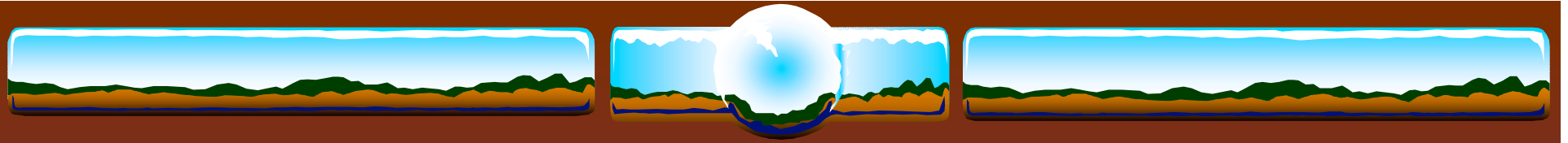


Desert Mountain
Member Advisory Board

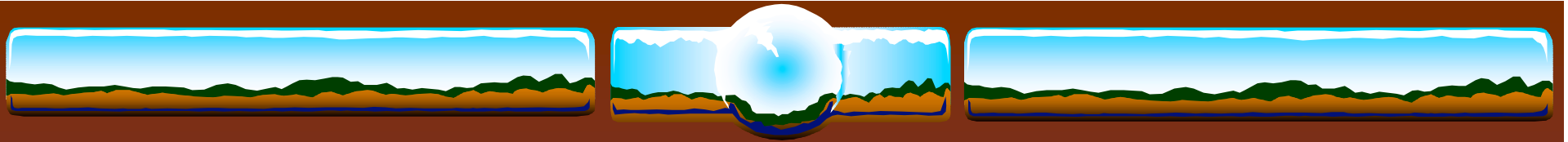
Town Hall Meeting

October 18, 2010



Scheduled Turnover

A Review



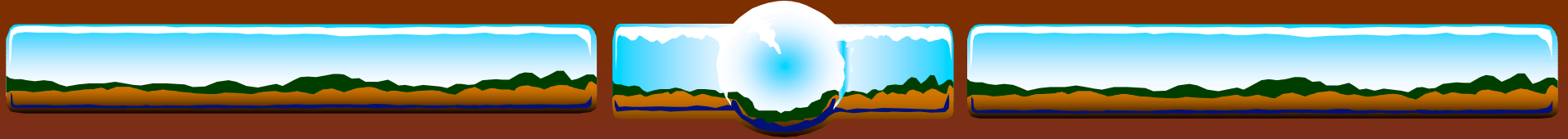
Scheduled Turnover

- Governed by two documents:
 - Club Bylaws
 - Deferred Equity Membership Plan
- Effective 03/01/2011



Components of Scheduled Turnover

- ‘Club Facilities’ – ill-defined in documents
- Turnover Purchase Price Calculation :
 - ✓ 8 x average annual net operational cash flow from club operations for 2008 - 2010
 - ✓ Not to exceed an amount necessary to achieve a debt service coverage ratio of 1.3 or greater
- The Mortgage – commercially reasonable



Scheduled Turnover cont'd.

Club Facilities Included:

- Six Golf Courses
(4 shares RWDS + 1.5 shares IWDS)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis Courts



Scheduled Turnover cont'd.

Additional Purchases Required

(excluded from 'Club Facilities' or unspecified assets)

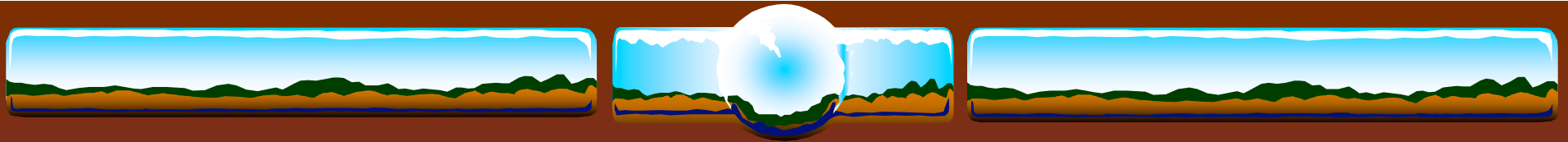
- Inventory & Supplies (*specifically excluded*)
- Furniture, Fixtures, Equipment (*not specified*)
- Name, Trademarks, Logos (*not specified*)
- Statuary & Artwork (*not specified*)
- Computer Hardware & Software Licenses (*not specified*)



Scheduled Turnover cont'd.

Written Purchase Options Include:

- Front Gate/Real Estate Business
- Fairway Office
- Parcel 19 & 0.5 shares IWDS
(previously exercised)



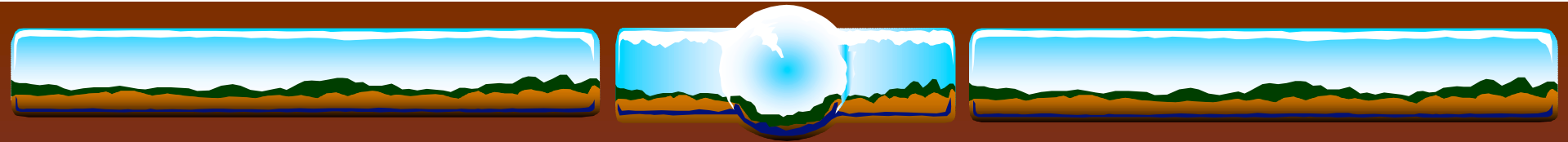
Major Issues Requiring Resolution in the Scheduled Turnover

- First Class Condition
- Purchase Price Calculation
- Supplies & Inventory
- FFE & Personal Property
- Trademarks, Logos, Name
- IWDS Water Liability
- Equity Club Bylaws
- Unsold Memberships
- Parcel 19 Assessment
- Membership Surrender List
- Member Dues Repayment, Surrender Benefits & Unused Credits

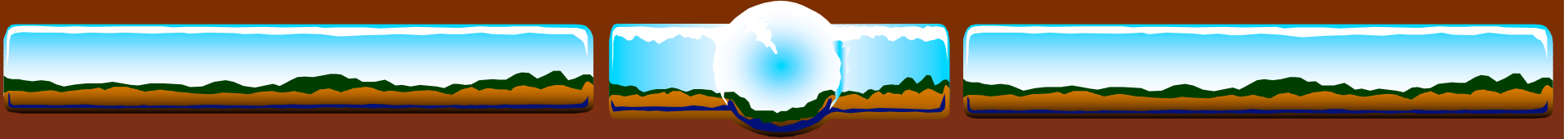


DMP Projected Cost of Scheduled Turnover

➤ Club Facilities	\$46 mm
➤ Parcel 19	\$26.37 mm
➤ Supplies/Inventory/FF&E Personal Property/Name Trademarks/Logos	<u>\$ 5 mm</u>
Total	\$77.37 mm

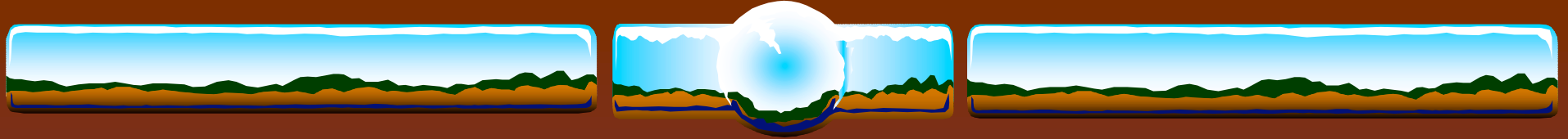


The Global Transaction



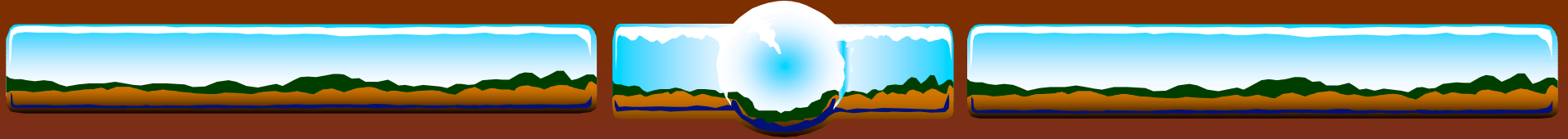
A Global Transaction

- What does that mean and what is included?
- How much versus scheduled turnover?
- Advantages - why do it?



Global Transaction – Scheduled Turnover Items

- Six Golf Courses
- 4 shares RWDS
- 2 shares IWDS (1.5 & 0.5)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis



Global Transaction – Plus Add'l. Purchases

- Six Golf Courses
- 4 shares RWDS
- 2 shares IWDS (1.5 & 0.5)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis
- Inventory & Supplies (add)
- FF & E (add)
- Statuary & Artwork (add)
- Logos/marks/name (add)
- IT systems (add)



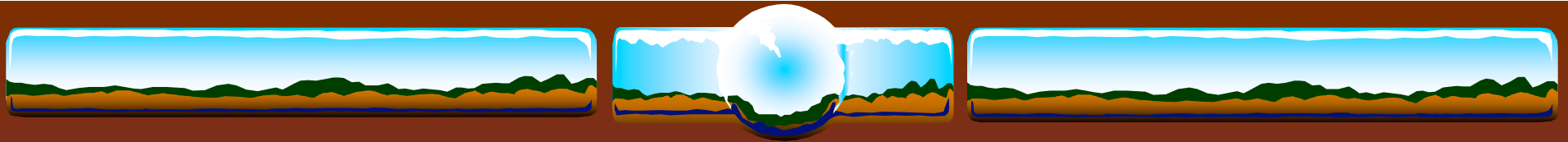
Global Transaction – Plus Options

- Six Golf Courses
- 4 shares RWDS
- 2 shares IWDS (1.5 & 0.5)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis
- Inventory & Supplies (add)
- FF & E (add)
- Statuary & Artwork (add)
- Logos/marks/name (add)
- IT systems (add)
- Front gate Building (option)
- Real Estate Business (option)
- 50% Fairway Office (option)



Global Transaction – Plus Everything Else

- Six Golf Courses
- 4 shares RWDS
- 2 shares IWDS (1.5 & 0.5)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis
- Inventory & Supplies (add)
- FF & E (add)
- Statuary & Artwork (add)
- Logos/marks/name (add)
- IT systems (add)
- Front gate Building (option)
- Real Estate Business (option)
- 50% Fairway Office (option)
- 219 Golf Memberships
- 261 Club Memberships
- Additional 0.67 share IWDS
- Northern Properties (2,750 ac.)
- 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)



Global Transaction – All Assets Included !

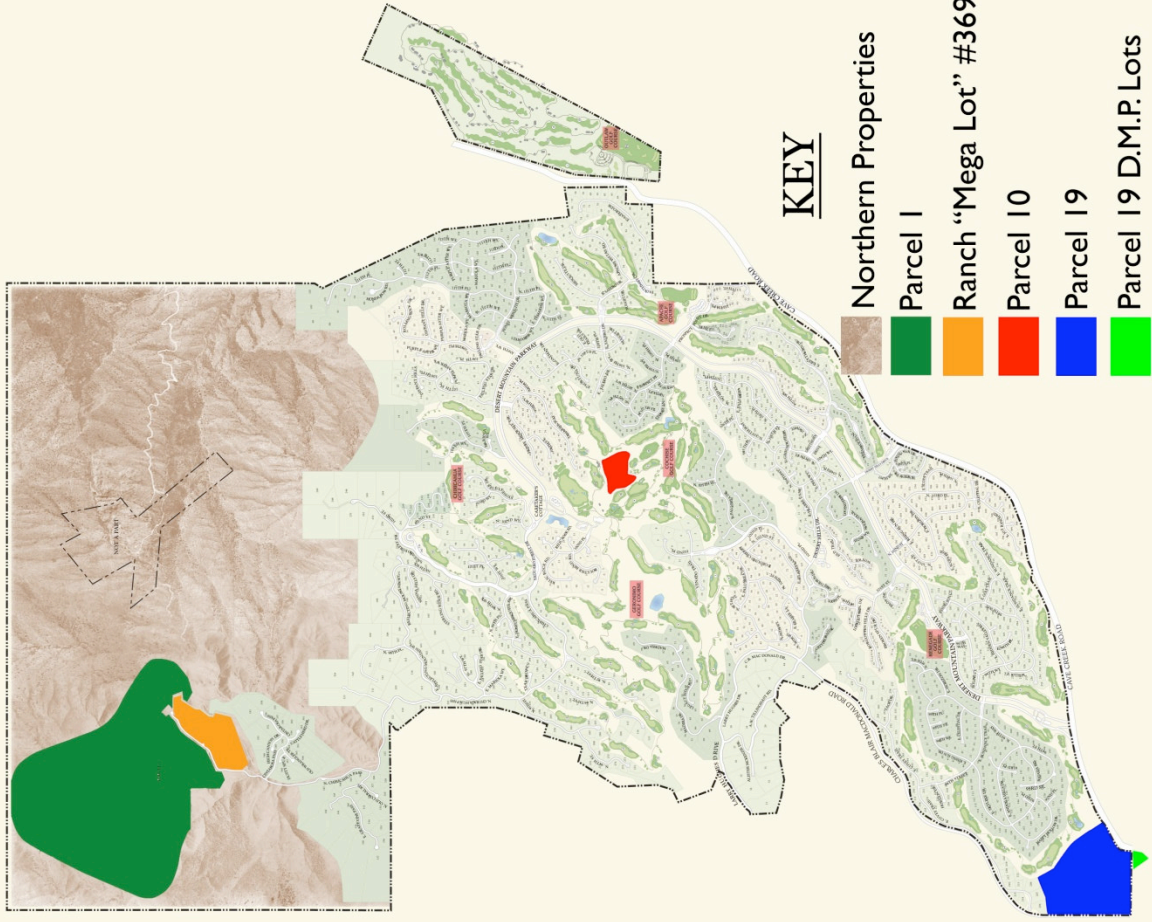
- Six Golf Courses
- 4 shares RWDS
- 2 shares IWDS (1.5 & 0.5)
- Clubhouses/Restaurants
- Pools, Fitness Center, Tennis
- Inventory & Supplies (add)
- FF & E (add)
- Statuary & Artwork (add)
- Logos/marks/name (add)
- IT systems (add)
- Front gate Building (option)
- Real Estate Business (option)
- 50% Fairway Office (option)
- 219 Golf Memberships
- 261 Club Memberships
- Additional 0.67 share IWDS
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- Parcel 1 (343 acres)
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- Lot 128 adjoining P19 (~1 acre)

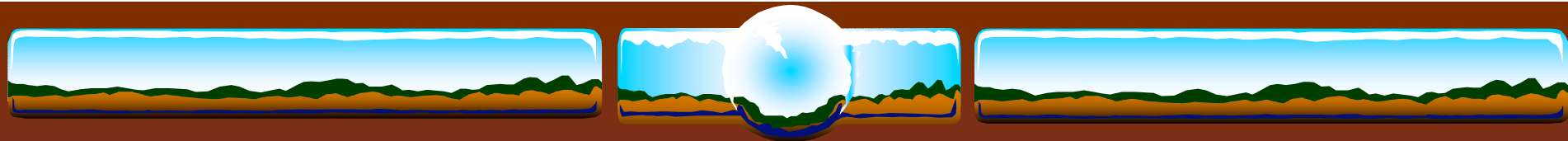


Global Transaction cont'd.

- Also includes option (immediate) to purchase 'mega-lot' #369 @ \$3 mm (33 acres)
- Closing on 12/31/2010
(additional sixty days of Jan. – Feb. high-season revenue vs. scheduled turnover of March 1, 2011)

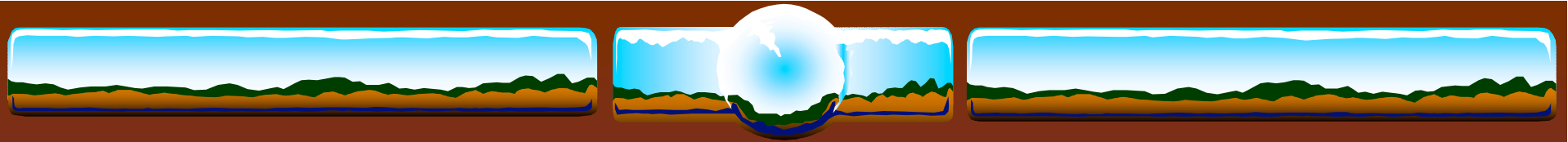
DESERT MOUNTAIN





Panoramic View of Parcel 1 (363 acres)





Panoramic View of Ranch 'mega-lot' #363 (33 acres)

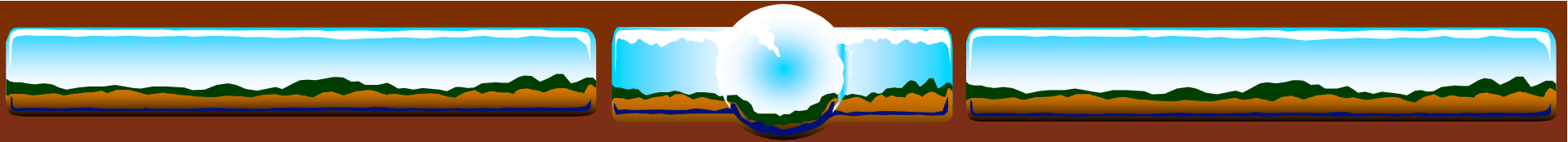




Global Transaction - \$\$

without purchase of Ranch 'mega-lot' #369 (33 acres)

- \$75 mm total purchase price
- \$45 mm financed by Crescent
(15 year note @ 6.5%)
- \$30 mm cash to Crescent
 - \$ 1 mm contribution repayment
 - \$ 2 mm working capital
 - \$33 mm total member assessment

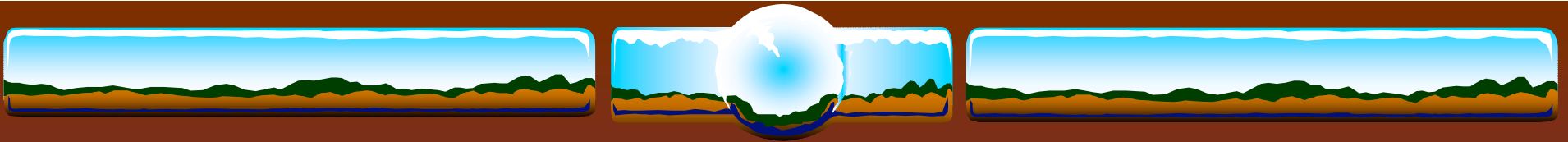


Global Transaction - per member cost *without purchase of Ranch 'mega-lot' #369 (33 acres)*

➤ Estimated equity member assessment

- Equity golf member: \$ 16,500
- Equity club member: \$ 5,077

➤ Projected 2011 Monthly Dues \$ 1,175 – 1,200



Global Transaction - \$\$

with purchase of Ranch 'mega-lot' #369 (33 acres)

- \$78 mm total purchase price
- \$45 mm financed by Crescent
(15 year note @ 6.5%)
- \$33 mm cash to Crescent
 - \$ 1 mm contribution repayment
 - \$ 2 mm working capital
 - \$36 mm total member assessment

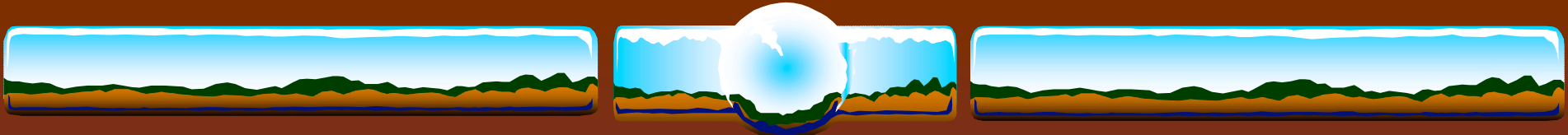


Global Transaction - per member cost
with purchase of Ranch 'mega-lot' #363

➤ Estimated equity member assessment

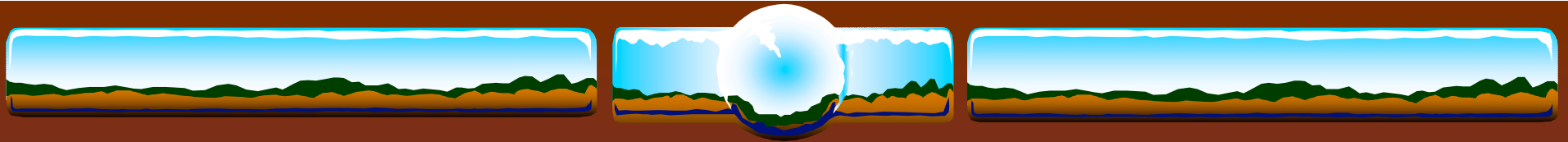
- Equity golf member: \$ 18,000
- Equity club member: \$ 5,540

➤ Projected 2011 Monthly Dues \$ 1,175 – 1,200



Monthly Dues Comparison

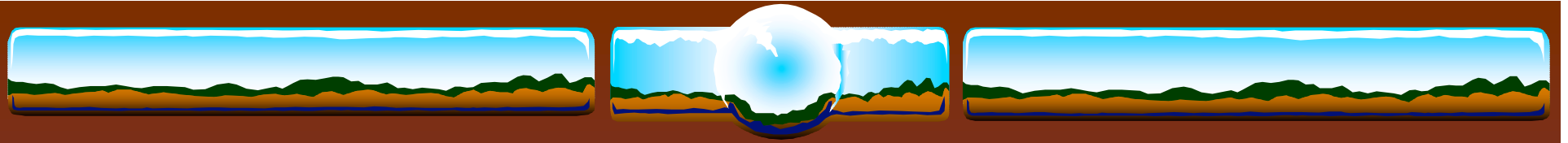
- The Vintage Club – Indian Wells \$2,483
- Big Horn – Palm Desert \$2,450
- The Reserve – Indian Wells \$2,333
- The Quarry – La Quinta \$1,550
- Estancia – Scottsdale \$1,250
- Silverleaf – Scottsdale \$1,250
- Desert Mountain – Scottsdale \$1,175 - \$1,200
- Mirabel \$1,150
- Desert Highlands – Scottsdale \$1,007
- DC Ranch – Scottsdale \$ 950



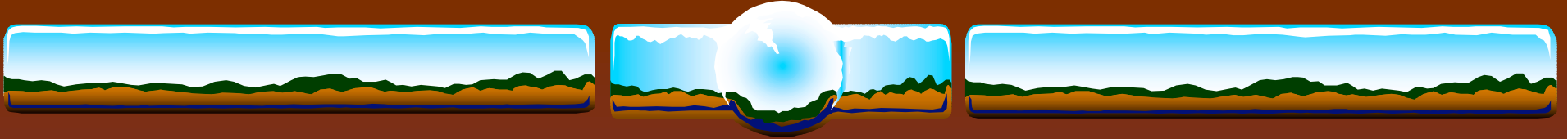
Estimated Assessment

(\$16,500 or \$18,000 with Ranch 'mega-lot' option)

- Arrangements have been made to finance the assessment for a limited number of members (300) on a first come, first serve basis. Terms & conditions to be established by the EME.
- Three annual installments
- Payments to be made December 2010, 2011 & 2012



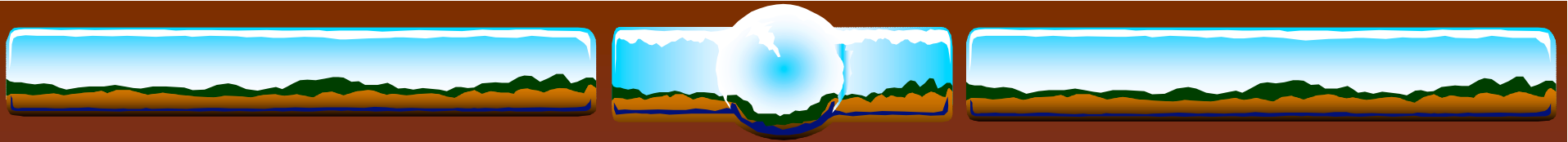
Water Rights



Water Shares

(share = one million gallons per day)

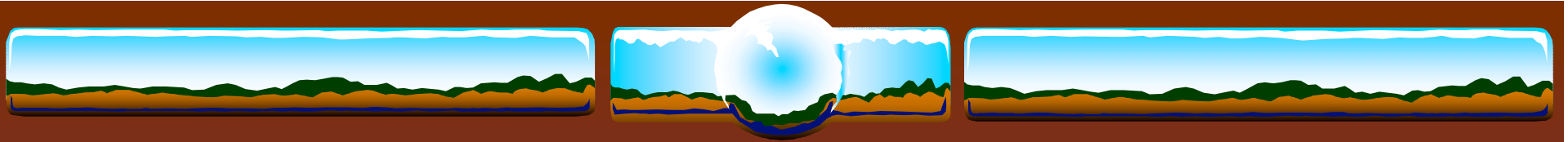
• RWDS	-	4.0
• IWDS	-	1.5
• IWDS (Parcel 19)	-	0.5
• IWDS (Wildcat Hill)	-	<u>0.67</u>
Total shares	-	6.67



Potential IWDS Water Liability

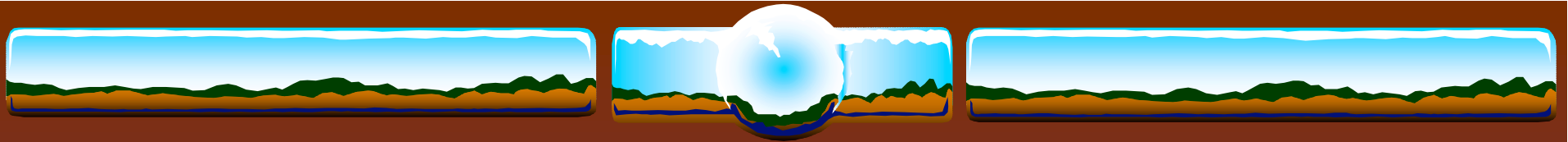
- Scheduled Turnover
 - Our responsibility (0.5 shares from P19)
 - DMP responsibility * (2.17 shares)
- Global Transaction
 - Our responsibility (2.67 shares)

* *unsecured – open issue*



Management of Potential Water Infrastructure Expenses

- Sales of Unissued Memberships
- Possible sale of excess IWDS water
- Right sizing IWDS agreements with City of Scottsdale
- Favorable financing allows for increased reserves



Global Transaction – the bottom line

- Conveys control of all critical elements to us
(governance, operations & economics)
- Provides stability to the DM community
- Eliminates perceived ‘cloud’ hanging over DM in the real estate marketplace
- Diminishes likelihood of costly & lengthy litigation
- Makes economic sense



The Economic Comparison

without Ranch 'mega-lot' #369 purchase @ \$3mm

Global Transaction (mm)

➤ Financed	\$ 45.0
➤ Cash	\$ 30.0
➤ Misc.	<u>\$ 3.0</u>
Total	\$ 78.0

Assessment (\$33mm)

\$16,500 per member

Monthly Dues

\$1,175 - \$1,200

Scheduled Turnover (mm)

➤ Club Facilities	\$ 46.0
➤ Supplies, FFE, etc	\$ 5.0
➤ Parcel 19	\$ 26.37
➤ <u>Misc.</u>	<u>\$ 3.0</u>
Total	\$ 80.37

Assessment (\$34.37mm)

\$17,185 per member ???

Monthly Dues

\$1,175 - \$1,200,000

The Realistic Comparison

Global Transaction (mm)

➤ Financed	\$ 45.0
➤ Cash	\$ 30.0
➤ Misc.	<u>\$ 3.0</u>
Total	\$ 78.0

Assessment (\$33mm)

\$16,500 per member

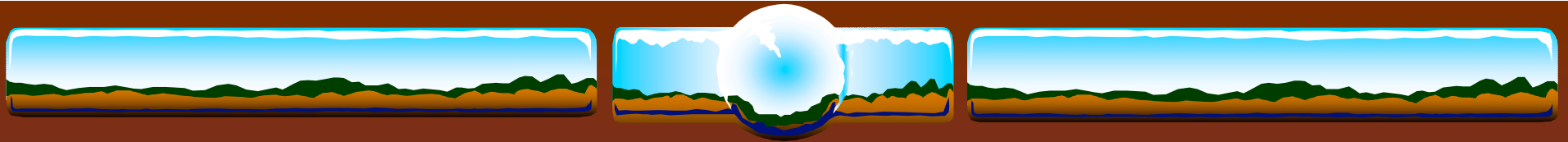
Monthly Dues

\$1,175 - \$1,200

Scheduled Turnover



- Almost certain post-turnover litigation
- Lack of control over club governance & economics
- Negative perception to prospective members & others



Global Transaction - status

- AB Executive Committee recommended acceptance of negotiated global transaction by AB

- AB motion passed on October 8th:
 - ✓ Accepts negotiated global transaction upon condition of acceptable L.O.I. and Purchase & Sales Agreement
 - ✓ Announce to membership at October 18th Town Hall
 - ✓ Recommend approval by membership



Latest Improved Global Transaction (all cash)

- Ranch ‘mega-lot’ now included (not optional)
- Purchase price reduced from \$78mm to \$73.5mm
- Reduces lender covenants
- Minimizes lender controls on club operations
- Decreases encumbrances on club assets
- Assessment reduction from \$18,000 to \$16,500 per member
- Reduction of \$1.5mm in required lender financing



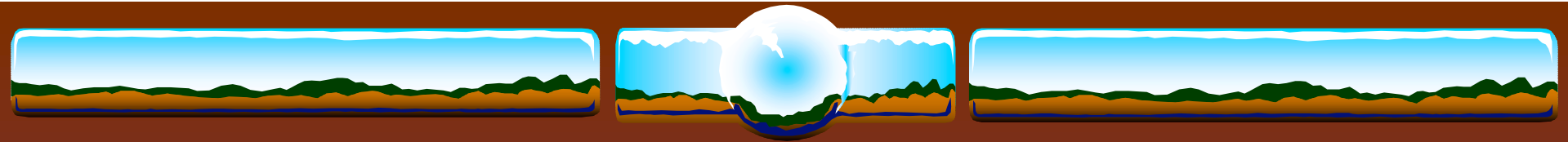
Next Steps

- Finalize lender financing
- Negotiate & Execute Purchase & Sales Agreement
- Distribute Voting Package (Ballots) to Membership
- Member Vote
- Assessment of Members
- Close on 12/31/2010

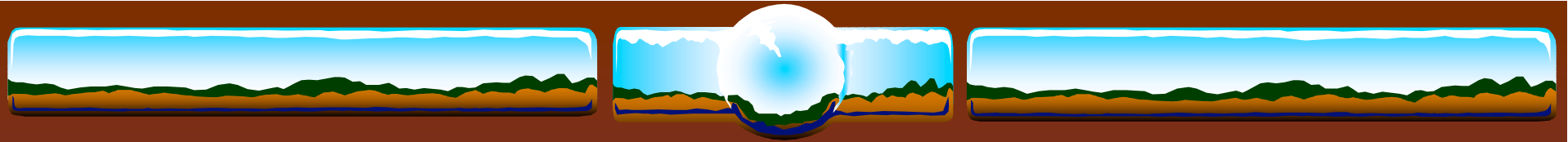


The Global Transaction A Summary of Benefits

- Increased basket of assets vs. scheduled turnover
- Lower Purchase Price Paid to Developer
- Lower Assessment Per Member (\$16,500 vs. \$17,185)
- Possible lower monthly dues as compared to scheduled turnover
- Absence of litigating developer
- Control over our own destiny

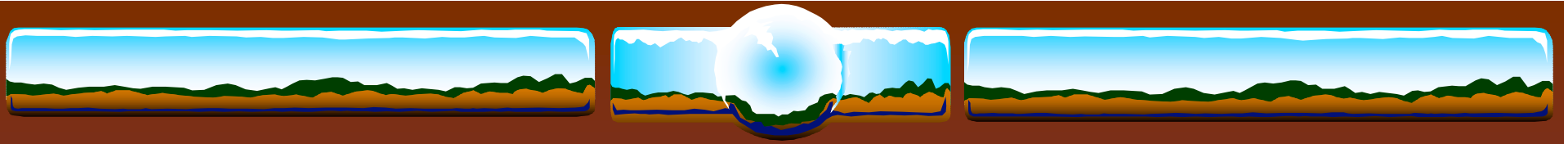


PARCEL 19



A Brief History

- Purchase option included in DEMP & Bylaws as part of 12/29/2002 Mutual Release & Settlement Agreement with DMP, DMAB and MMA
- Member vote to exercise option was conducted in First Quarter of March 2006, prior to its' expiration on 3/31/2006.



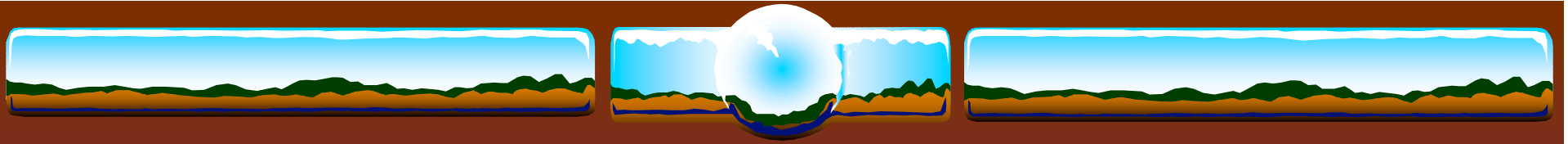
- 1,810 of 2,096 eligible members voted

In favor of: 1,597

Not in favor of: 193

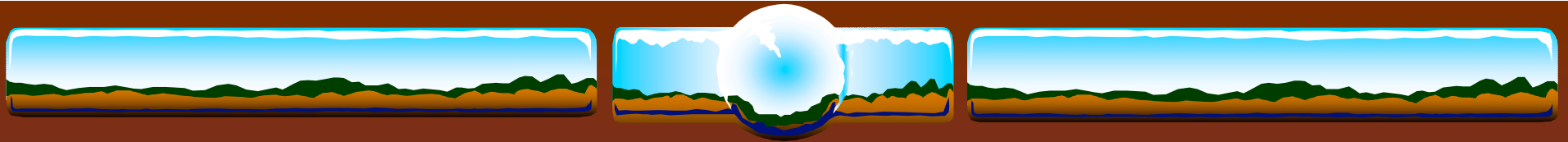
Invalid votes: 20

Chose not to vote: 286



Parcel 19 Option Exercise Included:

- Land Purchase
- Water Rights Purchase



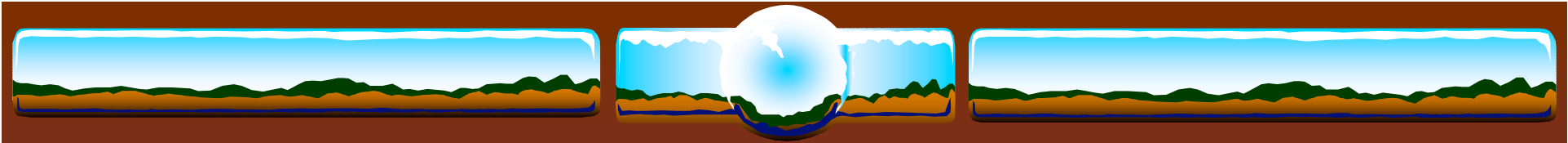
Parcel 19 Land Breakdown (as defined in Deferred Equity Membership Plan)

• Total Acreage	97.3
• Fire Station/Irrigation Pond	- 5.3
• IWDS Water Facility	- 8.9
• City of Scottsdale Public Park	<u>-18.8</u>
• Net Developable Acreage	64.3
• Public Park reversion	+ <u>18.8</u>
• Updated Developable Acreage	83.1



Parcel 19 Boundary Outline

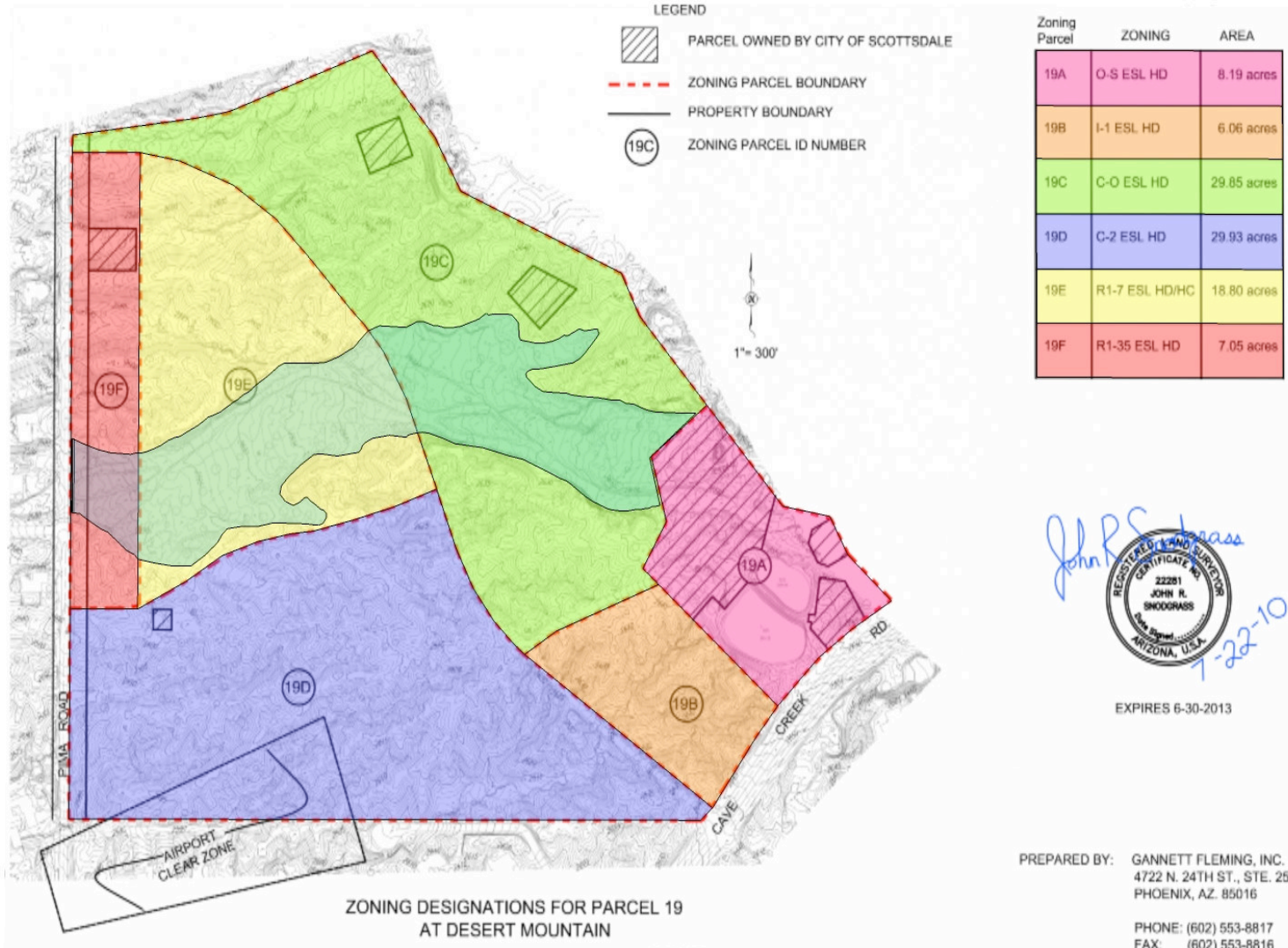




Parcel 19 with Wash



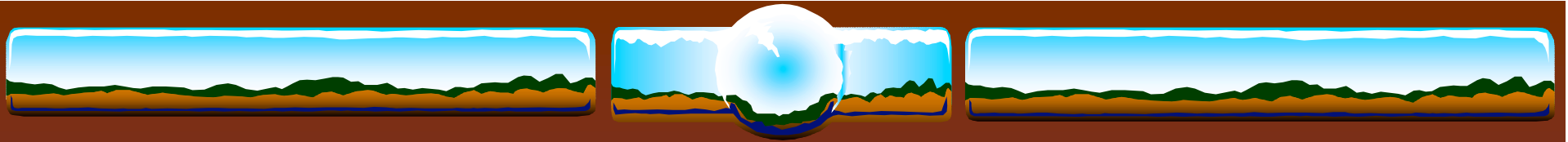
Parcel 19 Zoning





Parcel 19 Cost Components (per scheduled turnover)

Land Purchase	-	\$13,402,000
Reimbursement to DMP for costs incurred acquiring/developing 0.5 share of water rights	-	\$ 6,745,000
Accrued Interest from 3/31/06	-	\$ <u>6,223,000</u>
Total	-	\$ 26,370,000

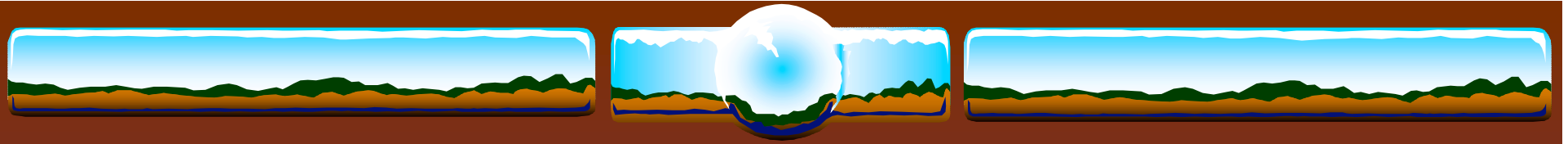


Estimated Parcel 19 Assessment based on scheduled turnover

DEGM Assessment = \$13,185

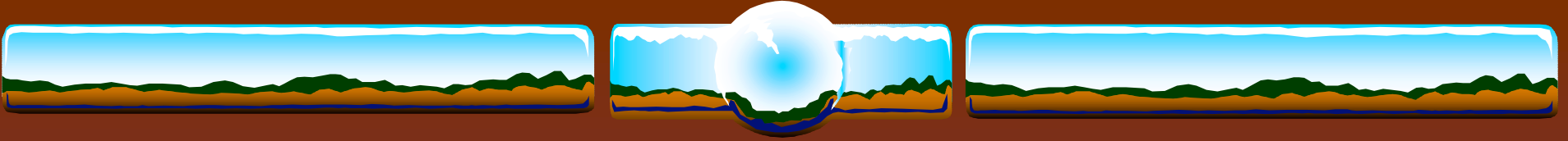
DECM Assessment = \$4,057

(\$100k/\$325k x \$13,185)

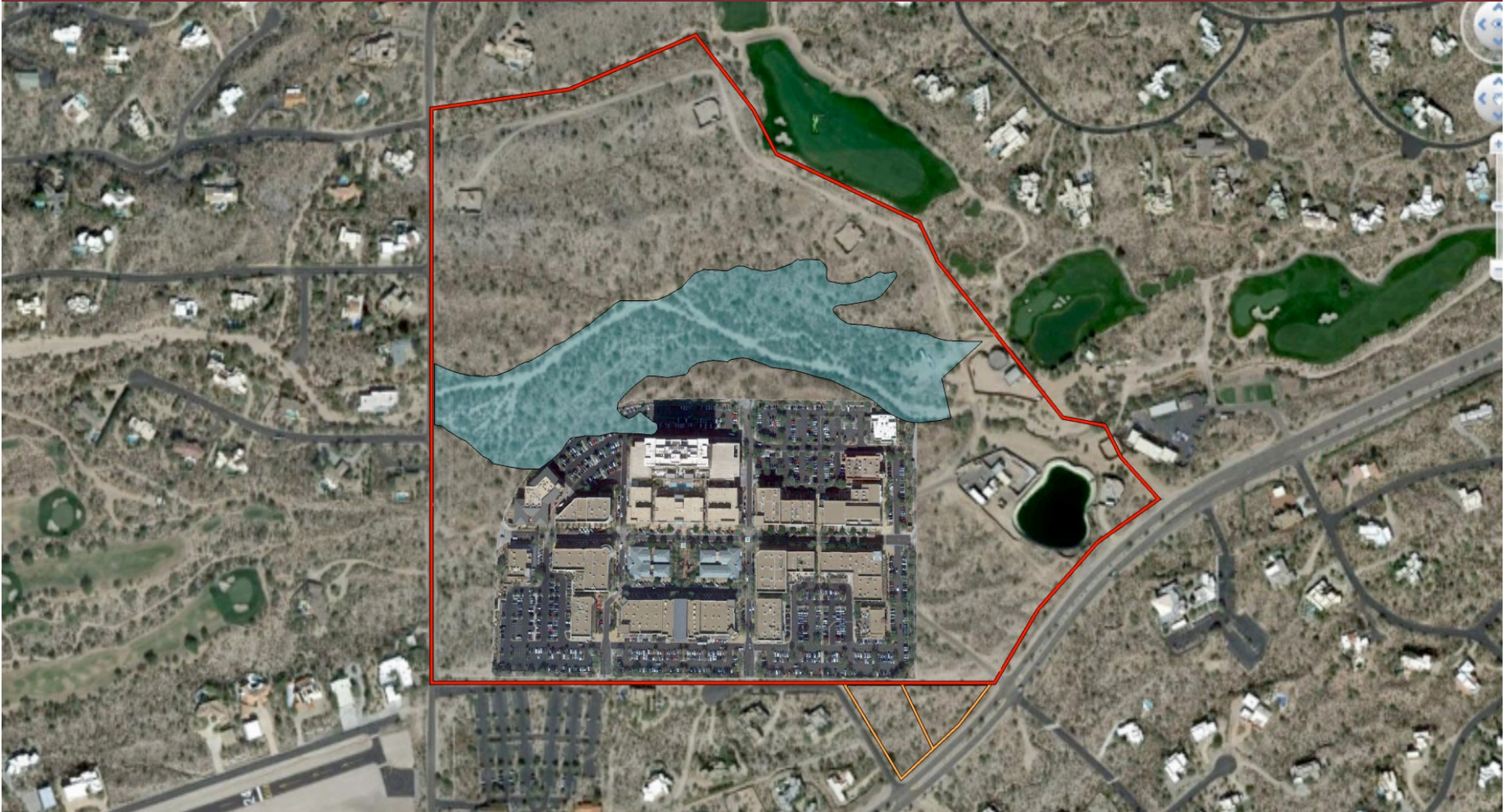


Parcel 19 – Now what?

The Dave & Bob show
(with an assist from Todd Bruen)



Parcel 19 - Kierland





Parcel 19 – Rawhide Assisted Living





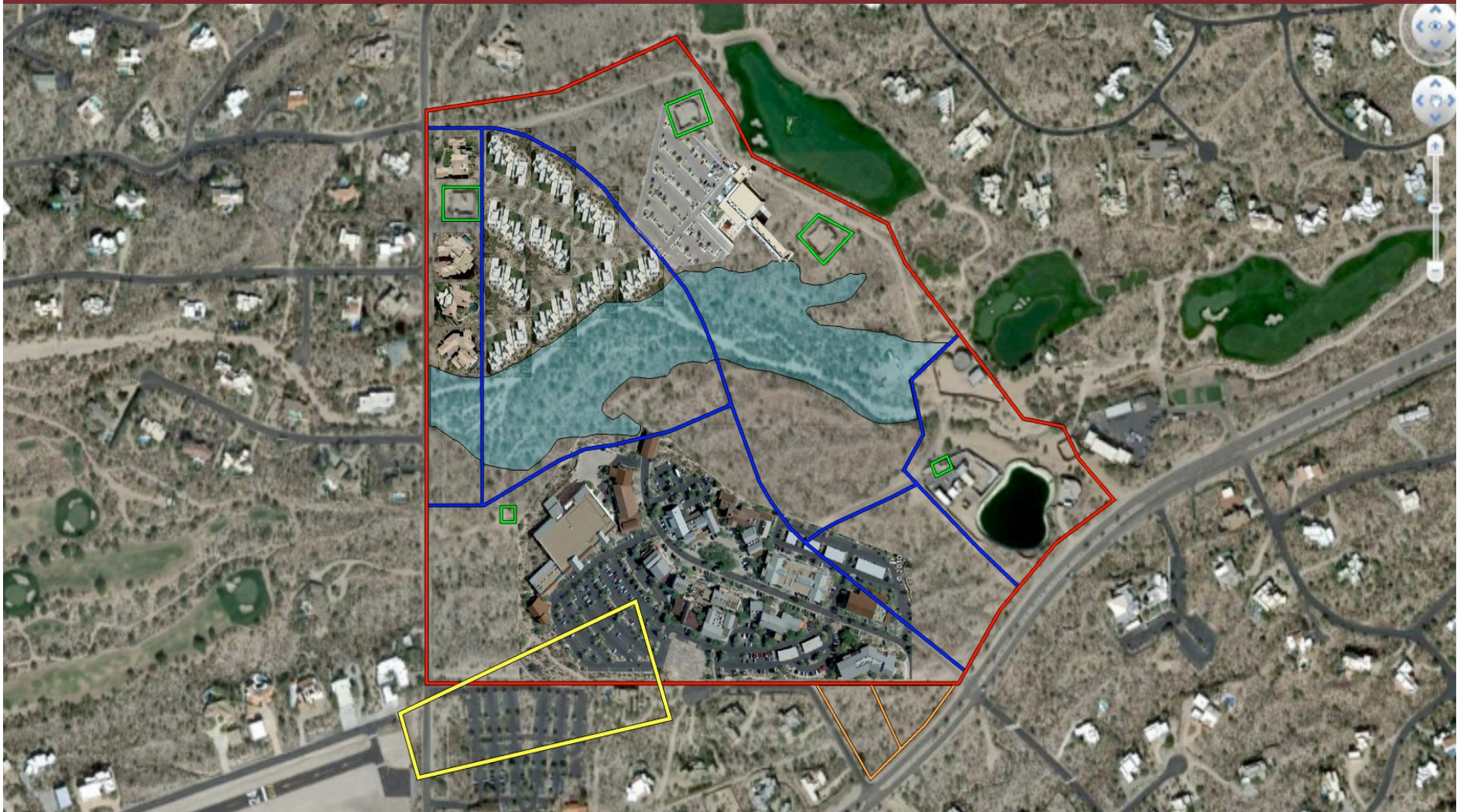
Parcel 19 – University of Phoenix Stadium





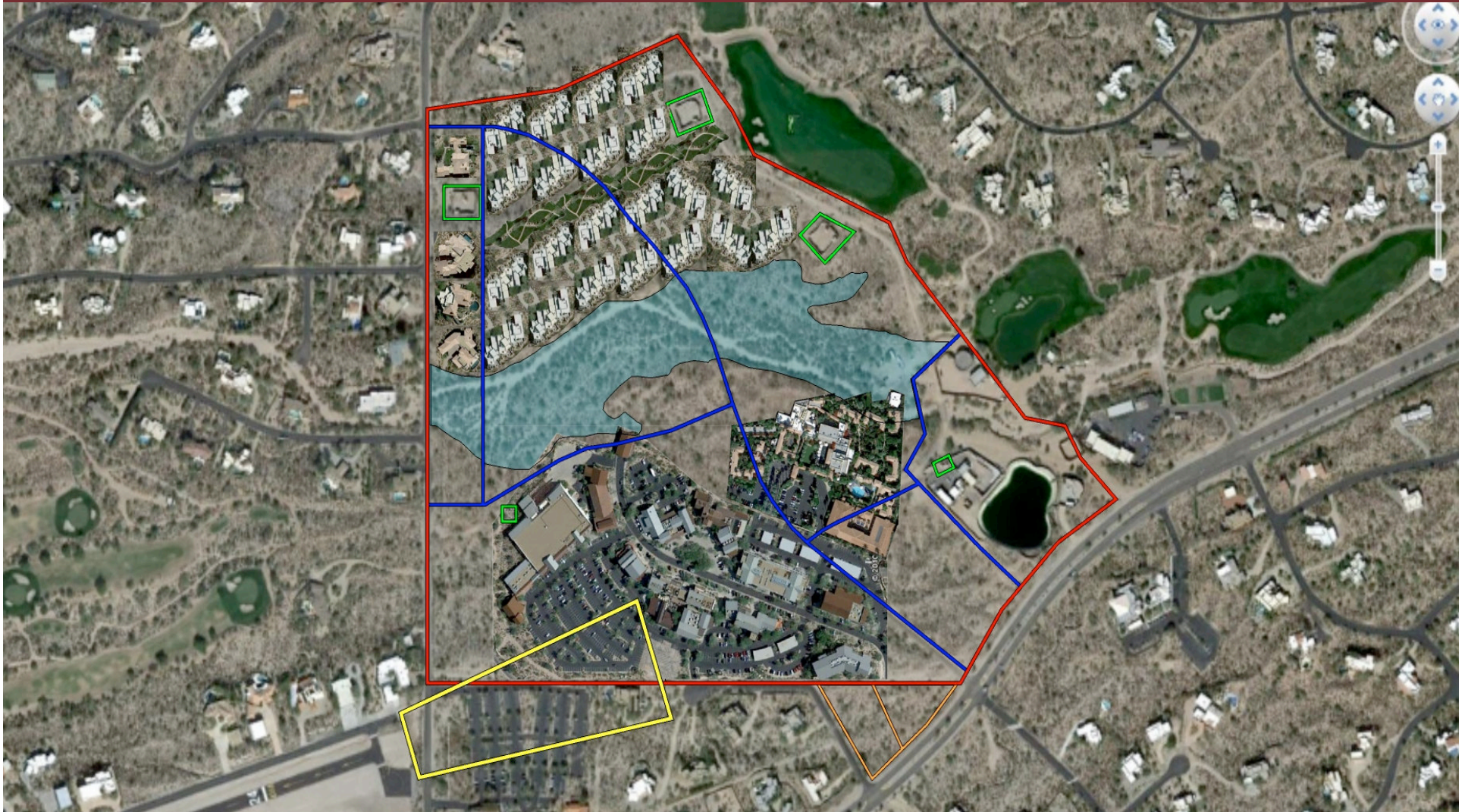
Parcel 19 – Existing Zoning

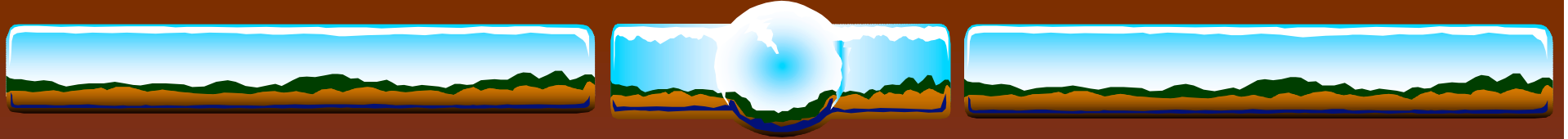
(Apache Cottages, First Assembly Church & DC Marketplace)



Parcel 19 – Modified Zoning

(Additional Apache Cottages, DC Marketplace, Royal Palms)





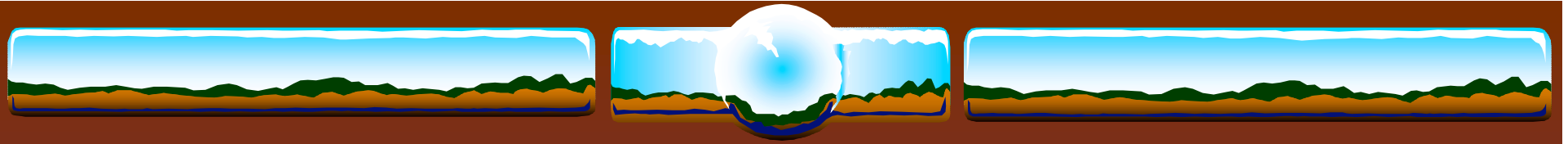
The Haciendas Camouflaged Pump Station





January 2011 - A New Beginning!
Member Owned, Member Operated





Next Town Hall Meeting

Monday, November 15th