

BYLAWS
OF
THE DESERT MOUNTAIN CLUB

(as revised effective March 31, 2004)

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PREFACE

The Desert Mountain Club (the "Club") was founded in 1986, when the Club developer adopted a set of bylaws to govern the Club's affairs. Those Club bylaws, as amended from time to time, are set forth after this preface.

For many years the Club bylaws have authorized three basic types of membership: full golf, limited golf and social (no golf). Initially, the Club offered only non-equity, non-transferable memberships. In 1994, however, the Club ceased issuing non-equity memberships, except for a limited number of Honorary Memberships and Founder Memberships and except as needed to fulfill pre-existing commitments. While the number of non-equity memberships with golf privileges has declined significantly since 1994 and will continue to do so, the Club today continues to have non-equity members.

In 1994, in response to requests from existing and prospective Club members, the developer implemented a Deferred Equity Membership Plan. The Club has since offered, and continues to offer, full golf and limited golf Deferred Equity Memberships. These memberships are transferable through the Club in perpetuity, and the holders of these memberships will one day indirectly own and control the Club. Under the Deferred Equity Membership Plan, the developer is to convey the Club facilities to an entity comprised of the Club's Deferred Equity Members, not later than March 1, 2011.

In recent years, the developer has substantially expanded the Club's facilities, agreed to relinquish certain prerogatives retained by the developer under the Club's historic governing documents and made certain additional commitments for the benefit of the Club and its members. In order to update the Club bylaws to reflect these developments, and to make the Club bylaws a more effective governing instrument when the Club is member-owned, the developer has adopted the amended and restated Club bylaws which follow this preface.

BYLAWS
OF
THE DESERT MOUNTAIN CLUB
(As revised effective March 31, 2004)

ARTICLE I

GENERAL

1.1 Purpose of the Club. The Club has been formed to promote and encourage the game of golf and other activities upon the Club Facilities.

1.2 Definitions; Incorporation of Appendixes. As used in these Bylaws, capitalized terms have the meanings stated in Article XXIV. The two Appendixes attached to these Bylaws are hereby incorporated into, and made a part of, these Bylaws.

1.3 Number and Gender. 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

CLUB FACILITIES ARE PRIVATE

All Club Facilities are private. As used in the preceding sentence and in Article III of these Bylaws, "private means" available only to (i) Members, the Immediate Families of Members and their permitted guests, in accordance with these Bylaws and the Rules and Regulations, (ii) for tournament play, at the discretion of the Board; and (iii) guests of the Company, as permitted in Section 23.2.

ARTICLE III

POLICY AS TO TOTAL MEMBERSHIP

3.1 Policy. 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 II) courses and facilities reasonably comparable to well-run, first-class private golf clubs as they existed in the greater Phoenix area in 1986.

3.2 Duration of Policy. The original Bylaws included Section 3.1. The provision remains in these Bylaws solely for the benefit of Regular Members, National Golf Members,

Non-Equity Club Members and Sonoran Members. When the Club no longer has any Regular Members or National Golf Members, this Article III shall be of no further force or effect.

ARTICLE IV

AUTHORIZED CATEGORIES OF MEMBERSHIP

4.1 Authorized Categories. Subject to the limitations stated in Article V, the Club may have Members in each of the following membership categories: Golf Membership, Club Membership, Regular Membership, National Golf Membership, Non-Equity Club Membership, Sonoran Membership, Social Membership, Founder Membership and Honorary Membership. After the Turnover, the Board may also establish other categories of membership, as provided in Section 4.2.

4.2 Additional Categories of Membership. From time to time after the Turnover, the Board may (subject to Article III, while it remains in effect) amend these Bylaws to supplement the privileges of any category of members with limited privileges or add additional membership categories, in the sole discretion of the Board, 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 Golf Memberships. In creating any new membership categories, or in supplementing the privileges of any existing membership category, the Board 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 after the Turnover, the Board may amend these Bylaws to provide for an appropriate category and number of additional memberships.

ARTICLE V

NUMBER OF AUTHORIZED MEMBERSHIPS BY CATEGORY

5.1 Golf Memberships. The Club may issue up to 2,375 Golf Memberships.

5.2 Club Memberships. The Club may issue up to 290 Club Memberships. The reissuance of any Deferred Equity Membership surrendered to the Club for reissuance shall not be treated as the issuance of a Membership for purposes of Section 5.1 or this Section 5.2. In the event that the Club Owner reacquires any previously issued Deferred Equity Membership, such Membership shall not be treated as having been issued for purposes of Section 5.1 or this Section 5.2 until it is reissued.

5.3 Social Memberships. The Club may issue Social Memberships in such number as the Board may establish from time to time, provided, however, that the Club shall not issue any Social Memberships prior to the Turnover, other than to surviving spouses of Non-Equity Members pursuant to Section 9.1.1.

5.4 Honorary Memberships. The Club may issue Honorary Memberships in such number as the Board may establish from time to time, provided, however, that the Club shall not have more than six Honorary Members at any time prior to the Turnover.

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ARTICLE III

POLICY AS TO TOTAL MEMBERSHIP

3.1 Policy. 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 II) courses and facilities reasonably comparable to well-run, first-class private golf clubs as they existed in the greater Phoenix area in 1986.

3.2 Duration of Policy. The original Bylaws included Section 3.1. The provision remains in these Bylaws solely for the benefit of Regular Members, National Golf Members,

5.5 Founder Memberships. The Club shall not issue any additional Founder Memberships, except as provided in the following sentence. In the event that a Founder Membership issued prior to the Effective Date is surrendered to the Club or otherwise terminates after the Effective Date and prior to the Turnover, the Company may, in each such case, issue another Founder Membership prior to the Turnover.

5.6 Other Memberships. The Club shall not issue any additional Regular Memberships, except as may be required pursuant to Membership Agreements entered into prior to the Effective Date, which grant the right described in Section 6.5.4(d). The Club shall not issue any additional National Golf Memberships, Non-Equity Club Memberships or Sonoran Memberships, other than to surviving spouses of Non-Equity Members pursuant to Section 9.1.1.

ARTICLE VI

MEMBERSHIP FEATURES

6.1 Deferred Equity Memberships Generally.

6.1.1 Each approved applicant for Deferred Equity Membership shall pay a Membership Contribution in the amount required pursuant to Article VIII upon such approval.

6.1.2 Deferred Equity Memberships shall not be assessable prior to the Turnover. After the Turnover, the Board may assess Deferred Equity Memberships, provided, however, that the assessment payable by each Club Member in any instance shall not exceed 60% of the assessment payable in such instance by each Golf Member.

6.1.3 Deferred Equity Memberships may not be sold, but the owner of a Deferred Equity Membership may:

(a) Surrender to the Club any Deferred Equity Membership held in connection with a Desert Mountain home or home site for reissuance to a Resale Buyer acquiring such Desert Mountain home or home site, in accordance with Section 7.6.1; or

(b) Surrender to the Club any Deferred Equity Membership for eventual reissuance pursuant to Section 7.6.3. If a Deferred Equity Membership held in connection with a Desert Mountain home or home site is surrendered to the Club for such reissuance, the surrendering membership owner will have no assurance that any membership will be available to the future purchaser of such Desert Mountain home or home site. Surrender of a membership pursuant to this provision cannot be revoked without the consent of the Board, which may be withheld in the Board's sole and absolute discretion.

No Deferred Equity Membership will be treated as having been voluntarily surrendered to the Club, unless the owner of such membership has given the Club written notice, on such form as the Club may specify from time to time, stating that the membership is being surrendered for reissuance to a specified Resale Buyer pursuant to Section 7.6.1 or for reissuance pursuant to Section 7.6.3, such notice to be accompanied by the Membership Certificate for such membership or by an affidavit (or other instrument) reasonably acceptable to the Club stating that such Membership Certificate has been lost or destroyed. Reissuance of a Deferred Equity

Membership is subject in all cases to approval of the pertinent membership application, pursuant to Section 7.4.

6.1.4 Until such time as a surrendered Deferred Equity Membership is reissued, the Member designated in relation to such membership will continue to have the use privileges associated with such membership, subject to these Bylaws and the Rules and Regulations, and shall remain responsible (together with the owner of such membership, if the membership is owned by an entity) for all dues, fees, other charges and assessments payable with respect to such membership.

6.1.5 Any corporation, partnership, limited liability company, trust or other bona fide legal entity may acquire a Deferred Equity Membership in connection with any Desert Mountain home or home site owned by such entity, but only one individual may have the rights of a Member at any time in connection with any Deferred Equity Membership. Any entity that owns a Deferred Equity Membership may designate the individual who will hold the Member's use rights associated with such membership, in accordance with and subject to Section 7.9.

6.1.6 Any individual or entity who owns a Deferred Equity Membership in connection with a Desert Mountain home or home site may transfer such home or home site without surrendering the membership to the Club, in which event the Club shall have an option (but not an obligation) to repurchase the membership by paying to such owner the amount which such owner would then be entitled to receive under Section 8.1.2, if such membership were to be reissued pursuant to Section 7.6. This repurchase option shall not apply to any Deferred Equity Membership not acquired to be held in connection with a Desert Mountain home or home site.

6.1.7 The owner of any Deferred Equity Membership held in connection with a Desert Mountain home or home site may, with the Board's prior approval, change the designated home or home site in connection with which such membership is held, provided the owner of such membership owns the replacement Desert Mountain home or home site. As a condition to granting such approval, the Board may require the payment of a fee in an amount equal to or less than the transfer fee which would then be payable if such membership were to be reissued pursuant to Section 7.6.

6.1.8 The Membership Agreement pursuant to which a Deferred Equity Membership is issued shall identify the Desert Mountain home or home site, if any, in connection with which such Deferred Equity Membership is to be held. In the event that the Club approves the substitution of a different Desert Mountain home or home site for this purpose pursuant to Section 6.1.7, the substitution shall be effective upon payment of the fee, if any, required pursuant to Section 6.1.7 and upon execution by the parties thereto of an amendment to the pertinent Membership Agreement, identifying the substitute home or home site.

6.2 Golf Memberships.

6.2.1 The monthly dues payable by Golf Members shall be as established 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, provided, however, that:

(a) Monthly dues for Golf Members will be \$634 in 2004; and

(b) Until the Turnover, monthly dues for Golf Members will not increase in any year (beginning with 2005) by more than the greater of (i) 5% or (ii) increases in the Consumer Price Index; provided, however, the foregoing limits may be exceeded (taking into account the factors listed above) if and as necessary to reflect operating cost increases experienced by the Club and other Scottsdale area private golf clubs, as certified by an independent national accounting firm retained by the Company. For purposes of determining the amount by which the Club's operating costs may have increased, the cost of operating Outlaw (or any other new facility) during its first year of operation will not be considered an increase in the Club's operating costs. If the limitations imposed by this subparagraph (b) have not already terminated as the result of a Turnover, they will terminate on March 1, 2011.

6.2.2 Golf Members and their Immediate Families shall have playing privileges on all of the Golf Courses and the privilege of using all of the other Club Facilities and hosting guests at the Club, subject in each case to these Bylaws and the Rules and Regulations.

6.2.3 Any Membership Agreement pursuant to which a Golf Membership is issued may:

(a) Allow the Golf Member to elect temporarily to pay the same dues, fees and other charges, and to have the same use privileges, as a Club Member, on the terms and conditions stated in the Membership Agreement, provided, however, that if the Membership Agreement is entered into on or after the Effective Date, the right to pay reduced dues shall expire not later than the first to occur of December 31, 2007 or the Turnover Date. Any Golf Member who has made such an election may elect at any time thereafter, by written notice delivered to the Club, to begin paying full Golf Membership dues, in which event such Golf Member shall have full Golf Membership privileges. Any Golf Member who elects to begin paying full Golf Membership dues shall have no right to return to paying reduced dues.

(b) Waive the payment of dues for such period as may be provided in such Membership Agreement, provided, however, that if the Membership Agreement is entered into on or after the Effective Date, any dues waiver shall terminate not later than the Turnover Date. While dues are waived, the Golf Member and his or her Immediate Family shall have none of the privileges described in Section 6.2.2.

6.2.4 Legacy Memberships are Golf Memberships with the additional rights set forth in Article A.I of Appendix "A" to these Bylaws. The Club shall not issue any additional Legacy Memberships.

6.2.5 Golf Memberships held by individuals who are Members as of the Effective Date may be (or may become) Tied-Lot Memberships. The owners of Tied Lot Memberships have the additional rights set forth in Article A.II of Appendix "A" to these Bylaws.

6.3 Club Memberships.

6.3.1 The monthly dues payable by Club Members shall be as established by the Board, but such dues shall not exceed 60% of the dues payable by Golf Members.

6.3.2 Club Members and their Immediate Families shall have:

(a) Playing privileges on all of the Golf Courses, on a fee-paying basis, as determined each year by the Board, which must allow at least 20 rounds each calendar year, eight of which shall be available for use during the period commencing January 15 and ending May 15. For this purpose, a "round" shall be calculated on a "per-individual" basis, including the Club Member and each member of his or her Immediate Family participating as other than a paid guest of another Member. Club Members (and their Immediate Families) shall be required to pay green fees and golf cart fees, equal to those paid by accompanied guests of Golf Members;

(b) The privilege of using all of the other Club Facilities; and

(c) The privileges of hosting guests at the Club;

subject in each case to these Bylaws and the Rules and Regulations.

6.3.3 Any Membership Agreement may waive the payment of dues with respect to the Club Membership issued pursuant thereto for such period as may be provided in such Membership Agreement, provided, however, that if the Membership Agreement is entered into on or after the Effective Date, any dues waiver shall terminate not later than the Turnover Date. While dues are waived, the Club Member and his or her Immediate Family shall have none of the privileges described in Section 6.3.2.

6.3.4 Club Memberships held by individuals who are Members as of the Effective Date may be (or may become) Tied-Lot Memberships. The owners of Tied Lot Memberships have the additional rights set forth in Article A.II of Appendix "A" to these Bylaws.

6.4 Non-Equity Memberships Generally. All Non-Equity Memberships are non-transferable, and upon expiration or other termination shall revert to the Club. All Non-Equity Members must be individuals. Non-Equity Memberships may not be issued to partnerships, corporations, trusts or the like.

6.5 Regular Memberships.

6.5.1 The monthly dues payable by Regular Members shall be as established 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; provided, however, that:

(a) Monthly dues for Regular Members will be \$634 in 2004; and

(b) Until the Turnover, monthly dues will not increase in any year (beginning with 2005) by more than the greater of (i) 5% or (ii) increases in the Consumer Price Index; provided, however, the foregoing limits may be exceeded (taking into account the factors listed above in this Section 6.5.1) if and as necessary to reflect operating cost increases experienced by the Club and other Scottsdale area private golf clubs, as certified by an independent national accounting firm retained by the Company. For purposes of determining the amount by which the Club's operating costs may have increased, the cost of operating Outlaw (or any other new facility) during its first year of operation shall not be considered an increase in the Club's operating costs. If the limitations imposed by this subparagraph (b) have not already terminated as the result of a Turnover, they will terminate on March 1, 2011.

6.5.2 Regular Members and their Immediate Families shall have playing privileges on all of the Golf Courses and the privilege of using all of the other Club Facilities and hosting guests at the Club, subject in each case to these Bylaws and the Rules and Regulations.

6.5.3 Regular Memberships are non-assessable, except with the approval of at least 51% of all Regular Members who would be subject to a proposed assessment.

6.5.4 Certain Membership Agreements entered into prior to the Effective Date allow the holder of a Regular Membership issued pursuant thereto: (a) to elect to pay reduced dues, in exchange for reduced privileges; (b) not to pay dues for a specified period, during which the Regular Member and his or her Immediate Family have none of the privileges described in Section 6.5.2; (c) to retain his or her Regular Membership upon the sale of his or her Desert Mountain home or home site, subject in some cases to a right of the Club to repurchase the retained membership; (d) to require the Club to issue a substitute Regular Membership to the individual who purchases the Regular Member's Desert Mountain home or home site, provided the selling Regular Member surrenders his or her Regular Membership upon such sale (under the pertinent Membership Agreements entered into prior to the Effective Date, the substitute Regular Member will have no right to require the Club to issue a substitute Regular Membership to the next purchaser of such Desert Mountain home or home site); or (e) to receive either a Dues Repayment Benefit or a Surrender Payment Benefit, as described in Articles A.III and A.IV of Appendix "A" to these Bylaws, following surrender of his or her Regular Membership. On and after the Effective Date, the Club Owner shall not grant any such rights to any additional Regular Members, except as permitted under Section 12.7.10.

6.5.5 Notwithstanding anything to the contrary in this Section 6.5, a Regular Membership issued to any purchaser or other transferee of a home or home site in Desert Mountain, as the result of a right given by the Club Owner to the seller or other transferor from whom the home or home site is being acquired, may be of shorter duration or otherwise have more restrictive privileges than those described herein. Any such transferee should review the Membership Agreement between the transferor and the Club Owner to determine whether such restrictions exist.

6.5.6 Charter Regular Memberships are a type of Regular Membership issued to the Club's initial Regular Members. Charter Regular Members have the privileges granted in these Bylaws to all Regular Members or to Charter Regular Members, as well as the rights and privileges set forth in their respective Membership Agreements.

6.6 National Golf Memberships.

6.6.1 The monthly dues payable by National Golf Members shall be the lesser of (i) one-half of the monthly dues payable by Regular Members and (ii) the monthly dues payable by Club Members.

6.6.2 National Golf Members and their spouses shall have the privilege of playing a combined total of ten rounds of golf per calendar year on any of the Golf Courses, without green fees, subject to these Bylaws and the Rules and Regulations, which may restrict such play to certain times of the day or during certain seasons based on levels of play. Guests may accompany the National Golf Member or the spouse of the National Golf Member on any of these ten rounds, subject to the same terms and conditions as guests playing with Regular Members.

6.6.3 National Golf Members and their Immediate Families shall also have the privilege of:

(a) Playing additional rounds on Renegade, and on such other Golf Courses as the Board in its discretion may allow from time to time, subject to payment of green fees equal to the guest fees paid by accompanied guests of Regular Members. Guests may accompany the National Golf Member or his or her Immediate Family member on such rounds, if such guest play is permitted under the Rules and Regulations (and subject to payment of guest fees equal to those payable by accompanied guests of Regular Members);

(b) Using all Club Facilities, other than the Golf Courses, on the same terms and conditions as Regular Members; and

(c) Hosting guests at all Club Facilities other than the Golf Courses, on the same terms and conditions as Regular Members;

subject in each case to these Bylaws and the Rules and Regulations. When the Club no longer has any Regular Members, Section 6.6.2 and this Section 6.6.3 shall be deemed amended to substitute "Golf Members" for "Regular Members."

6.6.4 National Golf Memberships are non-assessable, except with the approval of at least 51% of all National Golf Members who would be subject to a proposed assessment.

6.6.5 Following surrender of their memberships to the Club, certain National Golf Members are entitled under the terms of their Membership Agreements to receive a Dues Repayment Benefit, as described in Article A.III of Appendix "A" to these Bylaws.

6.7 Non-Equity Club Memberships.

6.7.1 The monthly dues payable by Non-Equity Club Members shall be the lesser of (i) 60% of the monthly dues payable by Regular Members and (ii) the monthly dues payable by Club Members.

6.7.2 Non-Equity Club Members and their Immediate Families shall have:

(a) Playing privileges on Renegade, and on such other Golf Courses as the Board in its discretion may allow from time to time, subject to payment of green fees equal to the guest fees paid by accompanied guests of Regular Members. Guests may accompany the Non-Equity Club Member or his or her Immediate Family member on any rounds played on Renegade, subject to the same terms and conditions as guests playing with Regular Members. Guests may accompany the Non-Equity Club Member or his or her Immediate Family member on any rounds played on Golf Courses other than Renegade, if such guest play is permitted under the Rules and Regulations (and subject to payment of guest fees equal to those payable by accompanied guests of Regular Members);

(b) The privilege of using all Club Facilities, other than the Golf Courses, on the same terms and conditions as Regular Members; and

(c) The privilege of hosting guests at all Club Facilities other than the Golf Courses, on the same terms and conditions as Regular Members;

subject in each case to these Bylaws and the Rules and Regulations. When the Club no longer has any Regular Members, Section 6.7.1 and this Section 6.7.2 shall be deemed amended to substitute "Golf Members" for "Regular Members."

6.7.3 Non-Equity Club Memberships are assessable by the Board without a vote of such Members.

6.8 Sonoran Memberships.

6.8.1 The monthly dues payable by Sonoran Members shall be the lesser of (i) 50% of the monthly dues payable by Regular Members and (ii) the monthly dues payable by Club Members.

6.8.2 Sonoran Members and their Immediate Families shall have:

(a) Playing privileges on Renegade, and on such other Golf Courses as the Board in its discretion may allow from time to time, subject to payment of green fees equal to the guest fees paid by accompanied guests of Regular Members. Guests may accompany the Sonoran Member or his or her Immediate Family member on any rounds played on Renegade, subject to the same terms and conditions as guests playing with Regular Members. Guests may accompany the Sonoran Member or his or her Immediate Family member on any rounds played on any Golf Course other than Renegade, if such guest play is permitted under the Rules and Regulations (and subject to payment of guest fees equal to those payable by accompanied guests of Regular Members);

(b) The privilege of using all Club Facilities, other than the Golf Courses, on the same terms and conditions as Regular Members; and

(c) The privilege of hosting guests at all Club Facilities other than the Golf Courses, on the same terms and conditions as Regular Members;

subject in each case to these Bylaws and the Rules and Regulations. When the Club no longer has any Regular Members, Section 6.8.1 and this Section 6.8.2 shall be deemed amended to substitute "Golf Members" for "Regular Members."

6.8.3 Sonoran Memberships are assessable without a vote of such Members.

6.8.4 Special Sonoran Memberships are a category of, and shall have all of the privileges of, Sonoran Membership.

6.9 Social Memberships.

6.9.1 Each approved applicant for Social Membership shall pay the Membership Contribution, if any, then in effect pursuant to Section 8.4.

6.9.2 The monthly dues payable by Social Members shall be as established by the Board, but such dues shall not exceed 40% of the dues payable by Golf Members.

6.9.3 Social Members and their Immediate Families shall have the privilege of using, and of hosting guests at, Club Facilities other than the Golf Courses, on the same terms and conditions as Golf Members, subject to these Bylaws and the Rules and Regulations. Social Members and their Immediate Families shall have no golfing privileges and no access to golf practice facilities.

6.9.4 Social Memberships are assessable by the Board without a vote of such Members.

6.10 Founder Memberships.

6.10.1 Founder Members may elect from time to time, as provided in and limited by their Membership Agreements, to have no use privileges or to have the use privileges associated with a Golf Membership or a Club Membership, subject to these Bylaws and the Rules and Regulations. If a Founder Member elects, in accordance with his or her Membership Agreement, to enjoy the privileges of a Golf Member, the Founder Member and his or her Immediate Family shall have the privileges described in Section 6.2.2, subject to these Bylaws and the Rules and Regulations, and the Founder Member shall pay the dues, fees and other charges payable by Golf Members, until such time as the Founder Member elects, in accordance with his or her Membership Agreement, to have no privileges or to have the privileges of a Club Member. If a Founder Member elects, in accordance with his or her Membership Agreement, to enjoy the privileges of a Club Member, the Founder Member and his or her Immediate Family shall have the privileges described in Section 6.3.2, subject to these Bylaws and the Rules and Regulations, and the Founder Member shall pay the dues, fees and other charges payable by Club Members, until such time as the Founder Member elects, in accordance with his or her Membership Agreement, to have no privileges or to have the privileges of a Golf Member. If a Founder Member elects, in accordance with his or her Membership Agreement, to have no use privileges, the Founder Member shall pay no dues, fees and other charges, until such time as the Founder Member elects, in accordance with his or her Membership Agreement, to have the use privileges of a Golf Member or a Club Member.

6.10.2 Founder Memberships are non-assessable.

6.10.3 Each Founder Member shall have such rights as may be set forth in his or her Membership Agreement to acquire a Golf Membership from the Company.

6.11 Honorary Memberships. Subject to Section 5.5, but otherwise in its sole discretion, the Board from time to time may designate individuals to be Honorary Members. Honorary Members shall not be required to pay initiation fees, dues or assessments, but Honorary Members shall pay the same guest fees, and the same charges for food and beverage, as are applicable to Golf Members. Honorary Members and their Immediate Families shall have the same use and guest privileges as Golf Members. Honorary Memberships may be granted for a specified term, but shall nonetheless be terminable by the Board at any time.

ARTICLE VII

ADMISSION OF MEMBERS

7.1 Membership Committee. The Club shall have a Membership Committee. The Board may act as the Membership Committee, or the Board may appoint any individuals selected by the Board to serve as a separate Membership Committee. The Board may also remove any person from any separate Membership Committee, in the Board's sole and absolute discretion. The Board may keep the names of the Membership Committee members confidential.

7.2 Membership Guidelines. The Board shall adopt, and from time to time may amend, membership guidelines and application procedures consistent with this Article VII and with Article VIII. The membership guidelines may authorize the Membership Committee to disapprove applications from membership applicants, and applications for the appointment of Entity Designees, on reasonable grounds, which may include a determination that the proposed membership owner, or the proposed Member or any member of his or her Immediate Family, has been suspended by or expelled from other clubs, has engaged in conduct which is or would be grounds for suspension or expulsion from the Club or is not creditworthy. The Membership Committee, acting pursuant to such guidelines and procedures, shall have the authority to approve or disapprove all membership applications and all requests for approval of Entity Designees.

7.3 Eligibility for Membership.

7.3.1 Any individual or entity which owns or is acquiring a Desert Mountain home or home site is eligible to apply for a Deferred Equity Membership to hold in connection with such home or home site. Not more than one Deferred Equity Membership may be held in connection with any Desert Mountain home or home site. Individuals who do not own, and are not acquiring, Desert Mountain homes or home sites are also eligible to apply for a Deferred Equity Membership.

7.3.2 Any individual who is acquiring a Desert Mountain home or home site is eligible to apply for a Regular Membership, if the seller of such home or home site is a Regular Member with the right described in Section 6.5.4(d). Any individual is eligible to apply for Social Membership and the Board may designate any individual as an Honorary Member.

7.4 Admission Application. Any eligible individual or entity desiring a membership must complete and submit an application for membership on a form provided by the Club. The Membership Committee may disapprove any application in its sole discretion, without reason or cause, except as provided in this Section 7.4:

7.4.1 Resale Buyers. If the applicant is a Resale Buyer, the Membership Committee shall be reasonable in determining whether the applicant satisfies the membership guidelines.

7.4.2 Approval at Request of the Company. Until such time as the Company no longer owns any Deferred Equity Memberships, the Membership Committee shall approve any eligible applicant for a Deferred Equity Membership if requested to do so by the Company. The Company, in its sole and absolute discretion, may request from time to time or at any time that the Membership Committee approve a particular applicant, provided, however, that the Company shall not cause or ask the Membership Committee to approve the issuance of a Deferred Equity Membership in violation of Section B.6 of Appendix "B" to these Bylaws.

7.4.3 When Memberships are on Surrendered Membership List. Whenever there are memberships on the Surrendered Membership List, the Membership Committee shall be reasonable in determining whether any eligible applicant, who wishes to acquire a membership of any type then on the Surrendered Membership List, satisfies the membership guidelines.

Upon receipt of a duly completed application for membership, the Club shall determine whether the applicant is eligible for membership and satisfies the membership guidelines. If the applicant is approved, the applicant will be notified in writing that the application has been accepted.

7.5 Maintenance of Surrendered Membership List.

7.5.1 The Club shall maintain a list of Deferred Equity Memberships surrendered to the Club pursuant to Section 6.1.3(b) (the "Surrendered Membership List").

7.5.2 Deferred Equity Memberships shall be placed on the Surrendered Membership List in the order in which they are surrendered to the Club.

7.5.3 In each case in which a Deferred Equity Membership is reissued from the Surrendered Membership List, the membership selected for reissuance shall be the membership (of the type to be issued) that has been on the list for the longest period.

7.5.4 Surrender of a membership for placement on the Surrendered Membership List may not be revoked without the consent of the Board, which may be withheld in the Board's sole and absolute discretion.

7.6 Selection of Membership Issued to Applicant for a Deferred Equity Membership.

7.6.1 Resale Buyer. If the applicant has applied for a Deferred Equity Membership, and the applicant is a Resale Buyer, the membership issued to the applicant shall be the Deferred Equity Membership surrendered for reissuance to such applicant by the Member whose Desert Mountain home or home site the applicant is acquiring.

7.6.2 Converting Member. If the applicant has applied for a Deferred Equity Membership, and the applicant is a Converting Member, the membership issued to the applicant shall be a Deferred Equity Membership reserved for the purpose by the Company.

7.6.3 Other Applicants. If the applicant has applied for a Deferred Equity Membership, and the applicant is not a Resale Buyer or a Converting Member, then:

(a) Company Owns Memberships of the Requested Type. If the Company owns any Deferred Equity Membership of the requested type, and the Company is prepared to sell a membership of such type to the applicant, then the Deferred Equity Membership issued to the applicant shall be one owned by the Company, unless four Company-owned memberships of the requested type have been issued to applicants other than Converting Members since a membership of such type was last reissued from the Surrendered Membership List, in which event the Deferred Equity Membership issued to the applicant shall be one reissued from the Surrendered Membership List (if any memberships of the requested type are then on the Surrendered Membership List); and

(b) Company Does Not Own any Memberships of the Requested Type or Company Elects Not to Sell a Membership. If the Company does not own any Deferred Equity Membership of the requested type, or if the Company elects not to sell a Deferred Equity Membership of the requested type to the applicant, then the Deferred Equity Membership issued to the applicant shall be one reissued from the Surrendered Membership List.

7.7 Membership Agreement. Each applicant approved for membership shall execute a Membership Agreement, containing such terms and conditions as may be approved by the Board, provided, however, that each Membership Agreement executed in connection with the reissuance of a surrendered Deferred Equity Membership (or the issuance of a substitute Regular Membership, as applicable) shall grant the new Member rights and privileges substantially the same as those held by the surrendering Member at the time of surrender (except that any Membership Agreement entered into with any new Regular Member shall not grant any of the rights described in Section 6.5.4). Each Membership Agreement shall also identify the individual who will have the rights and privileges of the Member under the Membership Agreement. No Member or membership owner shall have any right to change the individual so designated, except as provided in Section 7.9, Section 9.1 or Section 9.2.

7.8 Membership Certificate. When a membership application has been approved, and the applicant has paid any applicable Membership Contribution and satisfied any other conditions in the applicant's Membership Agreement, a Membership Certificate in the form adopted by the Club shall be signed by the President and/or Secretary of the Club or by other individuals designated by the Board. Once signed, the Membership Certificate shall be delivered to the applicant (or, in the case of an entity applicant, to the approved Entity Designee), who shall thereupon become a Member.

7.9 Entity Designees.

7.9.1 Initial Entity Designees. An entity's membership application must (i) identify the one individual who the applicant wishes to have the privileges of a Member in

relation to such membership (the proposed "Entity Designee"), (ii) describe the relationship between the entity and the proposed Entity Designee and (iii) be accompanied by copies of the entity's organizational documents and of documents verifying the authority of the person signing the membership application to act on behalf of the entity and confirming the relationship between the entity and the proposed Entity Designee. The relationship between the entity and the proposed Entity Designee must be a significant ongoing one. While ownership of stock or of a comparable equity interest, or ongoing service as an officer, director, managing partner or the like, are indicia of a qualifying "significant relationship," the determination of whether any relationship is a significant ongoing one may be made by the Membership Committee on an individual case-by-case basis.

7.9.2 Use Privileges of Entity Designee. Any approved Entity Designee (and members of his or her Immediate Family) shall have the use privileges associated with the entity-owned membership, until such Entity Designee resigns pursuant to Section 7.9.4, such rights are terminated pursuant to any provision of these Bylaws or the related membership is reissued pursuant to Section 7.6. No individual, other than an approved Entity Designee and members of his or her Immediate Family shall have any use privileges in connection with any Deferred Equity Membership owned by an entity.

7.9.3 Change in Relationship. In the event that the relationship between an entity and its Entity Designee terminates or materially changes, the entity shall promptly deliver to the Club a written notice of the change, together with documentation verifying the nature of the relationship, as changed. In the event that the Membership Committee determines, based upon such notice or upon information otherwise obtained by the Membership Committee, that the relationship is no longer a significant ongoing one, the privileges of the Entity Designee, and of his or her Immediate Family, shall terminate immediately.

7.9.4 Removal and Resignation of Entity Designee. Any entity that owns a Deferred Equity Membership may deliver to the Club at any time a written notice terminating the rights of its Entity Designee, which notice shall be accompanied by copies of documentation confirming that the person signing such notice has the authority to do so. Any Entity Designee may also resign as the Entity Designee at any time, by delivering written notice of resignation to the Club.

7.9.5 Right to Propose Successor Entity Designees. Any entity that owns a Deferred Equity Membership may deliver to the Club at any time a written request that the Membership Committee approve a new individual as the Entity Designee, which request shall be in the form then used by the Membership Committee for such purposes, shall describe the relationship between the entity and the proposed Entity Designee and shall be accompanied by copies of documents verifying the authority of the person signing the application to act on behalf of the entity and confirming the relationship between the entity and the proposed Entity Designee. The relationship between the entity and the proposed Entity Designee must be a significant ongoing one. In the event that such a request is approved, the requesting entity shall pay to the Club a fee equal to the transfer fee that the Club would then be permitted to retain pursuant to Section 8.1.2 if such entity's Deferred Equity Membership were to be reissued, provided, however, that no such fee shall be payable if (i) the new Entity Designee is the surviving or divorced spouse of the current Entity Designee and (ii) the current Entity Designee

did not become an Entity Designee under this Section 7.9.5 (without the payment of a transfer fee) upon the death of a prior Entity Designee or upon his or her divorce from a prior Entity Designee. The Membership Committee shall act reasonably in determining whether any Entity Designee proposed pursuant to this Section 7.9.5 satisfies the guidelines for an Entity Designee. The foregoing notwithstanding, no entity shall have a right to propose a new Entity Designee, if such entity's prior Entity Designee was expelled pursuant to Article X.

7.9.6 Obligation to Designate Successor Entity Designees. If the rights of an Entity Designee are terminated for any reason, other than as a result of the reissuance of the related membership pursuant to Section 7.6 or the expulsion of the Entity Designee pursuant to Article X, the entity shall cause a new Entity Designee to be proposed and approved within such reasonable time as the Board may establish from time to time.

7.9.7 Responsibility of Entity. Any entity that owns a Deferred Equity Membership shall be responsible, jointly and severally with any Entity Designee, for all dues, fees, other charges and assessments payable with respect to the membership.

ARTICLE VIII

MEMBERSHIP CONTRIBUTIONS

8.1 Membership Contributions for Deferred Equity Memberships.

8.1.1 Upon admission to the Club, each approved applicant for a Golf Membership or Club Membership shall pay an initiation fee (a "Membership Contribution"). Except as otherwise provided in Section 8.2, the Board shall establish, and from time to time may increase or decrease, the amount of such Membership Contributions.

8.1.2 Upon reissuance of a surrendered Deferred Equity Membership, the Club shall retain as a transfer fee 20% of the Membership Contribution paid by the approved applicant. The Club shall pay, to the prior owner of the reissued membership (or to such owner's order), the portion of the Membership Contribution not retained by the Club pursuant to the preceding sentence (subject to offsets for any amounts owed to the Club with respect to such membership prior to its reissuance).

8.1.3 In the event that dues or any other amounts have been prepaid with respect to any surrendered Deferred Equity Membership, all such prepaid amounts shall be prorated as of the end of the month in which such membership is reissued, and any amounts not earned as of such date shall be refunded (subject to offsets for any amounts owned to the Club with respect to such membership prior to its reissuance) to the Member or membership owner who made such payments.

8.1.4 Amounts owed to prior owners of reissued Deferred Equity Memberships or to prior Deferred Equity Members pursuant to Section 8.1.2 or Section 8.1.3 shall be paid within 30 days following reissuance of a surrendered membership.

8.1.5 Until all of the authorized Golf Memberships (or Club Memberships, as the case may be) have been issued, the Membership Contribution for Golf Memberships (or Club

Memberships) that are available for reissuance through the Club shall be equal to the amount then currently established for a previously unissued Golf Membership (or Club Membership).

8.1.6 Upon the issuance of any Deferred Equity Membership owned by the Company, the Club shall promptly pay to the Company the entire Membership Contribution paid to the Club by the approved applicant.

8.2 Company's Temporary Right to Establish Amount of Membership Contributions for Deferred Equity Memberships.

8.2.1 Golf Memberships. The Company may set, and from time to time may increase or decrease, the Membership Contribution for Golf Memberships until the Company has issued all of the authorized Golf Memberships, provided, however, that any increase by the Company in such Membership Contribution above \$275,000 shall be reasonable under the then-existing circumstances, based on an analysis of club membership pricing around the country and the range of services and facilities offered.

8.2.2 Club Memberships. The Company may set, and from time to time may increase or decrease, the Membership Contribution for Club Memberships until the Company has issued all of the authorized Club Memberships, provided, however, that any increase by the Company in such Membership Contribution above \$60,000 shall be reasonable under the then-existing circumstances, based on an analysis of club membership pricing around the country and the range of services and facilities offered.

8.3 Membership Contributions for Regular Memberships. No application or initiation fee or other charge shall be imposed in connection with the application for, or the issuance of, a substitute Regular Membership pursuant to a Membership Agreement described in Section 6.5.4(d).

8.4 Membership Contributions for Social Memberships. The Board may establish, and from time to time may increase or decrease, a Membership Contribution payable by approved applicants for Social Membership.

ARTICLE IX

DEATH OR DIVORCE OF A MARRIED MEMBER

9.1 Death of a Married Member.

9.1.1 Upon the death of any married Non-Equity Member (other than an Honorary Member or an individual who became a Non-Equity Member pursuant to this Section 9.1.1), the membership shall continue in the name of the surviving spouse until the death of the surviving spouse (without the payment of any Membership Contribution or transfer fee), and the surviving spouse shall retain the same privileges (subject to these Bylaws, the Rules and Regulations and the Membership Agreement pursuant to which the membership in question was issued, including any provisions which may require the surviving spouse to maintain an ownership interest in a Desert Mountain home or home site) 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 (a) the surviving spouse elects (with the Board's approval) to change to another category of Non-Equity Membership, (b) the surviving spouse elects to surrender the membership to the Club, or (c) the decedent has taken steps which, under the terms of his or her Membership Agreement or Article A.III of Appendix "A" to these Bylaws, cause the membership to be surrendered to the Club as of the decedent's death. Upon the death of an Honorary Member, and upon the death of a Non-Equity Member who became a Member pursuant to this Section 9.1.1 upon the death of a spouse, the decedent's membership, and all use privileges of the deceased Member's Immediate Family, shall terminate.

9.1.2 Upon the death of any married Deferred Equity Member (other than an Entity Designee) who did not become a Member, without the payment of a Membership Contribution or transfer fee, upon the death of, or a divorce from, a prior spouse, the membership shall continue in the name of the surviving spouse until the death of the surviving spouse, without the payment of any Membership Contribution or transfer fee (subject to these Bylaws, the Rules and Regulations and the Membership Agreement pursuant to which the membership in question was issued, including any provisions which may require the surviving spouse to maintain an ownership interest in a Desert Mountain home or home site) and be subject to the same dues and other obligations as the deceased Member would have had if the deceased Member had remained alive. Upon the death of any married Deferred Equity Member (other than an Entity Designee) who became a Member, without the payment of a Membership Contribution or transfer fee, upon the death of, or a divorce from, a prior spouse, all use privileges of the deceased Member's Immediate Family shall terminate. Upon the death of an Entity Designee, all use privileges of such Entity Designee's Immediate Family shall terminate, and the entity which designated the Entity Designee will be required to submit an application for the appointment of a new Entity Designee pursuant to Section 7.9.6.

9.2 Divorce of a Member.

9.2.1 Upon the divorce of a Non-Equity Member (other than an Honorary Member or a Non-Equity Member who became a Member pursuant to Section 9.1.1 or this 9.2.1), the Member and his or her spouse shall deliver to the Board a written notice, signed by such Member and his or her divorced spouse, stating which of the two is to have the rights of a Member with respect to the membership (both may not do so) or the Member and/or his or her divorced spouse shall deliver to the Club a copy of an agreement signed by the Member and his or her divorced spouse, or an order or judgment entered by the divorce court, stating which of the two is to have the rights of a Member with respect to the membership. The designated individual will then become the Member (without the payment of any Membership Contribution or transfer fee), subject to these Bylaws, the Rules and Regulations and the Membership Agreement pursuant to which the membership in question was initially issued, including any provisions which may require such Member to maintain an ownership interest in a Desert Mountain home or home site. In the event of the divorce of any Non-Equity Member (other than an Honorary Member or a Non-Equity Member who became a Member pursuant to Section 9.1.1 or this Section 9.2.1), the Club may suspend all privileges of the membership until the requirements of the first sentence of this Section 9.2.1 have been satisfied. In the event of the divorce of an Honorary Member, the Honorary Member shall retain his or her membership. In the event of the divorce of a Non-Equity Member who became a Member pursuant to Section 9.1.1 or this Section 9.2.1, the Member shall continue to be the Member, subject to these Bylaws, the Rules

and Regulations and the Membership Agreement pursuant to which the membership in question was initially issued, including any provisions which may require such Member to maintain an ownership interest in a Desert Mountain home or home site.

9.2.2 Upon the divorce of any Deferred Equity Member (other than an Entity Designee), the Member and his or her spouse shall deliver to the Board a written notice, signed by such Member and his or her divorced spouse, stating which of the two is to have the rights of a Member with respect to the membership (both may not do so), or the Member and/or his or her divorced spouse shall deliver to the Club a copy of an agreement signed by the Member and his or her divorced spouse, or an order or judgment entered by the divorce court, stating which of the two is to have the rights of a Member with respect to the membership. If the designated person is the divorced spouse, he or she will become the Member, without the payment of a Membership Contribution or transfer fee, unless the existing Member became a Member pursuant to this Section 9.2.2 without the payment of a Membership Contribution or transfer fee, in which event the divorced spouse may become the Member only upon payment of a transfer fee in the amount then payable upon transfer of the membership. In the event of the divorce of any Entity Designee, the Entity Designee shall continue to be the Member, subject to the other provisions of these Bylaws, including Section 7.9.4. Upon the divorce of any Deferred Equity Member other than an Entity Designee, the Club may suspend all privileges of the membership until the requirements of the first sentence of this Section 9.2.2 have been satisfied.

9.3 Remarriage of Member. In the event that any Member remarries, his or her spouse shall be part of the Member's Immediate Family and the Member's membership shall not terminate as a result of such remarriage, notwithstanding any provisions to the contrary in any Membership Agreement.

ARTICLE X

SUSPENSION AND EXPULSION OF MEMBERS

10.1 Disciplinary Committee. The Board may appoint a separate Disciplinary Committee, made up of any individuals selected by the Board. The Board may also remove any person from any separate Disciplinary Committee, in the Board's sole and absolute discretion.

10.2 Disciplinary Guidelines and Procedures. The Board shall adopt, and from time to time may amend, guidelines and procedures for Club disciplinary proceedings, consistent with the provisions of these Bylaws. These guidelines and procedures shall provide (i) for written notice to a Member (and to the owner of the related membership, if such membership is owned by an entity) of any alleged offense as to which disciplinary action may be taken, (ii) for a hearing conducted by the Board or by a separate Disciplinary Committee before any Member or membership owner is suspended or expelled (except as otherwise provided in Section 10.3), which hearing shall be held (if such hearing is not waived by the Member and the owner of the related membership, if such membership is owned by an entity) not less than 20 days after notice has been provided to such Member (and to the owner of the related membership, if such membership is owned by an entity) stating (A) the nature of the alleged offense, (B) any preliminary findings which the Board or any separate Disciplinary Committee may have made as to the alleged offense, (C) the disciplinary action or actions which may be taken if the allegations

are found to be correct, (D) the date, time and place of the hearing, (E) that the member (and the owner of the related membership, if such membership is owned by an entity) (1) may waive the hearing, thus agreeing that any separate Disciplinary Committee and the Board may act without a hearing, (2) may respond to the allegations in a writing delivered to the Board on or before the date and time set for the hearing and (3) have a right, if the hearing is not waived, to be present at and to make a presentation during the hearing, and (F) that the hearing, if not waived, will proceed, whether or not the Member and/or membership owner elect to attend and/or participate, (iii) that the Board may elect not to assign any disciplinary matter to a separate Disciplinary Committee, in which event the Board shall hold any required hearing, following which the Board may adopt findings of fact and impose such discipline as the Board considers appropriate, consistent with the disciplinary guidelines and procedures, (iv) that the Board may elect to assign any disciplinary matter or matters to a separate Disciplinary Committee, in which event the separate Disciplinary Committee shall hold any required hearing, if such hearing is not waived, following which the separate Disciplinary Committee shall submit to the Board a written report containing findings of fact as well as a recommendation as to the disciplinary action, if any, which the Disciplinary Committee recommends be taken, and the Board shall then review such report and impose such discipline as the Board deems appropriate, consistent with the disciplinary guidelines and procedures, and (v) that the Board shall have the authority to suspend and/or expel Members and/or members of their Immediate Families for cause as described in this Article X. Any disciplinary action taken by the Board shall be final.

10.3 Failure to Pay Dues or Other Amounts Owed to the Club. If any dues, fees, other charges or assessments payable with respect to a membership are not paid within 30 days after the original billing of such item or items (or within 30 days after any due date stated in such original billing), the Club shall give the Member (and the membership owner, in the case of an entity-owned membership) written notice of such delinquency. If the delinquent sum (including any late charges and other costs related to the delinquency) is not paid in full within ten days following such written notice, the use privileges associated with the membership may be summarily suspended, without a hearing. If the delinquent sum is not paid within 60 days following the written notice, the Board may elect to expel the Member (and the owner of the membership, if the membership is owned by an entity) summarily, without a hearing. Upon payment in full, prior to expulsion, of the delinquent sum (including any late charges and other costs relating to the delinquency) and of any other sums then due to the Club, any suspended membership privileges shall be automatically reinstated. If, however, more than one automatic suspension occurs in any 12-month period, any suspended membership privileges shall not be reinstated even after payment until the Member (or, if the affected membership is owned by an entity, a representative of such entity) has first appeared in person before the Board and obtained the Board's written approval for reinstatement, which the Board may withhold in its sole discretion. If such a reinstatement is not approved, the Member (and the owner of the membership, if the membership is owned by an entity) shall be deemed expelled from the Club.

10.4 Other Bases for Suspension or Expulsion. Any Member, any Immediate Family member and any membership owner, in the case of an entity-owned membership, may be suspended or expelled based upon a finding that the Member, any member of his or her Immediate Family or the membership owner (i) is incompatible with or disagreeable to other Members, (ii) has engaged in conduct of any type, at the Club or elsewhere, which, in the opinion of the Board, has a reasonable possibility of endangering the welfare, interest, character

or reputation of the Club, or the peaceful use and enjoyment thereof by other Members, or (iii) has engaged in conduct in violation of these Bylaws, the Rules and Regulations or the Membership Agreement pursuant to which the associated membership was issued.

10.5 Dues and Charges While Suspended. If the use privileges associated with a membership are suspended, the dues associated with the membership, and any other applicable fees, charges and assessments, shall nonetheless continue to be payable notwithstanding the suspension. While membership privileges are suspended, any voting rights associated with the membership shall also be suspended, and the membership shall not be treated as outstanding for purposes of determining the number of Members eligible to participate in any meeting or vote.

10.6 Expulsion and Voting Rights. If a Deferred Equity Member, or the owner of a Deferred Equity Membership, is expelled from the Club pursuant to this Article X, no one shall have any voting rights with respect to the affected membership until it is reissued pursuant to Section 7.6 and the affected membership shall not be treated as outstanding, for purposes of determining the number of Members eligible to participate in any meeting or vote.

ARTICLE XI

INVOLUNTARY SURRENDER OF DEFERRED EQUITY MEMBERSHIPS; TERMINATION OF NON-EQUITY MEMBERSHIPS

11.1 Involuntary Surrender of Deferred Equity Memberships.

11.1.1 Upon the occurrence of an event specified in the following subsections (a) or (b), the related Deferred Equity Membership shall be placed on the Surrendered Membership List pursuant to Section 11.1.2, unless the conditions specified in Section 11.1.2(a) or (b) are satisfied:

(a) Death of the Member, if such Member (i) is not an Entity Designee and (ii) is not succeeded as the Member by a surviving spouse pursuant to Section 9.1.2 within 90 days after such death; or

(b) Expulsion of the Member (or of the entity owner of such membership, if the membership is entity-owned) pursuant to Article X.

11.1.2 Upon the occurrence of an event described in Section 11.1.1(a) or 11.1.1(b), the Deferred Equity Membership with respect to which such event has occurred shall be placed on the Surrendered Membership List, effective as of the ninetieth day after the death or the thirtieth day after the expulsion, unless

(a) The membership has been voluntarily surrendered to the Club for transfer within 90 days after such death or 30 days after such expulsion; or

(b) The membership is held in connection with a Desert Mountain home or home site and the decedent's personal representative or the expelled Member, in the case of a membership owned by a deceased or expelled Member, or the entity which owns the

membership, in the case of an entity-owned membership, does each of the following within 90 days after such death or 30 days after such expulsion:

(i) Notifies the Club that the membership is to be retained (with no individual having any use privileges while it is so retained) for reissuance pursuant to Section 7.6.1 to the transferee of the Desert Mountain home or home site in connection with which such membership is held; and

(ii) Pays in full any and all dues, fees, other charges and assessments (and any late charges and other costs relating to any delinquency) then owed to the Club with respect to such membership.

If any dues, or any other applicable fees, charges or assessments subsequently payable with respect to such membership before it is reissued, are not paid when due, then the membership shall be deemed surrendered for placement on the Surrendered Membership List for reissuance pursuant to Section 7.6.3.

11.2 Termination of Non-Equity Memberships. The membership of a Non-Equity Member shall terminate upon the occurrence of any of the following events: (i) death of the Member, if there is no surviving spouse entitled under Section 9.1.1 to have the membership continue in his or her name; (ii) resignation of the Member; (iii) attempted transfer of the membership; (iv) expulsion of the Member pursuant to Article X; or (v) the occurrence of any event, other than the remarriage of the surviving or divorced spouse of a Member, that causes termination of the membership under the Member's Membership Agreement.

11.3 Payment Obligation Following Termination. Termination of a Non-Equity Membership shall not extinguish the Club's continuing right to collect all dues, fees, other charges and assessments (and any late charges and other costs relating to any delinquency) which were due from the Non-Equity Member upon termination.

11.4 Effect of Termination on Certain Rights of Non-Equity Members. The termination of a Non-Equity Membership shall not affect any right of the Member under Article A.III or Article A.IV of Appendix "A" to these Bylaws, nor shall any such termination affect the right of any Regular Member, as stated in his or her Membership Agreement, to require the Club to issue a Regular Membership to the first resale buyer of his or her Desert Mountain home or home site.

11.5 Return of Membership Materials. Upon termination of any Non-Equity Membership, the terminated Member shall return all certificates and membership cards to the Club.

ARTICLE XII

CLUB BOARD OF DIRECTORS

12.1 Board of Directors. The affairs and property of the Club shall be managed and controlled by a board of directors (the "Board"), in accordance with these Bylaws and the Rules and Regulations. The Board may elect such officers as the Board may see fit, which shall include

a President and a Secretary, and the Board may delegate such authority to such officers as it may elect to delegate. Day-to-day management of the Club may be delegated by the Board or by such officers (if given such authority by the Board) to such managers or management companies as the Board or the authorized officer(s) may determine. Until the Turnover, the Board shall consult with the Advisory Board before it adopts significant changes in Club policy.

12.2 Composition of the Board. Prior to the Turnover, the Company may appoint any individuals selected by the Company to serve on the Board, and the Company may also remove any member or members of the Board, with or without cause. As of the Turnover, all existing Board members shall resign, and the members of the board of directors of the Advisory Board Entity shall become the members of the Board, serving in such capacity for the remainder of their three-year Advisory Board terms. After the Turnover, the Club Owner shall hold an election each year, in each of which the Deferred Equity Members will elect three Members (or spouses of Members) in good standing to serve on the Board for three-year terms. In each such election, each Golf Member shall be entitled (with respect to each Golf Membership held by such Member) to cast two votes per candidate for up to three candidates and each Club Member shall be entitled (with respect to each Club Membership held by such Member) to cast one vote per candidate for up to three candidates.

12.3 Changes in Facilities or Services. In order to match the changing needs and desires of the Club's membership, the Board may decide from time to time to modify or eliminate existing Club Facilities and services, including times, days or seasons of operation, provided, however, that none of the Club Facilities existing as of the Effective Date will be eliminated before the Turnover. In addition to the Club Facilities existing as of the Effective Date, other amenities may be added in the future.

12.4 Rules and Regulations. The Board shall adopt, and from time to time may amend, a set of rules and regulations (the "Rules and Regulations"). The Rules and Regulations shall include the following:

12.4.1 Such rules and regulations as the Board deems appropriate for the control, operation and use of the Club and the Club Facilities and for the conduct and attire of Members, their Immediate Families and permitted guests;

12.4.2 A schedule of dues, fees and charges, which shall include the dues, cart fees, green fees, guest fees and other charges, if any, applicable to each category of membership. Dues, and any other applicable fees or charges, shall be payable monthly, unless the Board establishes a different payment period, provided, however, that the Board may offer Members the opportunity to prepay dues and other fees or charges, with or without a prepayment discount. The Board shall have the authority from time to time to add additional use-related fees to the schedule of dues, fees and charges, in a manner then generally consistent with other comparable high quality clubs. The schedule of dues, fees and charges shall be set annually by the Board prior to the commencement of each calendar year (or on such other annual basis as the Board may elect), provided, however, that upon the Turnover, the new Board may reset the schedule of dues, fees and charges for the remainder of the membership year in which the Turnover occurs; and

12.4.3 Policies for each category of membership as to the use of Club Facilities by guests. These guest policies may establish such limits as the Board deems to be in the best interests of the Club, including: eliminating guest privileges for play on the Golf Courses; limiting the number of guests which any Member and his or her Immediate Family may host during specified periods; restricting the Golf Courses on which guests may be hosted; limiting the times of day at which, or the days of the week on which, guests may be hosted at any of the Club Facilities; restricting guest use of the Golf Courses and other Club Facilities to accompanied guests of Members and of Immediate Family members; and limiting the number of times during any specified period that any individual may be a guest at any Club Facility or Facilities. Any Member sponsoring a guest at the Club shall be responsible for payment of applicable guest fees and for any other Club charges incurred by such guest.

The foregoing notwithstanding, the Rules and Regulations shall be consistent with (and shall be considered part of) these Bylaws and shall not conflict with any Membership Agreements. The Rules and Regulations shall be effective upon adoption, and shall be binding upon all Members, their Immediate Families and permitted guests.

12.5 Credit at the Club. The Board may establish charge privileges for Members for the purpose of buying food, merchandise or other items or services made available to Members.

12.6 Due Date of Amounts Payable to the Club. Any dues, fees, other charges or assessments due to the Club which have not been paid within 30 days of the date of billing (or within 30 days after the due date, if any, stated in a billing) shall be delinquent, and shall be subject to such delinquency and collection charges (including court costs, attorneys' fees, witness fees and litigation-related expenses) and interest as the Board from time to time may establish.

12.7 Limitations on Club Policies. The Rules and Regulations and any other Club policies and practices shall comply with the following limitations:

12.7.1 Golf Members. Prior to the Turnover, Golf Members shall not be required to pay green fees or court fees for their use, or for use by members of their Immediate Families, of the golf or tennis facilities of the Club.

12.7.2 Extent and Priority of Sign-Up Privileges. Golf Members (and their Immediate Families), Honorary Members (and their Immediate Families) and Regular Members (and their Immediate Families) shall have the same sign-up privileges as to all Club Facilities. With respect to the minimum number of rounds assured in Section 6.3.2(a) and the rounds described in Section 6.6.2, Club Members (and their Immediate Families) and National Golf Members (and their spouses) shall have the same sign-up priority as Golf Members and their Immediate Families. With respect to Renegade, Non-Equity Club Members and Sonoran Members and their Immediate Families shall have the same sign-up privileges as Golf Members and their Immediate Families. With respect to all Club Facilities other than the Golf Courses, all Members and their Immediate Families shall have the same sign-up privileges.

12.7.3 Club Members. Any fees and charges payable by Club Members (other than green fees payable by Club Members and their Immediate Family members for use of the Golf Courses) shall not exceed the comparable fees and charges payable by Golf Members.

12.7.4 Regular Members. Regular Members shall not be required to pay green fees or court fees for their use, or for use by their Immediate Families, of the golf or tennis facilities of the Club. The Board shall not establish dues, fees or other charges for Regular Members or their Immediate Families in excess of those applicable to Golf Members and their Immediate Families. The guest privileges of Regular Members and their Immediate Families shall not be less extensive than the guest privileges of Golf Members and their Immediate Families. Regular Members, their Immediate Families and their permitted guests shall not be provided less favorable treatment, with respect to the use of any Club Facility, than is provided to Golf Members, their Immediate Families and their permitted guests.

12.7.5 National Golf Members. No green fees shall be charged for the golf rounds described in the first sentence of Section 6.6.2. The Club shall not establish fees or other charges for National Golf Members in excess of those applicable to Club Members.

12.7.6 Non-Equity Club Members. The Club shall not establish fees or other charges for Non-Equity Club Members in excess of those applicable to Club Members.

12.7.7 Sonoran Members. The Club shall not establish fees or other charges for Sonoran Members in excess of those applicable to Club Members.

12.7.8 Discrimination Against Categories of Members. After the Turnover, the Deferred Equity Members, the Golf Members, the Club Owner and/or the Board shall not take any action or cause any action to be taken, which would materially diminish the rights of any category of members, or which would apply in an adversely selective or discriminatory fashion against any category of members in a manner inconsistent with the privileges and rights of such category of members as set forth in these Bylaws or in their respective Membership Agreements. Without limiting the generality of the foregoing statement, the Club shall not distribute any earnings among Deferred Equity Members which were proximately derived from the collection of excessive dues from any Members.

12.7.9 Discrimination Against the Company. After the Turnover, there shall be no discrimination against the Company, memberships owned by the Company and/or future purchasers of the Company's Desert Mountain homes or home sites.

12.7.10 Company's Right to Waive Amounts Otherwise Payable. In addition to such waivers as the Company may have granted prior to the Effective Date, the Company may waive in whole or in part the payment of any amounts otherwise payable to the Club prior to the Turnover.

ARTICLE XIII

MEMBER-ELECTED ADVISORY BOARD

13.1 Advisory Board Entity. DMP shall form an Arizona non-profit corporation (the "Advisory Board Entity"), the board of directors of which shall be elected by the membership as provided in Section 13.2. The purpose of the Advisory Board Entity shall be to render advice to Club management on Club activities and policies prior to the Turnover and, as the Turnover approaches, to help plan for the Turnover.

13.2 Election of Directors of the Advisory Board Entity. The board of directors of the Advisory Board Entity shall be made up of nine individuals, elected by the membership. These directors shall serve staggered three-year terms, in order to provide continuity on the board of directors of the Advisory Board Entity. As of the Turnover, the Advisory Board Entity shall be dissolved, and the members of the board of directors of the Advisory Board Entity shall become the initial members of the post-Turnover Board.

13.3 Annual Advisory Board Elections. The Company shall hold an election each year until the Turnover. In each such election, each Member shall be entitled to cast one vote per candidate for as many candidates as there are seats to be filled in such election. Any individual who is a Member in relation to more than one membership may complete and return separate ballots for each such membership.

13.4 Eligibility to Serve on the Board of Directors of the Advisory Board Entity. Any Member in good standing, and the spouse of any Member in good standing, shall be eligible to stand for election to the board of directors of the Advisory Board Entity. While serving on such board or directors, no board member shall hold any leadership position in any other Club-related member organization, other than social or recreational groups.

13.5 Advisory Board Election Procedure. In advance of each annual Advisory Board election, the Company shall send a written notice to each Member inviting eligible Members and their spouses to complete a written self-nomination form, briefly stating the nominee's qualifications and objectives, and to return such completed form to the Company on or before a specified date, which shall not be less than fifteen days after the date of such Company notice. The self-nomination forms received by the Company during the stated period duly completed by eligible candidates shall then be sent to each Member, together with a ballot. The letter accompanying the completed self-nomination forms and ballot shall state that the ballot must be completed and returned to an identified independent vote-counter, selected by the Company, on or before a date specified in such letter, which date shall not be less than 30 days after the date of such letter. At the end of the specified balloting period, the vote-counter shall tally the votes and report the results to the Company, which shall advise the membership and the Advisory Board Entity of the names of the individuals elected to serve on the board of directors of the Advisory Board Entity. In the event of a tie between two or more candidates, the vote-counter will, by random drawing, cast a deciding vote or votes in order to break the tie. The Company shall not cast any votes in any Advisory Board election.

13.6 Resignation and Recall of Members of the Board of Directors of the Advisory Board Entity. Any member of the board of directors of the Advisory Board Entity may resign at any time, and shall be deemed to have resigned if such member of the board of directors (or his or her spouse) no longer holds a membership in good standing or if such member of the board of directors holds a leadership position in any other Club-related member organization, other than social or recreational groups. Any member of the board of directors of the Advisory Board Entity may be removed from such board at any time for cause, by a three-fourths vote of the other members of such board. Any member of the board of directors of the Advisory Board Entity may also be recalled at any time, based on a majority vote of the Members voting in a recall election. The Company shall hold a recall election, if requested to do so at any time by a written petition signed by Members eligible to cast 30% or more of the total number of votes cast in the most recent Advisory Board election. The recall election shall apply only to the member or members of the board of directors of the Advisory Board Entity identified in any such petition.

13.7 Vacancies on the Board of Directors of the Advisory Board Entity. In the event that a seat on the board of directors of the Advisory Board Entity becomes vacant at any time, the vacant seat shall be offered to the Members (or Member spouses) who ran unsuccessfully for election in the most recent Advisory Board election, provided they continue to be eligible to serve. The vacant seat shall be offered first to the eligible candidate who received the most votes in the last Advisory Board election but was not elected. If that individual declines the offer, the vacant seat shall be offered to the eligible candidate who received the next highest number of votes, and so on, until all vacancies are filled. If any vacancies remain after all vacant seats are offered to candidates in the most recent Advisory Board election, the Company may (and at the request of the Advisory Board Entity shall) hold a special election to fill such vacant seats.

13.8 Powers of the Advisory Board Entity. The Advisory Board Entity shall have the power to do the following:

13.8.1 To meet with the Board from time to time, in order to provide member input to the Board with respect to any Club matter;

13.8.2 To evaluate any increase in dues, fees or charges proposed or adopted by the Board from time to time, and to invoke the Company's agreement, set forth in Section 23.7, to mediate and, if necessary, to arbitrate certain increases in dues, fees or charges, if the board of directors of the Advisory Board Entity believes in good faith that such increases are not consistent with the applicable provisions of these Bylaws;

13.8.3 To modify or terminate the option described in Section B.5 of Appendix "B" to these Bylaws; and

13.8.4 As the Turnover Date approaches, to negotiate with the Company a proposed amendment to the Plan, further clarifying implementation of the existing turnover provisions in the Plan, which amendment shall be subject to approval by the Deferred Equity Members through a vote taken in accordance with the Plan. In the event that the Company and the Advisory Board Entity are unable to agree upon the terms of a proposed Plan amendment to submit to the Deferred Equity Members, or in the event that the Deferred Equity Members do not

approve a proposed Plan amendment submitted to them for approval, the Plan shall nonetheless remain in full force and effect, subject to its terms.

The Advisory Board Entity shall not have any powers, other than the ones specifically stated in this Section 13.8. Without limiting the generality of the preceding sentence, the Advisory Board Entity shall have no power to commence, or to become a party to, any legal proceedings to which the Company is a party, except that the Advisory Board Entity may bring an action against the Company on behalf of past or present members of the board of directors of the Advisory Board Entity or any past or present officer of the Advisory Board Entity to enforce the provisions of Section 13.9, the first and last sentences of Section 13.10, Article XIX, Section 25.13 or Section 25.14.

13.9 Insurance for the Board of Directors and Officers of the Advisory Board Entity. Until the Turnover, provided such insurance remains available for purchase, the Company shall maintain in force liability insurance, naming as insureds all past and present members of the board of directors of the Advisory Board Entity and all past and present officers of the Advisory Board Entity, providing insurance in the amounts provided by the following insurance policies and also covering the core risks covered by the following policies: Philadelphia Indemnity Insurance Company (PHSD061611 dated 7/30/2003); Federal Insurance Company (8184-9673 dated 7/20/2003); and National Union Fire Insurance Company (9318053 dated 1/27/2004).

13.10 Expenses of the Advisory Board Entity. The Company shall pay the costs incurred in forming the Advisory Board Entity and in preparing and filing such annual reports and tax returns as such entity may be required to prepare and file from time to time prior to Turnover. When the Company and the Advisory Board Entity begin to work on the proposed Plan amendment described in Section 13.8.3, the Company shall provide the Advisory Board Entity independent legal counsel, and other independent advisers if needed, solely for the purpose of advising the Advisory Board Entity concerning the proposed Plan amendment described in Section 13.8.4. The Company shall pay the reasonable fees and expenses of such legal counsel and independent advisers, in accordance with reasonable budgets approved by the Company before such fees and expenses are incurred.

13.11 Meetings with the Board of Directors of the Advisory Board Entity. Until the Turnover, the Board shall meet with the board of directors of the Advisory Board Entity approximately once per quarter and more often as the Board and the Advisory Board Entity may agree is needed from time to time.

ARTICLE XIV

FUTURE OWNERSHIP OF CLUB BY DEFERRED EQUITY MEMBERS

14.1 Transfer of Assets; Reserved Rights. On the Turnover Date, the Company shall transfer title to the then-existing Club Facilities to a non-profit corporation or other entity (the "Equity Member Entity"), subject to the terms, conditions, contingencies, time limitations and other provisions set forth in Section V of the Plan, all of which are incorporated herein by this reference. The members in, or owners of, the Equity Member Entity shall be the owners of

Deferred Equity Memberships, including the Company as to any authorized but unissued Deferred Equity Memberships. In the event of any judicial or other binding determination invalidating or setting aside all or any portion of the turnover provisions in Section V of the Plan, whether prior to or at the Turnover Date, and without limiting the contingencies recited in Section V.F of the Plan, then, at the option of the Company, the foregoing provisions of this 14.1 shall no longer be of any force or effect and the 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). In that event, (i) this Section 14.1 (and any other provisions requiring that the Club Facilities be transferred to an Equity Member Entity) shall be deleted from these Bylaws, but the Members shall otherwise continue to have all of the other rights set forth in these Bylaws, as they may have been amended in accordance with their terms, (ii) the Company shall continue to be entitled to sell any authorized but unissued Golf Memberships and Club Memberships and (iii) the provisions in these Bylaws which state that certain things must be done (or may not be done) prior to the Turnover shall continue in full force and effect, except as such provisions may have been or may be amended in accordance with these Bylaws. Additionally, in the event, at any time, of any pending litigation or other effort to procure a judicial or other binding determination invalidating or setting aside all or any portion of the turnover provisions in Section V of the Plan, the Company reserves the right to continue issuing the authorized Deferred Equity Memberships.

14.2 Structure of Equity Member Entity. The Equity Member Entity shall be a non-profit corporation or other limited liability entity, formed by the Company in advance of the Turnover. The organizational documents of this entity shall provide for the Deferred Equity Members to elect the entity's board of directors or other comparable governing body. In each such election, and in any other vote of the members or owners of such entity, Golf Members shall have two votes per Golf Membership, and Club Members shall have one vote per Club Membership, for each office to be filled and on each other issue to be voted upon by the members or owners of such entity.

14.3 Turnover Shall Have No Effect on Non-Equity Members. The rights and obligations of Non-Equity Members, as set forth in these Bylaws, shall not be affected by any transfer of the Club Facilities, including the Turnover.

ARTICLE XV

NO LIABILITY FOR CLUB DEBTS; RIGHT OF DEFERRED EQUITY MEMBERS TO SHARE IN DISTRIBUTIONS AFTER TURNOVER

The Members shall not be personally liable for any debts or other obligations of the Club, but the Members are subject to assessment if, and to the extent, provided in Article VI. Prior to the Turnover, the Company shall pay any deficits, and shall be entitled to retain any surpluses, realized by the Club. The Members do not share in any earnings of the Club prior to the Turnover. In the event that distributions are made to the Deferred Equity Members after Turnover, the amount distributed to each Club Member shall not be less than 60% of the amount distributed to each Golf Member.

ARTICLE XVI

NOTICE TO MEMBERS AND OWNERS

Whenever notice is required to be given to a Member or to the owner of a membership, the notice shall be in writing and may be given by personal delivery to the Member or membership owner, by fax to a fax number provided by the Member or membership owner or by first-class mail, addressed to the Member or owner at the address of that Member or owner appearing on the books of the Club or at the address given by the Member or owner to the Club for the purpose of notice. If no address appears on the books of the Club and no other address has been provided to the Club for notice, notice shall be deemed to have been given if notice is sent to the Member or owner by first-class mail 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 XVII

BINDING EFFECT OF BYLAWS AND PLAN

By becoming a Member or acquiring a membership, each Member and membership owner agrees to be bound by these Bylaws, the Rules and Regulations and (in the case of Deferred Equity Members and owners of Deferred Equity Memberships) the Plan, as they may be amended from time to time in accordance with these Bylaws or the Plan. The Club Owner and the Company shall also be bound by these Bylaws and the Plan, as they may be amended from time to time in accordance with their terms.

ARTICLE XVIII

LIABILITY FOR USE OF PROPERTY

Every Member shall be responsible to the Club for any damages to Club property (or to property for which the Club is responsible) caused by such Member or such Member's family, guests or visitors. Any entity that owns a membership shall also be responsible for any damages to Club property (or to property for which the Club is responsible) caused by such entity's Entity Designee or by such Entity Designee'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 XIX

NON-LIABILITY AND INDEMNIFICATION

To the fullest extent permitted by law, none of the following while acting in any manner described in (a) through (f) of this Article XIX shall be liable to any Member, to the owner of any membership or to anyone else for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval, course of action, act (including resignation),

inaction, omission, error, negligence or the like made in good faith in connection with the Club, the Club Facilities, these Bylaws, the Rules and Regulations or the negotiation, execution or performance of any agreement entered into between the Advisory Board and the Company:

- (a) The Board and members thereof;
- (b) Any committee of the Club and members thereof;
- (c) Any officer of the Club;
- (d) Any member of the board of directors of the Advisory Board Entity and any officer of the Advisory Board Entity;
- (e) Any Club Owner, including the Company; and
- (f) Any direct or indirect investor in any Club Owner, and any director, officer, employee or agent of any Club Owner or of any such direct or indirect investor.

Subject to any written agreement executed by any individual described in (a) through (f) above, the Company and any successor Club Owners shall indemnify, defend and hold each and every one of such individuals harmless for, from and against any such claim or liability arising out of events described in this Article XIX, including all costs and expenses incurred in connection therewith (including any legal or administrative proceedings or orders arising therefrom), including without limitation all court costs and attorneys' fees, all of which the Company and any successor Club Owner shall pay as and when due (as opposed to reimbursing following payment by any indemnitee). With respect to members of the board of directors and any officers of the Advisory Board Entity on or after the Effective Date, all conduct shall be deemed to be in good faith, other than any action which may be taken by such directors or officers in connection with legal proceedings brought by the Advisory Board Entity against the Company and not provided for in Section 13.8. In the event that claims covered by the foregoing indemnity are asserted, the Company's or other Club Owner's choice of counsel to defend against such claims shall be subject to approval by the indemnitee(s) against whom such claims have been asserted, such approval not to be unreasonably withheld or delayed.

ARTICLE XX

PROPERTY RIGHTS

Except as otherwise provided with respect to the owners of Deferred Equity Memberships in these Bylaws or in the Plan, it is expressly stipulated, and each Member and membership owner agrees, that no property rights or vested rights of any kind accrue to the benefit of any Member or membership owner, nor does any Member or membership owner have any ownership rights in the Club, in the assets of the Club or in any Club Owner by virtue of membership in the Club or ownership of a membership. Issuance of a membership, with the limited rights specified in these Bylaws and such additional rights as are granted in the Plan to the owners of Deferred Equity Memberships, is the full and sole consideration for the payment of any membership initiation fee. All Non-Equity Memberships are non-proprietary; that is, Non-Equity Membership confers upon the Member only a license to use some or all of the Club

Facilities, subject to these Bylaws and the Rules and Regulations. If a Non-Equity Member converts his or her Non-Equity Membership into a Deferred Equity Membership, the Non-Equity Member also irrevocably agrees to substitute fully the membership privileges thus acquired for any present or prior rights in, or to use, the Club Facilities.

ARTICLE XXI

THIRD-PARTY BENEFICIARIES

These Bylaws are not for the benefit of, and create no rights or privileges in favor of, anyone other than Members, the owners of memberships, the Company, the Club Owner and the individuals entitled to indemnity under Article XIX. The individuals entitled to indemnity under Article XIX shall have the authority to enforce Section 13.9, the first and last sentences of Section 13.10, Article XIX, Section 25.13 and Section 25.14.

ARTICLE XXII

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 owner of a membership, the personal representative or heirs of a deceased Member or membership owner, the spouse or divorced or surviving spouse of a Member, or anyone else involving a membership or a Dues Repayment Benefit, a Surrender Payment Benefit or any other amount payable by the Club, the Club may, but need not, suspend any or all privileges of membership or of a surviving or divorced spouse, and refrain from honoring the demands of any party, or paying a Dues Repayment, Surrender Payment or other amount in question, until the dispute has been resolved to the satisfaction of the Club.

ARTICLE XXIII

ADDITIONAL COMPANY OBLIGATIONS AND RIGHTS

23.1 Maintenance and Operation of Club Prior to Turnover. The Company confirms that, until the Turnover, the Company will operate and maintain the Club Facilities, at the Company's cost and expense, in first-class condition, in a manner comparable to other similar first-class clubs in the Southwestern United States. The Company shall make additional fairway renovations like those made on the Renegade course in 2000, as needed prior to the Turnover, in order to maintain the Club golf courses in accordance with the preceding sentence. Prior to the Turnover, the Company shall also make any renovations required to bring the Club Facilities into compliance with applicable law. In no event shall the Company be responsible for replacing any existing or future Club Facilities, or for undertaking extensive reconstruction or renovation of such facilities (except as may be required under the first three sentences of this paragraph), as to which certificates of occupancy or other equivalent permits were duly issued by the City of Scottsdale at the time they were originally constructed.

23.2 Use Rights of the Company.

23.2.1 Marketing Use Before and After Turnover. The Company has the right, both prior to and after the Turnover, to use the Club Facilities for the purpose of entertaining prospective purchasers of property in Desert Mountain and memberships in the Club, including resales. After the Turnover, the Company shall pay the same fees for any such use as are charged to accompanied guests of Golf Members.

23.2.2 Promotional Events Before Turnover. The Company has the right, prior to the Turnover, to hold marketing and promotional events and tournaments using the Club Facilities as may be determined from time to time by the Company.

23.2.3 General Use Right Before Turnover. Prior to the Turnover, the Company has the right to designate individuals, whether or not employees of the Company, to use the Club Facilities upon the terms and conditions established by the Company from time to time.

23.3 Company Obligation to Reserve Deferred Equity Memberships. The Company shall reserve an authorized and unissued Golf Membership for each individual or entity to whom the Company has granted a right to acquire a Golf Membership, including, without limitation, any Founder Member whose Membership Agreement, as described in Section 6.10.3, gives such Founder Member a right to acquire a Golf Membership. The Company has granted each Regular Member who owns a Desert Mountain home or home site a right to convert his or her Regular Membership into a Golf Membership prior to the Turnover and the Company has granted some Regular Members who own a Desert Mountain home or home site a right, exercisable at any time prior to the Turnover, to reserve a Golf Membership for a resale buyer. As required by the first sentence of this Section 23.3, the Company shall reserve an authorized and unissued Golf Membership for each Regular Member who has a right to convert his or her Regular Membership into a Golf Membership, who has a right to reserve a Golf Membership for a resale buyer or who has in fact reserved a Golf Membership for a resale buyer. The Company shall not be obligated to reserve a Golf Membership for any Regular Member who does not own a Desert Mountain home or home site. The Company shall also reserve an authorized and unissued Club Membership for each individual or entity to whom the Company has granted a right to acquire a Club Membership.

23.4 Company to Retain Certain Deferred Equity Memberships. Upon the Turnover, the Company shall retain all then-authorized but unissued Deferred Equity Memberships, including any Deferred Equity Memberships repurchased pursuant to Section 6.1.6 or Section 23.5 prior to the Turnover and not yet reissued, for subsequent sale by the Company pursuant to Section 7.6. After the Turnover, the Company may acquire additional Deferred Equity Memberships pursuant to Section 23.5, also for subsequent resale by the Company pursuant to Section 7.6. The Club Owner, the Board and all Club committees shall cooperate with the Company's efforts to sell all such retained and repurchased memberships. Without limiting the generality of the preceding sentence, the Membership Committee shall give the Company notice of each application for a Deferred Equity Membership of any type, for so long as the Company owns any memberships of such type, and the Company shall have ten days after the receipt of such notice to ask the Membership Committee to approve such applicant and/or to advise the Membership Committee, for purposes of Section 7.6.3, whether the Company has

previously agreed to issue or is otherwise prepared to issue a membership of the requested type to the applicant. The Club shall not impose any dues, fees, other charges or assessments against any unissued membership owned by the Company, including any memberships repurchased pursuant to Sections 6.1.6 or 23.5. The Company shall have no obligation to sell any unissued membership, except pursuant to such agreements as the Company may have made. The Company shall be entitled to vote with respect to all authorized and unissued Deferred Equity Memberships, except as provided in Section 13.5 and except that the Company shall not vote in any election held to determine whether the Deferred Equity Members or the Equity Member Entity will exercise any option to purchase non-Club assets from the Company.

23.5 Company's Option to Purchase Certain Surrendered Memberships. Until it has sold all of its Desert Mountain homes and home sites, the Company from time to time or at any time may purchase any surrendered Deferred Equity Membership on the Surrendered Membership List, by paying to the owner of such membership the amount which such owner would be entitled to receive under Section 8.1.2 if such membership were to be reissued at that time in accordance with Section 7.6. After the Turnover, the Club shall give the Company notice of each surrender of a Deferred Equity Membership for placement on the Surrendered Membership List, until the Company has sold all of its Desert Mountain homes and home sites.

23.6 Company Marketing Rights. DMP and its affiliates shall have the right, both prior to and after the Turnover, to promote the Club in advertisements, promotional materials and other promotional media by making reference to the Club and the availability of memberships in the Club.

23.7 Fees and Charges Prior to the Turnover.

23.7.1 Reasonableness Standard. The Company agrees that any increase in existing fees or charges occurring prior to the Turnover, and any new fees or charges established prior to the Turnover, must be reasonable in the then-existing circumstances. This Section 23.7.1 does not apply to dues, which are separately addressed in Article VI, or to Membership Contributions (and therefore transfer fees), which are separately addressed in Section 8.2.

23.7.2 Mediation and Arbitration. In the event that the Advisory Board believes in good faith that the dues established for any year prior to the Turnover do not comply with Article VI, or that any fees or charges which are subject to Section 23.7.1 do not comply with such section, the matter will be submitted to mediation and, if necessary, to arbitration, at the Company's expense, in accordance with such reasonable mediation and arbitration rules and procedures as the Company may establish.

23.8 Transfers Before the Turnover. The Company may transfer its interest in the Club Facilities prior to the Turnover, provided the transferee assumes all of the Company's obligations under these Bylaws and the Plan.

23.9 Other Obligations. The Company shall have the additional obligations set forth in Appendix "B" to these Bylaws.

ARTICLE XXIV

GLOSSARY OF TERMS

As used in these Bylaws (including the attached Appendixes), the following terms shall have the stated meanings:

“Advisory Board Entity” shall have the meaning stated in Section 13.1.

“Board” shall mean the board of directors of the Club, as more fully described in Article XII.

“Bylaws” shall mean these Bylaws of The Desert Mountain Club, as they may be amended from time to time in accordance with their terms.

“Club” shall mean The Desert Mountain Club, once called the Golf Club at Desert Mountain.

“Club Facilities” shall mean the Golf Courses, the clubhouses associated with the Golf Courses, the Sonoran Clubhouse, and such other facilities as may be owned by the Club Owner and made available from time to time for use by Members, in accordance with their respective membership privileges as stated in these Bylaws and the Rules and Regulations.

“Club Owner” shall mean the owner of the Club Facilities, which is DMP as of the Effective Date.

“Company” shall mean DMP and any successors and assigns of DMP who may acquire title to the Club Facilities at any time prior to the Turnover.

“Consumer Price Index” shall mean the Consumer Price Index, United States, All Urban Consumers, All Items (1982-84=100), as published by the United States Department of Labor, Bureau of Labor Statistics, or, if the specified index is discontinued at any time prior to the Turnover Date, any similar index selected by the Company.

“Converting Member” shall mean (i) any Non-Equity Member who is electing, in accordance with a right granted by the Company in writing, to convert his or her Non-Equity Membership into a Deferred Equity Membership and (ii) any applicant for a Deferred Equity Membership who is exercising a right to acquire a Deferred Equity Membership pursuant a Deferred Equity Membership reservation acquired by a Non-Equity Member from the Company.

“Deferred Equity Member” shall mean each Member entitled to the privileges of a Golf Membership (including a Legacy Membership) or a Club Membership.

“Deferred Equity Memberships” shall mean Golf Memberships and Club Memberships.

“Desert Mountain” shall mean the master-planned development in Scottsdale, Arizona, commonly known as Desert Mountain.

“DMP” shall mean Desert Mountain Properties Limited Partnership, a Delaware limited partnership.

“Dues Repayment Benefit” shall mean the benefit provided to certain Non-Equity Members to be reimbursed for dues paid by such Non-Equity Members, as provided in (and subject to) Article A.III of Appendix “A” to the Bylaws.

“Effective Date” shall mean March 31, 2004.

“Entity Designee” shall have the meaning stated in Section 7.9.1.

“Equity Member Entity” shall have the meaning stated in Section 14.1.

“Golf Courses” shall mean the Club golf courses and any related facilities (other than clubhouses) operated under the name “Apache,” “Chiricahua,” “Cochise,” “Geronimo,” “Outlaw” and “Renegade” and any other golf courses and any related facilities (other than clubhouses) which the Club Owner may elect at any time to add to the Club Facilities.

“Immediate Family” of a Member shall mean the Member’s spouse and any children of the Member and/or such spouse who are unmarried and under 25 years of age.

“Member” shall mean each person designated by the Club Owner as an Honorary Member and, with respect to each Membership Agreement, the person designated in or pursuant to such Membership Agreement (or these Bylaws) as having the privileges of a Member in relation to any membership issued pursuant to such Membership Agreement. Without limiting the generality of the prior sentence, each Entity Designee is a Member.

“Membership Agreement” shall mean an agreement entered into between the Club Owner and an individual or entity, pursuant to which an individual has been or may be designated as a Member authorized (together with his or her Immediate Family) to use some or all of the Club Facilities in accordance with a particular type of membership authorized by these Bylaws, subject to the terms of the Membership Agreement, these Bylaws and the Rules and Regulations.

“Membership Certificate” shall mean the certificate issued by the Club to a Member evidencing the membership of the Member.

“Membership Contribution” shall have the meaning stated in Section 8.1.

“Non-Equity Member” shall mean each Honorary Member and each Member who is entitled under a Membership Agreement (or the Bylaws) to the privileges of a Regular Membership, a National Golf Membership, a Non-Equity Club Membership, a Sonoran Membership, a Social Membership or a Founder Membership.

“Non-Equity Membership” shall mean an Honorary Membership, a Regular Membership, a National Golf Membership, a Non-Equity Club Membership, a Sonoran Membership, a Social Membership or a Founder Membership.

“Plan” shall mean the Deferred Equity Membership Plan For The Desert Mountain Club (as revised effective March 31, 2004), as it may be amended from time to time in accordance with its terms.

“President” shall mean the President of the Club elected by the Board.

“Resale Buyer” shall mean:

(a) An applicant for a Deferred Equity Membership who is purchasing or otherwise acquiring a Desert Mountain home or home site, if the transferor of such home or home site holds a Deferred Equity Membership in connection therewith (pursuant to Section 6.1.8) and has surrendered (or is surrendering at the closing of the sale or other transfer) such Deferred Equity Membership for reissuance to such applicant; and

(b) An applicant for a Regular Membership who is purchasing or otherwise acquiring a Desert Mountain home or home site owned by a Regular Member, if the existing Regular Member both (i) has a right under his or her Membership Agreement to require the Club to issue a substitute Regular Membership to the transferee of the Regular Member’s Desert Mountain home or home site, and (ii) has surrendered (or is surrendering at the closing of the sale or other transfer) the Member’s Regular Membership to the Club.

“Rules and Regulations” shall have the meaning stated in Section 12.4.

“Secretary” shall mean the Secretary of the Club elected by the Board.

“Surrender Payment Benefits” shall mean payment benefits provided to certain Regular Members pursuant to their Membership Agreements, as described in Article A.IV of Appendix “A.”

“Surrendered Membership List” shall have the meaning stated in Section 7.5.

“Tied Lot Membership” shall have the meaning stated in Article A.II of Appendix “A.”

“Turnover” shall mean conveyance of the Club Facilities by the Company to an Equity Member Entity as contemplated by Section 14.1 and the Plan.

“Turnover Date” shall mean the date on which the Turnover occurs.

ARTICLE XXV

AMENDMENT OF BYLAWS

The Board reserves the right to amend these Bylaws and to adopt new Bylaws; provided, however:

25.1 Deferred Equity Member Consent.

25.1.1 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 votes eligible to be cast by Deferred Equity Members: Article IV, if the amendment would authorize the creation of any additional category of membership prior to the Turnover, authorize an expansion of the golf privileges of any category of membership prior to the Turnover or diminish the authority of the Board after the Turnover to amend these Bylaws (as contemplated by Section 4.2) to add additional categories of membership; Article V, if the amendment would allow the issuance prior to Turnover of any additional memberships not authorized in the absence of such amendment; Section 23.3, if the amendment would reduce the number of unissued Deferred Equity Memberships which the Company is required to reserve; or this Section 25.1.1.

25.1.2 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 votes eligible to be cast by Deferred Equity Members, if the amendment would be materially adverse to the rights of Deferred Equity Members: Article II; Sections 6.1, 7.3, 7.4, 7.5, 7.6, 7.7, 7.9, 8.1, 8.2, 9.1.2, 9.2.2, 9.3, 10.2, 10.3, 10.4 or 11.1; Article XII (excluding the Rules and Regulations); Article XIII, Article XIV or Article XV; Sections 23.1, 23.2, 23.4 23.7 or 23.8; Appendix "A" or Appendix "B;" or this Section 25.1.2.

25.1.3 In any vote taken to determine whether the Deferred Equity Members approve a proposed amendment, each Golf Member shall be entitled (with respect to each Golf Membership held by such Member) to cast two votes and each Club Member shall be entitled (with respect to each Club Membership held by such Member) to cast one vote.

25.2 Golf Member Consent. 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 Golf Members: any provision which expressly grants specific rights or privileges to Golf Members or which expressly limits actions which may be taken with respect to Golf Members, if the amendment would diminish such rights or privileges or diminish the protection provided by such limitations; the second sentence of Section 4.2; and this Section 25.2, if the amendment would diminish the rights of Golf Members under this Section 25.2.

25.3 Legacy Member Consent. The Board shall not have the power to amend any of the following provisions of these Bylaws without the approval of each remaining Legacy Member: Article I of Appendix "A;" and this Section 25.3.

25.4 Club Member Consent. 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 Club Members: any provision which expressly grants specific rights or privileges to Club Members or which expressly limits actions which may be taken with respect to Club Members, if the amendment would diminish such rights or privileges or diminish the protection provided by such limitations; and this Section 25.4, if the amendment would diminish the rights of Club Members under this Section 25.4.

25.5 Regular Member Consent. 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 remaining Regular Members (including Charter Regular Members): Article II, if the amendment would permit Cochise or Geronimo to become semi-private or public prior to October 29, 2016 or if the amendment would diminish the authority of the Board to authorize use of the Club's golf courses for tournaments; Section 3.1; Section 5.5, if the amendment would permit the Club to have more than 350 Charter Regular Members; Section 6.5.1, if the amendment would permit the dues of Regular Members to be higher than they would be in the absence of such amendment; Section 6.5.2; Section 6.5.3; the first sentence of Section 12.7.2, if the amendment would permit Regular Members to have less extensive sign-up privileges than Golf Members; Section 12.7.4; Section 12.7.8, insofar as it applies to Regular Members; and this Section 25.5, if the amendment would diminish the rights of Regular Members (including Charter Regular Members) under this Section 25.5.

25.6 Charter Regular Member Consent. If any Membership Agreement gives a Charter Regular Member privileges in addition to those of a non-Charter Regular Member, the Board shall not have the power to amend these Bylaws so as to diminish those additional privileges, without the approval of such Charter Regular Member. The Board shall not have the power to amend this Section 25.6, as long as the Club has any Charter Regular Members.

25.7 National Golf Member Consent. 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 remaining National Golf Members: Section 6.6.1, if the amendment would permit the dues of National Golf Members to be higher than they would be in the absence of such amendment; Section 6.6.2, Section 6.6.3 or Section 6.6.4, if the amendment would diminish materially the benefits of those Sections to National Golf Members; Section 12.7.2, insofar as it applies to National Golf Members; Section 12.7.5; Section 12.7.8, insofar as it applies to National Golf Members; and this Section 25.7, if the amendment would diminish materially the rights of National Golf Members under this Section 25.7.

25.8 Non-Equity Club Member Consent. 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 remaining Non-Equity Club Members: Section 7.6.1, if the amendment would permit the dues of Non-Equity Club Members to be higher than they would be in the absence of such amendment; Section 6.7.2 or Section 6.7.3, if the amendment would diminish materially the benefits of those Sections to Non-Equity Club Members; Section 12.7.2, insofar as it applies to Non-Equity Club Members; Section 12.7.6; Section 12.7.8, insofar as it applies to Non-Equity Club Members; and this Section 25.8, if the amendment would diminish materially the rights of Non-Equity Club Members under this Section 25.8.

25.9 Sonoran Member Consent. 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 remaining Sonoran Members: Section 6.8.1, if the amendment would permit the dues of Sonoran Members to be higher than they would be in the absence of such amendment; Section 6.8.2 or Section 6.8.3, if the amendment would diminish materially the benefits of those Sections to Sonoran Members; Section 12.7.2, insofar as it applies to Sonoran Members; Section 12.7.7;

Section 12.7.8, insofar as it applies to Sonoran Members; and this Section 25.9, if the amendment would diminish materially the rights of Sonoran Members under this Section 25.9.

25.10 Founder Member Consent. The Board shall not have the power to amend any of the following provisions of these Bylaws without the approval of each remaining Founder Member: Section 6.10; and this Section 25.10.

25.11 Dues Repayment Member Consent. The Board shall not have the power to do any of the following without the approval of all Members whose memberships include a Dues Repayment Benefit: to amend Article A.III of Appendix "A" to these Bylaws, if the amendment would diminish materially the Dues Repayment Benefits payable to those Members holding memberships with a Dues Repayment Benefit; or to amend this Section 25.11, if the amendment would diminish materially the rights of such Members under this Section 25.11.

25.12 Surrender Payment Member Consent. The Board shall not have the power to do any of the following without the approval of all Members whose memberships include a Surrender Payment Benefit: to amend Article A.IV of Appendix "A" to these Bylaws, if the amendment would diminish materially the Surrender Payment Benefits payable to Members holding memberships with a Surrender Payment Benefit; or to amend this Section 25.12, if the amendment would diminish the rights of such Members under this Section 25.12.

25.13 Indemnified Party Consent. The Board shall not have the power to amend Article XIX with respect to any person entitled to indemnification under such Article, without the consent of such person, if the amendment would diminish materially the rights of such person under Article XIX. The Board shall not have the power to amend this Article 25.13 without the consent of each person then entitled to indemnification under Article XIX.

25.14 Advisory Board Entity Consent. The Board shall not have the power to amend Section 13.9, the first and last sentences of Section 13.10 or this Section 25.14 without the consent of the board of directors of the Advisory Board Entity.

25.15 Company Consent. Following the Turnover, for so long as the Company continues to own real property at Desert Mountain, the Board may not, without the prior written consent of the Company, which consent may be withheld in the sole and absolute discretion of the Company, change, modify or delete these Bylaws (inclusive of any revisions thereto which are then in effect).

CERTIFICATE OF ADOPTION

The undersigned certify that the above Bylaws are the Bylaws of the Club as amended and restated to this date, having been duly adopted by the Board pursuant to a written consent of even date with this Certificate of Adoption.

March 31, 2004

Jon Underwood, Board Member

Robert Jones, Board Member

Rich Yehling, Board Member

Appendix "A"

ARTICLE A.I

ADDITIONAL RIGHTS OF LEGACY MEMBERS

A.1.1 Introduction. This Appendix "A" describes certain additional rights of Legacy Members. When the Club no longer has any Legacy Members, this Appendix shall be of no further force or effect. In the event of a conflict between the terms of this Appendix and any other provisions in the Bylaws, this Appendix shall prevail.

A.1.2 Defined Terms. As used in this Appendix, the following capitalized terms shall have the indicated meanings:

"Legacy Designee" shall mean the individual designated to enjoy the membership privileges of a Legacy Membership pursuant to Section A.1.4.

"Legacy Home Site" shall mean the home site in Desert Mountain in connection with which a Legacy Membership was initially issued.

"Legacy Membership" shall mean the Golf Membership issued pursuant to a Legacy Membership Agreement, until such time as the membership is reissued to anyone other than a Legacy Membership Transferee.

"Legacy Membership Agreement" shall mean a Membership Agreement in which the Club Owner issued or committed to issue a Golf Membership with the rights and privileges of a Legacy Membership, which rights and privileges are now described in this Appendix A.

"Legacy Membership Transferee" shall mean the transferee of a Legacy Membership, pursuant to the provisions of Section A.1.3.

"Legacy Trust" shall mean a trust, limited partnership, limited liability company or other legal entity, the sole beneficiaries, members or owners of which are some or all of the children or grandchildren of an Original Legacy Member.

"Original Legacy Member" shall mean the individual designated in or pursuant to a Legacy Membership Agreement as the original Member under the Legacy Membership Agreement.

A.1.3 Transfer of Legacy Memberships. Upon the death of any Original Legacy Member, the Legacy Membership will automatically be transferred to the surviving spouse of the deceased Original Legacy Member, provided the surviving spouse also owns or acquires the Legacy Home Site (either directly or through an entity in which the surviving spouse holds a significant ongoing interest). Upon the death of the surviving spouse, or upon the death of the Original Legacy Member if there is no surviving spouse, the Legacy Membership may be transferred to any adult child of the Original Legacy Member or to a Legacy Trust, provided the adult child or Legacy Trust also acquires the Legacy Home Site. In the event that the Legacy Membership is transferred to a transferee permitted under this Section, the Club shall, upon

request of the transferee and surrender of the outstanding Membership Certificate, issue a new Membership Certificate in the name of the transferee. The new membership owner may be required to pay a reasonable administrative fee, in such amount as may be set by the Board from time to time, but shall not be required to pay any Membership Contribution or transfer fee. Any such recipient of a Legacy Membership shall be referred to herein as a "Legacy Membership Transferee."

A.1.4 Selection of Legacy Designees. An Original Legacy Member may designate any of his or her adult children to be the individual entitled to enjoy the use privileges of the Membership (the "Legacy Designee"). An Original Legacy Member may change the adult child designated as the Legacy Designee at any time, but not more often than once in any calendar year. Any surviving spouse of an Original Legacy Member, who succeeds his or her deceased spouse as the owner of the Legacy Membership and Legacy Home Site, may designate any adult child of the Original Legacy Member as the Legacy Designee and may change the adult child designated as the Legacy Designee at any time, but not more often than once in any calendar year. In the event that the Legacy Membership and Legacy Home Site are transferred upon death of the Original Legacy Member (or of any surviving spouse) to an adult child of the Original Legacy Member or to a Legacy Trust, the new owner of the Legacy Home Site may designate any adult child of the Original Legacy Member or any adult grandchild of the Original Legacy Member as the Legacy Designee and may change the designation at any time, but not more than once in any calendar year. There shall be no Membership Contribution or transfer fee payable in connection with any designation or re-designation permitted by this Section A.1.4, but the Club may charge a reasonable administrative fee, in such amount as may be set by the Board from time to time.

A.1.5 Limitations on Use Rights. So long as there is a Legacy Designee for a Legacy Membership, neither the Original Legacy Member nor any member of his or her Immediate Family (other than the Legacy Designee) will have any right to use any Club Facilities under the Legacy Membership. Voting rights applicable to a Legacy Membership shall be retained by the owner of the Legacy Membership, notwithstanding the designation of a Legacy Designee.

A.1.6 Transfer to Non-Legacy Owner. The Legacy Membership shall cease to be entitled to the additional benefits described in this Appendix, and shall thereafter be treated as a standard Golf Membership, when the Legacy Membership and the Legacy Home Site are no longer both owned by the Original Legacy Owner or by a Legacy Membership Transferee.

ARTICLE A.II

TIED LOT MEMBERSHIPS

A.2.1 Tied Lot Memberships. Prior to the Effective Date, the Club's governing documents granted certain special benefits to individuals who owned Deferred Equity Memberships and who "tied" two Desert Mountain home sites together, so that only one home could be built on the two home sites. As provided in this Article A.II, this opportunity continues for individuals who own, or who have entered into binding agreements to acquire, two adjoining Desert Mountain home sites as of the Effective Date. As was the case under the Club's earlier governing documents, this opportunity is not available to entities.

A.2.2 Definitions. As used in this Article A.II, the following terms shall have the indicated meanings:

“Eligible Member” shall mean any Member who:

(a) Causes two adjoining Desert Mountain home sites, which such Member owned or was under contract to purchase as of the Effective Date, to become Tied Lots; and

(b) Acquired a membership in the Club in connection with each of such adjoining Desert Mountain home sites.

“Tied Lots” shall mean two adjoining home sites in Desert Mountain which have been subjected to a recorded instrument which provides that only one home may be constructed on the two home sites.

“Tied Lot Membership” shall mean a Deferred Equity Membership acquired by an Eligible Member in connection with his or her acquisition of either of the home sites that have become Tied Lots.

A.2.3 Inactive Status. Any Eligible Member may notify the Club that he or she wishes to place a Tied Lot Membership on inactive status, in which event no dues shall be payable with respect to such membership for a period of ten years. While a Tied Lot Membership is on inactive status, no person will have any use privileges associated with the inactive membership. The Eligible Member may elect at any time to notify the Club that he or she wishes the membership to become active. Upon receipt by the Club of any such notice, the Tied Lot Membership shall become active, and the Eligible Member shall again be responsible to pay dues with respect to such membership. In the event that a Tied Lot Membership is reissued pursuant to the Bylaws during the ten-year period, the membership shall become active.

A.2.4 Right to Retain Tied Lot Membership Upon Sale of Tied Lots. If an Eligible Member sells his or her Tied Lots, the Eligible Member may retain a Tied Lot Membership, and the Club shall have no right to repurchase such retained membership. When the Eligible Member wishes to transfer the retained membership, the Eligible Member shall surrender the membership to the Club for placement on the Surrendered Membership List, pursuant to Section 6.1.3(b) of the Bylaws.

ARTICLE A.III

DUES REPAYMENT BENEFIT

A.3.1 Introduction. Some existing Non-Equity Members are entitled, when they surrender their memberships to the Club, to receive a payment from the Club on the terms and conditions stated in this Article A.III. These benefits are no longer being offered to new Members.

A.3.2 Dues Repayment Benefit Memberships. Those particular Regular Memberships and National Golf Memberships designated in a Membership Agreement between the Company

and a Member as having a “Dues Repayment Benefit” shall have the benefit of the provisions of this Article A.III. All Charter Regular Memberships have the Dues Repayment Benefit to the extent provided in Section A.3.6 of this Article. Memberships other than those described in the two preceding sentences do not have the Dues Repayment Benefit.

A.3.3 Dues Repayment.

A.3.3.1 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 “Dues Repayment Fund”). As part of the Turnover, the Company shall transfer the Dues Repayment Fund to the Equity Member Entity. After the Turnover, the Company shall reimburse the Club Owner on demand for any deposit the Club Owner makes to the Dues Repayment Fund pursuant to the first sentence of this Section A.3.3.1, provided only that the demand is accompanied by reasonable proof of the amount of dues received by the Club from memberships having the Dues Repayment Benefit and of the amount of the deposit.

A.3.3.2 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 Dues Repayment 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.”

A.3.3.3 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 the 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 the Company, the Dues Repayment Benefit shall extend to dues paid on both memberships, and the maximum repayment is limited to \$50,000.

A.3.3.4 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 A 3.3.5 of this Article A.III 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 Repayment.

A.3.3.5 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 A.3.3.4 above and this Section A.3.3.5, 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.

A.3.3.6 ALL DUES REPAYMENTS PURSUANT TO THIS ARTICLE A.III SHALL BE MADE SOLELY FROM THE DUES REPAYMENT FUND, AND NEITHER THE COMPANY, THE CLUB, NOR ANYONE ELSE SHALL HAVE ANY OBLIGATION TO MAKE THE DUES REPAYMENTS OTHER THAN FROM MONIES AVAILABLE IN THE DUES REPAYMENT FUND, AND NEITHER THE COMPANY NOR THE CLUB SHALL HAVE ANY OBLIGATION TO DEPOSIT ANY MONEY IN THE DUES REPAYMENT FUND OTHER THAN THE ONE-FOURTH PORTION OF THE DUES FROM MEMBERSHIPS WITH A DUES REPAYMENT BENEFIT AS PROVIDED IN SECTION A.3.3.1 ABOVE. IF MONEY IS NOT AVAILABLE IN THE DUES REPAYMENT FUND TO HONOR A DUES REPAYMENT REQUEST WHEN MADE, NO INTEREST SHALL ACCRUE OR BE PAYABLE WITH RESPECT TO THE DEFERRED DUES REPAYMENT.

A.3.3.7 Notwithstanding anything herein to the contrary, the Dues Repayment Benefit shall apply only to dues actually received by the Club. Neither the Club nor the 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 the 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 the Company (which expended or incurred them) and the

contribution obligations of Section A.3.3.1 of this Article A.III shall only apply to one-fourth of the remaining balance.

A.3.3.8 The Club shall have the right to offset against the Dues Repayment any indebtedness of the Member to the Company or the Club.

A.3.4 The Dues Repayment Fund. Money in the Dues Repayment 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 Dues Repayment Fund, taking into account (i) reasonably anticipated income from future dues, income from Dues Repayment Fund investments and Dues Repayment 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 Dues Repayment Fund to the Club or the Company, as directed by the Company, and there shall be no obligation to restore the released money to the Dues Repayment Fund. In the event of a release of money from the Dues Repayment Fund in compliance with this Section A.3.4, neither the outside accountant or auditor, the holder of the Dues Repayment Fund, the Club nor the Company (nor any partner comprising the 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 Dues Repayment Fund to meet on a timely basis Requests for Repayment.

A.3.5 Dues Repayment and Surviving Spouse.

A.3.5.1 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 to which this Appendix is attached, the Member’s spouse shall have no further privileges with respect to use of the Club.

A.3.5.2 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 to which this Appendix is attached and the applicable Membership Agreement, subject to the following:

(a) Notwithstanding anything to the contrary in such Bylaws (including without limitation Section 9.1.1 thereof) 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 such 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 such 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 A.3.3.2 of this Article) when the surviving spouse makes a Request for Repayment in compliance with Section A.3.3.2 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.

A.3.6 Charter Regular Memberships. All Charter Regular Memberships shall have the Dues Repayment Benefit as to monthly dues paid after January 1, 2000.

A.3.7 Termination of Dues Repayment Fund. When the Club no longer has any Regular Members or National Golf Members holding memberships with a Dues Repayment Benefit, any funds then remaining in the Dues Repayment Fund shall be paid to the Company. After any payment required by the preceding sentence is made, this Article A.III shall be of no further force or effect.

ARTICLE A.IV

REGULAR MEMBERSHIP SURRENDER PAYMENT BENEFITS

A.4.1 Introduction. Some existing Non-Equity Members are entitled, when they surrender their memberships to the Club, to receive a payment from the Club on the terms and conditions stated in this Article A.IV. These benefits are no longer being offered to new Members.

A.4.2 Fixed Amount Surrender Payment Benefit. Certain Membership Agreements state that, upon surrender of the Regular Membership issued pursuant to such Membership Agreement, the Club will pay \$50,000 to the surrendering Regular Member. The Club shall make such payments if and as required under such Membership Agreements. In the event that the Club makes any such payment after the Turnover, the Company shall reimburse the Club for such payment on demand, provided only that the demand is accompanied by reasonable proof of payment and of the payee's entitlement to the amount paid. When the Club no longer has any Regular Members entitled to this benefit, this Section A.4.2 shall be of no further force or effect.

A.4.3 Percentage Surrender Payment Benefit. Certain Membership Agreements state that, upon surrender of the Regular Membership issued pursuant thereto and satisfaction of certain other requirements, the Club will place the surrendered membership on a surrendered membership list and, upon issuance of a substitute Regular Membership to an approved applicant, the Club will pay the surrendering Regular Member an amount equal to 75% of the proceeds realized by the Club upon such issuance. Because the Club is no longer issuing Regular Memberships other than under the circumstances described in Section 6.5.4(d) of the Bylaws to which this Appendix is attached, the Club has adopted the following policy: when a Regular

Member entitled to this benefit surrenders his or her Regular Membership to the Club, the Club notes the place which such membership would have occupied on the Surrendered Membership List if the surrendered membership were a Golf Membership. When the Golf Membership actually in such position on the Surrendered Membership List is reissued pursuant to Section 7.6 of the Bylaws to which this Appendix is attached, the Club pays the surrendering Regular Member an amount equal to 75% of the Membership Contribution payable for such reissued Golf Membership. In the event that the Club makes any payment in accordance with this policy after the Turnover, the Company shall reimburse the Club for such payment on demand, provided only that the demand is accompanied by reasonable proof of payment and of the payee's entitlement under such policy to the amount paid. When the Club no longer has any Regular Members entitled to this benefit, this Section A.4.3 shall be of no further force or effect.

ARTICLE A.V

CREDITS OF DEFERRED EQUITY MEMBERS

A.5.1 Company Obligation to Bear Cost of Certain Credits. Upon Turnover, some Deferred Equity Members may have unused credits at the Club granted by the Company, which credits may be applied against dues, fees or charges otherwise payable by such Deferred Equity Members after the Turnover. As part of the Turnover, the Company shall provide the Equity Member Entity a full accounting of any such unused credits. When any such credits are used after the Turnover, the Company shall reimburse the Club for the cost of the credits used, provided only that the demand is accompanied by reasonable proof of the amount of such credits and of the pertinent Members' entitlement to such credits.

APPENDIX "B"

This Appendix "B" states certain other obligations of the Company.

B.1. Company Commitment to Terminate Temporary Tax Agreement. Prior to the Turnover, the Company shall cause the temporary obligation to make "Supplemental in Lieu Payments," as defined in paragraph 6 of that certain Preannexation Development Agreement dated December 11, 2000, between DMP and the City of Scottsdale, to terminate, if such temporary obligation has not already terminated pursuant to the terms of such Preannexation Development Agreement.

B.2 Company Agreement to Bear Certain Costs Under Water Agreement. The Company shall reimburse the Club Owner for any amounts paid by the Club Owner after the Turnover pursuant to that certain Irrigation Water Distribution System Pipeline Capacity Agreement between The City of Scottsdale, Arizona and Desert Mountain Properties Limited Partnership dated May 13, 2002 (the "Water Agreement") as the Club's share (i) of the projected or actual initial cost of designing, constructing and equipping the HVID Water Infrastructure (as defined in the Water Agreement), (ii) of the cost of storing water pursuant to Section 5.7(c) or 5.7(d) of the Water Agreement or (iii) of the cost of options to purchase Long-Term Storage Credits, as contemplated by Section 6.4 of the Water Agreement. The foregoing notwithstanding, the Company shall not be obligated to reimburse any costs incurred by the Club Owner after the Turnover relating to the Water Rights, as defined in Section B.5 of this Appendix "B," if the Members exercise the Parcel 19 Option, as defined in such Section.

B.3. Club Option to Purchase Desert Mountain Sales Office. The Company owns a building (and other associated real property) at the main entrance to Desert Mountain, subject to a lease of a portion of the property to The Desert Mountain Master Association. An affiliate of the Company as of Effective Date conducts a brokerage business in this building. The Company will retain ownership of this building (and other associated real property) until the Turnover, and the Company will not allow any person or entity, other than an affiliate of the Company, to conduct a brokerage business in this building at any time prior to the Turnover or during the term of the option described in the following sentence. As part of the Turnover, the Company shall grant to the Equity Member Entity an option, for one year after the Turnover, to acquire (i) the building (and other associated real property), subject to a perpetual or other long-term right in favor of The Desert Mountain Master Association to use a portion of such building and associated property as a guard house and for related purposes, and (ii) any transferable interests held by the Company or any of its affiliates in any resale brokerage business conducted in such building upon closing of the option, if the option is exercised. The option price shall be the fair market value of (i) the building (and other associated real property), subject to the rights of The Desert Mountain Master Association, and (ii) any resale brokerage business then conducted by the Company or any of its affiliates in the building, as determined by an appraisal prepared by an independent appraiser selected by the Company, and the option price shall be payable in cash at the closing, in the event the option is exercised. In the event the option is exercised and the purchase is closed, neither the Company nor any of its affiliates shall thereafter engage in the resale brokerage business as to homes or home sites in Desert Mountain.

B.4. Club Option to Purchase Company's Interest in Office Building Venture. The Company holds an interest in the limited liability company that owns the "Fairway" office building located at 10550 East Desert Hills Drive in Scottsdale (the "Fairway Office Venture"). As part of the Turnover, the Company shall grant the Equity Member Entity an option for one year to acquire for \$1 both (i) the Company's entire interest as of May 22, 2002 in the Fairway Office Venture and (ii) the Company's entire interest in any leases or subleases related to the "Fairway" office building as of the closing date, if the option is exercised, conditioned only upon (i) the transferee assuming all of the Company's obligations relating to the Fairway Office Venture and all of the Company's assigned obligations (including rental payment obligations) under any such assigned leases and subleases, if the option is exercised, and (ii) the transferee obtaining the consents to such transfer and assignments from any other participant in the Fairway Office Venture prior to the closing, if the option is exercised. If the option is exercised, the Company's interest in the Fairway Office Venture, and in any leases or subleases, shall be assigned free and clear of any liens (other than the mortgage, if any, permitted under the Plan). At the closing, the Fairway Office Venture shall have no debt (other than such mortgage, if any), and the Fairway office building shall be free and clear of any liens (other than such mortgage, if any), but the transfers will be made with the Fairway office building in its "as is" condition on the date of such transfer and assignments.

B.5. Parcel 19 and Associated Water Supply. At the request of the Advisory Board, the Company hereby grants the Deferred Equity Members an option to purchase Parcel 19 at Desert Mountain, and the associated water supply described below (the "Parcel 19 Option"), on the terms stated in this Section B.5.

B.5.1 Description of Parcel 19. Parcel 19 includes approximately 97.3 gross acres, situated in the southwest corner of Desert Mountain. Approximately 5.3 acres of the site are used today for various purposes, including the primary golf course irrigation pond and a fire and emergency medical station. Another 18.8 acres has been committed since the early 1980's to the City of Scottsdale for a public park and related uses. Additional portions of Parcel 19, expected to total approximately 7.9 acres, will be (a) conveyed to the City for use in connection with the IWDS (the water system which serves Outlaw and the Club's other existing courses) and for other City purposes, which may include a future potable water treatment facility or (b) set aside as natural area open space in connection with the IWDS. Together, these committed uses are expected to absorb about 32 acres of Parcel 19, leaving about 65.3 acres available for other potential uses.

Parcel 19 is currently zoned predominantly for commercial development. In order to use Parcel 19 for golf or residential purposes (beyond the approximately 10 residential units permitted under current zoning), Parcel 19 would need to be rezoned. The City has not committed to rezone Parcel 19, and the Company does not plan, as of the Effective Date, to seek any such rezoning in the near future. In the event that the Club members were to exercise the option and purchase Parcel 19, the Club would need to rezone Parcel 19, if the Club decided to use Parcel 19 for purposes other than those permitted under the zoning in place on the Effective Date.

Parcel 19 is too small to serve as the site of a championship eighteen-hole golf course. The parcel (net of the already committed areas) is large enough, however, to serve as the site of a first class practice facility or possibly a nine-hole course or executive eighteen-hole course.

B.5.2 Description of Non-Potable Water Available to Serve Parcel 19. The Company also owns, as an uncommitted non-Club asset, .5 million gallons per day of water delivery capacity in the IWDS and an associated water allotment of up to 275 acre-feet per year, as provided in the Water Agreement (this pipeline capacity and water allotment are referred to hereinafter collectively as the "Water Rights"). The IWDS is being constructed to allow the water allotment included in the Water Rights to be delivered to and used on Parcel 19, if the Club elects to exercise the Parcel 19 Option.

B.5.3 Current Value of Parcel 19 and the Water Rights. In December of 2002, the Advisory Board's appraiser valued Parcel 19, net of the areas expected to be set aside for the uses described above, at about \$14,750,000; which is more than 20% less than a similar appraisal completed in 2001.

As of the Effective Date, the Company expects the costs incurred to acquire and develop the Water Rights to total about \$7,500,000, but the actual costs could be more or less than this estimate. Because some potentially variable acquisition and development costs will continue to be payable after the Turnover, the final aggregate acquisition and development cost of the Water Rights will remain somewhat uncertain at the Turnover. The Company will provide the Advisory Board with an appropriate audit of these costs for review by the Advisory Board.

B.5.4 Option Price is Less Than Current Value, and Not Payable Until Turnover. Subject to adjustment as provided in the next paragraph, the option price will equal the sum of (a) \$14,000,000 and (b) the actual costs incurred by the Company in acquiring and developing the Water Rights.

Before the end of 2004, the IWDS improvements on Parcel 19 will be completed and the land on which those improvements are placed will be conveyed to the City of Scottsdale. In the event that more than 7.9 acres are conveyed to the City in connection with the IWDS, the option price will be reduced by \$310,000 per acre for each additional acre or part thereof which is dedicated to the City for IWDS purposes. In the event that less than 7.9 acres are conveyed to the City in connection with the IWDS, the option price will be increased by \$310,000 per acre for the additional acreage which is available for use for non-IWDS purposes.

If the option is exercised, the option price will bear interest, at 6% per annum, compounded annually, from March 31, 2006 until the option price is paid. For purposes of determining the amount on which interest is accruing, any costs incurred by the Company in acquiring or developing the Water Rights after the date on which the option is exercised shall be added to the option price as of the end of the month in which such costs are paid. The option price, with interest, would be payable through an assessment of Deferred Equity Members when the option property is transferred to the Equity Member Entity. The option price will not be included in the turnover mortgage contemplated by the Plan.

B.5.5 Mechanism for Exercising Option and Paying Option Price, if the Option is Exercised. On or before December 31, 2005, the Company will prepare and send to the Deferred Equity Members a proposed amendment to the Plan. That amendment will become effective only if approved by a vote of the Club's Deferred Equity Members, as provided in the Plan. Members will have until February 28, 2006 to send their approving or disapproving vote to an independent vote-tallying firm.

The amendment will provide that the Equity Member Entity is to purchase Parcel 19, subject to the commitments described above, and the Water Rights, for an amount determined as provided above. The amendment will provide that, if the option is exercised, the option property will be transferred to the Equity Member Entity (upon payment of the purchase price) on the Turnover Date and the Club Owner will thereafter be responsible for any remaining costs of acquiring and developing the Water Rights.

If the Plan amendment is approved, the funds needed to pay the option price will be raised by an assessment of the Club's Deferred Equity Members (as between Club and Golf Members, the assessments will be proportionate to their respective Membership Contributions as of the assessment date). The option price would not be added to the amount of any turnover mortgage.

If the Deferred Equity Members do not vote in favor of the Plan amendment, the option will terminate on March 31, 2006.

B.5.6 Management of Parcel 19 During the Option Term and Until Transfer, if the Option is Exercised. During the term of the Parcel 19 Option, and until the option property is transferred if the Parcel 19 Option is exercised, the Company will continue to have the authority to work with the City of Scottsdale on the location and design of the various IWDS and City uses to which portions of Parcel 19 have been committed, which may entail relocating the acreage committed to use for a park and related City uses. The Company will continue to consult the Advisory Board on these matters. During the term of the option, the Company and the Advisory Board will have the authority to modify or terminate the Parcel 19 Option.

B.6. Member Option to Purchase Certain Deferred Equity Memberships. At the request of the Advisory Board, the Company agrees, notwithstanding Section 7.3 of the Bylaws to which this Appendix is attached, not to sell any Deferred Equity Memberships owned by the Company to any person that does not own a home or home site at Desert Mountain until the two conditions in the following subsections B.6.1 and B.6.2 have each been satisfied:

B.6.1 First Condition. Any one of the following has occurred:

- (a) The Parcel 19 Option has expired without being exercised;
- (b) The membership has voted to exercise the Parcel 19 Option; or
- (c) The Advisory Board and the Company have agreed to an early termination of the Parcel 19 Option.

B.6.2 Second Condition. After the first condition has been satisfied, the Company has given the Deferred Equity Members (or the Club Owner, if a membership purchase option is granted after the Turnover) an option to purchase any Deferred Equity Memberships, owned by the Company, which the Company intends (in the event the membership purchase option is not exercised) to offer to persons which do not own a Desert Mountain home or home site. The option price in each case shall be equal to 80% of the Membership Contributions (as of the date on which such membership purchase option is granted) for the Deferred Equity Memberships which are subject to the membership purchase option, and the option price in each case shall be payable in cash within 90 days after the membership purchase option is exercised by the Deferred Equity Members (or by the Club Owner, if a membership purchase option is granted after the Turnover), if the membership purchase option is exercised.

In the event that the Company grants a membership purchase option in compliance with the requirements stated in this Section B.6, and the option is not exercised, the Company shall be free to sell the Deferred Equity Memberships which were subject to the membership purchase option to persons who do not own Desert Mountain homes or home sites.