



## **Success Plan Questions and Answers**

### **1) What homes will be included in the portfolio?**

#### **Real Estate Portfolio 21 Homes**

- 1) Cabo San Lucas/Villa La Estancia
- 2) Playa del Carmen/Luna Encantada Beach
- 3) Playa del Carmen/Luna Encantada Penthouse
- 4) Keystone/Settlers Creek
- 5) Big Island-Waikoloa/Colony Villas
- 6) Telluride/Owl Meadows
- 7) Breckenridge Golf/Stonehaven
- 8) La Quinta/PGA West
- 9) Beaver Creek-Arrowhead/Aspenwood Lodge
- 10) New York/1600 Broadway
- 11) Winter Park/Antler's at Lakota
- 12) Hilton Head/Sea Pines Plantation
- 13) Orlando/Champion's Gate
- 14) Maui-Wailea/The Palms
- 15) Turks & Caicos/Villa Renaissance
- 16) Nuevo Vallarta/Villa La Estancia
- 17) Beaver Creek/Village Hall
- 18) Punta Mita/La Playa Estates
- 19) Cancun/Portofino
- 20) Mammoth/Grand Sierra Lodge
- 21) Costa Rica/Reserva Conchal

#### **Properties no Longer Part of HCC Portfolio**

- 1) Breckenridge Mountain Lodge at Windwood
- 2) Stowe Vermont/Stoweflake
- 3) Lake Tahoe/Iron Horse Lodge at Northstar
- 4) Keystone/Red Hawk

- 5) Steamboat Springs/Eagle Ridge
- 6) Rosemary Beach/Barrett Square Lofts
- 7) Snowmass/Terrace House
- 8) Steamboat Ranch
- 9) Maui-Mauka/Nani Lau
- 10) Deer Valley/Black Bear Lodge
- 11) La Costa Resort and Spa
- 12) Copper Mountain/The Mill Club
- 13) Outer Banks/The Currituck Club
- 14) Tuscany/Villa Petrischio Merlino-1 BR
- 15) Tuscany/Villa Petrischio Artu-2BR

## **2) How will the new resignation policy work?**

Members will now be able to resign their membership on a 1 in 1 out basis. In fact, on our website, we will market the top five memberships at the top of the list in each membership category for sale to potential new members. Members will also be able to set their own price for their desired membership fee. Dues will be non negotiable. Members will not be able to sell their membership for more than the most recent membership pricing structure.

## **3) What will my new annual dues be?**

**Affiliate (21 night)** – \$325/night or \$6,825 annually

**Affiliate (25 night)** – \$315/night or \$7,875 annually

**Associate** – \$340/night or \$5,100 annually

**Companion** – \$360/night or \$2,520 annually

**Corporate** – \$285/night or \$11,970 annually

**Private (35 night)** – \$280/night or \$9,800 annually

**Private (45 night)** – \$240/night or \$10,800 annually

*\*Members with custom memberships may vary.*

## **4) Will the reservations policies remain the same?**

Yes, you will be able to preserve all of the other existing rights of your original membership agreement. However, you will now be allowed to book up to two years in advance, instead of only one.

## **5) In the event the business is liquidated, will there be anything left for members?**

At the end of 2007, our net asset test showed that the net assets of HCC exceed the amount of our member refundable deposit obligations. During 2008, we have seen a significant decrease in our property

values ranging from 20% - 50% off of our 2007 appraisals, which means that the equity in our portfolio has greatly diminished over the past 10 month period. In addition, we anticipate that the real estate market will continue to decline over 2009. Due to the current economic conditions, we believe that once the mortgage holders are paid there will not be any equity left for us to refund to our members. Management and investors of HCC would not receive any compensation from a liquidation unless our members were fully paid their refundable deposit.

**6) When do you plan to add new members and new homes again?**

We have no sense of how long this down market will last. We do have a plan to begin selling new memberships again and buying new homes and will continue to improve it over the next year or two. We look forward to the economy recovering and adding new members and homes with a much more stable model.

**7) Why did you select the homes that you plan to include versus not include?**

First, we excluded homes that had excessive costs such as the Maui-Mauka house and Outer Banks. Secondly, we looked at which properties are being used the least. Third, we tried to eliminate as many leases as possible, but decided to keep both Playa units and Beaver Creek/Village Hall because of their popularity.

**8) Can I downgrade my membership to a less expensive plan?**

Yes. If the dues increase is not acceptable, you have the option to downgrade your membership to a plan with similar dues to what you have been paying.

**9) Will the same level of member services be provided?**

Yes. Chris, Kristy and Nancy will be a part of the HCC team and will offer the same level of service to our members.

**10) How is my deposit secure?**

Once the Success Plan is executed, the future of the club will no longer be dependent on new memberships or ups and downs in the economy. We have made it much easier for members to resign their membership during these times. Also, most of our homes are owned and the equity in the homes will grow again over time so our net asset coverage over member deposit obligations will reappear at some point in the future.

**11) Can you show me the specifics on how the model is sustainable with no new sales?**

Our CFO will provide a spreadsheet to members illustrating the business model moving forward.

**12) It seemed like things were going very well with the club, what happened?**

Since the beginning of 2008, we began to see a noticeable negative impact on HCC due to the economy. However, we maintained our ability to sell and create interest in the club. Raising capital became increasingly difficult and our investor sources did not come through due to their fears of where the economy was heading. The economic events of the past 60 days changed the entire landscape of our company and the ability to sell into the foreseeable future. Thus, we have developed our Success Plan which will enable HCC to operate with no new sales.

**13) Are you certain your real estate values have declined 20% - 50%?**

Over the past 30 days, HCC had our entire real estate portfolio appraised. Depending on the property, we have seen a dramatic decline in all of our real estate values ranging from 20% - 50%. In addition, there is a large and growing amount of new inventory coming on line and most real estate experts expect values to decline further.

**14) What happens if I don't sign the Addendum, but most of the other members do?**

Members that do not sign the Addendum will immediately have the existing reservations canceled and will be placed on the resignation list. This Addendum will be sent to you for your signature on Wednesday, October 29<sup>th</sup>.

**15) How many members will be required to agree to sign the Addendum to execute the success plan?**

In order for the HCC Success Plan to move forward we will require approximately 75% of our membership base to agree and sign the Addendum.

**16) Have you considered merging or being acquired by a competitor?**

Yes. HCC does not currently have any merger/acquisition offers pending from any destination club. In the event an offer was made, I would only accept an offer from a destination club if they could demonstrate an ability to operate their business with little or no new sales for an extended period of time due to the fact that in a declining economy, new membership sales will be extremely difficult.

**17) What do you mean when you say "self sustaining plan?"**

HCC's Success Plan is based on a self sustaining model which means the dues collected by the members exceed the entire operational costs of the business eliminating our dependence on new sales and outside investment.

**18) Who will be on the new High Country Club Team?**

Christian Kirschner – President & CEO

Dan Moorhead – CFO

Chris Stock – VP of Member Services

Kristy Dragul – Member Services Manger

Nancy Nally – Member Services Manager

**19) How will communication with members work during the 3 week acceptance period?**

HCC has set up a member email [successplan@highcountryclub.com](mailto:successplan@highcountryclub.com) as a resource for members post their questions and concerns regarding our plan moving forward. We will continue to update the Q&A section of the website, which will be on the home page, with answers to member's questions and concerns as they come in.

**20) What happens if I have a reservation in a property that will no longer be part of HCC's portfolio?**

HCC will honor all reservations in properties that will no longer be a part of HCC's portfolio through March of 2009 with the exception of Outer Banks, Rosemary Beach, Tuscany and Deer Valley. Any reservations made after that time will be canceled. Outer Banks and Rosemary Beach reservations will be canceled after November 1<sup>st</sup>, 2008; Tuscany reservations will be canceled after December 15<sup>th</sup>, 2008; Deer Valley Reservations will be canceled after May, 31<sup>st</sup>, 2009. We deeply apologize, but it was required to make the financial model work. Your Member Services Representative will contact you to try and book you at another HCC property if possible.

**21) Why can't I make reservations online any longer?**

As of today, through the commitment date, no NEW reservations will be allowed. During this time the Member Services team will be working with members with canceled reservations to try and rebook them at available properties. After the commitment date, online booking will again be activated allowing members to book.

**22) When will my new annual dues be charged?**

You will be charged a prorated amount from December 1<sup>st</sup>, 2008 to your anniversary date on November 21<sup>st</sup>, 2008.

EXAMPLE:

On November 21<sup>st</sup>, 2008 for a 25 night Affiliate Membership, with a June 1<sup>st</sup> anniversary date, you will be charged prorated dues from December 1<sup>st</sup>, 2008 through May 31<sup>st</sup>, 2009: \$7,875/12 months x 6 months = **\$3,937.50**

On June 1<sup>st</sup>, 2009, you will be charged your annual dues from June 1<sup>st</sup>, 2009 through May 31<sup>st</sup>, 2010: **\$7,875**

**23) When would the charge for the cleaning fee begin and what is the charge?**

Each property will have a different cleaning assessment based on the size of the property. We will post the current charges for each property in the membership pages or you can contact your Member Services Representative. This fee will be charge to your credit card after your check out for all reservations starting on, or after, November 17<sup>th</sup>, 2008.