



January 28, 2008

Dear Montesoro Members:

Happy New Year! I hope this finds you well and enjoying the beautiful desert weather and our newly opened Fazio Signature Course (as a player or a pedestrian).

I'd like to properly introduce myself. I am Sasha Itzikman (the only slightly older sister, not wife, of our Developer, David Itzikman) and I was hired by GH Capital, LLC in August as the Senior Vice President of Marketing. I left my former agency, which I operated in NY, LA and SF, for more than 10 years, to manage all marketing, promotion, publicity, communications and advertising matters relating to GH and specifically, to Montesoro.

Now that you know who I am, I'll tell you why I am writing to you. In the absence of an official Homeowner's Newsletter (not to be confused with some of the unofficial communications you may receive from other residents or Borrego neighbors) we want to promote more open lines of communication and provide you with regular, accountable, updates on all matters Montesoro. So here goes...

#### THE ENTRANCE

Let's start at the beginning, with our entrance! As evidenced by construction, we have been working on completing the entrance to Montesoro, including new front entry signage and our guard house. We are very pleased to announce, now that our NEW logo has officially been adopted, our front entrance, including new gates and the demolition of our existing guard house, should be completed and operational by April. Many of you have inquired as to why there appear to be two guard houses. The answer is, the large unit is our guard house, and the other smaller unit is actually a garage for security vehicles. This clever design will help maintain an attractive front entry appearance by housing vehicles that would otherwise "clutter" this area.

#### OUR LOGO

As many of you may have noticed, this image has been featured in our re-designed newsletter, on menus, and in other communications circulated throughout Montesoro. We spent many months developing this logo, and we hope you will agree that this icon represents that which lies at the very heart of Montesoro: community, family, nature, growth, energy and balance. In this new image you may see a likeness to people or flora. Whatever you take from the design, we hope that you will be proud of this unique brand—you'll be seeing much more of it!

## SALES

In sales news, for those of you that may not know, we hosted a sales launch for home sites and new homes in June at an event I produced at the La Costa Spa and Resort. Our President of Sales, Mike Friedman led the team to a record breaking 52 lot sales totaling more than \$32 Million in sales. The event was reported in various online and print publications and has blazed the trail to what we anticipate will be steady sales, despite the challenging marketplace. As a result of these sales, we are currently in construction on ten new homes, and have secured additional reservations for new sales since our launch.

It's no secret that the housing market is troubled, and many have speculated as to how this has impacted sales and financing at Montesororo. While the financing market disruption and overall downturn did cause some cancellations, we are pleased to report that we have secured a new relationship with Bank of America and many of the sales are moving forward.

## MODEL HOMES

In other construction news, Sienna Homes is putting the finishing touches on our three new Carrizo models and we expect to complete construction on our three Hacienda models before the spring of 2008. Furnishings for the Carrizo models were delivered just before the holidays and we invite you to take a look at these gorgeous homes by calling the clubhouse and scheduling a tour with one of our Resort Sales Specialists, Christina Enriquez or David Merrill.

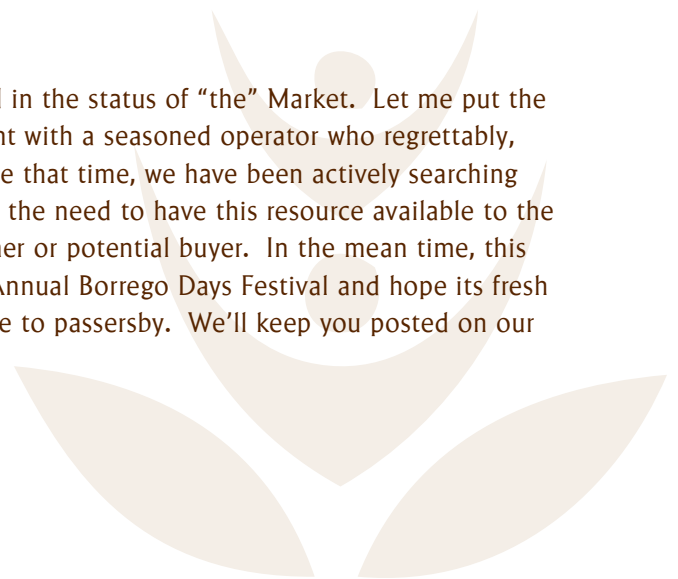
## GOLF

Surely everyone has, at the very least, glimpsed our stunning new Tom Fazio Signature Golf Course. As reported in greater detail in December's newsletter, the course opening was celebrated as scheduled, on November 10, thanks to the tremendous efforts of Steve Gregory and David Hunter. Moving forward, you will continue to see our landscaping enhanced, both by design and as nature does its job and the desert flora grows in and matures. As part of our ongoing development, amenities will be added to our course (such as another restroom along the back nine) and our programming will be enhanced as our Callaway Training Center comes to life under the guidance of our own Callaway Master Staffer, David Hunter.

We are also very proud to announce that Montesororo has been nominated by Golf Digest (a Conde Nast Publication) for consideration as one of America's Top New Golf Courses in 2008. The rankings and awards by this publication are expected to be released in November of 2008. For now, it is truly an honor to be considered for this award and it is certainly something to boast about.

## THE MARKET

Montesororo and Borrego residents alike are keenly interested in the status of "the" Market. Let me put the speculation to rest... Last year we had reached an agreement with a seasoned operator who regrettably, had to withdraw from the project for personal reasons. Since that time, we have been actively searching for a reputable and skilled operator. Because we appreciate the need to have this resource available to the community, we will open our search to a joint venture partner or potential buyer. In the mean time, this fall, we cleaned and painted the market to prepare for the Annual Borrego Days Festival and hope its fresh appearance has made the temporary vacancy more agreeable to passersby. We'll keep you posted on our plans and progress with this venture.



## LA CASA DEL ZORRO

In other big news, I am very happy to confirm that a corporation controlled by Gregory Perlman recently purchased La Casa del Zorro and officially took over hotel operations on Thursday, December 27, 2007. The purchase of this landmark property was influenced by a number of factors, including our commitment to investing in the community and the cross promotion value to Montesoros. Though the resort has been beautifully maintained by the former owners (the Copley's), plans for the resort include improvements and renovations, which over time will help make La Casa del Zorro one of the country's leading destination resort spas, and Borrego Springs a coveted desert retreat!

Though the entity that owns the hotel is completely separate from Montesoros, we are treating it as part of the GH family, and thereby offering Montesoros Members 20% discount off of rack rates (on rooms), food and beverage (not including alcohol) and merchandise sold at La Casa del Zorro, through June 15, 2008. This special discount is good for Montesoros Members and their friends and families, and some restrictions may apply. We hope you'll take advantage of this fantastic offer! When calling to make reservations, or when paying for your meal or merchandise, simply reference code MONRES.

In addition, while the Montesoros Spa & Fitness Pavilion is still in development, Montesoros Members only may also enjoy use of the Fitness Center at La Casa del Zorro for a special rate of \$600 per year for an individual membership and \$800 per year for a family membership. Dues will be billed quarterly and certain restrictions apply. Please note that while you may tour the Fitness Center and make use of this facility as a guest for one day as a trial offer, no day passes will be sold. For additional information on this opportunity, please call Cora Dunlap-Holmes at 760.767.2820.

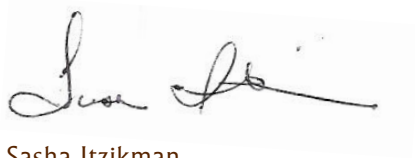
## MONTESORO BUSINESS

Finally, we are very pleased to announce that GH Capital has entered into a new partnership agreement with Lubert-Adler Real Estate Funds. As part of this agreement, Montesoros will receive \$30 million in new financing to facilitate the development of the property into a premier luxury resort community. Lubert-Adler is a real estate private equity firm that has invested in over \$15 billion in real estate assets since its inception in 1997. They are the majority owner of the Ginn Resorts, the largest residential resort developer in the country, and have numerous residential and hospitality holdings throughout the country.

This infusion of funds will expedite our progress and help sustain Montesoros through fluctuations in the real-estate market.

That covers it for now! We'll be sure to keep you in the know with quarterly updates and our monthly newsletter.

Cheers to Living Well at Montesoros...



Sasha Itzikman  
Senior Vice President of Marketing

