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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, 2011 – MARCH 31, 2011**

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, 2011



\_\_\_\_\_  
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.



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**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, 2011</b>
Revenue:	
Rooms	\$ 22,010,956
Food and beverage	17,994,472
Telephone	(76,370)
Merchandise	1,879,731
Golf	4,625,195
Spa	1,852,800
Membership	2,587,683
Minor operated departments and other revenue	4,987,367
Total revenue	55,861,834
Departmental expenses:	
Rooms	5,151,248
Food and beverage	10,975,224
Telephone	214,206
Merchandise	1,375,894
Golf	2,483,904
Spa	1,359,246
Membership	536,476
Minor operated departments	2,894,147
	24,990,345
Departmental income	30,871,489
Operating expenses:	
Administrative and general	3,566,444
Marketing	3,128,525
Property taxes and insurance	1,594,363
Utilities	1,856,991
Property operations and maintenance	1,849,219
Other fixed charges	149,248
Management fees	1,637,052
	13,781,842
Income before fixed charges and other	17,089,647
Fixed charges and other:	
Interest expense	6,400,566
Depreciation and amortization	6,371,088
Interest income	(27,251)
Asset management fee	326,000
Other expenses	2,848,408
	15,918,811
Net loss from continuing operations	1,170,836
Reorganization items	1,144,883
Net Income	\$ 25,953

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)**

	<b>As of March 31, 2011</b>
<b>Assets</b>	
Property and equipment	\$ 2,148,834,261
Accumulated depreciation	(274,703,062)
Net property and equipment	1,874,131,199
Cash and cash equivalents	37,248,227
Restricted cash	16,372,850
Accounts receivable, net of allowance for doubtful accounts of \$501,949 at March 31, 2011	51,491,545
Inventories	10,983,204
Prepaid expenses and other assets	7,835,792
Goodwill and indefinite life intangible assets	163,300,000
Other intangible assets, net	43,068,280
	\$ 2,204,431,097
<b>Liabilities and Members' / Partners' Capital</b>	
Indebtedness	\$ 5,000,000
Advance deposits	30,646,570
Accounts payable and accrued expenses	57,310,668
Accrued payroll and related costs due to Manager	12,277,631
Deferred income	23,725,744
Other liabilities	2,842,093
Liabilities Subject to Compromise	1,799,728,075
Total liabilities	1,931,530,781
Members' / Partners' capital	272,900,316
	\$ 2,204,431,097

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, 2011. 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 \$30,000,000 in debtor in possession financing pursuant to the terms of a \$30,000,000 debtor-in-possession credit agreement between certain of the Debtors, collectively as borrowers, and Paulson Real Estate Recovery Fund, LP and Five Mile Capital II CNL Equity Pooling LLC, as lenders.

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 2010. Book value is not necessarily reflective of current value as of the date of this report, as current value is undetermined.

## 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, 2011</b>
\$1BN Fixed Rate CMBS Pool COMM 2006-CNL2	\$1,004,796,303
\$115M 1st Mezzanine Loan	\$115,858,875
\$110M 2nd Mezzanine Loan	\$110,818,159
\$250M 3rd Mezzanine Loan	\$251,729,305
\$50M 4th Mezzanine Loan	\$50,515,549
<b>TOTAL</b>	<b>\$1,533,718,191</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 \$1.1 million in March 2011, which consisted primarily of professional fees associated with the Chapter 11 Cases.

**SCHEDULE I**

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

**MARCH 31, 2011**

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

Case #	Case Name	March 31, 2011 Disbursements:	1 <sup>st</sup> Quarter 2011 Disbursements:	Quarterly Fees Due to the United States Trustee's Office:
11-10372	MSR Resort Golf Course LLC	\$6,739,846	\$12,361,024	\$13,000
11-10383	MSR Biltmore Resort, LP	\$8,775	\$92,794	\$975
11-10374	MSR Claremont Resort, LP	\$91,817	\$91,817	\$975
11-10381	MSR Desert Resort, LP	\$957,765	\$1,223,672	\$6,500
11-10382	MSR Grand Wailea Resort, LP	\$434,213	\$889,364	\$4,875
11-10400	MSR Resort Ancillary Tenant, LLC	\$0	\$0	\$325
11-10394	MSR Resort Biltmore Real Estate, Inc.	\$0	\$0	\$325
11-10393	MSR Resort Desert Real Estate, Inc.	\$0	\$0	\$325
11-10375	MSR Resort Hotel, LP	\$0	\$0	\$325
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 <sup>1</sup>	\$51,971,668	\$87,410,597	\$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>		\$60,204,083	\$102,069,266	\$64,125

<sup>1</sup> Includes disbursements for MSR Resort Biltmore Real Estate, Inc. and MSR Resort Desert Real Estate, Inc.

**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 postpetition State or Federal income taxes past due? .....		X
10	Are any postpetition 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 <sup>(2)</sup>	
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 \$1.5 million 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 \$30,000,000.