



July 1, 1994

Mr. Gary W. Moselle  
6058 Corte Del Cedro  
Carlsbad, CA 92009

Dear Mr. Moselle:

We are pleased to announce a new membership plan that is the most exciting and extraordinary of all those yet offered over the years at Desert Mountain. This new plan, known as the "Deferred Equity Membership Plan," is being offered to prospective purchasers of property from Desert Mountain Properties, commencing July 1, 1994. In addition, the majority of our current members are being given the opportunity to convert to this plan themselves. Alternatively, our existing members who own property at Desert Mountain can simply choose to continue to enjoy the membership privileges they now have, according to the terms of their original membership agreements, and, now or at a later date, reserve a membership for the resale buyer of their respective lot or home to purchase when they buy at Desert Mountain.

There are many outstanding features of this new program, all of which are described in detail in the enclosed Deferred Equity Membership Plan. Key features of this program include future ownership and control of the Club by the equity members (which is not assured under the Club's previous membership programs); reimbursement to full golf members of 80% of the then-current Membership Contribution (instead of 75% under our most recent program), made at the time the membership is reissued to the next resale buyer; the Legacy Membership feature, which provides the unique opportunity for a full golf member who purchases a second developer lot with a full golf membership to allow children and grandchildren of the member the right to use the membership on a rotating basis during, and after, the member's lifetime; and two categories of membership available to qualifying property owners at Desert Mountain: Deferred Equity Golf (full golf privileges) and Deferred Equity Club (limited golf privileges). The turnover of the ownership and control of the Club to the equity members is anticipated to occur within 60 days after December 31, 2010, or possibly earlier, as discussed at page 12 of the enclosed Membership Plan.

Concurrently with our introduction of this Deferred Equity Membership Plan, we are repricing our existing lot inventory to reflect the increased value which the availability of this membership will give to lots at Desert Mountain. The new pricing will apply to all contracts entered into after July 1, 1994. Purchasers with contracts dated prior to this date (and who paid the former lot price) will receive the previous form of non-equity Regular Membership, but will have the

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**Desert Mountain Properties**

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same opportunity to convert to, or reserve, a Deferred Equity Golf Membership as other purchasers under the most recent Regular Membership program.

The Membership Contribution under this new program for the Deferred Equity Golf Membership, presently included in the price of all lots and homes purchased directly from Desert Mountain Properties, will initially be held at \$75,000 through December 15, 1994, but is thereafter subject to change over time. The Membership Contribution for the Deferred Equity Club Membership, likewise subject to change, will initially be \$25,000 (presently a \$50,000 reduction in the list price of lots and homes sold by Desert Mountain Properties).

Perhaps most importantly, in connection with the issuance of this new form of membership, we are announcing to our existing and prospective members our commitment to construct a fourth Jack Nicklaus-designed golf course at Desert Mountain. The course will be located along the eastern boundary of the community, generally adjacent to Cave Creek Road. Devegetation work has commenced, and we estimate completion to occur in late 1995 or early 1996. The fourth course will be available for play by all of our existing and future members, subject to the terms of their respective membership agreements regarding use privileges. The course will be included among the Club's other golf courses and related facilities which, upon the turnover of the Club under the Deferred Equity Membership Plan, will all be owned by the equity members.

Our membership records reflect that you are a Regular Member who received your membership in connection with your purchase of your lot or home from a member under the Charter membership program, and that you currently own the lot or home to which your membership is tied. You may convert to a Deferred Equity Golf Membership by relinquishing your existing membership and paying the full Membership Contribution in the amount that is in effect at the time of conversion, and may do so at any time prior to the turnover of the Club to the equity members. Alternatively, you may keep your present membership and reserve a Deferred Equity Golf Membership for the resale buyer of your lot or home by paying, at any time prior to the earlier of the turnover of the Club to the equity members or your resale of your property, a Reservation Fee equal to 20% of the then-current Membership Contribution. Your resale buyer would be entitled to acquire the reserved Deferred Equity Golf Membership by paying, at closing, and upon your relinquishment of your membership, the then-current Membership Contribution.

In making your decision relative to your current non-equity membership, you should know that some of our current policies, procedures and practices will be coming to an end, or otherwise are being modified. Your contractual rights under your Membership Agreement, however, will continue to be observed. For example, we have, in the past, occasionally sold memberships in the Club separately from home or lot sales transactions (e.g., to existing property owners at Desert Mountain who may have previously purchased resale lots or homes without

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memberships). Through December 15, 1994, we will sell Deferred Equity Golf and Club Memberships to existing Desert Mountain property owners who are not now members; thereafter, (subject to our reserved rights as set forth in the new Membership Plan) our policy will be to sell new memberships only in connection with lots and homes purchased directly from Desert Mountain Properties.

Another current practice, which is documented in some of the more recent Membership Agreements (and is terminable upon prior notice), is to permit some of our Regular Members, after surrendering their memberships to the Club for reissuance to new members, to continue to enjoy Club use privileges (and pay dues) until otherwise notified by the Club. This letter serves to notify all such Regular Members that this "qualified continuing use" program will likewise terminate on December 15, 1994. A third temporary policy which we are bringing to an end was communicated to our members in March of 1992. At that time, we extended a limited time opportunity to those homesite owners who have the right to cause a resale purchaser of their property to receive a Regular Membership and who exercise this right in connection with a sale of their homesite at a verified price of \$200,000 or greater, to cause their resale purchaser to receive either a Regular Membership under the 1992 Membership Program or those Regular Membership privileges available to such resale buyer under their own original Membership Agreement. This option to select the 1992 Regular Membership will terminate with respect to any resale transactions closing after September 30, 1994; after such time, the form of Regular Memberships originally contemplated will be issued.

Finally, on December 15, 1994, we will be discontinuing our policy of allowing "upgrading" from one form of non-equity membership to another. This new policy will apply broadly, but specifically includes our recent Club Members who may wish to upgrade their memberships to Regular Memberships (typically, by paying an additional \$50,000 fee), as well as to our older Sonoran Members who wish to upgrade their memberships to National Golf Memberships. In the event of any such upgrading from one former membership type to another, the same opportunity to convert to the corresponding category of Deferred Equity Membership will be afforded to the "upgraded" non-equity members as is now being offered to existing non-equity members in such "higher" category of membership.

We have made every effort to research your specific membership rights and privileges in order to describe them accurately above and to identify your applicable opportunities to convert to, or reserve, a Deferred Equity Membership under this new plan. If, after reading this letter and the enclosed Deferred Equity Membership Plan, you feel our records may be in error or you have any questions regarding your existing membership or your available opportunities under this new program, please feel free to contact Ms. Karyn Newstead over the next few weeks who will be available to address your inquiries. Ms. Newstead can be reached by telephone at (602) 951-

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4817, typically between 8:00 a.m. and 12:00 noon, Arizona time, and she will also arrange to meet with you at our downtown Scottsdale office or at Desert Mountain if you find an appointment more convenient.

Sincerely,

A handwritten signature in black ink, appearing to read "R. R. Neyrey". The signature is written in a cursive style with a large initial "R" and "N".

R. R. Neyrey  
President