

2017 ANNUAL REPORT



DESERT MOUNTAIN CLUB, INC.



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LETTER FROM SCOTT URDANG

CHAIRMAN, BOARD OF DIRECTORS

Dear Fellow Members,

On behalf of the Board of Directors of the Desert Mountain Club, we thank you for your support during the past year. This has been an extremely important and notable year for the Club as we have taken many long-term strategic actions and made meaningful improvements for the betterment of the membership. While much has been accomplished, more remains to be done to achieve our vision of being one of the finest private golf and recreational communities in North America.

This past year as Chairman of your Board has been a rewarding experience on many fronts. The year started with new additions to the senior management team of CEO Damon DiOrio, CFO Andrea Randall, Executive Chef Bertrand Bouquin, Marketing and Communications Director Kim Atkinson, all of whom have already made many significant contributions to our Club. We are confident that, along with the rest of our excellent management team, they will continue to provide our membership with new and exciting experiences.

We also have seen a particular focus by the Board and senior management on increased transparency and communication, outstanding service, expanded recreational amenities, improved food and beverage quality and variety, and long-term financial planning and stability. The work done on your behalf in these areas has driven several key accomplishments, some of which are visible to the members while others have occurred behind the scenes.

Behind the scenes, there have been non-essential expense reductions that have allowed us to apply more funds to areas of the Club that add to the qualitative initiatives we seek for our membership. A good example is the new building automation software that adjusts temperatures during the overnight hours without impacting our comfort during hours of operation. We estimate this is a six figure savings for the Club each year. Another example is the refinancing of the Club's existing debt last fall. Led by CFO Andrea Randall, we were able to secure a twenty-year fixed rate loan that has significantly increased our financial stability and improved our cash flow.

Moving to the front of the house, there have been several "wins" in 2017 that have been visible to our members. Leading the list is the first full year of operation for the newly expanded Sonoran Clubhouse that has energized our Club and redefined the Desert Mountain experience for so

many members. This past fall we completed new pickleball, golf croquet, and bocce courts, which has provided a host of programming and events that have encouraged more of our members to "get out and play." Gas heaters were added to Café Verde and additional pool furniture provided greater outdoor comfort for our members.

Also, we made a commitment to define, enhance and launch our Club brand by improving how we communicate with our current and prospective members. Beginning with a "strengths, weaknesses, opportunities, and threats analysis," we developed the brand story, promise and platform. We then created a campaign that defines and showcases our brand promise and are now executing our first integrated brand campaign across many different types of media. Initial results from these efforts are strong. For March 1 through March 13 YOY, total users to our website increased 15%, with an increase of 22% new users. In February, web form inquiries increased by 67% YOY. Property tours and membership sales also have increased with our new marketing and communication programs, and membership sales are on budget for five consecutive months, the first time in many years.

Despite these many successes, I must admit that I and our Board of Directors and senior management have experienced frustration in the areas of member communication and engagement. I share this with you because I believe this is truly important to the long-term success of our Club - and we need your help.

Let me start by saying that there is no question that we need to continually improve the member experience and, with our current senior management team, we are off to a strong start. In fact, the great majority of comments from our members is extremely positive, which is reinforced by the results of a recent survey (completed by almost 1,000 members) that showed 93% would recommend the Club to a friend. Based on recent member surveys, overall member satisfaction is very high. While we are keenly aware that it is virtually impossible to achieve 100% satisfaction, especially with our large and diverse community, we are committed to achieving a satisfaction rate of over 90%.

The Board and senior management recognize that we cannot reach this goal without the full benefit of diverse opinions, member engagement, and optimum transparency and communications. Our collective best efforts in these areas, however, can be undermined by the extreme

negativity of a very vocal but small number of members who dwell on rumors and speculation rather than constructively engage in a fact-based dialogue of how we can make this Club better for all of us.

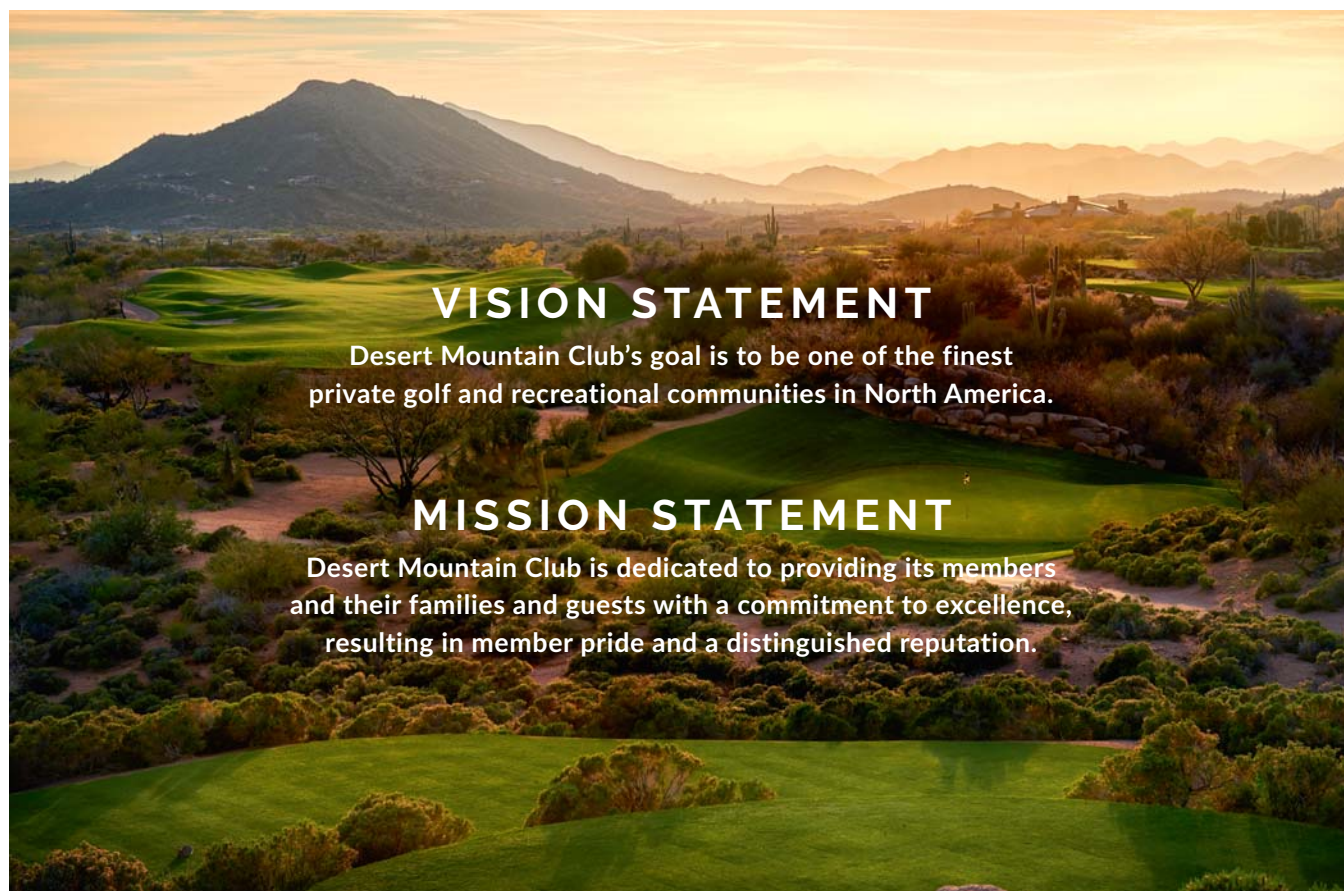
While opinions, ideas, and constructive criticism no doubt will improve our membership experiences, false or misleading rumors and conspiracy theories will only damage our membership sales, home values and overall enjoyment of the Club. Refuting these baseless and negative stories also takes away considerable and valuable time from the Board, and especially senior management, that should be spent improving the member experience.

The management team has made incredible progress in improving member communication and engagement with regularly scheduled Easy Listening sessions and Coffee Talks, the much-improved Desert Mountain Compass and Governance Report, as well as the event planners covering food and wine, golf and many other activities.

I now have a few asks of our members: Please check our website for facts relating to important issues impacting your Club, attend Easy Listening sessions and Coffee

Talks, consider raising your hand to serve on a Committee or the Board, and vote on matters that are presented to you for consideration. We strongly believe that improved member engagement along with increased transparency and communication will best position our Club to realize our vision statement for all members.

Let me finish by thanking you for making Desert Mountain the great Club it is today. The heart of Desert Mountain is the family-friendly, social and recreational environment created by our enthusiastic and positive members who make the most of our world-class amenities and programming. We should never take for granted that Desert Mountain is our home, our place to thrive, play and connect with one another. It is truly a unique and special place, and as key stakeholders in our brand and future, we thank you for your support and feedback as we continue to collaborate in the months and years ahead. While we still have a lot to achieve, our Board and management care deeply about your experiences and we will continue to make progress in all areas. It is our membership that shares the vision for our Club and will sustain it for future generations.



VISION STATEMENT

Desert Mountain Club's goal is to be one of the finest private golf and recreational communities in North America.

MISSION STATEMENT

Desert Mountain Club is dedicated to providing its members and their families and guests with a commitment to excellence, resulting in member pride and a distinguished reputation.

DESERT MOUNTAIN BOARD OF DIRECTORS



Scott Urdang
Chairman



Carol Ann Petren
Vice Chairman



Stephen Clark
Treasurer



Keith Johnson
Secretary



Harold Boyanovsky



Lynn Magnuson



Wayne Mailloux



Bill Robinson



Chris Storbeck

DESERT MOUNTAIN COMMITTEES

SERVED SINCE APRIL 2017

AUDIT

Keith Johnson - Chair
Harold Boyanovsky
George Newstrom
Nancy Settles
Richard Wolf

MEMBER STANDARDS

Bill Robinson - Chair
Lynn Magnuson
Janet Anderson
Burt Barnett
Pete Cunningham
Robert Field
Penny Garbarino
Mary Kuehn
Andrew Naporano

GOLF & AGRONOMY

Carol Ann Petren – Chair
Bill Robinson
Janet Curry
Mark Gilman
Larry Reaves
Paul Sefcovic
Sharon Slattery
Russell Thornton
Jeff Zieky (Handicap Committee Chair)

HOUSE

Keith Johnson – Chair
Chris Storbeck
Bonnie Carroll
Andy DiSabatino
Kerry Glicken
Dave Honerkamp
Nancy Kurzwell
Linda Landers

FINANCE

Stephen Clark - Chair
Wayne Mailloux
Leo Birkby
Frank Brown
Pete Selda

MEMBERSHIP

Bill Robinson- Chair
Chris Storbeck
Jake Murdock
Jim Prendergast
Verna Shewchuk
Jerry Strickland

NOMINATING/ GOVERNANCE

Scott Urdang - Chair
Harold Boyanovsky
Keith Johnson
Lynn Magnuson
Carol Ann Petren (resigned Jan. 2018)
Cassie Bailey
Kathy Kory
George Kuehn
Jim MacAllen
Michelle Newlin

2018 ELECTION COMMITTEE

Pat Cayce
Derek Hill
Chuck Nunamaker
Dick Pallan
Jim Pickett
Karen Seduski
John Shanholt
Al Smith

Thank you for serving our Club with Distinction.

GOLF



GOLF AWARDS

Association of Golf Merchandisers
Platinum Award winner, 2013-2018

Southwest Section PGA
Assistant Professional of the Year
2017 - Luke Hemelstrand

Best Golf Courses in Arizona 2017
Chiricahua, Geronimo, Renegade
Golf Digest Magazine



HIGHLIGHTS

- 146,702 total rounds of golf played, to include:
 - 45,477 group rounds (31% of overall play)
 - 68,950 other foursomes (47% of overall play)
- New Golf Passport Program launched to provide 678 members the opportunity to bring guests to our Club
- Enhanced golf guest play opportunities by eliminating timing restrictions, which has minimized clusters, spreading play around the Mountain
- More walking options created, including the introduction of our new GPS-powered push carts
- Welcomed 446 players at the Mountain Mania men's tournament
- Welcomed 194 players at the Mountain Magic women's tournament
- 94.4 of golf tee time requests made within 60 minutes of requested time on preferred course
- Jim Flick Performance Center instructors gave 3,718 member lessons
- Renegade renovation approved by members to deliver an outstanding golf experience with significant future savings
- Cool grass introduced to add more green grass and 45 days of play
- Charitable events limited to prioritize member access while assuring profitability for the Club
- Golf rules revised to set non-member quotas and improve pace of play
- Golf dress code updated to clarify appropriate dress on our courses and clubhouses
- Cart fees reduced to more competitive rates
- Club Up Caddies introduced as a service to members and to assist in pace of play

CULINARY



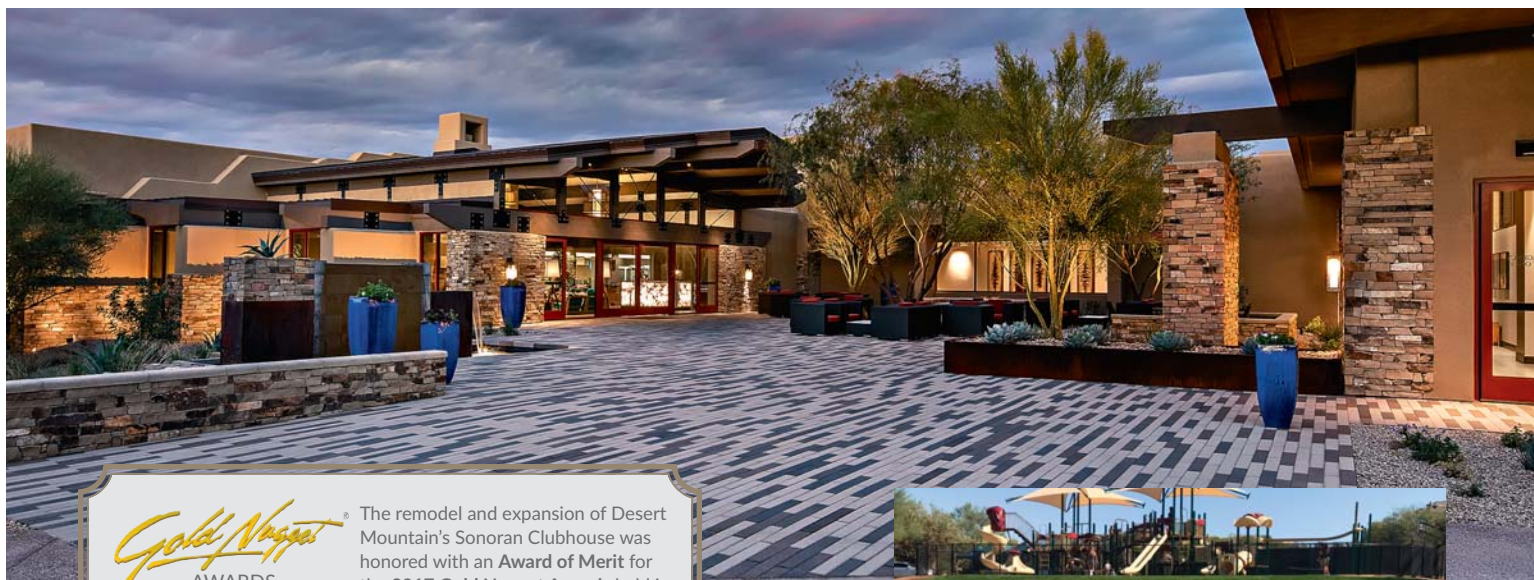
Our food and beverage teams have had a big year as we have reimagined our offerings to enhance member experiences in all of our venues.

HIGHLIGHTS

- Hired Chef Bertrand Bouquin as Director of Culinary Operations
- Retained local seasoned service team
- Increased cover counts by 21.2% vs. 2016 (287,191 vs. 226,429)
- Introduced Restaurant Group Dining Menus for groups of 15+
- Offered seasonal a la carte menus
- Created new banquet kit with 32 menu offerings
- Added a second weekly Happy Hour offering (Tuesday and Thursday)
- Featured Wines of the Month
- Offered new local and domestic beer menus/exclusive wines from GrapeSeed
- Introduced new craft cocktail menus
- Created the Mountain Palate for Food and Beverage seasonal events and members' awareness months ahead
- Completed Café Verde's successful first full year of operation
- Added new Food Truck with menus for casual dining anywhere on property
- Added a new Mobile Kitchen to be used in conjunction with Food Truck
- 2017 Total Food and Beverage Sales: \$9,114,334
- 2018 Total Food and Beverage Sales (budget): \$9,529,591



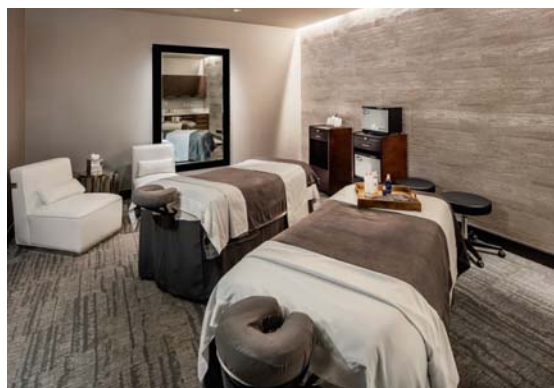
SONORAN CLUBHOUSE



Gold Nugget
AWARDS

The remodel and expansion of Desert Mountain's Sonoran Clubhouse was honored with an Award of Merit for the 2017 Gold Nugget Awards held in California in August. The Gold Nugget Awards recognizes those who improve our communities through exceptional concepts in design, planning and development.

2017 served as the first full year of operations at the Sonoran Clubhouse. We have “lived in” our new space while adding even more featured amenities and experiences for members to enjoy. New pool furniture at both pools, a bocce court, a new croquet lawn and, of course, our six new regulation pickleball courts all call Sonoran home. We are delighted to see the buzz of activity and energy that these spaces are bringing to the already vibrant Sonoran Clubhouse. We retained Desert Mountain’s own dedicated barber, in the Men’s Locker Room at Cochise/Geronimo.



HIGHLIGHTS

- Taught 785 group fitness classes
- Hosted 50 days of kids activity days including 11 four-day camps, 5 additional specialty nights, and over 800 attendees for the annual Spring Carnival Celebration.
- Organized 27 tennis events and play opportunities including luncheons, interclub teams and tennis socials, as well as daily organized play for men and women.
- Pickleball, croquet and bocce ball have experienced exciting participation in lesson programs and open play at all levels.
- Spa services more than doubled for the year with total revenues exceeding \$1 million.





THE GREAT OUTDOORS

Our active outdoor enthusiast community is growing strong, led by a combination of Sonoran team members and the Desperados — a member-driven non-profit organization that loves the outdoors, enjoys the company of like-minded compatriots and is vigilant about protecting, promoting and enhancing Desert Mountain’s outdoor recreation experiences.

Here is an overview of what the Desperados Trail Scouts do for our Club and membership:

- Mobilized a force of 85+ outdoor recreation-minded advocates
- Developed the new Desert Mountain Trails hiking map and the initial Desert Mountain Trails Map & Field Guide
- Established and installed the Butte Peak Summit Register
- Offer weekly guided hikes on Desert Mountain Trails and offsite trails
- Offer custom guided hikes to our members, off-property Realtors and their clients
- Offer monthly Full Moon hikes
- Offer weekly guided road bike rides to Bartlett Lake
- Offer weekly guided “social” bike rides to Cave Creek coffee houses
- Offer weekly guided mountain bike rides to the McDowell Preserve
- Offer winter season DTS Ranch Kiva happy hour and speaker series
- Support the Kolander Mountain Jam “free” concert
- Published a Gold Hill “Industrial Archeology” report
- Published “Trail Notes: Great Trails Begin with Great Design”
- Assisted DMMA with installing first-class trail signage
- Secured an REI-sponsored 2018 First Aid training class at the Ranch
- Published “Life on the Mountain” photo book for sale to our members



DESERT MOUNTAIN BY THE NUMBERS

	2017	2016
Club's Mortgage Debt	\$27.2 million	\$30.9 million
Equity Golf Memberships	1,828	1,841
Equity Club/Lifestyle Memberships	166	139
Non-Equity Memberships	82	83
Average Age of Members	66	66
New Memberships	118	159
Average Age of New Members	59	58
Members from the U.S.	1,957	1,951
States Represented	47	48
International Members	119	112
Countries Represented	7	7
Total Golf Rounds Played	146,702	144,841
Total Online Restaurant Reservations Made	15,856	15,057
Total Meals Served at the Restaurants and Grills	242,892	226,429
Average Total Spent by Members at the Club (non-dues)	\$11,027	\$9,955
Total Man Hours to Maintain Each Course Annually	54,500	52,000
Number of Employees-Winter Season	659	624
Number of Employees-Summer Season	428	408
Number of Page Views on Member Website Annually	1,999,396	1,948,508

PARCEL 19/SEVEN DESERT MOUNTAIN



"We are honored to design and develop one of the last parcels within this world-renowned master plan. Like the development of Desert Mountain was at its inception, Seven will be a unique community bringing a fun, new and exciting lifestyle experience to Arizona's high desert."

Bill Brownlee, managing partner at M3 Companies and member of Desert Mountain.

Announcing 'Seven' at Desert Mountain Residential community and 18-hole golf course will appeal to new audience

A new luxury home enclave dubbed "Seven" is coming to north Scottsdale's most exclusive residential golf club, Desert Mountain. The 90-acre addition is just west of the existing main gate on Cave Creek Road and will feature up to 190 homes designed around a par 54, 18-hole short-game golf course and new clubhouse.

Seven broke ground in December and is expected to open on Super Bowl weekend, February 2019.

The community's name was chosen to represent Desert Mountain's seventh private golf course and clubhouse.

PARCEL 19 SALE PROCEEDS (millions of dollars)

Purchase & Sale Price	\$24.0
Down payment at closing	\$10.0
Closing & other fees	(\$3.5)
20% debt pay down to NBA (bank)	(\$1.8)
Net proceeds as of December 31, 2017	\$4.7
Note Receivable	\$14.0
Estimated interest income (4%)	\$1.3
Forecasted proceeds from sale	\$20.0
Plus Operational subsidy payment	\$1.75
Total Proceeds	\$21.8

AUDIT REPORT / 2017 FINANCIAL SUMMARY

The 2017 audit is complete and we are pleased to report that we have received a clean opinion on our 2017 financial statements. The Audit Committee has reviewed and discussed with management as well as the independent public accounting firm of Eide Bailly, Desert Mountain Club's audited financial statements and the internal controls over financial reporting as of December 31, 2017. Also discussed with the firm were:

- Matters required in accordance with Auditing Standards Independence requirements of independent public accounting firms and the confirmation of the independence of Eide Bailly.
- The overall scope, plans and fees for the audit of the financial statements for the year ended December 31, 2017

Based on the reviews and discussions referred to above, in reliance on management and the independent public accounting firm, and subject to the limitations of our role, the Audit Committee recommended to the Board of Directors (and the Board has approved) the inclusion of the consolidated financial statements in the Annual Report for the year ended December 31, 2017. There is more detail in the Club's Annual Audited Financial Statement Report. The financial highlights are summarized below.

We've had a number of very positive changes here at the Club and we've made some progress on many financial initiatives. We closed on the sale of Parcel 19 in July, refinanced our long-term debt in November, began to roll out a number of new marketing initiatives and recently approved the five year financial plan. Operating income for 2017 was \$7.5M million, which was an increase from the

prior year's operational results by more than \$1.6 million (excluding the one-time Exit Transfer Option revenue of \$6.3M in 2016). This year over year increase in operating income was primarily driven by membership dues and improving margins in our operating units. In addition, expenses were managed lower for agronomy on no PGA Schwab Cup event and selling, general and other administrative expenses were also down largely driven by reduced legal expenditures. A key challenge for the year was membership sales where total initiation and transfer fees were down \$300 thousand from the prior year, a decline of 5.6%, as both golf and lifestyle new member sales were lower. In addition, payroll increased 6.6% in 2017 due to the minimum wage increase of nearly \$2.00 per hour and the Sonoran expansion. We ended the year with cash and certificates of deposit on hand of \$16.1M. Our capital expenditures were just over \$4M, which included the addition of the pickleball, croquet and bocce courts, the Apache bunker renovation as well as the replacement of furniture, fixtures and equipment in the Clubhouses.

In summary, 2017 was a year where we achieved some big accomplishments, continued to invest in the Club and began to address a few challenges. The sales, marketing, service and operational initiatives that are underway are all vital to our ability to achieve long-term financial stability. Investing in the Club's operations and infrastructure are also vital to enhancing our members' experiences today, while we remain current and attractive to new members. Please know that the management team and the Board of Directors are committed to making decisions that are in the best interest of the entire Club and its longer term success.

The Finance Committee worked with Club Management throughout the year to advise, monitor and provide oversight for financial results. In addition, the Committee was an integral part of the planning process and reviewed all major financial initiatives such as the designation of Parcel 19 proceeds upon the July closing, refinancing the long-term debt and the five year plan for capital and funding. The monthly reporting was revised and streamlined to focus on the key drivers of the financial results and provide ongoing forecasting, risks and opportunities.

DESERT MOUNTAIN CLUB, INC. Condensed and Consolidated Statement of Financial Position (\$ in 000's)		
ASSETS	2017	2016
Cash, Cash Equivalents and CD	\$16,138	\$13,700
Receivables, Net	5,760	5,764
Other Current Assets	7,602	2,286
Plant, Property & Equipment and Other	108,188	123,447
Total Assets	137,688	145,197
LIABILITIES		
Accounts Payable	615	590
Other Current Liabilities	10,100	11,223
Other Liabilities	2,416	4,438
Long-Term Debt	27,864	28,987
Total Liabilities	40,996	45,238
Net Assets, Unrestricted	96,692	99,960
Total Liabilities and Net Assets	\$137,688	\$145,197

DESERT MOUNTAIN CLUB, INC. Condensed and Consolidated Statement of Activities for the 12 Months (\$ in 000's)		
REVENUES AND EXPENSES	2017	2016
Dues	\$34,521	\$33,591
Other Revenues	24,335	22,151
Revenue	58,856	55,742
Cost of Sales	6,052	5,745
Operating Expenses	51,132	50,226
Operating Expenses	57,184	55,971
Change in Net Assets from Operations	1,672	(229)
OTHER INCOME AND EXPENSES		
Member Contribution and Transfer Fees	5,091	11,696
Other Income	785	567
Assessment and Sale of Asset, Net	(2,452)	203
Interest Expense	(1,214)	(1,314)
Depreciation, Amortization and Taxes	(7,172)	(6,803)
Derivative Gain	22	314
Other Income and Expenses	(4,940)	4,663
Change in Net Assets	\$(3,268)	4,434

DESERT MOUNTAIN CLUB, INC.
Condensed and Consolidated Statement of Cash Flows for the 12 Months (\$ in 000's)

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Change in Unrestricted Net Assets	\$ (3,268)	\$4,434
Depreciation and Amortization	6,958	6,720
Loss on Sale of Assets Held for Sale	2,524	-
Loan Fees, PP&E, COD, Interest on Note, Derivative	(319)	(301)
Change in Working Capital	384	(1,183)
Net Cash Provided By (Used In) Operating Activities	6,279	9,670
CASH FLOWS FROM INVESTING ACTIVITIES		
CD and Notes Receivable	(164)	(4,624)
Proceeds on Sale of Assets, Held for Sale, Net	6,655	(135)
Additions to Property, Plant and Equipment, Net	(4,211)	(6,317)
Net Cash Provided By (Used In) Investing Activities	2,281	(11,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds Designated for Capital Improvements	72	203
Payment on Intangible Water Rights Obligation	(1,126)	(644)
Debt Issuance Costs	(91)	-
Repayment of Long-Term Debt	(4,731)	(4,562)
Net Cash Provided by (Used In) Financing Activities	(5,876)	(5,003)
Net Increase (Decrease) in Cash and Cash Equivalents	2,684	(6,409)
Cash and Cash Equivalents, Beginning of Year	9,083	15,492
Cash and Cash Equivalents, End of Year	\$ 11,767	\$9,083

2017 REVENUE
(millions of dollars)

Revenue	2017	P/Y Var \$	Mix %
Dues	\$34.5	0.9	53.3
Food and Beverage	\$10.7	0.4	16.5
Golf and Retail	\$10.3	0.2	16.0
Initiation and Transfer Fees	\$5.1	(0.3)	7.9
Sonoran	\$2.6	1.1	4.0
Other	\$1.5	0.5	2.3
*PV Var excludes 2016 ETO of \$6.3M	\$64.7	2.8	100

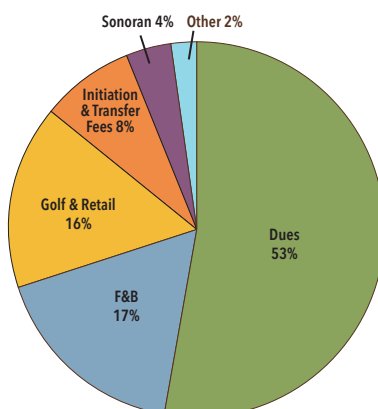
2017 OPERATING EXPENSES BY DIVISION
(millions of dollars)

Expenses	2017	P/Y Var \$	Mix %
Agronomy	\$16.8	0.3	29.3
Food and Beverage	\$12.3	(0.8)	21.5
SG&A	\$11.1	0.6	19.4
Golf Course and Retail	\$8.4	(0.1)	14.7
Club Operations	\$5.1	(0.1)	8.8
Sonoran	\$3.5	(1.1)	6.3
	\$57.2	(1.2)	100

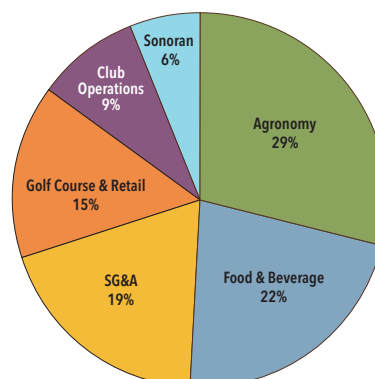
2017 OPERATING EXPENSES
(millions of dollars)

Expenses	2017	P/Y Var \$	Mix %
Payroll & Benefits	\$32.1	(2.0)	56.1
Cost of Sales	\$6.2	(0.3)	10.8
Selling, General & Admin.	\$7.1	0.5	12.3
Club, Repairs & Maint.	\$5.2	0.7	9.1
Utilities	\$4.0	(0.2)	7.1
Rent, Taxes & Insurance	\$2.6	0.1	4.6
	\$57.2	(1.2)	100

2017 REVENUE



2017 OPERATING EXPENSES BY DIVISION



2018 FINANCIAL BUDGET

DESERT MOUNTAIN CLUB, INC. Condensed and Consolidated Statement of Activities | (\$ in 000's)

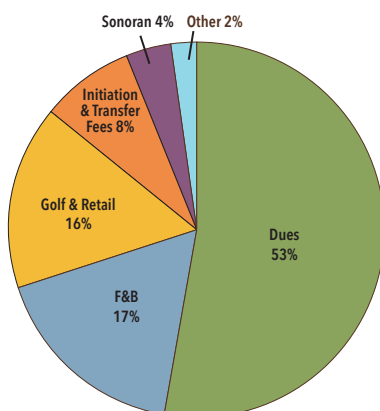
REVENUE AND EXPENSES	2018 BUDGET	2017 ACTUAL
Dues	\$ 36,999	\$ 34,521
Other Revenues	24,497	24,335
Revenue	61,496	58,856
Cost of Sales	6,088	6,052
Operating Expenses	52,452	51,132
Operating Expenses	58,539	57,184
Change in Net Assets from Operations	2,957	1,672
OTHER INCOME AND EXPENSES		
Member Contribution and Transfer Fees & Other	5,852	5,091
Other Income	827	785
Interest Expense	(1,266)	(1,214)
Depreciation, Amortization and Taxes	(7,659)	(7,172)
Total Other Income and Expenses*	(2,247)	(2,510)
Change in Net Assets	\$ 711	\$ (839)

* Excludes sale of assets

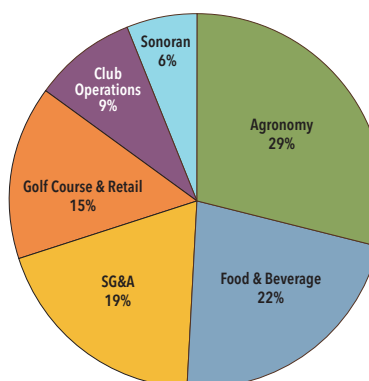
DESERT MOUNTAIN CLUB, INC. Operating Cash | (\$ in 000's)

CHANGE IN OPERATING CASH	2018 BUDGET	2017 ACTUAL
Change in Net Assets	711	(839)
Add Back Depreciation and Amortization	7,263	6,958
Change in Working Capital	(2,213)	3,391
Cash Provided by Operating Activities	5,761	9,510
Maintenance & Other Capital Funding (Excludes Renegade Renovation)	(3,045)	(4,269)
Repayment of Long-Term Debt	(1,749)	(4,731)
Payment on Intangible Water Rights Obligation	(967)	(1,126)
Change in Operating Cash	(0)	(616)

2018 REVENUE



2018 OPERATING EXPENSES BY DIVISION



DESERT MOUNTAIN SENIOR MANAGEMENT



Damon DiOrio
CEO



Andrea Randall
CFO



Kim Atkinson
Director of Marketing & Communications



Todd Bruen
Director of Facilities & Construction



Shawn Emerson
Director of Agronomy



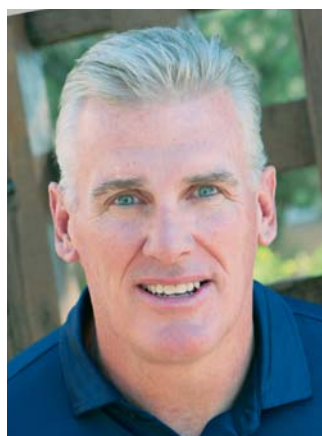
Nicole Forbes
Director of Membership Sales



Keli Greenberg
Executive Director of Human Resources



Christophe Hermine
Director of Club Operations



Mike Scully
Director of Golf



Matt Wooldridge
Director of Tennis, Spa & Fitness

LETTER FROM DAMON DIORIO, CCM, CCE

CEO

Dear Members,

It is hard to believe it has been nearly one full year since my arrival to Desert Mountain! It goes without saying, 2017 was a year of transition and enhancement, while also being a year of embracing the values that have made Desert Mountain the premium private Club that it has become. I am grateful to our entire membership for the warm welcome and thoughtful care you have extended to Kim, our three girls and me.

As part of our Club vision, we have established a mission which keeps us dedicated to providing Club members, their families and guests with a commitment to excellence resulting in member pride and a distinguished reputation. While mission statements mean very little unless backed with action, there are many strategic initiatives we began that evoked positive change, touching and enhancing just about every aspect of our Club culture. Listed below is a brief overview of some of these key 2017 initiatives, but much more work is yet to be done.

COMMUNICATIONS

A key priority has been to find the answer to the age-old question of how best to communicate. We are determined to be more transparent and efficient in how information flows to the members and among all the stakeholders at Desert Mountain. You will continue to see more streamlined and reader-friendly written communications as well as invitations to Coffee Talks, Easy Listening and informative presentations on topics of interest to the membership. From quarterly financial reports, to monthly updates on the Renegade golf course project, we will be deeply dedicated to providing you with timely and informative material that you deserve to have. A new mobile app for your smartphone use is also in the works which will allow members to quickly and seamlessly make tee times, dinner reservations and spa appointments 24-hours a day.

PARCEL 19/ "SEVEN DESERT MOUNTAIN"

The sale was successfully closed and the development is progressing nicely, with an anticipated grand opening scheduled for February 2019. In addition to providing the Club with significant capital resources for the Renegade golf course renovation and other projects, the Par 54 short course and casual gastro pub concept will bring a greater diversity of experiences for our members, and will enhance our reputation as one of the premier Clubs in the country.

SPECIAL PROJECTS

The Board approved, and construction was completed, on six pickleball courts, a regulation golf croquet field and bocce courts, all at Sonoran. In addition, a high-quality food truck, The Mountain Chef, provides an alternative food and beverage venue for members to enjoy as part of outdoor activities and

functions. These additions are extremely important to our Brand and will enhance the overall enjoyment of the Club for all members, as well as marketing for member growth. While golf will always be our preeminent asset and focus, providing activities for socialization and enjoyment is very important to the totality of our positive culture.

STRATEGIC PLAN

The 2017-2022 Strategic Plan was developed, approved and communicated to all members. Success factors of the plan include 90% or greater member satisfaction, Equity Golf membership growth to 2,050, delivery of outstanding services at an exceptional value, Club programming that is relevant and rated exceptional, increased number of real estate owners as members, and a trust-based relationship between management and the Board, which contributes to a positive Club culture. Improving the quality of our facilities and the service we provide our membership is my top priority.

5-YEAR CAPITAL PLAN

We have finalized and the Board approved the critically important 5-year capital and financial plan for the Club. Major capital initiatives of the \$65M plan include maintenance capital for our aging physical assets, the Renegade golf course renovation, converting Chiricahua course to year-round cool season turf, renovating the entire Renegade Pro Shop, Range and Hideout and the Cochise golf course and the Cochise/Geronimo clubhouse. You and your family deserve exquisite facilities and having updated golf and clubhouse assets are vital to your enjoyment, member retention and vibrant membership prospect interest. If we hit our targets, all of this exciting work can be achieved without any additional debt or the need for assessment. The major capital initiatives will have comprehensive member presentations and will require a vote.

REFINANCING

The Board has approved refinancing the Club's existing debt (approximately \$27 million) in order to take advantage of the current low interest rate environment and lock in an attractive rate for a longer period of time. This will provide additional financial stability today and appropriate financing of our long-term assets which we are in dire need of updating to remain relevant.

MARKETING

We established a workgroup to focus specifically on this important area. To date, this workgroup has completed the situational analysis and determined what we can do differently to produce better results. Following the study, a Brand strategy and guide was created, which has served as the launching pad for an aggressive, integrated marketing plan. The plan

and campaign is inclusive of TV, print and digital advertising, search engine optimization and marketing, public relations and social media efforts, event marketing and influencer outreach. With our “Reimagined” campaign, which launched this year on February 25, we look to our web site traffic and inquiries for the impact and trends. We have an amazing Club, but this beautiful message needed to be effectively told to others locally and nationally.

MEMBERSHIP GROWTH

The Club’s membership is beginning to grow and sales goals have been met consistently since November of 2017, five months in a row through March. We are delighted with this trend and will continue to track performance of our initiatives each month. Retaining our members is vital to our success. We are pleased to report that our attrition rate was only 4.3% last year, the lowest percentage in over a decade and lower than the national average for private clubs.

REALTOR RELATIONS/ COMMUNITY COLLABORATION

We formed a Branding Coalition to unite home builders, real estate agents, the HOA, and our Club to actively work together on shared initiatives aimed at promoting the health and vitality of our Club and community. Central to bringing new buyers to Desert Mountain, the Club has launched a comprehensive Real Estate Agent Outreach Program to include informative monthly luncheons, email blasts with Club information, and a shared image library which allows agents to access and use high-quality photography of Club amenities in their advertising efforts. We are also speaking and hosting information sessions at real estate associations in the area on an ongoing basis.

PREMIUM BRAND INITIATIVES:

RULES AND REGULATIONS

One of the most common complaints that the Board and Management receive relates to various issues concerning compliance with our rules and regulations. Unfortunately, there are instances of members not following the rules, which creates a disruption, affecting the complete enjoyment of our Club by others. On our part, we have revised our rules for the greater good of the membership, and we have ensured that the rules are clear, understandable and well communicated. Management, our committees, and our Board have already updated and distributed changes to the dress code, golf rules and regulations, credit card limitations, and guest policies. We have also addressed and put parameters around member-sponsored charitable golf events to ensure that these events are profitable and do not burden our members’ access to the courses. Our Club will foster a safe, healthy and positive environment for your family, and we have taken steps to eliminate abuse by non-members using our facility.

GOLF ACCESS

After comprehensive study and analysis, we will have three (3) golf courses with year-round cool season turf by the fall of 2020 (Renegade, Chiricahua and Seven). This will add over 400 days of golf annually, while also eliminating overseed closures, awkward transition periods, and reducing our operating spend each year while providing more consistent conditions. The future of golf access is very bright at our Club.

EMPLOYEE RECOGNITION AND FULFILLMENT

Our recent accomplishments and future successes rely on our exceptional team, and all members of our staff remain focused and committed to delivering outstanding experiences for our members. In support of their efforts, we have introduced many employee programs that allow them to thrive and grow while at work. We have established an onsite medical clinic which provides free medical services such as simple prescriptions and wellness services dedicated to our employees. This program is a huge morale boost for our staff, while reducing our overall medical costs to our Club. Giving back to our community is a cornerstone to employee fulfillment, and our teams have donated their time and talents throughout the year to organizations such as St. Mary’s Food Bank, Scottsdale Police and Fire Departments and United Blood Services. I am grateful for their efforts both within Club grounds and throughout our community.

As a testament to the experiences we are creating for employees, we are proud to celebrate the Club’s very first 30 year employment anniversary. Congratulations Sharon Klimuck! Her smiling face and tireless efforts are noticed and appreciated by all who come into contact with her. Sharon - thank you for your 30 years of outstanding service!

Another big accolade and congratulatory “thank you” is in order for our Club’s Director of Agronomy Shawn Emerson. In the fall of 2017, Shawn was inducted into the Arizona Golf Hall of Fame, an outstanding and prestigious accomplishment that only a very select few in our business will achieve.

Let me finish by thanking you for making Desert Mountain the great Club that it is today. We are grateful for our members’ constant support as we look to a very bright future as we forge ahead. Our team will be deeply dedicated to creating personalized service experiences, exceptional programming and a year-round commitment to forging positive memories for your family.

With tremendous respect and gratitude,



Damon DiOiro, CEO, CCM, CCE

DESERT MOUNTAIN MEMBER ANNIVERSARIES

25+ YEARS OF MEMBERSHIP

Jack & Jeannie Agrios
 Dr. John Amaro & Debra Richel
 David & Janet Arbesman
 Joy Austin-Files
 Jerry & Kathy Barnett
 Bruce Barth & Joanna Douglas
 Paul & Marilou Birkeland
 Douglas & Patti Borman
 Douglas & Patricia Borth
 Charles & Marjorie Brown
 Bernice Bukacek
 Rick & Kimberly Caruthers
 Robert & Judy Cecka
 Hilal & Nancy Chaboun
 C. & Shaye Chandler
 Dr. Dick & Jane Clark
 John & Anna Maria Connolly Jr.
 Mark & Gail Cooper
 Fredric & Glenda Corrigan
 Richard & Deborah Crowe
 Dr. Anthony & Jane Cruse
 Jerry & Linda Davis
 Carol Delahanty
 Tom & Mouse Doar III
 Michael & Glenda Dubes
 Karl Edmark
 Carl (Sandy) Engstrom
 Leslie (Jody) Epperson
 Dr. William & Cecilia Anne Eversman
 Dr. Roger & Marcia Fenton
 Hayden & LaDonna Fleming
 James & Jodi Foss
 Dr. Debra & Todd Francis
 Dr. Colin & Jill George
 Dr. Owen & Ruth Germundson
 John & Paula Geupel
 Dr. Stuart & Cheri Goldstein
 C.J. & Mary Goldthwaite Jr.
 Dr. Luis & Ann Gonzalez Jr.
 Andrew & Charlotte Goulder
 Dr. Ramon & Gloria Gustilo
 Mary Hannah
 Norman & Donna Harbert
 John & Clara Hardesty
 Patrick & Theresa Harvey
 Dr. David & Suzanne Haskell
 Barbara & Robert Hathorne

Raymond & Marjorie Hirsch
 Beverly & James Hogshire
 Jon & Beverly Holt
 Michael Honkamp
 Dr. William & Carol Huckin III
 Gregg & Clairese Huennekens
 Thomas Hulseman & Esteban Diaz
 Dean & Joan Hutton
 James & Page Ikard
 Todd & Cecilia (Celia) Ingram
 Richard & Virginia Janssen
 George & Gina Jenkins
 Stephen & Wendy Jenkins
 Richard & Stephanie Johnston
 Marjorie Julian
 Vicki Kelley-Griffanti & Ernest Griffanti
 Stephen & Sandra Ketterer
 Mary King
 David & Barbara Kirr
 Margaret & Joseph Kovach
 Thomas & Janet Kurgan
 James & Patricia LaCrosse
 Ryan Larson & Judy Acino
 John & Peggy Lehman
 Donald & Joan Leone
 Richard & Heidi Lloyd
 James & Mary Jane Luterbach
 LaRoy & Lila Luther
 Mark & Jan Lux
 H. Stanley Mansfield Jr. & Sloane Duffy
 Joseph & Paulette Maslick Jr.
 Dennis & Gail Mathisen
 Dr. David & Barbara McConahay
 Ron & Kay McDougall
 Thomas & Cynthia McGowan
 Craig & Mary Ellen McKibben
 John & Sandra McLeish
 Will & Elaine Mesna
 Larry & Sherry Montgomery
 J. Roger & Kay Moody
 Rockne & Kathleen Mullens
 Mike Murphy Sr.
 John & Susan Nehra
 Dwayne & Tina Osadchuk
 Victor & Nancy Parker
 James & Fran Paulin
 Terry & Patricia Payne

Melissa Previdi-Peri & Frank Peri
 George & Frances Phillips Jr.
 Russell Piccoli
 Paul & Shirley Piper Jr.
 Timothy Quinn
 Dr. Peter Raudzens & Susan Oberlick
 Michael & Terry Ravin
 Terry & Marie Ray
 David & Stephanie Reese
 Richard & Marit Reese
 Dr. David & Linda Jean Reichert
 Terese Rose
 Dr. Mark & Ava Joy Rosenberg
 Larry Rudy & Roberta Farrell-Rudy
 Dr. Bernard & Carolyn Salevitz
 Richard & Vicki Schiff
 Paul & Jan Schrage
 G. Joe & Diane Schwab
 Susan Schwalbach
 Sheila & Robert Seaton
 Richard & Jean Segil
 Dr. Andrew & Mary Shetter
 Rex & Virginia Short
 Dr. Gary & Edie Simpson
 Trygve & Tula Solberg
 Russell & Freddie Sopeland
 Dale & Patricia Spencer
 Thomas & Joy Spurgeon
 Dr. Glenn & Lisa Steele
 Michael & Madelyn (Mady) Stoll
 Michael James & Joan Lynn Storey
 Gene & Cheri Thomas
 John & Leslie Turner
 Joseph & Judy Uzelac
 Gary Van Brunt & Cheryl Stiehl-Van Brunt
 Dr. Gary Waddington & Susan Ross
 David & Christine Watson
 James & Jane Wayne Jr.
 George & Mary Jean Weiland
 Howard & Betty Weinstein
 Randall & Sue Whiteside
 Donald & Sue Wills
 Kenneth & Nancy Woodrow
 John & Caroline Zachary Jr.
 Bob Zack & Robin Hamilton

WELCOME NEW MEMBERS

Eric & Connie Allen
Dr. Fabio & Cynthia Almeida
Karen & Craig Aman
Gregory & Leslie Apter
George & Patricia Ashley
John & Terry Babbitt
Kevin Bailey & Pat Reilly
Tim & Shelley Banghart
William & Alesia Barksdale
Shana & Leigh Barry
Lawrence & Paula Bass
David & Sheree Bauer
Philip & Carol Bender
Marlene Benson
David & Sheila Bissonnette
Edward & Margaret Bonach
John & Teresa Bonutto
Stephen Brammell & Lauren Cusinato
Justin & Danielle Brown
Jim & Gay Burke
Tim & Felicia Case
Stephen & Michelle Christopher
James & Martha Clark
Todd & Heidi Clearwater
Terence & Nancy Conklin
Donald & Pamela Conover
Rod & Kim Cullum
Tom & Carolina Curran
Cheryl D'Anna & Thomas Berg
Dr. Dick & Brenda Dijkman
Justin & Maralyn Dooley
Dr. Stephen & Lynn Dudley
Jim & Kristy Duffey
William & Marlene Emerson
Thomas & Barbara Ennis
Dr. John & Susan Feagler

Curt & Jamie Fischer
Patrick & Cheryl Flynn
James Germek & Nancy Manhattan
Donald & Andrea Giroux
Shelly & Bernard Gochis
Patrick & Angie Gottsch
David & Kathleen Hannagan
Bob & Mary Harrington
William Heerdt & Marissa Barclay
Ron & Katherine Helm
Jeff & Leisa Heuple
Jane Huey
Rex & Krista Hughes
Ted & Linda Jenal
Daniel & Penny Johnson
Aaron & Ashley Jones
Robert Jones
Robert & Melissa Kazar
Richard & Jennifer Keil
Noah & Meghan Kendrick
Peter & Teresa Kight
John & Maureen Knapp
Brad & Diane Knoll
Donald & Jacqueline LaPierre
John & Jacqueline Leslie
Stephani & Kenneth Long
Wes & Elisabet Lucas
Paul & Teresa Masica
Michael & Nancy Mathews
Janice & Mac McAdams
Mark & Ann McElhinney
Scott & Debbie McKnight
Karen Meyer
James & Glena Miller
Mark & Marylyn Miller
David & Mary Mingo

John & Renee Moore
Dr. James Morgan & Christopher Scott
Dennis & Patricia Morris
David Mortensen & Susan Levy
David Netjes
Sean & Ellen O'Brien
John & Marla Ordway
John & Jeanette Orr
Paul Perry & Michelle O'Neill
Kerry & Bonnie Preete
Michael Raasch
Sam & Lori Raya
Daniel & Suzanne Raynak
Michel & Viviane Rey
Dr. James & Tracey Rhea
James & Mary Anne Rogers
Lisa & William Rogers
Ian & Pedro Rollo
Paul & Lyn Santina
Danny & Cheryl Scheck
Russell & Jacquelyn Schwei
Bradley & Lauri Shamla
Jerry & Sharon Shuck
Andrew Siegel
Dr. Sara Siso
Douglas & Laura Smith
Jeffrey & Linda Stein
Alan & Debra Strickstein
William & Leann Tarter
Patrick & Kristen Thompson
Michael & Michelle Vitch
Mark & Lilly Weidhaas
Gene & Kathi Wendorff
David & Susan Williams
John & Elizabeth Williams
John & Cherie Woods



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