

**THE DESERT MOUNTAIN CLUB**

**BYLAWS OF  
THE DESERT MOUNTAIN CLUB**

**(as Revised Effective July 1, 1994)**



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(as revised effective July 1, 1994)**

**PREFACE**

The Deferred Equity Membership Plan for The Desert Mountain Club, effective July 1, 1994 (the "Plan"), provides for the future organization of a new corporation or other business entity and the transfer of assets from Company to this new entity (the "New Club Entity") at a date (the "Turnover Date") and upon certain terms and conditions specified in the Plan. At the time the New Club Entity is created, corporate or other entity bylaws will be prepared and adopted for the New Club Entity which, at a minimum, will carry forward the italicized provisions set forth below. Any reference in the Plan to "Bylaws" will, following the Turnover Date, refer to the bylaws adopted by the New Club Entity, as they may thereafter be amended from time to time in accordance with their terms. Prior to the Turnover Date, the assets of the Club will continue to be owned by Company and operations of the Club will continue under the Bylaws set forth below, as amended from time to time pursuant to the provisions hereof. Any reference to "Bylaws" under the Plan shall mean these Bylaws, as amended from time to time in accordance with their terms, prior to the Turnover Date. Any reference to "Bylaws" in any Membership Agreement between a Member and Company which is entered into prior to the effective date of the Plan (or is entered into following such effective date but, by its terms, remains non-equity in nature and therefore not subject to the Plan) shall mean and refer prior to the Turnover Date, and shall continue to mean and refer after the Turnover Date, to this instrument, as amended from time to time in accordance with its terms, or to any successor or replacement instrument adopted by Company in accordance with the terms hereof.

Article X has, since the original adoption of these Bylaws in 1986, prohibited or otherwise restricted the Board of Directors' unilateral right to amend several specifically identified provisions of these Bylaws, typically by requiring the approval by a majority of various identified classes of Members. For ease of reference, all such "conditionally amendable" provisions (except for Article X itself) are placed in italics. All of these provisions have been left in tact and unamended, even though some of these clauses are, by their own terms, no longer operative (e.g., clauses addressing once future contingencies that have since been satisfied or clauses that established minimum rights or entitlements of members which have since been favorably augmented). Bracketed notations identify all such inoperative clauses. Additionally, effective July 1, 1994, Article XV, regarding the disposition and future operation of the Club facilities, as amended, is included within the "conditionally amendable" provisions (likewise placed in italics) which can be amended only as provided in Article X, subsection (f).

## ARTICLE I.

### GENERAL

Section 1. **Name.** The Desert Mountain Club, formerly called the Golf Club at Desert Mountain (the "Club"), a division of Desert Mountain Properties, an Arizona general partnership ("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, capitalized defined terms, unless a different meaning or intent clearly appears from the context (or, with respect to Plan Members, unless otherwise defined in the Plan), shall have the following meanings:

- (a) **Board:** The Board of Directors of the Club appointed by Company.
- (b) **Chairman:** The Chairman of the Board elected by the Board. The honorary Chairman is Jack Nicklaus.
- (c) **Company:** Desert Mountain Properties, an Arizona general partnership, or any affiliate thereof which may own and operate the Club, and their successors and assigns.
- (d) **Desert Mountain:** The master-planned gated development in Scottsdale, Arizona, commonly known as Desert Mountain and subdivided, in phases and units, under the "Desert Mountain" name, commencing with that certain plat of record entitled "Desert Mountain, Phase I, Unit One," recorded January 23, 1986, in Book 293, Page 41, in the Official Records of Maricopa County, Arizona.
- (e) **Immediate Family:** The spouse and unmarried children through the age of 24.
- (f) **Member:** A person given privileges as a licensee under a non-equity Membership Agreement entered into without respect to the Plan, as well as under these Bylaws and rules of the Club, and a person given privileges under a deferred equity Membership Agreement entered into with respect to the Plan, as well as under the Plan and these Bylaws and the 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 Agreement:** An agreement entered into between Company and a Member granting the Member rights to use the facilities of the Club.
- (h) **Membership Certificate:** The certificate issued by the Club to each Member evidencing the membership of the Member.



(i) **Non-Plan Member**: A person who holds a membership pursuant to a non-equity Membership Agreement and; consequently, such membership is not governed by the Plan.

(j) **Non-Resident**: A person who does not own property in Desert Mountain.

(k) **Plan**: The Deferred Equity Membership Plan described above, as it may be amended from time to time.

(l) **Plan Member**: A person who holds a membership under a deferred equity Membership Agreement and, consequently, under the Plan.

(m) **President**: The President of the Club elected by the Board.

(n) **Renegade, Cochise and Geronimo**: The three golf courses which make up the first three golf courses of the Club. Renegade is the course located in the vicinity of Desert Mountain Phase I. Cochise is the east course and Geronimo is the west course of the two golf courses in the central area of Desert Mountain. The fourth course of the Club is to be located in the eastern-most portion of Desert Mountain. Any reference herein to "the three courses" or any similar term shall mean and refer to Renegade, Cochise and Geronimo. Any reference herein to "the golf courses of the Club" or any similar term shall mean and refer to Renegade, Cochise, Geronimo, the fourth course and, if and when committed for construction at the discretion of Company, a fifth course.

(o) **Resident**: Owner of property in Desert Mountain.

(p) **Turnover Date**: The date referred to above in the Preface and defined in the Plan.

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**.

1.1 The provisions of subsection (a) of this Section apply to and may be relied on by Non-Plan Members (i.e., who hold their memberships pursuant to non-equity Membership Agreements). The provisions of subsection (b) of this Section apply to and may be relied on by Plan Members (i.e., who hold their memberships pursuant to deferred equity Membership Agreements and the Plan).

(a) *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.*

(b) From time to time, the Club may modify or add additional membership categories, in the sole discretion of the Club, in order to facilitate the changing needs and desires of the Club's membership. In no event, however, shall the modified or new membership category have golf privileges equal to or greater than Regular Memberships (including Charter Regular Memberships) and Golf Memberships. In modifying or creating such membership categories, the Club shall take into account the then-prevailing standards of play at comparable fine clubs throughout the world. Furthermore, in the event other recreational facilities are added to the Club, the Club may offer an appropriate category and number of additional memberships.

1.2 The number of Regular Memberships (including Charter Regular Memberships) which are "Issued" shall not exceed 1500. The limitation on memberships set forth in the preceding sentence is subject to the qualifications set forth below in this subsection 1.2:

(a) No membership shall be considered "Issued" if it is not held in the name of an individual Member (rather than the Club or Company) or is not fully activated so that the Member is entitled to the full use of Club facilities. A membership which is committed pursuant to a Membership Agreement or other agreement with the Club or Company shall not be considered "Issued" under this subsection until it is both issued in the name of the individual Member and fully activated.

(b) The maximum of 1500 "Issued" Regular Memberships may be exceeded temporarily if previously committed memberships are activated but during any such period no additional Regular Memberships will be committed by the Club or Company.

1.3 The total number of Golf Memberships which are "Issued" under the Plan shall not exceed 475 multiplied by the number of golf courses of the Club (but may be temporarily exceeded pending completion of a golf course of the Club). The number of issuable Golf Memberships will be temporarily reduced by the number of those active Regular and active Charter Regular Memberships (which, by definition, both have the same use privileges as Golf Memberships) and for whose resale property buyer a Deferred Equity Golf Membership has been reserved. A Deferred Equity Golf Membership can be "reserved" by a Regular Member who continues to own the lot or home originally acquired with such active Regular Membership or by a Charter Regular Member who previously sold his or her original lot, but thereafter acquired another lot or home at Desert Mountain on terms established by Company. Accordingly, active memberships held by individuals who no longer own property at Desert Mountain shall not be counted against the 475 per course "cap" on Golf Memberships set forth above.

1.4 The number of Club Memberships which are "Issued" under the Plan shall not exceed 125 multiplied by the number of golf courses of the Club (but may be temporarily exceeded pending completion of a golf course of the Club).

1.5 The determination of whether a Golf Membership or a Club Membership under the Plan is "Issued" will be made on the basis of standards which are essentially the same as those set forth in subsection (a) of Section 1.2 above for Regular Memberships taking into account any relevant differences in requirements for identifying Members and causing memberships to become active.

Section 2. Categories. The provisions of subsection (a) of this Section, applicable to Non-Plan Members, describe memberships pursuant to non-equity Membership Agreements. The provisions of subsection (b) of this Section, applicable to Plan Members, describe memberships pursuant to deferred equity Membership Agreements and the Plan.

(a) The membership of the Club holding membership under non-equity Membership Agreements shall consist of the following categories of membership: Regular Memberships (including Charter Regular Memberships), Sonoran (called "Social" until February 1, 1991) Memberships (including Special Sonoran Memberships), Honorary Memberships, National Golf Memberships, Club Memberships, and Social Memberships. All memberships under non-equity Membership Agreements (i.e., entered into without being governed by the Plan) 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.

(b) The membership of the Club holding membership under deferred equity Membership Agreements and the Plan shall consist of Deferred Equity Golf Memberships (herein also referred to as "Golf Memberships") and Deferred Equity Club Memberships (herein also referred to as "Club Memberships") and such other membership categories, upon such terms, as the Board may from time to time specify (consistent with the provisions of Section 1.1(b) of this Article II and the Plan, as either may be amended from time to time in accordance with the terms of the Bylaws and the Plan). The rights and privileges of Members who hold their memberships under deferred equity Membership Agreements and the Plan shall be as set forth in such Membership Agreements, the Plan, the Bylaws, and such rules and regulations as may be promulgated by the Board.

Section 3. Assessments. The provisions of subsection (a) of this Section, applicable to Non-Plan Members, describe memberships pursuant to non-equity Membership Agreements. The provisions of subsection (b) of this Section, applicable to Plan Members, describe memberships pursuant to deferred equity Membership Agreements and the Plan.

(a) *Regular Memberships (including Charter Regular Memberships), Sonoran Memberships (including Special Sonoran Memberships), National Golf Memberships, Club Memberships and Social Memberships are non-assessable prior to January 1, 2000. After that date, Regular Memberships (including Charter Regular Memberships) and National Golf*

*Memberships are non-assessable, except, as to each of those classes of membership, with the approval of at least 51% of all Members in that class who would be subject to a proposed assessment but Sonoran (including Special Sonoran), Club and Social Memberships are assessable by the Board without a vote of such members.*

(b) Golf Memberships and Club Memberships issued under the Plan shall not be assessable for operating deficits of the Club occurring prior to the Turnover Date. After the Turnover Date, such memberships are assessable by the Board.

Section 4. Regular Membership.

4.1 Regular Memberships include Charter Regular Memberships 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 shall be as established from time to time by the Board, taking into account costs of operations, reasonable reserves (if any), cost of living increases, the level of dues, use fees and other charges at fine clubs throughout the world (while considering comparability of physical facilities and service levels), and such other matters as the Board deems relevant.*

4.3 [Note: This entire section is historic "carry-over" language only; because Renegade is now a private course, the restrictions after January 1, 2000 are not longer operative. In addition, the reference to "all three courses" now also includes the fourth course.] *Regular Memberships will carry the privilege of playing all three golf courses without green fees. This 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 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 continue in the name of the surviving spouse until the death of the surviving spouse, and the surviving spouse will retain the same privileges and be subject to the same dues and other

obligations as the deceased Member would have had if the deceased Member had remained alive, unless (i) the Club permits the spouse to transfer to another category of membership, (ii) the spouse resigns from membership, or (iii) the Charter Regular Membership Agreement, Regular Membership Agreement, Dual Membership Agreement, Regular Membership and National Golf Membership Agreement or other controlling agreement pursuant to which the membership was issued, or Article XIX, provides for earlier termination of the privileges.

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, Regular Membership Agreement, Dual Membership Agreement, Regular Membership and National Golf Membership Agreement, Regular Membership Agreement or other controlling agreement between the transferor and Company to determine whether such restrictions exist.

4.7 Notwithstanding anything foregoing to the contrary, any Regular Membership Agreement or other contract to which Company is a party may waive the dues provided for herein for any period Company may elect.

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. 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, but shall in all instances remain subject to termination by the then-current Board.

Section 7. **Sonoran Membership.**

7.1 The number of Sonoran Memberships (called "Social" Memberships until these Bylaws were amended on February 1, 1991) shall be as the Board may determine from time to time. Special Sonoran Memberships are a category of, and shall have all of the privileges of, Sonoran Memberships hereunder except as Company may expand or limit those privileges in a Special Sonoran Membership Agreement. Sonoran Members do not have access to the Cochise and Geronimo golf courses or practice facilities.

7.2 *The access of Sonoran Members to Renegade until January 1, 2000, shall be upon payment of such green fees as the Board may set from time to time for play by guests accompanying Regular Members on Renegade. Thereafter, access of Sonoran Members to Renegade shall be subject to such green fees and other charges and/or dues (in addition to those dues described in Section 7.3) as the Board may establish. Special Sonoran Memberships may be dues free for whatever period may be provided by Company in the Special Sonoran Membership Agreement.*

7.3 The initiation fee for Sonoran Membership shall be as the Board may determine from time to time. *Any individual who is a Sonoran Member prior to February 1, 1991, shall pay monthly dues equal to one-fourth of the monthly dues for a Regular Member. For any individual who becomes a Sonoran Member or a Special Sonoran Member on or after February 1, 1991, dues shall be equal to one-half of the monthly dues for a Regular Member, subject to any dues free period provided for in any Special Sonoran Membership Agreement. Sonoran Memberships are non-assessable prior to January 1, 2000. After that date, Sonoran Memberships are assessable by the Board.*

7.4 All Sonoran Members must be individuals. No Sonoran Membership may be issued to or held in the name of a partnership, corporation, trust or the like.

7.5 In the event of the death of a Sonoran Member, the membership shall continue in the name of the surviving spouse, until the death of the surviving spouse, and the surviving spouse will retain the same privileges and be subject to the same dues and other obligations as the deceased Member would have had if the deceased Member had remained alive, unless (i) the Club permits the spouse to transfer to another category of membership, (ii) the spouse resigns from membership, or (iii) the Dual Membership Agreement, Sonoran Membership Agreement, Special Sonoran Membership Agreement or other agreement pursuant to which the membership was issued provides for earlier termination of said privileges.

7.6 Notwithstanding anything to the contrary in this Section 7, a Sonoran 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 Dual Membership Agreement, Sonoran Membership Agreement, Special Sonoran Membership Agreement or other controlling agreement between the transferor and Company to determine whether such restrictions exist.

#### Section 8. National Golf Membership.

8.1 The number of National Golf Memberships shall be as the Board may determine from time to time.

8.2 *With the exception of the rounds of golf without green fees described in Section 3.2 of Article IV, the access of National Golf Members to Renegade until January 1,*

2000, shall be upon payment of such green fees as the Board may determine from time to time for guests accompanying Regular Members on Renegade. Thereafter, access of National Golf Members to Renegade shall be subject to such green fees and other charges and/or dues (in addition to those dues described in Section 8.3) as the Board may establish.

8.3 The initiation fee for National Golf Membership shall be as the Board may determine from time to time. *The monthly dues for any individual who is a National Golf Member prior to February 1, 1991, shall be one-half of the amount of the monthly dues for Regular Membership.* The dues for any individual who becomes a National Golf Member on or after February 1, 1991, shall be at such rates and payable at such times as the Board may determine from time to time.

8.4 All National Golf Members must be individuals. No National Golf Membership may be issued to or held in the name of a partnership, corporation, trust or the like.

8.5 In the event of the death of a National Golf Member, the membership shall continue in the name of the surviving spouse, until the death of the surviving spouse, and the surviving spouse will retain the same privileges and be subject to the same dues and other obligations as the deceased Member would have had if the deceased Member had remained alive, unless (i) the Club permits the spouse to transfer to another category of membership, (ii) the spouse resigns from membership, or (iii) the Regular Membership and National Golf Membership Agreement or other agreement pursuant to which the membership was issued, or Article XIX, provides for earlier termination of said privileges.

8.6 Notwithstanding anything to the contrary in this Section 8, a National Golf 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 Regular Membership and National Golf Membership Agreement or other controlling agreement between the transferor and Company to determine whether such restrictions exist.

Section 9. Non-Equity Club Membership. The provisions of this Section 9 apply to Non-Plan Members.

9.1 The number of Club Memberships shall be as the Board may determine from time to time. Club Members do not have access to the Cochise and Geronimo golf courses or golf practice facilities except to the extent (and then only upon the terms and conditions) authorized in a Membership Agreement with Company or the Club, which may include complete elimination of all or any privileges with respect to use of such facilities.

9.2 The access of Club Members to Renegade until January 1, 2000, shall be upon payment of such green fees as the Board may set from time to time for play by guests accompanying Regular Members on Renegade. Thereafter, access of Club Members to Renegade shall be subject to such green fees and other charges and/or dues (in addition to those

dues described in Section 9.3) as the Board may establish. Notwithstanding the preceding two sentences, Company (through a Membership Agreement or other contract to which Company is a party) or the Board may waive all or any portion of the green fees for play by Club Members and their Immediate Family for such periods and in such circumstances as Company or the Board may elect from time to time, in their sole and absolute discretion.

9.3 The initiation fee for Club Membership shall be as the Board may determine from time to time. Any individual who is a Club Member shall pay monthly dues equal to 60% of the monthly dues for a Regular Member, subject to any dues free period provided for in any Club Membership Agreement or other contract to which Company is a party. Club Memberships are non-assessable prior to January 1, 2000. After that date, Club Memberships are assessable by the Board.

9.4 All Club Members must be individuals. No Club Membership may be issued to or held in the name of a partnership, corporation, trust or the like.

9.5 In the event of the death of a Club Member, the membership shall continue in the name of the surviving spouse, until the death of the surviving spouse, and the surviving spouse will retain the same privileges and be subject to the same dues and other obligations as the deceased Member would have had if the deceased Member had remained alive, unless (i) the Club permits the spouse to transfer to another category of membership, (ii) the spouse resigns from membership, or (iii) the Club Membership Agreement or other agreement pursuant to which the membership was issued provides for earlier termination of said privileges.

9.6 Notwithstanding anything to the contrary in this Section 9, a Club 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 controlling agreement between the transferor and Company to determine whether such restrictions exist.

9.7 Notwithstanding anything foregoing to the contrary, any Club Membership Agreement, or other contract to which Company is a party, may waive the dues provided for herein for any period Company may elect.

#### Section 10. Social Membership.

10.1 The number of Social Memberships shall be as the Board may determine from time to time. Social Members do not have access to the Club's golf courses or golf practice facilities.

10.2 Social Memberships may be dues free for whatever period may be provided by Company in a Membership Agreement, or other contract to which Company is a party.



10.3 The initiation fee for Social Membership shall be as the Board may determine from time to time. ~~Any individual who is a Social Member shall pay monthly dues equal to 40% of the monthly dues for a Regular Member, subject to any dues free period provided for in a Membership Agreement, or other contract to which Company is a party.~~ Social Memberships are non-assessable prior to January 1, 2000. After that date, Social Memberships are assessable by the Board.

10.4 All Social Members must be individuals. No Social Membership may be issued to or held in the name of a partnership, corporation, trust or the like.

10.5 In the event of the death of a Social Member, the membership shall continue in the name of the surviving spouse, until the death of the surviving spouse, and the surviving spouse will retain the same privileges and be subject to the same dues and other obligations as the deceased Member would have had if the deceased Member had remained alive, unless (i) the Club permits the spouse to transfer to another category of membership, (ii) the spouse resigns from membership, or (iii) the Social Membership Agreement or other agreement pursuant to which the membership was issued provides for earlier termination of said privileges.

10.6 Notwithstanding anything to the contrary in this Section 10, a Social Membership issued to any purchaser or other transferee of a lot or other property in Desert Mountain as a 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 controlling agreement between the transferor and Company to determine whether such restrictions exist.

10.7 Notwithstanding anything foregoing to the contrary, any Social Membership Agreement, or other contract to which Company is a party, may waive the dues provided for herein for any period Company may elect.

#### Section 11. Deferred Equity Golf Membership.

11.1 Golf Memberships may not be sold and may be transferred only through the Club. The Club will cause Golf Memberships to be reissued under the circumstances and upon the terms and conditions set forth in the Plan.

11.2 The initiation fee (called the "Membership Contribution" under the Plan) for Golf Memberships shall be as the Board may determine from time to time. The monthly dues and other charges to be paid by Golf Members shall be set annually by the Board prior to the commencement of each membership year. Through the year 1999, the 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 the Club's golf courses. 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 shall be as established from time to time by the Board, taking into account costs of operations, reasonable reserves (if any), cost of living increases, the level of dues, use fees and other charges at fine clubs throughout the world (while considering comparability of physical facilities and service levels), and such other matters as the Board deems relevant.

11.3 Golf Memberships carry the privilege of playing the Club's golf courses, on such terms and subject to such conditions as may be set forth in the Plan.

11.4 Golf Memberships may be owned by individuals, or by partnerships, corporations, or other bona fide business entities, subject to such conditions and limitations as may be imposed from time to time pursuant to the Plan.

Section 12. Deferred Equity Club Membership. The provisions of this Section 12 apply to Plan Members.

12.1 Club Memberships may not be sold and may be transferred only through the Club. The Club will cause Club Memberships to be reissued under the circumstances and upon the terms and conditions set forth in the Plan.

12.2 The initiation fee (called the "Membership Contribution" under the Plan) for Club Memberships shall be as the Board may determine from time to time. Monthly dues for Club Members shall be no greater than 60% of the monthly dues then being charged Golf Members.

12.3 Club Memberships carry the privilege of using the Club's tennis, swimming and social facilities. Club Memberships shall also have limited golf privileges on the Club's golf courses on a fee-paying basis, as set forth in the Plan.

### 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, consistent with any applicable provisions of the Plan and any other binding agreement between Company and a Member or applicant for membership. The Club, within its sole discretion, without reason or cause, may deny membership to any applicant 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 with the same use rights and first priority as enjoyed by Golf Members, 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 other charges, and restrictions on use by guests. Guest policies, including without limitation guest fees and other charges, and restrictions on use by guests, shall be set by the Board from time to time.

Section 2. **Sonoran Members.** Sonoran Members and their Immediate Families shall have the following privileges:

2.1 *The privilege of playing Renegade as provided in Section 7.2 of Article II, subject to these Bylaws and rules of the Club.*

2.2 *The privilege of use of such clubhouses and other club facilities as may be operated by the Club, subject to these Bylaws and rules of the Club.*

2.3 The privilege of hosting guests at the Renegade golf course and such clubhouses as may be operated by the Club, subject to the rules of the Club, including without limitation rules establishing guest fees and other charges for the guests of Sonoran Members and restrictions on use by guests. Guest policies for Sonoran Members, including without limitation guest fees and other charges and restrictions on use by guests, shall be set by the Board from time to time.

Section 3. **National Golf Members.** National Golf Members and their Immediate Families shall have the following privileges:

3.1 *The same access to all Club facilities, except golf courses, as Regular Members.*

3.2 *A National Golf Member has the privilege of ten rounds of golf per calendar year without green fees on any of the Club's three golf courses, subject to these Bylaws and rules of the Club. These rounds may be used by either the Member or the spouse of the Member, and may be on any one or more of the Renegade, Cochise and Geronimo courses. The*

*ten rounds may be at any time, subject to the right of the Club to restrict such play to certain times of the day or during certain seasons based on levels of play: "The Club does not anticipate the need for such restrictions for a number of years from the date of these Bylaws. Guests may accompany the Member or the spouse of the Member on any of the ten rounds to the same extent and upon the same terms as guests playing with a Regular Member. Additional guest privileges of National Golf Members may be established and revised by the Club from time to time. [Note: The reference to three golf courses is historic "carry-over" language only; in fact, the National Golf Members' rounds can be played on any of the golf courses. Accordingly, Section 3.3 below is no longer operative.]*

3.3 *In addition to the golf privileges described in Section 3.2 above, National Golf Members shall have the privilege of playing Renegade as provided in Section 8.2 of Article II, subject to these Bylaws and rules of the Club.*

Section 4. **Non-Equity Club Members.** Club Members holding their memberships under non-equity Membership Agreements, and their Immediate Families, shall have the following privileges:

4.1 The privilege of playing Renegade as provided in Section 9.2 of Article II, subject to these Bylaws and rules of the Club.

4.2 The privilege of use of such clubhouses and other club facilities as may be operated by the Club, subject to these Bylaws and rules of the Club; provided, however, the Club may eliminate the privilege of using the Cochise/Geronimo Clubhouse dining room and related facilities at any time in the Club's sole and absolute discretion.

4.3 The privilege of hosting guests at the Renegade golf course and such clubhouses as may be operated by the Club, subject to the rules of the Club, including without limitation rules establishing guest fees and other charges for the guests of Club Members and restrictions on use by guests. Guest policies for Club Members, including without limitation guest fees and other charges and restrictions on use by guests, shall be set by the Board from time to time.

4.4 The privilege of playing Cochise and Geronimo and hosting guests on Cochise and Geronimo during such times of the year and subject to such terms, conditions, limitations and fees as the Board may from time to time elect in its sole and absolute discretion including, but not limited to, the complete elimination of all or any privileges under this Section 4.4 either temporarily or permanently.

Section 5. **Social Members.** Social Members and their Immediate Families shall have the privilege of use of such clubhouses and other club facilities as may be operated by the Club, subject to these Bylaws, rules of the Club, and such restrictions and conditions as may be imposed in any Membership Agreement with Company.

Section 6. **Club Facilities.** Unless otherwise expressly stated herein or in a Membership Agreement, membership privileges shall include use of the tennis and swim facilities constructed south of the Cochise and Geronimo golf courses. These facilities may be referred to collectively herein or in a Membership Agreement as the "Sonoran Clubhouse."

Section 7. **Deferred Equity Golf Members.** Golf Members (by definition who hold their memberships under deferred equity Membership Agreements and the Plan), and their Immediate Families, are entitled to use all of the golf, tennis, swimming and social facilities of the Club, subject to such restrictions or limitations as may be imposed from time to time in accordance with the Plan. Golf Members will have the highest priority sign-up privilege (with Regular Members, including Charter Regular Members) to reserve golf starting times and the same priority as all Deferred Equity Club Members and all Non-Plan Members to reserve tennis court times and to reserve all other non-golf facilities. Golf Members initially shall not be required to pay green fees or court fees for their use of the golf and tennis facilities of the Club, but shall be required to pay golf cart fees for the use of golf carts.

Section 8. **Deferred Equity Club Members.** Those Club Members who hold their memberships under deferred equity Membership Agreements and the Plan, and their Immediate Families, are entitled to use the tennis, swimming and social facilities of the Club, subject to such restrictions or limitations as may be imposed from time to time in accordance with the Plan. Such Members and their Immediate Families shall also have limited golf privileges on the Club's golf courses on a fee-paying basis, as provided in the Plan.

## ARTICLE V.

### MEMBERSHIP RIGHTS

Section 1. **Liabilities and Earnings Distributions.** The Members are not liable for the debts or other obligations of the Club, nor do they share in any earnings of the Club prior to the Turnover Date. After the Turnover Date, the obligations and liabilities of Non-Plan Members remain unchanged and the Non-Plan Members will continue not to share in any earnings of the Club. After the Turnover Date, the obligations and liabilities of Plan Members, together with their right to share in any earnings, shall be as set forth in the Plan.

Section 2. **Membership Certificates.** When a prospective Member has satisfied all applicable requirements set forth in these Bylaws (and in any Membership Agreement or, with respect to Plan Members, in the Plan) 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 held by Non-Plan Members are non-transferable, and upon expiration or other termination shall revert to the Club. Memberships held by Plan Members have limited "transfer" rights, through the Club, as described in the Plan.

## 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) If the membership is held by an individual, the death of the individual who is the Member if (i) there is no surviving spouse or, (ii) there is a surviving spouse but the Membership Agreement or other agreement pursuant to which the membership was issued provides for termination upon the death, whereupon, if so provided in the Membership Agreement or other agreement, a surviving spouse of the Member shall be entitled to such continuing privileges, and be subject to the obligations, as specified in the Membership Agreement or other controlling agreement.

(b) Resignation of the Member.

(c) Attempted transfer of the membership in violation of the terms of these Bylaws or the Membership Agreement or other agreement pursuant to which the Member held the membership.

(d) Expulsion of the Member or termination of the membership in accordance with these Bylaws or the Membership Agreement or other agreement pursuant to which the Member held the membership.

(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, the 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, the 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 a reinstatement is not 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 (but, with respect to Plan Members, subject to any applicable limitations of the Plan), 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 (called "Membership Contribution" under the Plan), 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 and Charges.** Subject to the provisions of Article II, the Board, from time to time, may establish for each category of membership monthly dues and/or charges for use of Club facilities 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 (or such other period as the Board may from time to time specify by notice to the Members) shall be delinquent, and shall be subject to such delinquency and collection charges (including court costs and attorneys' fees) 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. Any such rules and regulations shall not materially conflict with applicable provisions of Membership Agreements and, with respect to Plan Members, the Plan.

## 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.** The Board may, but is not obligated to, choose from the membership a number of persons who will constitute an advisory board 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.** The clubhouse for the Cochise and Geronimo courses and the clubhouse for the Renegade course will be private, as described in Section 2 of this Article.

Section 2. **Exclusivity.** *Cochise and Geronimo will be operated as private. Renegade will also be operated as private effective February 1, 1993. The fourth course will be private when it is open for play. As used in these Bylaws, "private" means available only to (i) Members and their permitted guests, (ii) not more than 8 rounds per day for the Cochise, Geronimo and Renegade golf courses, and 16 rounds per day for the fourth course, for guests staying at overnight lodging accommodations at Desert Mountain (e.g., in the aggregate, 40 rounds for four private courses, which rounds may be distributed over one or any combination of all such courses open for play to the membership), and (iii) guests of Company. Notwithstanding anything herein to the contrary, all courses may be used for tournament play at the discretion of the Board.*

Section 3. **Renegade.** [Note: This entire section is historic "carry-over" language only; because Renegade is now a private course, this language is no longer operative.] *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. Until January 31, 1993, Renegade will be operated as semi-private, available to Members without green fees (except that Sonoran Members and Club Members and, except as provided in Section 3.2 of Article IV, National Golf Members shall pay green fees unless such green fees are waived in whole or in part pursuant to a Membership Agreement with Company) 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. As used in these Bylaws, "semi-private" means available to persons other than or in addition to those to whom private courses are available. 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.** [Note: Deleted effective 7/1/94; former provision addressed access to Renegade by non-Member Residents.]

Section 5. **Duration.** *The restrictions on use of the courses in Sections 2 and 3 of this Article will extend until at least October 29, 2016.*

## 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 (i) Section 3 of Article II providing that Regular Memberships (including Charter Regular Memberships) and National Golf Memberships are non-assessable prior to January 1, 2000, or (ii) the next to last sentence of Section 7.3 of Article II providing that Sonoran Memberships are non-assessable prior to January 1, 2000;

(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 1.1 of Article II, relating to the policy as to total membership,

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

(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;

(c) prior to January 1, 2000, 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 Sonoran Members:

(1) The first sentence of Section 7.2 of Article II and Section 2.1 of Article IV relating to access to Renegade,

(2) The second sentence of Section 7.3 of Article II relating to monthly dues,

(3) Section 2.2 of Article IV relating to use of clubhouses,

(4) This Article X, relating to amendment of these Bylaws, to diminish the rights of Sonoran Members under (a) and (c) of this Article X;

(d) 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 National Golf Members:

(1) The first sentence of Section 8.2 of Article II relating to access to Renegade until January 1, 2000,

(2) The second sentence of Section 8.3 of Article II relating to monthly dues,

(3) Sections 3.1, 3.2 and 3.3 of Article IV relating to use of Club facilities to diminish materially the benefits of those Sections to National Golf Members,

(4) This Article X, relating to amendment of these Bylaws, to diminish materially the rights of National Golf Members under (a) and (d) of this Article X;

(e) the Board shall not amend the provisions of Article XIX so as to diminish materially the dues repayment benefits of that Article to those Members holding memberships with a Dues Repayment Benefit; and

(f) the Board shall not amend the provisions of Article XV, relating to the future operation of the Club facilities by the Deferred Equity Members, without the approval of at least 51% of each class of Members affected by any such proposed amendment.

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, the 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 the 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 partners comprising Company nor any shareholders, directors or officers of any such partners, 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 the Member 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.

### FUTURE OPERATION OF CLUB FACILITIES BY DEFERRED EQUITY MEMBERS

*Section 1. Transfer of Assets; Reserved Rights. Title to the then-existing Club facilities shall be transferred to the Deferred Equity Members subject to the terms, conditions, contingencies, time limitations and other provisions set forth in Section VI of the Plan, all of which are incorporated herein by this reference. In the event of any judicial or other binding determination invalidating or setting aside all or any portion of the Plan, whether prior to or at the Turnover Date, and without limiting the contingencies recited in Section VI.F of the Plan, then, at the option of Company, the foregoing provisions of this Section 1 shall no longer be of*

any force or effect and Company may dispose of the Club facilities and the property of the Club in any manner whatsoever (including, without limitation, conveyance to related entities or assigns or to one or more unrelated parties), subject to the continuing use rights of the Members. Upon such election and disposition, the votes of the Plan Members shall continue to be deemed advisory only. Additionally, in the event, at any time, of any such judicial or other binding determination, or pending litigation or other effort to procure such a determination, the Club reserves the right to issue (a) non-equity memberships conferring rights which are substantially comparable to the non-equity aspects of the Plan, and/or (b) non-transferable non-equity memberships conferring use rights which are substantially comparable to Regular Memberships and Club Memberships, as described in Sections 4 and 9, respectively, of Article II hereof.

**Section 2. Non-Discrimination Against Non-Plan Members.** In no event, however, following the Turnover Date, shall the Plan Members, by virtue of their voting rights or otherwise, take any action or cause any action to be taken which would materially diminish the use rights of the then remaining Non-Plan Members or which would apply in an adversely selective or discriminatory fashion against the Non-Plan Members which is inconsistent with the contractual rights conferred under their respective Membership Agreements. Such prohibited actions would include, without limitation, any of the following:

(a) charging dues or other fees for full-golf privilege Non-Plan Members which are in excess of those charged against Plan Members in the Golf Membership (or comparable full-golf privilege) category;

(b) charging dues or other fees for limited-golf privilege Non-Plan Members which are in excess of those charged against Plan Members in the Club Membership (or comparable limited-golf privilege) category;

(c) levying assessments (i.e., required payments in excess of periodic dues) against Regular Members (including Charter Regular Members) or against National Golf Members, without the approval of at least 51% of all Non-Plan Members within the applicable class, as required by Section 3(a) of Article II hereof;

(d) distributing earnings from the Club among Plan Members which were proximately derived from the collection of excessive dues from Members, including Non-Plan Members.

**Section 3. Non-Discrimination Against Deferred Equity Club Members.** In no event, however, following the Turnover Date, shall the Deferred Equity Golf Members, by virtue of their two-to-one voting rights, majority control, or otherwise, take any action or cause any action to be taken which would materially diminish the rights of the Deferred Equity Club Members or which would apply in an adversely selective or discriminatory fashion against the Deferred Equity Club Members which is inconsistent with the rights conferred under their respective Membership Agreements or under the Plan. Such prohibited actions would include, without limitation, the following:

(a) *imposing use fees which are in excess of those imposed on Deferred Equity Golf Members;*

(b) *levying assessments greater than 60% of the assessments imposed on Deferred Equity Golf Members; or*

(c) *distributing earnings from the Club among Deferred Equity Club Members which are less than 60% of the earnings per Member distributed among Deferred Equity Golf Members.*

#### **ARTICLE XVI.**

##### **NO PROPERTY RIGHTS**

Subject to the provisions of the Plan with respect to the rights of Plan Members, 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 Company and 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, Regular Membership Agreement, Dual Membership Agreement, Special Sonoran Membership Agreement, Sonoran Membership Agreement, Club Membership Agreement, Social Membership Agreement, Regular Membership and National Golf Membership Agreement, Deferred Equity Golf Membership Agreement, or Deferred Equity Club 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 Club's golf courses or related amenities is constructed or planned to be constructed.

## ARTICLE XIX.

### DUES REPAYMENT BENEFIT

*Section 1. Dues Repayment Benefit Memberships. Those particular Regular and National Golf Memberships designated in a Membership Agreement between Company and a Member as having a "Dues Repayment Benefit" shall have the benefit of the provisions of this Article XIX. All Charter Regular Memberships have the Dues Repayment Benefit to the extent provided in Section 6 of this Article. Memberships other than those described in the two preceding sentences do not have the Dues Repayment Benefit.*

#### *Section 2. Dues Repayment.*

*2.1 The Club shall cause one-fourth of all monthly dues received by the Club from memberships having the Dues Repayment Benefit to be deposited in a fund with an unrelated person or entity (the "Fund"). When a Member holding a membership with a Dues Repayment Benefit wishes to relinquish the membership to the Club, the Member shall deliver his or her membership certificate (or an affidavit reasonably suitable to the Club stating that the certificate has been lost or destroyed) to the Club by personal delivery along with written notice to the Club (the notice is herein called the "Dues Repayment Request") that the membership is being surrendered to the Club and the Member wishes to receive the Dues Repayment Benefit. Subject to the availability of money in the Fund, the Member shall be paid an amount equal to all monthly dues the Member has paid on the membership, without interest thereon, up to a maximum of \$50,000 in the case of Regular Memberships (including Charter Regular Memberships) having the Dues Repayment Benefit, and a maximum of \$25,000 in the case of National Golf Memberships having the Dues Repayment Benefit. That payment to the Member, subject in all cases to the respective \$25,000 and \$50,000 limitations described above, is herein sometimes called the "Dues Repayment".*

*2.2 If a Member held a Regular Membership with Dues Repayment Benefit, and then switched to a National Golf Membership with Dues Repayment Benefit in accordance with a written Membership Agreement with Company, the Dues Repayment Benefit shall extend to dues paid on both memberships, but the maximum repayment is limited to \$25,000. If a Member held a National Golf Membership with Dues Repayment Benefit, and then switched to a Regular Membership with Dues Repayment Benefit in accordance with a written Membership Agreement with Company, the Dues Repayment Benefit shall extend to dues paid on both memberships, and the maximum repayment is limited to \$50,000.*

*2.3 Dues Repayment Requests will be honored in the order received provided they are accompanied by the membership certificate (or affidavit) being surrendered. If a Dues Repayment Request is not accompanied by a membership certificate (or affidavit), it will not be*

*placed in order for Dues Repayment until the certificate (or affidavit) is received. Once a Dues Repayment Request and certificate (or affidavit) have been tendered to the Club, the Dues Repayment Request may not be rescinded without the consent of the Club, which may be withheld in its sole and absolute discretion, and the membership for which the Dues Repayment Request is made shall upon such a tender become and remain inactive until a Dues Repayment is made (in which event the membership shall be deemed surrendered to the Club) or the provisions of Section 2.4 of this Article XIX permit the membership to be reactivated following notice by the Club to the Member that the Member's name has been placed on a waiting list for Dues Payment.*

*2.4 If there is insufficient money in the Fund to honor a Dues Repayment Request accompanied by a certificate (or affidavit), then a waiting list for Dues Repayment will be established, and the requests will be honored in the order described above, with full Dues Repayment being made to the Member at the top of the list before any repayment is made to anyone else on the list. While a Member is on the list, and until the Dues Repayment has been made, the membership shall be deemed as on inactive status with no further payment of dues required and with the Member having no further privileges with respect to the Club, or the Member, within 30 days of notice that he or she is on a waiting list for Dues Repayment, and not thereafter, may give written notice to the Club by personal delivery that the Member wishes to reactivate the membership while on the waiting list and continue to pay dues and continue to enjoy the privileges of the membership until Dues Repayment is made, whereupon, the membership shall be deemed reactivated until Dues Repayment is made. Notwithstanding the provisions of Section 2.3 above and this Section 2.4, if, upon the death of a Member, and if the membership had a Dues Repayment Benefit and there is a Dues Repayment Request at a time when there is a waiting list, the membership nevertheless is deemed surrendered upon death and is not subject to the provisions of the two above-described Sections regarding inactive status and possible reactivation.*

*2.5 ALL DUES REPAYMENTS PURSUANT TO THIS ARTICLE XIX SHALL BE MADE SOLELY FROM THE FUND, AND NEITHER COMPANY, THE CLUB, NOR ANYONE ELSE SHALL HAVE ANY OBLIGATION TO MAKE THE DUES REPAYMENTS OTHER THAN FROM MONIES AVAILABLE IN THE FUND, AND NEITHER COMPANY NOR THE CLUB SHALL HAVE ANY OBLIGATION TO DEPOSIT ANY MONEY IN THE FUND OTHER THAN THE ONE-FOURTH PORTION OF THE DUES FROM MEMBERSHIPS WITH A DUES REPAYMENT BENEFIT AS PROVIDED IN SECTION 2.1 ABOVE. IF MONEY IS NOT AVAILABLE IN THE FUND TO HONOR A DUES REPAYMENT REQUEST WHEN MADE, NO INTEREST SHALL ACCRUE OR BE PAYABLE WITH RESPECT TO THE DEFERRED DUES REPAYMENT.*

*Notwithstanding anything herein to the contrary, the Dues Repayment Benefit shall apply only to dues actually received by the Club. Neither the Club nor Company shall have any obligation or responsibility for unpaid dues, including without limitation any obligation or responsibility to commence legal or other actions for collection, to enforce remedies provided for in recorded instruments, these Bylaws or Membership Agreements, or to pursue or seek to pursue any other right, remedy or privilege belonging to the Club or Company regarding such dues.*



*In the event that collection or other enforcement efforts are undertaken for recovery of unpaid dues, the costs of any such enforcement efforts, including without limitation attorneys' fees and court costs, shall be deducted from sums collected and reimbursed to the Club or Company (which expended or incurred them) and the contribution obligations of Section 2.1 of this Article XIX shall only apply to one-fourth of the remaining balance.*

*The Club shall have the right to offset against the Dues Repayment any indebtedness of the Member to Company or the Club.*

*Section 3. The Fund. Money in the Fund may be invested in investments such as, but not limited to, certificates of deposit, time certificates of deposit, money market funds, commercial paper, bonds and annuities. If, from time to time, a reputable outside accounting or audit firm should advise that the Fund, taking into account (i) reasonably anticipated income from future dues, income from Fund investments and Fund purchased annuities; and (ii) other reasonably relevant factors, contains more money than is reasonably necessary to meet on a timely basis reasonably anticipated Requests for Repayment, based upon reasonable analysis of relevant data such as, but not limited to, numbers of remaining memberships with Dues Repayment Benefits and historical rates of surrender of memberships, then the excess money may be released from the Fund to the Club or Company, as directed by Company, and there shall be no obligation to restore the released money to the Fund. In the event of a release of money from the Fund in compliance with this Section 3, neither the outside accountant or auditor, the holder of the Fund, the Club nor Company (nor any partner comprising Company, nor any officer, director or shareholder of any such partner) shall have any liability to any Member or the estate of any Member as a result of the release, including without limitation as the result of any subsequent shortages of money in the Fund to meet on a timely basis Requests for Repayment.*

*Section 4. Dues Repayment and Surviving Spouse.*

*4.1 If a Member delivers written notice to the Club that upon his or her death a Request for Repayment shall be deemed made ("Preliminary Notice"), then the Request for Repayment shall be deemed made, and placed in order for Dues Repayment, at the time the Club is notified of the death of the Member and the membership certificate (or affidavit) is surrendered to the Club. In the event a Member elects to give the Preliminary Notice described above, then, unless the Preliminary Notice is revoked in writing by the Member, upon the death of the Member, notwithstanding anything to the contrary in these Bylaws, the Member's spouse shall have no further privileges with respect to use of the Club.*

*4.2 If a Preliminary Notice has not been given, then upon the death of a Member who holds a membership with Dues Repayment Benefit, the privileges of the surviving spouse shall be as set forth in these Bylaws and the applicable Membership Agreement, subject to the following:*

*(a) Notwithstanding anything to the contrary in these Bylaws (including without limitation Sections 4.5 and 8.5 of Article II) or the Membership Agreement, if under any circumstances a Request for Repayment is made, or if under any circumstances Dues*

*Repayment is required to be made, with respect to the membership of the deceased Member, the privileges of the surviving spouse shall cease.*

*(b) So long as neither a Request for Repayment nor Dues Repayment is made, the surviving spouse, upon compliance with all provisions of these Bylaws entitling the surviving spouse to Club privileges (including without limitation payment of dues), may continue to enjoy such privileges to the extent, and upon the terms, permitted in these Bylaws and any applicable Membership Agreement, and all monthly dues payments by the surviving spouse shall be included in the Dues Repayment (subject to the maximums described in Section 2.1 of this Article) when the surviving spouse makes a Request for Repayment in compliance with Section 2.1 of this Article. Any such Request for Repayment by the surviving spouse shall be subject to all the terms and conditions of any other Request for Repayment by a Member, including without limitation the provisions relating to the order of the Request for Repayment on any waiting list for Dues Repayment.*

*Section 5. Default. Notwithstanding anything in these Bylaws or any Membership Agreement, if a portion of the purchase price for a lot in Desert Mountain in connection with which a membership or memberships with Dues Repayment Benefit(s) was issued is evidenced by a promissory note or similar instrument (referred to herein as a "Note"), upon any transfer of title to the lot (or transfer of beneficial interest in the Lot) as the result of foreclosure, trustee's sale or other proceedings resulting from default in payment of the Note or default under the deed of trust, mortgage or other security instrument (collectively a "Deed of Trust") securing the Note, there shall be no Dues Repayment or right to Dues Repayment of any kind with respect to said membership(s). Additionally, the right to any Dues Repayment will be suspended during any period when there exists a default under the Note or Deed of Trust and if the Request for Repayment in connection with that membership is first on any waiting list for Dues Repayment during the suspension, the Requests for Repayment of others behind on the list will be honored first until the period of suspension terminates as a result of cure of the default.*

*Section 6. Charter Regular Memberships. All Charter Regular Memberships shall have the Dues Repayment Benefit as to monthly dues paid after January 1, 2000.*

## ARTICLE XX.

### DISPUTES

Notwithstanding anything to the contrary in these Bylaws or in any Membership Agreement, in the event of a dispute between or among any of the following: a Member, the personal representative or heirs of a deceased Member, the spouse or surviving spouse of a Member, or anyone else involving a membership or a Dues Repayment Benefit, Company and the Club may, but need not, suspend any or all privileges of membership or of a surviving spouse, and refrain from honoring the demands of any party, or paying a Dues Repayment in question, until the dispute has been resolved to the satisfaction of Company and the Club.

CERTIFICATE OF ADOPTION

The undersigned certify that the above Bylaws are the Bylaws of the Club revised to this date, having been duly adopted by The Board of Directors of The Desert Mountain Club pursuant to a written consent of even date with this Certificate of Adoption. The original Bylaws of the Club were adopted by said Board of Directors pursuant to a written consent dated March 11, 1986.

July 1, 1994.

DESERT MOUNTAIN PROPERTIES,  
an Arizona general partnership,  
d/b/a The Desert Mountain Club

By: DM LAND CORPORATION,  
a Delaware corporation, its  
general partner

By: W. D. Deihl  
W. D. Deihl, President

and

By: SONORA PARTNERS LIMITED  
PARTNERSHIP, a Washington  
limited partnership, its  
general partner

By: SONORA HOLDING COMPANY,  
an Arizona corporation,  
its general partner

By: Lyle Anderson  
Lyle Anderson, President

