



November 18, 2010

Dear Deferred Equity Golf Member,

In prior town hall meetings and letters dated November 8, 2010 and October 29, 2010, we advised you of the Global Transaction details recently negotiated with the owners of Desert Mountain Properties (DMP). The Global Transaction, as set forth in the Purchase and Sale Agreement, is in lieu of the Mandatory Turnover scheduled for March 1, 2011 that is described in your Deferred Equity Membership Plan (the 'Existing Plan').

VOTING PACKAGE

This voting package includes the following:

- **READ THIS FIRST** document
- **Ballot**
- **Conversion Agreement** that converts your Deferred Equity Membership to an Equity Membership
- **Comparison** of the Advisory Board negotiated Global Transaction vs. the Mandatory Scheduled Turnover
- **Summary of the Club Bylaws** for the newly formed, member-owned Desert Mountain Club, Inc.
- **Summary of the Amended Membership Plan**
- **Purchase and Sale Agreement**
- **Club Bylaws**
- **Amended Membership Plan**

In order to expedite the mailing, conserve paper and reduce costs, the Purchase and Sale Agreement (with Exhibits), the Club Bylaws and the Amended Membership Plan are included on

Desert Mountain Properties

10550 East Desert Hills Drive, Scottsdale, Arizona 85262-3438 480/595-4000, 800/323-2780, Fax 480/595-4001
www.desertmountain.com

a Compact Disc (CD) as a .pdf file. In addition, these documents will be posted on the Desert Mountain and Advisory Board web sites for your review.

IMPORTANCE OF AFFIRMATIVE VOTE

The vote we are requesting you to cast will be the most important thing you do as a Desert Mountain Member since you decided to purchase property/build a home here and become a Member of the Club.

If you toss the Ballot to the side and do not cast a vote or decide to vote NO, please understand that life at Desert Mountain will not go on as usual. In fact, if we do not achieve a majority vote to accept this transaction and are unable to collect the full amount of the member assessment, we will revert to the more onerous, less inclusive and more expensive Mandatory Turnover.

In addition, there is a likelihood that we will be forced to enter into costly and lengthy litigation with DMP if the Global Transaction is not approved, as it is clear that resolution of the very significant open issues we have outstanding will be difficult, if not impossible, to reconcile. The cost of any litigation could further increase the operating costs of the club which will be reflected in the Club's future monthly dues structure and/or additional assessments to balance the annual budget as required in the Club Bylaws.

ADDITIONAL PAYMENT OPTION

In our letter of November 8, we disclosed to you that a "Dues Prepayment Program," was being developed, the purpose for which is to raise additional capital in order to minimize the amount of financing required by this transaction.

In the midst of finalizing the Purchase and Sale Agreement and attending to the many other details necessary to complete this acquisition, the Advisory Board has been evaluating the need to enhance the Dues Prepayment Program. Consequently, we have modified it to provide Deferred Equity Members in good standing with two choices in the "Dues Prepayment Program" that may suit your particular circumstances. The options are as follows:

Option 1: Assessment of **\$16,500** and monthly dues of **\$1,190**, effective January 1, 2011, through the end of the 2011 calendar year.

Option 2: Assessment of **\$16,500** and an additional payment of **\$21,750** for a total payment of **\$38,250**. This option will be effective January 1, 2011 as well and result in a monthly dues reduction of \$200 from \$1,190 to \$990 effective through the end of the 2011 calendar year. The monthly dues reduction of \$200 will continue for a period of up to a total of ten (10) years as a credit against the amount of the then existing dues. In addition, you will enjoy a one-time Transfer Fee Credit of \$13,000 upon the transfer of your membership to a new buyer. As a result, the net Transfer Fee will be \$52,000 based upon the currently established fee of \$65,000. In the event you transfer your membership prior to the expiration of the ten (10) year term, the

Transfer Fee Credit will be applied, but the remaining dues reduction portion of this option will terminate and is not transferable to the new buyer (unless the transfer is a Legacy Transfer or a transfer to a spouse or adult child upon death of the member).

CASTING YOUR BALLOT AND ASSESSMENT PAYMENTS

Because of the extremely tight time frame in which this transaction must be completed, we request that you submit the resulting Assessment Payment together with your Ballot and signed Conversion Agreement as soon as possible. Your Assessment Payment will be held in escrow by the Escrow Agent and will be returned to you immediately if we do not receive the required number of YES votes. Assessment Payments made by credit card will not be processed until the required 51% affirmative vote from the eligible voters is achieved and certified.

You can cast your Ballot in one of the following ways:

- **Return your completed Ballot, signed Conversion Agreement and Assessment Payment of:**
 - **If you wish to pay by check, enclose a check for \$16,500 (Option 1) or \$38,250 (Option 2) in the pre-addressed, postage-paid envelope enclosed in the voting package; or**
 - **If you wish to pay by credit card, the payment will be for \$17,000 (Option 1) or \$39,400 (Option 2), for the credit card accommodation. A form is included on the Ballot for your credit card information.**
- **Insert your completed Ballot, signed Conversion Agreement and Assessment Payment in the self-addressed envelope that is included in your voting package. Seal the envelope and mail in the self-enclosed envelope or, as an alternative, drop it in the lock box located in the Fairway Office lobby, Monday – Friday between the hours of 9:00 a.m. and 4:00 p.m.**
- **You will be able to cast a Ballot, submit your signed Conversion Agreement and pay your Assessment in person subject to certification of your membership status. A polling station will be set up near the Cochise/Geronimo Sunset Terrace between the hours of 1:00 p.m. and 5:00 p.m. on the following days: November 18, 19, 23, 26 and December 2, 3, 8 or 9. In addition, one or more Advisory Board members will be present to answer any questions that you may have.**

You may also receive a phone call from a fellow member asking if your completed Ballot, signed Conversion Agreement and assessment payment is on its way back to us or if you intend to vote, if you have not already done so. These volunteer members will be prepared to answer basic questions about the Global Transaction as well as the voting process, and will ask if you need a replacement Ballot in the event you have misplaced it or your original voting package was sent to an alternate address.

VOTE NOW

Regardless of the manner in which you cast your vote, we request that you do so without delay, but in any event, **your Ballot, Conversion Agreement and Assessment Payment must be received on or before Monday, December 20.**

This is a milestone in the history of our Club. Your support and participation in this vote is crucial to the long-term vitality of Desert Mountain as well as to preserving the value of your Desert Mountain membership and property.

Best Regards,



David L. White
President
DM Member Advisory Board



Robert E. Jones II
Co-President
Desert Mountain Properties

BALLOT

(Deferred Equity Golf Member)

The undersigned Deferred Equity Golf Member in the Desert Mountain Club, whose name and membership number are set forth below, casts his/her vote as indicated regarding the matters set forth below.

TURNOVER RELATED TRANSACTIONS	
<p>Insert an "X" as appropriate</p> <p>YES </p> <p>NO </p> <p><i>I understand my vote is subject to the instructions and conditions set forth in this ballot, and that my ballot may be rejected if it is not in conformance with all such instructions and conditions.</i></p>	<p>The Deferred Equity Golf Member hereby votes to Authorize and Agree To All the Actions Below by a "YES" vote or Against the actions below by a "NO" vote.</p> <p>1. To supercede and replace in its entirety the existing Deferred Equity Membership Plan for the Desert Mountain Club, effective as of March 31, 2006 (the "<i>Existing Plan</i>"), by the Amended Membership Plan which adopts the terms of the Purchase Agreement which Amended Membership Plan will only become effective upon the occurrence of the closing of the purchase and sale of the Property under the Purchase Agreement, as hereinafter defined. The term "<i>Property</i>" shall have the meaning as defined in the Purchase Agreement.</p> <p>2. To authorize Desert Mountain Club, Inc., a Arizona non-profit corporation (the "<i>Corporation</i>"), which is the equity member entity ("<i>EME</i>") under the Existing Plan, to enter into the Agreement for Purchase and Sale (the "<i>Purchase Agreement</i>") with Desert Mountain Properties Limited Partnership, a Delaware limited partnership ("<i>DMP</i>"), and all agreements or instruments associated with the Purchase Agreement.</p> <p>3. To authorize the Board of Directors ("<i>Board</i>") of the Corporation to supercede, amend and restate the Bylaws of the Desert Mountain Club, effective as of March 31, 2006 (the "<i>Prior Bylaws</i>"), with the Desert Mountain Club Bylaws, effective December 31, 2010 (the "<i>Bylaws</i>") which Bylaws will only become effective upon the occurrence of the closing of the purchase and sale of the Property under the Purchase Agreement.</p> <p>4. To authorize the Board, or one or more individual members of the Board appointed by the Board, to negotiate the terms and conditions of the loan and other financing and/or collateral documents (the "<i>Club Loan</i>") required under the Purchase Agreement and to negotiate with DMP any modifications to the Purchase Agreement, Exhibits or closing documents, all on terms substantially consistent with the term of the Purchase Agreement; and</p> <p>5. To authorize the Corporation's President and any officer of the Corporation to execute any and all documents necessary to complete the foregoing actions, including but not limited to the acquisition of the "<i>Property</i>" as defined in the Purchase Agreement, and the closing of the Club Loan and to take any other action required to close the transaction.</p>
<u>MEMBER INFORMATION</u>	
Member Name:	_____
Member Signature:	_____
Membership Number:	_____
Date:	_____

CREDIT CARD INFORMATION

Check One: Option 1: Amount of One Time Payment: \$17,000.00

Option 2: Amount of One Time Payment: \$39,400.00

Billing Information

Billing Address (*exactly as on the credit card statement*)

First Name _____ Last Name _____

Address _____

City _____ State/Province _____

Zip/Postal _____ Country _____

Phone number where you can be reached: _____

Credit Card Type Visa Mastercard AMEX

Credit Card Number _____

Credit Card Expiration Date _____

CVV (3 digits on back of Visa/MC or 4 digits on front of Amex) _____

Signature _____



INSTRUCTIONS

BALLOT MUST BE FULLY AND PROPERLY COMPLETED TO BE COUNTED.

1. Vote in the space provided above whether you are voting "YES" or "NO" regarding the proposed transaction.
2. Fill in your name and membership number on the ballot.
3. Sign and date the ballot. The ballot must be signed by the Deferred Equity Golf Member or the spouse of such member, the Deferred Equity Golf Member's name must be printed on the ballot, the Deferred Equity Golf Member's membership number must be written on the ballot and the date on which the ballot is completed must be written on the ballot.

4. Please return your fully completed ballot, conversion agreement and check for the assessment in the enclosed self-addressed stamped envelope, or if you have downloaded a ballot from the Desert Mountain Member website, please forward your fully completed ballot to:

Mansperger Patterson & McMullin, PLC
Attn: Plan Amendment Balloting
1222 E. Baseline Rd., Suite 200
Tempe, AZ 85283

Ballots may not be transmitted by facsimile or by e-mail. You may also drop off your completed ballot at the front lobby of the Fairway Office during regular business hours. In addition, a polling station will be set up in the Sunset Terrace of the Cochise/Geronimo between 1:00 PM and 5:00 PM on the following dates: November 18th, 19th, 23rd, 26th and December 2nd, 3rd, 8th & 9th.

5. Enclose a check payable to Desert Mountain Club, Inc. for \$16,500 (Option 1) or \$38,250 (Option 2), or if paying by credit card in the amount of \$17,000 (Option 1) or \$39,400 (Option 2), and please fill out the credit card authorization section below your signature.
6. **BALLOT AND ASSESSMENT MUST BE RECEIVED BY 5:00 PM ON DECEMBER 20, 2010. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED.**
7. Only Deferred Equity Golf Members in good standing may vote. Each Deferred Equity Golf Member shall *submit* a single ballot, subject to the exception noted below for changing a vote previously cast. The single ballot shall be treated as casting all votes held by the Deferred Equity Golf Member. If a Deferred Equity Golf Member or spouse hold two or more memberships, the votes cast on the single ballot will be multiplied by those responsible for tallying the ballots by the number of such memberships held.
8. Ballots may not be completed by any agent or proxy acting on behalf of the member, but ballots may be completed and signed on behalf of a Deferred Equity Golf Member by that member's spouse. Those responsible for tallying the ballots will be provided a list of all members eligible to vote, as well as the number of votes held by each member eligible to vote (two votes for each Deferred Equity Golf Membership; one vote for each Deferred Equity Club Membership).
9. In the event that a Deferred Equity Golf Member casts a ballot in accordance with these instructions, and the Deferred Equity Golf Member then decides to change his or her vote, the Deferred Equity Golf Member (or spouse) may submit another ballot in accordance with these instructions, in which event only the ballot with the latest date of completion shall be counted, subject to the following: if the Deferred Equity Golf Member (as opposed to his or her spouse) signs a ballot submitted in accordance with these instructions, only the Deferred Equity Golf Member may sign another ballot changing the otherwise effective vote previously cast by such Deferred Equity Golf Member.
10. Ballots will be counted only if they are completed and signed in accordance with these instructions
11. If a Deferred Equity Golf Membership is reissued on or before December 20, 2010, any ballot submitted by the member who owned such membership prior to its reissuance shall not be counted. In that circumstance, only the new Deferred Equity Golf Member admitted to the Club on or before December 20, 2010, shall be eligible to cast a ballot with respect to the reissued membership. Upon the issuance or reissuance of a Deferred Equity Golf Membership on or before December 20, 2010, DMP shall provide the new member a copy of the ballot materials mailed by DMP to Deferred Equity Golf Members.



**MEMBERSHIP CONVERSION AGREEMENT
(EQUITY GOLF MEMBERSHIP)**

Member's Name _____

Spouse's Name _____

Designated Member (held in the name of a legal entity) _____

Member Number _____

Type of Membership _____

Membership Conversion / Membership Rights

Desert Mountain Club, Inc., an Arizona non-profit corporation (the "*Corporation*"), shall own and operate the Desert Mountain Club (the "*Club*") as an equity club owned by its members, pursuant to the Desert Mountain Club Bylaws effective December 31, 2010 (the "*Club Bylaws*") which supercede, amend and replace in their entirety the Club Bylaws of the Desert Mountain Club, effective March 31, 2006 (the "*Prior Club Bylaws*"). The undersigned Member acknowledges that the Deferred Equity Membership Plan for the Desert Mountain Club effective March 31, 2006 (the "*Prior Plan*") will be amended and replaced in its entirety by the Amended Membership Plan (the "*Amended Plan*") effective upon obtaining the required vote of the Deferred Equity Members which Amended Plan shall terminate on the Closing Date (as defined in the Purchase Agreement described below) or on the date the Purchase Agreement is terminated. The undersigned, by the execution of this Membership Conversion Agreement (the "*Membership Conversion Agreement*"), hereby acknowledges that their Deferred Equity Golf Membership has been converted to an Equity Golf Membership in the Club with all rights, privileges, benefits and obligations of an Equity Golf Membership set forth in the Club Bylaws. The Equity Golf Membership in the Club permits the undersigned to use the Club Facilities, as defined in and in accordance with the terms and conditions in this Membership Conversion Agreement and the Club Bylaws, as may be amended from time to time.

Resignation/Transferability/Refunds

A Membership Contribution was previously paid (or deemed paid) by the Member to obtain the Deferred Equity Golf Membership in the Club pursuant to the Prior Plan. The Member hereby acknowledges that any transfer of the Equity Golf Membership and refund of the Membership Contribution shall be subject to terms and conditions set forth in the Club Bylaws, including, but not limited to the Transfer Fee to be paid to the Club. Equity Golf Memberships may be transferred only through the Club, subject to the terms, conditions and restrictions set forth in the Club Bylaws.

Club Bylaws/Rules and Regulations

Member hereby acknowledges that Member has received, has read, and understands the Club Bylaws and this Membership Conversion Agreement, which supersede and replace in their entirety the Prior Club Bylaws, membership agreements and applications for the Club, and other related agreements, however titled and as amended or revised, and all rights thereunder, unless otherwise stated herein. Member hereby agrees that Member's use of the Club and privileges under the Equity Golf Membership are subject to the terms, conditions and restrictions set forth herein and in the Club Bylaws and rules and regulations established by the Club, as amended from time to time, and Member agrees to conform to and abide by the terms set forth therein, including the timely payment of all dues, fees, charges and assessments as provided in the Club Bylaws. Member acknowledges that the violation of any provision of the Club Bylaws or any rules and regulations promulgated by the Club or conduct otherwise considered improper or prejudicial to the best interests or reputation of the Club or the Corporation will subject the person in violation to disciplinary action by

the Corporation, including but not limited to, reprimand, fines, suspension and/or expulsion or *termination* of Equity Golf Membership. Members are responsible for their own conduct and for the conduct of their Immediate Family and guests, as provided in the Club Bylaws.

Assumption of Risk

Member hereby acknowledges that the use of the Club Facilities and any privilege or service incident to membership is undertaken with knowledge of risk of possible injury. Member hereby accepts any and all risk of injury to Member, Member's Immediate Family and guests sustained while using any apparatus, appliance, facility, privileges or service whatsoever owned, leased or operated by the Corporation, including without limitation the use of golf carts, or while involved in any contest, game, function, exercise, competition or other activity operated, organized, arranged or sponsored by the Corporation or the Club, either on or off the Club's premises, incident to membership in the Corporation. In addition, Member acknowledges certain risks associated with playing golf at the Club, including without limitation being hit by an errant golf ball or by a golf club, lightning, flash floods, and dehydration and Member assumes such risks. In accepting the risk of injury, Member understands that Member is releasing the Corporation, its directors, officers, members, employees and agents and any committee members (collectively, the "Indemnified Parties") from any and all loss, cost, claims, injury, damages or liability sustained or incurred by Member, Member's Immediate Family and guests **resulting from** or arising out of any conduct or event connected with membership in the Corporation, use of any of the Club facilities and/or from any act or omission of the Indemnified Parties.

Release and Indemnification

Member, on its own behalf, as well as on behalf of any parties acting by, through or under Member, hereby releases, discharges and waives any and all claims, causes of action or damages of any nature whatsoever, whether known or unknown, which are now existing or which might arise hereafter and which are directly or indirectly attributable to the actions of the DM Members Advisory Board and/or the Corporation and their respective directors, officers, consultants, and attorneys (collectively, the "*Club Released Parties*") in connection with the turnover transactions, the Purchase Agreement, and/or any related actions or transactions approved by the Club Released Parties (collectively, the "*Claims*"). Member hereby acknowledges and agrees to indemnify, hold harmless and protect the Club Released Parties from any Claims which might arise by, through, or under Member whenever made or presented.

Member, on its own behalf, as well as on behalf of any parties acting by, through or under Member, further acknowledges and agrees that the Corporation entered into an Agreement for Purchase and Sale (the "*Purchase Agreement*") with Desert Mountain Properties Limited Partnership, a Delaware limited partnership ("*DMP*"). All terms used herein, which are not defined herein, shall have the definition set forth in the Purchase Agreement. As consideration to DMP and to induce DMP into entering the Purchase Agreement, the Purchase Agreement includes provisions releasing DMP and its affiliates, owners, partners, members, directors, officers, employees, agents, attorneys and representatives (collectively the "*Released Parties*") from any claims or actions by the Corporation concerning the Released Matters. Member hereby ratifies, approves and agrees to be bound by the terms of the Purchase Agreement as it relates to the Released Matters, including that Member hereby individually releases the Released Parties from the Released Matters. The Corporation does not assume, and DMP remains liable for Seller's Continuing Obligations.

Acknowledgement

Member hereby acknowledges and agrees that Member acquired the Equity Golf Membership for the sole purpose of obtaining recreational use of the Club Facilities, and not as an investment or for economic gain or profit. Equity Golf Memberships at the Club are offered exclusively for the purpose of permitting Members the recreational use of the Club Facilities. Equity Golf Memberships should not be viewed as an investment and no Member should expect to derive any economic benefits or profits from Equity Golf Membership in the Club.

This Membership Conversion Agreement shall be governed and construed and enforced in accordance with the laws of the State of Arizona, without giving effect to principles of conflicts of law.

If the person completing this Membership Conversion Agreement is married, the signatures of both the Member and the Spouse are requested.

Member's Signature _____ Date _____

Spouse's Signature _____ Date _____

DESERT MOUNTAIN CLUB, INC.

By: _____
Representative of Desert Mountain Club, Inc.

Date _____



COMPARISON OF GLOBAL TRANSACTION V. MANDATORY SCHEDULED TURNOVER

Global Transaction	Mandatory Scheduled Turnover
Assets Included	Assets Included
<ul style="list-style-type: none"> • Six Golf Courses • 4 Shares RWDS Water Supply • 2 Shares IWDS Water Supply • Clubhouses & Restaurants • Pools, Fitness Center, Tennis Facility 	<ul style="list-style-type: none"> • Six Golf Courses • 4 Shares RWDS Water Supply • 2 Shares IWDS Water Supply • Clubhouses & Restaurants • Pools, Fitness Center, Tennis Facility
Additional Assets	
<ul style="list-style-type: none"> • 219 Golf Memberships • Additional 0.67 shares of IWDS water • Inventory & Supplies • Furniture and Equipment • Statuary & Artwork • Name/Trademarks/Logos • IT Systems (Computer Hardware & Software) • Sales Office/Main Gate Building • DM Real Estate Business 	<ul style="list-style-type: none"> • 261 Club Memberships • Fairway Office (50% ownership) • Parcel 1 (343 acres) • Parcel 10 (14 acres) • Parcel 19 (85 net acres) • Lot 127 adjoining P19 (~ 1 acre) • Lot 128 adjoining P19 (~ 1 acre) • Lot 369 Ranch "mega-lot" (33 acres) • Northern Properties (2,750 acres)
Turnover Date	Turnover Date
12/31/2010 (2 months additional revenue received)	3/1/2011
Purchase Price	Purchase Price
\$43.5 M (Mortgage resulting in potentially lower dues than the Mandatory Scheduled Plan) \$30 M (Member Assessments) \$73.5 M Total	\$46 M (Mortgage per DMP Calculation) \$26.4 M (Parcel 19/Member Assessments) \$4 to \$5 M (Personal Property/ W/Capital Assessment) \$77.4 M Total
Dues at Turnover 12/31/2010	Dues at Turnover 3/1/2011
\$1,190	Approximately \$1,200 or higher

Assessments	Assessments
<p>Estimated Member Assessments:</p> <ul style="list-style-type: none"> • Deferred Equity Golf Member = \$16,500 • Deferred Equity Club Member = \$5,077 <p>Credit card payments will be:</p> <ul style="list-style-type: none"> • Deferred Equity Golf Member = \$17,000 • Deferred Equity Club Member = \$5,230 	<p>Mandatory Assessment for Parcel 19:</p> <ul style="list-style-type: none"> • Deferred Equity Golf Members = \$13,185 • Deferred Equity Club Members = \$4,057 <p>Plus an additional Supplemental Assessment for working capital, supplies/inventory and misc. personal property (payable by March 1, 2011) resulting in a total assessment of:</p> <ul style="list-style-type: none"> • Deferred Equity Golf Members = \$17,185 • Deferred Equity Club Members = \$5,288
Dues	Dues
<p>Projected 2011 Monthly Dues (Golf Members)</p> <ul style="list-style-type: none"> • \$1,190 <p>Projected 2011 Monthly Dues (Club Members)</p> <ul style="list-style-type: none"> • \$714 	<p>Projected 2011 Monthly Dues (Golf Members) (After 03/01/2011)</p> <ul style="list-style-type: none"> • Approximately \$1,200 or higher* <p>Projected 2011 Monthly Dues (Club Members)</p> <ul style="list-style-type: none"> • Approximately \$720 or higher <p>Note: this is subject to "commercially reasonable mortgage" being obtained on our behalf by DMP which could lead to potentially higher dues</p>
Additional Obligations	Additional Obligations
<ol style="list-style-type: none"> 1. Rights to Reclaimed Water Distribution System (RWDS) Liability <ul style="list-style-type: none"> • Club responsibility (4.0 shares) 2. Potential Irrigation Water Distribution System (IWDS) Liability <ul style="list-style-type: none"> • Club responsibility (all 2.67 shares) <ul style="list-style-type: none"> ○ IWDS = 1.5 shares ○ IWDS (Parcel 19) = 0.5 shares ○ IWDS (Wildcat Hill) = 0.67 shares <p>(Note: share = one million gallons per day)</p> 3. Club assumes liability pursuant to the Purchase/Sale Agreement for the membership surrender list, surrender payment benefits, membership dues repayment program and unused member credits. Club receives: <ul style="list-style-type: none"> • 219 unissued golf memberships approximate value between \$100,000 and \$150,000, and • Opportunity to design a program to help clear surrender list in a reasonable amount of time. 4. Members agree to accept Club Facilities in "As Is Condition" and agree to release DMP from First Class Condition claim. 	<ol style="list-style-type: none"> 1. Rights to Reclaimed Water Distribution System (RWDS) Liability <ul style="list-style-type: none"> • Club responsibility (4.0 shares) 2. Potential Irrigation Water Distribution System (IWDS) Liability <ul style="list-style-type: none"> • Our responsibility (0.5 shares/Parcel 19) • DMP's responsibility (2.17 shares) <ul style="list-style-type: none"> ○ IWDS = 1.5 shares ○ IWDS (Wildcat Hill) = 0.67 shares <p>(Note: share = one million gallons per day)</p> 3. Developer retains all unissued memberships and property and retains veto power over: <ul style="list-style-type: none"> • Any changes to the Bylaws, and • Our ability to establish an economically justifiable membership contribution. 4. Members retain the First Class Condition claim; however, potential litigation on this and other Significant Open Issues could require additional funding and likely would result in further assessments from the membership.



DESERT MOUNTAIN SUMMARY OF BYLAWS

THE CLUB FACILITIES

The Desert Mountain Club (the "Club") is located within the Desert Mountain community, Scottsdale, Arizona. The Desert Mountain Club offers golf, tennis, swimming, health and fitness, dining and social facilities.

The facilities of the Club (the "Club Facilities") currently include the following:

- Six 18-hole Jack Nicklaus Signature golf courses, including four practice ranges: the Cochise course, the Geronimo course, the Renegade course, the Apache course, the Chiricahua course, and Outlaw course;
- The Sonoran Clubhouse, which includes: dining facilities, a bar and lounge, a fitness center with cardiovascular & weight training equipment and an aerobics room, both men's and women's locker rooms, outdoor terraces, a tennis pro shop, children's play areas, nine tennis courts (hard, clay and grass surfaces), and lap and play swimming pool and spa
- The Cochise/Geronimo Clubhouse, which includes: dining facilities, a golf shop, a bar and lounge, both men's and women's locker rooms, a steam room, and terraces;
The Apache Clubhouse, which includes: dining facilities, a bar and lounge, a golf shop, both men's and women's locker rooms, and terraces;
- The Renegade Clubhouse, which includes: dining facilities, a bar and lounge, a golf shop, both men's and women's locker rooms, and terraces;
- The Chiricahua Clubhouse, which includes: dining facilities, a bar and lounge, a golf shop, both men's and women's locker rooms, and terraces; and
- The Outlaw Clubhouse, which includes: dining facilities and bar, a golf shop, and both men's and women's locker rooms.

BYLAWS

Subject to the occurrence of the closing of the purchase and sale of the Property under the Purchase Agreement, the bylaws dated December 31, 2010 (the "Bylaws") supersede, amend and replace all prior bylaws (including the bylaws dated March 31, 2006) and membership plans of any nature (including but not limited to the membership plan dated March 31, 2006) for the Club, however titled (the "Prior Plans"), and set forth the current membership benefits and opportunities to be provided to the Members of the Club. December 31, 2010 shall be referred to as the "Effective Date" of the Bylaws. Except as otherwise provided herein, all defined terms used in this summary shall have the meanings ascribed to them in the Bylaws. The term "Purchase Agreement" shall mean the Purchase and Sale Agreement between Desert Mountain Club, Inc. and Desert Mountain Properties Limited Partnership, a Delaware limited partnership. The term "Property" shall have the meaning as defined in the Purchase Agreement.

MEMBERSHIP CATEGORIES

Equity Memberships: The following Equity Membership categories are currently offered by the Club:

- **Equity Golf Membership**
 - Access to all facilities, unlimited golf and tennis
- **Equity Club Membership**
 - Access to all facilities, with limited rounds of golf during peak season, on the Club's golf courses, upon payment of a greens fee and the option to pay higher dues for unlimited tennis.

Non-Equity Memberships: Certain existing Non-Equity Memberships that were issued prior to the Effective Date pursuant to the Prior Plans will be honored by the Club pursuant to the specific terms of their Membership Agreement with the Club. After the Effective Date, the Club will no longer issue Memberships in these specific Non-Equity Membership categories.

MEMBERSHIP BENEFIT HIGHLIGHTS

- **Refundable Membership Contribution.** Equity Members are eligible to receive a refund of their Membership Contribution, without interest, upon the earlier to occur of (i) the surrender and reissuance of the Membership through the Surrender List pursuant to the terms recited herein, or (ii) the transfer and reissuance of the Membership by other means authorized in the Bylaws, as summarized below:
 - **Refund Upon Surrender and Reissuance of Equity Golf Membership.** Upon the surrender and reissuance of an Equity Golf Membership, the Equity Member will receive, when reached on the Surrender List, one hundred percent (100%) of the Membership Contribution received by the Club from the new Equity Golf Member, less the Equity Golf Transfer Fee periodically established by the Board and any outstanding amount owed to the Club. The refund amount will be paid to the Surrendering Member within thirty (30) days of actual receipt by the Club of the Membership Contribution as paid by the new Member.
 - **Refund Upon Surrender and Reissuance of Equity Club Membership.** Upon the surrender and reissuance of an Equity Club Membership, the Equity Member will receive, when reached on the Surrender List, one hundred percent (100%) of the Membership Contribution received by the Club from the new Equity Golf Member, less the Equity Club Transfer Fee periodically established by the Board and any outstanding amount owed to the Club. The refund amount will be paid to the Surrendering Member within thirty (30) days of actual receipt by the Club of the Membership Contribution as paid by the new Member.
- **Surrendered Equity Memberships Reissued Prior to Membership Sell-Out.** As provided in the Bylaws, a Surrendering Member is not required to wait until all Equity Memberships in the Club have been issued before their Membership is reissued, subject to the applicable Surrender List.
- **Transfer Upon Sale of Property.** Equity Members who own a residence or lot in the Desert Mountain Community may arrange for the transfer of their Membership through the Club to the subsequent purchaser of their residence or lot, subject to the approval and admission of the subsequent purchaser for Membership and the payment of the then current Membership Contribution by the subsequent purchaser to the Club within thirty (30) days of closing. Such transfer will not be subject to the Surrender List or any buyer's waiting list. The Equity Member shall be paid one hundred percent (100%) of the Membership Contribution received by the Club from the new Equity Member, less the applicable Transfer Fee periodically established by the Board and any outstanding amount owed to the Club.
- **Legacy Transfer.** Equity Members may transfer their Membership during the Equity Member's lifetime, through the Club, to the Member's Spouse, an adult child or adult grandchild of the Equity Member, who is approved for Membership. Such transfer will be permitted one time without the payment of the applicable Transfer Fee. Therefore, the next legacy transfer, to the then Member Spouse, adult child or adult grandchild at the time of transfer, must pay the then current Membership Contribution and the Surrendering Member shall be paid one hundred percent (100%) of the Membership Contribution received by the Club from the new Equity Member, less the applicable Transfer Fee to be retained by the Club.
- **Inheritability.** Upon the death of an individual Equity Member, the Membership can be transferred to the Equity Member's surviving Spouse, without the payment of the Transfer Fee. In the alternative, Equity Memberships may be reissued to an adult child of a deceased Equity Member or placed on the Surrender List as provided in the Bylaws.
- **Immediate Family Privileges.** All Equity Memberships have Immediate Family Privileges.
- **Golf Course Access.** The current total number of Equity Golf Memberships that may be issued by the Club with full golfing privileges is two thousand three hundred and seventy-five (2,375), subject to the terms of the Bylaws. The total number of Equity Club Memberships that may be issued by the Club with limited golfing privileges is two hundred ninety (290), subject to the terms of the Bylaws.

SURRENDER LIST

A Surrendering Member may transfer his or her Membership only to the Club. The Club shall maintain two (2) Surrender Lists, one for Equity Golf Members and one for Equity Club Members. In the event the Member has met the necessary requirements, the Member shall be placed on the applicable Surrender List. A Surrendering Member in all events shall continue to be obligated to pay dues, fees, charges, and assessments until the Membership is reissued by the Club, except in the event of the death of the Surrendering Member, in which event, the estate of the deceased Member shall not be required to pay dues while on the Surrender List, however, the Membership shall have no usage rights or voting rights. Surrendering of a Membership is irrevocable, unless otherwise determined by the Club. The Club will reissue Memberships of Surrendering Members on a first-surrendered, first-reissued basis by category of Membership as follows:

At any time the Club does not have a full complement of Memberships within a Membership category, as determined by the Board in its sole discretion, the Club will reissue one (1) Membership of a Surrendering Member after three (3) Memberships are issued in that category. Notwithstanding anything to the contrary, the Board has established a temporary reduction in its reissuance ratio to a ratio of one (1) to one (1), being one (1) Club Membership to be sold and then one (1) Surrender List Membership to be sold, which temporary reduction is to be continued for such period as determined in the Board's sole discretion. Furthermore, the Board reserves the right to adopt other programs for the sale of Memberships on the Surrender List, in the Board's sole discretion, which have the objective to reduce the number of members on the Surrender List. During the period, the Club has a full complement of Memberships within a Membership category, as determined by the Board in its sole discretion, each Membership issued in that category will be a Membership of a Surrendered Member, if available.

ASSESSMENTS

Assessments and Capital Reserve Fund. After the Conversion Date, all Equity Members and Non-Equity Members (if allowed pursuant to their Non-Equity Membership Agreements) shall be subject to assessments as determined and levied by a majority vote of the Board. Provided however, any assessment of the Non-Equity Members shall be subject to obtaining the required affirmative vote of the class of Non-Equity Members pursuant to the Prior Plans. The Board has the authority to operate the Club on an annual balanced operating budget basis and has the power to assess the Members the amount necessary to cover any annual operating deficit. Notwithstanding anything to the contrary, an annual balanced operating budget includes, but is not limited to: (i) all operating expenses, (ii) any debt service payments or lender debt service requirements, including but not limited to the Debt Service Fund, as defined in the Bylaws, capital reserve escrow accounts, sinking funds and other requirements of the lender associated with the purchase of the Club Facilities or improvements to the Club Facilities or other debt incurred by the Club (subject to Section 5.2.2 of the Bylaws), including the refinancing of any debt of the Club, and (iii) payments to the Capital Reserve Fund. Equity Club Members shall be assessed sixty percent (60%) of the amount Equity Golf Members are assessed.

Capital Reserve Fund. The Board shall establish and maintain a separate capital reserve fund (the "Capital Reserve Fund") which shall be funded by either (i) an allocation of the Club's gross revenue, or (ii) a separate capital reserve charge to be paid by the Members. The annual amount funded to the Capital Reserve Fund shall not exceed five percent (5%) of the Club's annual gross revenue, which revenue shall include Transfer Fees, subject to the provisions below. The Capital Reserve Fund shall be utilized for expenditures for repairs and replacements to the Club Facilities or as may be required, as determined by the Board for the IWDS water infrastructure facilities and related obligations. However, to the extent the funds in the Capital Reserve Fund are not sufficient for the required capital repairs and replacements to the Club Facilities due to unforeseen circumstances or casualty loss, the Board is authorized to assess the members the necessary amount to cover the deficit for the required repairs and replacements. The Board may not borrow from the Capital Reserve Fund to cover operating shortfalls.

New Capital Improvements or Expanded Facilities. Any assessments or debt incurred by the Board for new capital improvements and expanded facilities or as may be required, or as determined by the Board, for the IWDS water infrastructure facilities and related obligations for the Club that are (i) not capital repair and replacement items and (ii) are in excess of five percent (5%) on an annual basis of the then current Club's annual gross revenues, which revenue shall include Transfer Fees, shall be a Major Decision and require the prior approval by the quorum of voting Equity Members for Major Decisions in accordance with the Bylaws.

Turnover Assessment. Pursuant to the Amended Membership Plan adopted by the required vote of the Deferred Equity Members, the Equity Members are required to pay the Turnover Assessment. To the extent the Turnover Assessment is not paid by December 20, 2010, the Turnover Assessment shall be subject to a late fee charge and shall accrue interest at a rate equal to the lesser of (i) twelve percent (12%) or (ii) the highest rates allowed by law. The delinquent Member will be subject to the provisions of Article 6 as the "Turnover Assessment" is an assessment under the terms of the Bylaws. The Board reserves the right to include the Turnover Assessment, plus an interest charge established by the Board on new Membership Contributions established by the Board after December 31, 2010.

Assessments and Debt Service Fund. The Board shall have the authority to establish and maintain a separate Debt Service Fund which shall be funded by either (i) a monthly allocation of the Club's gross revenue, or (ii) a separate debt service reserve charge to be paid by the Members monthly to cover the prorated monthly cost of both principal and interest on all third party debt obligations. The monthly amount funded to the Debt Service Fund shall not be less than the prorated monthly amount to meet the annual or the scheduled amount due to the lenders for principal and interest. The Debt Service Fund shall be utilized exclusively for the timely payment of all third party debt obligations. However, to the extent the funds in the Debt Service Fund are not sufficient for the required principal and interest payments to the third party lenders, the Board is authorized to assess the Equity Members for the necessary amount to cover the deficit. The Board may not borrow from the Debt Service Fund to cover operating shortfalls.

GOVERNANCE

The governance and general management of the Club shall be vested in a Board of Directors (herein the "Board") consisting of nine (9) elected members, which will currently include the four (4) Officers of the Club, namely, a President, Vice President, a Secretary, and a Treasurer (and such other Officers as the Board determines). The initial Board of the Club shall consist of the board members of the DM Members Advisory Board as of the Effective Date of the Bylaws and the Board members shall serve for the balance of their respective terms. Thereafter, each member of the Board shall be elected for a three (3) year term. No Member may run for more than two (2) consecutive three (3) year terms, except that those Members of the first elected Board who serve in a term of one (1) or two (2) years may run for consecutive terms not to exceed a total of six (6) consecutive years. Except as otherwise provided by a resolution adopted by the Members, the term of a newly elected Board member shall begin at the conclusion of the Annual Meeting at which his/her election is announced. Officers shall each serve one (1) year terms, with a limit of three consecutive terms in the same office. The Board shall have the authority to invite the outgoing President and any other outgoing Board members, on a case by case basis, to participate as an ex-official non-voting participant at Board meetings to assist in an orderly transition and such participation shall be at the sole discretion of the Board and for such time period as determined by the Board.

POWERS OF THE BOARD

The Board shall have full power and authority to do any and all things that it deems to be necessary and in the best interests of the Club, except the specific actions set forth in the Bylaws which require prior approval by a majority of the voting Equity Members of the required quorum of the specific matter. The Board will have the authority to delegate certain managerial and operating functions to professional management, which shall report to the Board. The Board's powers include, but are not limited to, the establishment of the Club's Rules and Regulations, establishing the amount of Membership Contributions, dues, fees, charges and assessments (subject to limitation) arranging and securing loans for the Club and pledging and encumbering the Club Facilities, hiring and firing of Club employees, review of financial accounting, establishing Club operating hours, Club services, capital improvements, maintenance and repair reserves, working capital reserves, reserves for water infrastructure or related water obligations, the Club's budgets and operating policies, obtaining directors and officers liability insurance for the Board and Club officers, approval of new Members, member grievance, suspension and expulsion and all other powers and authority granted to the Board in these Bylaws and by law. The Board shall have general supervision and control over all officers, committees and employees. The decisions of the Board shall be final in all matters. The Board may adopt such policies and rules for the conduct of their meetings and the general management of the Club as they deem proper.

NOMINATING COMMITTEE

Each year the individuals up for election to the Board shall be nominated by the Nominating Committee. The Nominating Committee shall consist of a chairperson, who shall be a member of the Board, three (3) or more other members of the Board and three (3) or more other (non-Board) Equity Members of the Club. The Nominating Committee shall be appointed by the Board not less than sixty (60) days prior to each election and shall serve a term of one (1) year or until their successors are appointed. The number of individuals nominated for election to the Board shall be in the sole discretion of the Nominating Committee, but in no event less than the number of positions to be filled. Further nominations may be made by petition of voting Members, addressed to the chairperson of the Nominating Committee, containing the signatures of seventy-five (75) or more Equity Members and requesting that a particular Member or Members therein named be nominated and included in the previous nominations. Such petitions must be received by the chairperson of the nominating committee at least thirty (30) days before the voting package is distributed and must contain the written consent and resume of each nominee named. Such nominations shall also be posted on the Club website and must be dues paying and in good standing Equity Members of the Club and in no event may the Nominating Committee nominate one (1) of its own members as candidates for election. Additionally, the Nominating Committee will be responsible for all voting procedures and protocols, including the coordination of elections. However, in any event, the votes shall be counted by an independent third party, which may be the Club's third party accounting firm.

The Nominating Committee shall prepare the list of nominees for election to the Board, not more than thirty-five (35) days prior to each Annual Meeting and shall make a written report to the voting Membership of nominations by mailing or emailing a copy to each voting Member and by posting copies thereof on the Club bulletin board or website. Accompanying the report will be a listing of current members of all Standing Committees, Board members, and Officers of the Club.

MEMBERSHIPS AT THE CLUB ARE OFFERED ONLY FOR RECREATIONAL PURPOSES

MEMBERSHIPS AT THE CLUB ARE EXCLUSIVELY FOR THE PURPOSE OF PERMITTING MEMBERS THE RECREATIONAL USE OF THE FACILITIES. MEMBERSHIPS SHOULD NOT BE VIEWED AS AN INVESTMENT AND NO MEMBER SHOULD EXPECT TO DERIVE ANY ECONOMIC PROFITS FROM MEMBERSHIP AT THE CLUB. THE BOARD MAKES NO REPRESENTATIONS CONCERNING ANY TAX ISSUES INVOLVING THE MEMBERSHIPS. THE MEMBERSHIP IN THE CLUB IS NOT INCLUDED IN ANY RESIDENTIAL LOT AND IS A SEPARATE AGREEMENT SOLELY BETWEEN THE CLUB AND THE MEMBER AS PROVIDED IN THE MEMBERSHIP DOCUMENTS.

NO FEDERAL OR STATE AUTHORITY HAS PASSED UPON OR ENDORSED THE MERITS OF THE BYLAWS, OTHER MEMBERSHIP DOCUMENTS, OR ANY RECORDED DOCUMENT REFERENCED HEREIN.

CAREFULLY REVIEW ALL MEMBERSHIP DOCUMENTS

THIS SUMMARY CONTAINS ONLY SUMMARY PROVISIONS. THE MEMBER SHOULD READ THE BYLAWS AND CONVERSION AGREEMENT (COLLECTIVELY, "THE MEMBERSHIP DOCUMENTS"). THE MEMBERSHIP DOCUMENTS SET FORTH ALL REPRESENTATIONS AND TERMS CONCERNING MEMBERSHIPS IN THE CLUB. NO PERSON HAS THE AUTHORITY TO MAKE ANY ADDITIONAL REPRESENTATION, MODIFICATION OR CONDITION, OR PROVIDE ADDITIONAL INFORMATION CONCERNING THE MEMBERSHIP DOCUMENTS AND, IF PROVIDED, THE INFORMATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CLUB. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS OF MEMBERSHIP CONTAINED IN THE BYLAWS, RULES AND REGULATIONS AND MEMBERSHIP AGREEMENT WITH OTHER PRINTED MATERIALS INCLUDING THIS SUMMARY OR ANY OTHER DOCUMENT OR ORAL STATEMENTS, THE CLUB BYLAWS, RULES AND REGULATIONS AND CONVERSION AGREEMENT WITH THE CLUB SHALL STRICTLY GOVERN.



SUMMARY OF AMENDED MEMBERSHIP PLAN

Subject to the occurrence of both of the following: (i) the affirmative approval of fifty one percent (51%) of the votes eligible to be cast by Equity Members, (the "Affirmative Vote") **and** (ii) the closing of the sale of the Property under the Purchase Agreement, as hereinafter defined, the Amended Membership Plan shall amend and replace Article V, Transfer of Facilities, Article VI, Transfer of Parcel 19 and Associated Water Rights and Article XII, Termination of Membership Plan of the Deferred Equity Membership Plan for the Desert Mountain Club (as revised effective March 31, 2006) (the "Prior Plan") with the following revised terms: (summary form). The term "Property" has the meaning as defined in the Purchase Agreement:

1. Article V provides that the Turnover shall proceed pursuant to the terms of the Purchase and Sales Agreement (the "Purchase Agreement") between Desert Mountain Properties Limited Partnership, a Delaware limited partnership ("Seller") and Desert Mountain Club, Inc. ("Buyer"); and
2. Article XII provides that upon the occurrence of the Affirmative Vote and the Closing of the sale of the Property to Buyer on December 31, 2010, the Amended Membership Plan shall be effective on the commencement of the Closing Date and the Amended Membership Plan shall terminate upon the Closing of the transaction on the Closing Date. In the event the Affirmative Vote and Closing does not occur by December 31, 2010, the Amended Membership Plan shall not be effective and the Existing Plan shall continue in full force and effect between the parties.

CAREFULLY REVIEW ALL MEMBERSHIP DOCUMENTS

THIS SUMMARY CONTAINS ONLY SUMMARY PROVISIONS. THE MEMBER SHOULD READ THE BYLAWS AND CONVERSION AGREEMENT (COLLECTIVELY, "THE MEMBERSHIP DOCUMENTS"). THE MEMBERSHIP DOCUMENTS SET FORTH ALL REPRESENTATIONS AND TERMS CONCERNING MEMBERSHIPS IN THE CLUB. NO PERSON HAS THE AUTHORITY TO MAKE ANY ADDITIONAL REPRESENTATION, MODIFICATION OR CONDITION, OR PROVIDE ADDITIONAL INFORMATION CONCERNING THE MEMBERSHIP DOCUMENTS AND, IF PROVIDED, THE INFORMATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CLUB. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS OF MEMBERSHIP CONTAINED IN THE BYLAWS, RULES AND REGULATIONS AND MEMBERSHIP AGREEMENT WITH OTHER PRINTED MATERIALS INCLUDING THIS SUMMARY OR ANY OTHER DOCUMENT OR ORAL STATEMENTS, THE CLUB BYLAWS, RULES AND REGULATIONS AND CONVERSION AGREEMENT WITH THE CLUB SHALL STRICTLY GOVERN.

READ THIS FIRST !!

STEP 1

GET INFORMED

<u>CLUB VOTE DOCUMENTS</u> (available at www.desertmountain.com and mailed to all Club members)	<u>OTHER DOCUMENTS</u> (available at www.desertmountain.com and items marked * on CD mailed to all Club Members)
<ul style="list-style-type: none">• READ THIS FIRST• Cover Letter• Ballot• Conversion Agreement for Deferred Equity Members• Comparison Chart/Global vs. Mandatory• Summary of Bylaws• Summary of Amended Membership Plan	<ul style="list-style-type: none">• Purchase and Sale Agreement*• Desert Mountain Club Bylaws*• Amended and Restated Membership Plan*

STEP 2

ASK QUESTIONS

1. By email ... advisoryboard@desertmt.com or dmabsupport@gmail.com
2. By phone ... Special Hot Line is **480-595-4110** or **1-800-757-1198**
3. Face to face ... the C/G Clubhouse Sunset Terrace during the on-property voting hours from 1:00 p.m. – 5:00 p.m. on November 18, 19, 23, 26 and December 2, 3, 8 and 9.

STEP 3

DECIDE ... Now!

You cannot vote later, if you toss the Ballot to the side and do not cast a vote or decide to vote **No**, please understand that life at Desert Mountain will not go on as usual. In fact, if we do not achieve a 51% majority vote to accept this transaction and are unable to collect the full amount of the member assessment, we will revert to the more onerous, less inclusive and more expensive scheduled turnover.

STEP 4

VOTE We need your vote as soon as possible. It must be received no later than **Monday, December 20, 2010**

1. Fill out the ballot supplied by the Club to cast your vote
 - “YES “ is a vote to approve the Amended Membership Plan , the Purchase and Sale Agreement and the new Desert Mountain Club Bylaws (the “Global Transaction”).
 - “NO” is a vote to reject the Global Transaction and proceed under the terms, obligations and limitations for Turnover in the Equity Plan.
2. Fill out the Conversion Application to convert your Deferred Equity Membership to an Equity Membership in the Desert Mountain Club.
3. Prepare a Check or give the Credit Card Authorization for your assessment.
4. Send in your Ballot, Conversion Agreement and Assessment to the escrow agent in the enclosed envelope.