

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

IN RE CNL HOTELS & RESORTS, INC.
SECURITIES LITIGATION

Case No. 6:04-cv-1231-Orl-31KRS
(Consolidated with 6:04-cv-1341-Orl-19JGG)

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED ANY SECURITIES OF CNL HOTELS & RESORTS, INC. (F/K/A CNL HOSPITALITY PROPERTIES, INC.) (“CHR”) PURSUANT TO OR BY MEANS OF CHR’S OFFERINGS, REGISTRATION STATEMENTS, AND/OR PROSPECTUSES BETWEEN AUGUST 16, 2001 AND AUGUST 16, 2004, INCLUSIVE (“CLASS PERIOD”) (“PURCHASER CLASS”);

AND / OR

ALL PERSONS WHO WERE CHR STOCKHOLDERS ENTITLED TO VOTE ON THE PROPOSALS PRESENTED IN CHR’S PROXY STATEMENT DATED JUNE 21, 2004 (“PROXY CLASS”).

IMPORTANT

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. ACCORDING TO CHR’S RECORDS, YOU MAY BE A MEMBER OF THE PURCHASER CLASS AND/OR PROXY CLASS, AND, IF ELIGIBLE, MAY BE ENTITLED TO BENEFITS UNDER THE PROPOSED SETTLEMENT. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. IT IS POSSIBLE TO BE A MEMBER OF BOTH THE PURCHASER CLASS AND PROXY CLASS.

Summary of Notice and Related Matters

The case is titled *In re CNL Hotels & Resorts, Inc. Securities Litigation*, Case No. 6:04-cv-1231-Orl-31KRS. The Judge presiding over this case is the Honorable Gregory A. Presnell, United States District Judge (the “Judge”) of the United States District Court for the Middle District of Florida (the “Court”), in Orlando, Florida. The case is referred to in this document as the Action. The people who brought the lawsuit are called Plaintiffs, and the companies and the persons they sued are called Settling Defendants.

A. Notice of Settlement Hearing

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court. The purpose of this Notice is to inform you: (i) that there is a proposed settlement of the Action, as provided for in the Stipulation of Settlement dated April 3, 2006 (the “Stipulation” or the “Settlement”)¹; and (ii) to give you notice of your rights, among other things, to comment on the Settlement or to attend and participate in the hearing to be held on July 26, 2006, at 1:00 p.m., before the Judge in Courtroom No. 3, George C. Young U.S. Courthouse and Federal Bldg., 80 N. Hughey Avenue, Orlando, FL 32801 (“Final Settlement Hearing”).

The purpose of the Final Settlement Hearing is for the Court to: (i) consider and rule upon the fairness, reasonableness, and adequacy of the Settlement; (ii) finally certify the Proxy Class and the Purchaser Class (collectively, the “Class”) for purposes of the Settlement; (iii) consider and rule upon the Plan of Allocation; (iv) consider whether and in what amounts Plaintiffs’ Counsel’s application for an award of attorneys’ fees, costs and expenses should be approved; and (v) determine whether to enter a judgment dismissing the Action with prejudice.

This Notice describes the rights you may have under the proposed Settlement and what steps you may take in

¹ All capitalized terms herein shall have the same meaning as used in the Stipulation of Settlement, unless otherwise indicated.

relation to this Action.

THIS NOTICE IS NOT AN EXPRESSION OF ANY OPINION BY THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES ASSERTED BY ANY PARTY IN THIS ACTION, OR THE FAIRNESS, REASONABLENESS, OR ADEQUACY OF THE PROPOSED SETTLEMENT.

B. Statement of Class' Recovery

Purchaser Class: Pursuant to the Settlement, a Cash Settlement Fund of **\$35,000,000**, plus interest, minus applicable attorneys' fees and expenses, will be established for the benefit of the Purchaser Class. Plaintiffs estimate that there were approximately 100 million shares of CHR common stock that were purchased during the Class Period, for which members of the Purchaser Class may have been damaged and may be entitled to a recovery. Plaintiffs estimate that the average recovery per potentially damaged share of CHR common stock under the Settlement is **\$.35** per share, before deduction of Court-awarded attorneys' fees and expenses. An individual Purchaser Class Member may receive more or less than this average per share amount. A detailed explanation of how each Purchaser Class Member's claim will be calculated is governed by and set forth in the Plan of Allocation described below.

Proxy Class: The Settling Defendants² who were directors of CHR during the negotiations and execution of the Amended Merger Agreement and the Advisor Fee Reduction Agreements ("New Agreements") have acknowledged that this Action was among the material factors taken into account in connection with the terms of the New Agreements. The price to be paid by CHR for the Advisor and the amount of advisory fees being paid by CHR to the Advisor were among the claims asserted by the Proxy Class and in the Action generally. Under the New Agreements: CHR will pay substantially less for the Advisor than under the Original Merger Agreement, which had been approved pursuant to the June 2004 Proxy; CHR will pay substantially reduced amounts for fees that were allegedly due and owing to the Advisor under the challenged fee schedule; and, the Advisor has agreed to substantially reduce its acquisition fees on a going forward basis. It is Plaintiffs' position that the net amount that CHR will pay in merger consideration and for advisory fees as a result of the New Agreements will be approximately **\$200,000,000** less than CHR would have paid under the terms of the Original Merger Agreement and the prior advisory fee structure had the Original Merger Agreement become effective on a timely basis. Based on the number of shares outstanding (approximately 152.8 million), it is Plaintiffs' position that this price differential and advisory fee differential equates to an equity enhancement of approximately **\$1.31** per share. Furthermore, the Settlement requires CHR to adopt substantive corporate governance provisions, as described more fully herein.

C. Statement of Potential Outcome of the Case

The parties disagree on both liability and damages, and do not agree on the average amount of damages per share of CHR's common stock that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (i) whether the statements made, or facts allegedly omitted, were false or misleading; (ii) whether the statements made, or facts allegedly omitted, were material or otherwise actionable under the federal securities laws; (iii) whether certain of the parties are proper parties to this Action; (iv) the application of various financial and accounting principles to real estate investment trusts; (v) the appropriate assumptions and projections for determining the value of the Advisor; (vi) the extent to which external factors (including industry conditions) influenced the per share price, or value, of CHR's common stock; (vii) whether the per share price, or value, of CHR's common stock was allegedly artificially inflated; (viii) the appropriate economic model for determining the amount by which the per share price of CHR's common stock was allegedly artificially inflated (if at all); and (ix) the appropriate economic model for determining the per share value of CHR's common stock. Co-Lead Counsel considered that there was a substantial risk that Plaintiffs and the Class might not have prevailed on all their claims. Therefore, Plaintiffs and the Purchaser Class could have recovered nothing or substantially less than the amount of the Cash Settlement Fund and the value of the other benefits achieved for the Class as a result of the Settlement.

The Settling Defendants have denied and continue to deny that (i) they are liable to the Plaintiffs or the Class and (ii) Plaintiffs or the Class have suffered any damages.

D. Statement of Attorneys' Fees and Costs Sought

In connection with the settlement of the Purchaser claims and the benefits conferred on the Purchaser Class in connection with the creation of the Cash Settlement Fund, Plaintiffs' Counsel will ask the Court to award attorneys' fees equal to 25% of the Cash Settlement Fund, and for reimbursement of expenses incurred by them in connection with the prosecution and settlement of the Action. See Paragraph No. 35 below for a more detailed description. Plaintiffs'

² Settling Defendants Adams and Dustin, who are former directors, were not directors during the negotiations and execution of the New Agreements.

Counsel have expended considerable time and effort in the prosecution and settlement of this Action on a contingent fee basis, and have advanced the expenses of the Action, in the expectation that if they were successful in obtaining a recovery for the Purchaser Class they would be paid solely from such recovery. In this type of action it is customary for plaintiffs' counsel to be awarded a percentage of the recovery as their attorneys' fees.

In connection with the prosecution and settlement of the Proxy Class and Fiduciary Duty Claims (as described below), including the benefits conferred by the Amended Merger Agreement, the Advisor Fee Reduction Agreements, and the corporate governance provisions, Plaintiffs' Counsel will ask the Court to award attorneys' fees and reimbursable expenses in the total amount of \$5.5 million. Such amount, as is awarded and not to exceed \$5.5 million, will be paid directly by CHR.

E. Further Information

Further information regarding the Action and this Notice may be obtained by contacting any of the Co-Lead Counsel: Nicholas E. Chimicles, Esq., CHIMICLES & TIKELLIS LLP, 361 West Lancaster Avenue, Haverford, PA 19041, Phone: (610) 642-8500, Email: CNLHotelsSettlement@Chimicles.com, Website: www.chimicles.com; Lawrence A. Sucharow, Esq., LABATON SUCHAROW & RUDOFF LLP, 100 Park Avenue, New York, NY 10017, Phone: (212) 907-0700, Website: www.labaton.com; or Lawrence P. Kolker, Esq., WOLF HALDENSTEIN ADLER FREEMAN & HERZ LLP, 270 Madison Avenue, New York, NY 10016, Phone: (212) 545-4600, Website: www.whafh.com.

F. Reasons for the Settlement

Co-Lead Counsel have concluded that it is in the best interests of the Plaintiffs and the Class that the Action be settled on the terms and conditions set forth in the Stipulation. Co-Lead Counsel have reached this conclusion after making a thorough investigation of the facts and research of the law, and considering the risks and uncertainties of prevailing on the claims at the pleading, summary judgment or trial stage in light of the defenses that have been or could be asserted by Settling Defendants. The legal risks and uncertainties include, among other things, whether Plaintiffs have met the requirements for pleading proper securities law claims on behalf of certain purchasers; whether the statements made in the registration statements and the Proxy were false or misleading; whether any statements, if false or misleading, were material; whether certain parties are proper parties to this Action; and whether the Plaintiffs or any Class Member suffered any loss as a result of any alleged misstatement or omission by any of the Settling Defendants. Among the practical considerations which Co-Lead Counsel considered in deciding to settle is CHR's Listing or Liquidation requirement, its dispute with its insurance carriers, the importance of positioning CHR to continue operations with the prospect of Listing, and the fact that an overwhelming percentage of the members of the Class remain stockholders of CHR. Additional considerations included the expense and length of continued proceedings necessary to prosecute the Action against Settling Defendants through trial and through appeals, as well as the substantial benefits the Settlement confers upon the Class and CHR. Co-Lead Counsel believe that the proposed Settlement is fair, reasonable, and adequate and in the best interests of the members of the Class.

WHAT THIS NOTICE CONTAINS:

BACKGROUND OF THE ACTION AND SUMMARY OF THE CLAIMS **Page 4**

DETAILED INFORMATION **Page 6**

- 22. **Why did I receive this Notice package?**
- 23. **Why is the Action called a class action?**
- 24. **Who is included in the classes?**
- 25. **Who is not included in the Proxy Class and Purchaser Class?**
- 26. **I'm still not sure if I am included.**
- 27. **Why is there a Settlement?**
- 28. **What are the Settlement's benefits?**
- 29. **How much will my payment be?**
- 30. **How can I receive a payment?**
- 31. **When will I receive my payment as a member of the Purchaser Class?**
- 32. **What am I giving up to receive a payment?**
- 33. **Can I remove myself from the Action and exclude myself from the Class?**
- 34. **Do I have a lawyer in this case?**
- 35. **How and in what amount will Co-Lead Counsel and Plaintiffs' Counsel be paid?**

OBJECTING TO THE SETTLEMENT

Page 12

- 36. How do I notify the Court that I object to the Settlement, the Request for Attorneys' Fees and Expenses, and/or the Plan of Allocation?**
- 37. What is the difference between objecting and requesting exclusion?**

THE FINAL SETTLEMENT HEARING

Page 13

- 38. When and where will the Court consider whether to approve the Settlement, the Plan of Allocation, and the Request for Attorneys' Fees and Expenses?**
- 39. Do I have to come to the hearing?**
- 40. May I speak at the hearing?**

GETTING MORE INFORMATION

Page 14

- 41. Are there more details about the Settlement?**

SUMMARY OF PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND TO THE PURCHASER CLASS

Page 14

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

Page 16

BACKGROUND OF THE ACTION AND SUMMARY OF THE CLAIMS

1. On August 16, 2004, certain investors in CNL Hotels & Resorts, Inc. (f/k/a CNL Hospitality Properties, Inc.) ("CHR" or "Company") filed a class action complaint against CHR, its affiliates and certain of its present and former officers and directors captioned *Campbell v. CNL Hotels & Resorts, Inc., et al.*, Case No. 6:04-cv-1231-Orl-31KRS (the "Campbell Action"). The Campbell Action alleged violations of the federal securities laws, including violations of Sections 11, 12(2) and 15 of the Securities Act of 1933 ("Securities Act"), Sections 14 and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and breaches of fiduciary duty under state law. Subsequently, on or about September 8, 2004, a class action complaint captioned *Wong v. CNL Hotels & Resorts, Inc., et al.*, Case No. 6:04-cv-1341-PCF-JGG (the "Wong Action") was filed with the Court alleging substantially similar facts and claims. By Order of the Court dated November 10, 2004, the Campbell Action and the Wong Action were consolidated for all purposes under the caption *In re CNL Hotels & Resorts, Inc. Securities Litigation*, Case No. 6:04-cv-1231-Orl-31KRS (the "Action").

2. On December 21, 2004, pursuant to the Private Securities Litigation Reform Act, Plaintiff Macomb County Employees' Retirement System ("Macomb") was appointed Lead Plaintiff for the Proxy Class; Plaintiff Elizabeth Hawkins Barack Revocable Living Trust ("Barack Trust") was appointed as Lead Plaintiff for the Purchaser Class; Chimicles & Tikellis LLP was appointed as Lead Litigation Counsel and Co-Lead Counsel; Labaton Sucharow & Rudoff LLP was appointed as Co-Lead Counsel for Macomb; and Wolf Haldenstein Adler Freeman & Herz LLP was appointed as Co-Lead Counsel for the Barack Trust.

3. CHR, a real estate investment trust ("REIT"), was formed in 1996. CHR has sold approximately 308 million shares of its common stock through five best efforts public stock offerings. CHR common stock is not listed on a national securities exchange or on an over-the-counter market. CHR's management, advisory and administrative services are provided by CNL Hospitality Corp. (the "Advisor"), which is an entity that is separate from, but affiliated with, CHR. Under the terms of the agreement between CHR and the Advisor ("Advisory Agreement"), the Advisor was entitled to receive fees from CHR for the services it performed ("Advisory Fees"). One of these Advisory Fees, the acquisition fee, was calculated at a rate of 4.5% of total proceeds ("Acquisition Fee").

4. Pursuant to CHR's Charter, CHR must list its stock on a national securities exchange or over-the-counter market by December 31, 2007 ("Listing"), or, if there is no Listing, commence an orderly Liquidation of its assets as permitted by Maryland law (absent CHR stockholder approval to extend the Listing deadline). The objective of such provisions is to provide CHR stockholders with liquidity for their CHR investments. In papers first filed with the Securities and Exchange Commission ("SEC") on April 30, 2004, CHR announced that it was going to proceed with a Listing, and in connection with the possible Listing, become a self-advised REIT through the acquisition of its affiliate, the Advisor ("Merger"). In connection with the possible Listing, CHR sought and obtained CHR stockholder approval of the Merger via a proxy statement dated June 21, 2004, as amended or supplemented by the additional proxy solicitation materials filed on July 7, July 8, and July 20, 2004 ("Proxy"). The Merger called for CHR to pay at a maximum approximately \$307,000,000 in total consideration (in cash, CHR stock, and CHR's assumption of debt) to the Advisor's

owners (comprising, in large part, the founders of CHR) (“Original Merger Agreement”). In addition, the Original Merger Agreement provided that under certain circumstances CHR would not be required to pay to the Advisor certain fees that would otherwise have been payable to the Advisor pursuant to the applicable Advisory Agreement prior to the anticipated closing of the Merger (other than asset management fees, development fees, or reimbursable expenses) (the “Deferred Fees”).

5. On December 23, 2004, Plaintiffs filed a Consolidated Amended Class Action Complaint (“Amended Complaint”), which named CHR, CNL Hospitality Partners, L.P. (“CNL LP”), RFS Partnership, L.P. (“RFS”), the Advisor, CNL Financial Group, Inc. (“CFG”), CNL Real Estate Group, Inc. (“CREG”), Five Arrows Realty Securities II, LLC (“Five Arrows”), James M. Seneff, Jr. (“Seneff”), Robert A. Bourne (“Bourne”), Thomas J. Hutchison III (“Hutchison”), John A. Griswold (“Griswold”), Charles E. Adams (“Adams”), Lawrence A. Dustin (“Dustin”), Craig M. McAllaster (“McAllaster”), and Robert E. Parsons, Jr. (“Parsons”), as Defendants.

6. The Amended Complaint alleged on behalf of the Purchaser Class that the registration statements and prospectuses issued by CHR in connection with its 2000, 2002, and 2003 stock offerings contained materially false and misleading statements in violation of Sections 11, 12(2), and 15 of the Securities Act (“Purchaser Claims”). The affected stock offerings are: (a) the 2000 Offering, for purchases or acquisitions of CHR stock made between August 16, 2001 and April 22, 2002; (b) the 2002 Offering, for purchases or acquisitions of CHR stock made between April 23, 2002 and February 4, 2003; and, (c) the 2003 Offering, for purchases or acquisitions of CHR stock made between February 5, 2003 and March 12, 2004 (the “Offerings”).

7. The allegedly materially false and misleading statements concerned, among other things:
- (a) CHR’s operations and financial condition;
 - (b) the use of an Acquisition Fee that was substantially higher than the market rate;
 - (c) certain of defendants’ investments and financial interests in joint ventures with CHR (“Joint Ventures”); and
 - (d) the use of improper accounting practices that, among other things, were alleged to have materially inflated CHR’s reported income, and thereby created and maintained the appearance that CHR had generated sufficient cash flow from operations to pay distributions to CHR stockholders at the stated historic levels.

8. The Purchaser Claims are asserted on behalf of all persons who purchased or otherwise acquired CHR securities pursuant to or by means of the Offering documents, including the purchase of CHR stock through CHR’s Dividend Reinvestment Program (“Purchaser Class”). The Purchaser Class also includes persons who had their CHR stock redeemed pursuant to CHR’s stock redemption plan.

9. The Amended Complaint also alleged that the Proxy used to solicit shareholder approval of the Merger and other matters contained materially false and misleading statements in violation of Sections 14(a) and 20(a) of the Exchange Act. It is alleged that material misstatements and omissions concerned the valuation of the Advisor, and that the amount to be paid by CHR for the Advisor was inflated and based on speculative, faulty and unreasonable projections and valuations (“Proxy Claims”). The Proxy Claims were alleged on behalf of all persons who were entitled to vote on the Proxy (“Proxy Class”).

10. The Amended Complaint also asserted breach of fiduciary duty claims under state law, alleging that certain relationships and transactions between CHR and the Advisor were not arms-length or in conformity with CHR’s Charter (“Fiduciary Duty Claims”).

11. Settling Defendants moved to dismiss the Amended Complaint on February 11, 2005.

12. On April 6, 2005, CHR announced that in connection with the renewal of the Advisory Agreement, independent members of CHR’s Board of Directors were in discussions with the Advisor to determine the comparable current market percentage rate for calculating the Acquisition Fee.

13. On April 8, 2005, CHR announced that a special committee of CHR’s Board of Directors was in discussions with the Advisor regarding the possible amendment of the Merger Agreement. Although CHR and its shareholders had previously approved the terms of the Merger pursuant to the Proxy, CHR announced that the terms of the Merger were the subject of new discussions between a committee of Independent Directors and the Advisor’s owners.

14. The Court issued rulings on May 9, 2005 denying in part and granting in part Settling Defendants’ motions. As part of these rulings, the Court dismissed the breach of Fiduciary Duty Claims in their entirety, holding that such claims could be not brought directly by the Plaintiffs. The Court dismissed all causes of action against CHR’s

operating partnerships, CNL LP and RFS, and against the Advisor, CFG, CREG, and Five Arrows. The Court held in abeyance its ruling on the Proxy Claims.

15. On or about May 31, 2005, Plaintiffs filed the Consolidated First Amended Class Action Complaint for Violation of Federal Securities Laws and Derivative Action for Breaches of Fiduciary Duties (“First Amended Complaint”) naming CHR, CNL Securities Corp. (“CSC”), the Advisor, Seneff, Bourne, Hutchison, Griswold, Adams, Dustin, McAllaster, and Parsons, as defendants and asserting claims under Sections 11, 12, and 15 of the Securities Act, Sections 14 and 20(a) of the Exchange Act, as described in Paragraph Nos. 6-9, above. The Fiduciary Duty Claims were reasserted by Plaintiffs on behalf and for the benefit of CHR, and thus are termed derivative, not direct, claims.

16. The Settling Defendants moved to dismiss the First Amended Complaint on July 22, 2005. The Court issued rulings on September 9, 13, 20, and 21, 2005 denying in part and granting in part Settling Defendants’ motions, including dismissing all claims against CSC, and dismissing the Proxy Claim as moot. In addition, the Court again dismissed the breach of Fiduciary Duty Claims, this time with prejudice, based on its view that Plaintiffs had failed to satisfy a prerequisite to a shareholder’s right to assert a derivative claim, that is, to demonstrate that a demand on the board of directors to act would have been futile.

17. On or about October 10, 2005, Plaintiffs filed the Consolidated Second Amended Complaint which seeks damages for alleged violations of the federal securities laws and state common law (“Operative Complaint”). The Settling Defendants moved to dismiss the Operative Complaint, in part, on November 9, 2005. These motions were fully briefed.

18. On December 16, 2005, at the request of the parties, the Court adjourned any hearings on the Motions to Dismiss because the parties to the Action had entered into serious settlement discussions. On December 30, 2005, CHR and the Advisor entered into the Advisor Fee Reduction Agreements, the effectiveness of which are not contingent upon the Settlement or Merger. On April 3, 2006, CHR and the Advisor entered into the Amended Merger Agreement, which is subject to shareholder approval.

19. In connection with the settlement discussions, Co-Lead Counsel requested, and Defendants have furnished, more than 250,000 pages of documents with respect to the claims in the Action and the Settlement. The discovery was conducted by Plaintiffs’ Counsel in order to verify information that Co-Lead Counsel and their experts and consultants had researched, gathered or inferred from other sources during the course of the investigation and prosecution of this Action.

20. Co-Lead Counsel have extensively investigated the claims and underlying events and transactions alleged in the Operative Complaint. Co-Lead Counsel have: reviewed thousands of pages of public documents, including SEC filings; analyzed the documents produced by the Settling Defendants; engaged and consulted with experts on the claims and allegations related to CHR’s accounting practices and damages issues; and, researched the applicable law with respect to the claims asserted in the Operative Complaint and the potential defenses thereto.

21. The Settling Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law or any act of negligence or misconduct. The Stipulation is not evidence or an admission or a concession on the part of any of the Settling Defendants of any fault or liability or damages whatsoever.

DETAILED INFORMATION

22. Why did I receive this Notice package?

The Court authorized this Notice to be sent to you because you may be a member of the Purchaser Class, Proxy Class, or both. (See Paragraph No. 24 for definitions).

If you are a member of either of the classes you have a right to know about the proposed Settlement of the Action, and about your rights, obligations, and options, before the Court decides whether to approve the Settlement. This Notice package explains the Action, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

23. Why is the Action called a class action?

In a class action, one or more people or entities, called plaintiffs, sue on behalf of all the other people and entities that have similar claims. All of them are referred to as the class or, individually, as class members. In a class action like this case, one court resolves in a single action the issues common to all class members.

24. Who is included in the classes?

The Court has preliminarily certified this Action to proceed as a class action on behalf of the following two classes:

- a. The Proxy Class consisting of all stockholders of CHR who were entitled to vote on the proposals presented in CHR's proxy statement, dated June 21, 2004, as amended or supplemented by the additional proxy solicitation materials filed on July 7, July 8, and July 20, 2004. The class representatives of the Proxy Class are Macomb and Mary Campbell;
- b. The Purchaser Class consisting of all persons who purchased or otherwise acquired CHR securities issued or offered pursuant to or by means of CHR's registration statements and/or prospectuses effective between August 16, 2001 and August 16, 2004, inclusive. The class representatives of the Purchaser Class are the Barack Trust, Raymond Roberts, Victor Libov, and Edwin Wong.

The Purchaser Class and the Proxy Class are collectively referred to as the Class. Excluded from the Class are the persons and entities set out in Paragraph No. 25, below.

25. Who is not included in the Proxy Class and Purchaser Class?

The Settling Defendants, any officer or director of a Settling Defendant, at all relevant times, a member of any Individual Settling Defendant's immediate family, any entity in which any Settling Defendant has a controlling interest, or the legal affiliate, representative, heir, controlling person, successor or predecessor in interest or assign of any such person is not included in either Class.

In addition, any otherwise eligible Purchaser Class Member may elect not to participate in the Action or Settlement by submitting a valid and timely written Exclusion Request in accordance with the procedures set forth in Paragraph No. 33, below, and thereby remove themselves from these proceedings.

The members of the Proxy Class do not have the option or legal right to exclude themselves from the Proxy Class because the benefits will automatically be conferred on all Proxy Class Members by virtue of the terms of the settlement of the Proxy Claims.

26. I'm still not sure if I am included.

If you are still not sure whether you are included in the Purchaser Class and/or the Proxy Class, you can ask for help free of charge. You can call (877) 318-6652 toll-free or contact Lead Litigation Counsel at the addresses listed above in Section E of Summary of Notice and Related Matters, or visit www.CompleteClaimSolutions.com for more information.

27. Why is there a Settlement?

THE COURT HAS NOT FINALLY DETERMINED THE MERITS OF NAMED PLAINTIFFS' CLAIMS OR THE DEFENSES THERETO. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE A FINDING OF VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE ACTION WERE NOT SETTLED.

Both sides have agreed to a settlement. In determining to enter into settlement discussions, Co-Lead Counsel took into consideration the substantial expense and length of time necessary to prosecute the Action through trial, post-trial motions and likely appeals, and the significant risks and uncertainties in a complex Action such as this. In addition, Co-Lead Counsel took into account the substantial benefits achieved by the Settlement and the other items noted in Sections C and F, above.

Among other things, to succeed at trial on their claims, Plaintiffs and the Class would have to prove that the Proxy and CHR's registration statements and/or prospectuses contained false and misleading statements, and that such statements were material. Settling Defendants have denied all such allegations and have pointed to several pages of warnings and disclosures set forth in the challenged Proxy and in CHR's registration statements and prospectuses. Plaintiffs would also have to prove that they suffered damages, and Defendants would have the opportunity to prove that any such damages were not caused by the allegedly false and misleading statements. Settling Defendants have denied that Plaintiffs suffered any damages and have asserted that the per share price, or value, of CHR's common stock was not artificially inflated.

At the same time that settlement negotiations were being conducted, CHR and its Advisor entered into agreements-in-principle relating to the New Agreements. Those Settling Defendants who were directors of CHR during the negotiations and execution of the agreements-in-principle relating to the New Agreements have acknowledged that the Action was among the material factors taken into account by the parties in connection with the terms of those agreements-in-principle, which terms, as described in Paragraph Nos. 28.b. & 28.c. below, conferred significant benefits on the Class, CHR, and its stockholders.

The Parties engaged in extensive arms-length settlement negotiations before agreeing to the proposed Settlement. Based upon their consideration of all of these factors and after several weeks of intense negotiations, counsel for the Parties reached a settlement-in-principle on February 6, 2006 to resolve all of the Settled Claims. Thereafter, Plaintiffs' Counsel conducted six weeks of intensive due diligence discovery to confirm certain representations made by the Settling Defendants and the fairness of the proposed Settlement. That discovery further confirmed Plaintiffs' and Co-Lead Counsel's conclusion that the Settlement is fair, reasonable, adequate, and in the best interests of the members of the Class. On April 3, 2006 the Parties executed the Stipulation of Settlement setting forth the terms and conditions of the Settlement.

28. What are the Settlement's benefits?

The Settlement's benefits consist of the following:

a. Purchaser Class Cash Settlement Fund.

CHR will pay, or cause to be paid, a total of \$35,000,000 for the benefit of the Purchaser Class according to the following timetable: (i) \$3,700,000 no later than January 15, 2007 ("2006 Cash Consideration"); (ii) \$15,650,000 no later than January 15, 2008 ("2007 Cash Consideration"); and, (iii) \$15,650,000 no later than January 15, 2009 ("2008 Cash Consideration"). The 2006 Cash Consideration, the 2007 Cash Consideration, and the 2008 Cash Consideration will be evidenced by non-interest bearing, unsecured Notes from CHR as Maker, and payable to the order of Chimicles & Tikellis LLP, as Lead Litigation Counsel, for the benefit of the Purchaser Class, as Payee.

b. New Agreements.

CHR and the Advisor have executed the New Agreements (defined above to include the Amended Merger Agreement and Advisor Fee Reduction Agreements), which agreements contain terms more favorable to CHR and its shareholders than the Original Merger Agreement (discussed in Paragraph No. 4, above) and the prior advisory fee structure. Those Settling Defendants who were directors of CHR during the negotiations and execution of the New Agreements have acknowledged that this Action was among the material factors taken into account in connection with the terms of the New Agreements.

The Original Merger Agreement contemplated, among other things, the acquisition of the Advisor for total merger consideration of approximately \$297 million, comprised of approximately \$29.7 million in cash and approximately \$267.3 million of CHR's common shares (or approximately 26.73 million common shares based on a deemed per share price of \$10.00 prior to giving effect to the one-for-two reverse stock split that became effective on August 2, 2004), and the assumption of a certain promissory note with a then-outstanding principal balance of approximately \$10.98 million. In addition, the Original Merger Agreement provided that under certain circumstances CHR would not be required to pay to the Advisor certain fees that would otherwise have been payable to the Advisor pursuant to the then-applicable Advisory Agreement prior to the anticipated closing of the Merger (other than asset management fees, development fees or reimbursable expenses) (the "Deferred Fees").

The Amended Merger Agreement contemplates, among other things, the acquisition of the Advisor for total merger consideration of approximately \$72 million of CHR's common shares (or approximately 3.6 million common shares based on a deemed per share price of \$20 after giving effect to the one-for-two reverse stock split that became effective on August 2, 2004), and the assumption of a certain promissory note with an outstanding principal balance of approximately \$7.875 million. The Advisor Fee Reduction Agreements provide, among other things, that: (1) CHR will pay \$37 million to the Advisor in full satisfaction of the Deferred Fees, which the Advisor had claimed, prior to the effectiveness of the Advisor Fee Reduction Agreements, to be approximately \$82.7 million; (2) the Advisor waived the right to payment of certain fees from January 1, 2006 through June 30, 2006 (which Plaintiffs estimate will save CHR approximately \$36.6 million); and, (3) the Advisor agreed to a reduction in the rate of Acquisition Fees from 4.5% to 3.0%, retroactive to April 1, 2005, saving CHR additional millions of dollars.

It is Plaintiffs' position that the net amount that CHR will pay in merger consideration and certain advisory fees as a result of the New Agreements will be approximately \$200,000,000 less than CHR would have paid under the terms of the Original Merger Agreement and the prior advisory fee structure had the Original Merger Agreement become effective on a timely basis.

c. Implementation of Corporate Governance Policies. CHR's Board of Directors, or a committee thereof, have adopted and will implement the following corporate governance policies if the Settlement is approved:

(i) **Consideration of Liquidation:** Any proposal submitted by CHR to its shareholders to approve an amendment to extend the December 31, 2007 date specified in the Charter by which CHR must commence an orderly Liquidation shall first be reviewed and approved by a committee consisting solely of at least three (3) of CHR's independent directors, which committee shall retain an advisor of its choosing to assist it in the evaluation of such a proposal. Co-Lead Counsel will inspect on a confidential basis a copy of any final evaluation by the advisor and Co-Lead Counsel's reasonable comments to such evaluation will be taken into consideration by such

committee in its sole discretion. Co-Lead Counsel shall not retain any copy of such evaluation. This mechanism shall remain in place until June 1, 2008, unless CHR is in violation of its Charter relating to commencement of an orderly Liquidation in which event, it shall remain in place until the earlier of Listing or the commencement of the orderly Liquidation.

(ii) **Related-Party Transaction Committee:** All transactions with management and others that are reportable by CHR under Item 404 of Regulation S-K (“Related-Party Transaction”) shall be considered by a committee of CHR’s Board of Directors consisting solely of directors who do not have a financial interest in the transaction being considered. The committee shall be authorized to retain such advisor and counsel of its choice as it deems appropriate. Such committee and its advisors/counsel shall review and, in its discretion, provide comments on the contents and wording of any disclosure to shareholders and in any SEC filing with respect to any Related-Party Transaction. This mechanism shall remain in place until the earlier of June 1, 2008 or Listing.

d. New Proxy. In connection with CHR’s seeking shareholder approval of the Amended Merger Agreement and related Charter Amendments, Co-Lead Counsel will be given a reasonable opportunity to review and comment on the New Proxy and all related materials to be issued by CHR for the purposes of compliance with all applicable securities and corporate fiduciary laws, rules, and regulations. Any reasonable comments by Co-Lead Counsel on the New Proxy will be taken under consideration by CHR in its sole discretion. Subject to being given reasonable opportunity for conducting such review and providing such input, Co-Lead Counsel and Plaintiffs agree that they will fully support shareholder approval of the merger of the Advisor into CHR and the related Charter Amendments as being fair and reasonable, and in the best interests of CHR and its shareholders.

29. How much will my payment be?

If you are a member only of the Proxy Class, you are not entitled to a payment from the Cash Settlement Fund, which has been established solely for the benefit of the Purchaser Class.

If you are a member of the Purchaser Class, your share of the Net Settlement Fund will be determined in accordance with the Plan of Allocation which is summarized at the end of this Notice.

30. How can I receive a payment?

If you are a member only of the Proxy Class, you are not entitled to a payment from the Cash Settlement Fund.

If you are a member of the Purchaser Class, you should review the summary of the Plan of Allocation contained at the end of this Notice. Two forms are attached to this Notice: (1) an **Investment Data Form** (“IDF”), which, depending on the way you acquired or disposed of your CHR stock, may contain a summary of your investment information. You must review the IDF carefully. The information on the Investment Data Form was prepared from data provided by CHR. You must submit changes and any supporting documentation requested, to be postmarked no later than November 3, 2006; and (2) a **Proof of Claim** (“POC”) that must be submitted by **certain** Purchaser Class Members (refer to line 11 of IDF if any shares were acquired by Transfer or purchase from a Third Party or if shares were Transferred or sold to a Third Party) in order to be eligible to share in the Net Settlement Consideration with respect to the shares acquired, sold or transferred from or to a Third Party. You must complete the Proof of Claim and submit it, including supporting documentation, to be postmarked no later than November 3, 2006.

If you purchased your shares from CHR during the Purchaser Class Period and held those shares as of August 16, 2004, you do NOT need to submit a Proof of Claim form.

Review the Investment Data Form and the Proof of Claim and read and follow the instructions on both forms carefully.

If you have any questions, need assistance, or wish to obtain a copy of the Plan of Allocation, call (877) 318-6652 toll-free or send an e-mail to CNLHotelsSettlement@Chimicles.com, and someone will assist you.

31. When will I receive my payment as a member of the Purchaser Class?

If you are a member only of the Proxy Class, you are not entitled to a payment from the Cash Settlement Fund.

Assuming the Court approves the Settlement at a hearing to be held on July 26, 2006, the Settlement provides that the Cash Settlement Fund shall be funded by CHR in three annual installments beginning January 2007 (or the Effective Date of this Settlement, whichever is later) and ending in January 2009. Due to the costs associated with making multiple distributions to the Purchaser Class, Co-Lead Counsel may determine to make either one or more distributions of the Net Settlement Fund. Therefore, if Co-Lead Counsel determines that it is appropriate to make multiple payments to the Purchaser Class, you should not expect to receive a payment before February 2008. If Co-Lead Counsel determines that it is more cost effective and appropriate to make a single payment to members of the Purchaser Class you should not expect a payment before February 2009.

32. What am I giving up to receive a payment?

As a Class Member, in consideration of the benefits of the Settlement, you will be releasing all of your claims against the Settling Defendants and other Released Persons, and the Action will be dismissed in its entirety.

If the Settlement is approved, you, on behalf of yourself, your heirs, executors, administrators, successors, assigns, and any persons you represent, will release all "Settled Claims," including all "Unknown Claims," against all "Released Persons" (as defined below). If the Settlement is approved by the Court, all claims which have or could have been asserted in the Action will be dismissed on the merits and with prejudice as to all Plaintiffs, Class Representatives and members of the Class, who shall be forever barred from prosecuting an action raising the Settled Claims against the Released Persons.

"Settled Claims" shall include any statutory, regulatory, equitable, legal, common-law or other claims, causes of action, suits, liabilities, obligations, expenses, costs, penalties, damages, demands, and/or any other remedies of any nature whatsoever, under federal, state, local or any other law (including Unknown Claims and including, without limitation, claims within the exclusive jurisdiction of the federal courts), whether legal or equitable, known or unknown, whether or not matured, accrued, or ripe, that are based upon or related to, or arise out of, in whole or in part, (a) the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act that were alleged or could have been alleged in the Action, or (b) any count or allegation contained in any complaint in the Action by any Named Plaintiff or the Class against each and all of the Released Persons, through the date when Judgment is entered dismissing the Action with prejudice.

"Unknown Claims" means any Settled Claim that any Named Plaintiff or the Class does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Persons which, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons, or might have affected his, her, or its decision not to object to this Settlement.

"Released Persons" shall include the Settling Defendants, any previously named defendants, any of their affiliates, including, without limitation, limited liability companies, partnerships and corporations (including those that are minority-owned) (collectively, "Affiliates"), their predecessors and successors, and any person or entity that could have been named by the Plaintiffs as defendants in the Action as participants in the allegedly actionable or wrongful conduct described therein, and their respective past and present officers, directors, managers, partners, employees, agents, consultants, advisors, attorneys, accountants, experts, or representatives.

33. Can I remove myself from the Action and exclude myself from the Class?

If you are a member of the Proxy Class, which is certified as a Rule 23(b)(2) class, you do NOT have the right to exclude yourself from or opt-out of the Proxy Class.

If you are a member of the Purchaser Class, you have the right to exclude yourself or opt-out of the Purchaser Class. If you do not want a payment from this Settlement, but you do want to keep the right to sue or continue to sue any of the Settling Defendants or to assert any Settled Claims against any of the Released Persons on your own, then you must take steps to get out of the Purchaser Class. Each member of the Purchaser Class shall be bound by all determinations and judgments in this Action, whether favorable or unfavorable, unless he files a written request for exclusion from the Purchaser Class ("Opt-Outs"). This is called excluding yourself or "opting-out" of the Purchaser Class. Defendants may withdraw from and terminate the Settlement if more than a certain amount of Opt-Outs are made.

If you are a member of the Purchaser Class and wish to be excluded from the Purchaser Class and the Action, you must mail, by first-class mail, postmarked no later than July 12, 2006, a written request for exclusion from the Purchaser Class, ("Exclusion Request") that includes the following information:

- a. a statement that you "request exclusion from the Purchaser Class in *In re CNL Hotels & Resorts, Inc. Securities Litigation*, Case No. 6:04-cv-1231-Orl-31KRS";
- b. your signature and those of any joint purchasers;
- c. the date(s), price(s), and number(s) of shares of all your purchases and sales of CHR common stock made between August 16, 2001 and August 16, 2004, inclusive; and
- d. the name, address and telephone number of the person seeking exclusion from the Purchaser Class.

If your Exclusion Request does not include that information, you will not be excluded and you will be deemed to continue to be a member of the Purchaser Class.

Your Exclusion Request must be postmarked *no later than July 12, 2006* and mailed to:

In re CNL Hotels & Resorts, Inc. Securities Litigation
c/o Complete Claim Solutions, Inc., Claims Administrator
EXCLUSIONS
P.O. Box 24706
West Palm Beach, FL 33416
(877) 318-6652

34. Do I have a lawyer in this case?

Yes. Chimicles & Tikellis LLP was appointed as Lead Litigation Counsel and together with Labaton Sucharow & Rudoff LLP and Wolf Haldenstein Adler Freeman & Herz LLP are Co-Lead Counsel for the Plaintiffs and the Class:

Nicholas E. Chimicles, Esq.
CHIMICLES & TIKELLIS LLP
361 West Lancaster Avenue
Haverford, PA 19041
Phone: (610) 642-8500
Email: CNLHotelsSettlement@Chimicles.com
Website: www.chimicles.com
Lead Litigation Counsel

Lawrence A. Sucharow, Esq.
LABATON SUCHAROW & RUDOFF LLP
100 Park Avenue
New York, NY 10017
Phone: (212) 907-0700
Website: www.labaton.com
Co-Lead Counsel

Lawrence P. Kolker, Esq.
WOLF HALDENSTEIN ADLER FREEMAN & HERZ LLP
270 Madison Avenue
New York, NY 10016
Phone: (212) 545-4600
Website: www.whafh.com
Co-Lead Counsel

You will not be charged directly by these lawyers for such representation. They will ask the Court to award them reasonable attorneys' fees and expenses, as described in Paragraph No. 35 to be paid by CHR either directly or through the Purchaser Class Cash Settlement Fund.

If you want to be represented by your own lawyer, you may hire one at your own expense. You are not required to retain your own lawyer, but if you choose to do so, your lawyer must file with the Court an appearance on your behalf on or before *July 12, 2006*, and must serve copies of such appearance on the attorneys listed in this Paragraph No. 34.

35. How and in what amount will Co-Lead Counsel and Plaintiffs' Counsel be paid?

Plaintiffs' Counsel will seek the payment of fees and the reimbursement of expenses from the Cash Settlement Fund. Plaintiffs' Counsel shall file a Fee Petition with the Court (and will post a copy at www.chimicles.com) fourteen (14) days prior to the Final Approval Hearing. The Settlement contemplates that Plaintiffs' Counsel shall be paid separately fees and expenses for their prosecution of the Proxy Claims and Fiduciary Duty Claims and the Purchaser claims.

Litigation Expenses:

Plaintiffs' Counsel have incurred a total of approximately \$1,250,000 in expenses in connection with the prosecution and settlement of this Action. Those expenses were incurred by Plaintiffs' Counsel on a totally contingent basis. In the Fee Petition, Plaintiffs' Counsel will reasonably allocate the litigation expenses between the Proxy Claims and Fiduciary Duty Claims, and the Purchaser claims based upon whether the expenses were incurred principally in prosecuting one or both sets of claims. This allocation is necessary because there will be different fee expense awards for the settlements achieved with respect to the Proxy Claims and Fiduciary Duty Claims, and the Purchaser claims.

Fee Applications:

With respect to prosecuting the Proxy Claims and Fiduciary Duty Claims and obtaining for the Class the Settlement benefits described in Paragraph Nos. 28 b., c., and d., above, Plaintiffs' Counsel will seek from the Court an award of attorneys' fees and expenses allocable to the Proxy Claims and Fiduciary Duty Claims in an amount not to exceed \$5,500,000, to be paid by CHR after the Effective Date of the Settlement.

With respect to prosecuting the Purchaser claims and obtaining for the benefit of the Purchaser Class the Cash Settlement Fund described in Paragraph No. 28 a., above, Plaintiffs' Counsel will seek from the Court an award of reasonable attorneys' fees equal to 25% of the Cash Settlement Fund (\$8,750,000 of the Cash Settlement Fund), plus an

award of expenses allocable to the Purchaser claims. The awarded fees shall be paid from the Settlement Fund Account, as each installment of the Cash Settlement Fund is received and deposited in the Settlement Fund Account. The expenses awarded by the Court with respect to the Purchaser claims shall be reimbursed to Plaintiffs' Counsel from the 2006 Cash Consideration, to be paid by CHR in January 2007 or after the Effective Date of this Settlement, whichever is later.

OBJECTING TO THE SETTLEMENT

At the Final Settlement Hearing, the Court will determine whether to finally approve the Settlement and dismiss with prejudice the Action and the claims of the Class. The Court will also determine whether the Plan of Allocation for the distribution of the Net Settlement Fund is fair, reasonable, adequate and is in the best interests of the Purchaser Class. The Court may also consider Plaintiffs' Counsel's application for an award of attorneys' fees and reimbursement of expenses. The Final Settlement Hearing may be adjourned from time to time by the Court without further written notice to the Class.

As a member of the Purchaser Class or Proxy Class, you can formally object to the Settlement, some part of it, the Plan of Allocation, or Plaintiffs' Counsel's request for attorneys' fees and reimbursement of expenses.

36. How do I notify the Court that I object to the Settlement, the Request for Attorneys' Fees and Expenses, and/or the Plan of Allocation?

If you are a Proxy Class Member or a Purchaser Class Member (and have not sought to exclude yourself) and you wish to object to any part of the Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation, you can object. If you decide to object to the Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation, you can present the reasons why you believe the Court should not approve any of them. But in order for your objection to be considered, you must comply with the following procedures.

To object, **you must**, on or before ***July 12, 2006*** file with the Clerk of the Court a Notice of Intention to Appear, a statement or letter saying what you are objecting to and the reasons for your objection, and any supporting documentation. Be sure to include:

- (i) the case name and number: "*In re CNL Hotels & Resorts, Inc. Securities Litigation*, Case No. 6:04-cv-1231-Orl-31KRS (M.D. Fla.)";
- (ii) your name, address, telephone number, and signature;
- (iii) information concerning your purchase(s), sale(s) and transactions in CHR stock from August 16, 2001 through August 16, 2004, inclusive (to evidence proof of membership in the Class);
- (iv) the reason(s) you object to the Settlement, the Request for Attorneys' Fees and Expenses and/or the Plan of Allocation; and
- (v) all legal support you wish to bring to the Court's attention or evidence you have to support your objection.

You must also, on or before ***July 12, 2006*** serve, either in person or by mail, copies of such notice, statement, and documentation, together with copies of any other papers or briefs you filed with the Court, upon the Court and counsel for the Parties as follows:

To the Court:

Honorable Gregory A. Presnell
United States District Court, Middle District of Florida
George C. Young U.S. Courthouse and Federal Bldg.
80 N. Hughey Avenue, Courtroom No. 3
Orlando, FL 32801

To Lead Litigation Counsel:

Nicholas E. Chimicles, Esq.
CHIMICLES & TIKELLIS LLP
One Haverford Centre
361 West Lancaster Avenue
Haverford, PA 19041
Phone: (610) 642-8500
www.chimicles.com

To Defendants' Counsel:

Kenneth A. Lapatine, Esq.
GREENBERG TRAURIG, LLP
The MetLife Building
200 Park Avenue
New York, NY 10166
Phone: (212) 801-9200
www.gtlaw.com

Scott B. Schreiber, Esq.
ARNOLD & PORTER, LLP
555 Twelfth Street, NW
Washington, DC 20004
Phone: (202) 942-5000
www.aporter.com

Waiver of Objections. Any person who fails to comply with the requirements for objecting to the Settlement shall be deemed to have waived all such objections and shall be foreclosed from raising any objection to the proposed Settlement. Any Class Member may attend the Final Settlement Hearing, but only those Class Members who comply with the provisions hereof will be permitted to raise any objections to the proposed Settlement.

37. What is the difference between objecting and requesting exclusion?

Objecting is telling the Court that you don't like something about the Settlement, Plan of Allocation, or Request for Attorneys' Fees and Expenses. You can object only if you are a Class Member. If you took steps to exclude yourself from the Purchaser Class, that tells the Court that you don't want to be a member of the Purchaser Class, and therefore you cannot object because the Action and the Settlement no longer affect you.

THE FINAL SETTLEMENT HEARING

The Court will hold a hearing, called a Final Settlement Hearing, to consider whether to approve the Settlement. At or after the Final Settlement Hearing, the Court will also consider whether to approve the Plan of Allocation and Plaintiffs' Counsel's Request for Attorneys' Fees and Expenses. You may attend the Final Settlement Hearing and you may ask to speak by notifying the Court of your intention to appear as described below in Paragraph No. 40.

38. When and where will the Court consider whether to approve the Settlement, the Plan of Allocation, and the Request for Attorneys' Fees and Expenses?

The Court will hold a Fairness Hearing on *July 26, 2006, at 1:00 p.m.*, before the Honorable Gregory A. Presnell at the United States District Court for the Middle District of Florida, Courtroom No. 3, George C. Young U.S. Courthouse and Federal Bldg., 80 N. Hughey Avenue, Orlando, FL 32801. At the hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. At or after the Final Settlement Hearing, the Court will also consider whether to approve the Plan of Allocation and the Request for Attorneys' Fees and Expenses.

If there are objections, the Court will also consider them. The Court has discretion to listen to people who have asked to speak at the hearing. We do not know how long the Final Settlement Hearing will last or how long it will take for the Court to decide whether to approve the Settlement, the Plan of Allocation or the Request for Attorneys' Fees and Expenses.

39. Do I have to come to the hearing?

No. Co-Lead Counsel will answer the questions the Court may have on behalf of Plaintiffs and the Class. However, you are welcome to attend the hearing at your own expense. If you send in a written objection, you do not have to come to Court to have the Court consider it. As long as you serve and mail your written objection on time and in accordance with the procedures described in Paragraph No. 36, above, the Court will consider it. You may also pay your own lawyer to attend the Final Settlement Hearing, but you don't need to hire your own lawyer.

If you do hire your own lawyer, he or she should file a Notice of Appearance in the manner described in Paragraph No. 40, below.

The Court may choose to reschedule the hearing without sending a further notice to Class Members. If you plan to come to the hearing, you should contact one of the Counsel listed above to make sure the hearing has not been rescheduled.

40. May I speak at the hearing?

At the Final Settlement Hearing, any member of the Class (who has not made a timely Exclusion Request) may appear in person or by counsel and be heard, to the extent allowed by the Court, in support of or in opposition to the fairness, reasonableness and adequacy of the Settlement, the Plan of Allocation, and/or Plaintiffs' Counsel's request for an award of Attorneys' Fees and Expenses.

You may speak at the Final Settlement Hearing if you are a Class Member and you filed a timely objection in the manner described in the answer to Paragraph No. 36, above.

If you intend to have an attorney speak on your behalf at the Final Settlement Hearing, your attorney must file a "Notice of Appearance" with the Clerk of the Court at the address noted in Paragraph No. 36, and serve a copy of that notice on Lead Litigation Counsel and Defendants' Counsel at the addresses set forth in Paragraph No. 36. Your attorney's Notice of Appearance must be filed with the Court and postmarked or delivered by other means to Lead Litigation Counsel and Defendants' Counsel *no later than July 12, 2006*. If you or your attorney intend to present evidence at the Final Settlement Hearing, your written objections (prepared and submitted in accordance with Paragraph No. 36) must identify any witness you or your attorney may seek to call to testify and any exhibits you or your attorney may seek to introduce into evidence at the hearing.

GETTING MORE INFORMATION

41. Are there more details about the Settlement?

Yes. This Notice summarizes the proposed Settlement. More details (including the definitions of various terms used in this Notice) are contained in the pleadings and other papers in this Action, including the formal Stipulation of Settlement, which has been filed with the Court. In addition, Plaintiffs' submissions in support of the Settlement, the Plan of Allocation, and Plaintiffs' Counsel's Fee and Expense Application will be filed with the Court on July 12, 2006. If you want a copy of the Stipulation of Settlement, Plaintiffs' submissions in support of the Settlement, Plan of Allocation, or Plaintiffs' Counsel's Fee and Expense Application, or if you have any questions about the Settlement, Plan of Allocation, or Plaintiffs' Counsel's Fee and Expense Application, you may:

- Call (877) 318-6652, toll-free;
- Write to one of Co-Lead Counsel at one of the addresses provided above in Section E of the Summary of Notice and Related Matters;
- Write to: *In re CNL Hotels & Resorts, Inc. Securities Litigation*
c/o Complete Claim Solutions, Inc.
P.O. Box 24706
West Palm Beach, Florida 33416
- Send an e-mail to CNLHotelsSettlement@Chimicles.com; or
- Visit websites: www.chimicles.com or www.CompleteClaimSolutions.com.

PLEASE DO NOT CALL THE COURT OR CLERK OF COURT.

SUMMARY OF PLAN OF ALLOCATION OF THE NET SETTLEMENT FUND TO THE PURCHASER CLASS

The \$35,000,000 Purchaser Class Cash Settlement Fund and the interest earned thereon is the Cash Settlement Fund. The Cash Settlement Fund less the fees and expenses awarded by the Court with respect to the prosecution and settlement of the Purchaser claims (see Paragraph No. 35, above) and less all costs of claims administration, taxes, and other approved expenses (the "Net Settlement Consideration") shall be distributed to members of the Purchaser Class in accordance with the Plan of Allocation.

The summary below is intended to provide a general overview of the terms of the Plan of Allocation. The summary is not intended to replace the Plan of Allocation. All shareholders and Purchaser Class Members are encouraged to read the Plan of Allocation in its entirety. To obtain a copy of the Plan of Allocation in its entirety, you may download a copy from the websites or contact Co-Lead Counsel or the Claims Administrator (see Paragraph No. 41, above).

Attached to this Notice are two forms: (1) an **Investment Data Form** ("IDF") and (2) a **Proof of Claim** ("POC"). The **IDF** may contain a summary of your investment information depending on the way you acquired or disposed of your CHR stock. You must review the IDF carefully. If the IDF is correct, do nothing. If the IDF is incorrect, you must submit corrections and any supporting documentation requested to be postmarked no later than November 3, 2006. The **Proof of Claim** must be submitted by certain Purchaser Class Members (see chart below), in order to be eligible to share in the Net Settlement Consideration. You must complete the Proof of Claim and submit it, including supporting documentation, to be postmarked no later than November 3, 2006.

Eligible transactions in CHR stock may have occurred as follows:

- **Subscription Purchase:** Acquired shares of CHR stock from CHR directly and that purchase is confirmed by the records of CHR as having an admission date between August 16, 2001 and August 16, 2004 ("Purchaser Class Period").
- **Reinvestment Plan Purchase:** Acquired shares of CHR stock from CHR through CHR's Reinvestment Plan and such shares were allocated to the purchaser's account in the Purchaser Class Period.
- **Third Party Transaction:** Shares of CHR stock purchased from a person *other than* CHR and that transaction is confirmed by the records of CHR as having an admission date in the Purchaser Class Period. Shares of CHR stock sold during the Purchaser Class Period only if the records of CHR confirm that such shares were also acquired during the Purchaser Class Period.
- **Transfer by Operation of Law:** Acquired shares of CHR stock through a transfer of the shares for zero consideration (for example, a gift, bequest, marriage, divorce, and a change in account title such as an individual account changed to a retirement account) and such transfer occurred in the Purchaser Class Period.

The shares transferred must have been acquired by the transferor during the Purchaser Class Period.

The Claims Administrator will determine, in accordance with the Plan of Allocation, which shares are eligible to receive a portion of the Net Settlement Consideration (“Eligible Purchaser Class Shares”).

For purposes of administering the Plan of Allocation, the Eligible Purchaser Class Shares will be divided into two groups: (a) eligible shares acquired as a Subscription Purchase or a Reinvestment Plan Purchase that continued to be held as of August 16, 2004, the Direct Purchase and Hold Group (“DPH Group”); and (b) eligible shares that were: (i) acquired by a Subscription Purchase or Reinvestment Plan Purchase, but were not held by the original purchaser as of August 16, 2004; (ii) acquired through a Transfer by Operation of Law; or (iii) purchased or sold in a Third Party Transaction, the Transaction Group. Claims Administration costs will be allocated to each group. A separate Net Settlement Consideration amount will be calculated for each group and distributed based upon the number of Eligible Purchaser Class Shares in each group.

Are My Shares Eligible To Participate In Any Distribution?

Note: The purchase, sale or redemption date is the date reflected on CHR’s books as the admission date or termination date, which may or may not be the same date you executed your purchase, sale or redemption documents.

1. CHR shares purchased before August 16, 2001 or after August 16, 2004 are not part of the Purchaser Class and are not eligible to participate in any distribution. Contractual assignments for purchases after August 16, 2004 will not be accepted.

2. Only CHR shares purchased between August 16, 2001 and August 16, 2004, the Purchaser Class Period, are part of the Purchaser Class and are eligible to participate in a distribution, but as to these shares:

- a. If you made a Transfer by Operation of Law of your CHR shares before August 16, 2004, your transferee (not you) will be entitled to receive the distribution with respect to the shares transferred;
- b. If you redeemed the CHR shares through CHR’s Redemption Plan before August 16, 2004, you will not receive any distribution with respect to the shares redeemed.

If My Shares Are Eligible Purchaser Class Shares, What Must I Do To Participate In Any Distribution?

A. If you purchased your CHR shares from CHR during the Purchaser Class Period³ and:

Then:

1. Held those same shares on August 16, 2004...	All such shares are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return.
2a. Sold all of those shares in a Third Party Transaction before August 16, 2004...	You may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation. Fill out and return a Proof of Claim.
2b. Sold some of those shares in a Third Party Transaction before August 16, 2004, and held the balance of the shares on that date...	Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return. Shares sold may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation. Fill out and return a Proof of Claim.
3a. Redeemed (<i>i.e.</i> sold back to CHR) all of my shares <u>before</u> August 16, 2004...	Shares redeemed prior to August 16, 2004 are not eligible. You will receive no distribution for the shares redeemed.
3b. Redeemed some of my shares before August 16, 2004, and held the	Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return.

³ Such purchases would either be a Subscription Purchase or a Reinvestment Plan Purchase. If you made a Reinvestment Plan Purchase, then the admission date for that purchase is the last day of each calendar quarter. If your original Subscription Purchase was made before August 16, 2001, only Reinvestment Plan Purchases between August 16, 2001 and August 16, 2004 are included in the Purchaser Class.

balance of the shares on that date...	Shares redeemed prior to August 16, 2004 are not eligible. You will receive no distribution for the shares redeemed.
4a. Made a Transfer by Operation of Law of all of my shares <u>before</u> August 16, 2004...	Shares transferred prior to August 16, 2004 are not eligible. You will receive no distribution for the shares transferred.
4b. Made a Transfer by Operation of Law of some of those shares before August 16, 2004, and held the balance on that date...	Shares held are eligible. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make corrections and return. Shares transferred prior to August 16, 2004 are not eligible. You will receive no distribution for the shares transferred.
5. <u>After</u> August 16, 2004, sold to a third party, redeemed or made a Transfer by Operation of Law of my shares...	This does not affect your eligibility with respect to these shares. Check the Investment Data Form for accuracy. If correct, do nothing. If incorrect, make changes and return.

B. If I received shares during the Class Period via a Transfer by Operation of Law, then: You must complete the Proof of Claim. Your shares may be eligible for an allocation provided the shares transferred to you were acquired by the transferor during the Purchaser Class Period.

C. If I purchased CHR shares in a Third Party Transaction during the Class Period, then: You must complete the Proof of Claim. Your shares may be eligible for a partial allocation and are subject to a Weighting Formula which is set forth in the Plan of Allocation.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you hold shares of CHR stock that were purchased during the Class Period as nominee for a beneficial owner, then within ten (10) days after you receive this Notice, you must either: (1) mail copies of this Notice and the accompanying Investment Data Form and Proof of Claim by first-class mail to each such beneficial owner; or (2) send a list of the names and addresses of such beneficial owners to the Claims Administrator at the following address:

In re CNL Hotels & Resorts, Inc. Securities Litigation Nominees
c/o Complete Claim Solutions, Inc.
P.O. Box 24706
West Palm Beach, Florida 33416
(877) 318-6652

***PLEASE DIRECT YOUR QUESTIONS TO THE CLAIMS ADMINISTRATOR OR TO CO-LEAD COUNSEL.
DO NOT CONTACT THE COURT OR DEFENDANTS' COUNSEL WITH QUESTIONS.***

DATED: April 21, 2006

BY ORDER OF THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA