

DEFERRED EQUITY MEMBERSHIP PLAN
FOR
THE DESERT MOUNTAIN CLUB

(as revised effective March 31, ~~2004~~2006)

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS I. INTRODUCTION	1
II. DEFERRED EQUITY MEMBERSHIPS.....	5
A. AUTHORIZED NUMBER.....	5
B. ELIGIBILITY	5
C. MEMBERSHIP PRIVILEGES.....	6
D. DUES, FEES AND ASSESSMENTS	7
E. TRANSFER OF DEFERRED EQUITY MEMBERSHIPS	8
III. MEMBERSHIP CONTRIBUTIONS	10
IV. MEMBERSHIP APPLICATION	11
V. TRANSFER OF CLUB FACILITIES	12
A. IN GENERAL.....	12
B. CONSIDERATION FOR TRANSFER OF CLUB FACILITIES.....	13
C. THE MORTGAGE	13
D. OPERATION OF THE CLUB PRIOR TO TURNOVER	14
E. TIMING OF TURNOVER	15
F. HINDRANCE OF TURNOVER	15
<u>VI. TRANSFER OF PARCEL 19 AND ASSOCIATED WATER RIGHTS</u>	<u>16</u>
<u>A. IN GENERAL.....</u>	<u>16</u>
<u>B. DESCRIPTION OF PARCEL 19</u>	<u>16</u>
<u>C. DESCRIPTION OF ASSOCIATED NON-POTABLE WATER RIGHTS.....</u>	<u>17</u>
<u>D. PURCHASE PRICE OF PARCEL 19 AND ASSOCIATED WATER RIGHTS.....</u>	<u>17</u>
<u>E. PURCHASE PRICE TO BE RAISED BY ASSESSMENT OF DEFERRED EQUITY MEMBERS</u>	<u>18</u>
<u>F. MANAGEMENT OF PARCEL 19 UNTIL THE TURNOVER.....</u>	<u>18</u>

TABLE OF CONTENTS

(continued)

	<u>Page</u>
<u>G. AMENDMENT TO TERMS OF THIS SECTION VI.....</u>	<u>19</u>
XVII.CONTROL OF CLUB OPERATIONS	19
XVIII.MEMBER-ELECTED ADVISORY BOARD	19
XIX.MODIFICATION OF MEMBERSHIP PLAN	20
XX. ASSIGNMENTS BY DMP	20
XI. APPLICATION OF CLUB BYLAWS.....	20
XII.TERMINATION OF MEMBERSHIP PLAN	20
EXHIBIT "A".....	1

- .. Bar and lounge
- .. Golf shop
- .. Men's and women's locker rooms
- .. Terraces

The Chiricahua Clubhouse, which includes:

- .. Dining facilities
- .. Bar and lounge
- .. Golf shop
- .. Men's and women's locker rooms
- .. Terraces

The Outlaw Clubhouse, which includes:

- .. Dining facilities and bar
- .. Golf shop
- .. Men's and women's locker rooms

The Club Bylaws provide that, in order to match the changing needs and desires of the Club's membership, the Board may decide from time to time to modify or eliminate existing Club Facilities and services, including times, days or seasons of operation, provided, however, that none of the Club Facilities existing as of the ~~Effective Date~~ March 31, 2004 will be eliminated before the Turnover. In addition to the Club Facilities existing as of the ~~Effective Date~~ March 31, 2004, other amenities may be added in the future.

OBLIGATION OF DMP
TO TRANSFER CLUB
FACILITIES TO
DEFERRED EQUITY
MEMBERS

DMP is obligated under Section V of this Membership Plan to transfer ownership and control of all of the Club Facilities in the future to a new corporation or other single purpose business entity to be formed at the time of such transfer. The members in, or owners of, this entity (the "Equity Member Entity") will be the owners of Deferred Equity Memberships. This transfer is referred to below as the "Turnover," and the date on which the Turnover occurs is referred to as the "Turnover Date."

OTHER
OUTSTANDING
MEMBERSHIPS

The Club also has a diminishing number of members who hold non-transferable non-equity memberships, most of which were issued pursuant to membership agreements entered into before this Membership Plan was initially adopted. The Club is no longer authorized to issue non-equity memberships with golf privileges, with a few limited exceptions noted in the Club Bylaws.

RIGHT TO ADD NEW
MEMBERSHIP
CATEGORIES AFTER
TURNOVER

After the Turnover, the Club Board may add additional membership categories, and supplement the privileges of membership categories with limited privileges, in order to facilitate the changing needs and desires of the Club's membership. The Club Bylaws provide, however, that no new or supplemented membership category may have golf privileges equal to or greater than Golf Memberships.

B. ELIGIBILITY

ELIGIBILITY FOR
DEFERRED EQUITY
MEMBERSHIP

The Club Bylaws authorize the sale of a Deferred Equity Membership to the owner of any Desert Mountain home or home site. In addition, the Club Bylaws authorize the sale of Deferred Equity Memberships to individuals who do not own Desert Mountain homes or home sites, but DMP has agreed in the Club Bylaws that DMP will not sell its Deferred Equity Memberships to such individuals unless certain requirements have been satisfied, including a requirement that DMP has first givegiven the Club's existing Deferred Equity Members, acting together, an opportunity to purchase such Deferred Equity Memberships.

~~DMP is currently offering~~In addition to the unissued Deferred Equity Memberships owned by DMP only to the buyers of Desert Mountain homes or home sites owned by DMP and to non-equity members who own a Desert Mountain home or home site and wish to convert to Deferred Equity Membership. Various being offered by DMP, various members of the Club have also listed their Desert Mountain homes or home sites for resale, and have offered to provide Deferred Equity Memberships to their resale buyers. For more information on these resale opportunities, contact your real estate broker or the Desert Mountain sales office. Finally, there are a number of surrendered Deferred Equity Memberships on the Club's reissuance waiting list, available for reissuance to any eligible and approved applicant.

The number of authorized Deferred Equity Memberships is limited, and DMP is not required to offer any of its uncommitted Deferred Equity Memberships in the future. The purchase of a Deferred Equity Membership is thus subject to availability.

VOTING PRIVILEGES

Each Deferred Equity Member may vote on certain matters as provided in this Membership Plan and in the Club Bylaws. As to matters on which all Deferred Equity Members are entitled to vote, Golf Members generally have two votes per Golf Membership and Club Members generally have one vote per Club Membership. Except as otherwise provided in the Club Bylaws, DMP is entitled to vote with respect to all authorized but unissued Deferred Equity Memberships.

MEMBERSHIPS MAY BE HELD BY CORPORATIONS OR OTHER ENTITIES

Any corporation, partnership, limited liability company, trust or other bona fide legal entity may acquire a Deferred Equity Membership in connection with a Desert Mountain home or home site owned by such entity, but only one individual may be designated to have the rights of a member in relation to any Deferred Equity Membership held by an entity. Other than the designated individual, and the members of his or her immediate family, any other individuals using the Club Facilities in connection with an entity-owned membership will be guests, subject to the guest policies and guest fees set forth in the Rules and Regulations.

D. DUES, FEES AND ASSESSMENTS

Current dues, fees and charges for use of the Club Facilities are described on the current Schedule of Dues, Fees and Charges. In the Club Bylaws, the Club has reserved the right in the future to implement additional use-related fees in a manner then generally consistent with other comparable high quality clubs.

GOLF MEMBERS

The Club Bylaws provide that monthly dues and other charges to be paid by Golf Members are to be set annually by the Club Board prior to the commencement of each membership year, taking into account costs of operations, reasonable reserves (if any), cost of living increases, the level of dues, use fees and other charges at fine clubs throughout the world (while considering comparability of physical facilities and service levels), and such other matters as the Club Board deems relevant. Golf Members are not required to pay green fees, but they do pay cart fees, when the Golf Member, members of his or her immediate family or guests use golf carts, and guest fees for permitted guests. The Club Bylaws impose limitations on DMP's authority to increase dues and fees prior to the Turnover.

~~In connection with any Golf Membership purchased from DMP, DMP is currently offering the new member an opportunity, on terms stated in the relevant Membership Agreement, to be on reduced dues status through the year 2007 or until the Turnover, if~~

~~the Turnover should occur prior to the end of 2007. This right to be on reduced dues status is not transferable to any subsequent member designated with respect to the membership. While on reduced dues status, the Golf Member will have the privileges of, and pay the same dues, fees and other charges as, a Club Member. A Golf Member on reduced dues status may elect at any time, by written notice to the Club, to begin paying full Golf Membership dues and to have full Golf Membership privileges. Any Golf Member who elects to begin paying full Golf Membership dues shall have no right to return to reduced dues status.~~

CLUB MEMBERS

The Club Bylaws provide that monthly dues and other charges for Club Members are to be set annually by the Club Board and may not exceed 60% of the dues payable by Golf Members. Club Members are also required to pay green fees for any rounds played by them or by members of their immediate families. In addition, Club Members are required to pay cart fees, when the Club Member, members of his or her immediate family or guests use golf carts, and guest fees for permitted guests. Such green fees and cart fees are equal to those paid by accompanied guests of Golf Members.

~~NO ASSESSMENTS PRIOR TO TURNOVER~~

~~Under the Club Bylaws, the Club may not assess Deferred Equity Members prior to the Turnover, except as otherwise provided in Section VI.E of this Membership Plan or as may be required to fund any purchase of Deferred Equity Memberships by the Deferred Equity Members as a group pursuant to the provisions described in the following subsection of this Membership Plan. After the Turnover, however, the Club Board may assess Deferred Equity Members.~~

MEMBER OPTIONS TO

~~PURCHASE NON-CLUB~~

ASSETS

~~DMP and its affiliates also own/own: (i) the Desert Mountain sales office; located at the main entrance to Desert Mountain; (ii) a parcel of undeveloped, and the land located in the area of Desert Mountain, together with a non-potable water supply which might be used to develop limited additional golf facilities on this parcel; brokerage business conducted in this building; and (iii) all of the authorized but unissued Deferred Equity Memberships. The assets listed in the preceding sentence are not "Club Facilities," and thus they are not included in the assets which DMP is obligated to turn over to the Deferred Equity Members pursuant to this Membership Plan.~~

DMP has granted the Deferred Equity Members options an option, acting together, to acquire the Desert Mountain sales office and along with the undeveloped parcel and associated water

~~real estate~~ brokerage business, and DMP may grant the Deferred Equity Members options, acting together, to purchase some of the authorized but unissued Deferred Equity Memberships. Under certain circumstances, a vote by the Club's Deferred Equity Members to exercise one or more of these options would result in assessments of the Club's Deferred Equity Members, before, as of or after the Turnover. The Club Bylaws contain additional information on these options to purchase non-Club assets.

E. TRANSFER OF DEFERRED EQUITY MEMBERSHIPS

The owners of Deferred Equity Memberships may not sell their memberships, but the Club Bylaws provide for surrender of such memberships to the Club for reissuance by the Club. Transfers through the Club are permitted on terms and conditions stated in the Club Bylaws, which include the following:

TRANSFER OF DEFERRED EQUITY MEMBERSHIPS THROUGH THE CLUB

Deferred Equity Membership owners who desire to transfer their memberships must give the Club written notice that they are surrendering their memberships for reissuance. In this notice, the membership owner may do the following:

1. If the membership was acquired to be held in connection with a Desert Mountain home or home site (only one membership may be held in connection with each Desert Mountain home or home site), and the owner of such membership is transferring such home or home site, the owner may direct the Club to reissue the membership to the real estate transferee, if the transferee has applied for the surrendered Deferred Equity Membership (whereupon the transferee shall have the same right to transfer the Deferred Equity Membership through the Club to the next succeeding transferee of such Desert Mountain home or home site); or

2. Direct the Club to place such membership on a waiting list to be reissued by the Club, on terms and conditions described in the Club Bylaws (which include the following: (a) memberships on the waiting list will be reissued in the order of surrender, (b) until DMP has sold all of the Deferred Equity Memberships that DMP is entitled to sell in a category of membership (i.e., Golf Memberships or Club Memberships), every fifth membership issued in that category (other than memberships reissued pursuant to paragraph 1 above and memberships issued to the Club's existing non-equity members or the resale buyers of their Desert Mountain homes or home sites) shall be taken from the waiting list, (c) after DMP has sold all of the Deferred Equity

equivalent permits were duly issued by the City of Scottsdale at the time they were originally constructed.

DMP HAS RIGHT TO DESIGNATE INDIVIDUALS TO USE CLUB FACILITIES

Under the Club Bylaws, DMP has limited rights to designate individuals, other than members, to use the Club Facilities, both before and after the Turnover.

E. TIMING OF TURNOVER

TURNOVER OF MANAGEMENT AND CONTROL OF CLUB FACILITIES TO EQUITY MEMBER ENTITY

The turnover of management and control of the Club to the Equity Member Entity pursuant to this Section V shall occur within sixty days after December 31, 2010, or such earlier date as DMP may elect, at its sole option, provided the Club has operated without an operating deficit (i.e., positive net cash flow from the operation of the Club Facilities) for at least twelve months immediately preceding such earlier elected date.

F. HINDRANCE OF TURNOVER

If, for any reason, whether by judicial proceeding, action by one or more members, or other factors not attributable to DMP, the turnover of the Club as provided in this Section V is prohibited, delayed or otherwise hindered, then, at DMP's election, DMP may dispose of the Club Facilities and the property of the Club in any manner whatsoever (including, without limitation, conveyance to related entities or assigns or to one or more unrelated parties), subject to the continuing rights of the members, as set forth in the Club Bylaws. Upon any such conveyance, this Membership Plan shall terminate.

VI. TRANSFER OF PARCEL 19 AND ASSOCIATED WATER RIGHTS

A. IN GENERAL

DEFERRED EQUITY MEMBERS WILL PURCHASE PARCEL 19 AND ASSOCIATED WATER RIGHTS AT TURNOVER

On the Turnover Date, upon receipt by DMP of the purchase price payable therefore, DMP shall transfer title to Parcel 19 at Desert Mountain, and to the associated water supply (both as described below), to an Equity Member Entity pursuant to this Section VI.

B. DESCRIPTION OF PARCEL 19

DESCRIPTION OF PARCEL 19

Parcel 19 includes approximately 97.3 gross acres, situated in the [redacted] area. Approximately 5.3 acres of the site are used today for various purposes, including the primary

golf course irrigation pond and a temporary fire and emergency medical station. Another 18.8 acres has been committed since the early 1980's to the City of Scottsdale for a public park and related uses. In addition, approximately 9.8 acres of Parcel 19 (including .9 acres currently in use for the temporary fire and emergency medical station), have been conveyed or dedicated to the City (or subjected to easements in favor of the City) for use in connection with the IWDS (the water system which serves Outlaw and the Club's other existing courses) and for other City purposes, which may include a future potable water treatment facility. Together, these committed uses absorb about 33 acres of Parcel 19, leaving about 64.3 acres available for other potential uses.

Parcel 19 is currently zoned predominantly for commercial development. In order to use Parcel 19 for golf or residential purposes (beyond the approximately 10 residential units permitted under current zoning), Parcel 19 would need to be rezoned. The City has not committed to rezone Parcel 19, and DMP has not undertaken to seek any such rezoning. The Equity Member Entity will need to rezone Parcel 19, if it decides to use Parcel 19 for purposes other than those permitted under the zoning in place as of the end of 2005.

Parcel 19 is too small to serve as the site of a championship eighteen-hole golf course. The parcel (net of the already committed areas) is large enough, however, to serve as the site of a first class practice facility or possibly a nine-hole course or executive eighteen-hole course.

C. DESCRIPTION OF ASSOCIATED NON-POTABLE WATER RIGHTS

DESCRIPTION OF ASSOCIATED WATER RIGHTS

DMP also owns, as an uncommitted non-Club asset, .5 million gallons per day of water delivery capacity in the IWDS and an associated water allotment of up to 275 acre-feet per year, as provided in the Water Agreement described in Section B.2 of the Club Bylaws (this pipeline capacity and water allotment are referred to hereinafter collectively as the "Water Rights"). The IWDS has been designed to allow the water allotment included in the Water Rights to be delivered to and used on Parcel 19.

D. PURCHASE PRICE OF PARCEL 19 AND ASSOCIATED WATER RIGHTS

PURCHASE PRICE FOR PARCEL 19 AND ASSOCIATED WATER RIGHTS On the Turnover Date, as consideration for Parcel 19 and the associated Water Rights, the Equity Member Entity shall pay DMP a purchase price equal to the sum of (i) \$13,402,000 and (ii) the actual costs incurred by DMP in acquiring and developing the Water Rights, together with interest on the purchase price as described below.

As of the end of November 2005, DMP has incurred total costs of about \$5,153,000 in acquiring and developing the Water Rights, and DMP anticipates that approximately an additional \$3,523,000 will need to be expended in order to complete the acquisition and development (of which \$1,593,000 is projected to be expended by DMP prior to the Turnover and \$1,930,000 is expected to be payable by the Equity Member Entity after the Turnover). Thus DMP expects the total cost of acquiring and developing the Water Rights to be about \$8,676,000, but the actual total cost could be more or less than this estimate. Because some potentially variable acquisition and development costs will continue to be payable after the Turnover, the final aggregate acquisition and development cost of the Water Rights will remain somewhat uncertain at the Turnover. After the Turnover, the Equity Member Entity will be responsible for any remaining costs of acquiring and developing the Water Rights.

The purchase price shall bear interest, at 6% per annum, compounded annually, from March 31, 2006 until the purchase price is paid. For purposes of determining the amount on which interest is accruing, any costs incurred by DMP in acquiring or developing the Water Rights after March 31, 2006 shall be added to the purchase price as of the end of the month in which such costs are paid. Assuming that DMP continues (prior to the Turnover) to incur costs in acquiring and developing the Water Rights in line with the projections set forth above, the amount payable by the Equity Member Entity at Turnover is projected to be about \$26,370,000, consisting of (i) \$13,402,000 for Parcel 19, (ii) \$6,745,000 for the Water Rights, and (iii) \$6,223,000 in interest on the two purchase price components.

Prior to the Turnover Date, DMP will provide the Advisory Board with an appropriate audit of costs incurred by DMP in acquiring and developing the Water Rights, for review by the Advisory Board.

E. PURCHASE PRICE TO BE RAISED BY ASSESSMENT OF DEFERRED EQUITY MEMBERS

PURCHASE PRICE TO BE RAISED BY ASSESSMENT OF DEFERRED EQUITY MEMBERS The purchase price, with interest, shall be payable through an assessment of Deferred Equity Members when the purchased property is transferred to the Equity Member Entity (as between Club and Golf Members, the assessments will be proportionate to their respective Membership Contributions as of the assessment date). The purchase price, and interest thereon, will not be included in the turnover mortgage contemplated by Section V of this Plan.

F. MANAGEMENT OF PARCEL 19 UNTIL THE TURNOVER

MANAGEMENT OF PARCEL 19 AND ASSOCIATED WATER RIGHTS UNTIL TURNOVER Until Parcel 19 and the associated Water Rights are transferred to the Equity Member Entity, DMP will continue to have the authority to work with the City of Scottsdale on the location, design and construction of the various IWDS and City uses to which portions of Parcel 19 have been committed, which may entail relocating the acreage committed to use for a park and related City uses. DMP will continue to consult with the Advisory Board on these matters. Except as may be required to comply with existing agreements with the City, DMP shall not take any actions (other than as authorized by the preceding sentence) to alter the configuration of the acreage to be conveyed to the Equity Member Entity pursuant to this Section VI, or to alter the physical condition of or status of title to such acreage as of its conveyance to the Equity Member Entity, without the consent of the Advisory Board, which consent shall not be unduly withheld or delayed.

G. AMENDMENT TO TERMS OF THIS SECTION VI

DMP AND ADVISORY BOARD MAY AMEND THIS SECTION VI DMP and the Advisory Board shall have authority to amend this Section VI. Without limiting the scope of the prior sentence, the Advisory Board may explore alternative methods (other than the assessment provided for in Section VI.E) to fund the purchase price payable pursuant to this Section VI. In the event that an alternative funding method acceptable to the Advisory Board and DMP is identified by the Advisory Board, DMP and the Advisory Board may amend this Section VI to eliminate or modify the assessment provided for in Section VI.E.

IVVII. CONTROL OF CLUB OPERATIONS

CLUB BOARD IS RESPONSIBLE FOR MANAGEMENT OF CLUB

As provided in the Club Bylaws, the Club Board is responsible for the governance and administration of the affairs and property of the Club and has the exclusive authority to do (or to form committees to do) the following: accept members, set Membership Contributions and dues, fees and charges, establish rules, regulations, policies, procedures and membership guidelines, suspend or expel members who violate those regulations, policies, procedures and guidelines, and, in general, control the management and affairs of the Club, subject to the Club Bylaws. Prior to the Turnover, all of the members of the Club Board will be designated by DMP.

IVVIII. MEMBER-ELECTED ADVISORY BOARD

ADVISORY BOARD

As provided in the Club Bylaws, the Club has a member-elected, nine-person Advisory Board. This Advisory Board was formed to foster good relations between the members and Club management, to render advice to Club management on Club activities and policies and, as the Turnover approaches, to help plan for the Turnover.

The members of the Advisory Board serve staggered three-year terms. Until the Turnover, an Advisory Board election will be held each year. In each such election, the members will select three members (or spouses of members) to serve on the Advisory Board.

ADVISORY BOARD WILL BECOME INITIAL POST-TURNOVER CLUB BOARD

The Club Bylaws provide that, upon Turnover, the Advisory Board will terminate and its members will become the initial post-Turnover members of the Club Board, serving in such capacity during the remainder of their three-year Advisory Board terms. Each year after the Turnover, the Deferred Equity Members will elect three members (or spouses of members) to serve three-year terms on the Club Board.

IVHIX. MODIFICATION OF MEMBERSHIP PLAN

Section VI of this Membership Plan describes the process for amending such Section VI. DMP reserves the right prior to the Turnover Date to amend the terms of or make any other changes in any other Section of this Membership Plan, from time to time, so long as such amendments and changes are not materially adverse to the rights of the then existing Deferred Equity Members of the Club. Amendments or changes to provisions outside Section VI, which amendments or changes are materially adverse to the rights

of the Deferred Equity Members, must be approved by a majority of the votes eligible to be cast by the Deferred Equity Members.

~~IX~~. **ASSIGNMENTS BY DMP**

DMP may transfer ownership of the Club Facilities prior to the Turnover, provided the transferee assumes DMP's obligations under this Membership Plan and under the Club Bylaws.

~~XI~~. **APPLICATION OF CLUB BYLAWS**

As noted above, the Club Bylaws are a core document establishing rights, privileges and obligations of Deferred Equity Members. The Club Bylaws may be amended from time to time, subject to the limitations set forth in the Club Bylaws.

~~XII~~. **TERMINATION OF MEMBERSHIP PLAN**

Upon performance by DMP of its obligations under this Membership Plan to be performed prior to and/or as of the Turnover, including conveyance of the Club Facilities to an Equity Member Entity in accordance with Section V of this Membership Plan, this Membership Plan shall terminate. This Membership Plan may also terminate pursuant to Section V.F of this Membership Plan.

~~TABLE OF CONTENTS~~

Page

EXHIBIT "A"
TO
DEFERRED EQUITY MEMBERSHIP PLAN
FOR
THE DESERT MOUNTAIN CLUB
HYPOTHETICAL CALCULATION OF MORTGAGE AMOUNT
(BASED ON AVERAGE CASH FLOW OF \$1 MILLION / YEAR
FOR THREE YEARS PRIOR TO TURNOVER)

Cash Flow Multiplier Test

Average Annual Net Operational Cash Flow	\$1,000,000
Times: Cash Flow Multiplier	8
Equals: Potential Mortgage Amount (A)	\$8,000,000

Debt Service Coverage Ratio Test

Average Annual Net Operational Cash Flow	\$1,000,000
Divided By: Debt Service Coverage Ratio	1.3
Equals: Maximum Annual Debt Service	\$769,231
Interest Rate	9.0%
Mortgage Term in Years	20
Amortization	Monthly
Maximum Mortgage Amount Based on Ratio Test (B)	\$7,124,679
Mortgage Amount - Lesser of (A) or (B)	\$7,124,679

Notes:

Assumed Average Annual Net Operational Cash Flow is average of three years prior to Turnover. Actual cash flow may vary significantly.

Assumed interest rate, mortgage term and amortization period used for illustration only. Actual factors may be different.