

BYLAWS OF
THE GOLF CLUB
AT
DESERT MOUNTAIN

ARTICLE I

GENERAL

Section 1. Name. The Golf Club at Desert Mountain (the "Club"), a division of Desert Mountain Development Company, Inc., an Arizona corporation ("Company"), has been formed to promote and encourage the game of golf and other activities upon facilities owned by Company or its affiliates.

Section 2. Definitions. As used in these Bylaws, the following terms, unless a different meaning or intent clearly appears from the context, have the following meanings:

(a) Board: The Board of Directors of the Club as appointed by Company.

(b) Chairman: The Chairman of the Board as elected by the Board. The first Chairman is Jack Nicklaus.

(c) Company: Desert Mountain Development Company, Inc., an Arizona corporation, or any subsidiary thereof which may own and operate the Club, and their successors and assigns.

(d) Desert Mountain: The property in the development in Scottsdale, Arizona, called Desert Mountain, including without limitation the Ranch Highlands, Lone Mountain and Carefree Ranch Homesteads subdivisions.

(e) Immediate Family: The spouse and unmarried children through the age of 24.

(f) Member: A person given privileges as a licensee under these Bylaws and rules of the Club to use the facilities of the Club and who is included in a category of membership under these Bylaws.

(g) Membership Certificate: The certificate issued by the Club to each Member evidencing the membership of the Member.

(h) Non-Resident: Non-owner of property in Desert Mountain.

(i) President: The President of the Club as elected by the Board.

(j) Renegade, Cochise and Geronimo: The three golf courses which it is contemplated will make up the golf courses of the Club. Renegade will be the course located in the vicinity of Desert

Mountain Phase I. Cochise will be the east course and Geronimo will be the west course of the two golf courses planned in the central area of Desert Mountain.

(k) Resident: Owner of property in Desert Mountain.

Section 3. Context. In these Bylaws, unless the context indicates or requires otherwise, words of the singular shall be deemed and construed to include correlative words of the plural, and vice versa; and masculine, feminine and neuter references shall each include the others, as the context requires.

ARTICLE II

MEMBERSHIPS

Section 1. Policy as to Total Membership. It shall be the objective of the Board, in establishing and/or increasing or decreasing the total memberships in the Club from time to time, to provide Members access and tee times to the private (as described in Article IX) courses and facilities reasonably comparable to well-run, first-class private golf clubs as they exist in the greater Phoenix area in 1986.

Section 2. Categories. The membership of the Club shall consist of the following categories of membership: Regular Memberships (including Charter Regular Memberships), Honorary Memberships, and such additional membership categories, upon such terms, as the Board from time to time may specify, such as, but not limited to, Non-Resident National and International Memberships and Social Memberships. All memberships are non-proprietary; that is, a membership confers upon the holder only a license to use the facilities of the Club, subject to these Bylaws and such rules and regulations as may be promulgated by the Board.

Section 3. Assessments. Regular Memberships (including Charter Regular Memberships) are non-assessable prior to January 1, 2000. After that date, Regular Memberships (including Charter Regular Memberships) are non-assessable, except with the approval of at least 51% of all Members who would be subject to a proposed assessment.

Section 4. Regular Memberships.

4.1. There will be a maximum of 1,500 Regular Memberships (which include Charter Regular Memberships as described in Section 5). Regular Memberships shall be non-transferable.

4.2. The initiation fee for Regular Membership shall be as the Board may determine from time to time. The monthly dues for Regular Memberships shall be \$125 per month commencing with the month Renegade is open for play, and shall increase to \$200 per month on the first to occur of (i) the opening of the clubhouse for Renegade, or (ii) the opening of Cochise or Geronimo. Each year after the year in which the \$200 per month dues commence, through the year 1999, the \$200 monthly dues may be increased by the Board on the basis of any increases in the Consumer Price Index, United States, All Urban Consumers, All Items (1967-100), as published by the United States

Department of Labor, Bureau of Labor Statistics (the "Index"), plus any increases in the cost of providing water to Cochise and Geronimo. If the Index is revised or discontinued at any time, the Board may select a similar index for use in determining increases in the monthly dues. Commencing January 1, 2000, the monthly dues may be adjusted to an amount sufficient, when added to other Club revenues, to pay for the expenses of operating the Club (except the direct expenses of operating Renegade if it is being operated as a semi-private course as provided in Article IX).

4.3 Regular Memberships will carry the privilege of playing all three golf courses without green fees. Such right will extend to Renegade until January 1, 2000, but may be extended by Company in its sole discretion. After January 1, 2000, the right of Regular Members to play Renegade may be subject to such green fees or dues as the Board may establish.

4.4 All Regular and Honorary Members must be individuals. No such memberships may be issued to or held in the name of a partnership, corporation, trust or the like.

4.5 In the event of the death of a Regular Member, the membership shall terminate and revert to the Club, but the surviving spouse, until the first to occur of the remarriage or death of the surviving spouse, will retain the same privileges and be subject to the same dues and other obligations as the deceased Member, had the deceased Member remained alive, unless (i) the Club permits said spouse to transfer to another category of membership, or (ii) said spouse resigns from membership.

4.6 Notwithstanding anything to the contrary in this Section 4, a Regular Membership issued to any purchaser or other transferee of a lot or other property in Desert Mountain as the result of a right given by Company to the seller or other transferor from whom the lot or other property is being acquired may be of shorter duration or otherwise have more restrictive privileges than those described herein. Any such transferee should review the Charter Regular Membership Agreement or other controlling agreement between the transferor and Company to determine whether such restrictions exist.

Section 5. Charter Regular Membership. Charter Regular Memberships are a category of, and shall have all of the privileges of, Regular Memberships described in Section 4 except as the Company may expand or limit those privileges in a Charter Regular Membership Agreement with a Charter Regular Member. Company reserves the right, so long as Company owns the assets of the Club, to issue unissued Charter Regular Memberships from time to time on such terms as Company deems appropriate. There will be a maximum of 350 Charter Regular Memberships issued and outstanding at any one time.

Section 6. Honorary Membership. From time to time, the Board, in its sole discretion, may designate certain persons to be Honorary Members of the Club. An Honorary Member shall not be required to pay any initiation fee or any dues. Such Members shall have the same privileges as Regular Members with respect to the use of Club facilities. The term of an Honorary Membership shall be as determined by the Board.

ARTICLE III

ADMISSION OF MEMBERS

Section 1. Membership Committee. A Membership Committee appointed by the President will be charged with the duty of selecting and screening individuals proposed for membership. The Board may keep the names of the members of the Membership Committee confidential.

Section 2. Admission Procedure. The Board may establish such procedures for the proposal and admission of Members as it deems appropriate from time to time. The Club, within its sole discretion, without reason or cause, may deny membership to any proposee for membership.

ARTICLE IV

MEMBERSHIP PRIVILEGES

Section 1. Regular and Honorary Members. Regular and Honorary Members and their Immediate Families shall have the following privileges:

1.1 The privilege of playing the golf courses of the Club, subject to these Bylaws, including without limitation Article IX, and rules of the Club.

1.2 The privilege of use of all other Club facilities, subject to these Bylaws and rules of the Club.

1.3 The privilege of hosting guests at the Club, subject to the rules of the Club, including without limitation rules establishing guest fees and restrictions on use by guests. Guest policies, including without limitation guest fees and restrictions, shall be set by the Board from time to time.

ARTICLE V

MEMBERSHIP RIGHTS

Section 1. Liabilities. The Members are not liable for the debts or other obligations of the Club, nor do they share in any earnings thereof.

Section 2. Membership Certificates. When a prospective Member has satisfied all requirements set forth in these Bylaws entitling said prospective Member to become a Member, and has paid in full the initiation fee and other sums which may be required by the Club, a Membership Certificate, in the form adopted by the Club, shall be issued to the Member. Each Membership Certificate shall be signed by the Chairman and/or President of the Club.

Section 3. Transfer of Membership. Memberships are non-transferable, and upon expiration or other termination shall revert to the Club.

ARTICLE VI

TERMINATION AND SUSPENSION OF MEMBERSHIPS

Section 1. Causes of Termination. The membership of a Member shall terminate upon the occurrence of any of the following events:

(a) The death of the Member, whereupon, in the case of a Regular or Honorary Member, the surviving spouse of such Member shall be entitled to the same privileges, and be subject to the same obligations, as the deceased Member, had the deceased Member remained alive, as and to the extent provided in Section 4.5 of Article II.

(b) Resignation of the Member.

(c) Attempted transfer of the membership in violation of the terms of these Bylaws.

(d) Expulsion of the Member or termination of the membership in accordance with these Bylaws.

(e) The occurrence of any event which causes termination of the membership under any agreement between Company and the Member.

Section 2. Causes and Procedure for Suspension, Expulsion and Involuntary Termination. A Member may be suspended or expelled and the Member's membership terminated (or suspended as hereinafter provided) for the following causes and upon the following procedures:

(a) A determination by the Board that a Member of any category (including without limitation a Charter Regular Member) is incompatible with or disagreeable to the other Members or has engaged in conduct which, in the opinion of the Board, has a reasonable possibility of endangering the welfare, interest or character of the Club, or that the Member has engaged in conduct in violation of the Bylaws or rules of the Club. Following a preliminary determination that a Member shall be suspended or expelled under this subparagraph (a), notice shall be mailed to the Member, at least twenty days prior to the contemplated action, setting forth the nature of the charges and the action proposed to be taken, and advising the Member that the Member has a right to be heard, either orally or in writing, at a time which shall not be less than three days before the effective date of the proposed suspension or expulsion. Following the hearing, if any, the decision of the Board shall be final.

(b) If any Member fails to pay dues or other indebtedness owing by the Member to the Club by the time such dues or other indebtedness is delinquent as provided in Section 3 of Article VII, and if such sums are not paid in full within ten days of written notice thereof by the Club, such Member shall be suspended automatically from the use of the facilities of the Club. Any Member remaining delinquent 60 days following the notice may be expelled summarily from the Club by the Board without hearing. Upon the payment, prior to expulsion, of the delinquent sums in full and such late charges and other fees as the Club may impose, the Member shall

be automatically reinstated to membership. If, however, more than one suspension occurs in any one twelve month period, such Member shall not be reinstated even after payment until the Member has first appeared in person before the Board and obtained its written approval for reinstatement, which the Board may withhold in its sole discretion. If such reinstatement shall not be approved, the Member shall be deemed expelled from the Club and the Member's membership terminated.

(c) By the act of termination of a membership, the Club does not relinquish its right to collect in full all charges and other amounts due from the Member.

(d) Upon termination for cause, the Board, at its sole discretion, may refund any initiation fee paid by the Member less any outstanding indebtedness of the Member.

(e) Upon termination, all certificates and membership cards shall become the property of the Club and shall be delivered to the office of the Club.

ARTICLE VII

CHARGES, DUES, FEES, RULES AND REGULATIONS

Section 1. Initiation Fee. The Board may establish, from time to time, for each category of membership, a separate membership initiation fee, in such amount as it deems appropriate, which will be payable to the Club at such time as the Board may specify.

Section 2. Dues. Subject to the provisions of Sections 4, 5 and 6 of Article II, the Board, from time to time, may establish for each category of membership monthly dues in such amounts as it shall deem appropriate.

Section 3. Indebtedness. Subject to such restrictions as may be established by the Board, charge privileges may be established by Members for the purpose of buying food, merchandise or other items made available to Members. Any dues, assessments or other charges due the Club which have not been paid within 30 days of the date of billing shall be delinquent, and shall be subject to such delinquency and collection charges and interest as the Board from time to time may establish.

Section 4. Rules and Regulations. The Board, from time to time, may establish such rules and regulations for the control, operation and use of the Club and its facilities and property, and for the conduct and attire of Members and their Immediate Families and guests while using the facilities, as the Board deems appropriate. Such rules and regulations shall become effective upon enactment, shall be considered part of these Bylaws, and shall be binding upon all Members and their families, guests and visitors.

ARTICLE VIII

MANAGEMENT

Section 1. The Board. The affairs and property of the Club shall be managed and controlled by the Board. Day to day management of the Club may be delegated to such manager(s) or management company(ies) as the Board may determine.

Section 2. Advisory Board of Directors. The Board may, but is not obligated to, choose from the membership a number of persons who will constitute an advisory board of directors to render such advice and assistance in the management of the Club's operations and activities as the Board may seek from time to time.

ARTICLE IX

GOLF COURSE AND CLUBHOUSE USAGE

Section 1. Clubhouse. When constructed, the clubhouse for the Cochise and Geronimo courses will be private, as described in Section 2 of this Article. When constructed, the clubhouse at the Renegade course will be available to Members, but will be semi-private, as described in said Section 2 (unless the Renegade course becomes "private" as provided in said Section 2).

Section 2. Exclusivity. If only Renegade is constructed, it may be operated after 1991 only as a private course until such time as a second course is constructed. If two of the courses are constructed, one may be operated as a private course and one as a semi-private course, or both may be operated as private. If all three courses are constructed, one may be operated as semi-private and the other two as private, or all three may be operated as private. As used in these Bylaws, "private" means available only to (i) Members and their permitted guests, (ii) not more than 16 guests per day at resorts at Desert Mountain (in the aggregate whether there is one private course or two private courses) or 24 resort guests per day (in the aggregate, if there are three private courses), (iii) guests of Company, and (iv) in the case of Renegade only, guests in any golf cottages constructed in conjunction with the Renegade clubhouse. As used in these Bylaws, "semi-private" means available to persons other than or in addition to those to whom private courses are available. Notwithstanding anything herein to the contrary, all courses may be used for tournament play at the discretion of the Board. If more than one course is built and one is to be semi-private, Renegade will be the semi-private course.

Section 3. Renegade. Until the time Geronimo or Cochise opens, Renegade will be available to (i) Members on a non-green fee basis and their permitted guests; (ii) to the extent permitted by Company prior to January 1, 1992, non-Member Residents and their permitted guests; (iii) guests in any golf cottages constructed in conjunction with the Renegade clubhouse; and (iv) invitees of Company in connection with its promotion and development of Desert Mountain. When either Geronimo or Cochise opens, Renegade may become semi-private, available to Members without green fees at least until January 1, 2000, but subject to such use as may be permitted by Company, in its sole discretion, on a green fee or other fee basis by (i) resort guests at resorts

at Desert Mountain; (ii) non-Member Residents and their permitted guests; and (iii) Non-Residents. Renegade may not be used by resort guests at resorts at Desert Mountain (excluding guests in any golf cottages constructed in conjunction with the Renegade clubhouse) until Geronimo or Cochise is open, except to the extent permitted for a private course as provided in Section 2 of this Article.

Section 4. Non-Member Residents. Access to Renegade by non-Member Residents through 1991, and at such times thereafter as it is operated as a semi-private course, shall be only to the extent, if any, permitted by the Board from time to time, and shall be subject to such fees and restrictions as are established by the Board.

Section 5. Duration. The restrictions on use of the courses in Sections 2 and 3 of this Article will extend for at least 30 years from the date of these Bylaws.

ARTICLE X

AMENDMENT OF BYLAWS

The Board reserves the right to amend these Bylaws and to adopt new Bylaws; provided, however, (a) the Board, prior to January 1, 2000, shall not have the power to amend the provisions of Section 3 of Article II providing that Regular Memberships (including Charter Regular Memberships) are non-assessable prior to January 1, 2000, and (b) the Board shall not have the power to amend any of the following provisions of these Bylaws without the approval of at least 51% of the Regular Members (including Charter Regular Members):

(1) Section 1 of Article II, relating to the policy as to total membership.

(2) After January 1, 2000, Section 3 of Article II relating to assessments.

(3) Section 4.2 of Article II (except the last sentence thereof), relating to monthly dues.

(4) Section 4.3 of Article II, relating to the playing privileges of Regular Members.

(5) The first sentence and the last sentence of Section 2 of Article IX, relating to exclusivity.

(6) The first sentence and the last sentence of Section 3 of Article IX, relating to the use of Renegade.

(7) Section 5 of Article IX, relating to the duration of restrictions on use of the courses.

(8) This Article X, relating to amendment of these Bylaws, to diminish the rights of Regular Members (including Charter Regular Members) under (a) and (b) of this Article X.

(9) The last sentence of Section 5 of Article II relating to the maximum number of Charter Regular Memberships.

If a Charter Regular Membership Agreement with a Charter Regular Member gives a Charter Regular Member privileges in addition to those of a non-Charter Regular Member, no amendment of these Bylaws shall diminish those additional privileges.

ARTICLE XI

NOTICE TO MEMBERS

Whenever notice is required to be given to a Member or Members, such notice may be given either personally or by first-class mail, or by telegraphic or other written communication, addressed to the Member whether at the address of that Member appearing on the books of the Club or the address given by the Member to the Club for the purpose of notice. If no address appears on the books of the Club and no other has been given, notice shall be deemed to have been given if notice is sent to that Member by first-class mail or telegraphic or other written communication to the Club's principal office. If mailed, notice shall be deemed given and received when deposited, postage prepaid, in the United States Mail addressed as provided above.

ARTICLE XII

LIABILITY FOR USE OF PROPERTY

Every Member shall be responsible to the Club for any damages to Club property caused by such Member or the Member's family, guests or visitors. Payment for damages shall be collected in the same manner as that in which other debts or obligations are collected under these Bylaws, and the failure to pay a bill therefor when presented shall have the same effect as any other failure to pay an amount due the Club as provided by these Bylaws.

ARTICLE XIII

NON-LIABILITY

To the fullest extent permitted by law, neither Company, the Chairman, the President, the Board or members thereof, any committee of the Club or any member thereof, nor any directors or officers of Company, shall be liable to any Member or anyone else for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval, course of action, act, inaction, omission, error, negligence or the like made in good faith in connection with the Club, these Bylaws or rules and regulations of the Club, and Company shall indemnify and hold harmless any of the aforescribed

individuals from any said claim or liability, together with all costs and expenses incurred in connection therewith, including without limitation all court costs and attorneys' fees.

ARTICLE XIV

MEMBERS BOUND BY BYLAWS, RULES AND REGULATIONS

Every Member agrees by becoming a Member that not only is he or she bound by the terms hereof and the rules and regulations of the Club, but also agrees to be bound by any and all changes, repeals, amendments or additions to the Bylaws and rules and regulations.

ARTICLE XV

RELINQUISHMENT TO MEMBERS

At any time after January 1, 2000, Company may, but shall have no obligation to, turn over the assets of the Club, and the management and control of the Club, to the Members as follows:

(a) Company shall transfer title to the assets of the Club, free of mortgages and deeds of trusts, to an Arizona corporation (non-profit, if then permitted under Arizona law) which shall have been incorporated by Company. The members of the corporation shall be the Regular Members (including Charter Regular Members) of the Club. Such memberships shall be non-assessable except upon the vote of at least 51% of the Members who would be subject to a proposed assessment.

(b) The Articles and Bylaws of said corporation shall provide for a Board of Directors of not less than five nor more than 15 members. Said board shall be elected by the Regular Members and shall have the right to elect the president. The president shall have full authority to run the Club in all respects, without interference from the board, except that the board (i) shall have sole authority to set the number of Members and categories of membership; (ii) shall have the right to remove the president from office; and (iii) shall have such other rights as Company shall provide in the Articles and Bylaws of said corporation, it being the objective, however, to have the president exercise substantial control over operation of the Club through said corporation.

Upon the transfer of the assets of the Club to said corporation, Company shall have no further obligation or responsibility with respect to the Club, except pre-existing operating debts. For the purposes of this Article, the Renegade course if operated as a semi-private course or third private course and the Renegade clubhouse shall constitute part of the assets of the Club, and shall be transferred with the other assets of the Club, only at the election of Company in its sole discretion.

ARTICLE XVI

NO PROPERTY RIGHTS

It is expressly stipulated, and each Member by becoming a Member agrees, that no property rights or vested rights of any kind accrue to the benefit of any Member, nor does any Member have any ownership rights in the Club or the assets of the Club or Company, by virtue of Club membership. Selection to membership is the full and sole consideration for the payment of any membership initiation fee.

ARTICLE XVII

NO THIRD PARTY BENEFICIARY

These Bylaws are not for the benefit of, and create no rights or privileges in favor of, anyone other than Members of the Club as expressly provided herein. Without limiting the generality of the preceding sentence, the provisions of these Bylaws relating to Non-Residents, non-Member Residents and resorts and resort guests create no rights in those persons or entities against or with respect to Company or its assets, the Club or its assets, or Members, and are included herein solely to set forth for Members the privileges which Company has the right, but not the obligation, to extend to those persons or entities.

ARTICLE XVIII

NO EXPRESS OR IMPLIED COVENANTS OR RESTRICTIONS

Notwithstanding anything to the contrary in these Bylaws, nothing in these Bylaws or in any Charter Regular Membership Agreement shall create any express or implied covenants or restrictions (including without limitation restriction as to use) attaching or appurtenant to, or running with, any real property, including without limitation the real property upon which any of the three planned golf courses is constructed or planned to be constructed. Without limiting the generality of the preceding sentence, Company reserves the right to move the site of Cochise and Geronimo.

The undersigned certify that the above Bylaws are the Bylaws of this Club as of this date.

October 29, 1986.

THE GOLF CLUB AT DESERT MOUNTAIN

By Lyle Anders
President

DESERT MOUNTAIN DEVELOPMENT COMPANY,
INC.

By Lyle Anders
Chairman