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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:	)	
	)	Chapter 11
MSR RESORT GOLF COURSE LLC, <i>et al.</i> , <sup>1</sup>	)	
	)	Case No. 11-10372 (SHL)
Debtors.	)	
	)	Jointly Administered

**MONTHLY OPERATING REPORT FOR THE PERIOD FROM  
MARCH 1 – MARCH 31, 2012**

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury that the information contained therein is complete, accurate, and truthful to the best of my knowledge.

Dated: April 25, 2012



\_\_\_\_\_  
Christopher Devine  
Authorized Signatory for  
MSR Resort Golf Course, LLC *et al.*

<sup>1</sup> The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number include: MSR Resort Golf Course LLC (7388); MSR Biltmore Resort, LP (5736); MSR Claremont Resort, LP (5787); MSR Desert Resort, LP (5850); MSR Grand Wailea Resort, LP (5708); MSR Resort Ancillary Tenant, LLC (9698); MSR Resort Biltmore Real Estate, Inc. (8464); MSR Resort Desert Real Estate, Inc. (9265); MSR Resort Hotel, LP (5558); MSR Resort Intermediate Mezz GP, LLC (3864); MSR Resort Intermediate Mezz LLC (7342); MSR Resort Intermediate Mezz, LP (3865); MSR Resort Intermediate MREP, LLC (9703); MSR Resort Lodging Tenant, LLC (9699); MSR Resort REP, LLC (9708); MSR Resort Senior Mezz GP, LLC (9969); MSR Resort Senior Mezz LLC (7348); MSR Resort Senior Mezz, LP (9971); MSR Resort Senior MREP, LLC (9707); MSR Resort Silver Properties, LP (5674); MSR Resort SPE GP II LLC (5611); MSR Resort SPE GP LLC (7349); MSR Resort Sub Intermediate Mezz GP, LLC (1186); MSR Resort Sub Intermediate Mezz LLC (7341); MSR Resort Sub Intermediate Mezz, LP (1187); MSR Resort Sub Intermediate MREP, LLC (9701); MSR Resort Sub Senior Mezz GP, LLC (9966); MSR Resort Sub Senior Mezz LLC (7347); MSR Resort Sub Senior Mezz, LP (9968); and MSR Resort Sub Senior MREP, LLC (9705). The location of the debtors' service address is: c/o CNL-AB LLC, 1251 Avenue of the Americas, New York, New York 10020.



**MSR RESORT GOLF COURSE LLC AND ITS AFFILIATED DEBTORS - INDEX  
TO COMBINED CONDENSED FINANCIAL STATEMENTS & SCHEDULES**

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**MSR RESORT GOLF COURSE LLC AND ITS AFFILIATED DEBTORS  
(DEBTORS IN POSSESSION)  
COMBINED CONDENSED  
STATEMENT OF OPERATIONS  
(UNAUDITED)**

	<b>Month Ending March 31, 2012</b>
Revenue:	
Rooms	\$ 18,358,027
Food and beverage	14,222,949
Telephone	164,010
Merchandise	1,840,207
Golf	2,175,675
Spa	1,776,872
Membership	3,133,118
Minor operated departments and other revenue	5,258,458
Total revenue	46,929,316
Departmental expenses:	
Rooms	4,158,375
Food and beverage	9,278,659
Telephone	201,877
Merchandise	1,301,775
Golf	1,148,241
Spa	1,288,563
Membership	689,674
Minor operated departments	3,206,030
	21,273,194
Departmental income	25,656,122
Operating expenses:	
Administrative and general	2,944,703
Marketing	3,049,377
Property taxes and insurance	1,235,987
Utilities	1,434,946
Property operations and maintenance	1,560,924
Other fixed charges	46,118
Management fees	1,062,594
	11,334,649
Income before fixed charges and other and discontinued operations	14,321,473
Fixed charges and other:	
Interest expense	6,794,963
Depreciation and amortization	5,939,785
Interest income	(31,385)
Asset management fee	326,000
Other expenses	1,084,882
	14,114,245
Income (loss) from continuing operations	207,228
Income from discontinued operations	(1,610,395)
Reorganization items	2,199,903
Net loss	\$ (382,280)

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

**MSR RESORT GOLF COURSE LLC AND ITS AFFILIATED DEBTORS  
(DEBTORS IN POSSESSION)  
COMBINED CONDENSED  
BALANCE SHEET  
(UNAUDITED)**

	<u>As of March 31, 2012</u>
<b>Assets</b>	
Property and equipment	\$ 1,930,090,978
Accumulated depreciation	(305,438,934)
Net property and equipment	1,624,652,044
Cash and cash equivalents	25,394,709
Restricted cash	12,777,781
Accounts receivable, net of allowance for doubtful accounts of \$245,469 at March 31, 2012	49,811,775
Inventories	9,788,402
Prepaid expenses and other assets	8,988,363
Goodwill and indefinite life intangible assets	145,200,000
Other intangible assets, net	34,820,558
Assets held for sale	174,351,972
Total assets	\$ 2,085,785,604
<b>Liabilities and Members' / Partners' Capital</b>	
Indebtedness / Debtor-in-possession financing	\$ 40,000,000
Membership deposits	192,281,529
Advance deposits	29,887,182
Accrued interest	61,233
Accounts payable and accrued expenses	57,986,526
Accrued renovation costs	1,131,762
Accrued payroll and related costs due to Manager	13,464,160
Deferred income	28,231,378
Other liabilities	2,604,370
Liabilities Subject to Compromise	1,594,474,049
Liabilities for assets held for sale	23,222,630
Total liabilities	1,983,344,819
Members' / Partners' capital	102,440,785
Total liabilities and members' / partners' capital	\$ 2,085,785,604

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

**MSR RESORT GOLF COURSE LLC AND ITS AFFILIATED DEBTORS  
(DEBTORS IN POSSESSION)  
NOTES TO THE UNAUDITED COMBINED CONDENSED FINANCIAL STATEMENTS**

**NOTE 1 – GENERAL**

**Nature of the Business**

MSR Resort Golf Course LLC, a Delaware limited liability company (“**MSR Resort Golf Course**”) together with 29 other debtors and debtors in possession (collectively, the “**Debtors**”) constitute a business enterprise that invests in, owns and operates five iconic luxury resort properties with related real estate properties and amenities, including 14 separate golf courses, over 35 food and beverage outlets, and over 432,000 square feet of meeting space in the United States. Specifically, the resorts are: (a) the Grand Wailea Resort Hotel & Spa (“**Grand Wailea**”) in Maui, Hawaii; (b) the La Quinta Resort & Club and PGA West (“**La Quinta**”) in La Quinta, California; (c) the Arizona Biltmore Resort & Spa (“**Arizona Biltmore**”) in Phoenix, Arizona; (d) the Doral Golf Resort & Spa (“**Doral**”) in Miami, Florida; and (e) the Claremont Hotel Club & Spa (“**Claremont**”) in Berkeley, California (each a “**Resort**” and collectively, the “**Resorts**”).

On February 1, 2011 (the “**Petition Date**”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”) (see note 2).

**Basis of Presentation**

The accompanying combined financial statements of the Debtors have been prepared solely for the purpose of complying with the monthly reporting requirements of the Bankruptcy Court.

The monthly information presented herein is unaudited and has been prepared from the books and records of the Debtors on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Pursuant to accounting principles generally accepted in the United States of America (“**U.S. GAAP**”), certain prepetition liabilities of the Debtors have been reclassified as liabilities subject to compromise. Liabilities subject to compromise currently include the Debtors’ long-term indebtedness and amounts due to vendors for goods and services received before the Petition Date and, in the future, may include estimates for claims that arise in connection with the rejection of executory contracts and unexpired leases. The Debtors continue to analyze and reconcile these amounts; therefore, the amounts reflected herein are current estimates and subject to change as a result of additional analysis. Liabilities subject to compromise are distinguished from (i) prepetition liabilities that are estimated to be fully secured or subject to priority and (ii) postpetition liabilities of the Debtors.

These combined financial statements are based on the Debtors combined financial statements as of and for the month ended March 31, 2012. These statements do not contain all disclosures that would be required for presentation in accordance with U.S. GAAP.

**NOTE 2 – CHAPTER 11 PROCEEDINGS**

The Debtors’ chapter 11 cases (the “**Chapter 11 Cases**”) have been consolidated for procedural purposes only and are being jointly administered under the caption MSR Resort Golf Course LLC, et al., Case No. 11-10372 (Bankr S.D.N.Y). The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

Since the commencement of the Chapter 11 Cases, the Bankruptcy Court has authorized the debtors to borrow up to \$45,000,000 in debtor in possession financing pursuant to the terms of a \$45,000,000 debtor-in-possession credit agreement, as amended, between certain of the Debtors, collectively as borrowers, and CNL DIP Recovery Acquisition, LLC and Five Mile Capital II Equity Pooling LLC, as lenders.

On February 23, 2012, the Bankruptcy Court entered an order approving the Debtors' settlement with Marriott International, Inc. ("Marriott") [Docket No. 1036]. Under the terms of the settlement agreement, the Debtors agreed that upon termination of Marriott's agreements, Marriott shall be allowed an unsecured claim, jointly against certain of the Debtors and a Non-Debtor entity, and Marriott is required to vote in favor of any plan of reorganization proposed by the Debtors, under certain terms.

On March 2, 2012, the Bankruptcy Court entered an order authorizing and approving the Debtors' sale of Doral Golf Resort & Spa free and clear of interests, the entry into, and performance under and terms and conditions of the Purchase Agreement with Trump Endeavor 12 LLC ("Trump"), the assumption by and assignment to Trump, or an affiliate, of certain contracts and the rejection of agreements with Marriott related to the sale [Docket No. 1070].

In November 2011, the Bankruptcy Court entered orders approving the Debtors' settlements with two of their major creditor constituencies: GIC RE and MetLife. These settlements resolved GIC RE and MetLife's continuing objections to the Debtors' motion to extend their exclusive period to file and solicit a chapter 11 plan.

The Debtors' settlement with GIC RE (the "GIC RE Settlement") provided the Debtors: GIC RE's support for any extension of the Debtors' exclusive periods up to September 1, 2012, subject to court approval and a reduction of over \$3 million of the Debtors' potential post-petition default interest liability. In return, the GIC Settlement provides GIC: beginning June 1, 2012, payment of current interest and reasonable fees and expenses; payment of accrued interest and reasonable fees and expenses from the petition date up to June 1, 2012; an expense advance of \$1 million related to GIC's bid for the Debtors' assets paid by the Debtors' non-Debtor indirect parent; a requirement that any proposed plan proposed by the Debtors pay GIC in full in cash, or some other consensual recovery; and a requirement that the Debtors commence an auction process by September 1, 2012, to conclude by December 15, 2012, if they have yet to pay GIC in full by September 1, 2012.

The settlement negotiated between the Debtors and MetLife (the "MetLife Settlement") provides the Debtors: support for any extension of the Debtors' exclusive periods up to September 1, 2012, subject to court approval and a nearly \$5.5 million reduction of potential default interest liability. In return, the MetLife Settlement provides MetLife: beginning December 15, 2011, payment of all accrued interest and current payment of interest going forward at the non-default contract rate through September 1, 2012, and at the default contract rate beginning September 1, 2012, by a non-Debtor indirect parent; and accrued reasonable fees and expenses throughout the Debtors' chapter 11 cases.

On August 17, 2011, the Bankruptcy Court entered an order approving the Debtors' settlement with members of the Club at PGA West and the Citrus Club modifying the Membership Agreements and related membership plans, subject to the Debtors' consideration of a limited opt-out [Docket No. 582]. On September 29, 2011, the Debtors gave notice that they will proceed with the settlement [Docket No. 682].

The Bankruptcy Court has also authorized the Debtors to make certain payments on account of prepetition claims pursuant to various "first day" orders, including the payment of certain outstanding amounts owed in connection with the Debtors' hotel management agreements, sales, use, and occupancy taxes and fees owed to governmental units, as well as authority to continue to honor current customer programs. During the Debtors' Chapter 11 Cases, transactions outside the ordinary course of business will require Bankruptcy Court approval.

As a consequence of the filing of the Chapter 11 Cases, pending litigation against the Debtors is generally subject to the automatic stay under section 362 of the Bankruptcy Court, and no party may take any action to collect prepetition claims except pursuant to an order of the Bankruptcy Court.

The ultimate recovery by the Debtor's creditors and stakeholders on account of prepetition claims and interests, if any, will not be determined until confirmation and implementation of a plan of reorganization. No assurance can be given as to what recoveries, if any, will be afforded to these constituencies. A plan of reorganization could result in certain of the Debtors' creditors and shareholders receiving little or no value for their claims against and interests in the Debtors. Because of such possibilities, the value of the Debtors' indebtedness is highly speculative. Accordingly, the Debtors urge that appropriate caution be exercised with respect to existing and future investments in any of these securities.

As part of the Debtors' emergence from bankruptcy protection, the Debtors may be required to adopt fresh start accounting in a future period. If fresh start accounting is applicable, the Debtors' assets and liabilities will be recorded at fair value as of the fresh start reporting date. The fair value of the Debtors' assets and liabilities as of such fresh start reporting date may differ materially from the recorded values of assets and liabilities on the Debtors' balance sheets. Further, if fresh start accounting is required, the financial results of the Debtors after the application of fresh start accounting may be different from historical trends.

For additional information regarding the Chapter 11 Cases, please refer to the website managed by Kurtzman Carson Consultants, the Debtors' noticing and claims agent, at <http://www.kccllc.net/msresort>.

### **NOTE 3 – CERTAIN ASSETS AND LIABILITIES SUBJECT TO COMPROMISE**

#### **Net Property and Equipment**

Net Property and Equipment is included in the accompanying balance sheet at its net book value, which was last determined during the Debtor's annual testing performed in December 2011. Book value is not necessarily reflective of current value as of the date of this report, as current value is undetermined.

The Company reports as discontinued operations those assets which are held-for-sale at the current or prior year balance sheet date. All results of these discontinued operations are included in the consolidated statements of operations

**Liabilities – Debt**

The Debtors' Prepetition Debt (as defined herein), included in the Debtors' balance sheet under "Liabilities Subject to Compromise," consists of the following:

<b>Debt Name</b>	<b>March 31, 2012</b>
\$1BN Fixed Rate CMBS Pool COMM 2006-CNL2	\$1,004,796,303
\$115M 1st Mezzanine Loan	\$115,317,176
\$110M 2nd Mezzanine Loan	\$116,923,590
\$250M 3rd Mezzanine Loan	\$265,069,374
\$50M 4th Mezzanine Loan	\$52,598,833
<b>TOTAL</b>	<b>\$1,554,705,276</b>

The filing of the Chapter 11 Cases constituted an event of default under, or otherwise triggered repayment obligations with respect to, a number of debt instruments and agreements relating to direct and indirect financial obligations of the Debtors (collectively, the "**Prepetition Debt**"). As a result, obligations under the Prepetition Debt became automatically and immediately due and payable. The Debtors believe that any efforts to enforce the payment obligations under the Prepetition Debt have been stayed as a result of the filing of the Chapter 11 Cases.

**NOTE 4 – REORGANIZATION ITEMS**

Reorganization items included charges of approximately \$2,200,000 in March 2012, which consisted primarily of professional fees associated with the Chapter 11 Cases.



**SCHEDULE I**

**SCHEDULE OF TOTAL DISBURSEMENTS BY DEBTORS FOR FEBRUARY 1 THROUGH**

**MARCH 31, 2012**

**MSR RESORT GOLF COURSE LLC AND RELATED CASES:**

Case #	Case Name	March 31, 2012 Disbursements:	1st Quarter 2012 Disbursements:	Quarterly Fees Due to the United States Trustee's Office:
11-10372	MSR Resort Golf Course LLC	\$5,849,872	\$22,300,995	\$20,000
11-10383	MSR Biltmore Resort, LP	\$178,656	\$680,289	\$4,875
11-10374	MSR Claremont Resort, LP	\$146,273	\$466,872	\$4,875
11-10381	MSR Desert Resort, LP	\$255,683	\$1,624,243	\$6,500
11-10382	MSR Grand Wailea Resort, LP	\$399,303	\$1,985,136	\$6,500
11-10400	MSR Resort Ancillary Tenant, LLC	\$0	\$0	\$325
11-10394	MSR Resort Biltmore Real Estate, Inc.	\$799,090	\$1,259,302	\$6,500
11-10393	MSR Resort Desert Real Estate, Inc.	\$976,476	\$1,858,879	\$6,500
11-10375	MSR Resort Hotel, LP	\$265,826	\$1,168,629	\$6,500
11-10390	MSR Resort Intermediate Mezz GP, LLC	\$0	\$0	\$325
11-10379	MSR Resort Intermediate Mezz LLC	\$0	\$0	\$325
11-10389	MSR Resort Intermediate Mezz, LP	\$0	\$0	\$325
11-10399	MSR Resort Intermediate MREP, LLC	\$0	\$0	\$325
11-10401	MSR Resort Lodging Tenant, LLC	\$52,761,860	\$130,207,653	\$30,000
11-10395	MSR Resort REP, LLC	\$0	\$0	\$325
11-10386	MSR Resort Senior Mezz GP, LLC	\$0	\$0	\$325
11-10377	MSR Resort Senior Mezz LLC	\$0	\$0	\$325
11-10385	MSR Resort Senior Mezz, LP	\$0	\$0	\$325
11-10396	MSR Resort Senior MREP, LLC	\$0	\$0	\$325
11-10373	MSR Resort Silver Properties, LP	\$0	\$0	\$325
11-10384	MSR Resort SPE GP II LLC	\$0	\$0	\$325
11-10376	MSR Resort SPE GP LLC	\$0	\$0	\$325
11-10392	MSR Resort Sub Intermediate Mezz GP, LLC	\$0	\$0	\$325
11-10380	MSR Resort Sub Intermediate Mezz LCC	\$0	\$0	\$325
11-10391	MSR Resort Sub Intermediate Mezz, LP	\$0	\$0	\$325
11-10398	MSR Resort Sub Intermediate MREP, LLC	\$0	\$0	\$325
11-10388	MSR Resort Sub Senior Mezz GP, LLC	\$0	\$0	\$325
11-10378	MSR Resort Sub Senior Mezz LLC	\$0	\$0	\$325
11-10387	MSR Resort Sub Senior Mezz, LP	\$0	\$0	\$325
11-10397	MSR Resort Sub Senior MREP, LLC	\$0	\$0	\$325
	<b>GRAND TOTALS:</b>	\$61,633,039	\$161,551,998	\$99,075

**NOTES:**

Cash is managed as described in the *Motion of MSR Resort Golf Course LLC, et al., for the Entry of Interim and Final Orders Authorizing the Continued Use of (A) Existing Cash Management System, (B) Existing Bank Accounts, and (C) Existing Business Forms* [Docket No. 6] (the “**Cash Management Motion**”) and subject to the order entered by the Bankruptcy Court granting the Cash Management Motion on a final basis on April 15, 2011 [Docket No. 255].

The Debtors’ financial affairs are complex, and they operate their business as a comprehensive enterprise. Before the Petition Date, the Debtors maintained a cash management and disbursement system in the ordinary course of their business (the “**Cash Management System**”).

All of the Debtors' resorts are managed by third-party property managers (the "**Resort Managers**"),<sup>2</sup> which contract with service providers and purchase substantially all services, goods, and materials utilized in the operation of the Debtors' resorts. The Property Managers employ an aggregate of approximately 3,800 employees in connection with the operation of the resorts, while the Debtors do not have any employees. Thus, this Schedule I has been prepared, in large part, based upon the information and work product and/or representations made available to the Debtors, their advisors and the Asset Manager by representatives of the third-party Resort Managers.

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<sup>2</sup> Hilton Hotels Corporation is the Resort Manager for three of the Debtors' five resorts. Marriott International and Pyramid Acquisition II Management LP each are the Resort Manager for one of the Debtors' other resorts.

**SCHEDULE II**

**DEBTORS' QUESTIONNAIRE\***

	<u>Yes</u>	<u>No</u>
1 Have any assets been sold or transferred outside the normal course of business this reporting period?		X
2 Have any funds been disbursed from any account other than a debtor in possession account this reporting period?.....		X <sup>(1)</sup>
3 Is the Debtor delinquent in the timely filing of any post-petition tax returns? .....		X
4 Are workers compensation, general liability, or other necessary insurance coverages expired or cancelled, or has the Debtor received notice of expiration or cancellation of such policies?.....		X
5 Is the Debtor delinquent in paying any insurance premium payment? .....		X
6 Have any payments been made on prepetition liabilities this reporting period? .....	X <sup>(2)</sup>	
7 Are any post petition receivables (accounts, notes, or loans) due from related parties? .....		X
8 Are any post petition payroll taxes past due? .....		X
9 Are any post petition State or Federal income taxes past due? .....		X
10 Are any post petition real estate taxes past due? .....		X
11 Are any other post petition taxes past due? .....		X
12 Have any pre-petition taxes been paid during this reporting period? .....		X
13 Are any amounts owed to post petition creditors delinquent? .....		X
14 Are any wage payments past due? .....		X
15 Have any post petition loans been received by the Debtor from any party? .....	X <sup>(3)</sup>	
16 Is the Debtor delinquent in paying any U.S. Trustee fees? .....		X
17 Is the Debtor delinquent with any court ordered payments to attorneys or other professionals? ..		X
18 Have the owners or shareholders received any compensation outside of the normal course of business? .....		X

\* Unless otherwise indicated, answer is for the combined group of Debtors (see Note 1 herein).

- (1) Funds have been disbursed from existing operating accounts as authorized by the court order approving the Cash Management Motion.
- (2) An aggregate of approximately \$122,728 has been paid in the reporting period by or on behalf of the Debtors with respect to pre-petition liabilities, as approved by the Bankruptcy Court. Such disbursements have been for outstanding amounts owed in connection with the Debtors' hotel management agreements, customer programs and taxes and fees owed to governmental units.
- (3) As described in Note 3 herein, which description is incorporated into this response by reference, the Debtors are party to debtor-in-possession credit agreements in the amount of up to \$40,000,000.