

Nickajack Shores Holdings, LLC

P.O. Box 5908
Maryville, TN 37802
(865) 380-8000

July 2, 2009

Dear

Rarity Communities, Inc. working in concert with other independent development companies, has been successful in the development and marketing of residential communities in the southern highland areas of Tennessee, dating back to 1994 when the first community, Rarity Bay, was established. The company's achievement has been based on acquiring rare real estate parcels, providing upscale residential communities, and marketing luxury home-sites to a generation known as "Baby Boomers", who are nearing retirement.

Until the past year, a solid foundation for retirement had been established from lucrative personal incomes, investments and real estate values that were enhanced by affordable and plentiful mortgage financing options. However, the recent economic developments have brought declining home values, rising unemployment, losses in personal wealth and economic uncertainty. These factors have caused many prospective Rarity Communities customers to delay or change retirement purchase plans.

As a result of the overall downturn in the economy, Nickajack Shores Holdings, LLC ("NSH"), the development company for Rarity Club on Lake Nickajack, has been informed that its first mortgage lender intends to foreclose on the property. NSH has been unable to meet its substantial financial obligations to the second mortgage lender of the property and therefore the loan has been declared in default. This action in turn created a default on the first mortgage loan and consequently development work on the project was halted. All current Rarity Club home-site owners have good title to their property and are not a part of the foreclosure process.

It has become apparent to us that recapitalization of the asset will be required in order for the development of Rarity Club to be completed. Because we strongly believe in the fundamental value of the Rarity Club real estate, a resolution is being sought that will be in the best interest of all current and future property owners. Given the early stage of the Rarity Club development, a fresh start for the project is our objective. As this plan takes shape, Rarity Communities will be available to offer development and marketing services within the new structure, as appropriate. Our goal is for Rarity Club to become a thriving community that is worthy of this rare piece of property.

Sincerely,

NICKAJACK SHORES HOLDINGS, LLC.



Michael L. Ross
Chief Manager

Questions & Answers Concerning Rarity Club

1. When does the foreclosure process begin?
 - a. The process will start immediately and is expected to progress very quickly.

2. What does this letter mean?
 - a. It basically means what it says, but a little further explanation is that it was time to get this issue off dead center and by the mortgagor foreclosing it accomplishes that.

3. Will you be running Rarity Club when everything washes out?
 - a. We certainly hope to be involved.

4. How does it affect me?
 - a. It should not affect you since all the Covenants, Restrictions and Design Guidelines for Rarity Club are recorded.

5. How do I know Rarity Club will be developed with the same level of excellence and beauty that I have come to expect?
 - a. We believe that in addition to what has been recorded that the value of this incredible piece of property will dictate the future of this fine community.

6. When can I start building?
 - a. Today.

7. How will this affect the value of my property?
 - a. It should not affect the value of your property anymore than the economic turmoil has.