

From: Gary Moselle [mailto:gary@costbook.com]
Sent: Saturday, October 16, 2010 1:11 PM
To: advisoryboard@desertmt.com
Subject: October 15 Message: Desert Mountain Business Model Project

To the Advisory Board.

Thanks for your message of 10/15 – a candid and realistic look at the situation we face.

If the Cordillera club at Vail CO is not currently on your list of “comps”, it should be: 600 members and four courses. The link below is to a 9/30/10 report developed by the Cordillera Transition Corporation. Cordillera is facing an unplanned transition to member ownership after the developer raised the issue of default.

[CCAC Report to the CPOA Board](#)

The 9/30 Cordillera report was prepared with counsel from Randy Addison and includes statistics and examples you may find instructive. Please note especially the conclusions on page 50:

“Sales prices for golf courses have fallen as low as 10% of the original developer’s dollar. The course’s value is judged solely on its ability to turn a profit. The land and infrastructure are inconsequential—it is cash flow. Courses are being acquired for \$1-1.5 million for something that cost \$15 million to build. Some have sold for even less (Club West Golf Course in Phoenix was purchased for \$500,000).”

“Given the current economic realities, the concept of “equity” membership is a myth. Members’ equity is in most cases worth more than the club. Lenders will have to take significant “haircuts” and equity members may be wiped out. Equity memberships may be unsustainable.”

Both your message of 10/15 and the Cordillera report of 9/30 highlight the issue of club value.

I feel an independent appraisal of Club value has to be part of the DM Business Model for transition:

1. The Board should retain an appraisal company to place a value on the Desert Mountain Club and parcel 19.
2. The results of that appraisal should be communicated to members as soon as completed.

If our Club will be upside down on our mortgage by many millions on the day after turnover, members need disclosure of that fact right away. I’m confident legal counsel would advise against reserving any deficiency as a surprise to be sprung after turnover is complete.

Gary Moselle, #903
9809 East Miramonte Drive
Scottsdale, AZ 85262
760-402-7828