

## TERMS OF PUBLIC SALE

**NOTICE IS HEREBY GIVEN** that on July 7, 2009, at 1:00 P.M. Pacific Daylight Time (the “Date of Sale”), Citigroup Global Markets Realty Corp. or an affiliate thereof, as lender (the “Secured Party”) under (i) that certain Pledge and Security Agreement dated as of July 30, 2007 (the “Borrower Security Agreement”) executed by Resorts Mezzanine, LLC, a Delaware limited liability company (“Borrower Debtor”) and (ii) that certain Pledge and Security Agreement (Beach Club – Mezzanine) dated as of July 30, 2007 (the “Guarantor Security Agreement”; together with the Borrower Pledge Agreement, the “Security Agreements”) executed by Makallon Resorts I, LLC (“Guarantor Debtor”; together with Borrower Debtor, the “Debtors”) intends to sell the collateral described below at public sale in accordance with Section 9-610 of the Uniform Commercial Code as enacted in the State of New York (the “UCC”). The public sale will be held at the offices of First American Title, 5 First American Way, Santa Ana, CA 92707.

Terms used and not defined in this Notice shall have the meanings given to them in the Transaction Documents (as defined below), which will be made available to prospective bidders that execute a confidentiality agreement (each such confidentiality agreement, a “Confidentiality Agreement”). Any prospective bidder may obtain a Confidentiality Agreement from the Secured Party by request as set forth in Section 5 of this Notice.

The property to be sold at the public auction will be all of the (i) Borrower Debtor’s right, title and interest in 100% of the membership interests of (a) CPH Monarch Hotel, LLC, a Delaware limited liability company and (b) CPH Monarch Golf, LLC, a Delaware limited liability company (collectively, the “Borrower Pledged Entities”) and (ii) Guarantor Debtor’s right, title and interest in 100% of the sponsor membership interests in the Monarch Bay Club, a California nonprofit mutual benefit corporation (the “Guarantor Pledged Entity”; together with the Borrower Pledged Entities, the “Pledged Entities”), and certain related rights and property relating thereto, constituting the “Collateral” (as defined in the Security Agreements, copies of which will be made available to prospective bidders that execute a Confidentiality Agreement).

Based upon information provided by the Debtors and the Pledged Entities, it is the understanding of the Secured Party (but without representation by the Secured Party as to the accuracy of the following) that (i) the principal assets of the Borrower Pledged Entities are the (a) St. Regis Monarch Beach Resort and Spa, (b) Monarch Beach Golf Links, and (c) access to and use of the Monarch Bay Beach Club by patrons and guests, each of (a) – (c) are located at One Monarch Beach Resort, Dana Point, California and (ii) the principal asset of the Guarantor Pledged Entity is its right to be the sole sponsor member of the Monarch Bay Beach Club. The Borrower Pledged Entities’ assets are subject to a Mortgage Loan (as defined below) the terms and conditions of which are set forth in a mortgage loan agreement (the “Mortgage Loan Agreement”), and the Mortgage Loan is secured by, among other things, a first lien deed of trust (the “Deed of Trust”), which Deed of Trust secures an indebtedness in the original principal amount (excluding accrued and unpaid interest and other fees and costs) of \$230,000,000 for the benefit of PR II St. Regis CA, LLC, as holder of Senior Note A in the original principal amount of \$175,000,000 and WHSF Nevada, LLC, as holder of Senior Note B in the original principal amount of \$55,000,000 (all such indebtedness, collectively, the “Mortgage Loan”). The Mortgage Loan Agreement is not securitized and is currently administered by Wachovia Bank, National Association as servicer.

Terms and Conditions. The terms and conditions of the public auction (the “Public Sale”) are as follows:

1. The Public Sale shall be a public auction to the highest qualified bidder. The Collateral will be sold as a block, and will not be divided or sold in any lesser amounts. The

Collateral will be sold at the Public Sale for cash at such price and on such other commercially reasonable terms as the Secured Party may determine. The minimum bidding increments during the Public Sale will be \$100,000 or such other amount as the Secured Party may announce at the Public Sale. Higher bids will continue to be entertained until the Secured Party has determined that it has received the highest bid from a qualified bidder. The Secured Party will be permitted to bid at the Public Sale and, notwithstanding any requirement herein that the sale of the Collateral be for cash, the Secured Party may credit-bid all or any portion of the outstanding balance of the amounts due to the Secured Party by the Debtors under the Security Agreements and the Mezzanine Note and, in the event no qualified bidder bids more than the amount of any credit-bid of the Secured Party, then such credit-bid of the Secured Party shall be deemed the highest bid and the Secured Party shall be deemed to be the purchaser of the Collateral in accordance with UCC Section 9-610. The Secured Party reserves the right to (a) reject all bids and terminate the Public Sale or adjourn the Public Sale to such other date and time as the Secured Party may deem proper, by announcement prior to the date of the Public Sale or at the place and on the date of the Public Sale, and any subsequent adjournment thereof, without further publication, and (b) impose any other commercially reasonable conditions upon the Public Sale of the Collateral and subsequent Collateral Closing Date (as defined below) as the Secured Party may deem proper.

2. The Collateral is offered “**AS-IS, WHERE IS**”, with all faults, and there is no warranty by the Secured Party relating to title, possession, quiet enjoyment, merchantability, fitness or the like in this disposition. The Secured Party makes no guarantee, representation or warranty, express or implied, as to the existence or nonexistence of other liens, the quantity, quality, condition or description of the Collateral, the value of the Collateral, the Debtors’ rights in the Collateral or the assets of any of the Pledged Entities. The transfer of the Collateral will be made without recourse and without representation or warranty by the Secured Party, and subject to all defenses of the Secured Party. Without limiting the foregoing, any purchaser must purchase the Collateral subject to the terms of the governing documents of the Pledged Entities (including the limited liability company operating agreement of each of the entities comprising Borrower Debtor and the articles of incorporation and by laws of the Guarantor Debtor). Upon the delivery of a fully executed Confidentiality Agreement and the written request therefor, the Secured Party will provide to prospective bidders access to an online datasite that contains certain relevant information that the Secured Party possesses concerning the Debtors and the Pledged Entities, including copies of the Security Agreements and other documents evidencing or relating to the Debt, certain documents evidencing and/or securing the Mortgage Loan (the “Mortgage Loan Documents”), excerpts of applicable provisions of the Intercreditor Agreement, and certain other related documents and information in the Secured Party's possession. No information provided to a prospective bidder in response to any such request shall constitute a representation or warranty of any kind with respect to such information, the Collateral or the Public Sale.

Prospective bidders are hereby advised that (a) although the Secured Party has provided access to certain information regarding the Debtors and the Collateral on the online datasite referenced above, there is no assurance that the Secured Party does not have information that it is contractually or legally prohibited from providing to potential bidders due to restrictions in confidentiality agreements or otherwise, or that the Secured Party has disclosed all information in its possession, (b) the Secured Party may be in possession of information which prospective bidders may not have, (c) the failure of a

successful bidder to satisfy the requirements of a “Qualified Transferee” or to meet certain “Eligibility Requirements” (each as defined in the Intercreditor Agreement) may result in a default under the Mortgage Loan if the Mortgage Loan is not repaid in accordance with the applicable Mortgage Loan Documents, (d) the terms of the Mortgage Loan Documents contain restrictions related to the repayment of the mortgage debt, and (e) the Pledged Entities are party to certain agreements relating to the operation of the hotel, golf course and beach club located on the property referenced above and additional transfer restrictions may apply with respect to such agreements. PROSPECTIVE BIDDERS ARE ENCOURAGED TO PERFORM SUCH DUE DILIGENCE AS THEY DEEM NECESSARY.

3. In order for a prospective bidder (other than the Secured Party) to be a “qualified bidder” and eligible to bid at the Public Sale, each such prospective bidder must (a) be physically present at the Public Sale, (b) register with the Secured Party and execute and deliver to the Secured Party the Securities Certification (defined below), (c) deposit with a title company designated by the Secured Party (the “Title Company”) the sum of \$1,000,000.00 (the “Required Deposit”) by bank check or by wire transfer of immediately available funds in accordance with instructions provided by the Secured Party no later than three (3) Business Days (as such term is defined in the Mezzanine Loan Agreement) prior to the start of the Public Sale (which Required Deposit shall be refunded, with interest earned, if any, by the Secured Party in the event that such bidder is not the successful bidder, subject to the right of the Secured Party to designate one or more back-up bidders and to retain their respective Required Deposits in accordance with the terms provided below). In addition to the Required Deposit, each prospective bidder may be required to demonstrate in advance of bidding, to the Secured Party's satisfaction, its financial ability to tender payment for the Collateral if it is selected as the winning bidder or as a back-up bidder.

All prospective bidders will be required to represent in writing to the Secured Party (the “Securities Certification”) that each prospective bidder (i) is acquiring the Collateral for investment purposes, solely for the purchaser's own account and not with a view to distribution or resale of the Collateral; (ii) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of investment and has sufficient financial means to afford the risk of investment in the Collateral; (iii) will not resell or otherwise hypothecate the Collateral without a valid registration under applicable federal or state laws, including, without limitation, the Securities Act of 1933, as amended, or an available exemption therefrom and (iv) (1) is a “Qualified Transferee” that meets the “Eligibility Requirements” as set forth in the Intercreditor Agreement and will meet all of the other requirements of Section 5(a) of the Intercreditor Agreement on the date of the closing of the sale of the Collateral as set forth in paragraph 3 of this Section 3 (the “Collateral Closing Date”), or will repay the Mortgage Loan on the Collateral Closing Date, and (2) will not violate the transfer provisions of the hotel operating agreement to which certain of the Pledged Entities are a party. In the Securities Certification, a prospective bidder must indemnify the Secured Party with respect to any claim based on any misrepresentation or inaccuracy of the information contained in such Securities Certification. Additionally, a qualified bidder must satisfy the Secured Party (and its counsel) that (A) its purchase of the Collateral is in compliance with all applicable federal and state laws and (B) it can comply with clause (iv) of this paragraph. Meeting any requirements of the Intercreditor Agreement, applicable Mortgage Loan Documents or any other agreement to which any of the Pledged Entities are a party (including, without limitation, any hotel operating

agreement) shall be at the sole risk, cost and expense of a prospective bidder. If a prospective bidder is a special purpose entity or an entity with creditworthiness that is, in the Secured Party's reasonable judgment, insufficient to support the representations, warranties and indemnification provisions set forth in the Securities Certification, the Secured Party reserves the right to require additional credit support in the form of a guaranty by a creditworthy affiliate of such prospective bidder or such other appropriate credit support as the Secured Party may request in its sole discretion.

No bids may be withdrawn once made during the Public Sale, but no sale shall be final until accepted in writing by the Secured Party. Within one (1) Business Day (as such term is defined in the Mezzanine Loan Agreement) following the conclusion of the sale, time being of the essence, the successful bidder will be required to (a) deposit the sum of \$2,000,000 with the Title Company, by bank check or by wire transfer of immediately available funds (the "Second Deposit"), and (b) execute a confirmation of sale satisfactory to the Secured Party. The balance of the purchase price for the Collateral must be paid by bank check or wire transfer of immediately available funds, upon the execution and delivery of any closing documents required by the Secured Party. If the Collateral is not to be taken subject to the Mortgage Loan, then the successful bidder will be required to pay off the Mortgage Loan to the extent permitted by the Mortgage Loan Documents. The Collateral Closing Date shall take place on a date set by the Secured Party no later than thirty (30) days after the date of the Public Sale, time being of the essence (such date, the "Outside Date"); provided, however, (i) if a successful bidder is diligently pursuing compliance with the requirements of Section 5 of the Intercreditor Agreement and all other requirements under the Intercreditor Agreement or the Mortgage Loan Documents to acquire the Collateral subject to the Mortgage Loan (the "Intercreditor Requirements") and has not been able to meet such Intercreditor Requirements prior to the Outside Date or if the successful bidder requires additional time to comply with the terms of the Mortgage Loan Documents with respect to paying off the Mortgage Loan, it may, on written notice to the Secured Party not less than five (5) days prior to the Outside Date, elect to extend the Outside Date for an additional thirty (30) days, time being of the essence (the "First Extended Outside Date") so long as on or before the fifth (5th) day prior to the Outside Date, the successful bidder deposits an additional sum of \$2,000,000.00 with the Title Company by bank check or by wire transfer of immediately available funds (the "Third Deposit"), and (ii) if a successful bidder continues to diligently pursue compliance with the Intercreditor Requirements and has not been able to meet such requirements prior to the First Extended Outside Date or or if the successful bidder requires additional time to comply with the terms of the Mortgage Loan Documents with respect to paying off the Mortgage Loan, then it may, on written notice to the Secured Party not less than five (5) days prior to the First Extended Outside Date, further extend the First Extended Outside Date for an additional thirty (30) days, time being of the essence (the "Second Extended Outside Date"), so long as on or before the fifth (5th) day prior to the First Extended Outside Date, the successful bidder deposits an additional sum of \$3,000,000.00 with the Title Company by bank check or by wire transfer of immediately available funds (the "Fourth Deposit"). The sale will be consummated immediately upon execution and delivery of closing documents and receipt of payment by the Secured Party in immediately available funds of the full bid price (together with all amounts due for sales or transfer taxes, if any, related to the sale of the Collateral, which shall be paid by the purchaser). Upon payment in full, the purchaser shall receive a certificate representing the Collateral purchased and a transfer statement transferring the Collateral, without guaranty of signatures, without payment of any transfer or other tax (which shall be the sole responsibility of the successful bidder),

without warranty by or recourse to the Secured Party, its agents or its representatives, subject to all defenses, and otherwise in form and substance acceptable to the Secured Party. If the successful bidder is the Secured Party, then the foregoing requirements will not apply and payment for the Collateral may be made by applying against the purchase price the amounts due to the Secured Party by the Debtors under the Security Agreements.

If the Secured Party is not the highest qualified bidder for the Collateral, the Secured Party reserves the right to designate a back-up bidder. If a back-up bidder is selected, the back-up bidder's Required Deposit will remain with the Title Company until refunded as provided below. If the highest qualified bidder posts its Second Deposit with respect to the Collateral, the Required Deposit will be promptly returned to the back-up bidder together with any interest accrued thereon. If the highest qualified bidder does not timely post its Second Deposit, then the back-up bidder shall be notified within five (5) Business Days (such term, as used in this paragraph, shall have the meaning set forth in the Mezzanine Loan Agreement) after the auction (the "Back-up Bidder Notice"), and shall be obligated, within one (1) Business Day of receiving the Back-up Bidder Notice from the Secured Party, to (a) deposit with the Title Company the Second Deposit for the Collateral and (b) execute a confirmation of sale in a form to be provided by the Secured Party. If a Back-up Bidder Notice is not delivered to a back-up bidder within five (5) Business Days after the auction, then the Required Deposit shall be promptly returned to such back-up bidder together with any interest accrued thereon. If a back-up bidder is ultimately selected as the winning bidder for the Collateral, the back-up bidder will be required to pay the balance of the purchase price for the Collateral to be purchased by the back-up bidder by bank check, or wire transfer of immediately available funds, no later than thirty (30) days after delivery of the Back-up Bidder Notice from the Secured Party to the back-up bidder, time being of the essence; but subject to the same extension options described herein as are applicable to the highest qualified bidder (with the extension options for such back-up bidder to be calculated from the date of the Back-up Bidder Notice and not the date of Public Sale). The sale of the Collateral to a back-up bidder will otherwise be consummated on the same terms as applicable to the highest qualified bidder at the Public Sale. If the back-up bidder for the Collateral is the Secured Party, then the foregoing requirements will not apply to the Collateral and payment for the Collateral may be made by applying against the purchase price the amounts due under the Security Agreements and the Mezzanine Note.

4. If the Secured Party is unable for any reason to consummate the sale of the Collateral to a successful bidder at the Public Sale and to execute and deliver the closing documents, its sole obligation to the successful bidder shall be the return of the principal amount of such bidder's deposit(s), with any interest accrued thereon. If the successful bidder is unable for any reason to timely deliver the Second Deposit, the Secured Party shall retain the Required Deposit paid by the bidder as liquidated damages for the costs of the Public Sale and for its loss of bargain, in lieu of all other damages, and the Secured Party may accept the next highest qualified bid at the Public Sale. If a successful bidder or back-up bidder timely delivers the Second Deposit for the Collateral, but is unable for any reason to consummate the purchase of the Collateral on or prior to the Outside Date (as the same may be extended if one or both of the extension options are timely and properly exercised), the Secured Party shall retain the Required Deposit and the Second Deposit paid by such bidder as liquidated damages for the costs of the sale and for its loss of bargain, in lieu of all other damages. If a successful bidder or back-up bidder timely delivers the Third Deposit for the Collateral, but is unable for any reason to consummate

the purchase of the Collateral within the time period required for closing as set forth above, the Secured Party shall retain the Required Deposit, the Second Deposit and the Third Deposit paid by such bidder, as liquidated damages for the costs of the sale and for its loss of bargain, in lieu of all other damages. If a successful bidder or back-up bidder timely delivers the Fourth Deposit for the Collateral, but is unable for any reason to consummate the purchase of the Collateral within the time period required for closing as set forth above, the Secured Party shall retain the Required Deposit, the Second Deposit, the Third Deposit, and the Fourth Deposit paid by such bidder, as liquidated damages for the costs of the sale and for its loss of bargain, in lieu of all other damages. By bidding at the Public Sale, each bidder acknowledges that it would not be possible to ascertain the Secured Party's actual damages under the circumstances described in the preceding three sentences. A successful bidder or back-up bidder shall have no right to postpone or nullify a sale of the Collateral if it is unable to meet any of the requirements under the Intercreditor Agreement, the Mortgage Loan Documents or any other document relating to the Collateral.

5. For further information concerning the Collateral or the Public Sale herein described, prospective bidders may contact Eastdil Secured, L.L.C., 40 West 57<sup>th</sup> Street, 22<sup>nd</sup> Floor, New York, New York 10019, Attention: Adam Spies (Telephone: (212) 315-7200) (Facsimile No.: (212) 315-3602).

Reference is hereby made to the following Documents (the "Transaction Documents"):

- (a) that certain Mezzanine Loan Agreement dated as of July 30, 2007 between Borrower Debtor and the Secured Party (the "Mezzanine Loan Agreement");
- (b) that certain Promissory Note (Mezzanine Loan – Note A) dated as of July 30, 2007 in the face amount of \$81,666,666.67, of which principal in the amount of \$70,000,000.00 was advanced in favor of the Secured Party (the "Mezzanine Note");
- (c) that certain Indemnity and Guaranty Agreement dated as of July 30, 2007 made by Guarantor to the Secured Party;
- (d) that certain Pledge and Security Agreement dated as of July 30, 2007 executed by Borrower Debtor in favor of the Secured Party;
- (e) that certain Pledge and Security Agreement (Beach Club – Mezzanine) dated as of July 30, 2007 executed by Guarantor Debtor in favor of the Secured Party; and
- (f) that certain Intercreditor Agreement dated as of August 4, 2008 by and among PRII St. Regis CA, LLC, as Senior Lender and the Secured Party as Mezzanine Lender (the "Intercreditor Agreement").