



Welk Resorts Securitization Completed, Additional Capital Available for New Resorts

Contact: Carisa Azzi: 760.481.7794

Jeff Segall: 760.419.4901

Three Pages

For Immediate Release – December 2, 2013

Welk Resort Group, Inc. announced today that it closed a \$158.67 million securitization backed by notes receivable from vacation ownership interests. Welk Resorts develops, builds and operates vacation ownership resorts with five properties currently open, and two additional locations in development.

The securitization allowed the Company to refinance a portion of its warehouse facilities with its existing commercial lenders, creating a fixed low-rate cost of funds for the term of the facility. The transaction has also provided additional capital for the Company, which will aid in the future development of the Welk family of resorts.

“We are extremely pleased with the ratings and terms of this securitization and with our new partners, BB&T Capital Markets and Bank of America Merrill Lynch,” announced Jon Fredricks, President of Welk Resorts. “This action will allow Welk to continue to build and offer high-quality, four-star resorts to our existing and new owners, in new locations that are intriguing and especially suited for owners of all ages.”

Standard and Poor’s provided the credit rating on the transaction, which features two classes of notes, with the senior note class receiving a rating “A (sf)”, and the subordinated class of notes received a rating of “BBB+ (sf)”. The initial outstanding principal balance of the senior and subordinated classes of notes are \$144.32 million and \$14.35 million, respectively, with

note coupons of 3.10% and 3.96%, respectively. All-in pricing reflects a long-term coupon of 3.18%, with a blended advance rate of 96.75%.

Currently, Welk Resorts has over \$200 million in notes receivable through some 16,000 loans it has made to timeshare and club interval points-based owners. Loans are generally made for 10 to 15 years.

The securitization book-runner, structuring agent and co-lead manager was BB&T Capital Markets, a division of BB&T Securities, LLC. Bank of America Merrill Lynch served as co-lead manager.

“This transaction provides additional depth to our lending ability, as it provides the capacity to enter the investor markets for an additional source of financing for our notes receivable,” said Carisa Azzi, vice president & chief financial officer of Welk Resorts. The lender base on this transaction consists of a broad array of 11 corporate investors participating in the purchase of the underlying bonds.

Welk Resorts, a family owned business, will celebrate its 50th anniversary in the resort hospitality business in 2014. In 1964, legendary bandleader and television celebrity Lawrence Welk bought a remote 900-acre parcel in Escondido, California, 30 miles north of San Diego. The property, Welk’s flagship resort, has nearly 700 villas onsite.

It offers a number of amenities, including eight pools, waterslides, spas, interactive splash zones, executive golf, tennis, sand volleyball courts, award-winning live theatre, restaurants, stores, expansive recreation centers, and many activities for the entire family to enjoy.

Over the years, Welk Resorts purchased and built other first-class resort properties, including 162 units in Cathedral City, California (near Palm Springs) and 56 villas and 159 hotel rooms in Branson, Missouri.

In 2009, Welk built and opened Sirena Del Mar. Perched on the cliffs of the Cabo San Lucas peninsula it boasts seven acres of amenities overlooking the iconic Los Arcos with a view of the Sea of Cortez.

In 2013, Expedia announced its Insiders’ Select Award and ranked Sirena Del Mar seventh out of 150,000 hotels and resorts worldwide.

Earlier this year, Welk purchased Northstar Lodge, a 34-unit resort in North Lake Tahoe at Northstar Village and the newest addition to the Welk Resorts family. Northstar Lodge will officially open as a Welk Resort on December 3, 2013. Plans call for construction of 83 additional units over the next two years at this ski-in, ski-out location.

Welk also announced this year that it had purchased 6.5 acres on the Blue River in Breckenridge, Colorado, with plans to build 123 luxury units by 2015, as well as 21.45 acres in Poipu Beach, Kauai, with plans to build 164 units by 2018.

President Jon Fredricks says, “Welk’s vision is to provide four-star resorts in destination markets with high appeal to Western US residents that cater to all ages and recreational interests.”

end