

September 2010 Turnover Update

During this past month several significant developments have taken place that we would like to let you know about:

- As we have advised you on many occasions in the past, the various owners of Desert Mountain Properties have refused to reimburse the Advisory Board (AB) for what we believe to have been legitimate expenses that we have incurred on turnover activities. We are pleased to report that this impasse has been resolved with an agreement that calls for DMP to make a one-time, lump sum payment to the AB that satisfies their obligations under the terms of the club bylaws.

This compromise now eliminates the time and money that would have continued to be spent in justifying, scrutinizing and squabbling over every invoice submitted to DMP by the AB. Both DMP and the AB are of the opinion that this ongoing dispute needed to be resolved in order to avoid potential litigation regarding this issue and any further animosity that it would have created.

- We are pleased to announce that the AB has reached an agreement in principle with Bob Jones to remain at Desert Mountain post-turnover. Bob will hold the title of General Manager/Chief Operating Officer and oversee all aspects of club operations. Our decision to retain Bob was a relatively easy one for many reasons. The vast majority of our members acknowledge and appreciate his outstanding job performance over the past twelve years despite several ownership changes and the difficulties associated with them. Bob also enjoys a stellar reputation within the private club industry and commands the respect of his peers throughout the country. Last but not least, the recurring theme from other clubs that have undergone developer to member-owned turnovers is that management continuity is vital to success. There is no doubt that retaining Bob is in the best interests of our club and the membership.
- The AB Finance Committee has completed its' discussions with DM senior staff related to the 2011 operating budget. As soon as we are able to properly quantify what the costs to the membership will be, the AB will unveil the 2011 budget to you as part of a presentation including projected dues, assessments and financing.

- Previously, we advised you that talks between the AB and Crescent regarding a global transaction for a broader package of club assets were suspended because of the valuation gap between the parties. Recently, interest has been expressed by both sides in resuming these discussions and attempting to reach agreement on an expedited and straightforward transaction that resolves the significant issues facing us in the scheduled turnover. Several meetings have been scheduled for early October and we will update you on this at our October 18th Town Hall meeting.
- As reminder, please mark your calendars for the Town Hall meetings that we have scheduled over the next several months to keep you informed regarding the various turnover related topics that will affect you. Dates and a tentative list of topics are:

Monday, October 18th: Update on global transaction negotiations, report on remaining due diligence and substantive issues, Parcel 19

Monday, November 15th: Turnover price formula, audit of calculation, covered assets, first-class condition, inventories & supplies

Friday, December 10th: Voting on amended Deferred Equity Plan, new bylaws

Monday, January 17th: Mortgage for club assets, Parcel 19 assessment, water agreements/liabilities

Friday, February 18th: Final, audited price calculation, processing of payments/assessments, closing report, vision for the club

- Finally, the club will be holding its' annual EXPO at the Cochise/Geronimo clubhouse on Thursday, October 28th from 5 – 8 PM. The AB will be a participant and one or more AB members will be present to informally chat about pertinent issues and any questions or concerns that you may have.

As always, we thank you for your continued support.