



SOMERSETT

It's Great To Be Home

July 29, 2010

Dear Golf Club Member:

I am writing on behalf of the Somerset Development Company ("DevCo") to provide you with information about something of importance occurring in the Somerset community and the Golf and Country Club. The equity Members of the Club have received information about a special meeting on August 11 to vote on a proposal DevCo has made to them. I wanted to tell you about the situation directly, even though you may be hearing about it as you talk or golf with neighbors and friends.

As you know, the real estate industry nationally, and locally, has been severely impacted by the recession and especially the residential real estate depression. We at Somerset Development Company are no exception. I'm sure you have recognized that no new development has been occurring and in fact, DevCo has been working diligently and urgently with all its lenders to continue to maintain the status quo. In the case of Town Square (the commercial center) we have not been able to resolve issues with a new bank that has purchased the Town Center loan from the FDIC, and that situation is now reaching a point where we will have no control of some of the outcomes.

Given the depression affecting the real estate development market and what they were observing here in Somerset, the Executive Committee of the Advisory Board of Governors of the Golf and Country Club asked DevCo earlier this year about our financial status and expressed their concern for the Club and the Membership. We were candid with them on the state of the market, our company status, and the amounts of dollars the investors have invested and will lose.

We then presented a proposal to the Advisory Board of Governors for what is essentially an early execution of the original exchange agreement to transfer the assets to the Members. This would allow the Members to separate Somerset Country Club assets from DevCo and help the Club on the path to sustainability. The Advisory Board of Governors unanimously endorsed the offer and believes that this path can prevent the Club assets from being tied up in a financial quandary that we see as potentially imminent. There will be a special meeting of the Membership on August 11 in which the Members will be asked to approve the early exchange agreement.

In order to make an offer to the Members that would help ensure its sustainability, we negotiated aggressively with one of our lenders, who currently holds a



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\$15,500,000 First Deed of Trust on the golf course, in order to create an arrangement in which we can deliver the course "free and clear" to the Members, with no debt to the course or Members as part of this early exchange.

In closing, the manager and investors of DevCo have been funding millions of capital and are working diligently to prevent any far-reaching community effects. There is one lender, however, that could cause things to fall out of our control. I have personally spent 19 years of my life working to create this wonderful community and am using all our resources and time to have the community and golf course survive this historic down turn in the market. We have great pride in the Club, the course and the value they bring to Somerset. That is why we are willing to make the financial investment in the Club's future and provide the Members the ability to chart their own future.

I wanted to personally give you this background and update you on what is occurring. Thank you for your continued commitment to the Somerset Golf and Country Club and to our Somerset community.

Sincerely,



G. Blake Smith
Managing Partner

Somerset Development Company