

Dear Fund Client,

We have becoming increasingly dependent upon the funding of the Wildflower Resort and Golf Course(s) project near Dallas, Texas in order to fulfill the obligations of our funds and successfully complete our business operations. The reason for this escalating dependency is the significantly increased cash participation required in order to sustain our interest in the project due to the reasons outlined below.

In my last announcement I had anticipated being able to fulfill the obligations of our funds and successfully complete our business operations by March 31st of this year. This was largely because the city of Grand Prairie had given Wildflower a seemingly firm and public deadline of December 31st, 2005 to close the project. Deadlines are good things for large projects like this as they provide increased incentives to cause parties to perform.

Normally I hesitate before giving a specific performance date when the critical factors are out of my personal control. However, I felt that giving a date was important for clients and was also realistic. So I added around 45 days for possible extensions and funding issues on Wildflower's side and another 45 days to allow for any possible issues on our side – and I believed that would be sufficient.

Unfortunately it does not seem that it will be sufficient. In response to needs presented by Wildflowers' investment bankers and principals the city has extended the deadline until September of this year; which will undoubtedly delay the anticipated repayment by Wildflower to our companies. Right now, I am not sure how long the delay will actually be and if there will be any financial consequences. However, as soon as I do know something firm I will let you know immediately. I am also authorizing Wendy to send out year end statements based on the current financial projections and assumptions regarding the Wildflower project. Again, if there are any changes here I will let you know as soon as I know.

For the sake of those who are not familiar with the Wildflower Resort Project and/or the investment therein I will summarize some of the more pertinent details below.

The Wildflower Resort is a real estate investment (both debt and equity) that we undertook in order to diversify our investment strategy into real estate development and asset backed strategies.

As a quick introduction to the Wildflower Resort project, it is a \$350 million hospitality and retail real estate development in the Dallas Metroplex (www.wildflowerresort.com). It is located on a 1,000 acre peninsula on a 7,500 acre lake approximately 20 minutes south of the DFW Airport. The Hospitality component will consist of a 500 room luxury InterContinental Hotel, a 75,000 sq. ft. conference center, a health and beauty spa, two Nicklaus-designed golf courses (one a joint venture with Sergio Garcia), a 35,000 sq. ft. golf clubhouse and 150 fractional share villas. The Retail component will be a 350,000 sq. ft. area with restaurants, bars and specialty retail stores.

Turner is the construction contractor and Gensler is the architectural firm. The development team is lead by a former senior executive of Westin Hotels with extensive project experience. The Project management has compiled a short video which gives an excellent overview of the overall Project, the site and the professionals involved with the Project. The direct link to the video can be found at <http://wildflowerresort.com/DVD/> .

The Hospitality aspect of the Project is aimed at companies seeking a high-end, but convenient destination to have meetings and conferences. The Dallas Metroplex site is advantageous because of the DFW airport (3rd busiest in the US), the central time zone location and a moderate climate. The proximity to the Dallas and Fort Worth Commercial Business Districts and other activities including professional sports, Six Flags amusement park, thoroughbred racing and shopping are key attractions.

The lakeside location of the Project will provide a resort environment within a short drive of the key local points of interest. The Project meets the rising demand for conference center destinations which are cost effective and are easily accessible from virtually all points in North America. The retail component with upscale shopping, entertainment venues and restaurants will be attractive to hotel guests as well as local residents of the Dallas Metroplex.

The gift and the curse of this project is that it is on leased land (99 year) because of the fact that the land was part of city/state land reclamation years ago when they created a man made lake. This makes the financing very tricky but the overall profitability is enhanced at the same time.

Wildflower was able to put together a very strong and unique financing package through ANZ bank that was essentially underwritten by AIG. However, this funding solution eroded very quickly primarily because of a couple of completely unforeseen and highly improbable (and equally tragic) events in early 2005.

The first was the downgrading of AIG's highly coveted AAA credit rating to AA-plus; which nullified the agreed upon financing of the project through AIG and ANZ Bank. The downgrading happened one day prior to our scheduled closing. We were scheduled to close the first tranche of financing and receive \$90 million on March 31st and the official downgrading came on March 30th. The downgrading was triggered by a probe into the use of finite insurance (financial reinsurance) by the New York Attorney General and the SEC. The fact that they were a AAA rated company with a market capitalization of over \$160 billion in made the likelihood of this happening a statistical improbability.

The second was the heart attack, stroke and subsequent incapacitation of our banking and finance partner, David Neimann. Without his expertise and personal relationships we have not been able to secure the same type of project financing with AIG or any other highly-rated, multinational insurance company.

The combined results of these events was that the project started the month of April, 2005 with an operating capital deficit of \$90 million and had to put the planned construction on hold until they could secure a new source of financing for the entire project. In addition, they had to invest, borrow and otherwise raise millions of dollars in order to make sure that they did not lose control of the land lease while securing the financing.

The project is now at the point where its new investment bankers have received substantial expressions of interest from sources capable of providing a “Mezzanine” equity and debt financing structure necessary to complete the construction of the Hospitality Division of the Wildflower Project (including the resort hotel, conference center, spa, golf course, golf clubhouse, and private residence club villas). This is key for us as this is the portion that we have a financial interest in.

The biggest obstacle at this point is that the investment banking group is requesting an additional \$30 million in equity involvement prior to committing the additional \$200 million needed in order to close on the construction of the hospitality division (part of which is paying the projects’ financial obligations to our company) and \$100 million (+) for additional needs of the project.

So at the present time the projects’ investment bankers, principals and myself are working with several different lending sources in order to secure the additional \$30 million in equity involvement needed. To date most of the “preliminary offers” have been quite onerous and would impinge on the amount of capital immediately available to the project to extinguish its debts (to our funds as an example). However, as the project deadlines get closer and the number of potential lenders grow, the terms are starting to get better.

Even so, I am also considering forming a company to provide the \$30 million of additional equity needed. At this point I am “testing the waters” to see what the level of interest there is within a group of accredited investors who are also avid golfers to join me in doing so.

Although this is a private and confidential undertaking and only open to a specific group of potential joint venture partners I am including a little information on the strategy I am using to put the group together so that you can at least be aware of what I am doing to get this completed.

I am putting together a group of up to 30 high net-worth and high-profile individuals who are also golf enthusiasts that would join me in capitalizing and structuring the new company. In addition to the estimated net return (IRR) of 23% from the project there are several other benefits and incentives that I have negotiated for each of the organizers of the new company. Assuming 30 equally vested organizers these would include:

- 1) Each organizer shall be entitled to Complimentary Lifetime Golf Green Fees for themselves and their foursome, including VIP Red Carpet Treatment when golfing or staying at the resort. This could easily be valued at \$100,000.

- 2) The organizers will get a good amount of social and golf interaction with the golf course designers Jack Nicklaus and Sergio Garcia.
- 3) A Membership valued at \$575,000 in the Wildflower Private Residence Club (“PRC”) entitling each organizer to a 1/4th fractional ownership of one of the PRC Villas, which have been designed as 2600 sq. ft. luxury lakefront golf course homes with four master suites, adjoining a great room (with kitchen, dining area and living/family room).
- 4) The right of the organizers of the new company to develop and manage the Semi-Private Wildflower Golf Club, which would include the control of the membership of such club, and the exclusive facilities of the Wildflower Golf Clubhouse that would be restricted to the use of the members of the Wildflower Golf Club.

Please understand that in “testing the waters” I am not making an offer to buy or sell anything to the people I am approaching. Nor am I asking for your involvement by sharing this information with you. I am just taking the time to test the market and see if I can put together a group of like-minded individuals that have sufficient capital and “celebrity status” that want to pursue this venture. If we do decide to actually form a company to do this, each of the organizers will jointly decide on how the company would be formed, capitalized and managed. Also, anything that we eventually decide to do will be predicated upon the project first receiving enforceable commitments for the balance of the Mezzanine and Debt financing required under the terms of the projects contractual agreements and offerings.

By doing this I would be able to essentially set the terms for this portion of the equity funding and in doing so I would make sure that Wildflower met its current obligations at closing. So far I have received a pretty good response from the people that I have selected, so I am optimistic about the strategy. However, I am more eager for Wildflower to just agree to similar terms with an equity lender and be done with project, as I am sure you are as well.

I appreciate your patience and continued confidence,

Joe Lavin