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C O M P A N I E S



**Brooklyn Arena &
Office/Retail/Residential Development**

September 29, 2003

Table of Contents

- 1 Presentation
- 2 One Team Arena Proforma
- 3 One-Team/Two Team Tax Summary and Detail
- 4 UBS Municipal Finance Analysis
- 5 Housing/Office/Retail Cash Flow & Proformas
- 6 RIMS Analysis To Date
- 7 Condemnation Cost Summary
- 8 Parking Supply Analysis
- 9 Historical Office Development Rate in Downtown Brooklyn

The Development

Site Area

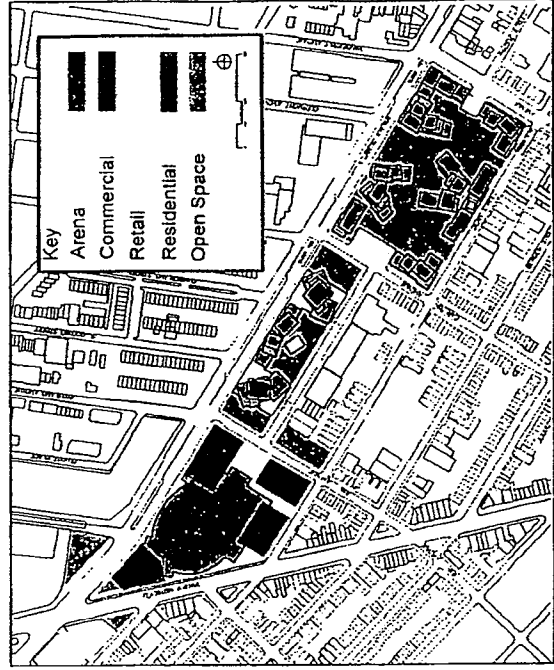
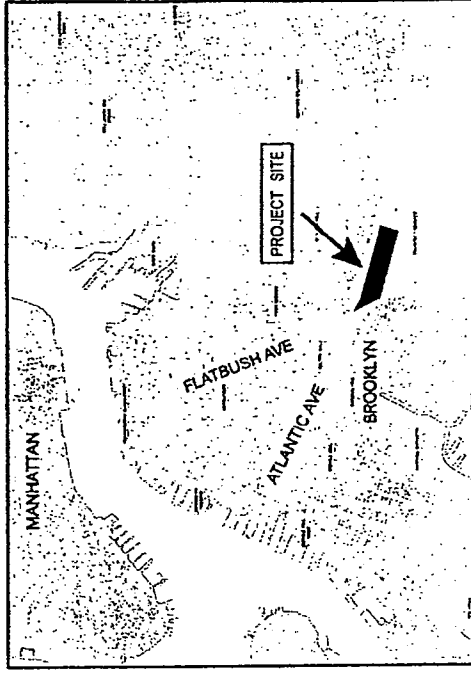
- 1.18 million SF, including streets

Arena

- 750,000 SF
 - 20,500 Seats
 - 125 to 150 Suites
 - 2,000 Club Seats

Mixed-Use Development

- 6.3 million square feet:
 - 2.5 MM SF of office
 - 3.5 MM SF of residential (4,000 Units)
 - 300k SF of retail
 - 6+ acres of publicly accessible open space
 - Built out over 10 years
- Total Real Estate Development Cost of \$2.0 billion**



The Goals

- Public Sector to realize significant profit net of equity contributions
- Acquire the Nets
- Relocate the Team to Brooklyn
- Construct a state of the art arena, designed by world-renowned architect Frank Gehry, primarily with new tax revenues generated by the arena and sports franchises
- Develop 6.3 million square feet of mixed-use projects to respond to New York City's housing shortage and business growth, thereby stimulating economic growth and generating a project return
- Allocate approximately 3.0 million square feet of the real estate development rights to the Nets' Investors as an inducement to ensure a reasonable IRR.

The Current State of Sports Franchises

- **Economics of Sports Teams Must Make Financial Sense**
 - **New attractive arena with improved revenue opportunities (e.g. suites, advertising, etc).**
 - **IRR driven (few vanity purchases)**
 - **Cost effective financing for arena and arena revenue goes to the teams**
- **Major Economic Obstacles in Moving to a New State**
 - **Loss of existing fan base and building a new fan base**
 - **Loss of attendance during arena development**
 - **Development risk and economic consequences**

The Risks

- Competition for and Timing of Team Acquisition
- The Arena Development Uncertainty and its status as a New Venue
 - Design and Construction of Arena in time to meet Relocation Needs
 - Condemnation and Relocation
 - EIS and other Public Processes
 - Litigation
 - Legislation for Financing
 - Infrastructure
 - Environmental Remediation
 - Relocation of LIRR Tracks
 - Community Response
- Market Absorption of Mixed Used Development

The Arena & Team

6

Arena Total Project Costs of \$430 MM

Project Budget

GROSS Square Feet: 750,000

1 Hard Costs:				
2 Trades	\$	366.67	\$	275,000,000
3 Insurance				12,400,000
4 General Conditions/CM Fee		12.00%		33,000,000
5 Permits	\$	0.60		450,000
6 Bonds		1.00%		2,750,000
7 Owner's Testing/Survey	\$	1.50		1,125,000
8 Development and Hard Cost Contingency				25,000,000
9 Total Hard Costs	\$			\$ 349,725,000
10 Soft Costs:				
11 A & E Base	\$			20,000,000
12 A & E - Consultants				5,000,000
13 A & E Reimbursables & Blueprinting				2,000,000
14 Architecture & Engineering	\$			27,000,000
15				
16 Legal	\$			3,000,000
17				
18				
19 ULURP/SEQRA/SEIS	\$			1,000,000
20 Project Expenses (1)				5,000,000
21 Other Costs	\$			6,000,000
22				
23 Total Soft Costs	\$			\$ 36,000,000
24				
25 Total Project Costs	\$			\$ 385,725,000

1 Financing Costs:				
2 Capitalized Interest (2)	\$			33,931,748
3 Reinvestment Income		2.00%		(6,437,828)
4 Cost of Issuance and Other Financing Fees				5,893,028
5 Debt Service Reserve				9,000,000
6 Title Insurance Fee				1,800,000
7 Total Financing Costs	\$			\$ 41,186,948

Total Project and Financing Costs	\$			\$ 426,911,948
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Notes

- 1 Includes Project Expenses, Bank Inspection, Pre-opening Expenses, Insurance (Environmental, Terrorism, Builders Risk), etc.
- 2 Assumes Tax Exempt Interest rate of 5.5% and Taxable Tranche interest rate of 7%.

Arena 100% Financed through City and State Sales Taxes and Arena Income

Sources (In \$000's)	Payment	Funded Amount ¹
Total City & State Payments Derived from Tax Revenue	\$18,000	\$268,213
Team Payment	\$10,000	\$125,256
Premium Seat Tax Recapture	3,000	\$37,577
Total Arena Payments	\$13,000	\$162,833 ²
Total Funding For Arena Construction	\$31,000	\$431,046
1. Per UBS municipal finance analysis dated September 23, 2003 2. 7% interest with 30 year amortization.		
Uses (In \$000's)		
Arena Construct Costs		\$429,912
Arena Funding Surplus/(Cap)		\$1,134

Public Sector to Realize \$3.1 MM/Year in Net Tax Revenue from the Arena

Sources (In \$000's)		30 Year
Tax Revenue	Annual Annuitized Tax Revenue ¹	Aggregate Taxes
Total Admissions Sales Tax	\$16,210	\$552,516
Total Concessions Sales Tax	\$3,217	\$109,351
Total Novelty Sales Tax	\$1,666	\$56,806
Total City & State Sales Tax	\$21,092	\$718,673
Uses (In \$000's)		
Tax Payments	Annual Lease Payments	30 Year Aggregate Payments
City Tax Payment	\$9,000	\$270,000
State Tax Payment	\$9,000	\$270,000
Total City & State Tax Payments	\$18,000	\$540,000
Tax Surplus/(Gap)	\$3,092	\$178,673
NPV at 5.5% (30 Years)		NPV at 5.5% (30 Years)
\$235,585		\$44,944
\$46,758		\$130,804
\$24,207		\$130,804
\$306,551		\$261,607

1. Net present value of tax payments at 5.5% annuitized at 5.5%

Investor IRR of 8.7% after Annual Arena Payment of \$13 million

	Projected											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$ in thousands												
\$200,000												
Net Equity Investment												
Revenue												
Rent from Ticket Sales (Non-premium)												
Suite Revenues												
Club/Floor Seat Revenues												
Concessions Revenues												
Novelties Revenues												
Other Revenue												
Total Revenue	\$5,506	26,785	55,802	\$6,114	\$6,442	\$6,787	\$7,083	\$7,393	\$7,717	\$8,042	\$8,368	\$8,692
Operating Expenses												
Payment to Arena Company												
Total Expense	28,655	5,270	5,458	5,648	5,847	6,053	6,266	6,486	6,715	6,944	7,172	7,401
Arena EBITDA	\$19,500	\$21,615	\$23,880	\$26,365	\$28,977	\$31,389	\$33,845	\$36,368	\$38,902	\$41,465	\$44,036	\$46,601
Net EBITDA												
Total EBITDA (Arena & Team)	(\$40,733)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)
Net Interest Expense												
Terminal Value (Equity Value of Team & Arena)												
Total Investment Cash Flow	(\$200,000)	(\$43,733)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)	(\$1,869)
Total Investment IRR												

Infrastructure, Condemnation & Parking

Infrastructure & Condemnation Costs of \$133 million

Arena Infrastructure & Condemnation Cost Estimate	
1. General Infrastructure (streets, sidewalks, street & traffic lighting, etc)	\$8,930,000
2. Sewer and Water Main Relocation	\$6,800,000
3. Facilitate Private Utility Relocation ¹	\$1,000,000
4. Re-activate existing below grade pedestrian walkway across Atlantic & Flatbush Avenue ²	\$5,000,000
11. Landscape and sitework for 6 acres of publicly accessible open space	\$6,000,000
12. Environmental Remediation	\$20,000,000
13. LIRR Track Relocation	\$25,000,000
14. Condemnation & Site Acquisition	\$60,000,000
Total	\$132,730,000

Notes:

¹ Public Utility Companies must relocate from condemned streets at their own expense

² 8900sf @ 2 levels of new control area, escalators, upgrading the passager per MTA standards.

Public Sector to Realize NPV of \$86 MM after Condemnation and Infrastructure Payments

Sources	
Tax Revenue	NPV at 5.5% (30 Years)
Wage Taxes	30 Year Aggregate Taxes & Ground Rent
Total Nets Wage Taxes	\$299,533
Arena Wage Taxes	\$48,432
Total Wage Taxes	\$347,964
Real Estate Ground Rent (\$1.5/SF) ¹	\$95,584
Total Arena, Parking, and Real Estate	\$244,206
Uses	
Tax Payments	NPV at 5.5% (30 Years)
Other Costs	30 Year Aggregate Payments
Infrastructure	\$72,730
Condemnation	\$60,000
Contingency	\$25,000
Total Other Site Costs	\$157,730
Public Sector Cash Benefit	\$86,476
Public Sector Cash Benefit	\$404,524

1. Assumes flat ground rent payments

Parking

PARKING GARAGE PROFORMA	
Development Costs	
No. of Parking Spaces	1,100
Cost Per Space	\$35,000
Total Project Costs	\$38,500,000
Financing (1)	(\$38,500,000)
Equity	\$0
Cash Flow	
Revenue (2) (3)	\$2,420,000
Parking Taxes	\$0
Total Revenue	\$2,420,000
Expenses (3)	(\$750,000)
Net Operating Income	\$1,670,000
Debt Service (1)	(\$2,649,000)
Cash Flow	(\$979,000)
1) Assumes tax exempt financing for 100% of cost. 2) Revenues include parking taxes. 3) Revenues and Expenses assume that garage only operates during events.	

Public Sector to Realize NPV of \$131 MM after All Payments

Sources		NPV at 5.5% (30 Years)	30 Year Aggregate Taxes & Ground Rent
Tax Revenue			
Sales Taxes			\$552,516
Total Admissions Sales Tax	\$235,585		109,351
Total Concessions Sales Tax	46,758		56,806
Total Novelty Sales Tax	24,207		\$718,673
Total City & State Sales Tax	\$306,551		
Wage Taxes			\$299,533
Total Nets Wage Taxes	\$127,733		48,432
Arena Wage Taxes	20,889		\$347,964
Total Wage Taxes	\$148,622		
Real Estate Ground Rent (\$1.5/SF) ¹	\$95,584		\$214,290
Total Arena, Parking, and Real Estate	\$550,757		\$1,280,927
Uses			
Tax Payments			
Lease Payments			\$270,000
City Lease Payment	\$130,804		270,000
State Lease Payment	130,804		\$540,000
Total City & State Lease Payments	\$261,607		
Other Costs			\$72,730
Infrastructure	\$72,730		60,000
Condemnation	60,000		25,000
Contingency	25,000		\$157,730
Total Other Site Costs	\$157,730		
Total Lease Payments, Site Costs, and Parking	\$419,337		\$697,730
Public Sector Cash Benefit	\$131,420		\$583,197

1. Assumes flat ground rent payments

Real Estate Development

Total Real Estate Development Costs of \$2.0 Billion

PER PROJECT	Zoning Square Feet	Total Project Cost	Equity	Cash on Cost Return	Cash on Cash Return	IRR
Office	500,000	181,078,000	36,216,000	9.5%	15.7%	21.0%
Retail	60,000	15,789,800	3,158,000	9.5%	13.3%	21.0%
Residential Rental	360,000	100,824,000	25,206,000	7.9%	17.4%	21.3%
Residential Condo	245,000	75,600,000	21,511,000	N/A	N/A	26.9%

TOTAL DEVELOPMENT	Zoning Square Feet	Total Project Cost	Equity	Cash on Cost Return	Cash on Cash Return	IRR
Office	2,500,000	905,390,000	181,080,000	9.5%	15.7%	21.7%
Retail	300,000	78,949,000	15,790,000	9.5%	13.3%	22.8%
Residential Rental	2,520,000	705,768,000	176,442,000	7.9%	17.4%	22.8%
Residential Condo	980,000	302,400,000	86,044,000	N/A	N/A	26.9%
TOTAL	6,300,000	1,992,507,000	459,356,000			22.6%

