

BOCA RESORTS INC
Form 10-K
September 26, 2003

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

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, 2003**

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 September 11, 2003, the registrant had 39,095,578 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 \$303.2 million.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant's Proxy Statement relating to the 2003 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

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Second Amended & Restated Credit Agreement

Consent of Ernst & Young LLP

Notice Regarding Consent of Arthur Andersen LLP

Certification Pursuant to Section 302 - Huizenga

Certification Pursuant to Section 302 - Moor

Certification Pursuant to Section 906

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PART I

Item 1. Business

Introduction

Boca Resorts, Inc. (the Company) is an owner and operator of five luxury resorts located in Florida with hotels, conference facilities, golf courses, spas, marinas and private clubs. The Company 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, accordingly, the entertainment and sports business has been accounted for as discontinued operations.

The Company's 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). The Company also owns and operates two golf clubs located in Florida (the Grande Oaks Golf Club in Davie and Naples Grande Golf Club in Naples) that serve as additional amenities to the Company's resorts as well as components of the Company's exclusive social club, known as the Premier Club and the Company owns and operates two golf courses in Boca Raton that are part of the Boca Raton Resort & Club. Previously, the Company owned the Arizona Biltmore Resort & Spa, which was sold in December 2000.

The Company's resorts possess significant competitive and operational strengths. The resorts are unique, irreplaceable assets in desirable locations with strong recognition and positioning in their markets. The Company's resorts provide multiple and diverse revenue streams and attract primarily upscale business and leisure customers. In addition, through the development of additional guestrooms and/or resort amenities, the resorts have opportunities to increase revenue and cash flow.

The Company's website is located at www.bocaresortsin.com. It is the Company's policy to post on its website its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q, its Current Reports on Form 8-K and amendments to those Reports filed pursuant to Section 13(a) or 15(d) 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. 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.

For a discussion of the Company's revenue, income and assets, see Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included later herein. The Company was incorporated in Florida in 1996 and re-incorporated in Delaware in 1997.

Business Strategy

While management continuously evaluates ownership, acquisition and divestiture alternatives, its current strategy is to focus on internal expansion and development opportunities at its existing properties. The Company's objective is to maximize the cash flow from, and the value of, the Company's business by:

Continuing Internal Growth Through Capital Improvements at the Resorts. Management believes that the Company's resorts have the opportunity for continued internal growth. In addition to normal recurring capital expenditures from 1998 to the present, over \$250.0 million has been invested (or is committed to be invested) in the resorts on capital projects. 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 water-view room marina hotel and marina slips (the Yacht Club), a 50,000 square foot spa complex, a golf clubhouse, additional retail and restaurant space, a 140,000 square foot conference center (the Mizner Center), a redesigned golf course, a tennis and fitness center and a four story parking garage; at the Registry Resort at Pelican Bay, a new aquatic center, additional meeting space and beachfront improvements; and at the Radisson Bahia Mar Resort and Yachting Center, a marina renovation that will include 242 slips sized to accommodate yachts ranging in size from 80 feet to 200 plus feet. Additionally, to enhance the Premier Club golf experience

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and to add to the Company's resort amenities, the Company renovated Grande Oaks Golf Club in 1999 and constructed Naples Grande Golf Club in 2000.

Management believes that these capital expenditures have resulted in, and will continue to produce, increases to the average daily room rates, occupancy and non-room sources of revenue at its resorts. Management also believes that the high quality of the Company's resorts will continue to attract higher spending corporate groups, which in turn will increase total revenue per available room. Despite the economic recession, together with travel disruption in the aftermath of the events of September 11, 2001, the average daily room rate, excluding the Arizona Biltmore Resort & Spa, was \$214.06, \$210.43 and \$209.79 for the years ended June 30, 2003, 2002 and 2001, respectively.

Continuing to Focus on Upscale Business and Leisure Customers. Management believes that its primary focus on corporate group customers and upscale leisure and business customers allows the Company to maximize total revenue per available room. It has been management's experience that these customers are more likely to use the additional fee-for-use amenities and facilities available at the resorts, thereby increasing revenue. Additionally, group customers tend to book reservations 12 to 36 months in advance of their stay, which enables management to better estimate future revenue streams and manage corresponding expenses. Group business has also been used by the Company to fill off-peak leisure periods. Management believes that by targeting upscale customers the Company is 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. Management also believes the resorts will be able to capitalize on these trends given the properties' unique nature and locations. The Company's ability to capitalize on these trends is enhanced by the high barriers of entry into the luxury resort industry.

Continuing to Capitalize on Integration and Cost-Saving Opportunities. All of the Company's resorts were acquired and, as a result, management continues integrating the operations of its properties, including reservations, purchasing, training, information systems, insurance and marketing, in order to achieve greater operating efficiencies and improved profit margins. In addition, management believes that managing all of the 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. The Company continues to enhance its Premier Club, which was first introduced in 1991 at the Boca Raton Resort & Club, by expanding its amenity base. In addition, the Company expanded its Premier Club operations with the opening of Grande Oaks Golf Club in June 1999 and Naples Grande Golf Club in February 2000. Membership in the Boca Raton Resort Premier Club allows Premier Club members access to the Boca Raton Resort & Club grounds, restaurants, recreational facilities and other private social functions, which are otherwise restricted to resort guests. The Company has recently added to the resort amenity base with projects such as the spa complex and golf clubhouse at the Boca Raton Resort & Club and the aquatic center at the Registry Resort at Pelican Bay. In addition to attracting new club members who provide an additional revenue base, the Company is able to offer guests of the Company's Fort Lauderdale and Naples resorts play at the 18-hole championship facilities at Grande Oaks and Naples Grande and is able to offer reciprocal amenities to the Boca Raton Resort & Club Premier Club members. With its Premier Clubs, the Company generates substantial additional revenue by leveraging off of its existing facilities and services. During the year ended June 30, 2003, the Company recognized \$14.5 million in revenue associated with annual Premier Club dues, together with nearly \$9.0 million in revenue associated with Premier Club member use of amenities available to them on a fee-for-use basis. Management anticipates 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.

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The following table sets forth a summary of the key physical attributes of each of the Company's resorts:

	Acres	No. of Rooms /Suites	Conference Space Sq. Ft.	Access to No. of Golf Courts	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	32	16	12
Registry Resort at Pelican Bay	18	474	43,020	4(b)	15	5		8	5
Edgewater Beach Hotel	3	126	3,450	(b)	(c)	1(c)		3	1
Hyatt Regency Pier 66 Hotel and Marina	24	380	26,905	1(d)	2	2	127	6	2
Radisson Bahia Mar Resort and Yachting Center	39	296	20,150	(d)	4	1	242(f)	3	5
	421(e)	2,317	250,491	9	51	14	401	36	25

- (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 two 18-hole golf courses through use agreements, one of which expires in the Fall of 2003.
- (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 is owned by the Company, and to three 18-hole golf courses through use agreements.
- (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, which is owned by the Company.
- (e) Excludes the acreage associated with Grande Oaks and Naples Grande Golf Clubs.
- (f) The Bahia Mar Resort and Yachting Center is currently undergoing a marina renovation, which involves the reconfiguration of the existing boat slips. The renovation will result in reconfigured boat slips, sized to accommodate larger yachts ranging from 80 feet to 200 plus feet, without reducing the rentable linear feet.

Amenities and services at the 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 the resorts provide the Company with substantial non-room revenue. For the years ended June 30, 2003, 2002 and 2001, 60%, 60% and 58%, respectively, of resort revenue was generated from non-room sources. In addition, these luxury amenities and services allow the Company to maintain premium pricing for its rooms.

The 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. The Company maintains its 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 the Company's hotel guests, the 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 other private social functions, which are otherwise restricted to resort guests. The Boca Raton Resort Premier Club currently requires an initial membership fee of \$50,000 and annual social dues starting at \$3,400. Additional dues are required for members who wish to use the resort's golf and 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 the Company's Fort Lauderdale and Naples resorts play at these championship golf facilities and provide reciprocal amenities to other Premier Club members. The Company currently charges \$33,500 and \$40,000 for membership initiation fees at Grande Oaks Golf Club and Naples Grande Golf Club, respectively, and annual golf dues of \$5,950 and \$4,800 at Grande Oaks Golf Club and Naples Grande Golf Club, respectively.

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Summary Resort Information

Boca Raton Resort & Club

Renovations/Expansion. In January 2002, the Company completed the new Yacht Club at the Boca Raton Resort & Club. The Yacht Club consists of 112 water-view luxury guestrooms, additional meeting space and reconfigured marina slips. In December 2001, the Company completed a new 50,000 square foot world-class spa complex and a new golf clubhouse and casual restaurant. In 2000, the Company opened a new Tuscan-style restaurant and added retail space. In 1999, the Company 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, the Company completed a new 140,000 square foot conference facility, a tennis and fitness center complex and a new Gene Bates-designed 18-hole golf course, replacing one of its previous 18-hole golf courses.

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

Registry Resort at Pelican Bay

Renovations/Expansion. In January 2003, the Company completed a comprehensive room renovation covering 395 guestrooms, which included all new furnishings and new five fixture bathrooms. In December 2000, the Company added 6,000 square feet of flexible meeting space providing the Registry Resort with the largest meeting venue in the Naples market. The Company also completed a new aquatic center, which features a Mangrove Mountain 100-foot water slide to the main pool and private cabana rentals and completed beach improvements.

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 Meetings and Conventions Gold Key Award for 2001 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. Edgewater Beach Hotel completed the final phase of its guest suite renovation in January 2003.

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 completed a renovation of its guestrooms in November 1998 and is currently undertaking planning and design work for expanded conference space and spa services.

Distinctions. Hyatt Regency Pier 66 received AAA's Four Diamond Award for 2003 and in each of the previous twenty years, Successful Meetings Magazine's Pinnacle Award for 2003 and Meetings and Conventions Gold Key Award for 2003.

Franchise Agreement. The Company has 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

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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 comprehensive room renovation in 2000 and is undergoing a marina renovation, which will be completed in the Fall of 2003. The principal element of the refurbishment is the replacement of 330 fixed concrete and wood slips with a 242-slip floating dock system aimed at accommodating mega yachts ranging in size from 80 feet to 200 plus feet. Even though the reconfiguration will result in fewer slips, the rentable linear feet will remain the same and provide the Company with better utilization.

Distinctions. Radisson Bahia Mar has consistently received the Mobil Travel Guide's Three Star Award and the AAA's Three Diamond Award and was previously 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. The Company has a license agreement with Radisson Hotels International, Inc., (Radisson) which expires in July 2004. The terms of the Radisson license agreement allow the Company to operate the hotel using Radisson's proprietary hotel management system and require the Company to pay annual fees to Radisson equal to 5% of Radisson Bahia Mar's gross room revenue.

Leases. The site of the resort is subject to a land lease that expires in 2062.

In addition to the resort properties discussed above, the Company also owns 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 newly constructed clubhouse. Naples Grande Golf Club was designed by golf architect Rees Jones and has been recognized as one of the Top 100 Golf Courses by Golf Digest and Fodor's Places to Play.

The Company predominantly utilized cash flow from operations to fund the previously discussed renovations and expansion at its resorts and golf clubs.

Customers and Marketing

The core customer base for the Company's business consists of corporate and other group customers, affluent local residents, upscale leisure travelers and individual business travelers. The Company's marketing efforts involve (1) use of a sales force to develop national corporate and other group business for the 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 individual business travelers and upscale leisure 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. The Company's franchised resorts also benefit from the national reservation systems of the franchisors of the Hyatt and Radisson brands. The Company continues to expand its Internet presence and sales capabilities to increase revenue. In addition, the Company is integrating its proprietary customer databases, in order to sell additional products and services to existing customers, improve occupancy rates and create additional marketing opportunities.

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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 the Company's competitors are private management firms, 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 the Company.

Insurance

The Company maintains comprehensive insurance on its properties, including liability, business interruption, fire and extended coverage including windstorm and flood, in the types and amounts management believes are customary for the resort and hotel industry. Management uses its discretion in determining amounts, coverage limits and deductible provisions of insurance, with a view to obtaining appropriate insurance on its 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 the Company might not be adequate to restore its economic position. Certain insurance risks for medical and workers' compensation are self-insured by the Company 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. The Company has obtained Phase I environmental site assessments for the real property on which each of the 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 management believes would have a material adverse effect on the business, nor is management aware of any such material liability or concern. Phase I and Phase II assessments cannot provide full and complete knowledge of environmental conditions and compliance matters. Therefore, management 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 management is unaware.

Employees

At June 30, 2003, the Company employed 3,259 full-time and 646 part-time employees. In addition, the Company employs 13 corporate administrative personnel. None of the employees are subject to any collective bargaining agreement, and the Company believes that its relationship with its employees is good.

Seasonality

The Company's 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, the Company's revenue fluctuates quarter-to-quarter, and revenue for the first quarter of each year can be expected to be lower than the remaining quarters. Historically,

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16%, 25%, 35% and 24% 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), there can be no assurance 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 quarter or for the full year.

Trademarks

The Company has registered trademarks and service marks, some of which, including several relating to the Boca Resort name and Registry name, are of material importance to the Company's business. The Company's other related marks, while valuable, are not material to its 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. The Company presently uses two national trade names for two of its 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

Management periodically reviews the Company's business with the view to identifying properties or other assets that no longer complement its operations.

In December 2002, the Company sold a land parcel located in Plantation, Florida for \$7.2 million, which yielded net proceeds of \$7.1 million. The Company 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, the Company sold a land parcel located in Naples, Florida for \$5.7 million, which yielded net proceeds of \$5.6 million. The Company recorded a gain on the disposition of \$2.3 million.

In July 2001, the Company sold its 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.

In December 2000, the Company executed a definitive agreement and closed on the sale of the Arizona Biltmore Resort & Spa for \$335.0 million, plus certain working capital adjustments. The net proceeds from the asset sale amounted to \$279.0 million and was substantially used to repay indebtedness. The gain on the sale was nominal.

Risk Factors

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

The Company faces risks relating to travel. The Company's 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, war or political unrest could have a material adverse effect on the Company's financial position and results of operations.

The Company faces a variety of risks associated with operating resorts. The Company may encounter risks common to the operations of resorts, including over-building (which may lower room

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rates), increases in operating costs due to inflation or other factors and decreases in revenue due to moderate or severe economic downturns. The Company may also face risks relating to the concentration of its resorts in South Florida. Any of these risks could have a material adverse effect on the Company's financial position and results of operations.

The Company may make significant capital expenditures to further develop the resorts and these expenditures involve risks. The Company's growth strategy contemplates expanding the infrastructure at certain of its 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 the Company's 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.

The Company may need to make capital expenditures in order to comply with the Americans with Disabilities Act. The 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. Management believes that the resorts and other properties are in substantial compliance with the ADA and that the Company 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 the Company were required to make substantial alterations in one or more of the resorts or other properties in order to comply with the ADA, its financial position and results of operations could be adversely affected.

The Company 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 the 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 the Company to incur costs to remedy, based on current information, none of these matters appears likely to have a material adverse effect on the business, assets, results of operations or liquidity. However, because these assessments cannot give full and complete knowledge of environmental liability and compliance matters, management 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.

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

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

The Company's financing agreements limit operating flexibility. Certain of the Company's loan agreements restrict, among other things, the ability to borrow money; pay dividends on stock or make

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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. These debt instruments also require the Company to maintain specified consolidated financial ratios and satisfy certain consolidated financial tests. Although management is confident that the Company will continue to satisfy all of these requirements, the Company's ability to meet those financial ratios and financial tests may be affected by events beyond its control, and management cannot assure you that the Company will meet those tests.

Control by H. Wayne Huizenga. The Company has 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, 2003, Mr. Huizenga, the Company's Chairman and Chief Executive Officer, beneficially owned voting stock of the 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 the Company.

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

The Company may face a variety of risks if it enters into business acquisitions, joint ventures and/or divestitures in the future. The Company may pursue acquisitions of resort-related or other types of businesses. In addition, the Company may pursue joint ventures and/or divestitures in the future. The Company's success will depend upon the 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 the Company acquires; 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.

The Company may seek additional financing. Management believes that the cash flow from operations will be sufficient to finance the business operations, meet the debt obligations and fund the short-term growth strategy of the Company. However, management cannot assure you that the business will generate the level of cash flow from operations that it expects or that future borrowings under credit facilities will be available to the Company. If the plans or assumptions change or if the Company experiences unanticipated costs or competitive pressures, or if the Company cannot reduce its cost of borrowing or increase its borrowing base it may seek additional capital. Management believes the Company can obtain additional capital by selling debt (provided certain incurrence tests are met pursuant to existing debt agreements) or equity securities and/or by borrowing money, although no assurances can be provided that it will be able to do so. If additional capital is not obtained when it is needed, this may have a material adverse effect on the Company's financial position and results of operations.

Item 2. Properties

The Company's corporate headquarters are located at the Boca Raton Resort & Club. The Company considers its resorts to be leading establishments with respect to desirability of location, size of facilities,

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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 the Company s resorts serve as security under a revolving credit facility. See Note 8 to the Consolidated Financial Statements included later herein.

Item 3. *Legal Proceedings*

The Company is not involved in any material legal proceedings. However, the Company may from time to time become a party to legal proceedings arising in the ordinary course of business, which are incidental to its 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 and Related Stockholder Matters**

The Class A Common Stock began trading on The Nasdaq National Market on November 13, 1996 under the symbol PUCK. On July 11, 1997, the Class A Common Stock began trading on the New York Stock Exchange (NYSE) under the symbol PAW. On September 29, 1999, the 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 the Class A Common Stock.

	Price Range of Class A Common Stock	
	High	Low
Fiscal year Ended June 30, 2003:		
First Quarter	\$ 13.30	\$ 9.60
Second Quarter	11.87	9.60
Third Quarter	11.86	10.00
Fourth Quarter	13.20	10.96
Fiscal year Ended June 30, 2002:		
First Quarter	\$ 14.50	\$ 9.00
Second Quarter	13.08	9.32
Third Quarter	13.40	11.55
Fourth Quarter	14.18	12.37

On September 11, 2003 the last reported sales price of the Class A Common Stock on the NYSE was \$13.00. As of the same date, there were approximately 8,900 holders of record of the Class A Common Stock.

Since its inception, the Company has not paid any cash dividends on the Class A Common Stock or the Class B Common Stock. The Company does not intend to pay any cash dividends with respect to its common stock in the foreseeable future. The Company's current ability to pay dividends is limited in dollar amount under covenants of its outstanding senior subordinated notes. These covenants also limit the Company's ability to pay dividends in the future. See Note 9 to the Consolidated Financial Statements included later herein.

Equity Compensation Plans

The following table summarizes the Company stock option plans as of June 30, 2003:

	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	6,981,055	\$ 13.68	1,679,727

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

The financial data set forth below should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto contained in Part II, Item 8 of this Annual Report on Form 10-K. In July 2001, the Company sold its entertainment and sports business. Accordingly, the Company's 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,				
	2003	2002	2001	2000	1999
(In thousands, except share data)					
Statement of Operations Data:					
Leisure and recreation revenue	\$ 290,174	\$ 273,043	\$ 329,171	\$ 361,360	\$ 327,001
Operating expenses:					
Cost of leisure and recreation services	130,272	123,529	143,567	156,620	141,456
Selling, general and administrative expenses	85,983	83,146	89,624	98,731	94,856
Amortization and depreciation	38,026	34,790	35,490	34,436	28,343
Loss on early retirement of debt	149	3,073	2,026		4,430
	<u>254,430</u>	<u>244,538</u>	<u>270,707</u>	<u>289,787</u>	<u>269,085</u>
Total operating expenses					
Operating income	35,744	28,505	58,464	71,573	57,916
Interest and other income	227	1,240	5,164	1,529	2,826
Interest and other expense	(21,664)	(23,903)	(47,150)	(55,040)	(55,377)
	<u>14,307</u>	<u>5,842</u>	<u>16,478</u>	<u>18,062</u>	<u>5,365</u>
Income from continuing operations before income taxes					
Provision (benefit) for income taxes	5,508	1,336	3,934	805	(472)
	<u>8,799</u>	<u>4,506</u>	<u>12,544</u>	<u>17,257</u>	<u>5,837</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)	(436)
	<u>\$ 8,799</u>	<u>\$ 30,691</u>	<u>\$ 3,682</u>	<u>\$ 13,486</u>	<u>\$ 5,401</u>
Net income					
Diluted net income (loss) per share:					
Income from continuing operations	\$.22	\$.11	\$.31	\$.42	\$.16
Income (loss) from discontinued operations		.65	(.22)	(.09)	(.01)
	<u>\$.22</u>	<u>\$.76</u>	<u>\$.09</u>	<u>\$.33</u>	<u>\$.15</u>
Net income per share diluted					
Other Data:					
Cash provided by operating activities	\$ 50,683	\$ 48,377	\$ 37,033	\$ 40,027	\$ 71,590
Cash provided by (used in) investing activities	\$ (37,276)	\$ 7,868	\$ 222,347	\$ (36,913)	\$ (115,445)
Cash provided by (used in) financing activities	\$ (8,988)	\$ (62,463)	\$ (257,267)	\$ (3,244)	\$ 19,619
EBITDA(1)	\$ 73,919	\$ 66,368	\$ 95,980	\$ 106,009	\$ 90,689
EBITDA margin(2)	25%	24%	29%	29%	28%

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Capital expenditures	\$ 50,142	\$ 66,965	\$ 60,778	\$ 63,090	\$ 98,514
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At June 30,

	2003	2002	2001	2000	1999
Balance Sheet Data:					
Cash and cash equivalents	\$ 8,110	\$ 3,691	\$ 9,909	\$ 7,796	\$ 7,926
Restricted cash	\$ 641	\$ 721	\$ 500	\$ 10,176	\$ 31,686
Total current assets	\$ 43,196	\$ 39,041	\$ 96,779	\$ 106,802	\$ 124,499
Total assets	\$920,150	\$916,736	\$946,132	\$1,271,115	\$1,256,524
Total current liabilities	\$ 57,956	\$ 55,240	\$ 51,294	\$ 135,108	\$ 93,325
Total debt	\$208,224	\$211,915	\$273,511	\$ 583,195	\$ 584,105
Non-current obligations	\$342,145	\$345,224	\$409,195	\$ 633,813	\$ 672,919
Shareholders equity	\$520,049	\$516,272	\$485,643	\$ 502,194	\$ 490,280

- (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 the Consolidated Financial Statements and Notes thereto of the Company, which are included later herein.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) discusses the Company's 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 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 which is both important to the portrayal of the Company's 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. The Company believes that 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 management's best estimate using Company specific historical information. The Company has 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 management's opinion, changing trends in membership experience warrant such a change.

Table of Contents*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. On July 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets which states, among other things, that goodwill is no longer 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. The Company tested for potential impairment, both upon adoption of SFAS No. 142 and annually as of July 1, 2003 and 2002. The Company had no impairment of goodwill for the years ended June 30, 2003 and 2002 or at July 1, 2003.

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. 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 management's 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 assets are charged to expense as incurred. Significant additions, along with interest incurred during the construction period for expansion at the Company's properties, are capitalized. Depreciation and amortization has been 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 Philosophy

The Company's business strategy is to focus on internal expansion and development opportunities at its existing resort properties. However, management continuously evaluates ownership, acquisition and divestiture alternatives with the intention of maximizing shareholder value.

Seasonality

The resort operations are generally seasonal. The resorts historically experience greater revenue, costs and income in the second and third quarters of the fiscal year ended June 30 due to increased occupancy and room rates during the winter months. Historically, 16%, 25%, 35% and 24% of annual revenue has been derived during the first, second, third and fourth fiscal quarters, respectively.

Events of September 11, 2001

During the three-month period following the September 11, 2001 terrorist attacks on New York's World Trade Center towers and on the Pentagon, the Company's results of operations were adversely affected by travel disruption and short-term cancellation of group bookings at its properties. The Company's operating results continue to track modestly below pre-September 11, 2001 levels.

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Impact of Inflation

Inflation and changing prices have not had a material impact on the Company's revenue and results of operations. Based on the current economic climate, the Company does not expect that inflation and changing prices will have a material impact on the Company's revenue or income during the 2004 fiscal year. Many of the costs of operating the 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). The Company has 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 the Company's debt service costs may be adversely affected. See Note 8 to the Consolidated Financial Statements, included later herein.

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 the Company's 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.

Impact of Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . The new rules apply to the classification and impairment analysis conducted on long-lived assets other than intangible assets and was adopted by the Company on July 1, 2002. The new rules provide a single accounting treatment for the impairment of long-lived assets and implementation guidance regarding impairment calculations. This statement also modifies accounting and disclosure requirements for discontinued operations. The adoption of SFAS No. 144 did not have a material impact on the Company's results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, which rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt . Previously, SFAS No. 4 required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Under SFAS No. 145, gains and losses from extinguishment of debt are classified as extraordinary items only if they meet the criteria in APB Opinion No. 30, Reporting the Results of Operations - Discontinued Events and Extraordinary Items . Applying the provisions of APB Opinion No. 30 distinguishes transactions that are part of an entity's recurring operations from those that are unusual or infrequent, or that meet the criteria for classification as an extraordinary item. The Company adopted SFAS No. 145 on July 1, 2002. Accordingly, losses on the retirement of debt that were classified as an extraordinary item in the prior periods presented, have been reclassified to recurring operations.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities . This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity . The provisions of this Statement are effective for exit or disposal activities initiated after March 31, 2003. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 did not have a material impact on the Company's results of operations or financial position.

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In November 2002, the FASB issued FASB Interpretation No. (FIN) 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of SFAS No. 5, 57, and 107 and rescission of FIN 34 . FIN 45 addresses the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. It also requires that a guarantor recognize a liability, at the inception of a guarantee, for the fair value of the obligation undertaken in issuing the guarantee. The initial measurement and recognition provisions of FIN 45 are effective for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not impact the Company s results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure . This statement amends SFAS No. 123, Accounting for Stock-Based Compensation to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reporting results. The provisions of this statement have been incorporated into this Annual Report on Form 10-K. See Note 11.

In January 2003, the FASB issued FIN 46 Consolidations of Variable Interest Entities . This interpretation requires a company to consolidate variable interest entities (VIE) if the enterprise is a primary beneficiary (holds a majority of the variable interest) of the VIE and the VIE possesses specific characteristics. It also requires additional disclosure for parties involved with VIEs. Since the Company does not have any unconsolidated VIEs, the adoption of FIN 46 did not have a material impact on the Company s results of operations or financial position.

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

The accompanying table for the years ended June 30 (000 \$ omitted) is set forth on a historical basis which includes operating results from the Arizona Biltmore Resort & Spa (sold in December 2000) and the entertainment and sports business (presented as a discontinued operation and sold in July 2001).

	2003	2002	2001
Leisure and recreation revenue	\$ 290,174	\$ 273,043	\$ 329,171
Operating expenses:			
Cost of leisure and recreation services	130,272	123,529	143,567
Selling, general and administrative expenses:			
Leisure and recreation	78,205	74,561	81,398
Corporate	7,778	8,585	8,226
Amortization and depreciation:			
Leisure and recreation	37,821	34,571	35,195
Corporate	205	219	295
Loss on early retirement of debt	149	3,073	2,026
	<u>254,430</u>	<u>244,538</u>	<u>270,707</u>
Operating income (loss):			
Leisure and recreation	43,876	40,382	69,011
Corporate	(8,132)	(11,877)	(10,547)
	<u>35,744</u>	<u>28,505</u>	<u>58,464</u>
Interest and other income	227	1,240	5,164
Interest expense	(21,664)	(23,903)	(47,150)
	<u>14,307</u>	<u>5,842</u>	<u>16,478</u>
Income from continuing operations before income taxes	14,307	5,842	16,478
Provision for income taxes	5,508	1,336	3,934
	<u>8,799</u>	<u>4,506</u>	<u>12,544</u>
Income from continuing operations	8,799	4,506	12,544
Gain on disposition of discontinued operations, net of income taxes		26,185	
Loss from discontinued operations, net of income tax benefit			(8,862)
	<u>\$ 8,799</u>	<u>\$ 30,691</u>	<u>\$ 3,682</u>
Net cash provided by operating activities	\$ 50,683	\$ 48,377	\$ 37,033
Net cash provided by (used in) investing activities	\$ (37,276)	\$ 7,868	\$ 222,347
Net cash used in financing activities	\$ (8,988)	\$ (62,463)	\$ (257,267)
EBITDA	\$ 73,919	\$ 66,368	\$ 95,980

The accompanying table reconciles EBITDA to income from continuing operations before income taxes, the most comparable GAAP measure, for the years ended June 30 (000 \$ omitted):

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
EBITDA	\$ 73,919	\$ 66,368	\$ 95,980
Less: Loss on early retirement of debt	(149)	(3,073)	(2,026)
Less: Amortization and depreciation	(38,026)	(34,790)	(35,490)
Less: Interest expense	(21,664)	(23,903)	(47,150)
Plus: Interest income	227	1,240	5,164
	<u> </u>	<u> </u>	<u> </u>
Income from continuing operations before income taxes	\$ 14,307	\$ 5,842	\$ 16,478
	<u> </u>	<u> </u>	<u> </u>

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

	<u>2003</u>	<u>% Change</u>	<u>2002</u>	<u>% Change</u>	<u>2001</u>
Revenue:					
Room revenue	\$ 116,785	7%	\$ 108,859	(22)%	\$ 139,107
Non-room related revenue	173,389	6%	164,184	(14)%	190,064
	<u>\$ 290,174</u>	<u>6%</u>	<u>\$ 273,043</u>	<u>(17)%</u>	<u>\$ 329,171</u>
Operating Statistics:					
Available room nights	845,705	2%	828,089	(12)%	943,425
Average Daily Rate	\$ 214.06	2%	\$ 210.43		\$ 209.68
Occupancy	64.5%	3%	62.5%	(11)%	70.3%
Room revenue per available room	\$ 138.09	5%	\$ 131.46	(11)%	\$ 147.45
Total leisure and recreation revenue per available room	\$ 343.13	4%	\$ 329.73	(5)%	\$ 348.91

Leisure and Recreation Revenue

The Company generates a diversified stream of revenue. Leisure and recreation revenue totaled \$290.2 million, \$273.0 million and \$329.2 million for the years ended June 30, 2003, 2002 and 2001, respectively. Non-room revenue, which represented nearly 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 \$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. However, during the year ended June 30, 2003, business at the Company's Naples properties was disrupted by comprehensive room renovations at both the Registry Resort and Edgewater Beach Hotel.

The \$56.1 million decrease in leisure and recreation revenue for the year ended June 30, 2002, compared to the year ended June 30, 2001, was partially because the prior year twelve-month period included \$39.9 million in revenue from the Arizona Biltmore Resort & Spa, which was sold in December 2000. In addition, while the same property average daily rate was flat year over year, same property occupancy decreased to 62.5% for the year ended June 30, 2002, from 70.3% for the year ended June 30, 2001, as a result of travel disruption following the September 11, 2001 terrorist attacks.

Leisure and Recreation Operating Expenses

Cost of leisure and recreation services totaled \$130.3 million, or 45% of revenue for the year ended June 30, 2003, \$123.5 million, or 45% of revenue for the year ended June 30, 2002, \$143.6 million, or 44% of revenue, for the year ended June 30, 2001. 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 \$78.2 million, or 27% of revenue, for the year ended June 30, 2003, \$74.6 million, or 27% of revenue, for the year ended June 30, 2002 and \$81.4 million, or 25% of revenue, for the year ended June 30, 2001. Leisure and recreation S,G&A primarily consisted of utility and property costs, real estate taxes, insurance, franchise agreement fees, and administrative salaries and expenses.

Leisure and recreation cost of services and S,G&A were affected by an increase in certain fixed costs including energy and insurance for the year ended June 30, 2003, compared to the year ended June 30, 2002. The increase in leisure and recreation cost of services and S,G&A as a percent of revenue for the year ended June 30, 2002, compared to the year ended June 30, 2001, was primarily due to a reduction in revenue following the September 11, 2001 terrorist attacks.

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Amortization and depreciation expense from leisure and recreation operations totaled \$37.8 million, \$34.6 million and \$35.2 million for the years ended June 30, 2003, 2002 and 2001, respectively. The increase in amortization and 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. The decrease in amortization and depreciation expense for the year ended June 30, 2002, compared to the year ended June 30, 2001, was primarily due to a \$4.5 million decrease in amortization and depreciation expense, due to the sale of the Arizona Biltmore Resort & Spa, and a \$1.0 million decrease because goodwill is no longer subject to amortization pursuant to SFAS No. 142 Goodwill and Other Intangible Assets, partially offset by an increase in depreciation expense following the completion of several capital projects at the Boca Raton Resort & Club.

Leisure and Recreation Operating Income

Leisure and recreation operating income totaled \$43.9 million, \$40.4 million and \$69.0 million for the years ended June 30, 2003, 2002 and 2001, respectively. 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. The decrease in leisure and recreation operating income for the year ended June 30, 2002, compared to the year ended June 30, 2001, was due to an \$8.0 million decline in operating income resulting from the sale of the Arizona Biltmore Resort & Spa mid-way through the prior fiscal year, together with an overall decrease in operating income from the Company's other resort properties following the September 11, 2001 terrorist attacks.

Corporate General and Administrative Expenses

Corporate general and administrative expenses totaled \$7.8 million, \$8.6 million and \$8.2 million for the years ended June 30, 2003, 2002, and 2001, respectively. 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 the Company's Chairman and Chief Executive Officer. Pursuant to the management services agreement, HHI provides certain administrative, financing, tax, investor relations, legal and strategy related services to the Company. The increase in corporate general and administrative expenses for the year ended June 30, 2002, compared to the year ended June 30, 2001, was primarily because of an increase in non-recurring legal costs, partially offset by a decrease in the management fee payable to HHI. The decrease in total revenue which yielded a decrease in the management fee for the year ended June 30, 2002, compared to the year ended June 30, 2001, was due to decreased demand at the Company's resorts following the September 11, 2001 terrorist attacks and because of the sale of the Arizona Biltmore Resort & Spa. See Note 14 to the Consolidated Financial Statements included later herein.

Loss on Early Retirement of Debt

For the year ended June 30, 2003, the Company repurchased \$2.8 million principal amount of its 9.875% senior subordinated notes payable and recognized a loss of \$149,000. For the year ended June 30, 2002, the Company repurchased \$80.1 million principal amount of its senior subordinated notes payable and recognized a loss of \$3.1 million. For the year ended June 30, 2001, the Company repurchased \$67.0 million principal amount of its senior subordinated notes payable and recognized a loss of \$2.0 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.

Interest and Other Income

Interest and other income totaled \$227,000, \$1.2 million and \$5.2 million for the years ended June 30, 2003, 2002 and 2001, 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 the Company invested proceeds from the sale of the

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entertainment and sports business in interest bearing time deposit accounts during the prior year until such proceeds were used to reduce higher rate indebtedness. The decrease in interest and other income for the year ended June 30, 2002, compared to the year ended June 30, 2001, was because the Company invested proceeds from the sale of the Arizona Biltmore Resort & Spa in interest bearing time deposit accounts during the prior year until such proceeds were used to reduce higher rate indebtedness. See discussion of Interest Expense to follow.

Interest Expense

Interest expense totaled \$21.7 million, \$23.9 million and \$47.2 million for years ended June 30, 2003, 2002 and 2001, respectively. The Company's average cost of borrowing was 10.0%, 10.1% and 10.0% for the years ended June 30, 2003, 2002 and 2001, respectively, while the Company's average outstanding indebtedness was \$217.8 million, \$235.0 million and \$472.0 million for the years ended June 30, 2003, 2002 and 2001, respectively. The decrease in the average outstanding indebtedness for the year ended June 30, 2002, compared to the year ended June 30, 2001, was primarily because the C