



March 31, 2004

Dear Desert Mountain Member:

We are writing to let you know that we have adopted amended and restated versions of the Club Bylaws and of the Deferred Equity Membership Plan, effective as of March 31, 2004. The adoption of these documents, copies of which are enclosed, completes an important process begun in 1999 and pursued to a successful conclusion, thanks to the active support of many Members.

As those of you who have been Members for some time will recall, Desert Mountain Properties (DMP) committed in May of 1999, in a letter to the membership, to add a sixth golf course at the Club and to make certain other changes in the Club structure, conditional upon being able to obtain the entitlements needed to develop another golf course. The envisioned course, known today as Outlaw, is now open, an accomplishment of which we can all be proud.

In October of 2002, we also agreed, again in a letter to the membership, to make certain additional changes in the Club and in the documents governing the Club. We have since been working with the initial Advisory Board, and more recently with the successor Advisory Board elected last year, to complete the implementation of these commitments and to address certain other issues of interest to the current Advisory Board. The enclosed documents are a further result of this extensive and cooperative effort.

In preparing the enclosed documents, we had several goals in mind, including particularly the following:

- To fulfill commitments made by DMP in its May 26, 1999 and October 30, 2002 member letters.
- To carry forward DMP's obligations, supplemented as necessary to document more formally the commitments made in the May, 1999 and October, 2002 member letters.
- To clarify and, where possible, to simplify the Club's governing documents, focusing on the Club's need to have a sound governance structure post-turnover, while at the same time preserving the rights of existing members.

We believe that these important objectives have been achieved.

The enclosed documents cover many subjects, but we would like to highlight a few of the core provisions. Under the revised documents:

- The Club, with six courses, will have not more than 396 permanent full golf memberships per course, down from the 475 per course permitted before we began to seek the approvals needed for Outlaw.
- Until the turnover, DMP has agreed to limit dues increases to not more than 5% per annum, with the limited exceptions described in the enclosed Club Bylaws.
- DMP has agreed to continue to be reasonable in increasing any other existing fees and charges, and in establishing any new ones, prior to turnover.
- DMP has substantially limited its right to allow non-member use of Club facilities.
- DMP has placed a cap on the amount of the mortgage permitted at turnover. The cap is \$95,000,000 (which equates to \$40,000 per authorized permanent full golf membership). The formula to be used in determining the actual mortgage amount has not changed, so the actual mortgage amount may still be less than the maximum potential mortgage amount.
- DMP has agreed to bear certain deferred capital costs relating to the Outlaw water system and the cost of certain special benefits offered as sales incentives to new Members.
- DMP continues to be obligated to turn the Club over to its Deferred Equity Members, subject to the terms of the enclosed Deferred Equity Membership Plan.
- As requested by the initial Advisory Board, DMP has granted the membership options to purchase Parcel 19, the Desert Mountain Sales Office and certain other non-Club assets, on terms described in the enclosed Club Bylaws.

With these significant changes now formally made, we are convinced that our unique Club has an even sounder and brighter future.

We would also like to describe the process we used to prepare the enclosed documents. First of all, under the Club's existing documents, DMP has a right to adopt amendments, subject to various limitations set forth in the current documents. The kinds of changes made in the enclosures – largely increasing DMP's obligations and limiting DMP's prerogatives as we look to the future - are ones that DMP has a right to make unilaterally.

Acting within this framework, we prepared drafts of the enclosed documents, in consultation with attorneys who have formed hundreds of private clubs and guided many of them through the transition from developer to member ownership. We then circulated our drafts first to the members of the initial Advisory Board, for their review for compliance with the agreement we reached with the initial Advisory Board at the end of 2002.

We then provided copies of the drafts to the members of the current Advisory Board, for their review. The current Advisory Board was not asked to approve the amendment process or any the specific modifications made in the amended and restated Club documents, because the Club's existing governing documents do not give the Advisory Board authority to take any such action on behalf of the membership or any members. But we thought it was nonetheless important to give the current Advisory Board an opportunity to comment on the draft documents, to the extent they thought it appropriate to do so. Through this process, we did receive some very helpful and constructive suggestions, which we have addressed, as we understand it, to the satisfaction of those making the suggestions. We do want to emphasize, however, that while your elected representatives have been helpful, they have not approved any of the revisions on your behalf.

To help us ensure that we made only clearly appropriate changes, we also prepared annotated versions of the existing Club documents. The annotations explain what was done with each provision in the existing Club documents as we drafted the amended and restated documents. In addition, we prepared annotated versions of the amended and restated documents, indicating the source of each provision in the amended and restated Club documents. If you would like to review these more technical and lengthy documents, please let us know and we will make them available to you.

I look forward to hearing from you, if you have any questions or comments concerning the enclosures.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Underwood". The signature is written in a cursive, flowing style with a large initial "J".

Jon Underwood  
President