

Miami-Dade County

Office of the Inspector General



OIG Schedule A

**Timeline of Events
Related to the Development and Management of the American Airlines Arena**

**Audit of the Agreements Between Miami-Dade County and
Basketball Properties, Ltd., et. al., to Operate the American Airlines Arena**

IG11-34

Timeline of Events

Related to the Development and Management of the American Airlines Arena

NBA Franchise Awarded

April 1987

- An investor group consisting of Billy Cunningham, Lewis Schaffel, Zev Bufman, and Ted Arison is awarded a National Basketball Association franchise in Miami.

Miami Arena Opens

July 13, 1988

- Miami Arena operations opened for events, built using public funding. SMG was contracted with to provide arena operations management services.

Miami Heat's 1st Home Game at Miami Arena

November 5, 1988

- Miami Heat begins playing games at the Miami Arena.

Miami Heat's Ownership Change

February 1995

- Arison family bought out investors Cunningham and Schaffel. Subsequently, Micky Arison was named managing general partner.

Letter of Intent with Broward County

March 12, 1996

- Miami Heat signed a non-binding letter of intent with Broward County pertaining to the possibility of moving the team to an arena there.

Letter of Intent with Dade County

March 29, 1996

- Dade County BCC called an emergency meeting that approved negotiations for a deal with the Miami Heat to build a new arena in Miami. Miami Heat signed a non-binding letter of intent with Dade County pertaining to the possibility of keeping the team in Miami.

Miami Heat Decide to Remain in Miami

April 1996

- Miami Heat abandoned efforts to move to Broward County and concentrated on negotiating with Dade County for a new arena.

Partnership Agreement

June 3, 1996

- Basketball Properties, Ltd. (the "BPL"), was formed by and between Basketball Properties, Inc. (BPI), as the sole general partner and the Miami Heat Limited Partnership (MHLP), is the limited partner. BPI holds a 1% general partnership interest and MHLP holds a 99% limited partnership interest in BPL.

R-683A-96 Resolution

June 18, 1996

- Dade County BCC approved management agreement for operations of a professional sports franchise facility and delegating limited naming rights for the Arena.

- County was to lease the land (FEC/Bicentennial Park Site) from the City of Miami.

R-683B-96 Resolution

- Dade County BCC approved the license, development, and assurance agreements with BPL and MHLP for the development and operations of a professional sports franchise facility.

- Approved the management and development agreement guarantees

- Approved the financing plan for the Arena (at the time financing was to be secured by the County)

Timeline of Events Related to the Development and Management of the American Airlines Arena

New Arena Vote

November 5, 1996

- Dade County residents voted on a measure that approved building a new arena on the waterfront in Miami. The arena is to be financed by BPL according to an agreement reached between Micky Arison and then Mayor Penelas.

R-371-97 Resolution

April 10, 1997

- Dade County BCC approved the execution of the Management, License, Development, and Assurance Agreements with BPL and related parties.
- Approved the management and development agreement guarantees
- Authorized competitive selection of arena general contractor
- Waived formal bid procedures

Agenda Item # 6B6SUBSTITUTE

- Summary of principal changes to proposed Arena agreements such as:
 - \$500,000 commitment by the Miami Heat to fund public parks and economic development
 - County would share in 40% of the net revenue amount in excess of \$14 million
- County has extensive audit rights that addresses BCC Commissioners concerns about "creative accounting" and feasibility of allowing the Miami Heat to perform the Arena's bookkeeping
- Terms of the Arena naming rights

New Arena Agreements

April 29, 1997

- The Management Agreement, Development Agreement, Assurance Agreement, and License Agreement (Arena Agreements) were entered into by Dade County and Basketball Properties Ltd. and related parties.

R-1259-97 Resolution

October 21, 1997

- Authorized the acquisition of approximately 17 acres of City of Miami owned FEC property for \$37.6 million to be used for the development of a waterfront project that includes a new multi-purpose professional sports and entertainment complex.

R-1398-97 Resolution

November 18, 1997

- Miami-Dade County BCC approved Composite Amendment One to the Arena Agreements:
- Authorized BPL to sell certain of the Arenas naming rights to American Airlines Arena (AAA)
 - Would reduce the County's obligation to BPL by \$2.1 million annually
 - Enlarges BPL's duties with respect to the Pedestrian Bridge
 - Any amendments necessary to facilitate the County's purchase of the FEC Property
 - Any amendments necessary to facilitate BPL's financing of the Arena

Naming Rights Agreement for the New Arena

December 16, 1997

- American Airlines contracted to have its name placed on the Arena for 20 years at a fee of \$2.1 million per year.

New Arena Construction

February 6 ,1998

- Construction of the American Airlines Arena begins.

Timeline of Events
Related to the Development and Management of the American Airlines Arena

R-541-99 Resolution

- Miami-Dade County BCC approved Composite Amendment Two to the Arena Agreements:
- Authorized selection of BPL as the developer, manager, and operator of Parcel B portion of the FEC Property
- May 11, 1999
- Authorized BPL to finance, design and construct the Parcel B retail/entertainment space as a part of Parcel B Garage Annex development
 - Included right to develop up to 70,000 rentable square feet of permanent retail above the Garage Annex as well as provide semi-permanent carts and kiosks

American Airlines Arena Opens

- December 31, 1999
- Arena operations officially opened for events.

Miami Heat's 1st Home Game at American Airlines Arena

- January 2, 2000
- First Miami Heat basketball game played at the American Airlines Arena.

R-1334-01 Resolution

- Miami-Dade County BCC approved Composite Amendment Three to the Arena Agreements:
- Authorized a six-month extension to the December 1, 2001 deadline in order to finalize the plans for the Parcel B development.
- November 20, 2001
- BPL paid County annual air rights \$25,000 (paid in November 2001) for this extension until June 30, 2002 and another \$150,000 subject to the project moving forward

R-556-02 Resolution

- Miami-Dade County BCC approved Composite Amendment Four to the Arena Agreements:
- BPL agreed to pay the County for an additional extension to November 30, 2002, and to pay additional monies by November 30, 2002, subject to the project moving forward. Paid \$150,000 in May 2002 for the additional extension.
- May 21, 2002

R-808-03 Resolution

- Miami-Dade County BCC approved Composite Amendment Five to the Arena Agreements:
- Allowed the County and the Manager to negotiate a further amendment to the Arena Agreements regarding the extension of BPL's Parcel B development rights
 - Authorized an air rights payment of \$175,000 from BPL to the County for its rights with respect to Parcel B Retail Complex
- July 10, 2003

R-1018-03 Resolution

- Miami-Dade County BCC approved Composite Amendment Six to the Arena Agreements:
- BPL to agree to forbear from exercising its rights with respect to developing Parcel B until October 7, 2003.
- September 23, 2003

R-1118-03 Resolution

- Miami-Dade County BCC approved Composite Amendment Seven to the Arena Agreements:
- BPL to agree to forbear from exercising its rights with respect to developing Parcel B until December 15, 2003.
 - Approved the County, BPL, City of Miami, and Bayside release of agreement terms with respect to the development of Parcel B, the Pedestrian Bridge, and the Garage Annex.
- October 7, 2003

Timeline of Events
Related to the Development and Management of the American Airlines Arena

R-1446-03 Resolution

Miami-Dade County BCC approved Composite Amendment Eight to the Arena Agreements:

- Extended the time period for the approval, valid execution, and delivery by the parties to the County of the Second Amendment to the Tri-Party Agreement

December 16, 2003

- Allowed BPL to make an informed decision regarding surrendering their Parcel B development rights on or before December 29, 2003

- Allowed the City of Miami Commission to approve the Second Amendment to the Tri-Party Agreement at its December 18, 2003 meeting

Miami-Dade County

Office of the Inspector General



OIG Schedule B

Summary of the Four Agreements

**Audit of the Agreements Between Miami-Dade County and
Basketball Properties, Ltd., et. al., to Operate the American Airlines Arena**

IG11-34

SUMMARY OF THE FOUR AGREEMENTS
Approved by BCC on April 10, 1997; executed on April 29, 1997

Development Agreement

The Development Agreement provides terms pertaining to the planning, design, and construction of an Arena (to be used by an NBA team), including the garage annex under certain circumstances, on County- owned or leased land. The constructed Arena is to include minimum requirements related to suites, office space, retail, concessions, parking, etc. The Arena, along with the original equipment and materials will be financed by BPL, but will be owned by the County.

Parties:
County and BPL

Key contract terms within the Development Agreement include the Arena's configuration; BPL's handling of deposits on suites and premium seating; Arena construction funding; designation of a County representative; and minority and small business enterprise participation during the Arena's construction.

Management Agreement

The Management Agreement provides terms pertaining to BPL's operation and management of the Arena, on behalf of the County, for a period of not less than 30 years. The County's primary obligation is to fund Arena operations at \$8.5 million annually (offset by American Airlines naming rights of \$2.1 million annually).

Parties:
County and BPL

Significant contract terms include provisions relating to the generation of revenue, inclusive of Arena naming rights; incurring of expenses; maintenance of the Arena; County use of the Arena; County payment obligations, and BPL loans.

Other key contract terms pertaining to BPL's management of the Arena include BPL financial reporting/record keeping, profit share provision, Arena cost amortization, inventory listings, legal action notification, inspection rights, audit rights, and consultation.

Assurance Agreement

The Assurance Agreement provides various direct covenants among the parties. The covenants relate to authority, organization, conflicts, litigation, adherence to the law, and that the NBA franchise held by MHLP be in good standing. MHLP agrees to guarantee payment and performance of all BPL's obligations under the Assurance and Management Agreements.

Parties:
County, BPL, and MHLP

Noteworthy contract provisions pertain to the NBA franchise status (Heat), team guaranty, BPL CDT loans, park donations, state sales tax rebate, and notice requirements.

License Agreement

The License Agreement provides for the Heat to play all of its home games in the Arena for at least 30 years, along with other obligations of the contracted parties.

Parties:
County, BPL, and MHLP

Significant contract terms pertain to extending time for performance or satisfaction, Heat practices, other Heat events, County access, use fee to be paid by the Heat, records requirements, and bidding requirements.

Miami-Dade County

Office of the Inspector General



OIG Schedule C

BPL Financial Reports Comparisons
Copies of Financial Reports for Fiscal Year 2010 Attached
Operating Budget
Capital Budget
Audited Financial Statements
Schedules of Management Agreement Computations

**Audit of the Agreements Between Miami-Dade County and
Basketball Properties, Ltd., et. al., to Operate the American Airlines Arena**

IG11-34

BPL Financial Report Comparisons

Operating	Capital		
Budgets		Audited Financial Statements	Schedules of Management Agreement Computations
<p><i>Issued by:</i> BPL</p> <p><i>In response to:</i> Management Agreement Section 4.15.1</p> <p><i>Components:</i> <u>Operational Transactions</u></p> <ul style="list-style-type: none"> • Operating Revenues • Operating Expenses (by Department) • EBITDA (Earnings Before Interest, Tax, Depreciation, & Amortization) 	<p><i>Issued by:</i> BPL</p> <p><i>In response to:</i> Management Agreement Section 4.16.1</p> <p><i>Components:</i> <u>Capital Purchases by Department</u> <u>For example.</u></p> <ul style="list-style-type: none"> • Operations <ul style="list-style-type: none"> - Building - Parking - Security • Food & Beverage <ul style="list-style-type: none"> - Premium - Concessions - Main Kitchen • Information Technology • Audio/Visual 	<p><i>Issued by:</i> Pricewaterhouse Coopers on behalf of BPL</p> <p><i>In response to:</i> Management Agreement Section 5.11.2</p> <p><i>Components:</i> <u>Reports</u></p> <ul style="list-style-type: none"> • Balance Sheet (Assets = Liabilities + Partners' Equity) • Statements of Income (Revenues less Expenses = Net Income) • Statements of Changes in Partners' Equity (General Partner + Limited Partner) • Statements of Cash Flow (Operating, Investing, & Financing Activities) • Arena Depreciation & Amortization • Notes 	<p><i>Issued by:</i> Pricewaterhouse Coopers on behalf of BPL</p> <p><i>In response to:</i> Management Agreement Section 5.11.2.1</p> <p><i>Components:</i> <u>Calculations</u></p> <ul style="list-style-type: none"> • Arena Revenue • Arena Operating Expenses • Arena Net Cash Flow • Arena Excess Net Cash Flow • Arena Distributable Net Cash Flow • Arena Cost Amortization

Note: For examples, see attached financial reports from fiscal year 2010.



July 10, 2009

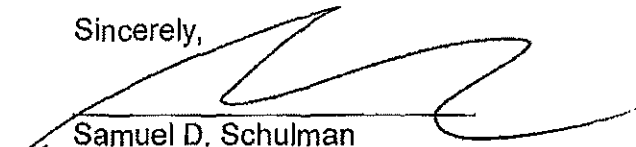
Mr. Alex Munoz
Miami Dade County
Assistant County Manager
111 NW 1st Street
Miami, FL 33128

Dear Mr. Munoz:

Enclosed, please find a copy of the Basketball Properties Limited (American Airlines Arena) 2009-10 budget. This is in accordance with Section 4.15.1 of the Management Agreement Dated as of April 29, 1997.

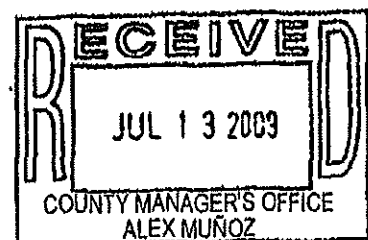
As always, if you have any further questions, please do not hesitate to give me a call.

Sincerely,



Samuel D. Schulman
EVP / Chief Financial Officer

C.C. E. Woolworth
R. Libman
J. Morris



BPL Statement of Operations

Fiscal Year June 30,

	Budget
Operating Revenues	2010
Dewars Club Revenue Share (Park/Club)	450,000
Dewars Club Revenue Share (Park/Club)-Playoffs	30,000
Flagship Access	250,000
Premium Seat rentals - Playoffs	110,000
Flagship Access - Playoffs	60,000
Premium Ticket Exchange	20,000
Starbox	800,000
Suites	3,000,000
Courtside Lounge	12,980,000
Loges	1,500,000
	19,200,000
County Guarantee	6,400,000
Naming Rights	2,100,000
Building Partners	4,500,000
Basketball Guaranteed Rent Payment	1,530,000
Basketball Guaranteed Rent Payment-Playoffs	95,000
Other Event -Rent	3,757,066
Merchandise-Other Event	205,357
Concession	3,309,895
Concession - Playoffs	320,000
Parking - Lower and Upper Garage (Net)	1,168,266
Parking - Lower and Upper Garage (Net) Playoffs	20,000
Bongos /NBC/NBA Latin America Rent	379,940
Photo Shoots	24,000
Tiaster Rebates	636,325
Bongos/WTVJ/AA Tix Office CAM Chges	206,880
Bongos Construction Contrib.	370,000
Other	45,000
Total Operating Revenue	44,267,729
Operating Expenses	
General Admin	5,142,070
Operations	4,978,053
Contract Services	1,235,426
Security	598,861
Advertising & Marketing	1,511,580
Premium Service and Retention	367,750
Enterprises	335,351
Finance/Box Office	1,033,270
Human Resources	1,922,801
Legal/Employee Relations	772,799
Training And Development	219,820
Parking Operations	374,250
Event Services	174,828
IT	547,287
Broadcasting	1,039,633
Merchandising	40,000
Market Research	69,940
Event Operating Expenses	4,888,650
Event Operating Expenses - Playoffs	185,000
County Ground Rent (Parcel A)	120,000
Total Operating Expenses	25,557,369
EBIDTA	18,710,360

Basketball Properties, LTD			
Administrative Costs	G/L #	2010 Budget	
Salaries	8100-005-0	921,070	
Unemployment Tax	8100-007-0	18,000	
Payroll Taxes	8100-008-0	445,000	
Audit & Tax Fees	8100-010-0	183,000	
Contributions	8100-040-0	5,000	
Dues & Subscriptions	8100-060-0	2,500	
NBA Luxury Box Fees	8100-061-0	210,000	
Pollution/Storage Tanks	8100-087-0	750	
Insur Brokers	8100-089-0	62,000	
Insur Excess Liability	8100-092-0	145,000	
Insur General Liability	8100-093-0	350,000	
Insur Property	8100-095-0	2,100,000	
Insur Med Pay	8100-099-0	15,000	
Licenses & Permits	8100-110-0	15,061	
License Fee- Railway	8100-111-0	107,000	
Bad Debt	8100-113-0	24,000	
Messenger	8100-115-0	200	
Insurance Deductible	8100-116-0	50,000	
Mail & Postage	8100-120-0	200	
MBIA - Fees	8100-125-0	461,789	
Memberships	8100-130-0	2,000	
Office Supplies	8100-150-0	500	
Travel	8100-170-0	4,000	
Entertainment & Promotions	8100-175-0	20,000	
		5,142,070	

Basketball Properties, LTD

Operations:	G/L #	2010 Budget
Salaries	8300-005-0	1,080,553
Building Maintenance	8300-030-0	55,000
Basketball Court refinish	8300-035-0	10,000
Ceiling Tiles	8300-045-0	1,500
Electrical Parts,Supplies & Repair	8300-060-0	22,000
Elevator Escalator Repair	8300-063-0	8,000
Equipment Repairs & Maintenance	8300-075-0	8,000
F& B Equipment Repair	8300-076-0	14,000
Flags	8300-077-0	5,000
Furniture Repair & Maint	8300-079-0	3,000
Fuel, Propane	8300-090-0	2,000
Generator Repairs/ Inspections	8300-100-0	3,000
Hardware Keying Doors	8300-110-0	15,000
Hardware Supplies	8300-115-0	15,000
Housekeeping Supplies	8300-120-0	85,000
Hurricane Supplies	8300-129-0	1,000
HVAC Filters	8300-130-0	20,000
HVAC Parts	8300-131-0	20,000
Ice Plant Maintenance & Supplies	8300-135-0	5,500
Light Bulbs	8300-140-0	45,000

Basketball Properties, LTD

Operations:	G/L #	2010 Budget
Lumber, Metal & Paint	8300-150-0	20,000
Material Handling Equipment	8300-155-0	1,000
Office Equipment	8300-165-0	500
Overhead Door & Grills	8300-171-0	12,000
Meals & Entertainment	8300-175-0	4,000
Plumbing	8300-180-0	20,000
Railing Repairs	8300-185-0	3,500
Roofing Repairs & Inspections	8300-190-0	15,500
Tools	8300-250-0	10,000
Employee Training/Travel	8300-252-0	5,000
Utilities - Electric	8300-290-0	1,700,000
Utilities - Chilled Water	8300-291-0	1,500,000
Utilities - Water	8300-292-0	171,000
Utilities - Gas	8300-293-0	80,000
Spotlights	8300-320-0	7,000
Pest Control	8500-110-0	10,000
		4,978,053

Basketball Properties, LTD			

Contract Services:	G/L #	2010 Budget
Building Automation System/Services	8500-020-0	26,250
Chillers & Ice Plant	8500-032-0	7,500
Elevators & Escalators	8500-040-0	216,621
Emergency Generator	8500-042-0	3,000
F&B Equipment Repair - Kitchenwork	8500-045-0	10,000
Fire Alarm System - Honeywell	8500-050-0	61,950
Fire Protection System	8500-060-0	6,000
Forklifts	8500-062-0	10,000
Grease Hoods	8500-067-0	19,000
Grease Traps	8500-068-0	14,000
Housekeeping	8500-070-0	521,830
Additional Housekeeping	8500-071-0	65,000
Landscaping	8500-080-0	80,000
Laundry Detergent	8500-085-0	2,500
Lift Stations & Storm Drain Pumps	8500-088-0	20,000
Seat Cleaning	8500-131-0	20,000
Waste Removal & Containers - Waste Mgm	8500-140-0	133,275
Water Treatment	8500-142-0	6,000
Window Cleaning	8500-150-0	12,500
		1,235,426

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Basketball Properties, LTD			
Advertising/Marketing & Sales	G/L #	2010 Budget	
Salaries	8700-005-0	1,166,580	
Adv. Expense-Non Event	8700-015-0	75,000	
Production	8700-016-0	10,500	
Courier	8700-017-0	2,000	
Mktg Kits/Special Projects	8700-031-0	10,000	
Promotional Items & Gifts	8700-040-0	5,000	
Travel & Ent	8700-045-0	32,500	
Contractual Bonus	8700-050-0	75,000	
Public Relations Firm fees	8700-060-0	125,000	
Dues & Subscription	8700-065-0	10,000	
		1,511,580	

Basketball Properties, LTD			
Premium Svc and Retention	G/L #	2010 Budget	
Salaries	8900-005-0	134,750	
Commissions	8900-006-0	80,000	
Dues & Subscriptions	8900-015-0	3,000	
Printing Passes	8900-024-0	20,000	
Printing / Signage	8900-025-0	10,000	
Messenger	8900-028-0	10,000	
Add'l Premium Seats (Non-Heat)	8900-045-0	25,000	
Premium Seatholder Benefits	8900-070-0	50,000	
Meals & Entertainment	8900-175-0	23,000	
Hotel	8900-193-0	5,000	
Travel	8900-195-0	2,500	
Automobile		2,000	
Staff Incentives	8900-196-0	2,500	
		367,750	

Basketball Properties, LTD

Enterprises	G/L #	2010 Budget
Salaries	8900-305-0	289,251
Auto	8900-310-0	750
Entertainment	8900-325-0	2,500
Event Support/Decorati	8900-333-0	1,500
Gifts	8900-335-0	1,000
Hotel	8900-340-0	1,500
Messenger	8900-350-0	350
Subscription & Dues	8900-365-0	3,000
Web Design - RBB	8900-375-0	29,000
Travel	8900-380-0	2,500
Catering	8900-382-0	2,000
Sponsor Participation	8900-384-0	2,000
Total:		335,351

Basketball Properties, LTD			
Finance/ Box Office	G/L #	2010 Budget	
Salaries	8200-005-0	684,970	
Salaries (Part-time)	8200-007-0	12,000	
Accounting - ADP	8200-010-0	34,000	
Customer Service Improvement	8200-011-0	2,000	
Armored Car	8200-015-0	1,000	
Bank Service Fees	8200-020-0	42,000	
Credit Card Fees	8200-022-0	200,000	
Printing - AAA Ticket Stock	8200-026-0	20,000	
Printing - Will Call Envel Invoices	8200-029-0	12,000	
Printing-Prem Park Pass Events	8200-030-0	10,000	
Printing - Prem Season Tix/WC Envelopes	8200-031-0	15,000	
Meals & Ent	8200-175-0	250	
Software Lic/Maint Fee	8200-195-0	50	
		1,033,270	

Basketball Properties, LTD		
Human Resources	G/L #	2010 Budget
Salaries	8400-005-0	139,308
Hotel	8400-011-0	2,500
Auto	8400-012-0	300
Charitable Contribution-Family	8400-018-0	1,500
Postage	8400-017-0	25,000
Drug Testing	8400-018-0	2,000
EAP	8400-019-0	2,200
Insurance Workers Comp.	8400-027-0	75,000
Insurance Health, Life, & Dental	8400-029-0	875,000
Uniforms (HR)	8400-030-0	8,000
Uniforms (Operations)	8400-280-0	14,000
Uniforms (Parking)	8400-240-0	3,500
Alloc. From MHLP - Health	8400-032-0	140,000
401k Retirement Plan	8400-033-0	45,000
Dues & Subscriptions	8400-080-0	1,750
Employee Relations	8400-067-0	5,500
Office Supplies	8400-068-0	45,000
Job Fairs	8400-089-0	4,250
Laundry	8400-070-0	38,000
Equip Rental/Media Mesh Rental	8400-074-0	684,295
Meals & Entertain.	8400-175-0	2,500
Messenger	8400-180-0	200
Travel	8400-190-0	1,200
Office Food	8400-195-0	1,000
Advertising Recruitment	8400-215-0	5,800
		1,922,801

Basketball Properties, LTD			

Legal/Employee Relations	G/L #	2010 Budget
Salaries	8400-505-0	296,349
CLE/Dues	8400-515-0	1,000
Entertainment	8400-527-0	250
Labor/Training ER	8400-550-0	2,500
Legal Fees - Architect Lawsuit	8400-551-0	200,000
Legal Fees - Lobbyists	8400-553-0	120,000
Legal Fees - General Atty	8400-554-0	150,000
Messenger	8400-560-0	200
Travel	8400-595-0	2,500
		772,799

Basketball Properties, LTD			

Training And Development - Event Staff	G/L A/C #	2010 Budget
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Salaries	8400-405-0	128,150
Employee Dev & Training	8400-420-0	800
Event Staff Training	8400-425-0	7,900
Event Staff - Payroll	8400-441-0	21,000
Event Staff Giveaway	8400-442-0	9,500
Quality Assurance Material	8400-480-0	9,600
Rewards & Recognition	8400-485-0	13,500
Service Pins & Pocket Cards	8400-490-0	1,650
Smile Squad Payroll	8400-493-0	8,600
Guest Service	8400-494-0	19,120
		219,820

Basketball Properties, LTD		

Event Services	G/L #	2010 Budget
Salaries	9000-005-0	161,828
Hotel	9000-060-0	1,000
Printing	9000-130-0	6,000
Seminar Fees	9000-160-0	1,000
Supplies	9000-165-0	3,000
Travel	9000-170-0	1,000
Entertainment	9000-175-0	500
Working Meals	9000-313-0	500
		174,828

Basketball Properties, LTD

IT	G/L #	2010 Budget
Salaries	8600-005-0	412,087
Contract Svc Sytem Engineers	8600-009-0	15,000
Meals & Entertain.	8600-175-0	2,000
Contract Service - Cabling/labor	8600-205-0	2,000
Courier	8600-207-0	250
Equipment R&M (Computers)	8600-220-0	12,000
Hotel	8600-237-0	1,000
Telephone - Cellular phones	8600-330-0	32,000
Telephone - Equipment & Suppl	8600-331-0	4,000
Telephone - Internet Access	8600-332-0	20,000
Telephone - Local charges	8600-333-0	(84,000)
Telephone - Long distance char	8600-334-0	12,700
Telephone - Systems maintenar	8600-336-0	27,000
Dues & Subscription	8600-339-0	250
Training & Seminars	8600-340-0	2,500
LAN & WAN Maint	8600-341-0	84,000
Offsite Media Storage	8600-342-0	2,500
Travel	8600-343-0	2,000
		547,287

Basketball Properties, LTD		
Broadcast Center & Services	GL #	2010 Budget
SALARIES	8600-406-0	801,833
Air Travel	8600-407-0	3,500
Hospitality/Entertainment	8600-408-0	2,000
Hotel Accomodations	8600-409-0	4,000
Gratuities	8600-410-0	600
Auto Rentals & Expenses	8600-411-0	1,600
Seminars/Conferences/Training	8600-412-0	3,000
Staff Gear	8600-413-0	5,000
Media Mesh System Costs	8600-420-0	15,000
Arena Sound System	8600-422-0	5,000
Arena RF System	8600-423-0	6,000
Arena Broadband Cabling	8600-424-0	5,000
Arena Special Effects Lighting	8600-425-0	6,000
Hoist & Rigging	8600-426-0	6,000
AV Equipment & Maintenance	8600-427-0	5,000
AV Tools & Services	8600-428-0	5,000
Broadcast Center Service & Maint.	8600-440-0	5,000
VTR Ops	8600-441-0	2,000
T/D Ops	8600-442-0	2,000
Graphic Ops	8600-443-0	2,000
Sound Ops	8600-444-0	1,000
Replay Ops	8600-445-0	2,000
Engineering Ops	8600-446-0	2,000
Media Production Systems	8600-447-0	2,000
Non-linear Systems	8600-448-0	2,000
Satellite Subscription Service	8600-450-0	3,000
Basketball Ops Service/Maint.	8600-451-0	5,000
Freelance Labor Services	8600-453-0	5,000
Miscellaneous Supplies	8600-454-0	1,500
Shipping/Messenger	8600-455-0	2,000
Service Warranty	8600-496-0	30,000
		1,038,633

GRAND SUMMARY P&L 2009-2010	HEAT	270A	270S	270C & WFT	OTHER SPORT	CORPORATE	UNIVISION Premio	FAMILY SPORTS	PREMIUM-SPEC	INTERNAL	ARENA totals	ENTERPRISE ONLY
PROMOTER PAID REVENUE (PER GAME)												
RENT / NET TICKET REVENUE	1,500,000.00	210,000.00	435,000.00	150,000.00	220,000.00	195,000.00	105,000.00	283,000.00	35,016.85	57,643.95	3,180,680.80	1,633,016.85
CREDIT CARD CHARGES	0.00	8,900.00	27,250.00	3,400.00	700.00	500.00	700.00	8,100.00	0.00	0.00	49,150.00	49,150.00
BMI-ASCAP	0.00	0.00	1,100.00	0.00	600.00	815.00	752.00	0.00	0.00	0.00	3,067.00	3,067.00
PHONE & DATA	0.00	1,000.00	8,500.00	3,000.00	0.00	10,970.00	30,000.00	7,000.00	850.00	0.00	61,320.00	61,320.00
STAGEHANDS	0.00	105,000.00	257,500.00	79,000.00	0.00	44,000.00	230,000.00	104,000.00	0.00	0.00	819,500.00	819,500.00
STAFFING (AV/CS/ES/OPS/REC/PELECTRICIAN)	0.00	80,000.00	665,018.01	175,000.00	35,000.00	258,839.72	87,138.24	605,690.00	15,000.00	0.00	1,921,688.96	1,921,688.96
POLICE	0.00	0.00	7,735.00	0.00	0.00	21,245.00	41,312.50	0.00	0.00	0.00	70,292.50	70,292.50
FIRE RESCUE	0.00	0.00	1,147.50	0.00	0.00	8,845.75	1,721.25	0.00	0.00	0.00	9,715.50	9,715.50
HOUSEKEEPING	0.00	0.00	12,174.46	0.00	0.00	32,320.50	15,639.18	0.00	0.00	0.00	60,134.14	60,134.14
EQUIPMENT RENTALS (HOUSE)	0.00	0.00	0.00	0.00	0.00	16,000.00	8,700.00	290.00	0.00	0.00	24,990.00	24,990.00
EQUIPMENT RENTALS (THIRD PARTY)	0.00	7,000.00	18,000.00	4,775.00	0.00	0.00	5,200.00	7,253.00	0.00	0.00	42,228.00	42,228.00
SUBTOTAL	1,500,000.00	411,500.00	1,433,424.97	415,175.00	255,300.00	586,336.97	526,164.16	1,015,333.00	50,866.85	57,643.95	6,252,744.91	4,695,100.95
ANCILLARY REVENUE												
FACILITY FEE	0.00	88,000.00	524,562.50	81,950.00	12,581.25	36,000.00	19,008.50	392,370.00	0.00	0.00	1,154,472.25	1,154,472.25
PREMIUM REVENUE (estimate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,801.00	0.00	0.00	2,801.00	2,801.00
CHARGEBACKS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE CHARGES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,500.00	0.00	0.00	1,500.00	1,500.00
SUBTOTAL	0.00	88,000.00	524,562.50	81,950.00	12,581.25	36,000.00	19,008.50	396,671.00	0.00	0.00	1,158,773.25	1,158,773.25
OTHER EXPENSES												
STAGEHANDS	0.00	105,000.00	265,000.00	79,000.00	3,600.00	44,000.00	230,000.00	209,311.60	0.00	0.00	935,911.60	935,911.60
CREDIT CARDS	0.00	8,500.00	27,250.00	3,400.00	700.00	500.00	700.00	25,722.00	0.00	0.00	66,772.00	66,772.00
EQUIPMENT RENTAL	0.00	7,000.00	18,000.00	4,775.00	0.00	0.00	5,200.00	9,532.00	0.00	0.00	44,507.00	44,507.00
ADDITIONAL SHOW EXPENSE	0.00	10,000.00	0.00	0.00	337.50	0.00	0.00	45,000.00	0.00	0.00	56,337.50	56,337.50
ADVERTISING	0.00	28,000.00	27,000.00	0.00	0.00	0.00	0.00	42,000.00	0.00	0.00	97,000.00	97,000.00
BMI-ASCAP	0.00	0.00	1,100.00	0.00	600.00	615.00	752.00	2,500.00	0.00	0.00	5,567.00	5,567.00
PREMIUM TICKET MANIFEST	0.00	75,000.00	0.00	0.00	11,245.30	0.00	0.00	31,000.00	0.00	0.00	117,245.30	117,245.30
PROMOTER REBATES	0.00	148,000.00	473,217.63	58,100.00	47,000.00	0.00	0.00	47,150.00	0.00	0.00	773,467.63	773,467.63
SUBTOTAL	0.00	381,500.00	811,567.63	145,275.00	63,482.80	45,115.00	236,652.00	413,215.60	0.00	0.00	2,096,808.03	2,096,808.03
ARENA RENTALS/REIMB EXPS (NET)	1,500,000.00	118,000.00	1,146,418.84	351,850.00	205,398.45	577,221.97	308,520.66	998,788.40	50,866.85	57,643.95	5,314,710.13	3,757,066.17
ACTUAL EXPENSES												
STAFFING (AV/CS/ES/OPS/RECEP/HMC-non-Concept)	1,246,344.37	46,031.95	329,538.36	77,357.11	30,252.84	152,706.75	68,580.28	364,789.57	10,713.04	53,661.23	2,379,974.50	1,079,968.89
CONVERSION (PT LABOR)	0.00	4,633.20	41,698.80	11,583.00	2,258.10	5,311.80	2,363.40	47,431.80	2,316.60	0.00	117,596.70	117,596.70
POLICE	267,457.50	12,374.00	95,427.25	23,345.00	10,389.25	49,584.00	41,312.50	90,276.00	0.00	0.00	590,165.50	322,708.00
FIRE RESCUE	35,610.75	1,989.00	18,054.00	4,972.50	3,748.50	13,349.25	1,721.25	42,438.38	0.00	0.00	121,883.63	86,272.88
HOUSEKEEPING	494,094.57	19,730.78	162,885.07	41,058.53	12,822.64	53,567.61	13,626.64	240,848.61	3,795.02	17,540.24	1,059,969.72	548,334.91
PARKING LABOR & STAFF PARKING	229,614.58	9,328.40	83,655.60	20,556.88	4,725.63	18,323.06	5,296.00	93,587.03	526.50	0.00	465,913.66	230,299.09
BOX OFFICE LABOR	51,711.66	2,331.81	19,322.55	4,618.58	1,882.82	2,421.90	984.26	33,690.74	0.00	0.00	116,964.32	65,252.66
PREMIUM LABOR	59,508.00	2,250.00	19,530.00	5,625.00	960.00	0.00	1,260.00	8,928.00	0.00	0.00	98,061.00	38,553.00
GUEST RELATIONS LABOR	22,398.75	1,188.00	8,027.25	1,265.00	275.00	5,456.00	462.00	12,551.00	0.00	198.00	51,821.00	29,224.25
LEVY STARBOX ATTENDANT	19,600.00	800.00	7,200.00	2,000.00	35,500.00	0.00	400.00	4,800.00	0.00	0.00	71,300.00	51,700.00
SUBTOTAL	2,426,340.18	100,657.14	785,638.88	192,361.59	103,614.77	300,720.37	136,006.34	939,340.12	17,351.16	71,399.47	5,073,650.02	2,575,910.37
NET ARENA INCOME BEFORE ANCILLARY	(926,340.18)	17,342.86	360,780.96	159,468.41	101,583.68	276,501.60	172,514.33	59,448.28	33,515.69	(13,755.52)	241,060.11	1,181,165.81
ANCILLARY REVENUE												
TICKETMASTER REBATES	HEAT	122,000.00	381,000.00	73,000.00	6,525.00	3,000.00	10,400.00	40,400.00	0.00	0.00	636,325.00	636,325.00
FOOD & BEVERAGE (NET)	2,402,840.00	94,800.00	495,039.60	96,764.00	46,376.00	138,041.60	44,080.00	304,394.00	7,580.00	0.00	3,629,895.20	1,227,055.20
PARKING (NET)	87,367.00	47,134.00	250,384.00	58,698.58	9,600.00	39,796.00	13,000.00	273,406.00	1,877.00	0.00	781,265.58	693,898.58
MERCHANDISE (NET)	HEAT	70,000.00	66,600.00	20,000.00	357.00	11,500.00	1,000.00	35,900.00	0.00	0.00	205,357.00	205,357.00
NET INCOME-AAArena TOTALS	1,583,996.82	351,276.86	1,553,804.56	407,930.99	164,441.68	468,839.20	240,994.33	713,551.28	42,952.69	(13,755.52)	5,493,902.89	3,943,791.59
NET INCOME-ENTERPRISE Totals	0.00	351,276.86	1,553,804.56	407,930.99	164,441.68	468,839.20	240,994.33	713,551.28	42,952.69	N/A	3,943,791.59	

American Airlines Arena
 2009/2010 Capital Expense Budget

2009/2010
 Budget

OPERATIONS		
BUILDING		
	Phase II Hot Water Recirculation System	150,000
	Renovate STSR location at 115 (replicate PHO)	40,000
	Arena Lower Bowl Precast Sealer Grey	60,000
	Replace Kitchen Cooler Floors	40,000
	Arena Curtains	15,000
	Replace ice deck	50,000
	Main Bowl Roof Expansion Joint Repairs	20,000
	Plaza Expansion Joint Repairs	20,000
	Replace ceiling on both 400 level service corridors	90,000
	P2 Parking Fire Protection Replacement	20,000
	Upgrade graphic on Building Automation system	35,000
	P2 Sewer/Storm Pit Renovations	20,000
EQUIPMENT		
	Black Table Skirting	5,000
	Black Pipe & Drape	5,000
	Stage Skirting	5,000
	Portable Chairs	10,000
	Tensabarrier	2,500
SUBTOTAL BUILDING & EQMT.		587,500
STSR		
	CRM software - KORE	45,000
SUBTOTAL PARKING		45,000
PARKING OPERATIONS		
	Pedestrian Bike Rack	2,000
SUBTOTAL PARKING		2,000
SECURITY		
	Radio Replacement	5,000
	Radio System Upgrades	5,000

American Airlines Arena
 2009/2010 Capital Expense Budget

	2009/2010 Budget
Command Center - Phase 1	30,000
Command Center - Phase 2	250,000
SUBTOTAL SECURITY	290,000

TOTAL BUILDING OPERATIONS 924,500

FOOD & BEVERAGE PREMIUM		
Flagships - New Chairs		15,000
Flagships - Chef's Table Repairs		10,000
Flagships - Replace Old under bars Coolers (4)		14,000
Dewar's - Dishwasher		10,000
Dewar's - New Table Tops		20,000
Dewar's - New Chairs		150,000
Dewar's - Relace Rail to match the existing granite at the bar, also build in support brackets to increase rail seating		40,000
SUBTOTAL PREMIUM		234,000

CONCESSIONS		
Fuego Grill 105,117, Main Bars		6,000
Building		25,000
Portable Food and Bar locations - add Tangent POS to all portable locations to add them to our current		75,000
Digital Menuboards		300,000

AmericanAirlines Arena
 2009/2010 Capital Expense Budget

2009/2010
 Budget

Beer Vending Room - Install ice machine in beer vending room	15,000
Reconcept Sammies Locations - Rojo Taco	100,000
Concession Stands	8,000
Concession Stands	8,000
Beer Power pack Maintenance	5,000
Concession Beer Rooms	10,000
Concessions Beer Coolers	10,000
SUBTOTAL CONCESSIONS	562,000

GENERAL OPERATIONS	
Main Kitchen - Dishwasher	10,000
Main Kitchen - Replace Ceiling Tiles	6,000
Suites & Flagships - Prep line maintenance	6,000
Main Kitchen - Paint Kitchen	1,000
SUBTOTAL GENERAL OPERATIONS	23,000

TOTAL FOOD & BEVERAGE 819,000

SUB-TOTAL 1,743,500

RECAP:

Sub-Total per above	1,743,500
IT Department:	
PBX Room upgrades/improvements	30,000
PC Hardware replacement (obsolescence) & other	50,000
Wireless system in Arena	20,000
AV Department - per attached detail	281,500
Grand Totals	2,125,000

AV/Broadcasting: 09-10 Capital Equipment & Project Descriptions

2009/2010
Budget

SCOREBOARD UPDATES & IMPROVEMENTS

Replacement of cables to Centerhung (Adding Additional Fibers)	\$	6,000.00
Center Light-Beam fixture to high watt output. (Illuminate Heat Logo Basketball Court)	\$	2,000.00
Redesign of Centerhung Par lights to LED Par fixtures with color	\$	6,000.00

MEDIA MESH

External Video Camera, housing with mounting column in West Planter	\$	70,000.00
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SPECIAL EFFECT LIGHTING

Special F/X Lights (Coemar)	\$	30,000.00
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Control Room

Video Server 2 channel HD/SD DOREMI	\$	35,000.00
Engineering computer replacement	\$	4,500.00

Media Production Department

Purchase HD XDCam VTR (PDW HD1500)	\$	20,000.00
Purchase HD DVC-Pro VTR's (HD DVCPRO Format)	\$	18,000.00
Purchase HD Monitor for viewing HD recorded signals	\$	4,000.00
Purchase HD NLE Editing System: Nitrus/Media Composer	\$	40,000.00
Upgrade Digital Rapids Streaming System	\$	5,000.00

Broadcast /Sun Sports Video facility

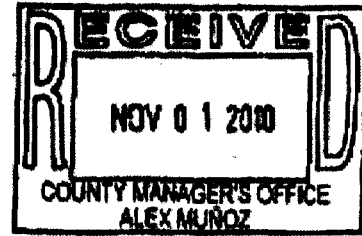
Purchase HD XDCam Recorder	\$	18,000.00
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ARENA FACILITY IMPROVEMENTS

Relocate Dewar's Club AV System Electronics and wireless control	\$	5,000.00
New Arena Podium	\$	3,000.00
Relocation of existing JBT boxes to better used locations, Event Floor Areas	\$	10,000.00
Press Level Elevator Landing Welcome Signage and Decorations	\$	5,000.00

Totals

\$ 281,500.00



October 28, 2010

Mr. Alex Munoz
Miami Dade County
Assistant County Manager
111 NW 1st Street
Miami, FL 33128

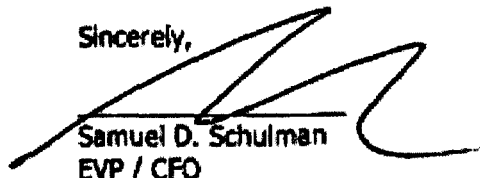
Dear Mr. Munoz:

Enclosed, please find the following:

1. Basketball Properties Limited "Accountants Compliance Letter 6/30/10" - In accordance with Management Agreement Section 5.11.2.2
2. Basketball Properties Limited "Audited Financial Statements 6/30/10"- In accordance with Management Agreement Section 5.11.2
3. Basketball Properties Limited "Schedules of Management Agreement Computations 6/30/10" - In accordance with Management Agreement Section 5.11.2

If you should have any further questions, please do not hesitate to let me know.

Sincerely,


Samuel D. Schulman
EVP / CFO

CC E. Woolworth
J. Morris
R. Libman

RECEIVED
DIRECTOR'S OFFICE

11/4
Weedi:
Do we need to respond this?
Can you pls. have someone review and respond.
Alex M.



cc: GB



PricewaterhouseCoopers LLP
1441 Brickell Avenue
Suite 1100
Miami FL 33131
Telephone (305) 375 7400
Facsimile (305) 375 6221

Report of Independent Certified Public Accountants

To Partners and Management of
Basketball Properties, Ltd.:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Basketball Properties, Ltd. (the "Partnership") as of June 30, 2010 and the related consolidated statement of operations, changes in partners' equity, and cash flows for the year then ended, and have issued our report thereon dated October 26, 2010.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of Sections 5.1 to 5.6 of the Maritime Park Arena Management Agreement dated April 29, 1997, as amended by Composite Amendment 1 and Composite Amendment 2, with Metropolitan Miami-Dade County insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the board of directors and management of Partnership and Metropolitan Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.

Pricewaterhouse Coopers LLP
October 26, 2010

**Basketball Properties, Ltd.
and Subsidiary**
Consolidated Financial Statements
June 30, 2010 and 2009

Basketball Properties, Ltd.

Index

June 30, 2010 and 2009

	Page(s)
Report of Independent Certified Public Accountants	1
Consolidated Financial Statements	
Balance Sheets	2
Statements of Income	3
Statements of Changes in Partners' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14

PricewaterhouseCoopers LLP
1441 Brickell Avenue
Suite 1100
Miami FL 33131
Telephone (305) 375 7400
Facsimile (305) 375 6221

Report of Independent Certified Public Accountants

To the Partners of
Basketball Properties, Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in partners' equity and of cash flows present fairly, in all material respects, the financial position of Basketball Properties, Ltd. and its subsidiary (the "Partnership") at June 30, 2010 and 2009, and the results of their income and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
October 26, 2010

Basketball Properties, Ltd.
Consolidated Balance Sheets
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 1,860,907	\$ 3,252,494
Restricted cash and cash equivalents	4,904,274	2,500,785
Accounts receivable, net of allowance of \$14,560 in 2009	696,558	667,123
Prepaid expenses	1,405,293	1,472,087
Total current assets	<u>8,669,032</u>	<u>7,892,489</u>
Due from partner	1,000	1,000
Due from Miami Heat Limited Partnership for Team Loan	21,953,104	21,584,449
Due from Miami Heat Limited Partnership for CUFP Loan	5,000,000	5,000,000
Advances to Miami Heat Limited Partnership	29,411,719	23,016,204
Debt issuance costs, net of accumulated amortization of \$10,374,501 and \$9,734,110, respectively	6,182,404	6,822,795
Capitalized management rights, net	141,677,765	143,009,442
Property and equipment, net	5,146,103	4,793,844
	<u>\$ 218,041,127</u>	<u>\$ 212,120,223</u>
Liabilities and Partners' Equity		
Accounts payable and accrued expenses	\$ 2,461,507	\$ 1,226,941
Accrued interest payable	739,650	767,835
Security deposits	206,667	784,583
Unearned revenue	9,291,768	10,053,503
Obligations under capital lease	1,466,769	260,274
Notes payable, net of discount	5,331,270	4,978,555
Due to related parties	6,818,728	6,818,728
Total current liabilities	<u>26,316,359</u>	<u>24,892,419</u>
Security deposits	2,226,083	1,994,167
Unearned revenue	3,272,749	3,455,081
Obligations under capital lease	8,534,554	730,768
Notes payable, net of discount	125,264,784	130,597,054
Commitments and contingencies		
Partners' equity	<u>52,426,598</u>	<u>50,450,714</u>
	<u>\$ 218,041,127</u>	<u>\$ 212,120,223</u>

The accompanying notes are an integral part of these consolidated financial statements.

Basketball Properties, Ltd.
Consolidated Statements of Income
Years Ended June 30, 2010 and 2009

	2010	2009
Revenues		
Suite and premium seating sales	\$ 20,485,738	\$ 21,998,224
Concessions	4,337,424	3,875,562
Rental income and license fees	3,869,695	3,416,693
Arena naming rights	2,100,000	2,100,000
Corporate partners	5,332,132	4,260,153
Event services	8,523,426	6,955,131
Other	784,606	785,098
	<u>45,433,021</u>	<u>43,390,859</u>
Costs and expenses		
Operating expenses	8,052,399	8,167,832
General and administrative operations	9,452,761	9,460,415
County reimbursements	<u>(6,400,000)</u>	<u>(6,400,000)</u>
	11,105,160	11,228,047
Event related expenses	10,157,347	7,991,888
Marketing and sales	1,527,207	1,796,315
Depreciation and amortization	<u>11,971,090</u>	<u>10,907,704</u>
	<u>34,760,804</u>	<u>31,923,955</u>
	10,672,217	11,466,904
Income from operations		
Other income (expenses)		
Interest income	1,408,742	1,458,033
Interest expense	(10,297,238)	(10,077,216)
Other income (expenses)	<u>192,163</u>	<u>(50,127)</u>
Net income	<u>\$ 1,975,884</u>	<u>\$ 2,797,594</u>

The accompanying notes are an integral part of these consolidated financial statements.

Basketball Properties, Ltd.
Consolidated Statements of Changes in Partners' Equity
Years Ended June 30, 2010 and 2009

	<u>General Partner</u>		<u>Limited Partner</u>		<u>Total</u>		<u>Total</u>
	<u>Contributed</u>	<u>Accumulated Deficit</u>	<u>Contributed</u>	<u>Accumulated Deficit</u>	<u>Contributed</u>	<u>Accumulated Deficit</u>	
Balance at June 30, 2008	\$ 1,000	\$ -	\$ 83,932,330	\$ (36,280,210)	\$ 83,933,330	\$ (36,280,210)	\$ 47,653,120
Net income	-	-	-	2,797,594	-	2,797,594	2,797,594
Balance at June 30, 2009	1,000	-	83,932,330	(33,482,616)	83,933,330	(33,482,616)	50,450,714
Net income	-	-	-	1,975,884	-	1,975,884	1,975,884
Balance at June 30, 2010	\$ 1,000	\$ -	\$ 83,932,330	\$ (31,506,732)	\$ 83,933,330	\$ (31,506,732)	\$ 52,426,598

The accompanying notes are an integral part of these consolidated financial statements.

Basketball Properties, Ltd.
Consolidated Statements of Cash Flows
June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income	\$ 1,975,884	\$ 2,797,594
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of debt issuance costs and note discount	713,690	740,118
Depreciation and amortization	11,971,090	10,907,704
Bad debt benefit	-	(14,560)
Gain on sale of equipment	(274,940)	-
Interest income on advances to Miami Heat Limited Partnership	(1,401,039)	(1,378,051)
(Increase) decrease in		
Accounts receivable, net	(31,435)	44,187
Prepaid expenses	66,794	(635,291)
Increase (decrease) in		
Accounts payable and accrued expenses	1,232,566	(937,673)
Accrued interest payable	(28,185)	(26,386)
Unearned revenue	(944,067)	2,511,911
Security deposits	(346,000)	(136,500)
Net cash provided by operating activities	<u>12,934,358</u>	<u>13,673,073</u>
Cash flows from investing activities		
Additions to capitalized management rights	(1,137,196)	(1,869,615)
Purchases of property, plant and equipment	(739,568)	(367,516)
Net receipts on Team Loan	1,032,384	1,032,383
Proceeds from sale of equipment	274,940	-
Net cash used in investing activities	<u>(569,440)</u>	<u>(1,204,748)</u>
Cash flows from financing activities		
Advances to Miami Heat Limited Partnership, net	(6,395,515)	(7,945,353)
Payments on capital lease obligation	(989,883)	(268,113)
Payments on notes payable	(5,052,854)	(4,726,578)
(Increase) decrease in restricted cash and cash equivalents	(1,518,453)	1,341,506
Net cash used in financing activities	<u>(13,956,505)</u>	<u>(11,598,538)</u>
Net (decrease) increase in cash and cash equivalents	(1,591,587)	1,069,787
Cash and cash equivalents		
Beginning of year	<u>3,252,494</u>	<u>2,182,707</u>
End of year	<u>\$ 1,660,907</u>	<u>\$ 3,252,494</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 10,325,423</u>	<u>\$ 10,103,582</u>

Non-cash investing activities

During the year ended June 30, 2010, the Partnership acquired property and equipment totaling approximately \$9,115,000 through capital lease arrangements. An additional \$885,000 in restricted cash was also received through this capital lease arrangement, to be used for the purchase of additional assets subject to the lease.

During the year ended June 30, 2010, the Partnership wrote off fully depreciated capitalized management rights totaling approximately \$6,625,000 related to visual equipment and security command center renovations.

The accompanying notes are an integral part of these consolidated financial statements.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

Basketball Properties, Ltd. (the "Partnership") was formed on June 3, 1996 by and between Basketball Properties, Inc. ("BPI"), general partner, and Miami Heat Limited Partnership ("MHLP"), limited partner, for the purpose of developing, constructing and managing the American Airlines Arena (the "Arena") in downtown Miami under a Development Agreement and a Management Agreement (the "Agreements") with Miami-Dade County (the "County"). BPI holds a 1% general partnership interest and MHLP holds a 99% limited partnership interest in the Partnership. The Management Agreement has an initial term of 30 years commencing December 31, 1999 and two successive options to extend the term, for a total of 40 years.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiary, BPL II, Inc. ("BPL II"). All significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, and investments with original maturities of ninety days or less.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts deposited in money market accounts restricted primarily for payments on notes payable, capital leases, and cash collected on advance event services.

Debt Issuance Costs and Debt Discount

Debt issuance costs and debt discount are amortized using the effective interest method over terms of the respective notes payable, which are 7 and 27 years.

Capitalized Management Rights and County Reimbursements

Under the Agreements, the County owns the Arena and the Arena site. The Partnership was required to build the Arena on behalf of the County and to manage and operate the Arena in a manner that maximizes Arena Net Cash Flow, as defined in the Agreements, of which the first \$14,000,000 annually will be paid to the Partnership. Any amount in excess of \$14,000,000 annually will be shared 60% by the Partnership and 40% by the County. MHLP has guaranteed obligations of the Partnership to the County arising under the Agreements, subject to NBA restrictions. For the years ended June 30, 2010 and 2009, Arena Net Cash Flow did not exceed \$14,000,000, and as such no payments were required by the Partnership to the County under the terms of the Agreements.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Under terms of the Agreements, the County is required to pay annually to the Partnership, to the extent the Partnership has incurred operating expenses equal to or greater than such amounts, an operating cost payment of approximately \$3,000,000 and a municipal services payment of approximately \$3,500,000 for the first twenty nine years and \$1,500,000, combined, for the thirtieth year of the Agreements, which are subject to certain limitations as described in the Agreements. The operating cost and municipal services payment are subject to reduction for naming rights collected in excess of \$2,000,000 during each fiscal year. Naming rights were \$2,100,000 for the years ended June 30, 2010 and 2009. For each of the years ended June 30, 2010 and 2009, \$6,400,000 was recorded as an offset to operating expenses and general and administrative operating expenses in the accompanying Consolidated Statements of Income.

All costs related to the design, development and construction of the Arena were capitalized and are amortized on a straight-line basis over the initial term of 30 years commencing December 31, 1999. Costs representing building improvements, equipment and furniture that have lives less than 30 years are amortized using the straight-line method over their estimated useful lives, which are consistent with estimated useful lives disclosed below for Property and Equipment. These costs are recorded as capitalized management rights in the accompanying Consolidated Balance Sheets. Amortization of these costs is recorded as depreciation and amortization in the accompanying Consolidated Statements of Income.

Significant arena refurbishing costs are capitalized as additions to the capitalized management rights, while costs for repairs and maintenance are expensed as incurred. The Partnership capitalizes interest on capitalized management rights and other capital projects during the construction period using rates equivalent to the Partnership's average borrowing rate. There was no interest capitalized during the years ended June 30, 2010 and 2009.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of the assets as follows:

	Years
Building, improvements and fixtures	10-30
Equipment	3-7
Furniture	7

Long-Lived Assets

The Partnership reviews long-lived assets and reserves for impairment whenever events or changes in circumstances indicate that, based on estimated future cash flows, the carrying amount of assets may not be recoverable.

Revenue Recognition

Revenues are generated from leasing suites and premium seating, the providing of services, sale of products and advertising in the Arena, and rental and licensing fees for use of the Arena. Advanced payments for suite and premium seating and advertising and arena naming rights are deferred when received and recognized as revenue ratably over either the NBA basketball season or the fiscal year. All other revenue amounts are recorded in the period when services are delivered or products are sold.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Event Services

Event services revenues primarily include catering, parking, merchandise and seat ticket sales and are recorded when services are delivered or products are sold. Event related expenses primarily include security, catering, direct event advertising and event contract-related fees and are expensed in the period in which incurred.

Advertising

The Partnership expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2010 and 2009 was approximately \$1,527,000 and \$1,796,000, respectively.

Income Taxes

Under provisions of the U.S. Internal Revenue Code and applicable state tax laws, the Partnership is not subject to taxation. The tax consequences of Partnership profits and losses accrue to the partners. Accordingly, no provision for income taxes is reflected in these financial statements.

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the fiscal year 2010 presentation.

Subsequent Events

We evaluated subsequent events through October 26, 2010, the date these statements were issued. There were no material subsequent events to report.

2. Capitalized Management Rights and Property and Equipment

Capitalized management rights and property and equipment consist of the following at June 30, 2010 and 2009:

	<u>2010</u>		<u>2009</u>	
	Capitalized Management Rights	Property and Equipment	Capitalized Management Rights	Property and Equipment
Buildings, improvements and fixtures	\$ 212,804,802	\$ 2,655,148	\$ 217,886,784	\$ 2,447,311
Equipment	13,085,445	20,593,658	4,378,465	20,061,928
Furniture	<u>2,258,642</u>	<u>1,019,158</u>	<u>2,258,642</u>	<u>1,019,157</u>
	228,148,889	24,267,964	224,521,891	23,528,396
Accumulated depreciation and amortization	<u>(86,471,124)</u>	<u>(19,121,861)</u>	<u>(81,512,449)</u>	<u>(18,734,552)</u>
	<u>\$ 141,677,765</u>	<u>\$ 5,146,103</u>	<u>\$ 143,009,442</u>	<u>\$ 4,793,844</u>

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Capitalized management rights are recorded net of proceeds of \$26,281,000 relating to Florida Sales Tax Revenue Bonds (Note 5).

During the year ended June 30, 2010, the Partnership acquired approximately \$9,115,000 in capitalized management rights relating to visual equipment and security command center renovations through capital lease arrangements. Approximately \$6,826,000 in fully depreciated management rights were disposed of during the renovation process.

3. Notes Payable

Notes payable consist of the following:

	2010	2009
6.65% Senior Term Notes due 2025, net of unamortized discount of \$609,203 and \$682,502, respectively	\$ 91,930,120	\$ 95,434,752
6.80% Senior Term Notes due 2025	<u>38,665,934</u>	<u>40,140,857</u>
Total debt	130,596,054	135,575,609
Less: Current maturities	<u>(5,331,270)</u>	<u>(4,978,555)</u>
	<u>\$ 125,264,784</u>	<u>\$ 130,597,054</u>

On May 20, 1998, the Partnership issued \$120,200,000 of 6.65% Senior Term Notes due 2025 ("Series A-1"), \$50,000,000 of 6.80% Senior Term Notes due 2025 ("Series A-2") and \$14,697,000 of 6.21% Senior Notes due 2006 ("Series B" and together with the Series A-1 and Series A-2, the "Notes" and the "Offering"). Proceeds from the Offering were \$167,591,000, net of issuance costs of \$15,657,000 and discount of \$1,649,000. Net proceeds of the Offering were restricted to provide a portion of the financing for construction of the Arena, to fund certain operating expenses and working capital needs of MHLP, and to refinance and finance MHLP's obligations to its head coach. The principal and interest on Series A-1 and Series A-2 are payable on the first day of each calendar month with amortization of principal through mandatory sinking fund redemptions. The Series B Notes were paid in full on July 1, 2006.

The Notes are subject to redemption at any time, in whole or in part, at the option of the Partnership. The Notes are redeemable at par plus accrued interest and yield maintenance. Also, with certain limitations and under default provisions of the Notes, and at the election of two-thirds of the holders, the Notes will be subject to mandatory redemption at 100% of the principal amount to be repaid plus interest. The Partnership and MHLP, until the guaranty release date of MHLP, are subject to certain restrictive covenants including maintenance of minimum coverage ratios, restrictions on indebtedness, change of control, transfer of partnership interests and distributions to partners. Other than the matters described below, the Partnership was in compliance with all covenants required under the Indenture.

During the years ended June 30, 2006 and 2008, the Partnership did not satisfy a financial ratio covenant set forth in the Notes indenture (the "Indenture"), which historically has been waived by the insurer of the Notes (the "Note Insurer"). Additionally, the Partnership and the Note Insurer are in disagreement regarding certain insurance coverages required under the Indenture. Although there is no expectation that it will do so, the Note Insurer has the ability under the Indenture to issue a notice declaring this matter to be an event of default and to demand payment in full on the Notes.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

As of October 26, 2010, the Partnership is a party to an agreement with a related party pursuant to which that party commits to provide alternative financing through June 30, 2011, in the event that the Note Insurer should demand payment of the Notes before that date. The terms and interest rates of any such alternative financing would be of similar terms and conditions than those under the Notes. Accordingly, the contractual payments due beyond one year continue to be classified as long-term obligations in the Consolidated Balance Sheets.

Unamortized debt issue costs related to the Notes are approximately \$6,182,000 as of June 30, 2010. If the Notes are refinanced in a transaction required to be accounted for as an extinguishment, unamortized debt issue costs would be required to be expensed.

The Notes are unconditionally guaranteed by MHLP subject to termination upon satisfaction of certain performance tests. The Notes are collateralized by a pledge of certain assets of MHLP including the NBA franchise, subject to NBA restrictions and in an amount not to exceed \$60 million. Scheduled principal and interest payments on the Notes are insured by a policy issued concurrently with delivery of the Notes.

Aggregate principal maturities of notes payable at June 30, 2010 are as follows:

Fiscal Year	Amount
2011	5,401,654
2012	5,517,011
2013	6,173,159
2014	6,599,304
2015	7,054,869
Thereafter	<u>100,459,260</u>
	131,205,257
Less discount	<u>(609,203)</u>
	<u>130,596,054</u>

4. Obligations Under Capital Leases

The Partnership leases certain equipment used in the Arena, which is required to be capitalized in accordance with Accounting Standards Codification (ASC) 810, *Accounting for Leases*. This guidance requires the capitalization of leases meeting certain criteria, with the related asset being recorded in property and equipment and an offsetting amount being recorded as a liability. During the year ended June 30, 2010, the Partnership acquired visual equipment through capital leases which resulted in approximately \$10,000,000 in additional capital lease obligations. As of June 30, 2010 and June 30, 2009, the net book value of assets acquired through capital leases was approximately \$9,115,000 and \$1,091,000, respectively. MHLP and the Partnership had approximately \$10,001,000 in total indebtedness related to capitalized leases as of June 30, 2010, \$8,535,000 of which is considered to be long term.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

The following table summarizes the Partnership's minimum payments under capital leases as of June 30, 2010:

Fiscal Year	Amount
2011	2,162,908
2012	2,162,908
2013	1,910,731
2014	1,826,537
2015	1,826,537
Thereafter	<u>2,508,728</u>
	12,396,349
Less: Amounts representing interest	<u>(2,395,026)</u>
Present value of minimum lease payments	10,001,323
Less: Current portion of obligations under capital leases	<u>(1,466,769)</u>
Long-term portion of obligations under capital lease	<u>8,534,554</u>

5. Related Party Transactions

BP Finance, Inc.

BP Finance, Inc., a special purpose entity wholly-owned by BPI, issued \$26,281,000 of Florida Sales Tax Revenue Bonds collateralized by pledged sales tax receipts to be provided by the State of Florida for a period of thirty years. The Partnership has no obligation to pay debt service on these bonds. The bonds were issued to finance a portion of the construction costs of the Arena and the proceeds recorded as a reduction of capitalized management rights.

Due from Miami Heat Limited Partnership for Team Loan

In prior years, in accordance with requirements of the Offering, the Partnership advanced certain amounts to MHLP for operating needs ("Team Loan"). Advances related to the Team Loan are charged interest at the rates stated on the Series A-1 notes (6.65%). MHLP made principal payments to the Partnership of \$1,032,000 related to the Team Loan during 2010 and 2009, respectively. The Team Loan is due on March 1, 2025.

Due from Miami Heat Limited Partnership for CUFFP Loan

During fiscal year 1999, in accordance with requirements of the Offering, the Partnership made available to MHLP a \$5,000,000 credit facility for team operating expenses referred to as the CUFFP Loan. The CUFFP Loan is due March 20, 2028 without interest.

Due to Related Parties

During fiscal year 2000, Calor Development, Inc., ("Calor") a related entity established to develop enterprises around the Arena, advanced the Partnership \$6,973,000 to fund construction of certain buildings and equipment covered under the Agreements. The advances have no stated repayment terms and do not accrue interest. As of June 30, 2010 and 2009, approximately \$6,818,000 of net advances from Calor (which was acquired by MHLP LLC, a wholly owned subsidiary of MHLP on December 31, 2002) remain outstanding.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Advances from Miami Heat Limited Partnership

In prior years, MHLP provided the Partnership with funding for construction and operation of the Arena. Cash advances received prior to July 1, 2000, totaling \$52,879,000, were converted into partners' capital during fiscal year 2001. Advances remaining after the conversion to partners' capital have no stated repayment terms and do not accrue interest.

Other than cash advances received from MHLP, amounts outstanding at June 30, 2010 and 2009 arise from the allocation of certain administrative costs to the Partnership. These cash advances and allocated costs are offset by certain amounts owed by MHLP to the Partnership related to i) deposits on suites, other premium seating and advertising and ii) the license agreement use fee.

During fiscal years 2010 and 2009, the Partnership recorded the following revenue (expenses) from transactions with MHLP:

	2010	2009
Premium seat revenues	\$ 390,870	\$ 457,000
Use fees	1,500,000	1,705,000
Net allocation of administrative costs	(140,000)	(140,000)
Interest income	1,401,039	1,378,000

6. License Agreements

The Partnership, MHLP and the County entered into a Team License Agreement ("Team License") whereby MHLP agreed to have the Miami Heat play its home games in the Arena. The Team License has an initial term of 30 years commencing on December 31, 1999 and two successive options to extend the term, for a total of 40 years. MHLP is obligated to pay the Partnership a use fee equal to the greater of \$1,500,000 for a full NBA basketball season or five percent of the net proceeds received by MHLP from ticket sales, after deducting applicable taxes and certain other charges. The use fee for the years ended June 30, 2010 and 2009 were \$1,500,000 and \$1,705,000, respectively.

During the year ended June 30, 2010, the Partnership extended its agreement with a ticket sales and distribution company to grant exclusive ticket distribution rights from January 1, 2010 through July 31, 2012, with automatic renewals for successive three year periods.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

The Partnership has entered into certain noncancelable license agreements to provide suite and premium seating for three to ten year terms. In connection with these agreements, licensees are granted access to all Arena events during the license term. The Partnership recognized approximately \$20,486,000 and \$21,996,000 under these agreements as Suite and premium sales during the years ended June 30, 2010 and 2009, respectively. Contractual revenues to be received under these agreements are as follows:

Fiscal Year

2011	\$ 24,181,350
2012	22,004,846
2013	16,058,954
2014	7,886,449
2015	6,567,082
Thereafter	<u>13,624,629</u>
	<u>\$ 90,323,310</u>

7. Arena Naming Rights

On December 16, 1997, the Partnership entered into a Naming Rights Agreement ("NRA") with a third party for naming rights to the Arena and other advertising and promotional services. The NRA has a term of twenty years and requires an annual payment of \$2,100,000, which was recorded as revenue during each of the years ended June 30, 2010 and 2009.

8. Partnership Agreement

Subject to terms of the Partnership Agreement, the general partner shall have full, exclusive and complete discretion in the management and control of the Partnership, shall make all decisions affecting Partnership affairs, and shall have all of the rights, powers and obligations of a general partner of a limited partnership as provided by law.

Losses of the Partnership shall be allocated among the partners as follows: first to the extent of the aggregate positive capital account balances of the partners as of the end of the period, pro rata to the partners in accordance with each partner's positive capital account balance, second to the general partner. Nonrecourse deductions shall be allocated among the partners pro-rata even if such allocation results in a negative capital account balance. Profits of the partnership shall be allocated as follows: first to the general partner to the extent of losses allocated during the term of the partnership, second to the partners pro rata to the extent of the losses allocated to each partner during the term of the partnership and third pro rata to the partners in accordance with their respective partnership interests, subject to restrictions set forth in the Offering.

9. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, restricted cash and cash equivalents, receivables and payables – The carrying amount approximates fair value because of the short maturity of those instruments.

Basketball Properties, Ltd.
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Due from Miami Heat Limited Partnership for Team Loan and CUFP Loan, Advances from Miami Heat Limited Partnership, and Due to related parties – The Partnership believes that it is not practicable to estimate a fair value of these instruments as they do not contain specified repayment terms and are repaid based on the operating cash flows of the related entities.

Notes payable -- The carrying value of the Notes is approximately \$24,783,000 lower than its fair value at June 30, 2010 and approximately \$12,998,000 lower than its fair value at June 30, 2009. Fair value was estimated based on rates available to the Partnership for financial instruments with similar terms and maturities.

10. Commitments and Contingencies

During fiscal year 2000, BPL II was created to purchase certain equipment and lease this equipment to the Partnership. BPL II purchased approximately \$19,800,000 of equipment during 2000. As a result of the structure of the transaction, the Partnership may be liable for certain taxes based on the value of this equipment. No amounts have been recorded in the accompanying financial statements for such tax contingency.

The Partnership is involved in various matters of litigation which arise in the normal course of business. Management believes that any liabilities arising from such litigation will not have a material adverse effect on the financial position or results of operations of the Partnership.

The Partnership has commitments under noncancelable operating leases. Rental expense for the years ended June 30, 2010 and 2009, and future operating lease payments at June 30, 2009 are not significant.

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Basketball Properties, Ltd.
Schedules of Management Agreement
Computations
June 30, 2010

Basketball Properties, Ltd.
Schedules of Management Agreement Computations
Index
June 30, 2010

	Page(s)
Report of Independent Certified Public Accountants	1
Schedules of Management Agreement Computations	
Schedule of Arena Revenue.....	2
Schedule of Arena Operating Expenses.....	3
Schedule of Arena Net Cash Flow.....	4
Schedule of Arena Excess Net Cash Flow.....	5
Schedule of Arena Distributable Net Cash Flow.....	6
Schedule of Arena Guaranteed Debt Service Payments.....	6
Schedule of Management Fee Payments.....	7
Schedule of Arena Capital Replacement Reserve Payments.....	7
Schedule of Division and Distribution of Arena Distributable Net Cash Flow.....	7

PricewaterhouseCoopers LLP
1441 Brickell Avenue
Suite 1100
Miami FL 33131
Telephone (305) 375 7400
Facsimile (305) 375 6221

Report of Independent Certified Public Accountants

To the Partners of
Basketball Properties, Ltd.

We have audited the accompanying schedules (the "Schedules") of Basketball Properties, Ltd. for the year ended June 30, 2010. The Schedules are defined under Section 5 of the Maritime Park Arena Management Agreement dated April 28, 1997, as amended by Composite Amendment 1 and Composite Amendment 2 (the "Management Agreement"), between Basketball Properties, Ltd. (the "Manager") and Miami-Dade County. The Schedules are the responsibility of the Manager's management. Our responsibility is to express an opinion on the Schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the Schedules' overall presentation. We believe that our audit provides a reasonable basis for our opinion.

The Schedules were prepared for the purpose of complying with Section 5.11.2.1 of the Management Agreement and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedules referred to above present fairly, in all material respects, the arena revenue, arena operating expenses, arena net cash flow, arena excess net cash flow, arena distributable net cash flow, arena guaranteed debt service payments, management fee payments, arena capital replacement reserve payments and division and distribution of arena distributable net cash flow of the Manager for the year ended June 30, 2010, as defined in the Management Agreement.

This report is intended solely for the information and use of Basketball Properties, Ltd. and Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP
October 26, 2010

Basketball Properties, Ltd.
Schedule of Arena Revenue
Year Ended June 30, 2010

Arena Revenue, as defined in the Management Agreement

Suites, premium seating, and personal seat licenses	\$ 21,456,621
Naming rights (i)	2,100,000
Event and non-event rental plus reimbursables	7,767,278
Retail rental	872,187
Soft concessions	4,337,424
Hard concessions	1,057,103
Permanent and temporary advertising	5,479,735
Miami Heat use fees	1,500,000
State sales tax rebate (ii)	2,121,349
Other income	926,215
Arena revenue	\$ 47,617,924

- (i) Naming rights are recognized as revenue over the contract period of 20 years on a straight-line basis commencing on the Operations Start Date of December 31, 1999.
- (ii) Includes State Sales Tax Rebate corresponding to fiscal years 1998 and 1999 and to the period July 1, 1999 to December 31, 1999 recognized as revenue over the Management Agreement Contract period of 30 years on a straight-line basis, commencing on the Operations Start Date of December 31, 1999.

Basketball Properties, Ltd.
Schedule of Arena Operating Expenses
Year Ended June 30, 2010

Arena Operating Expenses, as defined in the Management Agreement

Training and compensation of arena personnel (i)	\$ 12,064,402
Arena supplies and non-capitalized equipment	1,193,687
Utilities and other services for the arena	8,075,910
Insurance and impositions	4,098,046
Repair, maintenance and restoration of the arena	111,277
Advertising for the arena	2,549,774
Marketing and promotion	188,410
Arena office supplies	40,429
Arena related travel, lodging and associated out of pocket expenses and arena related entertainment expenses	88,884
Convenience, box office, and credit card fees	363,657
Amortization of retail construction costs (ii)	445,858
General and administrative expenses	540,032
Accounting and attorneys' fees	544,218
Purchases of furniture, fixtures and equipment which are not paid out of the arena capital replacement reserve account	1,419,325
Equipment lease payments (iii)	1,717,831
All other expenses	385,399
Increase in arena working capital reserve (iv)	<u>649,153</u>
Arena operating expenses	<u>\$ 32,476,191</u>

- (i) Included in Training and compensation of arena personnel are expenses of \$ 6,142,653 and \$5,921,749 related to full time and part time employees, respectively.
- (ii) Represents the amortization over 30 years of construction costs for retail space in accordance with the Management Agreement section 4.11.1.
- (iii) Equipment lease payments include lease payments of \$1,483,717 for a lease of furniture, fixtures and equipment which was classified as a capital lease under generally accepted accounting principles in the United States of America. This lease was not paid from the Arena Capital Replacement Reserve.
- (iv) The Arena Working Capital Reserve represents three months of budgeted Arena Operating Expenses in accordance with section 5.1.1 of the Management Agreement.

Basketball Properties, Ltd.
Schedule of Arena Net Cash Flow
Year Ended June 30, 2010

Arena Net Cash Flow, as defined in the Management Agreement

Add: Arena Revenue	\$ 47,817,924
Municipal Service Payment	3,450,000 (i)
Operating Cost Payment	2,950,000 (ii)
Less: Arena Operating Expenses	<u>(32,476,191)</u>
Arena Net Cash Flow	<u>\$ 21,541,733</u>

- (i) Municipal Service Payment is the payment of \$3.5 million per year towards Arena Municipal Services or other Arena Operating Expenses made by the County to the Manager as provided in Section 5.6.2 of the Management Agreement. This amount is net of \$50,000 per year, which represents 50% of the Naming Rights in excess of \$2 million per year per section 4.5 of the Management Agreement. Naming Rights collected during the year ended June 30, 2010 were \$2.1 million.
- (ii) Operating Cost Payment is the payment of \$3 million per year toward operating expenses made by the County to the Manager as provided in Section 5.6.1 of the Management Agreement. This amount is net of \$50,000 per year, which represents 50% of the Naming Rights in excess of \$2 million per year per section 4.5 of the Management Agreement. Naming Rights collected during the year ended June 30, 2010 were \$2.1 million.

Basketball Properties, Ltd.
Schedule of Arena Excess Net Cash Flow
Year Ended June 30, 2010

Arena Excess Net Cash Flow, as defined in the Management Agreement

Add: Arena Net Cash Flow	\$ 21,541,733	
Less: Arena Cost Amortization	(14,504,706)	(i)
Arena Capital Replacement Reserve Payment		(ii)
Management Fee Payment		(iii)
Arena Excess Net Cash Flow	<u>\$ 7,037,027</u>	

- (i) Management Agreement section 5.1.2.2 defines Arena Cost Amortization as the amount necessary to fully amortize the Adjusted Arena Cost in equal monthly installments over the Arena Costs Amortization Period, at the Amortization Interest Rate. The Adjusted Arena Costs exclude costs in the amount of \$19.8 million of property and equipment purchased by BPL II, Inc., a wholly-owned subsidiary of the Manager. The Manager entered into contracts for the leasing of these assets from BPL II, Inc. over a maximum period of seven years. Lease payments of \$1,717,831 for the year ended June 30, 2010 were recorded as Arena Operating Expenses.
- (ii) The Arena Capital Replacement Reserve Account is to be funded commencing with the second full year of operations (\$1,010,663 for the tenth full Fiscal Year after Operations Start Date and increasing annually thereafter), as provided in Management Agreement section 5.1.3. During the year ended June 30, 2010, the Manager did not fund the reserve account, as the Manager directly funded arena capital expenditures. See further discussion in the Schedule of Arena Capital Replacement Reserve Payments.
- (iii) Management Agreement section 5.1.4 states that the Manager will make a Management Fee Payment to its own account in the amount of \$300,000. The Management Fee Payment is to increase in future years commencing in 2020. Management Agreement section 5.2 provides that if one or more Manager's Loans are outstanding, the obligation to make the current Management Fee Payment is to be carried forward to future periods. During the year ended June 30, 2010, the Manager did not receive a management fee payment as there were outstanding Manager Loans.

Basketball Properties, Ltd.
Schedules of Arena Distributable Net Cash Flow and Arena Guaranteed Debt
Service Payments
Year Ended June 30, 2010

Arena Distributable Net Cash Flow, as defined in the Management Agreement

Add: Arena Excess Net Cash Flow	\$ 7,037,027
Less: Deductions	(2,437,349) (i)
Repayments of principal on outstanding Manager Loans	<u>(4,599,678) (i)</u>
Arena Distributable Net Cash Flow	<u>\$ -</u>

(i) Arena Distributable Net Cash Flow is defined in the Management Agreement as Arena Excess Net Cash Flow adjusted for deductions and payments authorized by sections 5.2 and 5.3 of the Management Agreement with respect to the Manager's loans and unpaid Management Fees, if any. Section 5.2.1 of the Management Agreement requires that a Manager's loan made and still outstanding in whole or in part accrues interest at the prime rate from the date the loan is made. The Manager has chosen to use the prime rate of the Federal Reserve Bank in lieu of Capital Bank (which has been acquired by Regions Bank). A reduction of \$ 2,437,349 represents interest accrued during fiscal year 2010 on outstanding Manager's loans and unpaid Management Fees (Arena Distributable Net Cash Flows is to be distributed to the Manager and the County as defined in Section 5.4 of the Management Agreement after all payments required by Sections 5.1 to 5.3 have been satisfied; all outstanding Managers' loans, Management Fees and cumulative accrued interest must be satisfied prior to any distribution of Arena Distributable Net Cash Flow). A reduction of \$ 4,599,678 represents payments of principal on the Manager's loans - the following table shows the allocation:

	June 30, 2009	Additions	Reductions	June 30, 2010
Manager loans	\$ 28,164,345	\$ -	\$ (4,599,678)	\$ 23,564,667
Unpaid management fees	2,375,000	300,000	-	2,675,000
Accrued interest on management fees	144,983	-	-	144,983
	<u>\$ 30,684,328</u>	<u>\$ 300,000</u>	<u>\$ (4,599,678)</u>	<u>\$ 26,384,650</u>

Arena Guaranteed Debt Service Payments (i)

Principal	\$ 6,939,235
Interest	<u>9,450,581</u>
Arena Guaranteed Debt Service Payments	<u>\$ 15,389,816</u> •

(i) As provided in Management Agreement section 5.1.2.1, monthly, beginning at such time as is required under instruments executed by the Manager evidencing the Arena Debt, the Manager will make the Arena Guaranteed Debt Service Payments to the lenders in such amounts as are necessary to pay the Arena Debt in accordance with its terms. All such payments were made for fiscal year 2010.

**Basketball Properties, Ltd.
Schedules of Management Fee Payments, Arena Capital Replacement Reserve
Payments, and Division and Distribution of Arena Distributable Net Cash Flow
Year Ended June 30, 2010**

Management Fee Payments (i)

None in fiscal year 2010. There is an accrued and unpaid Management Fee of \$2,675,000 as of June 30, 2010. As provided in section 5.2.2 of the Management Agreement, the unpaid Management Fee for each year accrues interest commencing 120 days after the fiscal year for which it was earned at the prime rate until paid.

(i) As provided in section 5.1.4 of the Management Agreement, the Management Fee is \$300,000 commencing in the fiscal year ended June 30, 2010 for ten fiscal years and increases thereafter.

Arena Capital Replacement Reserve Payments (i)

(i) Section 5.5 of the Management Agreement requires the Manager to deposit the Arena Capital Replacement Reserve Payment in an interest bearing account at a financial institution selected by the Manager and approved by the County Representative. In lieu of making such deposit in the amount of \$1,010,638 which is then used to fund arena capital expenditures in accordance with Sections 5.1.3 and 5.5.1 of the Management Agreement, during the fiscal year ended June 30, 2010, the Manager directly funded the \$1,010,638 and an additional \$408,687 for total expenditures of \$1,419,325.

**Division and Distribution of Arena Distributable Net Cash Flow (section 5.4 of the
Management Agreement)**

None in fiscal year 2010.

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