

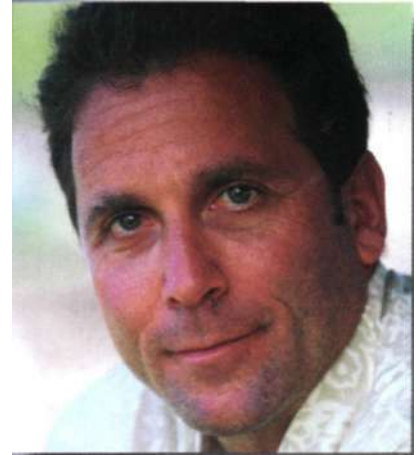


On March 21, 2007 these individuals will be recognized as Development Newsmakers of the Year at the annual Development Awards Gala at the Golf Inc. Conference in Austin, Texas.

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MICHAEL MELDMAN

**CHIEF EXECUTIVE OFFICER,
DISCOVERY LAND CO.**



Meldman has raised the bar in virtually every way at his golf course communities. Each of Discovery's properties has set high standards when it comes to quality of golf, exclusivity and price of home ownership and membership.

After all, this is a man who once plowed under a brand new Greg Norman-designed golf course at Mirabel outside Scottsdale and brought in designer Tom Fazio to sculpt a new one that Meldman felt would be more suited to his target buyers.

The Fazio-Meldman collaboration has been repeated five other times and counting, including The Estancia Club in Scottsdale, Iron Horse in Whitefish, Mont., Kukio Beach Club on Hawaii's Kohala Coast, Vaquero in Westlake, Texas, and most recently, Mountaintop in Cashiers, N.C. Meldman and his team have 12 spectacular golf course lifestyle communities in the books now, with more on the way.



This architect's rendering shows what future residents of Laurelmor in southwestern North Carolina can expect

Surprise!

Rich people like golf

There's no slowdown in building for ultra-high-end developers *By Jim Dunlap*

On a Saturday morning in early November, real estate sales agents for Ginn Resorts held an open house for the company's new Laurelmor golf community in western North Carolina. Nothing unusual about that. It happens at new communities around the United States all the time.

Except this was no ordinary sales launch — by the end of the day, Ginn had signed contracts for 240 lots totaling more than \$150 million from people staking a claim on the spectacular mountain scenery and Tom Kite-designed championship golf course.

Laurelmor is not the only enclave where developers like Ginn, Discovery Land Co. and others have identified the right

combination of nature's bounty, available entitlements for homes and golf and, most importantly, buyers willing and able to pay a pretty penny for the privilege of ownership. The specter of falling home prices, economic and political uncertainty have left a segment of American society unbothered. These canny developers have found the winning formula to attract them.

Traditional retreats for well-heeled second- or third-home buyers with a taste for golf like the Palm Springs, Scottsdale and coastal Florida markets continue to sprout pricey golf communities, though at a slowing rate. But two of the hottest areas for these exclusive and ultra high-

end developments are the tiny town of Cashiers 45 miles southwest of Asheville in southwestern North Carolina, not far from Laurelmor's site on the borders of Boone and Watauga counties and the state of Idaho [see Development Update, page 53].

As recently as the 2000 census, Cashiers had a population of 196. That is changing, although many new homeowners will not be year-round residents.

Discovery Land is the latest to tap into the market with their Mountaintop community and a golf course designed by local resident Tom Fazio, a favorite Discovery Land Co. architect. Another large resort community called RiverRock, featuring a course

designed by a yet-unnamed PGA Tour player and being developed by Legasus Partners, is also in the pipeline.

Discovery Chairman and CEO Michael Meldman and his staff spent some time searching before acquiring the Cashiers acreage. The company is the initial developer of Mountaintop, but many of its successful projects evolved when the original developers either ran short of cash or felt the need to bring in a partner with Discovery's business track record and deep pockets.

"Even if [our buyers] don't golf, they think some day they may want to, or their kids may."

-Michael Meldman, Discovery Chairman and CEO

Gozzer Ranch in Coeur d'Alene, Idaho, opening this summer, Mirabel in Scottsdale, and Spanish Oaks in Bee Cave, Texas, are examples of projects in which Discovery came on board and executed the company's business model of exclusive, low-density recreational retreat communities for the whole family.

"The genesis [of Discovery Land] was creating a business model that went after the macro-demographic trends we saw back in the '90s—the creation of wealth, the aging of the baby boomers," Meldman said. "We patterned our business model after that, and layered in other things outside of golf to make it even more desirable. We started as basically a golf course community but evolved into a lifestyle or generational community."

Ginn Resorts targeted Laurelmor in part as a result of feedback from its well-to-do customers in Florida, where virtually all of the company's projects were located until recent expansions into the Carolinas, Vermont and Colorado. Doug Miller, eastern regional president for Ginn Resorts, said the popularity of the North Carolina mountains as a summer vacation spot for sweltering Floridians captured the attention of Ginn Cos. founder Bobby Ginn.

"Probably half of the vacationers in North Carolina come from Florida," Miller said. He pointed to Ginn's current projects in Laurelmor, Vermont and the Vail area of Colorado, as examples of how the company is trying to get into different climates.

The wisdom of that move has been demonstrated already at Laurelmor, where Miller said approximately half of the

initial lot reservations came from Florida residents. About 75 percent of the initial rush came from existing Ginn homeowners in its various communities in Florida and other states. The initial lots sold on that single day in November averaged around \$600,000 each. They averaged around two acres in size. At buildout, the community is scheduled to include approximately 1,500 home sites and 400 condominium properties.

While Discovery Land touts its Outdoor Pursuits recreational program at its comm-

unities and Ginn is expanding into year-round recreational markets, executives of both companies said golf is a key amenity for their homebuyers. Each has more than 10 golf course communities, with more on the way.

"Golf is still the primary force, and it's certainly one of the most expensive amenities," Meldman said. "Even if [our buyers] don't golf, they think some day they may want to, or their kids may. And the golf clubhouse, with spas, wellness centers, health consciousness is a major component, so the clubhouse plays a lot of roles."

Perfecting perfection

Latest Discovery Land project raises the bar for resort development *By Rick Stedman*

Why would anyone want to tamper with perfection? That's exactly what Mike Meldman and his team at Discovery Land Co. did at the El Dorado Golf and Beach Club in Los Cabos, Mexico. After operating for several years as a successful public golf resort, El Dorado is being transformed into a high-end family-oriented club community.

Arguably one of the most pristine and dramatic golf venues in the world, the original El Dorado Golf Club has attracted golfers - including Bill Gates, Tiger Woods, and Kevin Costner - since the Jack Nicklaus-designed course opened to the public in 1999. But since mid-2005, dramatic changes have taken place. The

"You cannot recreate the natural beauty of the environment with any amount of money."

- Mike Meldman, CEO, Discovery Land Co.

El Dorado Golf and Beach Club is being redeveloped by Discovery Land Co. for its majority owners, Rockpoint Group, an institutional real estate investment fund, and Cabo Real, a development entity owned by Mexico's prominent Sanchez-Navarro family.

During its first several years of operation, this geological gem was a successful resort course. Steve Adelson, one of Discovery Land's partners, says its annual profits each year were between \$2.5 million and \$4 million.

"Those are impressive numbers, but post 9/11 has taught us that it's difficult to operate a public course and turn a profit," he said. "Daily fee golf is down at most resorts, though they are slowly increasing in numbers. You have to look for profit potential from a real estate perspective. And, you must combine all of the amenities to provide a quality experience. We're in the people business and we want to create lasting memories."

And the original architect of the golf course was invited back to upgrade his work.

"Working with Jack Nicklaus on the redesign was a great experience," Meldman

said. "He was a true gentleman and came up with some very intriguing holes."

Adelson said Discovery spent roughly \$8 million re-doing the golf course. That includes restructuring a majority of the course, building new holes, adding irrigation, revamping the cart paths and tipping the level of customer service.

Transforming El Dorado Golf and Beach Club has been an ongoing work in progress over the last year-and-a-half. It was re-christened Nov. 17 as a private course, available exclusively to those who buy one of the 350 memberships the club offers.

Discovery's master plan calls for approximately 212 residential units, including 67 beachfront and oceanview custom estate lots; 94 beachfront, golf and ocean villas; 36 casita/condominium units; and 15 or more mountainside estate lots with golf and ocean views. The highest priced lots are going for \$12 million to \$14 million, according to Meldman. Though declining to share specific sales numbers, he said his company has far exceeded its real estate sales goals.

One of the leading golf and residential developers in the United States, Discovery Land Co. has built a substantial

portfolio of high-profile communities in North America, Hawaii, and The Bahamas.

"In any development project, we believe in preserving the natural characteristics of the land," says Meldman. "Anyone can build houses, roads, and golf courses. All that takes is money. You cannot, however, recreate the natural beauty of the environment with any amount of money. The value is always the land."

As of late fall, El Dorado real estate sales were approaching \$300 million. Meldman expects to eventually invest upwards of \$500 million into El Dorado Golf and Beach Club, with \$135 million of that earmarked for builder costs.

In transforming a public golf resort into a private golf residential community, what would Discovery officials do differently if they had the chance to do it over again?

Both Meldman and Adelson said their prior planning in this effort paid off in the long run. They feel that the business plan for the project has been followed to the letter.

"We did our homework on this project and things are on track," Meldman said. "This will be one of the great properties in the world."



El Dorado Golf and Beach Club is now part of the Discovery Land Company family