Bobcats Basketball Holdings, LLC and Subsidiaries

Consolidated Financial Statements and Accompanying Consolidating Information
September 30, 2012 and 2011

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Report of Independent Auditors on Accompanying Consolidating Information

To the Members of
Bobcats Basketball Holdings, LLC

Our report on our audit of the consolidated financial statements of Bobcats Basketball Holdings, LLC and Subsidiaries (the "Company") as of September 30, 2012, and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, members' deficit and cash flows of the individual companies. Accordingly, we do not express an opinion on the financial position, results of operations, members' deficit and cash flows of the individual companies. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 15, 2013

Accompanying Consolidating Information

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Report of Independent Auditors

To the Members of
Bobcats Basketball Holdings, LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, members' equity and cash flows present fairly, in all material respects, the financial position of Bobcats Basketball Holdings, LLC and its subsidiaries (the "Company") at September 30, 2012 and 2011, and the results of their operations 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 Company'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.

As discussed in Note 1 to the financial statements, the Company has negative working capital and negative cash flows from operations. The Company relies on its majority shareholder to provide funding for the continuation of operations.

PricewaterhouseCoopers LLP

January 15, 2013

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Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidated Statements of Financial Position
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 2,404,946	$ 4,527,927
Restricted cash	155,451	263,223
Accounts receivable	4,105,793	3,972,544
Prepaid expenses and other current assets	3,848,388	2,078,826
Total current assets	10,514,578	10,842,520
Property, plant and equipment, net	2,632,721	3,167,185
NBA franchise agreement	49,475,000	49,475,000
Intangible assets, net	45,455,767	49,337,146
Loan origination costs, net	373,100	463,900
Investment in NBA related entities	13,081,363	11,680,363
Other noncurrent assets	13,596,840	14,797,224
Interest rate swap asset	6,347,363	4,188,403
Total assets	$ 141,476,732	$ 143,951,741
Liabilities and Members' Deficit		
Current liabilities		
Accounts payable and accrued expenses	$ 14,422,055	$ 12,203,372
Current portion of deferred revenue	21,061,079	20,493,298
Current maturities of long-term debt	2,436,898	2,387,630
Due to related parties	1,116,438	541,875
Total current liabilities	39,036,470	35,626,175
Long-term debt, net of current maturities	152,524,190	157,461,088
Other long-term liabilities	2,371,164	2,271,926
Noncurrent portion of deferred revenue	9,610,913	11,159,094
Total liabilities	203,542,737	206,518,283
Members' deficit	(62,066,005)	(62,566,542)
Total liabilities and members' deficit	$ 141,476,732	$ 143,951,741

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

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

	2012	2011
Revenues		
Ticket sales	$ 24,315,899	$ 30,918,331
League revenues	45,105,281	44,808,534
Corporate sponsorship	8,911,669	10,086,130
Naming rights	3,617,802	3,462,016
Local broadcasting	7,347,652	7,441,765
Arena	15,199,220	11,262,295
Other revenues	1,008,290	1,140,565
Total operating revenues	105,505,813	109,119,636
Expenses		
Player salaries and benefits	48,666,495	67,100,582
General manager, coach and trainer salaries and benefits	5,304,275	12,175,057
Travel expenses	3,376,676	3,734,474
League expenses	2,648,330	2,577,095
Other basketball related expenses	1,386,314	4,469,688
Sales, marketing and promotion expenses	13,859,816	16,079,815
Arena expenses	12,794,349	13,013,246
General and administrative expenses	10,458,361	10,743,176
Depreciation and amortization	4,913,423	5,182,145
Loss on disposal of property, plant and equipment and assets held for sale	-	1,087
Total operating expenses	103,408,039	135,076,365
Net operating income (loss)	2,097,774	(25,956,729)
Other expenses		
Interest expense, net	3,597,237	3,575,445
Net loss	$ (1,499,463)	$ (29,532,174)

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

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidated Statements of Members' Deficit
Years Ended September 30, 2012 and 2011

Balances at September 30, 2010	$ (51,534,368)
Members' capital contributions	18,500,000
Net loss	(29,532,174)
Balances at September 30, 2011	(62,566,542)
Members' capital contributions	2,000,000
Net loss	(1,499,463)
Balances at September 30, 2012	$ (62,066,005)

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

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Net loss	$ (1,499,463)	$ (29,532,174)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	1,032,044	1,269,750
Amortization	3,881,379	3,912,396
Amortization of loan origination costs	90,800	90,800
Loss on disposal of property, plant and equipment and assets held for sale	-	1,087
Change in interest rate swap	(2,158,960)	(2,190,650)
Equity in income from investment in NBA related entities	(5,139,570)	(4,665,000)
Change in operating assets and liabilities		
Accounts receivable	(133,249)	(226,629)
Prepaid expenses and other assets	(569,178)	4,566,535
Accounts payable, accrued expenses and other long-term liabilities	2,317,921	(822,375)
Due to related party	574,563	72,146
Deferred revenue	(980,400)	(4,103,232)
Net cash used in operating activities	(2,584,113)	(31,627,346)
Cash flows from investing activities		
Purchase of property, plant and equipment	(497,580)	(351,762)
Restricted cash	107,772	(43,530)
Distributions from investments in NBA related entities	3,738,570	3,240,000
Net cash provided by investing activities	3,348,762	2,844,708
Cash flows from financing activities		
Advances on line of credit	24,000,000	46,500,000
Payments on line of credit	(26,500,000)	(33,500,000)
Principal payments on long-term debt	(2,387,630)	(2,340,295)
Member contributions	2,000,000	18,500,000
Net cash provided by (used in) financing activities	(2,887,630)	29,159,705
Net increase (decrease) in cash and cash equivalents	(2,122,981)	377,067
Cash and cash equivalents		
Beginning of year	4,527,927	4,150,860
End of year	$ 2,404,946	$ 4,527,927
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 5,648,706	$ 5,533,782
Supplemental schedule of noncash operating, investing and financing activities		
Revenues and expenses recorded under barter agreements	$ 678,000	$ 452,000

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

1. Nature of Business, Capital Structure and Significant Accounting Policies

Nature of Business

Bobcats Basketball Holdings, LLC ("Holdings" or the "Company") is a limited liability company organized under the laws of Delaware on January 31, 2003. Holdings is the parent company of the following wholly owned subsidiaries: Charlotte Arena Operations, LLC (the "Arena Company"), Bobcats Basketball, LLC (the "Bobcats"), Bobcats Basketball Center, LLC (the "BBC"), Carolinas Sports Entertainment Television, LLC ("C-SET"), Charlotte Arena Financing II, LLC ("CAF") and The Sting, LLC (the "Sting"). The Sting, C-SET and the BBC are dormant entities.

The Arena Company operates the Time Warner Cable Arena ("Arena"), which is owned by the City of Charlotte (the "City"). The Arena was completed and the Arena Company began operations on October 15, 2005. The Bobcats operate and own the Charlotte Bobcats professional basketball team of the National Basketball Association (the "NBA" or "League"). CAF was set up in 2007 to hold and manage the debt related to the Arena.

On February 26, 2010, a minority equity interest holder in the Company entered into an investment agreement with the Company. The investment agreement provided that the investor make a cash contribution of $23,000,000 in consideration for a majority ownership interest in the Company (the "Transaction"). Proceeds from the initial capital contribution were used for cash and working capital needs of the Company, including fees incurred in connection with the Transaction and to repay certain advances previously made to the Company by certain of its owners. In conjunction with the Transaction, which was consummated on March 17, 2010, several amendments to debt agreements and other Company operating agreements were entered into including an amended operating agreement whereby the new majority holder committed to provide $48,500,000 in additional equity contributions as required to meet the operating needs of the Company through December 31, 2012.

The Bobcats participate in a highly competitive entertainment industry and believe that changes in any of the following areas could have a material adverse effect on the Company's future financial position or results of operations: revenues expected from national or local television broadcasting; team sponsorships or ticket sales; the ability to retain senior management and key employees, including players and coaches; and risks associated with its being a party to the collective bargaining agreement between the NBA and its members and the National Basketball Players Association ("NBPA"). The collective bargaining agreement effective December 8, 2011 runs through June 30, 2022 and includes an opt out clause at the option of the owners or players after the sixth season (Note 9).

The Company's continued existence is dependent upon several factors including its ability to generate sufficient operating cash flow, continued availability under its credit facilities and additional capital contributions from its members to meet its working capital needs. For the year ended September 30, 2012, the Company had operating net income and negative cash flows from operating activities of approximately $2,100,000 and $2,600,000, respectively, and a net working capital deficit of approximately $51,000,000 at September 30, 2012. For the year ended September 30, 2011, the Company had an operating net loss and negative cash flows from operating activities of approximately $25,900,000 and $31,600,000, respectively, and a net working capital deficit of approximately $24,800,000 at September 30, 2011. The Company expects that its primary source of funds will be generated from the operation of the Arena, including hosting all of the Bobcats home games, availability under its revolving credit facility with the majority interest holder, and from additional capital contributions from its members. As of September 30, 2012, $5,000,000 of the $48,500,000 in additional capital contributions committed by the new majority interest holder remained available to the Company under the contractual commitment from the majority interest holder. This commitment expired on December 31, 2012. On January 14, 2013 the majority interest holder entered into a new contractual commitment to provide up to $29,000,000 of cash equity contributions during the Company's fiscal year 2013, if necessary, for the Company to meet its cash requirements or to maintain compliance with restrictive debt covenants. However, if the Company's operating results do not meet expectations, additional funding could be required.

Capital Structure
The Company has three classes of membership units as prescribed by the LLC Second Amended and Restated Operating Agreement dated March 17, 2010 (the "Operating Agreement"). The three classes of membership units are Class A, Class B, and Class C. At September 30, 2012 and 2011, the capital structure was as follows:

	Issued	Outstanding
Class A units	10,753.45	10,753.45
Class B units	43,054.76	43,054.76
Class C units	-	-

The Class B units convey certain voting, and preferential profit and distribution interests as defined in the Operating Agreement. The Class B units do not contain mandatory redemption features and accordingly have been classified as equity instruments in the accompanying balance sheet. The Class A units convey certain voting, profit and distribution interests as defined in the Operating Agreement, but are generally subordinate in these rights and preferences to those conveyed to holders of the Class B units.

If a Liquidity Event (as defined in the Operating Agreement) should occur, the holders of the Class B units first receive distributions until the cumulative amount of distributions made equals the capital contributions. Second, holders of Class A units receive distributions in accordance with their respective positive Capital Account balances, after giving effect to all contributions, distributions and allocations for all periods.

A summary of the Company's significant accounting policies follows:

Basis of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

Revenue and Expense Recognition
Ticket sales, arena, broadcast and novelty revenues are recognized as earned per event during the year. Certain team and game costs, arena rentals and users' fees are recorded and expensed on the same basis. Player salaries, related fringe benefits and insurance are based on annual amounts negotiated with players as stated in their contracts. Player salaries are recognized ratably during the team's regular playing season and related fringe benefits and insurance are expensed as incurred. Advance ticket sales and advance payments for team, game, selling and promotional expenses not earned or incurred are recorded as deferred revenues and deferred expenses, respectively, and amortized ratably as events occur. Equity earnings from the Company's investment in NBA related entities are recognized under the equity method of accounting and are included in league revenues in the statement of operations. General and administrative costs are expensed as incurred.

The Company earns Arena revenues related to the operations of the Arena Company, which include box office fees earned on ticket sales, concession revenue and rental fees charged to third parties for the use of the Arena. Box office and rental revenues are recognized as earned and concession revenues are recognized at the point of sale. Arena expenses are expensed as incurred and include staff wages and benefits and event related expenses.

Revenues from sponsorship contracts are recognized ratably over the team's regular playing season. Deferred revenues are recorded for that portion of the annual contract period that extends beyond the fiscal year, if applicable.

The Company enters into various barter agreements, whereby it receives services such as advertising, meals, transportation and other operating expenses, in exchange for tickets and advertising. The Company records the tickets exchanged as revenue based on the face value of the tickets and records the advertising provided as part of sponsorship revenue based on the value of the advertising provided, and records a corresponding operating expense for the same amount for the services provided. Approximately $678,000 and $452,000, respectively, of revenue and expenses for the years ended September 30, 2012 and 2011 was recorded under barter agreements.

The Company advertises through various media outlets. The Company's policy is to expense all advertising costs as they are incurred. Advertising expenses approximated $878,000 and $1,124,000, respectively, during the years ended September 30, 2012 and 2011.

Cash and Cash Equivalents
Cash and cash equivalents represent investments with maturities at the date of purchase of three months or less. Book overdrafts represent the amount of checks which have been issued but have not cleared the Company's bank accounts, net of any cash balances and total approximately $248,000 and $101,000, respectively, at September 30, 2012 and 2011. Book overdrafts are included in accounts payable and accrued expenses on the consolidated statement of financial position and are reflected as operating activities in the consolidated statements of cash flows.

Restricted Cash
Restricted cash represents funds retained by the NBA that are used to pay interest on the Bobcats League financing. See Note 6 for the discussion of the League financing.

Trade Accounts Receivable
Trade receivables are carried at original invoice amount less any payments received. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Accounts receivable are considered past due or delinquent when payment is not received within the credit term extended to the customer. The Company does not charge customers late fees or interest on delinquent accounts receivable. The Company currently has no reserve for uncollectible accounts as it believes all outstanding receivables are collectible.

Prepaid Insurance
Per NBA requirements, all teams must hold certain specific insurance policies obtained through a league-wide program on, at a minimum, their five highest paid players (determined by either the current year contract value or total contract value). When premiums on these policies are paid in advance they are charged to expense ratably during the season.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. At the time property and equipment is retired or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any related gain or loss is included in earnings. Maintenance and repairs are expensed as incurred.

Depreciation is computed by the straight-line method over the following useful lives:

	Years
Real property improvements	3–39
Furniture, fixtures and equipment	7
Game operations equipment	7
Computer equipment and software	3–5
Broadcasting equipment	7
Other	5–7

Intangible Assets

Definitive lived intangible assets are stated at cost and amortized over their estimated useful lives. The Company's intangible assets were recorded in conjunction with the Company's acquisition of a membership in the NBA in 2003 and principally include an Arena use agreement, pre-sold luxury suites and premium seating agreements. These intangible assets are amortized over their estimated useful lives using the straight-line method. The Company reviews the appropriateness of the carrying value of its intangible assets with finite lives whenever events or changes in circumstances indicate that the historical carrying value of the asset may not be fully recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset a loss is recognized for the difference between the fair value and carrying value of the asset.

In accordance with ASC Topic 350, *Intangibles - Goodwill and Other*, the Company's indefinite lived intangible asset, NBA franchise agreement, is not amortized but rather is reviewed for impairment by comparing the recorded amount to its estimated fair value. The Company is required to perform this impairment test at least annually or more frequently if circumstances indicate possible impairment.

Loan Origination Costs

Costs incurred in connection with obtaining the senior credit facility, the collateralized note payable and the uncollateralized notes payable (Note 6) are capitalized and amortized over the term of the related financing. Approximately $373,000 and $464,000 (net of accumulated amortization of approximately $233,000 and $178,000), respectively, in fees incurred have been capitalized as of September 30, 2012 and 2011. Amortization of these fees totaled approximately $91,000 during each of the years ended September 30, 2012 and 2011, and is included in interest expense in the accompanying consolidated statements of operations.

Estimated future amortization of deferred loan costs is as follows:

2013	$	81,671
2014		70,671
2015		59,671
2016		52,337
2017		40,000
Thereafter		68,750

Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted future cash flows are lower than the carrying amount of the asset, a loss is recognized for the difference between the carrying amount and the estimated fair value of the asset. As required by ASC Topic 360, *Property, Plant, and Equipment*, the Company tests fixed assets for impairment whenever certain circumstances are met.

Investments in NBA Related Entities
Investments in NBA related entities are reported on the equity method. Accordingly, the Company's allocable portion of the operating results of the NBA related entities is included in the consolidated statement of operations and totaled approximately $5,140,000 and $4,665,000, respectively, for the years ended September 30, 2012 and 2011. Certain investments have losses greater than the Bobcats' investment and are not recorded as the Bobcats are not required to provide funding for the operations of these entities. The Bobcats received distributions of approximately $3,739,000 and $3,240,000, respectively, from the NBA related entities during the years ended September 30, 2012 and 2011.

Deferred Revenue and Other Long Term Liabilities
Long-term deferred revenue is related to advances on sponsorship revenue and a contingently recoupable signing bonus received from a third party broadcasting service provider that will not be recognized into revenue within the next 12 months. The sponsorship revenue relates to one agreement that is being recognized into revenue over the three-year term of the agreement. The contingently recoupable signing bonus is expected to be recognized into revenue over the remaining seven-year term of the contract with the broadcasting service provider.

Concentration of Credit Risk
Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. As determined by the Company's management, the Company maintains its cash and cash equivalents with high quality financial institutions and minimizes its exposure to accounts receivable loss through the use of contractual relationships.

Financial Instruments
The carrying values of cash, accounts receivable and accounts payable approximate fair values due to the short-term maturities of these instruments.

The carrying amount and estimated fair value of the Company's borrowings approximated $154,961,000 and $137,448,000, respectively, at September 30, 2012. The carrying amount and estimated fair value of the Company's borrowings approximated $159,849,000 and $143,935,000, respectively, at September 30, 2011.

Because the Company's debt is private placement and there are no quoted prices in active markets, the fair value of the debt was determined through the use of a discounted cash flow analysis using Level 3 inputs. The discount rate used in the analysis was based on borrowing rates available to the Company for debt with similar remaining maturities, issued in the same private placement debt market. See Note 6 for more information on the Company's long-term debt.

Derivative instruments are recorded in the balance sheet as either an asset or liability measured at their fair value. The Company uses an interest rate swap to convert its fixed rate debt to floating rate debt. The interest rate swap was not designated as a hedge under ASC Topic 815, *Derivatives and Hedging*. Changes in its market value are recognized in current earnings. The fair value gain of the swap, exclusive of interest accruals at September 30, 2012 and 2011 was approximately a $6,347,000 and $4,188,000, respectively. During the years ended September 30, 2012 and 2011 approximately $2,159,000 and $2,191,000 was recorded as a reduction to interest expense in the accompanying consolidated statements of operations related to the Company's swap agreement.

Income Taxes

The Company, with the consent of its members, has elected to be taxed under sections of the federal and state income tax laws which provide that, in lieu of corporation income taxes, the members separately account for their pro rata share of the Company's items of income, deductions, losses and credits. Therefore, these statements do not include any provision for corporate federal or state income taxes.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Recently Issued Standards

In April 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2011-04 "*Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*" ("ASU 2011-04"). ASU 2011-04 amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company will adopt this guidance effective October 1, 2012. The adoption of ASU 2011-04 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In September 2011, the FASB issued disclosure guidance intended to provide more information about an employer's financial obligations to a multiemployer pension plan. These changes relate only to disclosures and will not impact the accounting for multiemployer plans. The enhanced disclosures are intended to provide additional transparency regarding the overall financial health of the plans and the level of the employer's participation in the plans. The new guidance will be adopted by the Company beginning in fiscal year 2013 and other than additional disclosures, the adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 "*Presentation of Comprehensive Income*" ("ASU 2011-05"). ASU 2011-05 allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While ASU 2011-05 changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company will adopt this guidance effective October 1, 2012. The adoption of ASU 2011-05 is not expected to have a material impact on the Company's Consolidated Financial Statements.

2. Property, Plant and Equipment

Property, plant and equipment consist of the following at September 30:

	2012	2011
Real property improvements	$ 2,785,820	$ 2,716,219
Furniture, fixtures and equipment	5,316,284	5,426,773
Game operations equipment	154,207	240,061
Computer equipment and software	1,048,704	814,566
Broadcasting equipment	659,446	659,446
Other	177,137	111,361
	10,141,598	9,968,426
Less: Accumulated depreciation	7,508,877	6,801,241
Total property, plant and equipment	$ 2,632,721	$ 3,167,185

Total depreciation expense for the years ended September 30, 2012 and 2011 was approximately $1,032,000 and $1,270,000, respectively.

3. Intangible Assets

Indefinite lived intangible assets consist of an NBA franchise membership agreement as of September 30, 2012 and 2011 totaling $49,475,000.

Intangible assets subject to future amortization at September 30 are as follows:

	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2012				
Arena use agreement	25	$ 60,840,000	$ (17,035,200)	$ 43,804,800
Pre-sold luxury suites and premium seating agreements	9	7,260,000	(5,646,665)	1,613,335
Other	8	101,423	(63,791)	37,632
		$ 68,201,423	$ (22,745,656)	$ 45,455,767

	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2011				
Arena use agreement	25	$ 60,840,000	$ (14,601,600)	$ 46,238,400
Pre-sold luxury suites and premium seating agreements	7–9	11,660,000	(8,611,430)	3,048,570
Other	8	101,423	(51,247)	50,176
		$ 72,601,423	$ (23,264,277)	$ 49,337,146

Estimated future annual amortization expense for intangible assets is as follows:

2013	$ 3,252,812
2014	3,252,811
2015	2,446,144
2016	2,433,600
2017	2,433,600
Thereafter	31,636,800

Amortization expense for the years ended September 30, 2012 and 2011 was approximately $3,881,000 and $3,912,000, respectively.

4. Investments in NBA Related Entities

Investments in NBA related entities are summarized as follows at September 30:

	Percent Owned	2012	2011
NBA Media Ventures, LLC	3.33%	$ 13,070,000	$ 11,669,000
Planet Insurance Ltd.	3.33%	11,363	11,363
NBA Development, LLC	3.33%	-	-
NBA Holdings, LLC	3.33%	-	-
National Basketball Association, a joint venture	3.33%	-	-
		$ 13,081,363	$ 11,680,363

The Company owns an equity interest in NBA Media Ventures, LLC and its subsidiaries ("NBAMV"), which is responsible for developing opportunities to promote the NBA brand, licensing of national radio, direct broadcast satellite and digital cable services, and operating the NBA's retail store. The Company's investment in NBAMV is carried at its share of undistributed earnings in NBAMV less any distributions received, which approximates $13,070,000 and $11,669,000, respectively, at September 30, 2012 and 2011. The Company recognized approximately $5,140,000 and $4,665,000, respectively, in equity earnings which is recorded as a component of league revenues in the consolidated statement of operations, and received approximately $3,739,000 and $3,240,000, respectively, in distributions in 2012 and 2011.

The Company has an investment in Planet Insurance, Ltd., which reinsures the NBA league-wide general liability and worker's compensation programs.

In addition, the Company owns an equity interest in NBA Development, LLC and its 50% owned subsidiary, NBDL Holdings, LLC and its wholly owned subsidiaries, National Basketball Association and NBA Holdings, LLC, all of which incurred losses during the 2012 and 2011 fiscal years. The Company recognized approximately $147,500 and $140,500 of equity losses during 2012 and 2011, respectively, associated with its investment in NBA Development, LLC as the Company contributed capital equal to that amount. The Company did not record a loss in the other NBA related entities at September 30, 2012 and 2011, as the Company is not required to provide funding for the operations of those entities.

5. Other Noncurrent Assets

As part of the expansion agreement entered into with the NBA in 2003, the Bobcats were required to facilitate the construction of a "first-class basketball facility" to be completed no later than November 1, 2005, with the construction requirements in accordance with the expansion agreement. The City worked in cooperation with Arena Company to build new arena facilities for the Bobcats, which were completed in October 2005 (the "Arena Project"). Pursuant to an agreement dated January 13, 2003 with the City (the "Operating Agreement"); the City funded the cost of the construction and development of the Arena Project. As part of the agreement, the Company was required to contribute $23,200,000 towards the Arena Project, consisting of prepaid rent for certain administrative office space within the Arena for a 10-year period at an approximate value of $4,500,000, and other beneficial interests associated with the playing facilities within the Arena covering the 25 year period of the Operating Agreement. At September 30, 2012 and 2011, approximately $1,200,000, was recorded in prepaid expenses and other current assets, representing the portion of the payment to be recognized as expense in 2012 and 2011, respectively. The remaining prepaid balance of approximately $13,600,000 and $14,800,000 at September 30, 2012 and 2011, respectively, is recorded as a component of other noncurrent assets and will be recognized as expense over the term of the Operating Agreement. See Note 9 for additional terms of the Operating Agreement.

6. Financing Arrangements

Long-term debt consists of the following as of September 30:

	2012	2011
Note payable, league-wide credit facility, maturing on May 3, 2014 with interest at a commercial paper and LIBOR blended rate (1.84% and 1.99% at September 30, 2012 and 2011, respectively); collateralized by various assets of the Company.	$ 51,711,538	$ 51,711,538
Note payable, League-wide credit facility, maturing on June 8, 2020 with a fixed interest rate of 5.67%; collateralized by various assets of the Company.	38,058,863	38,058,863
Note payable, League-wide credit facility, maturing on June 7, 2017 with a fixed interest rate of 4.99%; collateralized by various assets of the Company.	22,729,599	22,729,599
Note payable, League-wide credit facility, maturing on February 27, 2014 with a fixed interest rate of 7.45%; collateralized by various assets of the Company.	6,250,000	6,250,000
Note payable, League-wide credit facility, maturing on February 27, 2016 with a fixed interest rate of 8.27%; collateralized by various assets of the Company.	6,250,000	6,250,000
Revolving credit facility, due primarily to the majority equity interest holder, maturing on March 17, 2016, with fixed interest rate of 5.44%; collateralized by various assets of the Company.	22,500,000	25,000,000
Uncollateralized, note payable to a related party bank, due in quarterly installments of $321,221, including interest at a fixed rate of 2.00%.	3,730,544	4,924,359
Uncollateralized, note payable to a related party bank, due in quarterly installments of $321,221, including interest at a fixed rate of 2.00%.	3,730,544	4,924,358
	154,961,088	159,848,718
Less: Current maturities	2,436,898	2,387,630
	$ 152,524,190	$ 157,461,088

In conjunction with the Transaction, the Company entered into a revolving credit facility agreement on March 17, 2010 with the new majority equity owner, with a maximum borrowing capacity of $25,000,000, of which, $22,500,000 and $25,000,000 was outstanding at September 30, 2012 and 2011, respectively. The term of the original agreement was through March 17, 2013, however, on January 14, 2013, the agreement was extended through March 17, 2016.

On February 27, 2009 the Company entered into two league wide private placement notes under the League Wide Financing Program. The first note with borrowings of $6,250,000 is due in full on February 27, 2014 and accrues interest at a rate of 7.45% per annum payable monthly. The second note, with borrowings of $6,250,000 is due in full on February 27, 2016 and accrues interest at a rate of 8.27% per annum payable monthly. The Company incurred and capitalized costs of $216,000 in conjunction with these private placement notes.

On June 7, 2010 the Company converted $60,788,462 of the outstanding floating rate NBA league-wide Credit Facility to a 7-year fixed rate note of $22,729,599 and a 10-year fixed rate note of $38,058,863. The 7-year fixed rate note accrues interest at a rate of 4.99% per annum payable semi-annually. The 7-year note is due in full on June 7, 2017. The 10-year fixed rate note accrues interest at a rate of 5.67% per annum payable semi-annually and is due in full on June 8, 2020.

Pursuant to rules applicable to all teams participating in the League Wide Financing Program, mandatory redemption is triggered when the Company's current exposure (reflecting, in part the principal amount outstanding under the League Wide Credit Facility) exceeds a percentage of the average NBA membership value or when such exposure exceeds a multiple of its allocated television revenues (as defined). The maximum available outstanding debt amount for any team participating in the League-Wide Financing Program cannot exceed 60% of the average value of an NBA membership value (such value equals the present value consideration of all sales of 50% or more of the voting equity interest or other controlling equity interests, in existing or expansion NBA memberships that have been consummated during the preceding five-year period); otherwise on or before the first anniversary of the existence of any such excess, the team is required to offer to prepay its outstanding League Wide Credit Facility in an amount equal to such excess. Also, a participating team's outstanding debt may not exceed 4.5 times-the sum of (i) its pro forma annual allocated national television revenues (as defined) and (ii) certain other pro forma contractually obligated income streams (as defined). On or before the first anniversary of the existence of any such excess, the Company is required to offer to prepay its outstanding League Wide Credit Facility in an amount equal to such excess.

Aggregate maturities on long-term debt at September 30, based on the terms of the outstanding agreements, are due in future years as follows:

Years Ending	Amount
2013	$ 2,436,898
2014	8,736,690
2015	2,537,500
2016	28,750,000
2017	-
Thereafter	112,500,000
	$ 154,961,088

7. Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 Observable inputs such as quoted market prices in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Interest Rate Swap
Valued at the mark-to-market value, which is the value of the trade from the Company perspective, inclusive of interest accruals, and exclusive of any third-party fees.

The following table sets forth by level, within the fair value hierarchy, the Company's swap position at fair value as of September 30, 2012 and 2011, respectively:

	Investments at Fair Value as of September 30, 2012			
	Total	Level 1	Level 2	Level 3
Interest rate swap	$7,260,429	$ -	$7,260,429	$ -
Total investments at fair value	$7,260,429	$ -	$7,260,429	$ -

	Investments at Fair Value as of September 30, 2011			
	Total	Level 1	Level 2	Level 3
Interest rate swap	$5,113,376	$ -	$5,113,376	$ -
Total investments at fair value	$5,113,376	$ -	$5,113,376	$ -

8. Related Party Transactions

The Company reimbursed Michael Jordan ("MJ"), managing member, for expenses paid on the Company's behalf. Payments were made to MJ through MJ Basketball Holdings. Under this agreement, the Company had a liability balance to related parties totaling $1,116,000 and $542,000 at September 30, 2012 and 2011, respectively.

As discussed in Note 6, the Company has a revolving credit facility due to the managing member as of September 30, 2012. Interest incurred and paid under the arrangement totaled $1,265,000 and $1,261,000 respectively, during fiscal years 2012 and 2011.

The Company has outstanding debt arrangements with banks that have equity ownership in the Company. At September 30, 2012, the Company had outstanding debt with related party banks of approximately $7,461,000, which accrues interest at a 2% annual rate. Interest paid to related party banks during fiscal year 2012 totaled approximately $182,000. At September 30, 2011, the Company had outstanding debt with related party banks of approximately $9,849,000, which accrues interest at a 2% annual rate. Interest paid to related party banks during fiscal year 2011 totaled approximately $229,000.

9. Commitments, Contingencies and Other Matters

In connection with the Arena Project, the Bobcats entered into an Arena Agreement dated January 13, 2003 with the City (the "Operating Agreement"). The terms of the Operating Agreement require the Bobcats to play all home basketball games in the Arena effective upon the completion of construction of the Arena in October 2005. In return, the Bobcats received the operating responsibility of the Arena for a 25 year period, with one five-year renewal period at the option of the Bobcats. During the period covered by the Operating Agreement, the Bobcats have the sole and exclusive right to use the Arena on a year-round basis, except for certain specified limitations as specified in the Operating Agreement, and are entitled to the revenues arising from the operation, existence or exploitation of the Arena.

In the event that the Bobcats cease playing home basketball games in the Arena or elect to break the terms of the Operating Agreement, they are subject to damages related to nonperformance. These contingent damages totaled $200,000,000 at the inception of the Operating Agreement and decline over the course of the 25 year period. Had the Bobcats suffered a nonrelocation default (as defined in the Operating Agreement) at September 30, 2012 the amount owed to the City under the terms of the Operating Agreement would have been $150,000,000. In conjunction with the Operating Agreement, the Company's managing member has entered into an Owner Guaranty Agreement as amended February 26, 2010, which provides for the guaranty of the payment and performance of the Company's obligations under the Operating Agreement in the event a nonrelocation default occurs and the City is unable to obtain specific performance, under the terms of the Operating Agreement. The Owner Guaranty Agreement limits the City's recourse and claims under the guaranty agreement to the managing member's ownership interest in the Company's assets (including the Company's NBA membership).

NBA Collective Bargaining Agreement

NBA players, including those that play for the Charlotte Bobcats, have historically been subject to collective bargaining agreements between the NBA and the National Basketball Players Association (the "NBPA"). The last such agreement expired on June 30, 2011, and a lockout of NBA players was thereupon put into effect by the NBA.

On December 8, 2011, the NBA Board of Governors ratified a 10-year collective bargaining agreement, with both the NBA and NBPA holding the ability to opt out after the sixth season. The agreement includes a 50/50 split of basketball-related income, a higher luxury tax with progressive tax rates and the retention of a soft salary cap system. The maximum length of player contracts will be reduced to five years (previously six) and maximum annual increases in salary will be 7.5% for teams resigning their own players and 4.5% for teams signing other team's free agents.

NBA Fees

The Company is required under the Constitution and By-laws of the NBA, among other things, to contribute to the NBA certain amounts, as defined to be used by the League for operating expenses. For the years ended September 30, 2012 and 2011, the Company contributed a fixed payment of approximately $1,053,000 and $1,459,000, respectively, allocable from suite revenue and from regular season ticket sales based on each game's ticket sales, as defined, applied to a formula specified by the NBA.

Employment Agreements

At September 30, 2012 and 2011, the Company has employment agreements with certain Company executive officers and coaching staff. These employment agreements and certain other contracts provide for payments for periods up to three years. The Company recorded expenses of approximately $6,958,000 and $5,233,000, respectively, related to these agreements for the years ended September 30, 2012 and 2011.

At September 30, 2012 and 2011, the Company has employment contracts with Bobcats team players. These contracts provide for payments for up to six years. The Company recorded expense of approximately $45,700,000 and $63,745,000, respectively, related to these agreements for the years ended September 30, 2012 and 2011.

Future expected cash outflows associated with employment agreements and contracts with players, coaches and others, in effect at September 30, 2012 are summarized as follows:

2013	$ 64,440,360
2014	46,933,237
2015	20,817,247
2016	7,853,804
2017	-
Thereafter	-

These amounts are not recorded as liabilities in the accompanying consolidated financial statements as of September 30, 2012 as they represent future compensation and can be affected by player retirements, trades, buy-out of player contracts or renegotiation of existing contracts. Certain contracts also include additional bonuses awarded based upon individual and team performance which are not included in the amounts above.

As almost all of the aforementioned contracts are guaranteed, the Company carries life and long-term disability insurance to partially protect against losses which may result. In addition, the NBA has agreed to provide players with certain disability benefits. Insurance policies have been obtained on a league-wide basis to cover these benefits.

Broadcasting Agreements
As part of the Company's regional cable television broadcast agreement (as further discussed in Note 11), the Company is obligated to pay a portion of the license fees that are payable under a separate affiliation agreement between the Company's current regional cable television broadcaster and its former regional cable television broadcaster in each year through 2015. The amount that the Company is obligated to pay in each year is variable based on the specific terms of the license fee agreement, but is limited to approximately $31.1 million in the aggregate during the 2008 through 2015 period. The carriage fees paid by the Company for each of the years ended September 30, 2012 and 2011 were $3,900,000. The Company estimates that its future annual payments required under this agreement will approximate $3,900,000 in each year through 2015.

10. Employee Benefits

The NBA CBA provides NBA players the opportunity to participate in a Retirement and 401(k) Savings Plan. The Company makes a matching contribution equal to 60% of player deferrals during the season. For the years ended September 30, 2012 and 2011, the matching contributions made were approximately $333,000 and $335,000, respectively.

The Company offers a 401(k) deferred compensation plan for all eligible nonplayer personnel. The Company makes a matching contribution equal to 100% of employee deferrals up to 4% of their salary. For the years ended September 30, 2012 and 2011, the 401(k) match was approximately $285,000 and $223,000, respectively.

Pension Plans
The Company participates in the NBA Players' Pension Plan, Leaguewide Retirement Plan, General Managers Executive Retirement Plan, and the Coaches, Assistants, and Trainers 401(k) Plan, all of which are multiemployer defined benefit plans administered by the NBA. Pension expense totaled approximately $799,000 and $764,000 for the years ended September 30, 2012 and 2011, respectively.

11. Significant Media Contracts

The Company is entitled to receive future media revenue from contracts it has entered into as well as contracts entered into by the NBA on its behalf. The most significant of these are for national broadcast television and local and national cable television broadcasts. The current NBA national broadcast contract took effect beginning with the 2008–2009 season and has an eight year term. The Company's current local broadcast agreement took effect with the 2007-2008 season, has a ten-year term and provides the broadcasting service provider with exclusive rights to televise all Bobcats games within the team's home television territory in exchange for annual fees and a one-time payment made at the execution of the agreement.

The national contracts also call for revenue sharing once certain advertising revenue levels are attained. Revenue sharing earned on the national television and national cable contracts are prorated by the NBA equally among the NBA's 30 teams. The Company recognizes only its portion of the total contract as revenue. The Company recognized approximately $30,620,000 and $29,781,000, respectively, in national media contract revenue for the years ended September 30, 2012 and 2011 and is included as a component of league revenues in the statements of operations.

12. Subsequent Events

The Company evaluated transactions occurring after September 30, 2011 in accordance with ASC Topic 855, Subsequent Events, through January 15, 2013, which is the date the financial statements were available for issuance.

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Financial Position
September 30, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Assets							
Current assets							
Cash and cash equivalents	$ 1,405,259	$ 10,523	$ 989,164	$ -	$ 2,404,946	$ -	$ 2,404,946
Restricted cash	-	155,451	-	-	155,451	-	155,451
Accounts receivable	-	2,064,914	2,040,879	-	4,105,793	-	4,105,793
Prepaid expenses and other current assets	-	2,965,005	883,383	-	3,848,388	-	3,848,388
Total current assets	1,405,259	5,195,893	3,913,426	-	10,514,578	-	10,514,578
Property, plant and equipment, net	-	1,937,025	695,696	-	2,632,721	-	2,632,721
NBA franchise agreement	-	49,475,000	-	-	49,475,000	-	49,475,000
Intangible assets, net	-	45,455,767	-	-	45,455,767	-	45,455,767
Loan origination costs, net	-	373,100	-	-	373,100	-	373,100
Investment in NBA related entities	-	13,081,363	-	-	13,081,363	-	13,081,363
Other noncurrent assets	-	907,989	12,688,851	-	13,596,840	-	13,596,840
Interest rate swap	-	6,347,363	-	-	6,347,363	-	6,347,363
Investment in subsidiaries	(336,588,872)	-	-	-	(336,588,872)	336,588,872	-
Total assets	$ (335,183,613)	$ 122,773,500	$ 17,297,973	$ -	$ (195,112,140)	$ 336,588,872	$ 141,476,732
Liabilities and Members' Deficit							
Current liabilities							
Accounts payable and accrued expenses	$ -	$ 8,312,165	$ 6,109,890	$ -	$ 14,422,055	$ -	$ 14,422,055
Current portion of deferred revenue	-	20,451,835	609,244	-	21,061,079	-	21,061,079
Current maturities of long-term debt	-	-	-	2,436,898	2,436,898	-	2,436,898
Due to related parties	-	1,116,438	-		1,116,438	-	1,116,438
Total current liabilities	-	29,880,438	6,719,134	2,436,898	39,036,470	-	39,036,470
Long-term debt, net of current maturities	22,500,000	125,000,000	-	5,024,190	152,524,190	-	152,524,190
Other long-term liabilities	-	1,597,982	773,182	-	2,371,164	-	2,371,164
Noncurrent portion deferred revenue	-	9,090,913	520,000	-	9,610,913	-	9,610,913
Total liabilities	22,500,000	165,569,333	8,012,316	7,461,088	203,542,737	-	203,542,737
Members' equity (deficit)	(357,683,613)	(42,795,833)	9,285,657	(7,461,088)	(398,654,877)	336,588,872	(62,066,005)
Total liabilities and members' deficit	$ (335,183,613)	$ 122,773,500	$ 17,297,973	$ -	$ (195,112,140)	$ 336,588,872	$ 141,476,732

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Revenues							
Ticket sales	$ -	$ 22,199,936	$ 2,115,963	$ -	$ 24,315,899	$ -	$ 24,315,899
League revenues	-	45,105,281	-	-	45,105,281	-	45,105,281
Corporate sponsorship	-	8,911,669	-	-	8,911,669	-	8,911,669
Naming rights	-	3,617,802	-	-	3,617,802	-	3,617,802
Local broadcasting	-	7,347,652	-	-	7,347,652	-	7,347,652
Arena	-	-	15,199,220	-	15,199,220	-	15,199,220
Other revenues	-	943,290	65,000	-	1,008,290	-	1,008,290
Total operating revenues	-	88,125,630	17,380,183	-	105,505,813	-	105,505,813
Expenses							
Player salaries and benefits	-	48,666,495	-	-	48,666,495	-	48,666,495
General manager, coach and trainer salaries and benefits	-	5,304,275	-	-	5,304,275	-	5,304,275
Travel expenses	-	3,376,676	-	-	3,376,676	-	3,376,676
League expenses	-	2,648,330	-	-	2,648,330	-	2,648,330
Other basketball related expenses	-	1,386,314	-	-	1,386,314	-	1,386,314
Sales, marketing and promotion expenses	-	13,859,816	-	-	13,859,816	-	13,859,816
Arena expenses	-	-	12,794,349	-	12,794,349	-	12,794,349
General and administrative expenses	-	8,861,302	1,597,059	-	10,458,361	-	10,458,361
Depreciation and amortization	-	4,448,778	464,645	-	4,913,423	-	4,913,423
Total operating expenses	-	88,551,986	14,856,053	-	103,408,039	-	103,408,039
Net operating income (loss)	-	(426,356)	2,524,130	-	2,097,774	-	2,097,774
Other expenses							
Equity in loss of subsidiaries	(234,888)	-	-	-	(234,888)	234,888	-
Interest expense, net	1,264,575	2,150,498	-	182,164	3,597,237	-	3,597,237
Net income (loss)	$ (1,499,463)	$ (2,576,854)	$ 2,524,130	$ (182,164)	$ (1,734,351)	$ (234,888)	$ (1,499,463)

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Members' Deficit
Year Ended September 30, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Balances at September 30, 2011	$ (359,342,021)	$ (43,310,356)	$ 13,580,569	$ (9,848,718)	$ (398,920,526)	$ 336,353,984	$ (62,566,542)
Members' capital contributions	2,000,000	-	-	-	2,000,000		2,000,000
Net income (loss)	(1,499,463)	(2,576,854)	2,524,130	(182,164)	(1,734,351)	234,888	(1,499,463)
Contribution of intercompany accounts payable to members' equity	1,157,871	3,091,377	(6,819,042)	2,569,794	-	-	-
Balances at September 30, 2012	$ (357,683,613)	$ (42,795,833)	$ 9,285,657	$ (7,461,088)	$ (398,654,877)	$ 336,588,872	$ (62,066,005)

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Cash Flows
Year Ended September 30, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Financing II, LLC	Total	Eliminations	Consolidated
Cash flows from operating activities							
Net income (loss)	$ (1,499,463)	$ (2,576,854)	$ 2,524,130	$ (182,164)	$ (1,734,351)	$ 234,888	$ (1,499,463)
Adjustments to reconcile net loss to cash used in operating activities							
Depreciation	-	567,399	464,645	-	1,032,044	-	1,032,044
Amortization	-	3,881,379	-	-	3,881,379	-	3,881,379
Amortization of loan origination costs	-	90,800	-	-	90,800	-	90,800
Change in interest rate swap	-	(2,158,960)	-	-	(2,158,960)	-	(2,158,960)
Income from subsidiary	234,888	-	-	-	234,888	(234,888)	-
Equity in income from investment in NBA related entities	-	(5,139,570)	-	-	(5,139,570)	-	(5,139,570)
Change in operating assets and liabilities							
Accounts receivable	-	1,176,835	(1,310,084)	-	(133,249)	-	(133,249)
Prepaid expenses and other assets	-	(1,300,987)	731,809	-	(569,178)	-	(569,178)
Accounts payable and accrued expenses and other	-	(288,495)	2,606,416	-	2,317,921	-	2,317,921
long-term liabilities							-
Due to related party	-	574,563		-	574,563	-	574,563
Deferred revenue	-	(1,265,646)	285,246	-	(980,400)	-	(980,400)
Net cash (used in) provided by operating activities	(1,264,575)	(6,439,536)	5,302,162	(182,164)	(2,584,113)	-	(2,584,113)
Cash flows from investing activities							
Purchase of property, plant and equipment	-	(497,580)	-	-	(497,580)	-	(497,580)
Restricted cash	-	107,772	-	-	107,772	-	107,772
Distributions from investments in NBA related entities	-	3,738,570	-	-	3,738,570	-	3,738,570
Net cash provided by investing activities	-	3,348,762	-	-	3,348,762	-	3,348,762
Cash flows from financing activities							
Advance on line of credit	24,000,000	-	-	-	24,000,000	-	24,000,000
Payments on line of credit	(26,500,000)	-	-	-	(26,500,000)	-	(26,500,000)
Principal payments on long-term debt	-	-	-	(2,387,630)	(2,387,630)	-	(2,387,630)
Member contributions	2,000,000	-	-	-	2,000,000	-	2,000,000
Net Contribution (to) from other subsidiaries	1,157,871	3,091,377	(6,819,042)	2,569,794	-	-	-
Net cash provided by (used in) financing activities	657,871	3,091,377	(6,819,042)	182,164	(2,887,630)	-	(2,887,630)
Net increase (decrease) in cash and cash equivalents	(606,704)	603	(1,516,880)	-	(2,122,981)	-	(2,122,981)
Cash and cash equivalents							
Beginning of year	2,011,963	9,920	2,506,044	-	4,527,927	-	4,527,927
End of year	$ 1,405,259	$ 10,523	$ 989,164	$ -	$ 2,404,946	$ -	$ 2,404,946

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Financial Position
As of December 31, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Assets							
Current assets							
Cash and cash equivalents	$ 3,180,345	$ 16,726	$ 4,528,932	$ -	$ 7,726,003	$ -	$ 7,726,003
Restricted cash	-	-	-	-	-	-	-
Accounts receivable	-	30,006,010	1,063,419	-	31,069,429	-	31,069,429
Prepaid expenses and other current assets	-	3,334,144	837,723	-	4,171,867	-	4,171,867
Total current assets	3,180,345	33,356,880	6,430,074	-	42,967,299	-	42,967,299
Property, plant and equipment, net	-	1,892,083	679,595	-	2,571,678	-	2,571,678
NBA franchise agreement	-	49,475,000	-	-	49,475,000	-	49,475,000
Intangible assets, net	-	44,642,564	-	-	44,642,564	-	44,642,564
Loan origination costs, net	-	352,400	-	-	352,400	-	352,400
Investment in NBA related entities	-	14,501,363	-	-	14,501,363	-	14,501,363
Other noncurrent assets	-	808,900	12,688,851	-	13,497,751	-	13,497,751
Interest rate swap	-	6,035,578	-	-	6,035,578	-	6,035,578
Investment in subsidiaries	(341,059,098)	-	-	-	(341,059,098)	341,059,098	-
Total assets	$ (337,878,753)	$ 151,064,768	$ 19,798,520	$ -	(167,015,465)	$ 341,059,098	$ 174,043,633
Liabilities and Members' Deficit							
Current liabilities							
Accounts payable and accrued expenses	$ -	$ 10,692,355	$ 6,638,935	$ -	$ 17,331,290	$ -	$ 17,331,290
Current portion of deferred revenue	-	42,612,830	723,648	-	43,336,478	-	43,336,478
Current maturities of long-term debt	-	-	-	2,449,354	2,449,354	-	2,449,354
Due to related parties	-	1,322,013	-	-	1,322,013	-	1,322,013
Total current liabilities	-	54,627,198	7,362,583	2,449,354	64,439,135	-	64,439,135
Commitments and contingencies							
Long-term debt, net of current maturities	25,000,000	125,000,000	-	4,407,420	154,407,420	-	154,407,420
Other long-term liabilities	-	1,614,214	850,435	-	2,464,649	-	2,464,649
Non-current portion deferred revenue	-	9,090,913	520,000	-	9,610,913	-	9,610,913
Total liabilities	25,000,000	190,332,325	8,733,018	6,856,774	230,922,117	-	230,922,117
Members' equity (deficit)	(362,878,753)	(39,267,557)	11,065,502	(6,856,774)	(397,937,582)	341,059,098	(56,878,484)
Total liabilities and members' deficit	$ (337,878,753)	$ 151,064,768	$ 19,798,520	$ -	$ (167,015,465)	$ 341,059,098	$ 174,043,633

Bobcats Basketball Holdings, LLC and Subsidiaries
Consolidating Statement of Operations
For the Three Months Ending December 31, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Revenues							
Ticket sales	$ -	$ 11,464,900	$ 892,985	$ -	$ 12,357,885		$ 12,357,885
League revenues	-	12,325,338	-	-	12,325,338	-	12,325,338
Corporate sponsorship	-	3,369,217	-	-	3,369,217	-	3,369,217
Naming rights	-	934,638	-	-	934,638	-	934,638
Local broadcasting	-	2,056,914	-	-	2,056,914	-	2,056,914
Arena	-	-	4,269,647	-	4,269,647	-	4,269,647
Other revenues	-	1,110,283	5,130	-	1,115,413	-	1,115,413
Total operating revenues	-	31,261,290	5,167,762	-	36,429,052	-	36,429,052
Expenses							
Player salaries and benefits	-	20,840,509	-	-	20,840,509	-	20,840,509
GM, coach & trainer salaries & benefits	-	1,458,905	-	-	1,458,905	-	1,458,905
Travel expenses	-	1,352,273	-	-	1,352,273	-	1,352,273
League expenses	-	498,518	-	-	498,518	-	498,518
Other basketball related expenses	-	1,810,463	-	-	1,810,463	-	1,810,463
Sales, marketing and promotion expenses	-	5,324,772	-	-	5,324,772	-	5,324,772
Arena expenses	-	-	4,358,261	-	4,358,261	-	4,358,261
General and administrative expenses	-	2,575,378	426,872	-	3,002,250	-	3,002,250
Depreciation and amortization	-	933,144	16,101	-	949,245	-	949,245
Total operating expenses	-	34,793,962	4,801,234	-	39,595,196	-	39,595,196
Net operating loss	-	(3,532,672)	366,528	-	(3,166,144)	-	(3,166,144)
Other expenses							
Equity in loss (income) of subsidiaries	(4,470,226)	-	-	-	(4,470,226)	4,470,226	-
Interest expense, net	342,253	1,265,948	-	38,134	1,646,335	-	1,646,335
Net income (loss)	$ (4,812,479)	$ (4,798,620)	$ 366,528	$ (38,134)	$ (9,282,705)	$ 4,470,226	$ (4,812,479)

Bobcats Basketball Holdings, LLC and Subsidiaries
Consoidating Statement of Members' Deficit
For the Three Months Ending December 31, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Finance II, LLC	Total	Eliminations	Consolidated
Balances, September 30, 2012	$ (357,683,613)	$ (42,795,833)	$ 9,285,657	$ (7,461,088)	(398,654,877)	336,588,872	(62,066,005)
Members' capital contributions	10,000,000	-	-	-	10,000,000	-	10,000,000
Net income (loss)	(4,812,479)	(4,798,620)	366,528	(38,134)	(9,282,705)	4,470,226	(4,812,479)
Contribution of intercompany accounts payable to members' equity	(10,382,661)	8,326,896	1,413,317	642,448	-	-	-
Balances, December 31, 2012	$ (362,878,753)	$ (39,267,557)	$ 11,065,502	$ (6,856,774)	(397,937,582)	341,059,098	(56,878,484)

Bobcats Basketball Holdings, LLC and Subsidiaries
Consoidating Statement of Cash Flows
For the Three Months Ending December 31, 2012

	Bobcats Basketball Holdings, LLC	Bobcats Basketball, LLC	Charlotte Arena Operations, LLC	Charlotte Arena Financing II, LLC	Total	Eliminations	Consolidated
Cash flows from operating activities							
Net income (loss)	$ (4,812,479)	$ (4,798,620)	$ 366,528	$ (38,134)	$ (9,282,705)	$ 4,470,226	$ (4,812,479)
Adjustments to reconcile net income (loss) to cash used in operating activities							
Depreciation	-	119,941	16,101	-	136,042	-	136,042
Amortization	-	813,203	-	-	813,203	-	813,203
Amortization of loan origination costs	-	20,700	-	-	20,700	-	20,700
Write-off of loan origination costs	-	-	-	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	-
Change in interest rate swap	-	311,785	-	-	311,785	-	311,785
Income from subsidiary	4,470,226	-	-	-	4,470,226	(4,470,226)	-
Equity in income from investment in NBA related entities	-	(1,420,000)	-	-	(1,420,000)	-	(1,420,000)
Change in operating assets and liabilities							
Accounts receivable	-	(27,941,096)	977,460	-	(26,963,636)	-	(26,963,636)
Prepaid expenses and other assets	-	(270,050)	45,660	-	(224,390)	-	(224,390)
Accounts payable and accrued expenses and other long-term liabilities	-	2,396,422	606,298	-	3,002,720	-	3,002,720
Due to related party	-	205,575	-	-	205,575	-	205,575
Deferred revenue	-	22,160,995	114,404	-	22,275,399	-	22,275,399
Net cash provided by (used) in operating activities	(342,253)	(8,401,145)	2,126,451	(38,134)	(6,655,081)	-	(6,655,081)
Cash flows from investing activities							
Purchase of property, plant and equipment	-	(74,999)	-	-	(74,999)	-	(74,999)
Restricted cash	-	155,451	-	-	155,451	-	155,451
Distributions from investments in NBA related entities	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	-	80,452	-	-	80,452	-	80,452
Cash flows from financing activities							
Advance on line of credit	4,500,000	-	-	-	4,500,000	-	4,500,000
Payments on line of credit	(2,000,000)	-	-		(2,000,000)	-	(2,000,000)
Proceeds from long-term debt	-	-	-		-	-	-
Principal payments on long-term debt	-	-	-	(604,314)	(604,314)	-	(604,314)
Member contributions	10,000,000	-	-	-	10,000,000	-	10,000,000
Contribution (to) from other subsidiaries	(10,382,661)	8,326,896	1,413,317	642,448	-	-	-
Net cash provided by (used in)financing activities	2,117,339	8,326,896	1,413,317	38,134	11,895,686	-	11,895,686
Net increase (decrease) in cash and cash equivalents	1,775,086	6,203	3,539,768	-	5,321,057	-	5,321,057
Cash and cash equivalents							
Beginning	1,405,259	10,523	989,164	-	2,404,946	-	2,404,946
End	$ 3,180,345	$ 16,726	$ 4,528,932	$ -	$ 7,726,003	$ -	$ 7,726,003