

**WHITESTONE REALTY CAPITAL INC.**

---

**225 East 57<sup>th</sup> Street, Suite 11K**

**New York, New York 10022**

**212-984-7836 fax 212-972-9150**

**[mzukerman@whitstonerealtycapital.com](mailto:mzukerman@whitstonerealtycapital.com)**

**[www.whitstonerealty.com](http://www.whitstonerealty.com)**

November 7, 2006

George Ruff

Trinity Hotel Investors L.L.C.

410 Park Ave - Suite 430

New York, NY 10022

Raymond Goad

Wildflower Resort Company

100 ~~Crescent Ct~~ [Crescent Ct](#) 7F

Dallas, Texas 75201

Gentlemen

This term sheet ("Term Sheet") will outline the basic terms and conditions of a proposal under which we will form a venture (the "LLC") for the purpose of developing a 500 room Project, 75,000 sq ft convention center, 2 golf courses, spa, up to 150 villas, 350,000 sq ft of retail, and potentially two more Hotels on 1,000 acres of land on a Peninsula in Joe Pool Lake in Grand Prairie TX (the "Project") in accordance with the Executive Summary attached hereto (the "Executive Summary").

Wildflower presently has a first mortgage encumbering the Project, which mortgage is in default and subject to foreclosure on Nov 7<sup>th</sup>. The lender is willing to extend, if they are comfortable with the parties hereto and wish to talk with Trinity and Wildflower's representative on November 6<sup>th</sup>. The City of Grand Prairie also would like to talk with Trinity and Wildflower's representative on November 6<sup>th</sup>.

Upon executing this Term Sheet, and upon securing approval of the Lender and the City of Grand Prairie, Trinity will want to complete its due diligence, and if comfortable, the parties hereto will use diligent efforts and secure commitments for equity and debt financing.

Third parties that have to date expressed interest in the project include: (i) Renaissance Funding Group LLC ("Renaissance"), who has issued a term sheet, subject to its due diligence, to provide debt and equity for the transaction. Renaissance's term sheet proposes a loan of \$380 million dollars with interest at Prime plus 1% and 50% of the equity which will include the \$9,000,000 equity investment arranged by Wildflower; (ii) Intercontinental Hotels, which has executed a management agreement for the hotel and conference center. The agreement has expired but can be renewed; (iii) Playgrounds has expressed an interest in marketing the Villas, but no agreement is in

place; (iv) Through Whitestone Realty Capital LLC, Boyken International has indicated it would be interested in being the Owner Representative with regards to the project development; and (v) Troon Golf has been engaged to run the golf courses.

Upon securing the commitments outlined in the above paragraph, or securing like commitments from third parties, the parties hereto will promptly thereafter cooperate to negotiate an operating agreement (“the Operating Agreement”) for a limited liability company with Trinity Hotel Investors L.L.C. or its designee (“Trinity”), and Wildflower Resort Company or its designee (“Wildflower”) as the members (Trinity and Wildflower being referred to collectively as the “Parties”). (“Wildflower”)

#### **A. Project Description:**

The Project contemplates the development of a 500 room Project, 75,000 sq ft convention center, 2 golf courses, spa, up to 150 villas, 350,000 sq ft of retail, and potentially two more Projects on 1,000 acres of land leased from the City of Grand Prairie on a Peninsula in Joe Pool Lake in Grand Prairie TX (the “Project”), all as set forth in the Executive Summary

#### **B. LLC Description:**

The Parties will form a limited liability company (the "LLC") consisting of Trinity and Wildflower designees as the members. The LLC, or a wholly owned direct or indirect subsidiary of the LLC, will own the Project and all appurtenant property. All net cash flow from the Project, including net operating cash flow and all net sales and refinancing proceeds will be distributed as described below.

#### **C. Transaction Overview:**

The basic terms of the LLC shall be as follows:

##### 1. LLC Organizations and Control.

*Executive Committee.* An Executive Committee consisting of two designees of Trinity and one designee of Wildflower will run the LLC. The Executive Committee shall have all power and authority to make all decisions of the LLC, including all investment decisions, annual operating budget approval, changes to development budget approval, financings, and sale.

*Day-to-Day Management.* Trinity will be the Manager (the “Manager”) of the LLC overseeing day-to-day development and effectuating decisions relating to the development made by the Executive Committee on behalf of the LLC. Trinity, as Manager during the development period, shall submit for approval by the Executive Committee a development budget and development plan, and shall oversee development of the Project in accordance with such approved budget and plan.

2. Responsibilities of the Parties. The responsibilities of the Parties would include, but not necessarily be limited to, the following:

**Wildflower**

- (i) Create, and at Trinity's request enhance or modify, the business plan that establishes a feasible master development plan along with achievable proforma projections and reasonable source and use of fund estimates. The business plan will act as the basis for both debt and equity investment.
- (ii) Cause the Investment of (\$9,000,000), subject to verification
- (iii) Designate one member of the Executive Committee
- (iv) Provide 50% of the due diligence money required, anticipated to be approx \$150,000, except Wildflower shall bear 100% of the cost of a new hotel and villa feasibility study, to be performed by a consultant of acceptable to Trinity's choosing, and Renaissance
- (v) Arrange for all and any necessary permits, licenses or governmental releases for the Project
- (vi) Transfer any and all existing contracts, licenses or permits related to the Project.
- (vii) Arrange the necessary debt and equity to fund the Project. Trinity may, but has no obligation, choose to also arrange financing for the project. ~~In this event, Trinity would be due the compensation outlined in Number 6, (ii) of this agreement;~~
- (viii) Effectuate any zoning modifications, alterations or changes necessary to build out the Project
- (ix) Arrange for the Guarantee of Completion, ~~execute any~~ surety bonds or any other financial commits necessary to insure completion of the project
- (x) Execute the lenders' required "non recourse" carve outs
- (xi) Deliver the lease for the property, Tax increment financing and other benefits

**Trinity**

- (i) Provide 50% of the due diligence money required, anticipated to be approx \$150,000, except Trinity shall not be responsible for the costs of the new hotel and villa feasibility studies discussed above.
- (ii) Comment on the business plan, projections and sources and uses of funds
- (iii) Cause the Project to be built in accordance with Plans and Specifications approved by the Executive Committee
- (iii) Designate two members of the Executive Committee
- (v) Execute the lenders' required "non recourse" carve outs
- (vi) Based upon the business plan, prepare necessary financing presentations and documents
- (vii) Assist in the negotiation of the final loan documents or equity

investor partnership agreement

3. Ownership Interest and Distributions.

a) The ownership interests (“Ownership Interest”) of each Party subject to the claims of the equity shall be as follows:

Party	Ownership Interest
Trinity	50.0%
Wildflower	50.0%

b) Net Operating Cash Flow (net of reasonable reserves) of the LLC after the payment of all operating expenses and debt service shall be distributed *pro rata* to the Parties in accordance with their respective Ownership Interests, except that the \$9,000,000 equity investment arranged by Wildflower will participate parri passu with the equity provided by Renaissance

4. Investor.

Promptly after execution and delivery of this Term Sheet by the Parties, in the event that Renaissance does not elect to move forward with the project, Wildflower, Whitestone Reality Capital LLC. and Ablum Brown will use diligent efforts to locate a third party equity investor and debt financing for the Project, (the “Investor”). The Investor will provide all of the funding except \$9,000,000 required to acquire and develop the Project in accordance with the Executive Summary (the “Required Equity”), and receive economic compensation in line with what the current market dictates. Trinity, in its sole discretion, shall have the right to reject any third party equity investor or debt financing.

5. Conditions of Closing and Due Diligence.

Trinity shall not be obligated to proceed with the Project unless it is satisfied with its due diligence within [~~120~~60] days in its sole discretion.

Notwithstanding anything to the contrary contained in the Term Sheet, Trinity shall have no obligation to proceed until (i) Renaissance or an Investor has supplied or committed to supply the Required Equity, (ii) Renaissance or a lender acceptable to Trinity has committed to provide debt financing on terms acceptable to Trinity, and (iii) a Project manager/operator has agreed to manage the Project on terms acceptable to Trinity

6. Services/Fees

- (i) As the Project's developer Trinity will receive 75% of a 3% developers fee and Wildflower will receive 25% of a 3% developers fee
- (ii) Whitestone Realty Capital LLC and Ablum Brown have been engaged to finance the Project and are receiving 1% of any debt and 5% of any equity.
- ~~(iii) Unless Renaissance or another investor require an alternative group,~~ Whitestone Realty Capital LLC is providing value engineering and is getting 10% of any savings which are anticipated at approximately \$50 million off the proposed budget of Turner Construction
- ~~(iv) Unless Renaissance or another investor require an alternative group,~~ Whitestone Realty Capital LLC and Ablum Brown have arranged for financing the TIF credits and are to be paid 10% of any such financing which will reduce the costs by the amount of the financing, anticipated to be \$25,000,000.

## 7. Management

An Executive Committee will be established comprising two designees of Trinity and one designee of Wildflower. The Executive Committee will make all decisions by a majority vote concerning the LLC, unless the parties hereto agree it shall require unanimous consent which shall have a (u) indicated. Such decisions to include, but not necessarily be limited to, the following:

- 1 Approval of Major Changes to the Development Budget;
- 2 Approval of the Annual Operating Budget;
- 3 Approval of the Annual Marketing Plan;
- 4 Causing the LLC to make a loan to any member unless said loan;
- 5 Entering into or amending any transaction with the LLC or any member, affiliate or employee of any except as set forth herein 9(u);
- 6 Assuming, endorsing, providing collateral, incurring or guarantying, acting as surety for, or becoming liable for any debts of anyone(u);
- 7 Terminating, dissolving, or winding up of the LLC (u);
- 8 Commingling the LLC's funds with those of any other person (u);
- 9 Approval or merger, consolidation or similar transaction subject to Section 10;
- 10 Authorizing the LLC to change its business from that set forth herein or to do any action which would cause the company to be other than a single purpose entity (u);
- 11 Amending the proposed Certificate of Formation (u);
- 12 Admission of additional members, or making additional contributions unless Trinity's ownership percentage shall be diluted in the same proportion to Wildflower;
- 13 Approval of the Design and Construction Documents;
- 14 Change of Principal Consultants, including but not limited to counsel, accountants etc;
- 15 Expansion of the Project Facilities and/or Major Capital Improvements;

- 16 Refinancing or Additional Financing;
- 17 Rebuilding the Project in the Event of Complete/Partial Destruction;
- 18 Sale or Disposition of the Project; (subject to paragraph 10 below);
- 19 Do any action which would cause either partner to have personal liability under the senior lender's or the mezzanine lender's "non recourse carve outs" including but not limited to voluntary bankruptcy, or violation of any of lenders single purpose requirements (u);

8. Additional Capital

The Executive Committee shall have the authority to determine when additional capital is necessary or desirable. In such event, the Parties will make additional capital contributions to the LLC in proportion to their respective Ownership Interests ("Additional Capital Contributions"). If either Party fails to make its Additional Capital Contribution (a "Failed Contribution"), then the other Party may make such contribution (a "Substituted Contribution"). In such event, the Substituted Contribution may, at the option of the Party making the Substituted Contribution, be treated as a loan to the LLC and such Party shall be entitled to a return of such funds on a priority basis, with a return of 20% per annum, or the Ownership Interest in the LLC of the Party making the Substituted Contribution will be increased by the quotient of (x) the sum of 150% of its Additional Capital Contributions plus 150% of its Substituted Contributions, divided by (y) the total amount of Capital Contributions made to the LLC prior to the capital call resulting in the Failed Contribution, and the other Party's Ownership Interest in the LLC will be reduced proportionately.

9. LLC Professionals

The Parties shall have the power and authority to engage professionals, including attorneys and accountants, on behalf of the LLC.

10. Lock-Out

Notwithstanding the foregoing, neither Party shall have the right to cause the LLC to sell the Project (or the LLC's interests in the Project) until the third anniversary of the date of the Operating Agreement (the "Lock-Out Date"). After the Lock-Out Date, either Trinity or Wildflower may unilaterally cause the LLC to sell the Project (or the LLC's interest in the Project), subject to a Right of First Offer by the other Party. If such other Party elects not to exercise the Right of First Offer, the Party desiring to sell the Project (or the LLC's interests in the Project) may "drag along" such other Party in a sale of the Project or the LLC's interests in the Project. The Party not selling may also have the right to Tag Along

#### **D. Documentation:**

After counter signature of this Term Sheet by all Parties, counsel for Trinity will cause to be prepared drafts of the Operating Agreement for review. The Operating Agreement will contain customary covenants, conditions, representations, warranties and indemnifications and will be in form and substance satisfactory to all Parties.

#### **E. Costs:**

Each Party will be responsible for its own legal costs to form the LLC. After the closing, each Party's out-of-pocket costs shall be covered by the LLC.

#### **F. Exclusivity:**

All Parties agree to work together on an exclusive basis with respect to the undertakings contemplated herein, terminate all current discussions with third parties and agree not to solicit, encourage, make, accept, negotiate, or otherwise pursue any offers for the sale and/or development of the proposed Project until the earlier to occur of (i) 180 days after the date hereof and (ii) Trinity notifying Wildflower that Trinity no longer wishes to pursue the Project.

#### **G. Confidentiality:**

The Parties agree to proceed and to keep all of the information supplied to them by the Wildflower as confidential and not to circumvent the Wildflower and attempt to do a transaction on the proposed Project site without the approval of Wildflower all as set forth in Confidentiality and Non Circumvent executed by Trinity.

#### **H. Expression of Interest:**

With the exception of paragraphs F ("Exclusivity") and G ("Confidentiality") above, and this paragraph H, this Term Sheet is not intended to be binding and will not give rise to any right or obligation based on any theory, whether legal, equitable or otherwise (including any right to continue negotiations), it being agreed that only a subsequent formal written contract, the Operating Agreement, if executed and delivered by the Parties, will bind the Parties as to any matter (other than paragraphs F and G above, and this paragraph H, which are intended to be binding). The laws of New York will govern this agreement.

Please sign and date this Term Sheet in the space provided below to confirm our mutual understandings and agreements as set forth herein and return a signed copy to us. The Parties each acknowledge that an undertaking of this type involves terms and conditions which have not yet been agreed upon and this Term Sheet is in no way intended to be a complete or definitive statement of all terms and conditions, but contemplates and is subject to the negotiation and execution of definitive Agreements setting forth all the terms and conditions. The transaction is subject to an executed contract to acquire the property satisfactory to all the parties herein. However, following the execution of this Term Sheet, the Parties will use good faith efforts to negotiate and enter into definitive Agreements on terms and conditions consistent with this Term

Sheet.

**ACCEPTED AND AGREED:**

Trinity Hotel Investors L.L.C.

By: \_\_\_\_\_  
George Ruff, Authorized signatory

Wildflower Resort Company

By: \_\_\_\_\_  
Raymond Goad

Document comparison done by DeltaView on Friday, November 03, 2006 4:46:05 PM

Input:	
Document 1	WORLD\DOX://T:\CLIDOC\79311\001\520822.DOC
Document 2	WORLD\DOX://T:\CLIDOC\79311\001\520821.DOC
Rendering set	Standard

Legend:	
<a href="#">Insertion</a>	
<del>Deletion</del>	
<del>Moved from</del>	
<del>Moved to</del>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	5
Deletions	8
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	13