



# **Desert Mountain Club Bylaws**

**Table of Contents**

	<u>Page</u>
<b>ARTICLE 1 – Name, Purpose and Defined Terms</b>	
<b>Section 1.1.</b> Name.....	1
<b>Section 1.2.</b> Purpose .....	1
<b>Section 1.3.</b> Defined Terms .....	1
<b>ARTICLE 2 – Property</b>	
<b>Section 2.1.</b> Club Property.....	1
<b>Section 2.2.</b> Club Facilities.....	1
<b>Section 2.3.</b> Responsibility for Non-Club Property.....	2
<b>Section 2.4.</b> Removal of Club Property.....	2
<b>Section 2.5.</b> Damage.....	2
<b>Section 2.6.</b> Property Rights/Interests .....	2
<b>ARTICLE 3 – Membership</b>	
<b>Section 3.1.</b> General .....	2
<b>Section 3.2.</b> Membership Categories.....	2
<b>Section 3.2.1.</b> Equity Golf Membership.....	2
<b>Section 3.2.1(a)</b> Equity Golf Membership – Junior .....	3
<b>Section 3.2.1(b)</b> Equity Golf Membership – Widow/Widower .....	3
<b>Section 3.2.2.</b> Equity Seven Golf Membership .....	3
<b>Section 3.2.3.</b> Equity Lifestyle Membership .....	3
<b>Section 3.2.3(a)</b> Equity Lifestyle Membership – Senior Golf Privileges.....	4
<b>Section 3.2.4.</b> Non-Equity Legacy Junior Golf Membership.....	4
<b>Section 3.2.5.</b> Non-Equity Senior Golf Membership .....	4
<b>Section 3.2.6.</b> Honorary Membership.....	4
<b>Section 3.2.7.</b> Developer Retained Membership .....	4
<b>Section 3.2.8.</b> Prior Non-Equity Membership .....	5
<b>Section 3.2.9.</b> Other Memberships .....	5
<b>Section 3.3.</b> Membership Categories, Classifications and/or Modifications.....	5
<b>Section 3.4.</b> Other Club Affiliations.....	5
<b>Section 3.5.</b> Application for Membership .....	5
<b>Section 3.5.1.</b> Acceptance/Declination of Membership Application .....	6
<b>Section 3.5.2.</b> Wait List .....	6
<b>Section 3.6.</b> Upgrades.....	6
<b>Section 3.7.</b> Downgrades.....	6
<b>Section 3.8.</b> Voting Rights and Weights .....	6
<b>Section 3.9.</b> Leave of Absence .....	6
<b>Section 3.10.</b> Membership/Transfer Fee .....	7
<b>Section 3.11.</b> Immediate Family.....	7
<b>Section 3.12.</b> Membership Held in Name of Family Trust .....	7
<b>Section 3.13.</b> Rules and Regulations .....	7
<b>Section 3.14.</b> Guests .....	7

**ARTICLE 4 – Membership Transfer**

**Section 4.1. General** ..... 8

**Section 4.1.1. Membership Transfer Programs** ..... 8

**Section 4.1.2. Transfer Fee/Membership Contribution/Initiation Fee** ..... 8

**Section 4.1.3. Membership Application and Agreement/Approval of Prospective Transferee**..... 9

**Section 4.2. Transfer Pursuant to the Membership Resale Program**..... 9

**Section 4.3. Transfer Pursuant to the Real Estate Purchaser Program**..... 10

**Section 4.4. Transfer Pursuant to the Member Arranged Transfer Program**..... 10

**Section 4.5. Transfer Pursuant to the Legacy Transfer Program/Other Transfers** ..... 11

**Section 4.6. Transfer Pursuant to the Transfer Upon Death Program**..... 11

**Section 4.7. Purchase of Memberships by the Club**..... 12

**Section 4.8. Tax Consequences**..... 12

**Section 4.9. No Advertising**..... 12

**Section 4.10. Legal Separation or Divorce**..... 12

**ARTICLE 5 – Financial Obligations**

**Section 5.1. Club Contribution/Initiation and Charges** ..... 13

**Section 5.2. Financial Budgets** ..... 13

**Section 5.3. Assessments**..... 13

**Section 5.4. Account Charges** ..... 14

**Section 5.5. Payment Terms**..... 14

**Section 5.6. Late-Fee Charges/Returned-Check Fee**..... 14

**Section 5.7. Other Charges**..... 14

**Section 5.8. Facilities Unavailable** ..... 14

**ARTICLE 6 – Disciplinary Action, Collection and Grievances**

**Section 6.1. Disciplinary Action** ..... 14

**Section 6.1.1. Nonpayment** ..... 14

**Section 6.1.2. Cause** ..... 15

**Section 6.1.3. Endangering Conduct** ..... 15

**Section 6.2. Hearings**..... 15

**Section 6.3. Appeals**..... 16

**Section 6.4. Obligations and Restrictions Relating to Suspension and Expulsion**..... 16

**Section 6.5. Collection** ..... 17

**Section 6.6. Grievances** ..... 17

**ARTICLE 7 – Governance and General Management**

**Section 7.1. Board of Directors** ..... 17

**Section 7.1.1. Term of Service** ..... 18

**Section 7.1.2. Organizational Meeting**..... 18

**Section 7.1.3. Powers** ..... 18

**Section 7.1.4. Meetings and Notices** ..... 18

**Section 7.1.5. Consent in Lieu of Meeting**..... 19

**Section 7.1.6. Use of Proxies**..... 19

**Section 7.1.7. Procedures and Quorum** ..... 19

<b>Section 7.1.8.</b> No Remuneration.....	19
<b>Section 7.1.9.</b> Conflict of Interest and Confidentiality.....	19
<b>Section 7.1.10.</b> Removal of Directors .....	19
<b>Section 7.1.11.</b> Vacancies.....	20
<b>Section 7.2.</b> Officers.....	20
<b>Section 7.2.1.</b> Board Officers .....	20
<b>Section 7.2.1(a)</b> Chairman.....	20
<b>Section 7.2.1(b)</b> Vice Chairman.....	20
<b>Section 7.2.1(c)</b> Treasurer .....	21
<b>Section 7.2.1(d)</b> Secretary .....	21
<b>Section 7.2.2.</b> Executive Officers.....	21
<b>Section 7.2.2(a)</b> Chief Executive Officer .....	21
<b>Section 7.2.2(b)</b> Chief Financial Officer.....	21
<b>Section 7.2.3.</b> Additional Officers.....	21
<b>Section 7.2.4.</b> Conflict of Interest and Confidentiality.....	21
<b>Section 7.2.5.</b> Removal of Officers .....	21
<b>Section 7.2.6.</b> Signing of Contracts and Other Obligations .....	22
<b>Section 7.2.7.</b> Bond .....	22
<b>Section 7.3.</b> Committees.....	22
<b>Section 7.3.1.</b> Standing Committees.....	22
<b>Section 7.3.1(a)</b> Finance Committee.....	22
<b>Section 7.3.1(b)</b> Audit Committee .....	22
<b>Section 7.3.1(c)</b> Membership Committee.....	23
<b>Section 7.3.1(d)</b> Member Standards Committee .....	23
<b>Section 7.3.1(e)</b> Governance Committee.....	23
<b>Section 7.3.1(f)</b> Compensation Committee .....	23
<b>Section 7.3.1(g)</b> Nominating Committee.....	23
<b>Section 7.3.2.</b> Other Committees.....	24
<b>Section 7.3.3.</b> Remuneration/Removal.....	25
<b>ARTICLE 8 – Membership Meetings</b>	
<b>Section 8.1.</b> Annual Meeting/Special Meeting.....	25
<b>Section 8.2.</b> Notices.....	25
<b>Section 8.3.</b> Quorum.....	25
<b>Section 8.4.</b> Voting.....	26
<b>Section 8.4.1.</b> Absentee Ballots.....	26
<b>Section 8.5.</b> Major Decision.....	26
<b>Section 8.6.</b> Conduct of Meetings .....	26
<b>ARTICLE 9 – Non-Liability and Indemnification</b>	
<b>Section 9.1.</b> Non-Liability .....	26
<b>Section 9.2.</b> Indemnification.....	27
<b>ARTICLE 10 – Fiscal Year</b> .....	27
<b>ARTICLE 11 – Amendments</b> .....	27

<b>ARTICLE 12 – Interpretation</b> .....	27
<b>ARTICLE 13 – Dissolution and Liquidation</b>	
<b>Section 13.1.</b> Dissolution.....	28
<b>Section 13.2.</b> Procedure and Rights.....	28
<b>Section 13.3.</b> Rights.....	28
<b>ARTICLE 14 – Miscellaneous</b>	
<b>Section 14.1.</b> Gender and Number .....	28
<b>Section 14.2.</b> Captions.....	28
<b>Section 14.3.</b> Maintenance and Other Uses.....	28
<b>Section 14.4.</b> Membership Directory and Lists .....	28
<b>Section 14.5.</b> Club and Board Decisions.....	29
<b>Section 14.6.</b> Membership Documents/Conflict .....	29
<b>Section 14.7.</b> Memberships are Offered for Recreational Purposes Only.....	29
<b>Section 14.8.</b> DMP Provisions .....	29
<b>EXHIBIT A</b>	
Definitions.....	30-34

**BYLAWS  
DESERT MOUNTAIN CLUB, INC.**

**ARTICLE 1.  
Name, Purpose and Defined Terms**

**1.1 Name.** The corporate name of the Club is Desert Mountain Club, Inc., an Arizona nonprofit corporation (the “Club”). The Club is known as “The Desert Mountain Club.”

**1.2 Purpose.** The purpose of the Club is: (i) to own and operate the Club Property as a private member-owned golf, tennis, health and fitness, dining and social club; and (ii) to have all rights, privileges and powers as may be conferred upon nonprofit corporations under the laws of the State of Arizona, including but not limited to: establishing bylaws for and conducting the management, regulation and governance of its affairs and property; transacting its business; entering into contracts, loan agreements and related documentation; leasing, buying, holding and selling real, personal and Intellectual Property; and calling and holding meetings of its Equity Members. The Club will not engage, except to an insubstantial degree, in any activities that are not in furtherance of the purpose of the Club. No part of the Club’s net earnings will inure to the benefit of any Member.

**1.3 Defined Terms.** The defined terms used in the Bylaws will have the respective meanings set forth either on Exhibit A or in the Section to which Exhibit A refers.

**ARTICLE 2.  
Property**

**2.1 Club Property.** The property of the Club (collectively, “Club Property”) will consist of (i) the Club Facilities and (ii) such other buildings, equipment, facilities, and real, personal and Intellectual Property, and contractual rights as are necessary and/or appropriate for the operation, management and maintenance of the Club and the Club Facilities, as the Club Facilities may be added to, deleted, modified and/or disposed of by the Club in accordance with the Bylaws. No Member has the right to access or use Club Property unless specifically provided for in the applicable Membership Documents.

**2.2 Club Facilities.** The facilities of the Club (collectively “Club Facilities”), which will be available to the Members based on their respective Membership Documents for social, dining, golfing, tennis, health and fitness, and recreational use, presently consist of: (i) six (6) 18-hole Jack Nicklaus Signature golf courses (Cochise, Geronimo, Renegade, Apache, Chiricahua and Outlaw), including four (4) practice ranges (Cochise/Geronimo, Renegade, Apache and Outlaw) (collectively, the “Signature Golf Facilities”); (ii) six (6) clubhouses (Cochise/Geronimo Renegade, Apache, Chiricahua, Outlaw and Sonoran); (iii) Jim Flick Golf Performance Center; (iv) The Ranch; (v) Seven Desert Mountain Par-54 Short Game Golf Course (the “Seven Short Game Course”) and Clubhouse; and (vi) other facilities and adjacent real property owned or leased by the Club for use of the Members (collectively, “Other Facilities and Property”); in each case as may be added to, deleted, modified and/or disposed of by the Club in accordance with the Bylaws.

**2.2.1** The term “Non-Golf Facilities” means all Club Facilities except: (i) the Signature Golf Facilities; (ii) the Jim Flick Performance Center; (iii) the Seven Short Game Course; and (iv) the Other Facilities and Property to the extent that the Other Facilities and Property are used primarily for golf related activities; in each case as may be added to, deleted, modified and/or disposed of by the Club in accordance with the Bylaws. Members who have use of only Non-Golf Facilities may have limited access to the Signature Golf Facilities, the Seven Short Game Course and Other Facilities and Property during non-operating hours as permitted under the Rules and Regulations.

**2.3 *Responsibility for Non-Club Property.*** The Club will not be responsible for damage or loss to any property belonging to Members, guests or other persons.

**2.4 *Removal of Club Property.*** Club Property will not be loaned or removed from the Club premises or put to any use other than that for which it was intended, except as part of the normal operation of the Club or as expressly permitted by Management or the Board.

**2.5 *Damage.*** Members must pay for any theft, loss, breakage and/or damage to any property owned or leased by the Club caused by the Member, his/her Immediate Family, guests (including service providers as applicable) or tenants, as assessed by the Club.

**2.6 *Property Rights/Interests.*** The Members’ equity interests in the Club will not convey to the Members any property rights or other interests of any nature in Club Property, except as provided in the Club’s Articles of Incorporation or the Bylaws concerning a dissolution and liquidation of the Club.

### **ARTICLE 3. Membership**

**3.1 *General.*** Memberships will be categorized, with appropriate classifications thereunder, as provided in the Bylaws. Each Member will have the respective rights and obligations provided for in, and will be subject to, the Membership Documents of the Member holding such Membership. The number of Memberships issued under each category and classification will be established by the Board, subject to the limits provided in the Bylaws. The total number of Memberships issued at any one time, including all categories and classifications thereunder (except Honorary Memberships), will not exceed two thousand six hundred sixty-five (2,665) (the “Total Membership Limit”), subject to the Bylaws.

#### **3.2 *Membership Categories.***

**3.2.1 *Equity Golf Membership.*** An equity golf membership (“Equity Golf Membership”) entitles the Member (“Equity Golf Member”) to the use of only the Club Facilities. Equity Golf Members are required to pay the Membership Contribution/Initiation Fee (including any Deferred Membership Contribution) and all dues, assessments, food and beverage minimums, and other charges and fees (including the Transfer Fee) assessed or otherwise implemented by the Club (collectively as so assessed or implemented, the “Club Contribution/Initiation and Charges”) with respect to applicable Equity Golf Memberships or any classification thereunder. Equity Golf Members will not be required to pay greens fees or court fees. Equity Golf Members will have the highest priority to reserve tee times on the

Signature Golf Facilities and equal priority with Equity Seven Golf Members to reserve tee times on the Seven Short Game Course, in accordance with policies established by the Club. All Membership criteria, rights and obligations of an Equity Golf Member are governed by the applicable Membership Documents. The total number of Memberships issued at any one time having golf privileges, including all categories and classifications thereunder (except Honorary Memberships), will be established by the Board and will not exceed two thousand three hundred fifteen (2,315) (the “Golf Membership Limit” or “Limit”), subject to the Bylaws. The Golf Membership Limit may be reduced as provided in Section 3.2.3.

As of the Effective Date, the following classifications are available under the Equity Golf Membership category:

**3.2.1(a) Equity Golf Membership – Junior.** An Equity Golf Membership - Junior is available on a limited basis in accordance with terms established by the Board. All Membership criteria, rights and obligations of an individual with an Equity Golf Membership – Junior (a “Junior Member”) are governed by the applicable Membership Documents.

**3.2.1(b) Equity Golf Membership – Widow/Widower.** An Equity Golf Membership - Widow/Widower is available on a limited basis, in accordance with terms established by the Board, to the widow, widower or Significant Other of a deceased Equity Golf Member or to an Equity Golf Member whose Spouse or Significant Other has died. All Membership criteria, rights and obligations of an individual with an Equity Golf Membership - Widow/Widower are governed by the applicable Membership Documents.

**3.2.2 Equity Seven Golf Membership.** An equity Seven golf membership (“Equity Seven Golf Membership”) is available on a limited basis, in accordance with terms established by the Board, and entitles the Member (“Equity Seven Golf Member”) to the use of only (i) the Seven Short Game Course and (ii) the Non-Golf Facilities. Equity Seven Golf Members are required to pay all Club Contribution/Initiation and Charges with respect to applicable Seven Golf Memberships or any classification thereunder. Equity Seven Golf Members are entitled to reserve tee times on equal priority with Equity Golf Members on the Seven Short Game Course in accordance with policies established by the Club. All Membership criteria, rights and obligations of an Equity Seven Golf Member are governed by the applicable Membership Documents.

**3.2.3 Equity Lifestyle Membership.** An equity lifestyle membership (“Equity Lifestyle Membership”) entitles the Member (“Equity Lifestyle Member”) to the use of only the Non-Golf Facilities. Equity Lifestyle Members are required to pay all Club Contribution/Initiation and Charges with respect to applicable Equity Lifestyle Memberships or any classification thereunder. Equity Lifestyle Members are entitled to reserve courts on an equal priority with Equity Golf Members and Equity Seven Golf Members, in accordance with policies established by the Club. All Membership criteria, rights and obligations of an Equity Lifestyle Member are governed by the applicable Membership Documents. The total number of Equity Lifestyle Memberships issued at any one time, including all categories and classifications thereunder (except Honorary Memberships), will be established by the Board, and, except as provided in the next sentence, will not exceed three hundred fifty (350) (“Lifestyle Membership Limit” or “Limit”), subject to the Bylaws. Upon approval of the Board, the Lifestyle



Membership Limit may be increased above three hundred fifty (350) if concurrently with any such increase the Golf Membership Limit is decreased by the same number of Memberships.

As of the Effective Date, the following classification is available under the Equity Lifestyle Membership category:

**3.2.3(a) Equity Lifestyle Membership - Senior Golf Privileges.** An Equity Lifestyle Membership - Senior Golf Privileges is available on a limited basis in accordance with terms established by the Board. All Membership criteria, rights and obligations of an individual who holds an Equity Lifestyle Membership - Senior Golf Privileges are governed by the applicable Membership Documents.

**3.2.4 Non-Equity Legacy Junior Golf Membership.** A Non-Equity Legacy Junior Membership (“Legacy Junior Golf Membership”) is available on a limited basis, in accordance with terms established by the Board, to Children and Grandchildren of Equity Golf Members. A Legacy Junior Golf Membership entitles the Member (“Legacy Junior Golf Member”) to the use of only the Club Facilities with limitations as to golf privileges. Legacy Junior Golf Members are required to pay all Club Contribution/Initiation Fee and Charges with respect to applicable Legacy Junior Golf Memberships or any classification thereunder. All Membership criteria, rights and obligations of a Legacy Junior Golf Member are governed by the applicable Membership Documents.

**3.2.5 Non-Equity Senior Golf Membership.** A Non-Equity Senior Golf Membership is available on a limited bases in accordance with terms established by the Board. A Non-Equity Senior Golf Membership entitles the Member to the use of only the Club Facilities with limitations as to golf privileges. Non-Equity Senior Golf Members are required to pay all Charges with respect to applicable Senior Golf Memberships or any classification thereunder. All Membership criteria, rights and obligations of a Senior Golf Member are governed by the applicable Membership Documents.

**3.2.6 Honorary Membership.** The Club may issue an honorary membership (“Honorary Membership”) to select individuals for their contribution to the Club or for other activities or achievements, as determined by the Board. The Board will determine, on an individual basis, the terms of each Honorary Membership. The Club, with the approval of the Board, has the right to terminate an Honorary Membership at any time and for any reason. Honorary Memberships will not count toward either the Golf Membership Limit or the Lifestyle Membership Limit. There will be no more than six (6) Honorary Memberships issued at any one time.

**3.2.7 Developer Retained Membership.** Prior to January 1, 2011, Desert Mountain Properties Limited Partnership, a Delaware limited partnership (“DMP”), retained ownership of a limited number of unissued Equity Golf Memberships (collectively, the “Developer Retained Memberships”) in conjunction with the residential lots retained by DMP within the Desert Mountain Community. The transfer or sale by DMP of a Developer Retained Membership is not a sale by the Club of an Equity Golf Membership and is not subject to the provisions of Article 4. All Membership criteria, rights and obligations of the Developer Retained Memberships are governed by the applicable Membership Documents.

**3.2.8 Prior Non-Equity Membership.** Prior to January 1, 2011, the Club issued certain categories of non-equity Memberships that are no longer available for issuance (“Prior Non-Equity Memberships”). All Membership criteria, rights and obligations of the Prior Non-Equity Memberships are governed by the applicable Membership Documents.

**3.2.9 Other Memberships.** Prior to January 1, 2011, the Club issued a limited number of Founder Memberships and Equity Club Memberships that are no longer available for issuance. All Membership criteria, rights and obligations of the Founder Memberships and the Equity Club Memberships are governed by the applicable Membership Documents.

**3.3 Membership Categories, Classifications and/or Modifications.** The Board is authorized, without the vote of Equity Members, to (i) establish new categories and classifications of Equity and Non-Equity Memberships and/or (ii) modify the criteria, rights and obligations of any category or classification of Memberships to accommodate the changing needs and facilities of the Club, except that the Board may not adversely modify the rights of any category or classification of Prior Non-Equity Memberships, Founder Membership or Equity Club Memberships to the extent such right(s) are not subject to modification pursuant to the applicable Membership Documents. The Board is authorized to amend the Bylaws to provide for any new categories, classifications and/or modifications of Memberships, and the Club will notify the Members of the amendments. In no event, however, will a new Membership category, classification or modification have golf privileges greater than an Equity Golf Membership. Additionally, any new category or classification will be counted against the applicable Golf Membership Limit or Lifestyle Membership Limit, as appropriate, and, in combination with the existing Memberships, will not exceed the applicable Limit.

**3.4 Other Club Affiliations.** In order to promote the best interests of the Club, Management or the Board may grant Club privileges not coupled with a Membership for limited purposes to persons in certain classes such as military personnel, and PGA and LPGA members. Management or the Board will set the terms and conditions of such privileges, including the restrictions and limitations required by the Club’s tax elections. The granting of Club privileges will not include voting rights or any ownership interest in the Club. Any usage of Club Facilities by any person granted such privileges will be subject to the Bylaws, Rules and Regulations, Code of Conduct and other applicable policies established by the Club. Such privileges may be terminated at any time by Management or the Board upon notice to such person.

**3.5 Application for Membership.** Any individual who is at least twenty-one (21) years of age may submit a completed application for Membership (“Membership Application”) to the Club for consideration. The Membership Committee will evaluate all applicants who submit a completed Membership Application. Evaluations will be conducted to determine whether a person is financially qualified and of good character and will be made without regard to race, color, national origin, sex, sexual orientation, religious preference, creed or any disabilities of the applicant. Upon completing its evaluation of an applicant, the Membership Committee will make a recommendation to the Board to accept or decline such applicant’s Membership Application. The purchase of a residence or lot within the Desert Mountain Community is not a guarantee that a Membership Application will be approved. A Seven unit buyer must apply for and be approved for Membership prior to closing on such unit.

**3.5.1 Acceptance/Declination of Membership Application.** The Club, through the Board, may accept or decline any Membership Application, and the decision of the Board will be final. An applicant will be notified promptly of the acceptance or declination of his/her Membership Application (an “Accepted Applicant” or “Declined Applicant” as the case may be). An Accepted Applicant will become a Member of the Club when the applicable Membership Contribution/Initiation Fee and Transfer Fee are received by the Club and he/she completes the Membership Documents required by the Club. A Declined Applicant may not be further considered for Membership in the Club for a period ending one (1) year following the date of the Club’s notice to the applicant of the declination.

**3.5.2 Wait List.** The Board may establish a separate wait list for new applicants in each Membership category and/or classification that contains a sufficient number of Members as determined by the Board and, if so established, will determine the terms and priority for issuing Memberships to the applicants on the wait list.

**3.6 Upgrades.** As determined by the Board, and subject to the applicable Limit, a Member may Upgrade his/her Membership by paying a Membership Contribution/Initiation Fee. Such Membership Contribution/Initiation Fee will be the difference between the Membership Contribution/Initiation Fee paid by the Member or the Membership Contribution/Initiation Fee in effect at the time he/she became a Member, whichever is greater, and the Membership Contribution/Initiation Fee for the Upgraded category of Membership in effect at the time the Member Upgrades.

**3.7 Downgrades.** Members will not have the right to Downgrade their Membership category except as provided herein. The Board has the right, on a limited basis due to exceptional circumstances, to permit a Member to Downgrade his/her Membership on terms established by the Board. Downgrades will be permitted to a Membership held by the owner of a residential unit in Seven Desert Mountain in accordance with the terms and conditions established by the Club.

**3.8 Voting Rights and Weights.** Only Equity Members in Good Standing will be eligible to vote at Club meetings and in all ballot elections (whether by paper or electronic ballots) the Board may authorize. Each Equity Golf Member’s vote will count as two (2) votes. Each Junior Member’s vote will count as one and a half (1.5) votes, except that the vote of each Junior Member who is paying Full Dues will count as two (2) votes. Each Equity Seven Golf Member’s vote will count as one and a half (1.5) votes. Each Equity Lifestyle Member’s (regardless of classification) vote will count as one (1) vote. Each Prior Equity Club Member’s vote will count as one (1) vote. No other Member is eligible to vote, unless otherwise authorized by the Board upon the creation of a new category or classification of Membership pursuant to Section 3.3. In no event, will the vote of a new category or classification of Membership count as more than two (2) votes. Non-Equity Members will not have any voting rights.

**3.9 Leave of Absence.** A Member does not have the right to a leave of absence from his/her Membership. However, the Board may permit, due to exceptional circumstances, a leave of absence on terms approved by the Board.

**3.10 Membership/Transfer Fee.** An Equity Member will remain a Member and will be required to pay all Club Contribution/Initiation and Charges with respect to such Member's Membership until such time as he/she has transferred his/her Membership and the Club has received any applicable Transfer Fee pursuant to Article 4. An Equity Member may not walk away, resign, withdraw, forfeit, abandon or, except as provided in Article 4, in any way relinquish his/her Membership (collectively, "Relinquish"). All Equity Members will be obligated to pay the Transfer Fee to the Club prior to the termination of their respective financial responsibilities to the Club, unless otherwise specifically provided in Article 4.

**3.11 Immediate Family.** A Member's Spouse or Significant Other and unmarried Children of the Member and/or his/her Spouse or Significant Other under the age of twenty-five (25) (such person(s) individually or collectively, "Immediate Family") will have rights equal to those afforded by the Club to the Member (excluding voting rights and the right to share in liquidation proceeds), subject to such Member's Membership Documents. All members of a Member's Immediate Family must be registered with the Club on such form and with such supporting documentation required by the Club. A Member may (i) restrict the Club privileges of any one or more of the Member's Immediately Family as permitted by the Club or (ii) terminate the Club privileges of any one or more of the Member's Immediate Family; in either case by written notice to the Club, together with any documentation required by the Club. The Member may reinstate such privileges as permitted by the Club. No restriction, termination or reinstatement will be effective until receipt of the required documentation and written acknowledgment by the Club. The Board may limit the number of times and circumstances under which a Member may reinstate Club privileges of a Member's Immediate Family whose Club privileges have been so restricted or terminated.

**3.12 Membership Held in Name of Family Trust.** Subject to the requirements of the Club's tax elections and as determined by the Board, a Membership may be held in the name of a legal family trust approved by the Club, with one individual designee (the "Designated Member") under the Membership. The Designated Member will be the Member for all purposes under the Bylaws and, if approved by the Club, may be changed only to the Spouse or Significant Other of the Designated Member in accordance with Club policies and payment of the applicable fee set by the Club. Such family trust and the Designated Member will be jointly and severally liable for all Club Contribution/Initiation and Charges with respect to the subject Membership. The Designated Member will have the rights applicable to the family trust's Membership category or classification thereunder. The Memberships issued to a corporation prior to January 1, 2012, and still held by such corporation, will be treated in the same manner as a family trust under this Section 3.12.

**3.13 Rules and Regulations.** The Board may adopt, implement and publish rules and regulations concerning the operation of the Club and the usage of the Club Facilities by the Members, their Immediate Families and their guests, as determined by the Board to be in the best interest of the Members and operation of the Club (the "Rules and Regulations").

**3.14 Guests.** Guests of Members are welcome at the Club in accordance with and subject to the Bylaws, Rules and Regulations, Code of Conduct and policies established by the Club. The hosting Member is at all times responsible for the conduct of, and unpaid charges and fines attributable to, such Member's guests. The hosting Member may be disciplined under

Article 6 for inappropriate conduct of the hosting Member's guest(s). Only Members in Good Standing may host guests. Former Members who were not in Good Standing at the time their Membership terminated are not permitted to be guests. Guests may only use the Club Facilities available to the hosting Member. The Board may establish restrictions on guest usage to protect usage and access rights of the Members.

#### **ARTICLE 4. Membership Transfer**

**4.1 General.** Equity Memberships may be transferred only as provided in this Article 4. Equity Members may not Relinquish (as defined in Section 3.10) their respective Membership. Non-Equity Memberships are not transferrable except to the extent of the terms explicitly stated in the Membership Documents pertaining to such Non-Equity Memberships.

**4.1.1 Membership Transfer Programs.** As of the Effective Date, Equity Memberships may be transferred only through the (i) Membership Resale Program (ii) Real Estate Purchaser Program (iii) Member Arranged Transfer Program (iv) Legacy Transfer Program/ Other Transfers and (v) Transfer Upon Death Program (collectively and together with any new transfer program adopted by the Club, the "Transfer Programs"). An overview of each current Transfer Program is separately set forth in Sections 4.2, 4.3, 4.4, 4.5 and 4.6. The Club may adopt new Transfer Programs, and each Transfer Program and its respective terms may be modified, suspended or terminated by the Board. Each Transfer Program will be subject to terms established by the Board (collectively, the "Transfer Program Requirements"). The term "Transferring Member" means the Equity Member seeking to transfer his/her Membership through one or more Transfer Programs. All Transferring Members must be in Good Standing to participate in any Transfer Program, except as otherwise permitted by the Board.

**4.1.2 Transfer Fee/Membership Contribution/Initiation Fee.** In accordance with Section 3.10, a Transfer Fee must be received by the Club prior to the transfer of any Equity Membership, unless the transfer occurs in a manner that is specifically excepted from the Transfer Fee as provided in Sections 4.5 and 4.6. No transfer of an Equity Membership will be effective until the Club receives payment in full of the applicable Transfer Fee, if any. The Club has the right to require the payment of a Transfer Fee for any new or modified Transfer Program that may be adopted in the future. The amount of the Transfer Fee, and the terms for payment, may be modified by the Board, subject to the Bylaws. The applicable Membership Contribution/Initiation Fee is set in accordance with Section 5.1.

**4.1.2(a)** As of the Effective Date, the Transfer Fee for Equity Golf Memberships is an amount equal to the greater of (i) twenty percent (20%) of the Membership Contribution/Initiation Fee, if any, received by the Club from the new Equity Golf Member and (ii) Sixty-Five Thousand Dollars (\$65,000).

**4.1.2(b)** As of the Effective Date, the Transfer Fee for Equity Lifestyle Memberships is an amount equal to the greater of (i) twenty percent (20%) of the Membership Contribution/Initiation Fee, if any, received by the Club from the new Equity Lifestyle Member and (ii) Ten Thousand Dollars (\$10,000).

**4.1.2(c)** As of the Effective Date, the Transfer Fee for Equity Seven Golf Memberships is an amount equal to the greater of (i) twenty percent (20%) of the Membership Contribution/Initiation Fee, if any, received by the Club from the new Equity Seven Golf Member and (ii) Twenty Thousand Dollars (\$20,000).

**4.1.2(d)** In the event the Membership Contribution/Initiation Fee, if any, received by the Club from an approved applicant for Membership is less than the applicable Transfer Fee, the Transferring Member must pay the Club an amount equal to the difference between the applicable Transfer Fee and such Membership Contribution/Initiation Fee, plus any amounts owed to the Club by the Transferring Member.

**4.1.2(e)** In the event the Membership Contribution/Initiation Fee, if any, received by the Club from an approved applicant for Membership is greater than the applicable Transfer Fee, the Club, within thirty (30) days of the receipt of such Membership Contribution/Initiation Fee and transfer of the Membership, will pay the Transferring Member an amount equal to such excess, minus any amounts owed to the Club by the Transferring Member.

**4.1.3 *Membership Application and Agreement/Approval of Prospective Transferee.*** No transfer of an Equity Membership will be effective unless and until (i) the transfer is in compliance with the applicable Transfer Program Requirements (ii) the Prospective Transferee has submitted to the Club an executed Membership Application and Agreement (iii) such Prospective Transferee has been approved for Membership by the Club (iv) the Club has received payment in full of the applicable Transfer Fee, if any, and (v) all Club Contribution/Initiation and Charges owed by the Transferring Member are current, all in accordance with the Bylaws. A Transferring Member must be in Good Standing to participate in a Transfer Program. However, the Board, in exceptional circumstances, may permit a Transferring Member who is not in Good Standing to participate in a Transfer Program(s).

## **4.2 *Transfer Pursuant to the Membership Resale Program.***

**4.2.1** The membership resale program (the “Membership Resale Program” or the “MRP”) permits Transferring Members to transfer their Membership by resale through the Club.

**4.2.2** During the period a Transferring Member’s Membership is listed for transfer on the MRP (such listing, the “Resale List”) and until the transfer of such Membership pursuant to the MRP or another Transfer Program (such Membership during such period, a “Resale Membership”), such Transferring Member will continue to have (i) all rights of his/her Membership as provided in his/her Membership Documents, and (ii) the obligation to pay all Club Contribution/Initiation and Charges with respect to his/her Membership.

**4.2.3** The Club has the right to participate in the MRP by (i) selling a Treasury Membership or (ii) acquiring an Equity Membership from the Resale List. At any time the Club does not have a sufficient number of Memberships within a Membership Category, as determined by the Board, the Club’s reissue ratio will be one (1) out of two (2) sales, being one (1) Treasury Membership sold by the Club and then one (1) Resale Membership from the

Resale List sold through the Club. The Board has the right to revise the ratio on a temporary basis to reduce the number of Members on the Membership Resale List or to achieve an adequate number of dues paying Members.

**4.2.4** A transfer pursuant to the MRP requires receipt by the Club of the applicable Transfer Fee set forth in Section 4.1.2 and compliance with other Transfer Program Requirements. The Club will publish or otherwise make available to the Members the Transfer Program Requirements governing the MRP.

### **4.3     *Transfer Pursuant to the Real Estate Purchaser Program.***

**4.3.1** The Real Estate Purchaser Program (the “Real Estate Purchaser Program”) permits a Transferring Member who owns a residence or lot in the Desert Mountain Community or a unit in Seven Desert Mountain to transfer his/her Membership through the Club to the purchaser of such Equity Member’s residence, lot or unit if such purchaser is a natural person, or a family trust (subject to the requirements of Section 3.12), in any case upon approval of the purchaser for Membership by the Club. This transfer must occur (i) within thirty (30) days of the closing of the related real estate sale in the Desert Mountain Community or (ii) at the time of the closing of the related real estate sale in Seven Desert Mountain.

**4.3.2** A transfer pursuant to the Real Estate Purchaser Program requires receipt by the Club of the applicable Transfer Fee set forth in Section 4.1.2 and compliance with other Transfer Program Requirements. The Club will publish or otherwise make available to the Members the Transfer Program Requirements governing the Real Estate Purchase Program.

**4.3.3** In the event the transferee of the residence or lot of an Equity Member does not acquire the Equity Membership of such Equity Member, such Equity Member may (i) retain his/her Membership with all of its rights and obligations or (ii) transfer his/her Membership pursuant to any other applicable Transfer Program.

**4.3.4** Notwithstanding the prohibition in Section 4.9, references to the sale or transfer of a Membership that may be associated with the sale of a residence or lot in the Desert Mountain Community or Seven Desert Mountain is permitted upon prior approval of Management or the Board of the specific language to be used in the sales materials, internet posting or other advertisements.

### **4.4     *Transfer Pursuant to the Member Arranged Transfer Program.***

**4.4.1** The Member Arranged Transfer Program (the “Member Arranged Transfer Program”) permits a Transferring Member to arrange the transfer of his/her Membership through the Club to a transferee identified through personal efforts.

**4.4.2** A Member desiring to transfer his/her Membership through the Member Arranged Transfer Program may not use a broker or third-party to solicit or otherwise obtain Prospective Transferees, and is subject to the prohibition set forth in Section 4.9.

**4.4.3** A transfer pursuant to the Member Arranged Transfer Program requires receipt by the Club of the applicable Transfer Fee set forth in Section 4.1.2 and compliance with other Transfer Program Requirements. The Club will publish or otherwise make available to the Members the Transfer Program Requirements governing the Member Arranged Transfer Program.

**4.5     *Transfer Pursuant to the Legacy Transfer Program/Other Transfers.***

**4.5.1** The Legacy Transfer Program (the “Legacy Transfer Program”) permits a Transferring Member to transfer his/her Membership (a “Legacy Transfer”) to a Child or Grandchild of the Member and/or of the Member’s Spouse or Significant Other or to another family member authorized by the Board (any such transferee, an “Adult Family Member”); each of whom must be at least twenty-one (21) years of age and approved for Membership by the Club. Pursuant to the Legacy Transfer Program, only one (1) Legacy Transfer is allowed for each Membership without the payment of a Transfer Fee. Any Legacy Transfer of a Membership after such initial transfer will be subject to the then applicable Transfer Fee.

**4.5.2** A Transferring Member, on a one-time basis and without the payment of a Transfer Fee, is also entitled to transfer his/her Membership to his/her Spouse or Significant Other (a “Spousal/Significant Other Transfer”). Spousal/Significant Other Transfer of a Membership after such initial transfer will be subject to the then applicable Transfer Fee.

**4.5.3** A transfer of an Equity Golf Membership, without the payment of a Transfer Fee, may be made by a Transferring Member for purposes of qualifying his/her Spouse for election to the Board, or to be appointed to the Board pursuant to Section 7.1.11 (“Election/Appointment Transfer”). The transfer of an Equity Golf Membership pursuant to an Election/Appointment Transfer is temporary and is effective on the date the Spouse becomes a Self-Nominee or is appointed to the Board, as applicable. The subject Equity Golf Membership will automatically and immediately be transferred back to the other Spouse without the payment of a Transfer Fee in the case of (i) a Self-Nominee who is not selected as a candidate and who is not a Petition Candidate, upon the announcement of candidates (ii) a candidate who is not elected to the Board, upon the announcement of the election results and (iii) a candidate who is elected to the Board or a Spouse who is appointed to the Board, upon termination of such person’s status as a Director.

**4.5.4** The transfers provided in this Section 4.5 will be subject to Transfer Program Requirements. The Club will publish or otherwise make available to the Members the Transfer Program Requirements governing such transfers.

**4.6     *Transfer Pursuant to the Transfer Upon Death Program.***

**4.6.1** The Transfer Upon Death Program (the “Transfer Upon Death Program”) permits, upon the death of an Equity Member, the transfer of such deceased Equity Member’s Membership to (i) the surviving Spouse (or the surviving Significant Other in the event the deceased Equity Member specifically bequeaths the Membership to the Significant Other without a successful challenge, and the Significant Other has been approved for Membership) or



(ii) in the event there is no surviving Spouse or any such Significant Other, by the personal representative of the deceased Member's estate to an Adult Family Member pursuant to the Legacy Transfer Program under Section 4.5.1. A Membership transfer pursuant to the Transfer Upon Death Program does not require the payment of a Transfer Fee or a Membership Contribution/Initiation Fee; provided that in the case of a Junior Member or other similarly situated Member, any Deferred Membership Contribution/Initiation Fee must be paid in accordance with the applicable Membership Documents prior to the transfer of the Membership.

**4.6.2** A Membership transferred to a Spouse or Significant Other upon the death of an Equity Member pursuant to the Transfer Upon Death Program is not a Spousal/Significant Other Transfer under Section 4.5.2. The election to have the Membership transferred to an Adult Family Member upon the death of an Equity Member must be made pursuant to the Legacy Transfer Program.

**4.6.3** The Transfer Upon Death Program will be subject to Transfer Program Requirements. The Club will publish or otherwise make available to the Members the Transfer Program Requirements governing the Transfer Upon Death Program.

**4.6.4** In the event of a Member's death, and as an alternative to the Transfer Upon Death Program, the surviving Spouse (or the surviving Significant Other in the event the deceased Equity Member specifically bequeaths the Membership to the Significant Other without a successful challenge) or, if there is no surviving Spouse or such Significant Other, the personal representative of the deceased Member's estate, may elect to terminate the deceased Member's Membership. Such election (i) must be made in accordance with procedures, including but not limited to time requirements and dues payments, adopted by the Board (ii) shall require the payment of all outstanding amounts owed to the Club and (iii) shall not require the payment of a Transfer Fee.

**4.7 *Purchase of Memberships by the Club.*** The Club, as approved by the Board, may purchase a Member's Membership under any circumstances and on any terms agreed upon by the Club and the Member, notwithstanding the provisions of Sections 4.1.2 and 4.1.3.

**4.8 *Tax Consequences.*** The Club makes no representations and expresses no opinions regarding the federal, state and/or local tax consequences of acquiring a Membership or with respect to any Club Contribution/Initiation and Charges. All Memberships will be acquired subject to all applicable tax laws. Accordingly, Members should consult with their own tax advisors with respect to the tax consequences of the payment to the Club of any Club Contribution/Initiation and Charges.

**4.9 *No Advertising.*** Members or their agents or assigns are prohibited from using the internet, texting, websites, magazines, newspapers, posters, billboards and other forms of media, including but not limited to social media, to communicate a public solicitation of Membership transfers.

**4.10 *Legal Separation or Divorce.*** In the event a Member is legally separated or divorced from his/her Spouse, the Membership, including all rights and obligations of the holder thereof, will remain in the Member's name. In the event a final, non-appealable order of

a court having jurisdiction awards the Membership to the Member's Spouse and the Spouse has been approved for Membership, the Membership will be transferred to the Spouse. A Member will be required to give written notice to the Club of a legal separation or divorce and will remain responsible for the payment of all Club Contribution/Initiation and Charges with respect to his/her Membership, including, but not limited to, any charges incurred by a Member's Spouse or other members of the Immediate Family, until such time as the Membership is transferred to such Spouse or the Member terminates the rights of the Spouse or other members of the Immediate Family pursuant to Section 3.11. The transfer of a Membership concurrent with a divorce and pursuant to a divorce decree or other binding court order is not subject to the payment of a Transfer Fee and is not a Spousal/Significant Other Transfer.

## **ARTICLE 5. Financial Obligations**

**5.1 Club Contribution/Initiation and Charges.** Club Contribution/Initiation and Charges and deposits, and the time for payment thereof, are established by the Board in accordance with the Bylaws. The Membership Contribution/Initiation Fee is established (i) by the Board when selling a Treasury Membership or (ii) pursuant to the applicable Transfer Program. The Club will maintain and publish annually a list of Membership dues, fees and charges ("Schedule of Dues and Charges"). All monetary transactions between a Member and the Club will be charged to the Member's account, except as specifically provided by the Membership Documents of the Member and policies established by the Board.

**5.2 Financial Budgets.** As part of the annual planning process, the Board will review and approve the annual operating and capital budgets as well as the five year capital plan and financial plan (the "Five Year Capital and Financial Plan") based on the Club's strategic plan. The goal of the Club is to manage the operations on an annual balanced operating budget.

**5.2.1** The annual operating budget includes, but is not limited to: (i) gross revenues; (ii) less all expenses; (iii) less all lender debt payments and other debt or financing obligation payments.

**5.2.2** The annual capital budget will include major repairs, replacements and new capital improvements. In addition, the Five Year Capital and Financial Plan will be reviewed, updated as appropriate, and approved by the Board each year. The Board will also review the Five Year Capital and Financial Plan's funding requirements and appropriately prioritize major repairs, replacements and new capital improvements to adequately plan for current and long-term expenditures.

**5.3 Assessments.** Members (except Members who hold Prior Non-Equity Memberships in accordance with their Membership Documents) are subject to assessments as determined by the Board in accordance with the Bylaws, including assessments to cover any annual cash deficit, debt repayment, new capital projects and capital improvements, repairs and replacements. Assessments may be in different amounts for different categories and classifications of Memberships as determined by the Board in accordance with the Bylaws.

**5.4 Account Charges.** The Club will render a monthly statement of account to each Member. Notice of the statement of account will be transmitted electronically and the statement will be deemed received by the Member on the day of such notice. In the event a statement is mailed, it will be deemed received by the Member five (5) days after the mailing date.

**5.5 Payment Terms.** All Club Contribution/Initiation and Charges are due and payable immediately on receipt of billing pursuant to the payment methods established by the Board. A Member who fails to pay his/her statement of account on or before the payment date set forth on the statement will be considered delinquent.

**5.6 Late-Fee Charges/Returned-Check Fee.** Payments not received by the payment date will be subject to a late fee charge established by the Board. There also will be a charge, as established by the Board, for checks returned for insufficient funds. Any Member issuing or endorsing a check to the Club that is not paid on presentation will be notified of such nonpayment. Continuing nonpayment of a statement of account or repeated checks returned for insufficient funds will be subject to disciplinary action as set forth in Article 6.

**5.7 Other Charges.** The Board may establish fines or other appropriate charges for infractions of the Bylaws, Rules and Regulations, Code of Conduct or other policies established by the Club.

**5.8 Facilities Unavailable.** In the event Club Facilities are unavailable for Members' use due to (i) renovation, capital improvements, maintenance, seasonal or other closures (ii) occurrences beyond the Club's control including fire, hurricane, flood or other casualty or (iii) maintenance and other uses under Section 14.3, the Members will continue to be obligated to pay all Club Contribution/Initiation and Charges with respect to their accounts.

## **ARTICLE 6.**

### **Disciplinary Action, Collection and Grievances**

**6.1 Disciplinary Action.** Disciplinary action, including but not limited to expulsion, suspension, probation, fines, reprimands and/or restricted use of Club Facilities, may be taken with regard to a Member, his/her Immediate Family and/or guests for (i) Nonpayment (ii) Cause or (iii) Endangering Conduct, pursuant to policies and procedures established by the Board. A Member will be responsible for the payment of any fines imposed under this Article 6 upon his/her Immediate Family or guests.

**6.1.1 Nonpayment.** A Member (including the Member's Immediate Family) may be suspended from the Club if any statement of account to such Member is not paid in full within sixty (60) days of the date of the statement of account, as determined by the Board, the Member Standards Committee or the Chief Financial Officer (such failure, "Nonpayment"). Any Member (including the Member's Immediate Family) may be expelled from the Club if any statement of account to such Member is not paid in full within one hundred and twenty (120) days of the date of the statement of account, as determined by the Board, the Member Standards Committee or the Chief Financial Officer. A Member suspended or expelled for Nonpayment will be subject to Sections 6.4 and 6.5. Any notice of suspension or expulsion on the basis of

Nonpayment will be delivered to the Member with certification of delivery or by email to the Member's last known address or email address shown on the records of the Club.

**6.1.2 Cause.** A Member (and/or the Member's Immediate Family or guest) may be expelled, suspended or subject to other appropriate action (including, but not limited to, probation, fines, reprimands, and/or restricted use of Club Facilities) for Cause, as recommended by the Member Standards Committee and/or determined by the Board. "Cause" means (i) any violation of the Bylaws, Rules and Regulations, Code of Conduct or other policies established by the Club and/or (ii) conduct having potential liability exposure or an adverse or other detrimental effect on the Club, its employees, and/or its Members (including a Member's Immediate Family or guest), as determined by the Board. A Member suspended or expelled for Cause will be subject to Sections 6.4 and 6.5.

**6.1.3 Endangering Conduct.** A Member (and/or the Member's Immediate Family or guest) may be subject to an immediate temporary suspension, exclusion from Club Facilities or other appropriate action without a hearing due to Endangering Conduct, as determined by the Board, the Member Standards Committee or the Chief Executive Officer. "Endangering Conduct" means conduct that results in, or could result in: (i) physical damage to Club Property; (ii) abusive treatment of other Members (and/or the Member's Immediate Family or guest) or disruption of other Members' (and/or the Member's Immediate Family's or guest's) use of Club Facilities; (iii) abusive treatment of Club employees; (iv) potential liability exposure to the Club, the Club's employees or other Members (and/or the Member's Immediate Family or guest); and/or (v) other egregious conduct of a material nature. The Board will be advised promptly of any action taken under this Section 6.1.3 by the Member Standards Committee or the Chief Executive Officer. Any suspension for Endangering Conduct may not exceed twenty-one (21) days without a hearing before the Member Standards Committee or the Board; provided that if the Member (and/or, if applicable, the Member's Immediately Family) requests that such hearing be held after such twenty-one (21) day period, such immediate temporary suspension may continue until the requested date of the hearing. Any disciplinary action for Endangering Conduct beyond the twenty-one (21) day temporary suspension, including without limitation extended suspension, expulsion, probation, fines or restricted use of Club Facilities, must be heard by the Member Standards Committee and/or Board pursuant to Section 6.2. A Member suspended or expelled for Endangering Conduct will be subject to Sections 6.4 and 6.5.

**6.2 Hearings.** A Member has the right to a hearing before the Member Standards Committee or the Board, as determined by the Board, prior to the imposition of any disciplinary action by the Board against such Member, and/or his/her Immediate Family or guest, except for actions taken on the sole basis of Nonpayment under Section 6.1.1 or a temporary suspension due to Endangering Conduct under Section 6.1.3.

No Member and/or his/her Immediate Family may be suspended or expelled, except for actions taken on the sole basis of Nonpayment under Section 6.1.1 or a temporary suspension due to Endangering Conduct under Section 6.1.3, without having been given (i) written notice at least fifteen (15) days before the suspension or expulsion setting forth the reason(s) for the hearing and (ii) an opportunity to be heard, orally or in writing, at least five (5) days prior to the effective date of such suspension or expulsion. No Member and/or his/her Immediate Family may be otherwise disciplined, except for actions taken on the sole basis of Nonpayment under

Section 6.1.1 or a temporary suspension due to Endangering Conduct under Section 6.1.3, without having been given (i) written notice at least five (5) days before the hearing date setting forth the reason(s) for the hearing and (ii) an opportunity to be heard, orally or in writing. Any written notice will be sent to the Member with certification of delivery or by email to the Member's last known address or email address shown on the records of the Club.

All hearings will be conducted as a peer-to-peer process between the Member and the Member Standards Committee and/or the Board, without participation of attorneys or other legal representatives on either side. A Member has the right to waive a hearing and will be deemed to have waived such hearing should he/she fail to appear at the scheduled hearing. If a hearing is held by the Member Standards Committee, the Committee will make a recommendation to the Board. The Board will confirm, reverse or modify the Committee's recommendation.

**6.3 Appeals.** A Member, by written notice to the Board, has the right to appeal to the Board any disciplinary action taken against such Member and/or his/her Immediately Family or guest, except for a temporary suspension due to Endangering Conduct under Section 6.1.3. The written notice of appeal must be delivered to the Club's administrative office within ten (10) days after the date of the notice to the Member of the disciplinary action taken. A Member who appeals has the right to appear before the Board and/or present facts, in writing or orally. Attorneys or other legal representatives are not permitted to participate in any appeal hearing on either side. Upon appeal, the Board will review, on such terms and conditions established by the Board, the disciplinary action taken and facts presented, and will vote to confirm, reverse or modify (to include increasing the level of discipline) the previously taken disciplinary action. There will be no further right of appeal. The enforcement of disciplinary action (except for disciplinary action taken under Section 6.1.3) will be stayed pending appeal except as otherwise determined by the Board.

**6.4 Obligations and Restrictions Relating to Suspension and Expulsion.** During a period in which a Member is suspended, (i) the suspended Member will continue to be responsible for the payment of all Club Contribution/Initiation and Charges and (ii) the suspended Member and his/her Immediate Family will not have any Club privileges, including but not limited to, the use of Club Facilities, the right to vote on matters submitted for a Member vote, and the right to have guests at the Club. In the event of suspension, a Member may not participate in any Transfer Program unless approved, and in accordance with terms established, by the Board.

Upon expulsion, (i) the expelled Member is required to pay the Club all unpaid Club Contribution/Initiation and Charges and (ii) all Membership rights of the Member and his/her Immediate Family will terminate immediately. In the event a Member is expelled and such expulsion is reversed on appeal, a condition precedent to reinstatement may be the payment of all Club Contribution/Initiation and Charges applicable to the period of expulsion, as determined by the Board. The Board will determine whether an expelled Member is permitted to participate in any Transfer Program. In the event an expelled Member is allowed to participate in a Transfer Program, the Board will establish the terms of such participation, and the expelled Member will be responsible for the payment to the Club of all Club Contribution/Initiation and Charges until the applicable Transfer Fee is paid and the Membership is reissued. In the event an expelled Member is not allowed to participate in any

Transfer Program, the expelled Member (i) will not be charged any future Club Contribution/Initiation and Charges and (ii) will be subject to an expulsion fee established by the Board, not to exceed the Transfer Fee that otherwise would have been applicable to such expelled Member, to recover damages to the Club resulting from the expelled Member's Nonpayment or inappropriate conduct.

**6.5 Collection.** In the event of any default or breach by a Member in the (i) payment of any amounts owed to the Club for any reason or (ii) the terms of the Membership Documents, the Club will be entitled to recover, in addition to any other amounts owed to the Club, all reasonable costs of collection/suit, including attorney fees, and to obtain any and all other remedies allowed by law.

## **6.6 Grievances.**

**6.6.1** Member grievances regarding violations of the Bylaws, Rules and Regulations, Code of Conduct or policies established by the Board, or other misconduct by other Members (and/or their Immediate Family or guest) must be submitted in accordance with the Code of Conduct.

**6.6.2** Member grievances concerning employees of the Club must be made to the Chief Executive Officer who will investigate the grievance and determine the action to be taken by the Club. The Chief Executive Officer will advise the Board and/or complainant of any action taken, as appropriate. Member grievances concerning the Chief Executive Officer must be made directly to the Chairman or Vice Chairman of the Board who will investigate the grievance and advise the Board and/or complainant, as appropriate.

## **ARTICLE 7.**

### **Governance and General Management**

**7.1 Board of Directors.** The governance and general management of the Club is vested in a Board of Directors (the "Board") consisting of nine (9) individuals (each such individual, a "Director"). Directors must be Equity Golf Members paying Full Dues in Good Standing and Property Owners, except as provided in the next paragraph.

At any given time: (i) one (1) Director may be an Equity Lifestyle Member paying Full Dues in Good Standing and Property Owner ( an "Eligible Equity Lifestyle Member"); (ii) one (1) Director may be an Equity Seven Golf Member paying Full Dues in Good Standing and Property Owner ( an "Eligible Equity Seven Golf Member"); and (iii) one (1) Director may be an Equity Golf Member paying full Dues in Good Standing who is a non-Property Owner (an "Eligible Non-Property Owner") so long as the total number of Equity Golf Members who are non-Property Owners constitutes at least eleven (11) percent of the total number of Equity Members (the "Property Percentage Threshold"). The Property Percentage Threshold will be calculated as of (i) December 31 of the year immediately preceding the subject election at an Annual Meeting or Special Meeting or (ii) the last day of the month immediately preceding the appointment of a Director pursuant to Section 7.1.11. A Director who becomes a non-Property Owner during his/her term may serve the remaining portion of his/her term. In the event that during the term of a Director who was an Eligible Non-Property Owner the Property Percentage

Threshold falls below eleven (11) percent, such Director may serve the remaining portion of his/her term.

While eligible to serve on the Board as provided above, if elected, an Eligible Equity Lifestyle Member, an Eligible Equity Seven Golf Member and an Eligible Non-Property Owner are not guaranteed a seat on the Board.

**7.1.1 Term of Service.** The respective terms of service of the Directors will be staggered such that at each Annual Meeting three (3) Directors will be elected. Additional Directors(s) may be elected at the Annual Meeting pursuant to Section 7.1.11.

Each Director will be elected for a three (3) year term unless elected to fill a vacancy as provided in Section 7.1.11. No Member may serve more than two (2) three (3) year terms as a Director (“Term Limit”). The time of service by a Director filling a vacancy as provided in Section 7.1.11 will not count against the Term Limit if such time of service is less than eighteen (18) months. The term of an elected Director will begin at the conclusion of the Annual Meeting at which he/she is elected.

**7.1.2 Organizational Meeting.** An organizational meeting of the new Board will be held promptly following the conclusion of the Annual Meeting to, among other things determined by the Board, appoint from that body the Board Officers, in accordance with the process established by the Board and as specified in Section 7.2. The Board may invite one or more outgoing Directors to participate on an *ex-officio*, non-voting basis at Board meetings to assist in an orderly transition.

**7.1.3 Powers.** Subject to the Bylaws and to applicable state and federal law, the Board has full power and authority to do any and all things that it deems necessary or appropriate and in the best interests of the Club. The Board’s power and authority include, but are not limited to: (i) adopting Rules and Regulations, Code of Conduct and policies; (ii) setting applicable Club Contribution/Initiation and Charges; (iii) approving budgets, reserves, capital improvements and financial policies; (iv) obtaining loans for the Club and mortgaging, pledging and otherwise granting security interests in club Property; (v) adopting operating and employee policies; (vi) establishing the Club strategic plan; (vii) obtaining directors and officers liability insurance; (viii) approving or declining Membership Applications; (ix) imposing Member disciplinary action; (x) appointing all Officers and any Additional Officers; and (xi) all other powers and authority granted to the Board in the Bylaws and by law. Managerial and operating functions are the responsibility of Management, which will report to the Board. The Board also will have general supervision and control over all Officers and committees except the Nominating Committee. The decisions of the Board will be final in all matters. On an annual basis, the Board will communicate to the Membership an updated Five Year Capital and Financial Plan, the current Club strategic plan, the status of Membership and any other information determined by the Board concerning the operation and long-term planning of the Club.

**7.1.4 Meetings and Notices.** The Board will meet at least nine (9) times each calendar year. At each regular meeting of the Board, the date, time and location of the next regular Board meeting will be designated, unless previously established or revised by written

notice to each Director by email or deposited in the United States Mail addressed to each Director at the Director's email or last known address shown on the records of the Club.

**7.1.5 Consent in Lieu of Meeting.** Any action that may be taken at a meeting of the Board may be taken without a meeting if a written consent describing the action taken is signed by all Directors, in one or more counterparts, and is delivered to the Club for filing with the corporate records. Such consents will have the same effect as a vote at a meeting of the Board and may be described as such in any document. Such consents may be signed electronically in compliance with the Arizona Electronic Transactions Act, Ariz. Rev. Stat. §§44-7001, *et seq.*, or any successor statute, as it may be amended.

**7.1.6 Use of Proxies.** A Director may appoint another Director a proxy to vote or otherwise act for the Director by signing an appointment form and providing it to the Secretary in accordance with Arizona law. A Director appointing a proxy may impose limitations on the authority granted to the proxy by expressly noting any such limitations on the face of the appointment form. The appointment does not relieve the Director from liability for acts or omissions imposed by law on directors.

**7.1.7 Procedures and Quorum.** The Board may adopt procedures for the conduct of its meetings. A quorum for the conduct of any business by the Board is a majority of the Directors present in person, by proxy or by telephonic conference call or other form of electronic or internet participation permitted by applicable law.

**7.1.8 No Remuneration.** Directors will not receive any remuneration for their services, but may be reimbursed for reasonable expenses incurred if approved by the Board.

**7.1.9 Conflict of Interest and Confidentiality.** Directors may not (i) use their position for personal gain or (ii) disclose confidential information of the Club unless the actual information and manner of disclosure and the persons to be disclosed to is approved by the Board prior to the disclosure. A conflict of interest or breach of confidentiality may be cause for removal under Section 7.1.10. Directors are required to sign annually and submit to the Club (at the time of the organizational meeting of the new Board of Directors) an affirmation (i) stating that they do not have a conflict of interest with the Club or, in the event of a potential conflict of interest, setting forth sufficient facts to determine if a conflict of interest exists and (ii) stating that they will abide by their legal obligations under the Bylaws and applicable law.

**7.1.10 Removal of Directors.** A Director may be removed for Board Cause by (i) an affirmative vote of not less than two-thirds (2/3) of the Board or (ii) the affirmative vote of not less than a majority of the votes cast at an Annual Meeting or a Special Meeting at which a quorum is present. "Board Cause," with respect to each Director sought to be removed, means: (i) the inability of such Director to qualify for bonding; (ii) disciplinary action against such Director under Section 6.1; (iii) a material conflict of interest that precludes such Director from performing his/her legal duties to the Club and the Membership; (iv) a material breach of confidentiality by such Director; (v) a material breach of or inability to perform a fiduciary duty owed to the Club or its Members by such Director; (vi) any offer to transfer such Director's Equity Membership pursuant to Article 4; or (vii) failure of such Director to attend three (3) Board meetings in any twelve (12) month rolling period without reasonable excuse.



Any removal of a Director will be effective immediately upon the required vote.

**7.1.11 Vacancies.** A vacancy occurring on the Board as a result of the resignation, death or removal by the Board of a Director may be filled by the Board. The Board may appoint an Equity Member to fill such vacancy, subject to the requirements and limitations set forth in Section 7.1. This appointment will be made by the affirmative vote of a majority of the remaining Directors, even if the remaining Directors constitute less than a quorum of the Board or, if there is only one remaining Director, by the vote of that Director. A Director appointed to fill such a vacancy will be appointed for a term expiring at the next Annual Meeting. A vacancy occurring on the Board as a result of the removal of a Director by the Equity Members will be filled, subject to the requirements and limitations set forth in Section 7.1, by election at the next Annual Meeting or, if the next Annual Meeting is more than six (6) months away, at a Special Meeting called for that purpose. The process provided for in Section 7.3.1(g) for the election of Directors at an Annual Meeting will apply, *mutatis mutandis*, to the election of one or more Directors at a Special Meeting. A Director elected to fill a vacancy, at either the next Annual Meeting or a Special Meeting, will be elected for the remaining term of the Director he/she is replacing.

**7.2 Officers.** The officers of the Club (collectively, the “Officers”) will consist of (i) a Chairman of the Board, a Vice Chairman, a Treasurer and a Secretary (collectively, the “Board Officers”), and (ii) a Chief Executive Officer and a Chief Financial Officer (collectively, the “Executive Officers”). The Board may appoint additional Officers who may be Board Officers or Executive Officers (collectively, the “Additional Officers”), provided that any Additional Officer designated as a Board Officer must be a Director. Board Officers are not entitled to compensation. The term of service of Board Officers, each of whom must be a Director, will commence at the meeting of the Board at which they are appointed and end at the first to occur of the next Annual Meeting or the termination of his/her service as a Director, with no limitation as to the number of terms served as a Board Officer. The Executive Officers will not be Directors or Members, and the terms of their employment will be approved by the Board and set forth in a written agreement with the Club. Any Additional Officers will serve on terms approved by the Board.

### **7.2.1 Board Officers.**

**7.2.1(a) Chairman.** The Chairman of the Board (the “Chairman”) will preside at meetings of the Board and of the Membership. The Chairman, acting on behalf of the Board, and with its direct input, will oversee the activities of the Chief Executive Officer to include (i) communicating to the Chief Executive Officer the decisions and policies set forth by the Board for implementation by Management and (ii) preparing and delivering to the Chief Executive Officer an annual review of his/her performance together with goals and objectives for the coming year. The Chairman also will be responsible for appointing committee members as provided in Section 7.3, except that members of the Nominating Committee will be appointed as provided in Section 7.3.1(g).

**7.2.1(b) Vice Chairman.** The Vice Chairman will perform the duties of the Chairman when the Chairman is absent or unable to perform such duties and will perform such other duties as may be assigned by the Chairman or the Board. In the absence of both the

Chairman and Vice Chairman, the Board will appoint from among the Directors an Acting Chairman.

**7.2.1(c) Treasurer.** The Treasurer will supervise (i) the preparation of annual capital and operating budgets and the Five Year Capital and Financial Plan and (ii) the management of all monies, subject to policies approved by the Board. The Treasurer will present a financial report at the Board meetings. The Treasurer also will perform such other duties as may be assigned by the Chairman or the Board. The Treasurer may delegate any of the foregoing duties to the Chief Executive Officer or the Chief Financial Officer. The Treasurer will be the chairperson of the Finance Committee.

**7.2.1(d) Secretary.** The Secretary will keep a record of the proceedings of the Club. The Secretary will perform such other duties as may be assigned by the Chairman or the Board. The Secretary may delegate any of the foregoing duties to the Chief Executive Officer or to the Chief Executive Officer's delegate, as the Board approves.

### **7.2.2 Executive Officers.**

**7.2.2(a) Chief Executive Officer.** The Chief Executive Officer (the "Chief Executive Officer" or "CEO"), who may hold a different title, will be responsible for managing the affairs and directing the work and employees of the Club, in accordance with the direction of the Board acting through the Chairman. The CEO, among other things, will: (i) prepare budgets of expenses and capital refurbishment and replacement for approval by the Board; (ii) incur expenses and capital expenditures on behalf of the Club in accordance with approved budgets, or as directed by the Board; (iii) participate in Board and committee meetings on an *ex-officio*, non-voting, basis; (iv) provide reports of work and affairs of the Club to the Chairman, the Board and to Members and (v) provide the Board with his/her goals and objectives and self-assessment as requested by the Board.

**7.2.2(b) Chief Financial Officer.** The Chief Financial Officer ("Chief Financial Officer" or "CFO"), who may hold a different title, will report to the CEO and will: (i) assist the CEO on strategic, financial and operational matters including Membership programs, budget management, capital investments, financial reporting and securing new financing; (ii) provide reports of the financial affairs of the Club to the Chairman, the Board and to Members; and (iii) participate in Board and committee meetings on an *ex-officio*, non-voting, basis, as requested by the Board or the CEO.

**7.2.3 Additional Officers.** Additional Officers, if any, will have such duties as determined by the Board.

**7.2.4 Conflict of Interest and Confidentiality.** Officers may not (i) use their position for personal gain or (ii) disclose confidential information of the Club unless the actual information and manner of disclosure and the persons to be disclosed to is approved by the Board prior to the disclosure. Such activity may be cause for removal under Section 7.2.5.

**7.2.5 Removal of Officers.** Subject to the provisions of any applicable written agreement between an Officer and the Club, Officers serve at the will of the Board and may be

removed with or without cause by an affirmative vote of not less than two-thirds (2/3) of the Board. Any removal will be effective immediately upon the required vote or as set forth in the Officer's separation agreement, if any.

**7.2.6 *Signing of Contracts and Other Obligations.*** All contracts, deeds, mortgages, promissory notes, and other instruments or obligations required to be approved by the (i) Board pursuant to the Board's policy and/or (ii) Equity Members pursuant to the Bylaws, will be signed by (i) the Chairman (or another Director authorized by the Chairman or the Board) and (ii) an Executive Officer.

**7.2.7 *Bond.*** The Board may require that any one or more Officers, Directors or other Club employees be bonded in amounts determined by the Board. The cost thereof will be paid by the Club.

### **7.3 *Committees.***

**7.3.1 *Standing Committees.*** The Board will create the following standing committees: (i) Finance; (ii) Audit; (iii) Membership; (iv) Member Standards; (v) Governance; (vi) Compensation; and (vii) Nominating (collectively, the "Standing Committees"). Each year, as soon after the Annual Meeting as practical, the Chairman will appoint a Director as chairperson for each Standing Committee (except for the Nominating Committee) who will report to the Board, no less than on a quarterly calendar basis, the status, recommendations and progress of his/her respective Standing Committee. The other members of a Standing Committee (except for the Nominating Committee) will be recommended by the chairperson of that committee and approved by the Chairman and the Board. All such committee members must be Equity Members or the Spouse or Significant Other of an Equity Member, each of whom must be in Good Standing (except for the Nominating Committee). The appointment of the chairperson and other members of Nominating Committee will be made as provided in this Section 7.3.1(g). All Standing Committees, except the Nominating Committee, are advisory to the Board.

**7.3.1(a) *Finance Committee.*** The Finance Committee will review the proposed budget and Five Year Capital and Financial Plan, monitor performance against the budget and Five Year Capital and Financial Plan, and recommend adjustments to the Board. In addition, the Finance Committee will advise and make recommendations to the Board regarding, among other things: (i) terms of contracts requiring Board or Membership approval; (ii) the allocation of cash amounts to investment accounts, savings accounts, and checking accounts, and the institutions with which they are held; (iii) capital expenditures and disbursements with respect to projects over \$100,000; (iv) Club Contribution/Initiation and Charges; (v) loan and debt service requirements and options for financing; (vi) insurance coverage; and (vii) other financial matters that should be considered by the Board.

**7.3.1(b) *Audit Committee.*** The Audit Committee will evaluate and recommend the Club's independent auditors for approval by the Board and approve all non-audit services to be provided by the Club's independent auditors. In addition, the Audit Committee, among other things, will: (i) evaluate and recommend independent auditors of the Club's retirement plan(s) for approval by the Board (which auditors may be the same as the

Club's independent auditors); (ii) investigate any "Whistle Blower" claims of fraudulent behavior on the part of any Director(s), Management, any Officer(s) or others, and any other claims of improper financial activity; and (iii) conduct risk assessments. Employees of the Club and members of the Finance Committee will not be voting members of the Audit Committee.

**7.3.1(c) *Membership Committee.*** The Membership Committee, among other things, will: (i) as provided in Section 3.5, evaluate all applicants who submit a completed Membership Application and make recommendations to the Board to accept or decline such applicants' Membership Applications; (ii) recommend Membership programs and policies for approval by the Board; and (iii) review and make recommendations to the Board regarding Membership goals and marketing strategy.

**7.3.1(d) *Member Standards Committee.*** The Member Standards Committee will process grievances and complaints, conduct hearings, and impose or make recommendations regarding disciplinary action, if any, all in accordance with Article 6.

**7.3.1(e) *Governance Committee.*** The Governance Committee will review and make recommendations to the Board regarding (i) the Club's governance policies and structure (ii) the Bylaws, Rules and Regulations, Code of Conduct and other policies and procedures and (iii) succession planning for Board Officers and the CEO. In addition, the Governance Committee will oversee the performance evaluation of the Board and the Directors. The Governance Committee also will be responsible for developing and maintaining a process to attract qualified Members to serve the Club.

**7.3.1(f) *Compensation Committee.*** The Compensation Committee will consist of the Chairman and such other Directors as the Board appoints upon recommendation of the Chairman. The Compensation Committee, among other things, will review, evaluate and make recommendations to the Board regarding the compensation of the CEO.

**7.3.1(g) *Nominating Committee.*** The Nominating Committee (the "Committee") will be responsible for conducting the election process in accordance with the rules and regulations for elections approved by the Board (the "Election Rules and Regulations"). The Committee will consist of an odd number of members numbering not less than thirteen (13), including the Election Chair. The chairperson of the Committee ("Election Chair") must be an Equity Golf Member paying Full Dues, in Good Standing and a Property Owner. All Committee members must be voting Members or Spouses of voting Members, each of whom must be in Good Standing, and cannot be Directors, directors of the Desert Mountain Homeowners Association, or Spouses of either. No more than two (2) Committee members at any given time may be Members or Spouses of Members holding an Equity Membership other than an Equity Golf Membership requiring the payment of Full Dues. Three of the Committee members will be members of other committees of the Club, if available.

The terms of the Committee members will be staggered such that the respective terms of approximately one-third (1/3) of the Committee members will terminate each year. No Committee member may serve more than a total of three (3) years, including, if applicable, such member's time of service as Election Chair. The Election Chair will be appointed by the Board annually for a one (1) year term. Other Committee members will be recommended by the

incumbent Committee members and appointed by the Election Chair.

The Committee annually will interview and evaluate all eligible Self-Nominees, and nominate for election no more than one candidate (each a “Committee Nominated Candidate”) for each open Board seat as of the next Annual Meeting. No sitting Committee member or his/her Spouse may be nominated for election to the Board. The Committee Nominated Candidates for any given election must comply with the requirements and limitations set forth in Section 7.1 and are not required to include an Eligible Non-Property Owner, an Eligible Lifestyle Member or an Eligible Seven Golf Member. The Committee will use reasonable efforts to nominate candidates having the skills, experience, diversity and key behavioral attributes needed on the Board.

The nomination of candidates by the Committee for election to the Board will be made not less than thirty-five (35) days prior to the subject Annual Meeting. Any Self-Nominee interviewed but not nominated by the Committee may seek election to the Board as a petition candidate upon obtaining from not less than seventy-five (75) Equity Members in Good Standing a signature or other approved endorsement of a petition requesting that such Self-Nominee be added to the ballot in the subject election (“Petition Candidate”). Such petition must be received by the Election Chair no more than fourteen (14) days after such Self-Nominee has been notified that he/she has not been nominated by the Committee.

No Member may be a candidate for election to the Board who has not been interviewed by the Committee for the subject election and either has (i) been nominated by the Committee or (ii) submitted a valid petition, all in accordance with the Election Rules and Regulations. All Self-Nominees and candidates must abide by the Election Rules and Regulations to be eligible for Board election.

No less than twenty-one (21) days prior to each Annual Meeting, a list of candidates for election to the Board, together with an election ballot, will be sent to the Equity Members. The ballot will list separately the Committee Nominated Candidates and, if any, the Petition Candidates under the appropriate category. To be valid, a ballot must have one (1) vote for each Board seat open for election. For example, if there are three (3) open seats, the ballot must have three (3) votes – one (1) for each of the open seats. An Equity Member may not vote more than once for any one candidate.

In the event that (i) there is more than one (1) Eligible Non-Property Owner who is a candidate for election to the Board (e.g., if the Committee Nominated Candidates include an Eligible Non-Property Owner and the Petition Candidate(s) include one or more Eligible Non-Property Owners) and (ii) if more than one (1) such Eligible Non-Property Owner receives sufficient votes to have been otherwise elected to the Board; then as between such Eligible Non-Property Owners only the Eligible Non-Property Owner receiving the most votes will be elected to the Board. The election outcome described in the preceding sentence would apply in the event that there is more than one (1) Eligible Equity Lifestyle Member and/or one (1) Eligible Equity Seven Golf Member who is a candidate for the Board.

**7.3.2 Other Committees.** In addition to the Standing Committees, other committees may be created by the Chairman and the Board. The respective chairperson of each

other committee will be a Director appointed by the Chairman. The other members of such committees will be recommended by the chairperson of that committee and approved by the Chairman and the Board. All such committee members must be Equity Members or the Spouse or Significant Other of an Equity Member, each of whom must be in Good Standing. All such committees are advisory to the Board.

**7.3.3 Remuneration/Removal.** Committee members will not receive any remuneration for their services, but may be reimbursed for reasonable expenses incurred if approved by the Board. Committee chairpersons serve at the will of the Chairman and may be removed with or without cause by the Chairman (except for the Election Chair). The Election Chair may be removed only with cause by the Board. Other committee members serve at the will of the Board and may be removed with or without cause by the Board (except for Nominating Committee members).

## **ARTICLE 8. Membership Meetings**

**8.1 Annual Meeting/Special Meeting.** The annual meeting of Equity Members (the “Annual Meeting”) will be held at the Club on or before April 15 of each calendar year at a time and place designated in the notice of such meeting. At each Annual Meeting, Directors will be elected pursuant to the Bylaws. A special meeting of Equity Members (“Special Meeting”) may be called by the Board. Upon written request of not less than ten percent (10%) of all the Equity Members entitled to vote, the Board will call a Special Meeting. The Board, subject to the Arizona Nonprofit Corporation Act, may fix a record date for determining Members entitled to (i) notice of an Annual Meeting or a Special Meeting (ii) vote at an Annual Meeting or a Special Meeting and/or (iii) exercise any rights in respect of any other lawful action.

**8.2 Notices.** Unless otherwise provided in the Bylaws, written notice required for meetings of the Equity Members, stating the place, day and hour of, and if set by the Board, the record date for determining the Equity Members entitled to vote at, the meeting, and if a Special Meeting, the purpose(s) thereof, will be posted on the Club website and forwarded by email or deposited in the United States Mail addressed to each Member entitled to vote at the Equity Member’s email or street address shown on the records of the Club. The notice will be given not more than sixty (60) days prior to the date of the Annual Meeting or Special Meeting and not less than thirty (30) days prior to the date of the Annual Meeting and not less than ten (10) days prior to the date of the Special Meeting. An Equity Member, either before, at or after a meeting, may waive notice of any meeting, and such waiver will be deemed the equivalent of giving notice. Attendance by an Equity Member at an Annual Meeting or Special Meeting, whether in person, by absentee ballot, or by electronic or internet voting pursuant to procedures established by the Board, will constitute waiver of notice of such meeting, unless he/she attends for the express purpose of objecting, and does object, to the lack of notice.

**8.3 Quorum.** At each Annual Meeting and Special Meeting, except with respect to a vote on Major Decisions, a vote by twenty-five percent (25%) of the Equity Members entitled to vote, pursuant to procedures established by the Board, will constitute a quorum for the conduct of business. With respect to a vote on a Major Decision, a vote by fifty percent (50%) of the Equity Members entitled to vote, pursuant to procedures established by the Board, will

constitute a quorum for the conduct of such vote. In determining either such quorum, (i) the weighted vote of Membership categories and classifications as provided in Section 3.8 will not be taken into consideration and (ii) any vote to abstain will not count toward the required quorum.

**8.4 Voting.** Each Equity Member will have the voting rights and weights as set forth in Section 3.8. If the required quorum provided in Section 8.3 is present for the vote, the affirmative vote of a majority of votes cast by Equity Members entitled to vote (in person, by absentee ballot or by electronic or internet voting pursuant to procedures established by the Board) on the subject matter will be the act of the Club, except (i) Directors will be elected by a plurality of the votes so cast, and (ii) as otherwise provided by law, the Articles of Incorporation, or the Bylaws.

**8.4.1 Absentee Ballots.** Equity Members eligible to vote who do not attend an Annual Meeting or Special Meeting at which a vote will be taken will have the right to vote by absentee ballot. An absentee ballot will be included with the notification of any such meeting and will also be available at the Club. Absentee ballots for the election of Directors will be delivered to and counted and safeguarded by an independent auditor selected by the Board. Unless the Board determines otherwise, absentee ballots for votes on other matters will be the responsibility of the CEO who will follow procedures approved by the Board.

**8.5 Major Decision.** A Major Decision requires a vote of the Equity Members. The term “Major Decision” means: (i) a capital expenditure for new capital improvements, expanded Club Facilities and related obligations for the Club that are not capital repairs and replacement items and that are in excess of five percent (5%) of the Annual Gross Revenue; (ii) a sale of any Club Facility, or the sale of any other item of Club Property having a fair value in excess of five percent (5%) of the Annual Gross Revenue; (iii) a material adverse change to the Transfer Fee; (iv) a change or addition to Membership categories or classifications thereunder that could result in an increase in the Total Membership Limit and/or the Golf Membership Limit or the Lifestyle Membership Limit, subject to Section 3.2.3; and (v) an amendment to the Bylaws, except as otherwise specifically permitted by Article 11.

**8.6 Conduct of Meetings.** The conduct of all Membership meetings will be governed by Roberts Rules of Order except as they may conflict with the Bylaws, in which case the terms of the Bylaws will prevail.

## **ARTICLE 9. Non-Liability and Indemnification**

**9.1 Non-Liability.** To the fullest extent permitted by law and the Arizona Nonprofit Corporation Act (Ariz. Rev. Stat. §§ 10-3101, *et seq.*), Directors, committee members and Officers while acting in their applicable capacity, shall not be individually liable to any Member or 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, Club Property, Bylaws, Rules and Regulations, Code of Conduct, or the

negotiation, execution or performance of any agreement entered into by the Club. With respect to Directors, committee members and Officers, all conduct shall be presumed to be in good faith.

**9.2 Indemnification.** To the fullest extent permitted by law and the Arizona Nonprofit Corporation Act (Ariz. Rev. Stat. §§ 10-3101, *et seq.*), the Club shall defend, indemnify and hold harmless (i) the Board and Directors, (ii) any committee of the Club and members thereof and (iii) any Officer (collectively, the “Indemnified Parties”), for, from and against any claim or liability 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, Club Property, Bylaws, Rules and Regulations, Code of Conduct or the negotiation, execution or performance of any agreement entered into by the Club arising out of any actions undertaken by the Indemnified Parties in their applicable capacities. Such indemnification shall include all costs and expenses incurred in connection with the defense and/or resolution of such claims, including without limitation, all court costs and reasonable attorneys’ fees, all of which the Club shall pay as and when due (as opposed to reimbursing following payment by any Indemnified Party). In the event that claims covered by the foregoing indemnity are asserted, the Club’s choice of counsel to defend against such claims shall be subject to approval by the Indemnified Parties against whom such claims have been asserted, such approval not to be unreasonably withheld, conditioned or delayed.

**ARTICLE 10.  
Fiscal Year**

The fiscal year of the Club shall be defined by the Board.

**ARTICLE 11.  
Amendments**

The Bylaws may be amended only at an Annual Meeting or a Special Meeting, subject to the quorum requirements for a Major Decision set forth in Section 8.3 and to the voting requirements set forth in Section 8.4, except that any amendment (i) to correct or clarify an existing provision of the Bylaws that is not materially adverse to the Members (ii) to provide new categories or classifications of Membership, subject to Section 3.3 or (iii) to comply with governmental regulations or statutes, may be approved by a two-thirds (2/3) vote of the Board, without a vote of the Equity Members.

**ARTICLE 12.  
Interpretation**

The interpretation of the Bylaws shall rest solely with the Board unless and until superseded by a two-thirds (2/3) majority vote of the votes cast of the quorum of Members required for a Major Decision at an Annual Meeting or Special Meeting.



**ARTICLE 13.**  
**Dissolution and Liquidation**

**13.1 *Dissolution.*** A sale or disposition of substantially all of the property and assets of the Club or the dissolution of the Club shall require the affirmative vote of two-thirds (2/3) of all the Equity Members entitled to vote.

**13.2 *Procedure and Rights.*** Upon a dissolution and liquidation of the Club for any reason, the Board shall cause the Club's independent accountants to make a full and proper accounting of the assets, liabilities and operations of the Club, as of and including the last day of the month in which the dissolution occurs, and shall liquidate the assets as promptly as is consistent with obtaining the fair value thereof, and shall apply and distribute the proceeds therefrom as follows and in the following order of priority:

**13.2.1** All liabilities and obligations of the Club shall be paid and discharged, or adequate provisions shall be made therefor.

**13.2.2** Assets held by the Club upon condition requiring return, transfer, or conveyance, which condition occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements.

**13.2.3** Equity Members in Good Standing will be entitled to receive a pro rata share of such remaining assets, as determined by the Board. Non-Equity Members are not entitled to receive any portion of the Club's remaining assets in the event of dissolution and liquidation of the Club.

**13.3 *Rights.*** Members will look solely to the assets of the Club for any amounts due a Member under the Bylaws. If the Club's assets remaining after the payment or discharge of all debts and liabilities of the Club are insufficient to return any such amount either in part or in full, a Member will have no recourse against the Club, the Officers, the Board, the Directors, members of Club committees or the employees of the Club.

**ARTICLE 14.**  
**Miscellaneous**

**14.1 *Gender and Number.*** All pronouns in the Bylaws shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons referred to may require.

**14.2 *Captions.*** Captions and headings contained in the Bylaws are included as a matter of convenience. In no way should they be construed to define, limit or extend the scope, intent, or any provision of the Bylaws.

**14.3 *Maintenance and Other Uses.*** The Club may permit Prospective Transferees of Memberships to use the Club Facilities on such terms and conditions determined by the Club. The Club has the right to restrict or to otherwise reserve in advance the Club Facilities for maintenance and for tournament or other special events. Private events and functions at Club Facilities are permitted only with prior permission of the Club.

**14.4 *Membership Directory and Lists.*** No Member may disclose or furnish the Membership directory or Membership lists to any non-Member. The Membership directory and

all information on the Member's only portion of the Club website may not be used for solicitations or business purposes of any kind and any violation by a Member (and/or the Member's Immediate Family or guest) constitutes Cause under Section 6.1.2.

**14.5 Club and Board Decisions.** To the fullest extent permitted by applicable law, all matters and decisions authorized to be taken or otherwise to be determined or established by the Board or the Club, will be committed to the sole and absolute discretion of the Board and/or the Club as applicable, unless expressly stated in the Bylaws to be subject to a different standard.

**14.6 Membership Documents/Conflict.** The Membership Documents set forth all representations and terms of Memberships (collectively, "Terms"). No modification or condition of such Terms or additional representations concerning a Membership (collectively, "Other Statements") may be relied upon as having been authorized by the Club. In the event of a conflict between Terms and Other Statements, the Membership Documents will control. In the event of a conflict between the Bylaws and any other Membership Document (except the Club's Articles of Incorporation), the terms of the Bylaws will control.

**14.7 Memberships are Offered for Recreational Purposes Only.** Memberships are offered exclusively for the purpose of permitting Members the recreational use of the Club Facilities. Memberships should not be viewed as an investment and no Member should expect to derive any economic profits from Membership. Neither the Club nor the Board makes any representations concerning any tax issues involving Memberships. A Membership is not included in any residential lot and is a separate agreement solely between the Club and the Member as provided in the Membership Documents, with the exception that a Membership is included in a unit in Seven Desert Mountain.

#### **14.8 DMP Provisions.**

**14.8.1** Subject to the terms in Section 3.14, guests also include DMP's employees and agents for the purposes of sales of DMP's remaining lots within the Desert Mountain Community until the earlier of: (i) the date DMP does not have title to one or more lots within the Desert Mountain Community, or (ii) ten (10) years following December 30, 2010.

**14.8.2** Notwithstanding the terms of Article 11, any amendment to the Bylaws that (i) discriminates or imposes greater obligations or fewer rights that apply solely against the Developer Retained Memberships compared to other Equity Golf Memberships, or (ii) modifies any of the rights and privileges of the Non-Equity Memberships not otherwise amendable under the applicable terms and provisions of the applicable Membership Documents, or (iii) revise any of the rights of DMP granted in the Bylaws, will require the prior written approval of DMP in each instance, not to be unreasonably withheld.

**EXHIBIT A**  
**Definitions**

<b>Term</b>	<b>Definition/Definitional Reference</b>
“Accepted Applicant”	§3.5.1
“Additional Officers”	§ 7.2
“Adult Family Member”	§4.5.1
“Annual Gross Revenue”	The Club’s total annual operating revenue, <i>plus</i> the total amount of Transfer Fees, Membership Contribution/Initiation Fee and other revenue income received by the Club during the immediately preceding fiscal year of the Club.
“Annual Meeting”	§ 8.1
“Articles of Incorporation”	Articles of Incorporation of Desert Mountain Club, Inc., filed with the Arizona Corporation Commission on November 15, 2010 at File No. 1640234-2, Barcode No. 03299839.
“Board”	§7.1
“Board Cause”	§ 7.1.10
“Board Officers”	§7.2
“Bylaws”	The Bylaws of The Desert Mountain Club, as they may be amended.
“Cause”	§ 6.1.2
“Chairman”	§ 7.2.1(a)
“Chief Executive Officer” or “CEO”	§ 7.2.2(a)
“Chief Financial Officer” or “CFO”	§ 7.2.2(b)
“Child” or “Children”	The use of these terms will be deemed to include a step-child or step-children.
“Club Facilities”	§2.2
“Club Property”	§2.1
“Club”	§1.1.
“Club Contribution/Initiation and Charges”	§3.2.1
“Code of Conduct”	The Member Code of Conduct, pertaining to the standards of conduct expected of Members, including any Guidelines for Compliance therewith, all as adopted by the Board.
“Committee”	§7.3.1(g)
“Committee Nominated Candidate”	§7.3.1(g)
“Declined Applicant”	§3.5.1
“Deferred Membership Contribution/Initiation Fee”	The unpaid portion, if any, of a Member’s Membership Contribution/Initiation Fee.
“Desert Mountain Community”	All lots and residences that are subject to the Desert Mountain Master Association.
“Designated Member”	§3.12

**EXHIBIT A**  
**Definitions**

“Developer Retained Memberships”	§3.2.6
“Director”	§7.1
“DMP”	§3.2.6
“Downgrade”	Any change in the Membership category held by a given Member from one having greater rights in usage of Club Facilities and/or voting to one having lesser rights in usage of Club Facilities and/or voting.
“Effective Date”	March 21, 2019
“Election/Appointment Transfer”	§4.5.3
“Election Chair”	§7.3.1(g)
“Election Rules and Regulations”	§7.3.1(g)
“Eligible Equity Lifestyle Member”	§7.1
“Eligible Equity Seven Golf Member”	§7.1
“Eligible Non-Property Owner”	§7.1
“Endangering Conduct”	§6.1.3
“Equity Golf Member”	§3.2.1
“Equity Golf Membership”	§3.2.1
“Equity Lifestyle Member”	§3.2.3
“Equity Lifestyle Membership”	§3.2.3
“Equity Member”	Any Member who holds any Equity Membership (regardless of the classification thereunder), including, as of the Effective Date, an Equity Golf Membership, an Equity Seven Golf Membership and an Equity Lifestyle Membership.
“Equity Seven Golf Member”	§3.2.2
“Equity Seven Golf Membership”	§3.2.2
“Executive Officers”	§7.2
“Five Year Capital and Financial Plan”	§5.2
“Full Dues”	Club dues at the highest rate charged to any Equity Golf Member, Equity Seven Golf Member, or Equity Lifestyle Member in the Membership category to which the term is applied.
“Golf Membership Limit”	§3.2.1
“Good Standing”	With respect to any Member, regardless of the category or classification of his/her Membership, such Member is current with respect to all financial obligations to the Club and such Member is not under any disciplinary action.
“Grandchild” or “Grandchildren”	The use of these terms will be deemed to include a step-grandchild or step-grandchildren.

**EXHIBIT A**  
**Definitions**

“Honorary Membership”	§3.2.5
“Immediate Family”	§3.11
“Indemnified Parties”	§9.2
“Intellectual Property”	Intellectual creations such as, but not limited to, patents, inventions, copyrights, trade secrets, trademarks and trade dress, including symbols and logos.
“Junior Member”	§3.2.1(a)
“Legacy Junior Golf Membership”	§3.2.4
“Legacy Junior Golf Member”	§3.2.4
“Legacy Transfer”	§4.5.1
“Legacy Transfer Program”	§4.5.1
“Lifestyle Membership Limit”	§3.2.3
“Limit”	Either the Golf Membership Limit or the Lifestyle Membership Limit, as the context requires.
“Major Decision”	§8.5
“Management”	The Chief Executive Officer, Chief Financial Officer or other Executive Officer and, with regard to a specific action taken by the Club, other Club managerial employees designated by any of the foregoing to take such specific action on behalf of the Club.
“Member Arranged Transfer Program”	§4.4.1
“Member”	Any person who holds a Membership issued by the Club.
“Membership”	Either (i) a license to utilize Club Facilities in accordance with the individual Member’s Membership Documents, or (ii) the collective group of all Members (i.e., the Membership), as the context requires.
“Membership Application”	§3.5
“Membership Contribution/Initiation Fee”	The amount required to be paid to the Club by a prospective Member in consideration of the issuance by the Club of a Membership to such prospective Member. The terms “Membership Contribution” and “Initiation Fee” are used individually and interchangeably in the Membership Documents.
“Membership Documents”	Collectively and with respect to each Member, his/her Membership Application, Membership Agreement and/or Membership Conversion Agreement, the Club’s Articles of Incorporation, the Bylaws, Rules and Regulations, Code of Conduct, Schedule of Dues and Charges and any other policies and procedures adopted by the Board pursuant to the Bylaws and pertaining to such Member’s Membership.

**EXHIBIT A**  
**Definitions**

“Membership Resale Program” or “MRP”	§4.2.1
“Non-Equity Member”	Any person who holds a Non-Equity Membership issued to such person by the Club.
“Non-Equity Membership”	Any category of Membership which has no equity interest in the Club (i.e., no right to participate in the liquidation proceeds, if any, pursuant to Article 13 and/or the respective Membership Documents), including, but not limited to, as of the Effective Date (i) Legacy Junior Golf Memberships (ii) Developer Retained Memberships (iii) Prior Non-Equity Memberships (iv) Honorary Memberships and (v) Founder Memberships, in each case including all classifications thereunder.
“Non-Golf Facilities”	§2.2.1
“Nonpayment”	§6.1.1
“Officers”	§7.2
“Other Facilities and Property”	§2.2
“Other Statements”	§14.6
“Petition Candidate”	§7.3.1(g)
“Prior Non-Equity Memberships”	§3.2.7
“Property Owner”	An Equity Member who owns individually or in the name of his/her family trust (or whose Spouse owns individually or in the name of his/her family trust) real property that is in the Desert Mountain Community or Seven Desert Mountain.
“Property Percentage Threshold”	§7.1
“Prospective Transferee”	Any person who has expressed to the Club or to an Equity Member an interest in applying for or who has applied for a Membership, but who has not yet been issued a Membership and with respect to whom the Transfer Fee and/or Membership Contribution/Initiation Fee has not been paid to the Club.
“Real Estate Purchaser Program”	§4.3.1
“Relinquish”	§3.10
“Resale List”	§4.2.2
“Resale Membership”	§4.2.2
“Rules and Regulations”	§3.13
“Schedule of Dues and Charges”	§5.1
“Self-Nominee”	An Eligible Member who has completed and submitted the forms for self-nomination to the Board as required by the Nominating Committee.
“Seven Short Game Course”	§2.2

**EXHIBIT A**  
**Definitions**

“Significant Other”	With respect to any unmarried Member at any given time, one unmarried individual (i) who is not related by blood to the Member (ii) who resides in the same household as the Member (iii) who, together with the Member, holds himself/herself out to be in a long-term, committed relationship and (iv) who is registered with the Club as required by Section 3.11.
“Signature Golf Facilities”	§2.2
“Special Meeting”	§8.1
“Spouse”	The husband or wife of the Member.
“Spousal/Significant Other Transfer”	§4.5.2
“Standing Committees”	§7.3.1
“Term Limit”	§7.1.1
“Terms”	§14.6
“Total Membership Limit”	§3.1
“Transfer Fee”	The fee that an Equity Member is required to pay to the Club in connection with the reissuance by the Club of that Equity Member’s Membership to a Prospective Transferee prior to both the termination of that Equity Member’s financial obligations to the Club and the reissuance of the Membership, all as set forth in the Bylaws.
“Transfer Program Requirements”	§4.1.1
“Transfer Programs”	§4.1.1
“Transfer Upon Death Program”	§4.6.1
“Transferring Member”	§4.1.1
“Treasury Membership”	Any unissued Membership (either never issued or repurchased by the Club) owned by the Club.
“Upgrade”	Any change in the Membership category held by a given Member from one having lesser rights in usage of Club Facilities and/or voting to one having greater rights in usage of Club Facilities and/or voting.