

Wildflower Resort Company

Due Diligence

January 2005



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- Appendix A: Demand & Market Analysis
- Appendix B: Financial Projections
- Appendix C: Business Plan
- Appendix D: Project Cost Review



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1. Scope, Objectives and Limitations

- This report has been prepared for Neimann Trading International Corporation.
- The scope of our work relates to a review of the proposed Project as financially viable based on the assumptions prepared by management.
- Our work involved reviewing the support and documentation prepared and submitted by management without audit for the proposed Project and discussing certain matters with management.
- Our review does not constitute an audit examination in accordance with applicable standards; accordingly, we do not express an opinion on the information included herein.
- Our report should not form the sole basis for an investment decision; the reports of other advisors should also be consulted.
- Neither our draft report nor our final report, or summaries thereof, are intended for general circulation or publication, nor are they to be reproduced or used for any purpose without our prior written consent in each specific instance. We shall not assume any responsibility or liability for losses occasioned to you or to other parties as a result of the circulation, publication, reproduction or use our work contrary to the provisions of this paragraph.

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2. Executive Summary

Highlights and findings which are addressed more fully in the report are as follows:

- There is sufficient demand and government incentives for the Wildflower Project
- The Project costs have been validated by reliable sources
- The projections and appraisal support the Project's success
- The Company's business plan appears viable

Conclusion

Based on the work performed, the Wildflower Project appears financially viable which supports the proposed funding.

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3. Demand & Market Analysis

3.1 Over view of the Market

The Dallas/Fort Worth market already contains three resort style boutique hotels including the Four Seasons Las Colinas, Westin Stonebriar and Beechwood. They have approximately 350 rooms and golf facilities, but lack proximity to a lake and conference center facilities. The region also has larger convention hotels such as the Hyatt, Wyndham, and Opryland, but again, they are lacking lake access and golf amenities. None of these hotels feature the complete offering of the Wildflower Resort.

Dallas/Fort Worth airport is one of the major airports in the U.S with frequent flights from all over the country. This will facilitate convenient access to the Wildflower Resort enhancing its attractiveness as a business group destination.

Texas is well established as a major golf destination having five courses recently ranked in the top 60 golf resorts in the U.S. by Conde Nast Traveler Magazine in 2003. The Wildflower Resort will be able to take advantage of this profile and will be well positioned to join such rankings.

As detailed in Appendix A, there is a need for a mixed use development of Wildflower's nature.

The Wildflower Project is supported by the following:

- Unique and enhanced facilities not offered elsewhere in the state;
- Involvement by Intercontinental Hotels & Resorts and Troon Golf;
- Support from local government; and
- Strong hotel operating statistics in the Dallas Fort Worth area.



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4. Approved Budget & Project Cost Validation

4.1 Approved Budget

Below is the approved budget (project costs) for the Wildflower Project:

Uses	Millions	
Soft Costs & Fees		
FF&E and OS&E (Agency Items)	\$ 25.7	
Design & Fees (Operating Cost, Legal, Accounting)	6.7	
Pre-Opening	3.7	
Financing and Working Capital	1.4	
Insurance & Pre-Construction Payables	1.9	
Developer Fee	6.5	
Contingency	10.0	55.9
Hard Costs		
Hotel/Conference Center/Spa	94.3	
Golf Courses/Club House	26.0	
Contractors Management Fee	6.0	
Infrastructure	35.8	162.1
Land		2.0
Total Financing		\$ 220.0

4.2 Project Cost Validation

Wildflower Resort Company's ("WRC") current project budget of \$220 million for the development of the Wildflower Resort appears to reflect the overall scope, timeframe and master plan (adjusted to reflect exclusions) and, subject to the concerns and potential cost risk factors outlined in the DevCap International Ltd. report in Appendix D, appears reasonable.

The resort design and construction portion of the budget has been prepared by a professional experienced and qualified Design-Build team and the estimates are based upon WRC approved



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preliminary design drawings. (We understand however, that hotel operator brand design standards have not been referenced as WRC believe the owner design exceeds such standards.)

The Owner Direct budgeted costs appear to capture the current known cost categories and allowances appear reasonable and reflect the project metrics.

We note that WRC has recently increased the project contingency fund to \$10 million which now corresponds with recommended contingency levels for a project of this nature at this stage of development.

Please refer to Appendix D for more detailed reporting on the Project Budget and proposed development timeframe.

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5. Appraisal of Project on an “as Completed Basis”

5.1 Project Cash Flows

Below are the summary projected cash flows for the Wildflower Project for the next 10 years for the hotel, spa, golf and villa sales components:

PROFIT & LOSS STATEMENT: Summary Report										
Proposed Wildflower Resort: InterContinental Wildflower Hotel / Spa, Wildflower Golf Courses & Wildflower Villas Consolidated Pro Forma										
Source: WRC, InterContinental, Troon & Design Workshop										
Summary P&L	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Beginning	July-07	July-08	July-09	July-10	July-11	July-12	July-13	July-14	July-15	July-16
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Revenue										
Rooms	18,964,221	22,291,423	26,466,424	30,851,160	32,727,742	33,421,641	34,223,349	35,044,855	35,984,114	36,747,470
Food	14,376,382	16,461,117	18,261,790	20,466,403	21,056,060	21,502,494	22,018,554	22,546,999	23,151,382	23,642,242
Beverage	1,881,537	2,189,129	2,407,119	2,643,336	2,714,192	2,771,739	2,838,261	2,906,379	2,984,286	3,047,559
Telephone	954,400	1,039,611	1,114,463	1,209,342	1,241,758	1,268,086	1,298,520	1,329,685	1,365,327	1,394,275
Other Operated Departments	453,340	493,815	529,370	574,437	589,835	602,341	616,797	631,600	648,530	662,281
Golf	3,731,307	6,834,929	7,452,972	8,332,820	8,730,675	9,133,147	7,472,137	7,939,388	8,448,881	8,908,432
Spa	6,588,000	7,008,000	7,336,500	8,422,375	8,445,450	9,070,250	9,070,250	9,718,125	9,744,750	9,718,125
Villas	0	0	0	0	0	0	0	0	0	0
Rentals	566,720	604,164	640,596	668,932	668,932	668,932	668,932	668,932	668,932	668,932
Total Revenue	47,515,907	56,922,188	64,209,233	73,168,806	76,174,644	78,438,630	78,206,800	80,785,962	82,996,202	84,789,317
Departmental Expenses										
Rooms	6,580,584	6,910,341	7,410,599	7,941,150	8,176,761	8,359,277	8,559,899	8,765,337	8,990,443	9,191,122
Food & Beverage	13,819,231	14,920,197	15,501,682	16,176,817	16,630,487	17,006,354	17,414,507	17,832,455	18,285,414	18,698,684
Telephone	729,320	768,631	795,276	847,699	869,231	888,877	910,210	932,055	955,729	977,330
Other Operated Departments	346,427	365,100	377,970	402,657	412,885	422,216	432,350	442,120	453,971	464,232
Golf	3,957,626	4,901,554	5,080,896	5,294,664	5,459,502	5,629,193	5,806,835	6,012,305	6,219,743	6,422,986
Villa - Costs (2007 includes 2006 costs)	-	-	-	-	-	-	-	-	-	-
Spa	4,282,200	4,555,200	4,768,725	5,053,425	5,067,270	4,988,638	4,988,638	4,859,633	4,872,375	4,859,063
Total Departmental Expenses	29,715,388	32,421,023	33,935,598	35,716,412	36,616,135	37,294,555	38,112,439	38,843,334	39,777,676	40,613,416
Gross Operating Income	17,800,520	24,501,166	30,273,635	37,452,393	39,558,508	41,144,075	40,094,361	41,942,628	43,218,526	44,175,901
Undistributed Operating Expense										
Administrative & General	3,682,463	3,826,964	4,003,022	4,279,880	4,405,517	4,508,179	4,616,375	4,727,168	4,843,918	4,956,795
Marketing	2,901,336	2,966,078	3,063,614	3,235,158	3,319,725	3,398,471	3,480,034	3,563,555	3,650,076	3,736,658
Marketing Assessment	616,337	724,471	860,159	1,002,663	1,063,652	1,086,203	1,112,272	1,138,958	1,169,484	1,194,293
Property Operations & Maintenance	2,008,617	2,063,359	2,125,061	2,250,038	2,308,854	2,363,621	2,420,348	2,478,436	2,538,612	2,598,829
Energy Costs	1,696,615	1,750,828	1,824,549	1,951,380	2,006,570	2,053,608	2,102,895	2,153,365	2,206,248	2,257,966
Total Undistributed Operating Expense	10,905,368	11,331,700	11,876,405	12,719,119	13,104,318	13,410,082	13,731,924	14,061,482	14,408,338	14,744,541
Gross Operating Profit	6,895,152	13,169,466	18,397,230	24,733,274	26,454,191	27,733,993	26,362,437	27,881,146	28,810,189	29,431,360
Licenses and Fees										
Base Management Fee -Hotel	1,301,881	1,507,774	1,729,692	1,974,476	2,064,948	2,108,233	2,158,254	2,209,496	2,268,090	2,315,697
Incentive Fee - Hotel	0	0	0	300,597	578,526	641,059	700,647	710,947	774,798	799,319
Incentive Fee - Golf	80,000	100,000	100,000	100,000	100,000	100,000	100,000	87,550	101,097	113,410
Total Licenses and Fees	1,381,881	1,607,774	1,829,692	2,375,073	2,743,474	2,849,292	2,958,901	3,007,993	3,143,985	3,228,426
Income Before Fixed Charges	5,513,271	11,561,692	16,567,539	22,358,201	23,710,717	24,884,701	23,403,535	24,873,154	25,666,204	26,202,934
Fixed Charges										
Total Fixed Charges	5,853,801	7,130,818	7,665,004	10,061,199	10,726,303	11,171,524	11,475,423	11,789,960	11,576,009	11,861,284
Income Before Land Lease/Rent	-340,531	4,430,874	8,902,535	12,297,002	12,984,414	13,713,177	11,928,112	13,083,193	14,090,195	14,341,651
Land Lease/Rent	712,739	853,833	963,139	1,097,532	1,142,620	1,176,579	1,173,102	1,211,789	1,244,943	1,271,840
Operation Funds Available For Debt Service	-1,053,269	3,577,041	7,939,396	11,199,470	11,841,794	12,536,598	10,755,010	11,871,404	12,845,252	13,069,811
TIF Revenue	4,663,154	4,826,217	4,567,787	5,909,139	6,588,827	6,292,512	6,055,605	5,652,131	5,814,063	5,814,063
Hotel / Motel Tax Revenue	1,513,027	1,783,302	2,123,115	2,468,145	2,611,092	2,673,702	2,745,369	2,803,588	2,870,864	2,939,798
Total TIF & Hotel / Motel Revenue	6,176,181	6,609,519	6,690,901	8,377,284	9,199,919	8,966,215	8,800,974	8,455,720	8,684,927	8,753,861
Total Available for Debt Service	5,122,912	10,186,560	14,630,298	19,576,753	21,041,713	21,502,812	19,555,984	20,327,124	21,530,179	21,823,672

Detailed projections are included in Appendix B.



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5.2 Appraisal of the Project

Based on the above projections, the Wildflower Project yields a value in the range of \$251.9 million to \$263.1 million based on the discounted cash flow methodology:

	Value Range (millions)
Hotel, Spa, Golf	\$126.6 - \$131.1
Villas	\$41.8 - \$43.2
Tax Revenue	\$55.3 - \$56.7
Land	\$28.2 - \$32.0
Total	\$251.9 - \$263.1

It was necessary to utilize appropriate discount rates and reversionary capitalization rates for each component of the Project as they each have their own market characteristics and risk level. These were determined based on the market and risk level for each component as well as market data for comparable properties. Discount rates ranged from 10% to 12.5% and reversionary capitalization rates ranged from 10.0% to 10.5%.

In addition to these components it was also necessary to value the Tax Increment Financing ("TIF") Revenue and the Hotel/Motel Tax Revenue as these are revenues generated by the Project from tax incentives provided by the City. This revenue yields a value in the range of \$55.3 million to \$56.7 million based on discount rates ranging from 9%-10%. This revenue expires in 2019 and as such has no reversionary value.

A value for the lands being serviced but not yet developed also has to be determined since costs will be expended for these lands. These lands approximate 185 acres and will be the future site of the Equestrian Center and Polo Club, Boutique Hotel and Festival Entertainment Village. These lands yield a value in the range of \$ 28 million to \$32 million based on recent market values of \$150,000 - \$200,000 per acre.

The total value of the Project as completed supports the cost to develop.



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6. Review of Business Plan

The Company business plan is included in Appendix C.

Based on a review of the business plan, the Wildflower Project appears feasible in light of the following:

- The market and demand for the Project;
- Reasonability of the projections;
- Reasonability of the Development Costs; and
- Strong experienced Project team.

Given the above, there appears to be an acceptable level of risk associated with the funding for the Wildflower Project.



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Appendix A- Demand & Market Analysis

Wildflower's competitive set includes the Four Season's Las Colinas, Westin La Canterra, Hyatt Regency Hill Country, Westin Stonebriar and The Houstonian. A comparison of these resorts' facilities is detailed below:

	Wildflower Resort	Four Seasons Las Colinas	Westin La Canterra	Hyatt Regency	Westin Stonebriar	Houstonian
Year Built/Reno'd	N/A	1986	1995	1993/2000	2000	1980/1996
Location	Grand Prairie	Irving	San Antonio	San Antonio	Dallas	Houston
# of Rooms	500	357	508	500	301	288
Restaurants	TBD	3	5	2	1	2
Meeting Space	75,000 sq. ft.	32,000 sq. ft.	39,000 sq. ft.	27,000 sq. ft.	24,000 sq. ft.	32,000 sq. ft.
Ballroom Size	30,000 sq. ft.	8,000 sq. ft.	17,000 sq. ft.	19,300 sq. ft.	9,100 sq. ft.	11,300 sq. ft.
Golf	36 holes	18 holes	36 holes	27 holes	18 holes	18 holes at Redstone Golf Club
Golf Clubhouse	35,000 sq. ft.	No	15,300 sq. ft.	10,000 sq. ft.	No	Yes at Redstone Golf Club
Spa	25,000 sq. ft.	16 treatment rooms	Yes	Yes	Yes	17,000 sq. ft.
Fitness Center	7,000 sq. ft. within spa facility	6,000 sq. ft.	7,600 sq. ft.	Yes	Yes	125,000 sq. ft.
Tennis	Yes - TBD	12 courts	Yes	3 courts	Yes - Lakes Tennis Academy	8 courts
Pools	Yes - TBD	4	6	2	1	3
Equestrian Center	Yes	No	No	No	No	No
Entertainment Center	Yes	No	No	No	No	No
Villas	Yes	No	No	No	No	No
Lake Setting	Yes	No	No	No	No	No
Distance from Airport	20 min from DFW airport	15 min from DFW airport	15 min from San Antonio airport	20 min from San Antonio airport	30 min from DFW airport	30 min from Houston airport

As this comparison shows, while the competitive set offers many amenities, the Wildflower Resort offers much more than its competition. The Wildflower Resort either meets or exceeds existing amenities at other hotels and offers additional ones which will make it a unique destination resort. The Wildflower Resort will also be new whereas its competitive set is quite dated with the exception of The Westin

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Appendix A- Demand & Market Analysis

Stonebriar. It should also be noted that the Four Seasons Las Colinas and the Westin Stonebriar are the only competitive hotels in close proximity to the Wildflower Resort.

Year-to-date third quarter 2004 hotel performance for the state of Texas showed an increase in occupancy and ADR. More specifically, the high-end chain hotels in the Dallas Fort Worth area reached 65% occupancy and an ADR of approximately \$170.00. The occupancy rate in this area exceeds that of San Antonio and Houston suggesting that the Dallas Fort Worth area attracts more tourism and could potentially handle increased hotel rooms.

Wildflower's competitive sets' performance results for 2004 are detailed below:

2004	Wildflower Resort	Four Seasons Las Colinas	Westin La Canterra	Hyatt Regency	Westin Stonebriar	Houstonian
Occupancy	N/A	73%	64%	66%	71%	58%
ADR	N/A	\$230	\$170	\$185	\$150	\$205
RevPar	N/A	\$170	\$110	\$120	\$105	\$120

The high occupancy rates at the Four Seasons Las Colinas and the Westin Stonebriar support the development of a new resort in the Dallas Fort Worth area.

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Appendix B – Financial

PROFIT & LOSS STATEMENT: Summary Report											
Proposed Wildflower Resort: InterContinental Wildflower Hotel / Spa, Wildflower Golf Courses & Wildflower Villas Consolidated Pro Forma											
Source: WRC, InterContinental, Troon & Design Workshop											
Summary P&L	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Year Beginning	July-07	July-08	July-09	July-10	July-11	July-12	July-13	July-14	July-15	July-16	
Days in Year	366	365	365	365	366	365	365	365	366	365	365
Room Count	500	500	500	500	500	500	500	500	500	500	500
Available Rooms	183,000	182,500	182,500	182,500	183,000	182,500	182,500	182,500	183,000	182,500	182,500
Occupied Rooms	109,800	116,800	122,275	129,575	129,930	129,575	129,575	129,575	129,930	129,575	129,575
Occupancy	60.00%	64.00%	67.00%	71.00%	71.00%	71.00%	71.00%	71.00%	71.00%	71.00%	71.00%
Projected Room Rate	288	298	323	335	355	363	372	381	390	399	399
Average Daily Rate (ADR)	172.72	190.85	216.45	238.10	251.89	257.93	264.12	270.46	276.95	283.60	283.60
Percentage Change from Previous Year	--	10.5%	13.4%	10.0%	5.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
RevPAR	103.63	122.14	145.02	169.05	178.84	183.13	187.53	192.03	196.63	201.36	201.36
Percentage Change from Previous Year	--	17.9%	18.7%	16.6%	5.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Revenue											
Rooms	18,964,221	22,291,423	26,466,424	30,851,160	32,727,742	33,421,641	34,223,349	35,044,855	35,984,114	36,747,470	36,747,470
Food	14,376,382	16,461,117	18,261,790	20,466,403	21,056,060	21,502,494	22,018,554	22,546,979	23,151,382	23,642,242	23,642,242
Beverage	1,881,537	2,189,129	2,407,119	2,643,336	2,714,192	2,771,739	2,838,261	2,906,399	2,984,286	3,047,559	3,047,559
Telephone	954,400	1,039,611	1,114,463	1,209,342	1,241,758	1,268,086	1,298,520	1,329,685	1,365,327	1,394,275	1,394,275
Other Operated Departments	453,340	493,815	529,370	574,437	589,835	602,341	616,797	631,600	648,530	662,281	662,281
Golf	3,731,307	6,834,929	7,452,972	8,332,820	8,730,675	9,133,147	9,472,137	9,793,388	10,114,881	10,436,374	10,436,374
Spa	6,588,000	7,008,000	7,336,500	8,422,375	8,445,450	8,445,450	9,070,250	9,070,250	9,718,125	9,718,125	9,718,125
Villas	0	0	0	0	0	0	0	0	0	0	0
Rentals	566,720	604,164	640,596	668,932	668,932	668,932	668,932	668,932	668,932	668,932	668,932
Total Revenue	47,515,907	56,922,188	64,209,233	73,168,806	76,174,644	78,438,630	78,206,800	80,785,962	82,996,202	84,789,317	84,789,317
Departmental Expenses											
Rooms	6,580,584	6,910,341	7,410,599	7,941,150	8,176,761	8,359,277	8,559,899	8,765,337	8,990,443	9,191,122	9,191,122
Food & Beverage	13,819,231	14,920,197	15,501,682	16,176,817	16,630,487	17,006,354	17,414,507	17,832,455	18,285,414	18,698,684	18,698,684
Telephone	729,320	768,631	795,726	847,699	869,231	888,877	910,210	932,055	955,729	977,330	977,330
Other Operated Departments	346,427	365,100	377,970	402,657	412,885	422,216	432,350	442,120	453,971	464,232	464,232
Golf	3,957,626	4,901,554	5,080,896	5,294,664	5,459,502	5,629,193	5,806,835	6,012,305	6,219,743	6,422,986	6,422,986
Villa - Costs (2007 includes 2006 costs)	-	-	-	-	-	-	-	-	-	-	-
Spa	4,282,200	4,555,200	4,768,725	5,053,425	5,067,270	4,988,638	4,988,638	4,859,063	4,872,375	4,859,063	4,859,063
Total Departmental Expenses	29,715,388	32,421,023	33,935,598	35,716,412	36,616,135	37,294,555	38,112,439	38,843,334	39,777,676	40,613,416	40,613,416
Gross Operating Income	17,800,520	24,501,166	30,273,635	37,452,393	39,558,508	41,144,075	40,094,361	41,942,628	43,218,526	44,175,901	44,175,901
Undistributed Operating Expense											
Administrative & General	3,682,463	3,826,964	4,003,022	4,279,880	4,405,517	4,508,179	4,616,375	4,727,168	4,843,918	4,956,795	4,956,795
Marketing	2,901,336	2,966,078	3,063,614	3,235,158	3,319,725	3,398,471	3,480,034	3,563,555	3,650,076	3,736,653	3,736,653
Marketing Assessment	616,337	724,471	860,159	1,002,663	1,063,652	1,086,203	1,112,272	1,138,958	1,169,484	1,194,298	1,194,298
Property Operations & Maintenance	2,008,617	2,063,359	2,125,061	2,250,038	2,308,854	2,363,621	2,420,348	2,478,436	2,538,612	2,598,829	2,598,829
Energy Costs	1,696,615	1,750,828	1,824,549	1,951,380	2,006,570	2,053,608	2,102,895	2,153,365	2,206,248	2,257,966	2,257,966
Total Undistributed Operating Expense	10,905,368	11,331,700	11,876,405	12,719,119	13,104,318	13,410,082	13,731,924	14,061,482	14,408,338	14,744,541	14,744,541
Gross Operating Profit	6,895,152	13,169,466	18,397,230	24,733,274	26,454,191	27,733,993	26,362,437	27,881,146	28,810,189	29,431,360	29,431,360
Licenses and Fees											
Base Management Fee -Hotel	1,301,881	1,507,774	1,729,692	1,974,476	2,064,948	2,108,233	2,158,254	2,209,496	2,268,090	2,315,697	2,315,697
Incentive Fee - Hotel	0	0	0	300,597	578,526	641,059	700,647	710,947	774,798	799,319	799,319
Incentive Fee - Golf	80,000	100,000	100,000	100,000	100,000	100,000	100,000	87,550	101,097	113,410	113,410
Total Licenses and Fees	1,381,881	1,607,774	1,829,692	2,375,073	2,743,474	2,849,292	2,958,901	3,007,993	3,143,985	3,228,426	3,228,426
Income Before Fixed Charges	5,513,271	11,561,692	16,567,538	22,358,201	23,710,717	24,884,701	23,403,535	24,873,154	25,666,204	26,202,934	26,202,934
Fixed Charges											
Total Fixed Charges	5,853,801	7,130,818	7,665,004	10,061,199	10,726,303	11,171,524	11,475,423	11,789,960	11,576,009	11,861,284	11,861,284
Income Before Land Lease/Rent	-340,531	4,430,874	8,902,535	12,297,002	12,984,414	13,713,177	11,928,112	13,083,193	14,090,195	14,341,651	14,341,651
Land Lease/Rent	712,739	853,833	963,139	1,097,532	1,142,620	1,176,579	1,173,102	1,211,789	1,244,943	1,271,840	1,271,840
Operation Funds Available For Debt Service	-1,053,269	3,577,041	7,939,396	11,199,470	11,841,794	12,536,598	10,755,010	11,871,404	12,845,252	13,069,811	13,069,811
TIF Revenue	4,663,154	4,826,217	4,567,787	5,909,139	6,588,827	6,292,512	6,055,605	5,652,131	5,814,063	5,814,063	5,814,063
Hotel / Motel Tax Revenue	1,513,027	1,783,302	2,123,115	2,468,145	2,611,092	2,673,702	2,745,369	2,803,588	2,870,864	2,939,798	2,939,798
Total TIF & Hotel / Motel Revenue	6,176,181	6,609,519	6,690,901	8,377,284	9,199,919	8,966,215	8,800,974	8,455,720	8,684,927	8,753,861	8,753,861
Total Available for Debt Service	5,122,912	10,186,560	14,630,298	19,576,753	21,041,713	21,502,812	19,555,984	20,327,124	21,530,179	21,823,672	21,823,672

Wildflower Resort Company

Due Diligence January 2005 Projections

Appendix B – Financial

PROFIT & LOSS STATEMENT: Summary Report											
Proposed InterContinental Wildflower Hotel Pro Forma											
Source: InterContinental											
Summary P&L	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Year Beginning	July-07	July-08	July-09	July-10	July-11	July-12	July-13	July-14	July-15	July-16	
Days in Year	366	365	365	365	366	365	365	365	366	365	
Room Count	500	500	500	500	500	500	500	500	500	500	
Available Rooms	183,000	182,500	182,500	182,500	183,000	182,500	182,500	182,500	183,000	182,500	
Occupied Rooms	109,800	116,800	122,275	129,575	129,930	129,575	129,575	129,575	129,930	129,575	
Occupancy	60%	64.00%	67.00%	71.00%	71.00%	71.00%	71.00%	71.00%	71.00%	71.00%	
Projected Room Rate	288	298	323	335	355	363	372	381	390	399	
Average Daily Rate (ADR)	172.72	190.85	216.45	238.10	251.89	257.93	264.12	270.46	276.95	283.60	
<i>Percentage Change from Previous Year</i>	--	10.5%	13.4%	10.0%	5.8%	2.4%	2.4%	2.4%	2.4%	2.4%	
RevPAR	103.63	122.14	145.02	169.05	178.84	183.13	187.53	192.03	196.63	201.36	
<i>Percentage Change from Previous Year</i>	--	17.9%	18.7%	16.6%	5.8%	2.4%	2.4%	2.4%	2.4%	2.4%	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Revenue											
Rooms	18,964,221	22,291,423	26,466,424	30,851,160	32,727,742	33,421,641	34,223,349	35,044,855	35,984,114	36,747,470	
Food	14,376,382	16,461,117	18,261,790	20,466,403	21,056,060	21,502,494	22,018,554	22,546,999	23,151,382	23,642,242	
Beverage	1,881,537	2,189,129	2,407,119	2,643,336	2,714,192	2,771,739	2,838,261	2,906,379	2,984,286	3,047,559	
Telephone	954,400	1,039,611	1,114,463	1,209,342	1,241,758	1,268,086	1,298,520	1,329,685	1,365,327	1,394,275	
Other Operated Departments	453,340	493,815	529,370	574,437	589,835	602,341	616,797	631,600	648,530	662,281	
Rentals	566,720	604,164	640,596	668,932	668,932	668,932	668,932	668,932	668,932	668,932	
Total Revenue	37,196,600	43,079,259	49,419,761	56,413,610	58,998,519	60,235,233	61,664,412	63,128,449	64,802,571	66,162,759	
Departmental Expenses											
Rooms	6,580,584	6,910,341	7,410,599	7,941,150	8,176,761	8,359,277	8,559,899	8,765,337	8,990,443	9,191,122	
Food & Beverage	13,819,231	14,920,197	15,501,682	16,176,817	16,630,487	17,006,354	17,414,507	17,832,455	18,285,414	18,698,684	
Telephone	729,320	768,631	795,726	847,699	869,231	888,877	910,210	932,055	955,729	977,330	
Other Operated Departments	346,427	365,100	377,970	402,657	412,885	422,216	432,350	442,120	453,971	464,232	
Total Expenses	21,475,562	22,964,269	24,085,977	25,368,323	26,089,363	26,676,724	27,316,966	27,971,967	28,685,557	29,331,368	
Gross Operating Income	15,721,038	20,114,990	25,333,785	31,045,287	32,909,156	33,558,509	34,347,446	35,156,482	36,117,014	36,831,391	
Undistributed Operating Expense											
Administrative & General	3,682,463	3,826,964	4,003,022	4,279,880	4,405,517	4,508,179	4,616,375	4,727,168	4,843,918	4,956,795	
Marketing	2,901,336	2,966,078	3,063,614	3,235,155	3,319,725	3,398,471	3,480,034	3,563,555	3,650,076	3,736,658	
Marketing Assessment	616,337	724,471	860,159	1,002,663	1,063,652	1,086,203	1,112,272	1,138,958	1,169,484	1,194,293	
Property Operations & Maintenance	2,008,617	2,063,359	2,125,061	2,250,038	2,308,854	2,363,621	2,420,348	2,478,436	2,538,612	2,598,829	
Energy Costs	1,696,615	1,750,828	1,824,549	1,951,380	2,006,570	2,053,608	2,102,895	2,153,365	2,206,248	2,257,966	
Total Undistributed	10,905,368	11,331,700	11,876,405	12,719,119	13,104,318	13,410,082	13,731,924	14,061,482	14,408,338	14,744,541	
Gross Operating Profit	4,815,670	8,783,290	13,457,380	18,326,169	19,804,838	20,148,427	20,615,522	21,095,000	21,708,676	22,086,850	
Licenses and Fees											
Base Management Fee	1,301,881	1,507,774	1,729,692	1,974,476	2,064,948	2,108,233	2,158,254	2,209,496	2,268,090	2,315,697	
Incentive Fee	0	0	0	300,597	578,526	641,059	700,647	710,947	774,798	799,319	
Total Licenses and Fees	1,301,881	1,507,774	1,729,692	2,275,073	2,643,474	2,749,292	2,858,901	2,920,443	3,042,888	3,115,016	
Income Before Fixed Charges	3,513,789	7,275,516	11,727,688	16,051,095	17,161,364	17,399,134	17,756,621	18,174,558	18,665,788	18,971,835	
Fixed Charges											
Property Tax	3,725,147	3,725,147	3,557,063	4,774,021	5,115,972	5,234,374	5,386,672	5,479,771	5,606,904	5,737,088	
Insurance	460,659	471,225	483,036	494,629	506,500	518,656	531,104	543,285	556,324	570,269	
Technical Service Fee											
Reserve for Replacement	743,932	1,292,378	1,976,790	2,820,681	2,949,926	3,011,762	3,083,221	3,156,422	3,240,129	3,308,138	
Total Fixed Charges	4,929,738	5,488,750	6,016,889	8,089,331	8,572,398	8,764,792	9,000,997	9,179,478	9,403,357	9,615,495	
Income Before Land Lease/Rent	-1,415,949	1,786,766	5,710,799	7,961,765	8,588,966	8,634,343	8,755,624	8,995,079	9,262,432	9,356,340	
Land Lease/Rent	557,949	646,189	741,296	846,204	884,978	903,528	924,966	946,927	972,039	992,441	
Operation Funds Available For Debt Service	-1,973,898	1,140,577	4,969,502	7,115,561	7,703,988	7,730,814	7,830,658	8,048,152	8,290,393	8,363,899	
TIF Revenue	4,011,636	4,174,699	4,157,987	5,406,353	5,944,858	5,917,873	5,666,072	5,364,149	5,466,106	5,466,106	
Hotel / Motel Tax Revenue	1,513,027	1,783,302	2,123,115	2,468,145	2,611,092	2,673,702	2,745,369	2,803,588	2,870,864	2,939,798	
Total TIF & Hotel / Motel Revenue	5,524,663	5,958,001	6,281,102	7,874,497	8,555,949	8,591,575	8,411,441	8,167,737	8,336,969	8,405,903	
Total Available for Debt Service	3,550,765	7,098,578	11,250,604	14,990,058	16,259,938	16,322,389	16,242,099	16,215,890	16,627,362	16,769,802	

Wildflower Resort Company

Due Diligence January 2005 Projections

Appendix B – Financial

PROFIT & LOSS STATEMENT: Summary Report										Currency: USD
Proposed Wildflower Nicklaus / Garcia Golf Courses Pro Forma										
Source: Troon Golf										
Assumed Rounds/Fees/etc.										
Rounds										
Rounds: Daily Fee/Transient	8,000	12,500	13,000	13,520	14,061	14,623	15,208	15,816	16,449	17,107
Rounds: Tournament	4,000	6,250	6,500	6,760	7,030	7,312	7,604	7,908	8,225	8,554
Rounds: Resort	12,298	19,856	22,010	25,915	25,986	25,915	25,915	25,915	25,986	25,915
Rounds: Other	1,000	2,500	3,000	3,500	4,000	4,500	5,000	5,500	6,000	6,000
Total Rounds	25,298	41,106	44,510	49,695	51,077	52,350	53,727	55,139	56,660	57,576
Avg Fees Per Rd - Daily Fee/Transient	65.00	67.60	70.30	73.12	76.04	79.08	82.25	85.54	88.96	92.52
Avg Fees Per Rd - Tournament	75.00	78.00	81.12	84.36	87.74	91.25	94.90	98.69	102.64	106.75
Avg Fees Per Rd - Resort	95.00	98.80	102.75	106.86	111.14	115.58	120.21	125.01	130.01	135.21
Avg Fees Per Rd - Other	55.00	57.20	59.49	61.87	64.34	66.92	69.59	72.38	75.27	78.28
Merchandise Sales Per Rd	10.00	10.40	10.82	11.25	11.70	12.17	12.65	13.16	13.69	14.23
Food & Beverage Sales Per Rd	17.00	17.68	18.39	19.12	19.89	20.68	21.51	22.37	23.27	24.20
Cost of Sales Analysis										
Merchandise	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Food & Beverage - Golf	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Food & Beverage - Banquet	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Golf	2.25	2.32	2.39	2.46	2.53	2.61	2.69	2.77	2.85	2.94
Summary P&L										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Beginning	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Villa Clubhouse & Membership Fee	880,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	0	0	0	0
Golf Fees - Total	2,043,272	3,437,273	3,881,216	4,544,704	4,831,381	5,120,065	5,435,488	5,771,104	6,137,663	6,469,564
Merchandise	252,976	427,502	481,415	559,001	597,529	636,918	679,818	725,592	775,431	819,486
Food & Beverage - Golf	430,059	726,754	818,405	950,302	1,015,799	1,082,760	1,155,691	1,233,506	1,318,233	1,393,126
Food & Beverage - Banquet	85,000	88,400	91,936	95,613	99,438	103,415	107,552	111,854	116,328	120,982
Range, Rental & Other	40,000	55,000	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275
Total Revenues	3,731,307	6,834,929	7,452,972	8,332,820	8,730,675	9,133,147	9,742,137	10,239,388	10,848,881	11,432,432
Cost of Sales										
Merchandise	139,137	235,126	264,778	307,451	328,641	350,305	373,900	399,075	426,487	450,717
Food & Beverage - Golf	141,920	239,829	270,074	313,600	335,214	357,311	381,378	407,057	435,017	459,732
Food & Beverage - Banquet	23,800	24,752	25,742	26,772	27,843	28,956	30,115	31,319	32,572	33,875
Golf	56,920	95,366	106,378	122,250	129,225	136,634	144,526	152,735	161,481	169,273
Total Cost of Sales	361,776	595,073	666,972	770,072	820,922	873,206	929,918	990,187	1,055,557	1,113,597
Gross Profit	3,369,531	6,239,856	6,786,000	7,562,748	7,909,753	8,259,942	8,812,219	9,249,201	9,793,324	10,318,835
Operating Expenses										
Payroll, Benefits, Expenses & Prof. Fees	2,215,850	2,501,981	2,577,040	2,654,351	2,733,982	2,816,001	2,900,481	2,987,496	3,077,120	3,169,434
Other Operating Expenses	1,180,000	1,604,500	1,636,885	1,670,242	1,704,599	1,739,987	1,776,436	1,813,979	1,852,649	1,892,478
Management Base Fee	200,000	200,000	200,000	200,000	200,000	200,000	200,000	220,643	234,417	247,476
Total Operating Expenses	3,595,850	4,306,481	4,413,925	4,524,593	4,638,580	4,755,988	4,876,917	5,022,118	5,164,186	5,309,388
Gross Operating Profit	-226,318	1,933,376	2,372,075	3,038,156	3,271,172	3,503,954	3,935,302	4,227,084	4,629,138	5,009,447
(GOP as percentage of Total Revenue)	-6.07%	28.29%	31.83%	36.46%	37.47%	38.37%	40.29%	41.27%	42.83%	43.87%
(GOP excluding MGT Fee)	-0.71%	31.21%	34.51%	38.86%	39.76%	40.56%	42.46%	43.51%	45.16%	46.88%
Taxes, Fees, and Insurance	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
Property Taxes	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
Management Incentive Fee	80,000	100,000	100,000	100,000	100,000	100,000	100,000	87,550	101,097	113,410
Equipment Leasing	211,200	316,800	316,800	316,800	356,561	356,561	356,561	356,561	401,313	401,313
Golf Cart Leasing	83,200	124,800	124,800	124,800	140,463	140,463	140,463	140,463	158,093	158,093
Total Fixed Expenses	574,400	747,600	753,780	760,145	822,126	828,880	835,835	830,549	913,857	933,770
Net Operating Income	-800,718	1,185,776	1,618,295	2,278,010	2,449,046	2,675,075	3,101,467	3,406,534	3,715,281	4,075,677
Capital Reserve	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	-800,718	1,185,776	1,618,295	2,278,010	2,449,046	2,675,075	3,101,467	3,406,534	3,715,281	4,075,677

Wildflower Resort Company

Due Diligence January 2005 Projections

Appendix B – Financial

PROFIT & LOSS STATEMENT: Summary Report							
Proposed InterContinental Wildflower Villas Pro Forma							
Source: Design Workshop & WRC							
Summary P&L	Year 0	Year1	Year 2	Year 3	Year 4	Year 5	Year 6
Year Beginning	2006	2007	2008	2009	2010	2011	2012
Phasing and Absorption							
Total Villas	0	3	10	10	10	10	10
Fractions Per Unit							
1/5th Fractions	3	3	3	3	3	3	3
1/10th Fractions	4	4	4	4	4	4	4
Total Fractions Absorption							
1/5th Fractions	0	9	30	30	30	30	30
1/10th Fractions	0	12	40	40	40	40	40
Square Fee per Unit							
Total Square Feet Absorbed	3,305	3,305	3,305	3,305	3,305	3,305	3,305
Total Square Feet Built	0	9,915	33,050	33,050	33,050	33,050	33,050
Revenue per Fraction							
1/5th Fractions	9,915	0	33,050	33,050	33,050	33,050	33,050
1/10th Fractions							
Villa Construction Hard Cost per SF							
	\$211.13	\$211.13	\$211.13	\$211.13	\$211.13	\$211.13	\$211.13
Golf Membership Fee per Fraction							
	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Revenue							
Fractional Revenue							
1/5th Fractions	\$0	\$4,500,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
1/10th Fractions	0	3,600,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Total Revenue	0	8,100,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000
Costs							
Land	0	0	0	0	0	0	0
Hard Costs							
Total Villa Construction Cost	2,093,354	-	6,977,847	6,977,847	6,977,847	6,977,847	6,977,847
Site Improvements (5% of Cost)	104,668	-	348,892	348,892	348,892	348,892	348,892
Total Hard Costs	2,198,022	-	7,326,739	7,326,739	7,326,739	7,326,739	7,326,739
Soft Costs							
A&E (10% of Construction Cost)	209,335	-	697,785	697,785	697,785	697,785	697,785
Marketing (15% of revenue)	0	1,215,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
Developer Fee (3% of revenue)	0	243,000	810,000	810,000	810,000	810,000	810,000
Legal Fee (1% of revenue)	0	81,000	270,000	270,000	270,000	270,000	270,000
Financing Cost	-	-	-	-	-	-	-
Total Soft Costs	209,335	1,539,000	5,827,785	5,827,785	5,827,785	5,827,785	5,827,785
Golf Membership							
Member Portion of Clubhouse	250,000						
Fractional Golf Membership Fee	-	630,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Total Golf Membership Cost	250,000	630,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Total Costs	2,657,357	2,169,000	15,254,523	15,254,523	15,254,523	15,254,523	15,254,523
Gross Operating Profit	-2,657,357	5,931,000	11,745,477	11,745,477	11,745,477	11,745,477	11,745,477
TIF Revenue							
Total Available for Debt Service	(\$2,657,357)	\$5,931,000	\$11,745,477	\$11,745,477	\$11,745,477	\$11,745,477	\$11,745,477

Project Description

Located in Estes Peninsula, Grand Prairie Texas, Wildflower is a 1,000-acre master-planned international group-meeting destination on a 7,500-acre lake within 20 minutes of the Dallas Fort Worth airport and surrounding central business districts. This urban resort and conference center destination will feature:

- A luxury four-star hotel with 500 stately rooms
- 75,000 square feet of meeting space
- An 18-hole Jack Nicklaus Signature Golf Course
- A second championship course by Sergio Garcia and Nicklaus Design
- 35,000 square foot Golf Clubhouse
- 25,000 square foot world-class spa and fitness center
- 75-Acre Waterfront Retail/Entertainment Center
- 300- Acre Private Villa Offering
- Equestrian Center and Polo Grounds

This project will be developed in phases, with the first phase featuring 500 guest rooms, suites and villas, 75,000 square foot meeting facility, 25,000 square foot spa and 36 holes of championship golf. Subsequent phases will feature a retail-entertainment center, boutique hotel and smaller hotel, equestrian center, private boat club as well as up to 500 fractional homes.

The Resort Hotel and Conference Center

The resort and conference center will be managed by Intercontinental Hotels & Resorts as a four star luxury hotel complex. Its unique setting of the Estes Park Peninsula, with more than four miles of waterfront, will provide Wildflower guests with a desirable “get-away” unmatched by any urban resort facilities now existing, or likely to be developed in the Southwest.

The hotel’s design recalls the Texas ranch configuration with a forecourt, main ‘house’ and numerous ancillary buildings and guestroom configurations are varied to accommodate the demands of the resort’s upscale group business, including a large number of suites.

Designed and programmed as a major group-meeting venue, Wildflower will feature approximately 75,000 square feet of strategically planned meeting space with the capability to simultaneously host two or more groups. The conference facilities are centered around a grand

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allée providing an elegant pre-function entry to the 20,000 square foot Grand Ballroom and 10,000 square foot Junior Ballroom. Other features include a 3,000 square foot Amphitheater and more than 42,000 square feet of additional meeting rooms and spacious pre-function areas.

Golf Complex

The resort golf complex is destined to become regarded as one of the finest golf experiences in the State of Texas attracting both out-of-town hotel guests and local residents to the resort on a year-round basis. The 36-hole project includes a Jack Nicklaus Signature Golf Course and Sergio Garcia's first golf course design. Troon Golf will provide golf management services for the Wildflower golf complex. There will also be a freestanding 35,000 square foot Golf Clubhouse overlooking the 18th Greens of both courses with semi-private membership amenities.

Spa

The spa and fitness center will be a 25,000 square foot world class freestanding facility with 7,000 square feet of state-of-the-art exercise facilities, lounges, gardens, lap pool, treatment rooms and luxury day rooms. The spa was designed by a national consultant to ensure it would exceed other national resorts. The spa will be affiliated with a brand name.

Entertainment Center

The Wildflower Entertainment Center is a mix of restaurant, entertainment and specialty retail shops designed to feel as though they were all built as a part of the boardwalk. The architectural language of the buildings is a modern interpretation of Texas vernacular style and each is designed to suit its context. Entertainment venues and specialty retail tenants anchor the town square, as well as a small four to six screen cineplex.

Private Residence Club Villas

The private residence club villas will be clustered in intimate villages around the lake and golf course. These sites are fully entitled under the Resort's Master Planned Development zoning and will be offered for interval ownership as two, three and four bedroom units.

Corporate Structure

Wildflower Resort Company ("WRC") is a Delaware Corporation formed by Wildflower LLC, a passive offshore investment company. WRC holds 100% of all right, title and interest in the 99-



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year land lease for the 1,000 acre Estes Park Peninsula Resort site which is in full force and effect. Raymond Goad is the President and CEO of WRC as well as the President of Windover Hotels and Resorts, Ltd, which is manager of Wildflower LLC.

Required Equity/Loan

The Wildflower project will require \$ 220 million to provide the necessary capital to develop the project. The goal will be to source the required funds by the end of 2004, to facilitate the scheduled 2007 opening.

Estimated Cost of Development & Use of Funds

The construction is expected to take approximately 30 months, with completion in 2007 with the following breakdown of costs and use of funds:

Uses	Millions	
Soft Costs & Fees		
FF&E and OS&E	\$ 15.0	
Design & Fees	8.0	
Pre-Opening	5.0	
Financing and Working Capital	3.0	
Insurance	1.0	
Developer Fee	2.5	
Contingency	10.0	44.5
Hard Costs		
Hotel/Conference Center/Spa	117.0	
Golf Courses/Club House	34.0	
Contractors Management Fee	3.0	
Infrastructure	18.5	172.5
Land		3.0
Total Financing		\$ 220.0

Market Overview

The Dallas/Fort Worth market already contains three resort style boutique hotels including the Four Seasons Las Colinas, Westin Stonebriar and Beechwood. They have approximately 350 rooms and golf facilities, but lack proximity to a lake and conference center facilities. The region

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also has larger convention hotels such as the Hyatt, Wyndham, and Opryland, but again, they are lacking lake access and golf amenities. None of these hotels feature the complete offering of Wildflower.

Dallas/Fort Worth airport is one of the major airports in the U.S with frequent flights from all over the country. This will facilitate convenient access to the Wildflower Resort enhancing its attractiveness as a business group destination.

Texas is well established as a major golf destination having five courses recently ranked in the top 60 golf resorts in the U.S. by Conde Nast Traveler Magazine in 2003. The Wildflower Resort will be able to take advantage of this profile and will be well positioned to join such rankings.

Management

Raymond J. Goad is the President of Wildflower Resort Company and the driving force behind the vision and plans for the Wildflower Resort. Prior to this project, he served as in-house legal counsel to Westin Hotel Company for 15 years where he was involved with very complex tourism developments and transactions.

Lonnie M. Faulkner is Vice President & CFO of the Company and has been involved with the Project since the inception of Wildflower more than two years ago. He is a CPA and has a MBA degree in Finance. During the past fifteen years he has served as a Vice President of Finance and Controller for several public and private companies and for five years was associated with the international accounting and consulting firm of Deloitte & Touche, in Dallas/Fort Worth, Texas.

John M. Irvin, AIA is Vice President of Design and Construction of the Company and for more than 22 years has served in senior level management positions within major hotel and development companies worldwide, prefaced with a nine year work experience as a licensed architect. Over 20 four and five star mixed-use hotel projects have been successfully completed under the direction of Mr. Irvin in Europe, Canada, Mexico, Puerto Rico, and the Dominican Republic as well as throughout the USA. He has served in similar capacities with Marriott, Westin and InterContinental Hotels and Resorts.

R. Benson Hurlbutt is Vice President of Marketing and Technology of the Company. He has been with the Company since the early conceptual phase of the Project and brings an extensive background in launching the marketing and image strategies for resort development projects. He also brings a wealth of knowledge in the development of hospitality technology and



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communications. In this regard Ben has been associated with similar projects developed by Intrawest, Four Seasons, and Lyle Anderson Company.

Victor R. Myers is Vice President of Administration of Wildflower and in this capacity has responsibility for all operational matters not directly assumed by other members of management. These responsibilities include coordination of the development services being provided to the Project by InterContinental, Nicklaus Design and Troon Golf. He also provides related administrative support to Mr. Goad, including coordination and Public Relations with The City of Grand Prairie and Community groups. Victor previously served for more than five years in a similar capacity for the Chancellor of a university in the Pacific Northwest, and just prior to joining the Company served as the CEO of an emerging technology firm.



Budget and Project Cost Validation.

Reviewed Budget

The current proposed development budget prepared by Wildflower Resort Company (“WRC”) is outlined below. This budget represents the current (January 2005) proposed scope of work although the construction costs estimates contained therein were last updated by the Design Builder (Turner-Gensler) in March 2003.(see below for further explanation/commentary). We understand that budgeted Owner Direct costs have been re-assessed and updated by WRC to reflect known scope and project timeframe as at January 2005.

The budget reflects a project scope as outlined in the project master plan and illustrated on the WRC site plan dated October 2, 2002 with the exception of the following portions which are not included;

- Waterfront Retail/Entertainment Center
- Equestrian Center and Polo Grounds
- 300 acre private villa offering

However, the budget does include for construction and fit out of four Villa buildings (16 keys) adjacent to the Nicklaus Golf Course.

Item No	Description	Budgeted Amount	Remarks
1	Resort Design and Construction		
1.1	Hotel	\$70,811,000	488 keys
1.2	Conference Center	\$18,750,000	
1.3	Spa	\$6,473,000	
1.4	Infrastructure	\$31,706,000	
1.5	Central Plant	\$4,133,000	
1.6	Golf Course Construction	\$18,044,000	Two courses, 36 holes
1.7	Golf Clubhouse	\$8,090,000	
1.8	Villas	\$3,332,000	4 six module villas (16 keys)
1.9	'Agency Items'	\$25,738,000	FF&E; Telecomms; Golf Course design fees
1.10	Retail/Entertainment Center	\$563,000	Earthwork, roadwork only
	Sub Total	\$187,640,000	
2	Owner Direct		
2.1	Pre Opening Expenses	\$4,753,097	Working Capital and Hotel pre opening as per IHG
2.2	Legal/Accounting	\$1,650,781	
2.3	Developer fee	\$6,567,400	
2.4	Financing Costs	\$400,000	Financing fee
2.5	Interest Expense	\$0	No interest payable during construction
2.6	Project Contingency	\$10,000,000	
2.7	Land lease Payments	\$1,908,333	During development phase
2.8	Pre Construction Payables	\$1,960,602	O/S interest, WRC Operating expenses
2.9	Operating Costs	\$5,119,786	Operating and Capital Budget for WRC to July 2007
	Sub Total	\$32,360,000	
	Total Development Budget	\$220,000,000	



This budget has been prepared by WRC with the assistance of the Turner-Gensler design build team. We understand that Turner-Gensler have produced several construction cost estimates over the past three years and continue to provide estimating and budgeting assistance to WRC for the resort hard cost budget. The scope of their services is defined in the contract agreement between Turner and WRC executed on 30th March 2002. (This is a standard form of agreement issued by the Association of General Contractors). WRC have used their in house resources to estimate the cost of Owner Direct budget categories.

Project Budget Validation

DevCap International Ltd. met with the principals of WRC and visited the site in December 2004. In addition we attended a meeting with Turner Construction, the design builder and WRC to discuss the construction cost estimate and the process to be utilized for determining the final Guaranteed Maximum Price (“GMP”) contract sum. We subsequently requested written clarification on the budget and received responses from WRC which included revisions now captured in the budget summary listed above.

Resort Design and Construction (i.e. Turner controlled budget components)

This resort is being developed using a design build contract method whereby overall responsibility of the design and construction of the resort lies with one entity. For this project the design build entity is a partnership between Turner a major US general contractor, and Gensler, the largest Architectural practice in the USA. This partnership has been formalized through an executed standard form of agreement between a design builder and Architect.

The resort design and construction budget is solely based upon design and construction cost estimates prepared by the Turner-Gensler design build team. We understand that WRC have had no direct input into the budget, but have attended design and budget meetings to monitor the progress and respond to queries.

The current budget was derived from a substantial set of design drawings and specifications prepared by the Architects and other primary design consultants and completed in October 2002. This ‘Preliminary Design Development Budget’ was last updated in July 2003 and remains unchanged since then. The ‘design development’ drawings used for 2003 budgeting were considered by Turner and WRC to be adequate and suitable for estimating purposes at that time. However given these drawings were incomplete when estimating work ceased, the development team has recognized that some further updates are required in order to complete the design and reflect the approved program. Turner has further stated that this work can be completed within approximately one month.

According to WRC and Turner, following completion and final WRC approval of the design development drawings, the Turner-Gensler team will start to prepare the final contract drawings. Once these drawings are 50% complete, Turner will validate their construction estimates and provide a GMP for the design and construction of the resort to WRC.

This GMP will be estimated by reviewing the 50% complete contract drawings and using the following methods to determine the fixed cost;



- Fixing final material selections.
- Seeking final fixed bids from key sub-contractors.
- Validating actual current material and component costs.
- Escalating costs of manpower and materials where appropriate to recognize cost changes since 2003.
- ‘Value engineering’ components to ensure costs stay within the established budget while meeting the specification, which is intended to offset potential cost increases due to escalation.
- Adjusting the design to ensure it meets budget.

Turner’s project manager believes that the substantial opportunity for value engineering at this current stage will offset any cost escalations (due to elapsed time since the last estimate was prepared). They believe that this will result in a GMP value close to the currently budgeted amount. Whilst we are not in a position to provide commentary on the detailed value engineering exercise or detailed material cost increases over the past two years, we caution that the final GMP could potentially exceed the current design and construction budget particularly if the hotel design standards are not to be compromised.

Once the GMP is fixed, Turner-Gensler will continue to complete the contract documents to a 100% level. The overall timeframe from completion of design development to completion of contract documents is estimated at three months.

The contract clearly states that the final contract GMP price will be based upon the scope outlined in the contract documents and upon a written list of assumptions and clarifications provided by Turner-Gensler. These assumptions and clarifications have yet to be finalized and should they prove to be inaccurate or unreasonable over the course of the project, the GMP will be directly affected and could increase.

Furthermore, although the Resort Design and Construction budget will be notionally fixed through the establishment of a GMP design-build contract price at this stage, it should be noted that the basis of this contract remains; ‘cost of the work plus a fee to a guaranteed maximum.’ This effectively means that Turner-Gensler will charge WRC for the actual cost of the work (regardless of previous estimates) until they reach the GMP ceiling. This model, like all contracting approaches contains some elements of risk most notably;

- There is a potential that the actual cost of work could reach the GMP before work on the project is complete.
- Under this contract model, there is a notable risk that design builder will use contract provisions to increase the GMP ceiling if actual costs start to exceed budget.
- The Design Build contract allows for increases in the GMP under certain circumstances, including claims, disputes and unknown conditions. These circumstances could result in GMP increases and consequential cost risk.



The cost plus GMP contract contains a contingency allowance. This allowance is for the use of Turner Gensler at their sole discretion – the Owner cannot direct allocation of these funds. Whereas this contingency could be used to offset cost increases it cannot be used to offset the cost of changes in the contract.

The following additional factors and risks may also increase the GMP;

- Owner requested changes in the scope of work which result in a Change Order increasing the GMP.
- Unusual or unknown ground conditions beyond the control of WRC or Turner-Gensler which affect the design and construction of buildings or site improvements.
- Municipal, state or federal regulatory requirements which were unknown or unexpected during the design phase but occur during construction.
- Delays caused by Owner, operator, government agency or other outside party which elongate the project timeframe and increase the project overhead.
- Additional services provided by Turner-Gensler at the request of WRC.

In such circumstances cost overruns would need to be funded from WRC budgeted contingency funds once agreement is reached between the contract parties on the cause and ‘cost ownership’ of each overrun.

In summary, the current resort design and construction budget appears to reflect the defined scope and is suitably detailed and adequate for its preliminary purpose. Random (but not extensive) checking of Turners estimating methods and costing revealed a well prepared document which reflects a preliminary approach with many conceptual costs and broad allowances which will require further refinement in order to reduce cost risk. However, the refinement of this budget and definition of the GMP contract price has yet to occur and this could potentially increase the construction budget. Given this risk, we consider that the current level of the Owner’s project contingency (\$10 million) appears reasonable and approximately 70% of it should be allocated to design and construction.

Owner Direct Costs (i.e. Owner Controlled Costs)

We have been informed that WRC’s Owner Direct budget was established by the principals of WRC with assistance from Turner. We were initially provided with a six category budget with no line item breakdown or backup. This was inadequate for the purposes of a meaningful review and we requested a line item breakdown and clarification on several particular issues.

We subsequently received a more detailed spreadsheet with back up for each category and addition of three new categories. This revised budget is outlined in the table above.

Our comments on each line item follow;

Pre Opening Expenses:



This now captures both the Intercontinental Hotel Group (“IHG”) recommended pre-opening allowance of \$2,000 per room and working capital allowance of \$6,000 per room. This category also captures Troon Golf’s recommendation for golf course pre opening expense.

Legal/Accounting:

This allowance for owner expenses for legal, accounting and miscellaneous consulting appears to capture the general range of expense for a project of this nature although we caution that the allowance for legal fees appears low and may be inadequate if substantial legal consulting services are required over the life of the project.

Developer Fee:

This fee represents 3.5% of the resort design and construction budget. This amount is within the range expected for a development of this size and payable to a conventional third party developer. However, given the structure of development/ownership entity, we recommend consideration be given to deferring the majority of this fee to the end of the development period and to establishing a procedure for partial use of these funds to offset unbudgeted cost overruns.

Financing Costs:

This is an allowance for the financing commitment fee. We note there is no allowance for due diligence or loan monitoring fees and the budget will require some re – allocation in future to capture these costs.

Interest Expense:

There is no allowance for interest expense as accrued interest is not payable during the development phase. However, we suggest the financing parties review this provision against the cash flow pro-forma as we estimate that interest accrued during the development period will be in the range of \$20 million to \$25 million.

Project Contingency:

The contingency fund is a developer controlled budget item which should be used primarily for resort design and construction cost overruns. The level of contingency proposed, although not generous, is in line with accepted industry practice given the relatively advanced current design information.

Land lease Payments:

This allowance appears to reflect the terms of the land lease between the City of Grand Prairie and WRC. The budget reflects lease payments due for 2005, 2006 and up to July 2007 (the development period).

Pre Construction Payables:



We understand these are WRC current outstanding payables as at December 31 2004. Costs identified included interest payable to Turner, consulting fees, and property plant and insurance expenses. No audit or investigation has been made to verify the amount or reasonableness of these costs.

Operating Costs – Construction period:

This allocation represents WRC operating and capital budget from January 2005 to July 2007 and includes allowances for increased staffing and associated expenses which reflect WRC's proposed preliminary project resources plan.

Cost Risks:

We note that the following items do not appear to be captured in the development budget;

- Allowance for contributions to the City of Grand Prairie or local utility companies toward the upgrading or capacity increase to service utilities (if required).
- Intercontinental Hotel Group Technical Services Agreement fees.
- Soils engineer, irrigation consultant and other miscellaneous consultants not hired by Turner-Gensler.

In spite of these apparent exclusions we consider the current level of project contingency to be adequate to offset these potential cost exposures.

On projects of this nature, additional unknown risks will occur and will likely impact the overall project cost, hence the need for contingency. We note that the current level of contingency is consistent with industry practice, but given the size, nature and duration of the project we consider the contingency to be the minimum required pending completion of the value engineering process and fixing of the GMP. Upon establishment of the GMP, we recommend a re assessment of the contingency and if necessary an increase through re allocation from other budget categories (i.e. Developer Fee).

Project Timeframe

WRC has not produced its own overall development schedule and has stated they are relying upon Turner Gensler's design build schedule to define the flow of work and dictate WRC's input. Based upon our experience, this approach does not provide the owner with an adequate and independent means to properly plan their management tasks and project responsibilities and allocate resources efficiently. The lack of an owner created development schedule means that owner specific tasks are not identified or allocated and makes forward planning, project management and communication difficult. Reliance on the design-builder to provide direction to the owner on their input is not accepted project management practice and could result in Owner planed responsibilities being implemented in a reactive rather than proactive manner.

Turner has produced a design build schedule and we have received a copy of dated 10 December 2004. This schedule assumes that design work recommences upon confirmation that funding is in



place, whereas the close of financing will need to occur before work restarts and costs are incurred. In any case, the major milestones and timeframes are summarized below;

- The overall timeframe for completion of design is indicated at 3½ months, which appears reasonable given the current status of drawings.
- The time allowance for submission and issue of building permits is 30 to 45 days which overlaps with bidding and pre construction. Given the City of Grand Prairies' stated level of cooperation and enthusiasm for the project, we consider this timescale to be reasonable.
- The construction of the Hotel/Spa and Conference Center is shown as a single task to take two years. Whereas it is difficult to comment on this without more detail, as an initial allowance, the timeframe appear broadly in line with what would be expected in similar sized developments.
- Golf Course Construction timeframe is shown as 21 months. It is unclear whether this includes both 18 hole courses and grow in periods. However if both courses are constructed in parallel, this allowance appears reasonable.
- Allowance for construction of Villas, infrastructure and central plant are not indicated.

However well planned, every project has unforeseen challenges and risks which affect the delivery timeframe. In the case of Wildflower Resort considerable front end design, legal, regulatory, municipal, land ownership and costing work has been partly or fully completed. This should reduce the risk to the project timeframe but does not completely eliminate the risk of delay. Given this, we believe, based on the information made available to date, that the primary areas of risks affecting the project schedule include the following;

- Definition of Owner responsibilities, tasks and appropriate timeframes for completion.
- Timeframe required for definition and procurement of Army Corps of Engineers approval of site grading, contouring, filling etc.
- Timeframe required for completion of pre-development conditions under the City Master Development Agreement.
- The schedule currently identifies a period for earthwork cutting, filling and grading. However should actual ground conditions prove more difficult than anticipated (e.g. high water table; poor load-bearing capacity) a delay could result, elongating the overall construction schedule.
- The hotel is not being designed or constructed to comply directly with IHG brand standards. WRC believes that their design exceeds such brand standards. However, there is risk that without IHG involvement during design, the finished facilities may require adjustment before operator acceptance and this could potentially cause delay.

In conclusion, the project design –build schedule appears to reflect a realistic timeframe for completion of work assuming no major stoppages due to weather, statutory conditions or labor



disputes. We cannot comment on the overall development timeframe as an overall development schedule has yet to be produced. However we expect many of the developer specific tasks will overlap with design and construction activities and be undertaken within the identified design build timeframe.

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