additional revenue base, we are able to offer guests of our Fort Lauderdale and Naples resorts play at the 18-hole championship facilities at Grande Oaks and Naples Grande. With our Premier Club, we generate substantial additional revenue by leveraging off of the resorts' existing facilities and services. During the year ended June 30, 2004, we recognized \$14.7 million in revenue associated with annual Premier Club dues, together with \$12.7 million in revenue associated with Premier Club member use of amenities available to them on a fee-for-use basis. We anticipate that the Premier Club will continue to be successful in marketing resort amenities, including restaurants, pools, and where available, tennis, golf, spas and other leisure and recreational facilities to residents in local communities in a country club/social club setting.

The following table sets forth a summary of the key physical attributes of each of our resorts:

	Acres	No. of Rooms /Suites	Conference Space Sq. Ft.	Access to No. of Golf Courses	Access to No. of Tennis Courts	No. of Swimming Pools	No. of Boat Slips	No. of Food & Beverage Sites	No. of Retail Shops
Boca Raton Resort & Club	337	1,041	156,966	4(a)	30	5	30	17	11
Registry Resort at Pelican Bay	18	474	43,020	1(b)	15	5		8	5
Edgewater Beach Hotel	3	125	3,050	(b)	(c)	1(c)		3	
Hyatt Regency Pier 66 Hotel and Marina	24	380	26,905	(d)	2	2	127	6	2
Radisson Bahia Mar Resort and Yachting Center	39	296	20,150	(d)	4	1	245	3	2
	<u>421(e)</u>	<u>2,316</u>	<u>250,091</u>	<u>5</u>	<u>51</u>	<u>14</u>	<u>402</u>	<u>37</u>	<u>20</u>

- (a) Boca Raton Resort & Club maintains one 18-hole golf course on premises and another at the resort's country club location. In addition, the resort has access to Grande Oaks Golf Club, which we own and to one 18-hole golf course through a use agreement.
- (b) Guests at the Registry Resort at Pelican Bay and the Edgewater Beach Hotel have access to the 18-hole Naples Grande Golf Club, which we own.
- (c) Edgewater Beach Hotel guests have access to the tennis courts and aquatic complex at the Registry Resort at Pelican Bay.
- (d) Hyatt Regency Pier 66 Hotel and Marina and Radisson Bahia Mar Resort and Yachting Center have access to Grande Oaks Golf Club.
- (e) Excludes the acreage associated with Grande Oaks and Naples Grande Golf Clubs.

Amenities and services at our resorts include conference facilities, golf courses, tennis facilities, spas, fitness centers, marinas, restaurants, retail outlets, swimming pools, beach access and other activities and services. The diversity and number of amenities and services at our resorts provide us with substantial non-room revenue. For each of the years ended June 30, 2004, 2003 and 2002, 60% of resort revenue was generated from non-room sources. In addition, these luxury amenities and services allow us to maintain premium pricing for our rooms.

Our resorts' conference facilities and other amenities make them attractive locations for group functions. The conference facilities include over 250,000 square feet of conference space. We maintain our own in-house planning and logistics capabilities that allow sales and marketing personnel to market multiple resort locations to corporate and association groups that prefer to change conference locations from year to year.

In addition to being available for our hotel guests, our resorts' extensive amenity base is also available to Premier Club members. Membership in the Boca Raton Resort Premier Club allows Premier Club members access to the Boca Raton Resort & Club grounds, restaurants, recreational facilities and private social functions, which are otherwise restricted to resort guests. During the year ended June 30, 2004, the Boca Raton Resort Premier Club charged an initial membership fee of \$50,000 and annual dues starting at \$3,400.

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for a social member and up to approximately \$10,000 for a golf member with a household consisting of two adults. Additional golf dues are required for households with more than two adult members and for members who wish to use the resort's tennis facilities. In addition, Premier Club members generate revenue through the use of existing resort facilities and services, which are available on a fee-for-use basis. Grande Oaks Golf Club and Naples Grande Golf Club offer members and guests of our Fort Lauderdale and Naples resorts play at these championship golf facilities and provide reciprocal amenities to other Premier Club members. During the year ended June 30, 2004, Naples Grande Premier Club charged an initial membership fee of \$40,000 and annual dues starting at \$1,900 for a social member and approximately \$6,700 for a golf member. During the year ended June 30, 2004, Grande Oaks Golf Club charged an initial membership fee of \$33,500 and annual dues of \$5,950.

**Summary Resort Information**

**Boca Raton Resort & Club**

*Renovations/Expansion.* In January 2002, we completed the new yacht club. The yacht club consists of 112 water-view luxury guestrooms, additional meeting space and reconfigured marina slips. In December 2001, we completed a new 50,000 square foot world-class spa complex and a new golf clubhouse and casual restaurant. In 2000, we opened a new Tuscan-style restaurant and added retail space. In 1999, we completed a parking facility, a chiller plant and commenced activity on a room renovation, which encompassed most of the guestrooms and was concluded in December 2001. In January 1998, we completed a new 140,000 square foot conference facility, a tennis and fitness center complex and renovated the on site resort course through golf designer Gene Bates.

*Distinctions.* Boca Raton Resort & Club has been awarded numerous honors including Travel & Leisure magazine Best Hotels in the World in 2004, Departures magazine Top Ten Luxury Resorts in 2004, Successful Meetings Pinnacle Award in 2003, Meeting and Conventions Gold Tee Award in 2003, Meetings and Conventions Gold Key Award for 2003 (and for the previous twenty-three consecutive years), Corporate Meetings and Incentives Paragon Award in 2002, Golf magazine Silver Medal Award for 2002 and the Readers' Award as one of the Top Hotels in North America by Travel & Leisure magazine in 2001.

**Registry Resort at Pelican Bay**

*Renovations/Expansion.* In January 2004, we completed a renovation of the Café Chablis Restaurant and the Registry's popular nightclub. In January 2003, we completed a comprehensive room renovation covering 395 guestrooms, which included all new furnishings and new five fixture bathrooms. In December 2000, we added 6,000 square feet of flexible meeting space providing the resort with the largest meeting venue in the Naples market. We also completed a new aquatic center, which features Mangrove Mountain, a 100-foot water slide to the main pool and private cabana rentals and we completed beach improvements consisting of a new food and beverage outlet and a beach amenity rental center.

*Distinctions.* Registry Resort has received AAA's Four Diamond Award and been named to Zagat's Top 10 Resorts in Florida every year since 1988, been named to Conde Nast Traveler Gold List every year since 1995, received both Meetings and Conventions Gold Key Award and Corporate Meetings and Incentives Paragon Award in 2001 and been named among the Top 100 World's Best Resorts in the Continental U.S. by Travel & Leisure magazine in 2000.

**Edgewater Beach Hotel**

*Renovations/Expansion.* In January 2004, we opened a new gourmet market deli and added meeting space. We also completed the final phase of the Edgewater Beach Hotel's guest suite renovation in January 2003.



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*Distinctions.* Edgewater Beach Hotel has consistently received AAA's Four Diamond Award, been featured in Resorts and Great Hotels and been named to Conde Nast Traveler's Best Places to Stay in the World.

**Hyatt Regency Pier 66 Hotel and Marina**

*Renovations/Expansion.* Hyatt Regency Pier 66 opened Grille 66 an upscale waterfront restaurant in December 2003, completed a renovation of its guestrooms in November 1998 and is currently undertaking exploratory design and permitting work for a marina redevelopment.

*Distinctions.* Hyatt Regency Pier 66 received AAA's Four Diamond Award for 2004 and in each of the previous twenty-one years, Successful Meetings magazine's Pinnacle Award for 2004 and Meetings and Conventions Gold Key Award for 2004.

*Franchise Agreement.* We have a franchise agreement with Hyatt Franchise Corporation (Hyatt) that terminates in November 2014. The agreement provides for the payment of monthly royalty fees equal to 5% of gross room revenue. The agreement also provides for the payment to Hyatt of certain Hyatt allocable chain expenses relating to sales and marketing costs based on the total number of guestrooms at Hyatt Regency Pier 66 compared to the average number of guestrooms in all Hyatt hotels in the United States, and the agreement provides for the payment of a fee for using the Hyatt reservation system. The agreement requires that Hyatt Regency Pier 66 maintain a reserve, equal to 4% of gross room revenue, for replacement of furniture, fixtures and equipment and for those repairs and maintenance costs that are capitalizable under generally accepted accounting principles. The agreement requires significant renovations of guestrooms, corridors and other public areas every five to six years. The replacement of other furniture, fixtures and equipment, as defined in the agreement, is required every 10 to 12 years.

**Radisson Bahia Mar Resort and Yachting Center**

*Renovations/Expansion.* Radisson Bahia Mar completed a marina renovation in October 2003 and a comprehensive room renovation in 2000. The principal element of the marina refurbishment was the replacement of 330 fixed concrete and wood slips with a 245-slip floating dock system aimed at accommodating mega yachts ranging in size from 80 feet to over 200 feet.

*Distinctions.* Radisson Bahia Mar received the Inner Circle award in 2004 from Association Meetings magazine and has consistently received the Mobil Travel Guide's Three Star Award and the AAA's Three Diamond Award. The Radisson Bahia Mar has previously been awarded the Radisson Hotels Worldwide President's Award and the Anchor Award presented by Marine Industries Association of South Florida. Each Fall, the Radisson Bahia Mar marina is host to the Fort Lauderdale International Boat Show, an annual six-day boating and marine event, which is believed to be the world's largest in-water boat show.

*License Agreement.* We have a license agreement with Radisson Hotels International, Inc., (Radisson) which expires in December 2004. The terms of the Radisson license agreement allow us to operate the hotel using Radisson's proprietary hotel management system and require us to pay annual fees to Radisson equal to 5% of Radisson Bahia Mar's gross room revenue. We are presently in discussions with Radisson concerning the license agreement and its renewal terms.

*Leases.* The site of the resort is subject to a land lease with the City of Fort Lauderdale that expires in 2062.

In addition to the resort properties discussed above, we also own and operate Grande Oaks Golf Club and Naples Grande Golf Club. Grande Oaks Golf Club was formerly known as Rolling Hills Golf Club, site of the movie comedy Caddy Shack. The property now features a redesigned 18-hole championship golf course designed by Raymond Floyd, a 35-acre, newly designed practice facility and a renovated clubhouse. Golf architect Rees Jones designed Naples Grande Golf Club. Varied elevations and unique water features have

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been carefully incorporated into the indigenous Florida foliage, which forms a spectacular backdrop for this par 72 championship course.

We predominantly utilized cash flow from operations to fund the previously discussed renovations and expansion at our resorts and golf clubs.

### **Customers and Marketing**

Our core customer base consists of corporate and other group customers, affluent local residents, upscale leisure travelers and individual business travelers. Our marketing efforts involve (1) the use of a sales force to develop national corporate and other group business for our resort facilities by identifying, obtaining and maintaining corporate and other group accounts whose employees conduct business nationwide, and (2) the use of advertisements that target upscale leisure travelers and individual business travelers in magazines such as Conde Nast Traveler, Travel and Leisure, Travel Weekly and Meetings and Conventions and in newspapers such as The New York Times. Our two franchised resorts also benefit from the national reservation systems of the Hyatt and Radisson brands. We continue to expand our Internet presence and sales capabilities to increase revenue. In addition, we are integrating our proprietary customer databases, in order to sell additional products and services to existing customers, improve occupancy rates and create additional marketing opportunities.

### **Competition**

The resort and hotel industry is highly competitive. Competitive factors include room rates, quality of accommodations, service levels, convenience of location, reputation, reservation systems, name recognition, and availability of alternative resort and hotel operations in local markets. While some of our competitors are privately managed, several are large national and international chains that own and operate hotels or manage hotels owned by third parties. A variety of brands compete directly with us.

### **Insurance**

We maintain comprehensive insurance on our properties, including liability, business interruption, fire and extended coverage including windstorm and flood, in the types and amounts we believe are customary for the resort and hotel industry. Management uses discretion in determining amounts, coverage limits and deductible provisions of insurance, with a view to obtaining appropriate insurance on our properties at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a total loss, might not be sufficient to cover the full current market value of the property. In addition, in the event of such loss, the insurance proceeds received by us might not be adequate to restore the properties economic position. Certain insurance risks for medical and workers compensation are self-insured by us subject to certain stop-loss thresholds.

### **Environmental Matters**

Under various federal, state, and local environmental laws and regulations, an owner or operator of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on such real property, as well as for the costs of complying with environmental laws regulating on-going operations. We have obtained Phase I environmental site assessments for the real property on which each of our resorts is located. In addition, Phase II environmental assessments have been conducted at several properties. Phase I assessments are intended to identify existing, potential and suspected environmental contamination and regulatory compliance concerns, and generally include historical reviews of the property, reviews of certain public records, preliminary visual investigations of the site and surrounding properties and the preparation and issuance of written reports. Phase II assessments involve the sampling of environmental media, such as subsurface soil and groundwater, to confirm whether contamination is present at areas of concern identified during the course of a Phase I assessment.

The Phase I and Phase II assessments have not revealed any environmental liability or compliance concerns that we believe would have a material adverse effect on our business, nor are we aware of any such material liability or concern. Phase I and Phase II assessments cannot provide full and complete knowledge of

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environmental conditions and compliance matters. Therefore, we cannot assure you that: (1) material environmental liabilities or compliance concerns do not exist; (2) an identified matter that does not appear reasonably likely to be material will not result in significantly greater expenditures than is currently anticipated; or (3) there are not material environmental liabilities or compliance concerns of which we are unaware.

**Employees**

At June 30, 2004, we employed 3,218 full-time and 613 part-time employees. In addition, we employed 12 corporate administrative personnel. None of our employees are subject to a collective bargaining agreement, and we believe that our relationship with our employees is good.

**Seasonality**

Our revenue and income are seasonal in nature and are directly affected by the strength and seasonality of the tourism and leisure industry. Tourism is dependent upon weather and the traditional seasons for travel. Because of this variability in demand, our revenue fluctuates quarter-to-quarter, and revenue for the first quarter of each fiscal year can be expected to be lower than the remaining quarters. Historically, approximately 16%, 23%, 36% and 25% of annual revenue has been derived during the first, second, third and fourth fiscal quarters, respectively. Although historically the trend in quarterly revenue for the second, third and fourth fiscal quarters of each year (October through June) is generally higher than the first fiscal quarter (July through September), we cannot assure you that this will occur in future periods. Accordingly, quarterly or other interim results should not be considered indicative of results to be expected for any future quarter or for the full year.

**Trademarks**

We have registered trademarks and service marks, some of which, including several relating to the Boca Resort name and Registry name, are of material importance to our business. Our other related marks, while valuable, are not material to our business. Trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not been found to be generic. We presently use national trade names for two of our resorts pursuant to licensing arrangements with national franchisors. The duration for use pursuant to the licensing arrangements is disclosed under Franchise Agreement and License Agreement.

**Disposition Opportunities and Discontinued Operations**

We periodically review our business with the view to identify properties or other assets that no longer complement our operations.

In December 2002, we sold a land parcel located in Plantation, Florida for \$7.2 million, which yielded net proceeds of \$7.1 million. We recorded an impairment loss of \$2.4 million to reflect the difference between the carrying value of this land parcel and the net proceeds.

In August 2002, we sold a land parcel located in Naples, Florida for \$5.7 million, which yielded net proceeds of \$5.6 million. We recorded a gain on the disposition of \$2.3 million.

In July 2001, we sold our entertainment and sports business after a thorough examination of its strategic relationship to the core leisure and recreation operations. The selling price for the business, which incorporated certain working capital adjustments, consisted of \$83.5 million in cash, an \$11.3 million secured promissory note (which was paid January 2002) and the assumption by the purchasers of certain off-balance sheet contingencies including a \$10 million construction obligation secured by a performance bond. The net proceeds from the sale of the business after payment of disposal costs exceeded \$70.0 million and the gain on disposition was \$26.2 million.

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**Risk Factors**

Our business, financial position, results of operations and future prospects and the prevailing market price and performance of our Class A Common Stock, may be adversely affected by a number of factors. Such factors, among other items, include:

*We face risks relating to travel.* Our customers consist of corporate and other group customers, upscale leisure travelers and individual business travelers. A change in travel patterns resulting from slowing economic conditions, a change in corporate policies relating to group meetings, air or other travel disruption, third party increases in travel costs or disruption caused by natural disaster (including hurricanes which are common to South Florida), war or political unrest could have a material adverse effect on our financial position and results of operations.

*We face a variety of risks associated with operating resorts.* We may encounter risks common to the operations of resorts, including over-building (which may lower room rates), increases in operating costs due to inflation or other factors and decreases in revenue due to moderate or severe economic downturns. We may also face risks relating to the concentration of our resorts in South Florida. Any of these risks could have a material adverse effect on our financial position and results of operations.

*We may make significant capital expenditures to further develop the resorts and these expenditures involve risks.* Our growth strategy contemplates expanding the infrastructure at certain of our resorts. The resorts may also need periodic renovations or other capital improvements to keep them well maintained and competitive. Unexpected excessive costs of any expansion or needed renovation or capital improvements could have a material adverse effect on our financial position and results of operations. Also, any capital expenditure for expansion, renovation or improvement of the resorts may not generate the financial returns expected. Such capital expenditures could involve certain risks, including the possibility of environmental problems; the possibility that cash to fund renovations will not be available or that financing for renovations will not be available on favorable terms; uncertainties as to market demand or deterioration in market demand after commencement of renovations; the emergence of unanticipated zoning, environmental and regulatory requirements; so called acts of God, such as hurricanes that could adversely impact a project and competition from other resorts, hotels and alternative lodging facilities.

*We may need to make capital expenditures in order to comply with the Americans with Disabilities Act.* Our resorts and other properties are subject to the requirements of the Americans with Disabilities Act (the ADA), which generally requires that public accommodations be made accessible to disabled persons. We believe that our resorts and other properties are in substantial compliance with the ADA and we will not be required to make substantial capital expenditures to address the current requirements of the ADA. However, compliance with the ADA could require removal of access barriers and noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we were required to make substantial alterations in one or more of the resorts or other properties in order to comply with the ADA, our financial position and results of operations could be adversely affected.

*We may become subject to liabilities under environmental laws.* Operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, including the cleanup of contamination, as well as the cost of complying with future legislation. In connection with the acquisition of our resorts and other properties, Phase I, and in some instances Phase II, environmental site assessments were obtained in order to evaluate potential environmental liabilities. Although these assessments have identified certain matters that will require us to incur costs to remedy, based on current information, none of these matters appears likely to have a material adverse effect on our business, assets, results of operations or liquidity. However, because these assessments cannot give full and complete knowledge of environmental liability and compliance matters, we cannot assure you that the costs of complying with environmental laws and of defending against claims of liability arising under environmental laws will not have a material adverse effect on the financial position and results of operations.

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*Our resort business is seasonal.* Our resort operations are generally seasonal. The resorts historically experience greater revenue, costs and income in the third and fourth quarters of the fiscal year ended June 30 due to increased occupancy and room rates during the winter and spring months.

*The hotel and leisure industry is highly competitive.* Our properties compete for customers with other hotel and resort properties, and, with respect to our Premier Club, with other operators of social clubs and golf courses. Some of our competitors may have substantially greater marketing and financial resources than we have and may improve their facilities, reduce their prices or expand or improve their marketing programs in ways that could adversely affect our financial position and results of operations.

*Our financing agreement limits operating flexibility.* Our new senior secured credit facility requires us to maintain specified financial ratios and satisfy certain financial tests that could limit our ability to borrow money; pay dividends on stock or make certain other restricted payments; use assets as security in other transactions; make investments; enter into certain transactions with affiliates; and sell certain assets or merge with other companies. Although we are confident that we will continue to satisfy all of these requirements, our ability to meet those financial ratios and financial tests may be affected by events beyond our control, and we cannot assure you that we will meet those tests.

*Control by H. Wayne Huizenga.* We have two classes of common stock, Class A Common Stock and Class B Common Stock. On each matter submitted for stockholder approval, each share of Class A Common Stock is entitled to one vote, and each share of Class B Common Stock is entitled to 10,000 votes. As of June 30, 2004, Mr. Huizenga, our Chairman and Chief Executive Officer, beneficially owned voting stock in our company with the power to vote 98.5% of the total votes entitled to be cast on any matter submitted to a vote of stockholders. As the sole owner of Class B Common Stock, Mr. Huizenga has the ability to indirectly control the management and policies, as well as the outcome of substantially all matters submitted to the stockholders for approval, including the election of directors.

Nothing in the charter or bylaws restricts the transfer of Class B Common Stock. As a result, Mr. Huizenga may sell his controlling interest without the approval of the holders of Class A Common Stock and Mr. Huizenga may receive a substantial premium price for selling his controlling interest in our company.

*We depend on key personnel.* For the foreseeable future, we will be materially dependent on the services of Mr. Huizenga. The loss of Mr. Huizenga's services could have a material adverse effect on our business. We do not carry key man life insurance on Mr. Huizenga or on any of our officers or directors.

*We may face a variety of risks if we enter into business acquisitions, joint ventures and/or divestitures in the future.* We may pursue acquisitions of resort-related or other types of businesses. In addition, we may pursue joint ventures and/or divestitures in the future. Our success will depend upon our ability to identify and finance attractive alternative business acquisitions, ventures and/or divestitures. The risks related to acquisitions, joint ventures and/or divestitures include: potential diversion of management; unanticipated liabilities or contingencies from acquired businesses or ventures; environmental and other regulatory costs; suitability of a joint venture partner; increased interest costs and costs related to integration of acquisitions; integrating the businesses that we acquire; need to manage growth of acquired businesses or joint ventures; potential corporate reorganization and reallocation of resources due to divestitures and potential one-time losses on divestitures.

*We may seek additional financing.* We believe that cash on hand together with cash flow from operations will be sufficient to finance our business operations, meet our debt obligations and fund our short-term growth strategy. However, we cannot assure you that the business will generate the level of cash flow from operations that we expect or that future borrowings under credit facilities will be available to us. If the plans or assumptions change or if we experience unanticipated costs or competitive pressures, or if we cannot reduce our cost of borrowing or increase our borrowing base we may seek additional capital. We believe we can obtain additional capital by selling debt (provided certain incurrence tests are met pursuant to the existing debt agreement) or equity securities and/or by borrowing money, although

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we cannot assure you that we will be able to do so. If additional capital is not obtained when it is needed, this may have a material adverse effect on our financial position and results of operations.

**Item 2. *Properties***

Our corporate headquarters are located at the Boca Raton Resort & Club. We consider our resorts to be leading establishments with respect to desirability of location, size of facilities, physical condition, quality and variety of services offered in the areas in which they are located. See further description of properties under *Business* . Certain of our resorts serve as security under a revolving credit facility at June 30, 2004 and under our new senior credit facility entered into on July 22, 2004. See Note 8 to the Consolidated Financial Statements included later in this report.

**Item 3. *Legal Proceedings***

We are not involved in any material legal proceedings. However, we may from time to time become a party to legal proceedings arising in the ordinary course of business, which are incidental to our business.

**Item 4. *Submission of Matters to a Vote of Security Holders***

None.

**Table of Contents****PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our Class A Common Stock began trading on The Nasdaq National Market on November 13, 1996 under the symbol PUCK. On July 11, 1997, our Class A Common Stock began trading on the New York Stock Exchange ( NYSE ) under the symbol PAW. On September 29, 1999, our Class A Common Stock began trading on the NYSE under the symbol RST . The following table sets forth, for the periods indicated, the range of the high and low sales prices per share for our Class A Common Stock.

	Price Range of Class A Common Stock	
	High	Low
<b>Fiscal year Ended June 30, 2004:</b>		
First Quarter	\$ 13.53	\$ 12.34
Second Quarter	15.43	12.93
Third Quarter	17.87	15.06
Fourth Quarter	19.92	16.83
<b>Fiscal year Ended June 30, 2003:</b>		
First Quarter	\$ 13.30	\$ 9.60
Second Quarter	11.87	9.60
Third Quarter	11.86	10.00
Fourth Quarter	13.20	10.96

On August 31, 2004 the last reported sales price of our Class A Common Stock on the NYSE was \$19.20. As of the same date, there were approximately 8,800 holders of record of our Class A Common Stock.

Since our inception, we have not paid any cash dividends on our Class A Common Stock or the Class B Common Stock. Our ability to pay dividends had been limited in dollar amount under covenants of our outstanding senior subordinated notes. The senior subordinated notes were fully redeemed in August 2004 with proceeds from a new senior credit facility. The covenants under the new senior credit facility, including those relating to the payment of dividends, are less restrictive than those under which the senior subordinated notes were issued. See Note 9 to the Consolidated Financial Statements included later in this report. We did not have any repurchases of our common stock during the year ended June 30, 2004.

**Equity Compensation Plans**

The following table summarizes our stock option plans as of June 30, 2004:

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Stock Option Plan
Stock option plan approved by stockholders	6,590,304	\$ 14.15	1,185,977
Stock option plan not approved by stockholders			
<b>Total</b>	<b>6,590,304</b>	<b>\$ 14.15</b>	<b>1,185,977</b>





**Table of Contents****Item 6. Selected Financial Data**

The financial data set forth below should be read in conjunction with our Consolidated Financial Statements and Notes thereto contained in Part II, Item 8 of this Annual Report on Form 10-K. In July 2001, we sold our entertainment and sports business. Therefore, our entertainment and sports business has been accounted for as discontinued operations and the accompanying selected financial data has been restated to report separately the net assets and liabilities and operating results of this discontinued operation.

	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
<b>In thousands, except per share data</b>					
<b>Statement of Operations Data:</b>					
Leisure and recreation revenue	\$ 313,335	\$ 290,174	\$ 273,043	\$ 329,171	\$ 361,360
Operating expenses:					
Cost of leisure and recreation services	137,426	130,272	123,529	143,567	156,620
Selling, general and administrative expenses	85,840	85,983	83,146	89,624	98,731
Amortization and depreciation	40,038	38,026	34,790	35,490	34,436
Loss on early retirement of debt		149	3,073	2,026	
	<u>263,304</u>	<u>254,430</u>	<u>244,538</u>	<u>270,707</u>	<u>289,787</u>
Total operating expenses					
Operating income	50,031	35,744	28,505	58,464	71,573
Interest and other income	199	227	1,240	5,164	1,529
Interest and other expense	(20,943)	(21,664)	(23,903)	(47,150)	(55,040)
	<u>29,287</u>	<u>14,307</u>	<u>5,842</u>	<u>16,478</u>	<u>18,062</u>
Income from continuing operations before income taxes					
Provision for income taxes	(11,276)	(5,508)	(1,336)	(3,934)	(805)
	<u>18,011</u>	<u>8,799</u>	<u>4,506</u>	<u>12,544</u>	<u>17,257</u>
Income from continuing operations					
Gain on disposition of discontinued operations, net of income taxes			26,185		
Loss from discontinued operations, net of benefit for income taxes				(8,862)	(3,771)
	<u>\$ 18,011</u>	<u>\$ 8,799</u>	<u>\$ 30,691</u>	<u>\$ 3,682</u>	<u>\$ 13,486</u>
Net income					
Diluted net income per share:					
Income from continuing operations	\$ .44	\$ .22	\$ .11	\$ .31	\$ .42
Income (loss) from discontinued operations			.65	(.22)	(.09)
	<u>\$ .44</u>	<u>\$ .22</u>	<u>\$ .76</u>	<u>\$ .09</u>	<u>\$ .33</u>
Net income per share diluted					
<b>Other Data:</b>					
Cash provided by operating activities	\$ 76,519	\$ 50,683	\$ 48,377	\$ 37,033	\$ 40,027
Cash provided by (used in) investing activities	\$ (27,802)	\$ (37,276)	\$ 7,868	\$ 222,347	\$ (36,913)
Cash used in financing activities	\$ (9,240)	\$ (8,988)	\$ (62,463)	\$ (257,267)	\$ (3,244)
EBITDA(1)	\$ 90,522	\$ 74,194	\$ 66,368	\$ 95,980	\$ 106,009
EBITDA margin(2)	29%	26%	24%	29%	29%
Capital expenditures	\$ 28,305	\$ 50,142	\$ 66,965	\$ 60,778	\$ 63,090



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At June 30,

	2004	2003	2002	2001	2000
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 47,587	\$ 8,110	\$ 3,691	\$ 9,909	\$ 7,796
Restricted cash	\$ 138	\$ 641	\$ 721	\$ 500	\$ 10,176
Total current assets	\$ 85,435	\$ 43,196	\$ 39,041	\$ 96,779	\$ 106,802
Total assets	\$948,583	\$920,150	\$916,736	\$946,132	\$1,271,115
Total current liabilities	\$ 57,848	\$ 57,956	\$ 55,240	\$ 51,294	\$ 135,108
Total debt	\$190,145	\$208,224	\$211,915	\$273,511	\$ 583,195
Non-current obligations	\$341,628	\$342,145	\$345,224	\$409,195	\$ 633,813
Shareholders' equity	\$549,107	\$520,049	\$516,272	\$485,643	\$ 502,194

- (1) See Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures .
- (2) EBITDA margin is defined as EBITDA divided by revenue.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto, which are included later in this report.

**Overview**

We are an owner and operator of five distinctive destination resorts located in Florida with hotels, conference facilities, golf courses, spas, marinas and private clubs. We have focused on the luxury and upscale resort segment because we believe these segments outperform other lodging industry segments, particularly in times of economic downturn. We previously owned an entertainment and sports business, which primarily included the operations of the Florida Panthers Hockey Club and related arena management operations. This business was sold in July 2001 and, therefore, our entertainment and sports business has been accounted for as discontinued operations.

Our resorts include the Boca Raton Resort & Club (Boca Raton), the Registry Resort at Pelican Bay (Naples), the Edgewater Beach Hotel (Naples), the Hyatt Regency Pier 66 Hotel and Marina (Fort Lauderdale) and the Radisson Bahia Mar Resort and Yachting Center (Fort Lauderdale). We also own and operate two golf clubs located in Florida (Grande Oaks Golf Club in Davie and Naples Grande Golf Club in Naples) that serve as additional amenities to our resorts, as well as, components of our exclusive social club, known as the Premier Club. In addition, we own and operate two golf courses in Boca Raton that are part of the Boca Raton Resort & Club.

Our resorts possess considerable competitive and operational strengths. They are unique, irreplaceable assets in desirable waterfront locations with strong name recognition and positioning in their respective markets. We believe it would be difficult for potential competitors to replicate our resorts and, therefore, we benefit from high barriers to entry. Our resorts provide us with multiple, diverse revenue streams and primarily attract corporate groups and affluent leisure customers. We further believe that each of our properties is well positioned to maintain or increase market share. We historically increased revenue and cash flow in large part through the development of additional guestrooms and resort amenities at our existing properties and believe there are additional opportunities for development initiatives to our portfolio in the future.

**Critical Accounting Policies**

Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements

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requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and costs and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those relating to revenue recognition, bad debts, inventories, property and equipment, goodwill and intangible assets, income taxes, financing operations, contingencies and litigation.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Securities and Exchange Commission ( SEC ) has requested that all registrants list their most critical accounting policies in MD&A. The SEC indicated that a critical accounting policy is one that is both important to the portrayal of our financial position and results of operations and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe the following accounting policies fit this definition:

*Revenue Recognition for Premier Club Initiation Fees*

Revenue from Premier Club nonrefundable initial membership fees is deferred and recognized ratably over the average expected life of the memberships, which has been estimated to be eight years. The average estimated life is based on our best estimate using company specific historical information. We have not changed the estimated life used to recognize the Premier Club membership initiation fees since adoption in January 1998 (when Premier Club membership initiation fees became nonrefundable), but would revise such estimate if, in our opinion, changing trends in membership experience warranted such a change.

*Intangible Assets*

Intangible assets consist of goodwill, which represents the excess of the cost over the fair value of net assets of the acquired business, as well as, identified intangible assets with indefinite lives. Statement of Financial Accounting Standards ( SFAS ) No. 142, Goodwill and Other Intangible Assets states, among other things, that goodwill is not subject to amortization over its estimated useful life. Under the provisions of SFAS No. 142, goodwill that is not subject to amortization is tested for impairment annually using a two-step impairment assessment. Impairment testing must be performed more frequently if events or changes in circumstances indicate that the asset might be impaired. We tested for potential impairment upon adoption of SFAS No. 142 and annually each year thereafter. We have had no impairment of goodwill for the periods presented.

*Long-Lived Assets and Assets to be Disposed Of*

The carrying value of long-lived assets is reviewed if the facts and circumstances suggest that they may be impaired in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets . If this review indicates that long-lived assets will not be recoverable based on the undiscounted cash flows of the entity over the remaining amortization period, the carrying value of the long-lived assets will be reduced by the amount by which the carrying value exceeds fair value. Fair value is determined using our best estimate of the discounted net operating cash flows over the remaining life of the assets.

*Property and Equipment*

Expenditures for maintenance, repairs and renewals of items that do not extend the service life or increase the capacity of our assets are charged to expense as incurred. Significant additions, along with interest incurred during the construction period for expansion at our properties, are capitalized. Depreciation has been

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computed using the straight-line method over the shorter of the estimated useful lives or, in the case of leasehold agreements, the term of the leasehold agreement as follows:

	<u>Years</u>
Building and improvements	15-40
Land improvements	15
Leasehold improvements	5-20
Furniture, fixtures and equipment	3-7

**Business Strategy**

Our objective is to enhance shareholder value principally through improvements in earnings, cash flow and the quality of our resorts. While management continuously evaluates ownership, acquisition and divestiture alternatives, we continue to pursue internal expansion and development opportunities at our existing properties.

**Seasonality**

Our revenue and income are seasonal in nature and are directly affected by the strength and seasonality of the tourism and leisure industry. Historically, approximately 16%, 23%, 36% and 25% of annual revenue has been derived during the first, second, third and fourth fiscal quarters, respectively. Although historically the trend in quarterly revenue for the second, third and fourth fiscal quarters of each year (October through June) is generally higher than the first fiscal quarter (July through September), we cannot assure you that this will occur in future periods. Accordingly, quarterly or other interim results should not be considered indicative of results to be expected for any future quarter or for the full year.

**Impact of Inflation**

Inflation and changing prices have not had a material impact on our revenue and results of operations. Based on the current economic climate, we do not expect that inflation and changing prices will have a material impact on our revenue or income during the 2005 fiscal year. Many of the costs of operating our resorts can be fixed for certain periods of time, reducing the short-term effects of changes in the rate of inflation. Room rates, which are set on a daily basis, can be rapidly changed to meet changes in inflation rates (as well as other changing market conditions). We have less flexibility in changing group rates since group reservations are typically made 12 to 36 months in advance of the stay. To the extent inflationary trends affect short-term interest rates, a portion of our debt service costs may be adversely affected. See Note 8 to the Consolidated Financial Statements, included later in this report.

**Non-GAAP Financial Measures**

This Annual Report on Form 10-K contains a non-GAAP financial measure, within the meaning of applicable SEC rules, which we believe is useful to investors. This financial measure is earnings before extraordinary and non-recurring items, interest expense, interest income, income taxes, depreciation and amortization ( EBITDA ). EBITDA is used by management, the lodging industry and certain investors as an indicator of our historical ability to service debt, to sustain potential future increases in debt and to satisfy capital requirements. However, EBITDA is not intended to represent cash flows for the period. In addition, it has not been presented as an alternative to either (a) operating income (as determined by GAAP) as an indicator of operating performance or (b) cash flows from operating, investing and financing activities (as determined by GAAP) and is thus susceptible to varying calculations. EBITDA as presented may not be comparable to other similarly titled measures of other companies.

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**Impact of Recently Issued Accounting Standards**

In December 2003, the Financial Accounting Standards Board issued Interpretation No. 46 ( FIN 46R ), Consolidation of Variable Interest Entities . This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries. The primary beneficiary of a variable interest entity is the party that absorbs a majority of the entity 's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests. Prior to FIN 46R, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. Since we do not have any variable interest entities, the adoption of FIN 46R has no impact on our results of operations or financial position.

**Table of Contents****RESULTS OF OPERATIONS HISTORICAL COMPARISON**

The accompanying table sets forth our operating results for the years ended June 30, 2004, 2003 and 2002 (000 s omitted):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Leisure and recreation revenue	\$ 313,335	\$ 290,174	\$ 273,043
Operating expenses:			
Cost of leisure and recreation services	137,426	130,272	123,529
Selling, general and administrative expenses:			
Leisure and recreation	77,430	78,205	74,561
Corporate	8,410	7,778	8,585
Depreciation:			
Leisure and recreation	39,869	37,821	34,571
Corporate	169	205	219
Loss on early retirement of debt		149	3,073
	<u>263,304</u>	<u>254,430</u>	<u>244,538</u>
Operating income (loss):			
Leisure and recreation	58,610	43,876	40,382
Corporate	(8,579)	(8,132)	(11,877)
	<u>50,031</u>	<u>35,744</u>	<u>28,505</u>
Interest and other income	199	227	1,240
Interest expense	(20,943)	(21,664)	(23,903)
	<u>29,287</u>	<u>14,307</u>	<u>5,842</u>
Income from continuing operations before income taxes	29,287	14,307	5,842
Provision for income taxes	(11,276)	(5,508)	(1,336)
	<u>18,011</u>	<u>8,799</u>	<u>4,506</u>
Income from continuing operations	18,011	8,799	4,506
Gain on disposition of discontinued operations, net of income taxes			26,185
	<u>\$ 18,011</u>	<u>\$ 8,799</u>	<u>\$ 30,691</u>
Net cash provided by operating activities	\$ 76,519	\$ 50,683	\$ 48,377
Net cash provided by (used in) investing activities	\$ (27,802)	\$ (37,276)	\$ 7,868
Net cash used in financing activities	\$ (9,240)	\$ (8,988)	\$ (62,463)
EBITDA	<u>\$ 90,522</u>	<u>\$ 74,194</u>	<u>\$ 66,368</u>

We derive all significant revenue from a single line of business, hotel and resort real estate ownership, which we characterize as leisure and recreation revenue. Corporate expenses have been segregated in the preceding table and in the accompanying discussion because they largely relate to public company compliance costs and corporate governance expenses.

The accompanying table reconciles EBITDA to net income from continuing operations for the years ended June 30 (000 s omitted):

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	<u>2004</u>	<u>2003</u>	<u>2002</u>
EBITDA	\$ 90,522	\$ 74,194	\$ 66,368
Less: Loss on early retirement of debt		(149)	(3,073)
Less: Non cash compensation expense	(453)	(275)	
Less: Depreciation	(40,038)	(38,026)	(34,790)
Less: Interest expense	(20,943)	(21,664)	(23,903)
Plus: Interest income	199	227	1,240
Less: Provision for income taxes	(11,276)	(5,508)	(1,336)
	<u>          </u>	<u>          </u>	<u>          </u>
Net income from continuing operations	\$ 18,011	\$ 8,799	\$ 4,506
	<u>          </u>	<u>          </u>	<u>          </u>



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See Consolidated Statements of Cash Flows included later in this report for a reconciliation of net income to net cash flow provided by operating activities.

Select operating data for us for the years ended June 30 is set forth below (000's omitted except operating statistics):

	2004	% Change over Prior Year	2003	% Change over Prior Year	2002
<b>Revenue:</b>					
Room revenue	\$ 123,789	6%	\$ 116,785	7%	\$ 108,859
Non-room related revenue	189,546	9%	173,389	6%	164,184
	<hr/>		<hr/>		<hr/>
Total leisure and recreation revenue	\$ 313,335	8%	\$ 290,174	6%	\$ 273,043
	<hr/>		<hr/>		<hr/>
<b>Operating Statistics:</b>					
Available room nights	847,779		845,705	2%	828,089
Average daily rate	\$ 211.98	(1)%	\$ 214.06	2%	\$ 210.43
Occupancy	68.9%	7%	64.5%	3%	62.5%
Room revenue per available room	\$ 146.02	6%	\$ 138.09	5%	\$ 131.46
Total leisure and recreation revenue per available room	\$ 369.59	8%	\$ 343.13	4%	\$ 329.73

**Leisure and Recreation Revenue**

We generate a diversified stream of revenue. Leisure and recreation revenue totaled \$313.3 million, \$290.2 million and \$273.0 million for the years ended June 30, 2004, 2003 and 2002, respectively. Non-room revenue, which represented 60% of leisure and recreation revenue for each period presented, was derived from sources such as food and beverage sales, yachting and marina revenue, spa revenue, golf revenue, Premier Club membership fees and dues, retail sales and other resort amenities.

The \$23.1 million increase in revenue for the year ended June 30, 2004, compared to the year ended June 30, 2003, resulted primarily from increases in occupancy at each of our properties, as well as, increased revenue derived from non-room sources such as food and beverage revenue, yachting and marina revenue, and spa revenue. We believe increases in resort occupancy are largely the result of an improving economic landscape, significant property enhancements, the high quality of our assets, our commitment to quality customer service resulting in strong guest loyalty and a favorable market mix that combines high-end leisure travelers and corporate groups.

The \$17.1 million increase in leisure and recreation revenue for the year ended June 30, 2003, compared to the year ended June 30, 2002, was primarily because the prior year was adversely impacted by travel disruption and short-term cancellations of group business in the wake of the September 11, 2001 terrorist attacks and economic recession. During the year ended June 30, 2003, business at our Naples properties was disrupted by comprehensive room renovations at both the Registry Resort and Edgewater Beach Hotel. We continued to be affected by factors outside our control including political unrest and increased terror threat levels.

**Leisure and Recreation Operating Expenses**

Cost of leisure and recreation services totaled \$137.4 million, or 44% of revenue for the year ended June 30, 2004, \$130.3 million, or 45% of revenue for the year ended June 30, 2003 and \$123.5 million, or 45% of revenue for the year ended June 30, 2002. Cost of services primarily consisted of direct costs to service rooms, marinas, food and beverage operations, retail establishments and other amenities at the resorts.

Leisure and recreation selling, general and administrative expenses ( S,G&A ) totaled \$77.4 million, or 25% of revenue for the year ended June 30, 2004, \$78.2 million, or 27% of revenue, for the year ended June 30, 2003 and \$74.6 million, or 27% of revenue, for the year ended June 30, 2002. Leisure and recreation S,G&A



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primarily consisted of utility and property maintenance costs, real estate taxes, property and casualty insurance, franchise agreement fees, sales and marketing expenses and administrative salaries and expenses.

Leisure S,G&A decreased following the expiration of two operating leases at country club facilities during the year ended June 30, 2004, compared to the year ended June 30, 2003. Leisure and recreation S,G&A was adversely affected by an increase in certain fixed costs including energy and property/casualty insurance for the year ended June 30, 2003, compared to the year ended June 30, 2002.

Depreciation expense from leisure and recreation operations totaled \$39.9 million, \$37.8 million and \$34.6 million for the years ended June 30, 2004, 2003 and 2002, respectively. The increase in depreciation expense for the year ended June 30, 2004, compared to the year ended June 30, 2003, was primarily the result of an increase in depreciation expense following the completion of room renovations at the Registry Resort and Edgewater Beach Hotel (which were completed midway through the prior fiscal year) and a marina renovation at the Bahia Mar Resort & Yachting Center (which was completed in October 2003). The increase in depreciation expense for the year ended June 30, 2003, compared to the year ended June 30, 2002, was primarily due to the completion of comprehensive room renovations at the Edgewater Beach Hotel and Registry Resort, as well as, a full year of depreciation on several capital projects completed mid-way through the prior year at the Boca Raton Resort & Club.

### **Leisure and Recreation Operating Income**

Leisure and recreation operating income totaled \$58.6 million, \$43.9 million and \$40.4 million for the years ended June 30, 2004, 2003 and 2002, respectively. The increase in operating income for the year ended June 30, 2004, compared with the year ended June 30, 2003 was primarily due to higher revenue and better profit margins. The improvement in operating results for the year ended June 30, 2003, compared to the year ended June 30, 2002, was primarily because the prior year figures were adversely impacted by a decrease in revenue and corresponding income following the September 11, 2001 terrorist attacks and economic recession.

### **Corporate General and Administrative Expenses**

Corporate general and administrative expenses totaled \$8.4 million, \$7.8 million and \$8.6 million for the years ended June 30, 2004, 2003, and 2002, respectively. The increase in corporate general and administrative expenses for the year ended June 30, 2004, compared with the year ended June 30, 2003 was partially the result of a \$300,000 increase in public company governance expenses. The decrease in corporate general and administrative expenses for the year ended June 30, 2003, compared to the year ended June 30, 2002, was primarily because of an \$800,000 decline in the management fee payable to Huizenga Holdings, Inc., ( HHI ) a corporation whose sole shareholder is our Chairman and Chief Executive Officer. Pursuant to the management services agreement, HHI provides us certain administrative, financing, tax, investor relations, legal and strategy related services.

### **Loss on Early Retirement of Debt**

For the year ended June 30, 2003, we repurchased \$2.8 million principal amount of our 9.875% senior subordinated notes payable and recognized a loss of \$149,000. For the year ended June 30, 2002, we repurchased \$80.1 million principal amount of our senior subordinated notes payable and recognized a loss of \$3.1 million. The losses represent the non-cash expense associated with the write-off of a pro rata portion of the debt issuance costs previously capitalized when the notes were issued together with the premium paid to acquire the notes. The remaining senior subordinated notes were retired in August 2004. See Capital Resources .

### **Interest and Other Income**

Interest and other income totaled \$199,000, \$227,000 and \$1.2 million for the years ended June 30, 2004, 2003 and 2002, respectively. The decrease in interest and other income for the year ended June 30, 2003, compared to the year ended June 30, 2002, was because we invested proceeds from the sale of the

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entertainment and sports business in interest bearing time deposit accounts during the year ended June 30, 2002 until such proceeds were used to reduce higher rate indebtedness.

### **Interest Expense**

Interest expense totaled \$20.9 million, \$21.7 million and \$23.9 million for years ended June 30, 2004, 2003 and 2002, respectively. Our average cost of borrowing was 10.6%, 10.0% and 10.1% for the years ended June 30, 2004, 2003 and 2002, respectively, while the Company's average outstanding indebtedness was \$197.8 million, \$217.8 million and \$235.0 million for the years ended June 30, 2004, 2003 and 2002, respectively. The reduction in our average outstanding indebtedness followed payments under our revolving credit facility with free cash from operations.

### **Provision for Income Taxes**

We recorded a provision for income taxes totaling \$11.3 million (38.5% of income before taxes), \$5.5 million (38.5% of income before taxes) and \$1.3 million (22.9% of income before taxes) for the years ended June 30, 2004, 2003 and 2002, respectively. We recently adopted a tax accounting policy whereby we use tax lives and methods for our property and equipment as permitted by the Internal Revenue Service in various rulings and regulations. The tax accounting policy has resulted in a decrease in income taxes currently payable, as well as, a net refund of income taxes paid in prior years totaling approximately \$12.8 million. The income tax accounting method change has no impact on our total income tax expense for financial reporting purposes. As a result of the tax accounting method change, we have available state net operating loss carryforwards of approximately \$15.9 million for tax purposes to offset future taxable income. The net operating loss carryforwards, if not fully utilized, begin to expire in 2023.

### **Discontinued Operations**

We sold our entertainment and sports business in July 2001 and recognized a gain, net of income taxes, of \$26.2 million for the year ended June 30, 2002. Therefore, the operations have been accounted for as discontinued operations.

### **Liquidity**

Unrestricted cash and cash equivalents increased to \$47.6 million at June 30, 2004, from \$8.1 million at June 30, 2003 and from \$3.7 million at June 30, 2002. The major components of the change are discussed below.

#### *Net Cash Provided by Operating Activities*

Net cash provided by operating activities totaled \$76.5 million, \$50.7 million and \$48.4 million for the years ended June 30, 2004, 2003 and 2002, respectively. The increase in net cash provided by operating activities for the year ended June 30, 2004, compared to the year ended June 30, 2003, was partially the result of an increase in resort revenue and corresponding cash flow. We believe that increases in resort revenue and cash flow are largely due to an improving economic landscape, our significant property enhancements, the high quality and desirability of our assets, our commitment to quality customer service resulting in strong guest loyalty and a favorable market mix that combines high-end leisure travelers and corporate groups. In addition to increased resort cash flow, we conserved cash through certain income tax accounting method changes during the year ended June 30, 2004. Furthermore, we received a net refund of income taxes paid in prior years totaling approximately \$12.8 million. See Note 15 to Consolidated Financial Statements included later in this report.

The slight increase in net cash provided by operating activities for the year ended June 30, 2003, compared to the year ended June 30, 2002, was due to modest improvement in income and corresponding net cash flow following the September 11, 2001 terrorist attacks. However, we were still affected by events outside our control including political unrest and increased terror threat levels that adversely affected our cash flow during the year ended June 30, 2003.

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*Net Cash Provided by (Used in) Investing Activities*

Net cash used in investing activities totaled \$27.8 million and \$37.3 million for the years ended June 30, 2004 and 2003, respectively. Net cash provided by investing activities amounted to \$7.9 million for the year ended June 30, 2002. During the year ended June 30, 2004, investing activities primarily consisted of capital expenditures as more fully described below. During the year ended June 30, 2003, we received \$12.8 million from the sale of land parcels located in Naples, Florida and Plantation, Florida, offset by \$50.1 million in capital expenditures. During the year ended June 30, 2002, we received \$75.1 million from the sale of the entertainment and sports business, partially offset by \$67.0 million in capital expenditures.

Capital expenditures totaled \$28.3 million, \$50.1 million and \$67.0 million for the years ended June 30, 2004, 2003 and 2002, respectively. During the year ended June 30, 2004, capital expenditures included completion of a marina renovation at the Bahia Mar Resort and Yachting Center. The extensive marina renovation results in 245 reconfigured boat slips, sized to accommodate larger yachts ranging from 80 feet to over 200 feet. Improved amenities at the marina include a revamped floating fuel dock offering a high-speed diesel system, as well as, fiber optic high-speed Internet service (which was also implemented at each of our resort properties) and cable TV for each slip. We also continued to enhance the amenity base at the Boca Raton Resort & Club with the complete renovation of the central pool area and pool-side restaurant, the addition of global positioning systems for its fleet of golf carts, a redesigned driving range, an improved golf staging area, an enlarged croquet lawn and renovations of a casual restaurant at the beach club. At Pier 66, we opened a newly renovated and themed upscale restaurant with outdoor seating fronting the intracoastal waterway. We also renovated one of our full service restaurants and our nightclub at the Registry Resort. During the year ended June 30, 2003, capital projects included a comprehensive room renovation at the Registry Resort covering 395 guestrooms, which includes all new furnishings and new five fixture bathrooms. We also renovated the remaining 60 guest suites at the Edgewater Beach Hotel and continued work on a marina renovation at the Bahia Mar Resort and Yachting Center. During the year ended June 30, 2002, we completed construction on various projects at the Boca Raton Resort & Club including a yacht club with 112 new water-view rooms, additional meeting space and renovated marina slips, which opened in January 2002, and a new 50,000 square foot world-class spa complex, Spa Palazzo, as well as, a new golf clubhouse with casual restaurant, which opened in December 2001.

*Net Cash Used in Financing Activities*

Net cash used in financing activities totaled \$9.2 million, \$9.0 million and \$62.5 million for the years ended June 30, 2004, 2003 and 2002, respectively. Cash flows for each period represent borrowings under credit facilities, net of the repayment of indebtedness (including the repurchase of senior subordinated notes), proceeds from the exercise of stock options and repurchases of our Class A Common Stock.

**Off-Balance Sheet Arrangements**

*Leases*

We lease the site of the Radisson Bahia Mar Resort and Yachting Center from the City of Fort Lauderdale under an operating lease, which has a term through August 31, 2062. Under the lease agreement, we are required to pay annual rent equal to the greater of a percentage (4.0% through September 30, 2012 and 4.25% thereafter) of annual gross operating revenue, as defined, or a \$300,000 minimum annual rent (potentially escalating after September 2037). Rent expense under this lease totaled \$949,000, \$764,000 and \$780,000 for the years ended June 30, 2004, 2003 and 2002, respectively. The lease agreement also requires us to set aside 3% of Bahia Mar's revenue annually, as defined in the lease agreement, for the purchase, replacement and upgrade of furniture, fixtures and equipment. All such restricted funds have been spent on their required purpose through June 30, 2004.

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Future minimum lease obligations under various non-cancelable operating leases with initial terms in excess of one year at June 30, 2004 (including the lease described in the preceding paragraph) are as follows (000 s omitted):

2005	\$ 1,769
2006	1,234
2007	1,013
2008	735
2009	414
Thereafter	15,993
	<hr/>
	\$21,158
	<hr/>

*Contractual Obligations*

At June 30, 2004, we had \$190.1 million in outstanding 9.875% senior subordinated notes payable. The notes were redeemed in full on August 27, 2004. See Note 9 to the Consolidated Financial Statements included later in this report.

*Capital Expenditures*

At June 30, 2004, we had commitments outstanding for capital expenditures under purchase orders and contracts approximating \$888,000.

**Capital Resources**

Our capital resources are provided from both internal and external sources. The primary capital resources from internal sources include (1) room rentals, food and beverage sales, retail sales, spa revenue, golf revenue, tennis revenue, marina revenue and conference service revenue at our resorts and (2) Premier Club membership revenue, net of related costs. The primary external sources of liquidity have been the issuance of debt securities, borrowing under term loans and credit lines, the issuance of our stock for property acquisitions and the exercise of non-qualified stock options by employees pursuant to our stock option plan.

In July 2004, we closed on a new \$325.0 million senior credit facility. The senior credit facility consists of a term loan in the principal amount of \$200.0 million which matures in July 2009 and a revolving credit facility in the principal amount of \$125.0 million which expires in July 2007. The interest rate on the new facility is tied to consolidated leverage ratios, but generally ranges from LIBOR plus 225 basis points to 250 basis points on the term loan and from LIBOR plus 175 basis points to 250 basis points on the revolver. The proceeds of the term loan were used in August 2004 to redeem in full our outstanding senior subordinated notes payable. As a result, we will record a loss on the early extinguishment of debt during the quarter ending September 30, 2004 of approximately \$13.1 million, which includes the premium paid to redeem the notes, together with the write-off of debt issuance costs previously capitalized in connection with the issuance of the notes. The \$125.0 million revolving credit facility replaces our previous revolver, which was scheduled to mature in June 2005. We have no borrowings under the new revolving credit facility. As a result of our cash on hand, our availability under the new revolving credit facility and expected cash from operations over the ensuing year, we believe we have sufficient funds to continue our capital maintenance and expansion plans and support on-going operations, including meeting debt service obligations as they come due.

**Working Capital**

Current assets exceeded current liabilities by \$27.6 million at June 30, 2004. Current liabilities exceeded current assets by \$14.8 million at June 30, 2003. The increase in working capital during the year ended June 30, 2004, compared to the year ended June 30, 2003 was primarily because we generated more resort cash flow, made certain income tax accounting method changes resulting in reduced tax outlays and incurred lower capital expenditures, partially offset by increased prepaid insurance.

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**Forward Looking Statements**

Some of the information in this report contains forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as may , will , expect , anticipate , estimate , continue or other similar words. These statements discuss future expectations contain projections of results of operations or of financial position or state other forward-looking information. When considering such forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. The risk factors include certain known and unknown risks and uncertainties, and could cause our actual results to differ materially from those contained in any forward looking statement.

These risk factors have been previously described and include, among others, risks relating to travel; risks associated with construction and development at our properties; competition in our principal business; the availability of financing on terms suitable to us and our dependence on key personnel. Risks relating to travel include a change in travel patterns resulting from slowing economic conditions and geopolitical conditions, as well as changes in corporate policies relating to group meetings and air or other travel disruption.

**Item 7A. *Quantitative and Qualitative Disclosure About Market Risk***

Not applicable.

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**Item 8. *Financial Statements and Supplementary Data***

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Boca Resorts, Inc.:

We have audited the accompanying consolidated balance sheets of Boca Resorts, Inc. as of June 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended June 30, 2004. 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 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boca Resorts, Inc. at June 30, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Miami, Florida

August 11, 2004, except for Notes 8 and 9, as to which the date is August 27, 2004

**Table of Contents****BOCA RESORTS, INC.****CONSOLIDATED BALANCE SHEETS**

**As of June 30,**  
**(In thousands, except share data)**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 47,587	\$ 8,110
Restricted cash	138	641
Accounts receivable, net	18,616	20,960
Inventory	6,774	6,616
Current portion of Premier Club notes receivable	5,301	3,631
Other current assets	7,019	3,238
	<u>          </u>	<u>          </u>
Total current assets	85,435	43,196
Property and equipment, net	808,734	823,681
Intangible assets, net	35,937	35,937
Long-term portion of Premier Club notes receivable	10,516	8,157
Other assets	7,961	9,179
	<u>          </u>	<u>          </u>
Total assets	\$948,583	\$920,150
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,708	\$ 33,515
Current portion of deferred revenue and advance deposits	26,095	23,288
Net liabilities of discontinued operations	1,045	1,074
Current portion of credit line and note payable	79	79
	<u>          </u>	<u>          </u>
Total current liabilities	57,848	57,956
Credit line and note payable		18,000
Deferred revenue, net of current portion	31,172	33,498
Other liabilities	9,560	9,560
Deferred income taxes	56,553	34,242
Senior subordinated notes payable	190,145	190,145
Premier Club refundable membership fees	54,198	56,700
	<u>          </u>	<u>          </u>
Total liabilities	399,476	400,101
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Class A Common Stock, \$.01 par value, 100,000,000 shares authorized and 39,919,579 and 39,035,078 shares issued and outstanding at June 30, 2004 and 2003, respectively	399	390
Class B Common Stock, \$.01 par value, 10,000,000 shares authorized and 255,000 shares issued and outstanding at June 30, 2004 and 2003.	3	3
Contributed capital	470,586	459,548
Retained earnings	78,119	60,108
	<u>          </u>	<u>          </u>
Total shareholders' equity	549,107	520,049
	<u>          </u>	<u>          </u>

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Total liabilities and shareholders' equity	\$948,583	\$920,150
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See accompanying notes to consolidated financial statements.

**Table of Contents****BOCA RESORTS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

**For the Years Ended June 30,  
(In thousands, except per share data)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Leisure and recreation revenue	\$ 313,335	\$ 290,174	\$ 273,043
Operating expenses:			
Cost of leisure and recreation services	137,426	130,272	123,529
Selling, general and administrative expenses	85,840	85,983	83,146
Depreciation	40,038	38,026	34,790
Loss on early retirement of debt		149	3,073
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating expenses	263,304	254,430	244,538
	<u>          </u>	<u>          </u>	<u>          </u>
Operating income	50,031	35,744	28,505
Interest and other income	199	227	1,240
Interest expense	(20,943)	(21,664)	(23,903)
	<u>          </u>	<u>          </u>	<u>          </u>
Income from continuing operations before income taxes	29,287	14,307	5,842
Provision for income taxes	(11,276)	(5,508)	(1,336)
	<u>          </u>	<u>          </u>	<u>          </u>
Income from continuing operations	18,011	8,799	4,506
Gain on disposition of discontinued operations, net of income taxes			26,185
	<u>          </u>	<u>          </u>	<u>          </u>
Net income	\$ 18,011	\$ 8,799	\$ 30,691
	<u>          </u>	<u>          </u>	<u>          </u>
Basic net income per share:			
Income from continuing operations	\$ .45	\$ .22	\$ .11
Income from discontinued operations			.66
	<u>          </u>	<u>          </u>	<u>          </u>
Net income per share basic	\$ .45	\$ .22	\$ .77
	<u>          </u>	<u>          </u>	<u>          </u>
Diluted net income per share:			
Income from continuing operations	\$ .44	\$ .22	\$ .11
Income from discontinued operations			.65
	<u>          </u>	<u>          </u>	<u>          </u>
Net income per share diluted	\$ .44	\$ .22	\$ .76
	<u>          </u>	<u>          </u>	<u>          </u>
Weighted average shares used in computing net income per share basic	39,754	39,345	39,793
	<u>          </u>	<u>          </u>	<u>          </u>
Weighted average shares used in computing net income per share diluted	40,995	39,951	40,551
	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to consolidated financial statements.

**Table of Contents****BOCA RESORTS, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(In thousands)

	Class A Common Stock		Class B Common Stock		Contributed Capital	Retained Earnings	Total Shareholders Equity
	Number of Shares	Amount	Number of Shares	Amount			
Balance, June 30, 2001	39,621	\$ 396	255	\$ 3	\$464,626	\$20,618	\$485,643
Net income						30,691	30,691
Repurchase of Class A Common Stock at cost	(235)	(2)			(2,303)		(2,305)
Exercise of stock options	148	1			1,437		1,438
Tax deduction associated with exercise of stock options and other stock option activity	4				805		805
Balance, June 30, 2002	39,538	395	255	3	464,565	51,309	516,272
Net income						8,799	8,799
Repurchase of Class A Common Stock at cost	(591)	(6)			(6,168)		(6,174)
Exercise of stock options	88	1			876		877
Tax deduction associated with exercise of stock options and other stock option activity					275		275
Balance, June 30, 2003	39,035	390	255	3	459,548	60,108	520,049
Net income						18,011	18,011
Exercise of stock options	885	9			8,830		8,839
Tax deduction associated with exercise of stock options and other stock option activity					2,208		2,208
Balance, June 30, 2004	39,920	\$ 399	255	\$ 3	\$470,586	\$78,119	\$549,107

See accompanying notes to consolidated financial statements.

**Table of Contents****BOCA RESORTS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30,  
(In thousands)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating activities:			
Net income	\$ 18,011	\$ 8,799	\$ 30,691
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	40,038	38,026	34,790
Provision for deferred income taxes	2,504	853	(960)
Non-cash compensation expense	453	275	
Impairment loss on land parcel		2,396	