BOCA RESORTS INC
Form 10-K
September 30, 2002

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended June 30, 2002

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	**65-0676005**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
501 E. Camino Real, Boca Raton, Florida	**33432**
(Address of Principal Executive Offices)	(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 x No o

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. x

As of September 20, 2002, the registrant had 39,292,578 shares of Class A common stock, $.01 par value (the Class A Common Stock), outstanding and, at such date, the aggregate market value of the shares of Class A Common Stock held by non-affiliates of the registrant was approximately $287.8 million. As of September 20, 2002 the registrant had 255,000 shares of Class B common stock, $.01 par value (the Class B Common Stock), outstanding, none of which was held by a non-affiliate of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the Registrant s Proxy Statement relating to the 2002 Annual Meeting of Stockholders.

Part IV Portions of previously filed reports and registration statements.

TABLE OF CONTENTS

Table of Contents

INDEX

TO FORM 10-K

Table of Contents

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 (the Panthers) and related arena management operations. This business was sold on July 25, 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 championship golf courses 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. Previously, the Company owned the Arizona Biltmore Resort & Spa, however, this property 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 facilities and amenities at the Company s resorts provide multiple and diverse revenue streams and attract upscale business and leisure customers. In addition, through the development of additional guestrooms and/or resort amenities, the resorts have opportunities to significantly increase revenue and cash flow.

For a discussion of the Company s revenue, profits 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 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: 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 encompass 242 boat slips sized to accommodate larger yachts. Additionally, the Company has constructed Grande Oaks Golf Club and Naples Grande Golf Club.

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

Table of Contents

daily room rate, excluding the Arizona Biltmore Resort & Spa, was $210.43, $209.79 and $201.08 for the years ended June 30, 2002, 2001 and 2000 respectively.

Continued focus on upscale business and leisure customers. Management believes that its focus on corporate group customers and upscale business and leisure 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 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, thus enabling 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. Management believes that as an owner and operator of resort properties, the integration of certain aspects of the resort operations will allow the Company to realize significant operating efficiencies. Management continues integrating the operations of all of its resorts, 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 improve the efficiency of the resort operations, create economies of scale and offer employees internal promotional 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. 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, 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. 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 these 18-hole championship facilities 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 from its existing facilities and services. 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.

Table of Contents

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 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	343	1,041	156,966	4(a)	30	5	27	16	13
Registry Resort at Pelican Bay	24	474	43,020	4(b)	15	5		8	7
Edgewater Beach Hotel	3	126	3,450	4(b)	(c)	1(c)		3	1
Hyatt Regency Pier 66 Hotel and Marina	24	380	26,928	1(d)	2	2	136	6	2
Radisson Bahia Mar Resort and Yachting Center	44	296	20,150	1(d)	4	1	330(f)	3	5
	438(e)	2,317	250,514	9	51	14	493	36	28

(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.

(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 242 reconfigured boat slips, sized to accommodate larger yachts ranging from 80 feet to 200+ feet, without reducing the linear rentable feet.

Amenities and services at the resorts include conference facilities, golf courses, tennis facilities, spas, fitness centers, marinas, restaurants, retail outlets, swimming pools, 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 year ended June 30, 2002, approximately 60% 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 $52,500 and annual social dues starting at $3,300. 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. The Company opened Grande Oaks Golf Club in June 1999 and Naples Grande Golf Club in February 2000 offering 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

Table of Contents

and Naples Grande Golf Club, respectively, and annual golf dues of $5,750 and $4,700 at Grande Oaks Golf Club and Naples Grande Golf Club, respectively.

Summary Resort Information

Boca Raton Resort & Club

Renovations/Expansion. In January 2002, the Company 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, the Company completed a new state-of-the-art 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 an accelerated 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 state-of-the-art tennis and fitness center complex and a new 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 the Readers Award as one of the Top Hotels in North America by Travel & Leisure magazine in 2001, received Meetings and Conventions Gold Key Award for 2002 and Corporate Meetings and Incentives Paragon Award in 2002.

Registry Resort at Pelican Bay

Renovations/Expansion. In December 2000, the Company added 6,000 square feet of flexible meeting space at the Registry Resort providing it 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. The Registry s 395 tower rooms are currently undergoing a complete renovation, which will include five fixture bathrooms and all new case goods.

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 a renovation of all of its tower guestrooms in December 2001 and is expected to renovate most of the remaining rooms by December 2002.

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.

Distinctions. In 2001, the general manager of Hyatt Regency Pier 66 was named General Manager of the Year by the Florida Hotel and Motel Association and was named United States General Manager of the Year for an Outstanding Medium Sized Property by the American Hotel and Lodging Association. In addition, Hyatt Regency Pier 66 has consistently received AAA s Four Diamond Award, Successful Meetings Magazine s Pinnacle Award in 2001 and Meetings and Conventions Gold Key Award in 2002.

Franchise Agreement. Upon the acquisition of Hyatt Regency Pier 66, the Company assumed the rights under a 20-year franchise agreement with Hyatt Franchise Corporation (Hyatt). The Hyatt franchise agreement 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 comprehensive room renovation in 2000 and is currently planning a marina renovation, which will involve the reconfiguration of the existing boat slips. The renovation is expected to begin in November 2002 and is expected to result in a state-of-the art yachting center with 242 reconfigured boat slips, sized to accommodate larger yachts ranging from 80 feet to 200+ feet, without reducing the linear rentable feet.

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 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. Upon the acquisition of Radisson Bahia Mar, the Company assumed the rights under the Radisson 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 hit 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, which opened in February 2000, was designed by golf architect Rees Jones. He created an optimum environment for golfers, relying on the natural surroundings and existing foliage. The Company financed the previously discussed renovations and expansion at its resorts and golf clubs with the proceeds of long-term debt and from operations.

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.

Table of Contents

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.

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 deductibility 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.

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 no material environmental liabilities or compliance concerns of which management is unaware.

Employees

At June 30, 2002, the Company employed 3,324 full-time and 627 part-time employees. In addition, the Company employs 14 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.

Table of Contents

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, approximately 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 (December 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, 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. On July 25, 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 25, 2002) and the assumption by the purchasers of certain off-balance sheet contingencies including a $10 million construction obligation secured by a performance bond which the purchasers are in the process of securing. The purchasers have given the Company written assurances that the off-balance sheet contingencies shall be fully assumed not later than December 16, 2002. The net proceeds from the sale of the business after payment of disposal costs and income taxes will exceed $70.0 million and the gain on disposition was $26.2 million. Accordingly, the Company s entertainment and sports business has been accounted for as discontinued operations and the accompanying Consolidated Financial Statements presented herein have been restated to report separately the net assets and liabilities and operating results of this discontinued operation.

On December 22, 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 Company received $283.0 million in gross cash proceeds and the buyer of the property assumed $59.4 million in indebtedness. The net proceeds from the asset sale amounted to $279.0 million and was substantially used to repay indebtedness.

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, including the matters discussed below. 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, many of which are dependent upon commercial airlines as a primary means of transportation. A change in travel patterns resulting from slowing economic conditions, a change in corporate policies relating to group meetings, air

Table of Contents

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 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 at these properties. 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 profits 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

Table of Contents

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 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, 2002, Mr. Huizenga, the Company s Chairman, beneficially owned voting stock of the Company with the power to vote approximately 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 non-extraordinary 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

Table of Contents

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, 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 elsewhere 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, 2002:		
First Quarter	$14.5000	$ 9.0000
Second Quarter	13.0800	9.3200
Third Quarter	13.4000	11.5500
Fourth Quarter	14.1800	12.3700
Fiscal Year Ended June 30, 2001:		
First Quarter	$12.1250	$ 9.5625
Second Quarter	15.6875	10.7500
Third Quarter	14.3750	11.3300
Fourth Quarter	14.7300	10.8500

On September 20, 2002 the last reported sales price of the Class A Common Stock on The New York Stock Exchange was $9.90. As of the same date, there were approximately 9,000 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. Certain of the Company s credit facilities restrict the ability of the Company to pay dividends. See Note 9 to the Consolidated Financial Statements included elsewhere herein.

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. On July 25, 2001, the Company sold its entertainment and sports business, which primarily consisted of the operations of the Florida Panthers Hockey Club and related arena management operations. 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,				
	2002	2001	2000	1999	1998
	(In thousands, except share data)				
Statement of Operations Data:					
Leisure and recreation revenue	$273,043	$329,171	$361,360	$327,001	$252,603
Operating expenses:					
Cost of leisure and recreation services	123,529	143,567	156,620	141,456	110,084
Selling, general and administrative expenses	83,146	89,624	98,731	94,856	81,300
Amortization and depreciation	34,790	35,490	34,436	28,343	17,987
Total operating expenses	241,465	268,681	289,787	264,655	209,371
Operating income	31,578	60,490	71,573	62,346	43,232
Interest and other income	1,240	5,164	1,529	2,826	2,064
Interest and other expense	(23,903)	(47,150)	(55,040)	(55,377)	(25,290)
Income from continuing operations before income taxes	8,915	18,504	18,062	9,795	20,006
Provision for income taxes	2,565	4,724	805	1,300	
Income from continuing operations	6,350	13,780	17,257	8,495	20,006
Gain on disposition of discontinued operations, net of income taxes	26,185	&nbs			