

TORREON GOLF CLUB

MEMBERSHIP PLAN

JULY 31, 1998

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TORREON GOLF CLUB
MEMBERSHIP PLAN**

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TORREON GOLF CLUB

MEMBERSHIP PLAN

GENERAL DESCRIPTION OF MEMBERSHIP PLAN

MEMBERSHIP OPPORTUNITY

This Torreon Golf Club Membership Plan (“Membership Plan”) offers persons an opportunity to acquire a membership in the non-equity Torreon Golf Club (“Club”). The Club is located in the exclusive Torreon residential community being developed in Show Low, Arizona (“Community”). The Club Facilities described below will be owned by Torreon Golf Club, L.L.C., an Arizona limited liability company (“Company”), and membership in the Club does not entitle the person to the rights and privileges associated with a limited liability company member in the Company. The Company will operate the Club Facilities either through its affiliates or a third party manager/operator. All further references in this Membership Plan to the term “Club” will be deemed to refer to the Company or any other future owner of the Club Facilities.

CLUB FACILITIES

Depending on the level of membership maintained, the “Club Facilities” that will be available to members, their immediate families, and guests will include the following:

- a) The “Golf Facilities” consisting of:
 - an 18-hole Robert von Hagge Design golf course; and
 - golf practice complex including a driving range, chipping green, and practice putting green.
- b) The “Family Center” consisting of:
 - one or more tennis/sport courts;
 - parking lots and pathways for the Family Center facilities;
 - one or more volleyball courts;
 - playground;

- water features such as a fishing instruction pond and fountains;
- dressing and locker areas; and
- a pool and, possibly, other family oriented recreational amenities.

c) The “Clubhouse Amenities” consisting of:

- a golf pro shop, locker rooms for both ladies and gentlemen, and spa facilities.
- a members’ clubhouse with dining facilities and food and beverage preparation areas;
- administrative offices;
- parking lots and pathways for the members’ clubhouse;
- fitness center; and
- a separate pool and tennis facility.

ADDITIONAL CLUB FACILITIES

In its discretion and as it determines appropriate, the Club may add additional facilities to the Club Facilities, including additional golf facilities. The members’ clubhouse may be built in two or more phases, at the discretion of the Club.

CONSTRUCTION OF CLUB FACILITIES

The golf course is anticipated to be completed and open for play in the third or fourth quarter of the year 2000. The construction of the Club Facilities will be subject to, and conditioned on, the ability of the Company to obtain all necessary governmental approvals and permits.

The first phase of the members’ clubhouse (including the golf pro shop and snack bar) is anticipated to be completed in the third or fourth quarter of the year 2000.

The first phase of the Family Center is anticipated to be complete by the third or fourth quarter of the year 2000.

OWNERSHIP OF CLUB FACILITIES

All of the Club Facilities will be owned by the Company.

RELIANCE ON THIS MEMBERSHIP PLAN.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION CONCERNING ANY MATTER NOT CONTAINED IN THIS MEMBERSHIP PLAN, AND, IF GIVEN OR MADE, THE INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CLUB.

MEMBERSHIPS IN THE CLUB ARE OFFERED ONLY FOR RECREATIONAL PURPOSES.

MEMBERSHIPS IN THE CLUB ARE BEING OFFERED EXCLUSIVELY FOR THE PURPOSE OF PERMITTING PERSONS ACQUIRING A MEMBERSHIP TO OBTAIN RECREATIONAL USE OF SOME OR ALL OF THE CLUB FACILITIES. MEMBERSHIPS SHOULD NOT BE VIEWED OR ACQUIRED AS AN INVESTMENT, AND NO PERSON PURCHASING A MEMBERSHIP SHOULD EXPECT TO DERIVE ANY ECONOMIC PROFITS FROM MEMBERSHIP IN THE CLUB.

NO FEDERAL, STATE, OR GOVERNMENTAL AUTHORITY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS MEMBERSHIP PLAN.

DESCRIPTION OF MEMBERSHIP

CATEGORIES OF MEMBERSHIP

Three (3) main categories of membership will be offered in the Club: Golf Membership, Unit Membership, and Association Membership. Other categories and types of memberships also may be offered in the Club, and the use privileges associated with those other categories of membership are described below in this Membership Plan under the caption “Other Memberships in Club.”

The membership privileges associated with each main category of membership are as follows:

Golf Membership. Each person who acquires a Golf Membership in the Club will be a “Golf Member” and will be entitled to use all of the Club Facilities including the Golf Facilities. Golf Members will not be required to pay green fees for their use of the Golf Facilities, but Golf Members will be required to pay dues, fees, and other charges (such as cart fees, locker fees, range fees, etc.) as may be determined from time to time by the Company. Golf Members along with the Designated Unit Golf Member described below will be entitled to reserve golf tee times on a preferential basis ahead of all other categories of membership.

Unit Membership. Limited portions of the Community may be developed with a condominium, cooperative, rental, resort, time-share, casita, or similar developments (collectively referred to as a “Common Interest Development”) offering “for sale,” “for rent,” time-share, or internal ownership interests in dwelling units within the Common Interest Development. Presently, those portions of the Community that are anticipated to be developed as Common Interest Developments are those parcels known as Parcel “MU-1”, “MU-4”, and “MU-9”, all as described in the Torreon Master Plan on file with the City of Show Low.

- X Parcels that are developed as a Common Interest Development may be allocated a limited number of Unit Memberships for acquisition by the Dwelling Unit Owners within the Common Interest Development. The number of Unit Memberships allocated within and between each Common Interest Development will be determined by the Company, in its sole discretion, subject to the restriction that the total number of Unit Memberships may not exceed the maximum limits described below. Each Unit Membership will entitle a Designated Unit Golf Member (as defined below) to use all of the Club Facilities including the Golf Facilities.

- X A “Dwelling Unit Owner” is any person that owns fee title to all or any portion of the Common Interest Development (including the owner of a Condominium Unit) or any person who is a shareholder in a stock cooperative that owns fee title to all or any portion of the Common Interest Development or any person that owns a time-share interest (as defined under Arizona law) in a time-share project located on a Common Interest Development. Subject to the limitations and restrictions contained in this Membership Plan, a Dwelling Unit Owner may own one or more Unit Memberships.

- X Owners of a Unit Membership will be entitled to designate from time to time one (1) Unit Owner/Guest as the Designated Unit Golf Member for each Unit Membership owned. A “Unit Owner/Guest” can be either: (i) any Dwelling Unit Owner including the owner of the Unit Membership; or (ii) any tenant, guest, or other lawful occupant of a dwelling unit within the Common Interest Development. Any Unit Owner/Guest that is designated by the owner of a Unit Membership as a “Designated Unit Golf Member” will be entitled to exercise the rights and privileges associated with a Unit Membership for the period of time the person remains a Designated Unit Golf Member.

- X Dwelling Unit Owners that own one or more Unit Memberships and that have designated themselves as the Designated Unit Golf Member for a Unit Membership will not be required to pay green fees for their use of the Golf Facilities. All other Designated Unit Golf Members (i.e., tenants, guests, vacationers, etc.) will be required to pay green fees for their use of the Golf Facilities. Each owner of a Unit Membership will be required to

pay dues, fees, and other charges as may be determined from time to time by the Company.

- X Subject to the limitations on the number of tee times available on a daily basis to Unit Memberships, as specified in the Rules and Regulations of the Club, Designated Unit Golf Members along with Golf Members will be entitled to reserve golf tee times on a preferential basis ahead of all other categories of membership other than Golf Members.

Association Membership. “Association Members” in the Club will be comprised of any person (“Single Family Owner”) owning a lot (whether or not a completed residence is constructed on the lot) within any subdivision of the Community other than a Common Interest Development. Additionally, one (1) Association Membership will be allocated to each dwelling unit located within a Common Interest Development for use by a Unit Owner/Guest. An agreement between Torreon Community Association, Inc., the homeowners association for the Community (“Association”), and the Club will allow Association Members to use the Family Center and Clubhouse Amenities of the Club, but not the Golf Facilities. Each person who has an Association Membership (including Unit Owners/Guests within a Common Interest Development) will be entitled to use the Clubhouse Amenities and Family Center (collectively, the “Association Facilities”) upon payment to the Association of its regular assessments. The Club may allow, in its sole discretion, the utilization of Golf Facilities on a limited basis by Association Members, but any utilization of the Golf Facilities by Association Members may require payment of green fees, golf cart fees, and any other dues, fees, and charges as may be determined from time to time by the Company. To the extent use of the Golf Facilities is permitted for an Association Member, the Association Member may reserve tee times on a non-priority basis as specified in the Rules and Regulations.

TOTAL NUMBER OF MEMBERSHIPS

The total number of Golf, Unit, and Association Memberships permitted to be issued in the Club is as follows:

Golf	390 less the total number of Unit Memberships
Unit	maximum of 97
Association	1500

If an additional golf course is developed within the Community for private use, the number of Golf Memberships may increase by 195 in number for each 9-holes actually built, a maximum of 48 of which may be allocated to Unit Memberships. The total number of Association Memberships will not increase as a result of the addition of any new golf course.

DESIGNATION OF DESIGNATED UNIT GOLF MEMBERS

Owners of Unit Memberships may arrange through the Club to designate one (1) Unit Owner/Guest for each Unit Membership owned as a Designated Unit Golf Member upon obtaining the approval of the Club and upon the payment of all of the respective dues, fees, and charges associated with the use of the Club Facilities by the Designated Unit Golf Member including the administrative costs associated with the creation of a temporary identification card for the Designated Unit Golf Member and the Permitted Unit Users, as described below in the sections captioned “Family Privileges” and “Guest Privileges”.

EXCHANGE OF MEMBERSHIP PRIVILEGES

Golf Members may arrange through the Club to exchange their membership privileges with an Association Member on a temporary basis. Exchange of the membership privileges of a Golf Member may be made only upon approval by the Club for a period of one (1) year or less and upon payment of all respective dues, fees, and charges. In other words, when approved by the Club, a Golf Member may designate an Association Member to be the Golf Member for up to one (1) year, during which time the original Golf Member becomes an Association Member. This temporary exchange of membership privileges does not affect or alter the rights and responsibilities of the respective Golf Member or Association Member as to their underlying membership. The Club may promulgate other rules and regulations regarding membership exchanges. Only Golf Members and Association Members may exchange membership privileges.

FAMILY PRIVILEGES

GOLF MEMBERSHIPS

A Golf Member may elect family privileges, or single member privileges, as described below, by paying the corresponding level of dues established by the Club.

Family Privileges. A Golf Member’s Immediate Family will be entitled to use the Golf Facilities in accordance with the Rules and Regulations of the Club if the member pays the dues established for family privileges. A member’s “Immediate Family” includes: (i) the member’s spouse; and (ii) their unmarried children under the age of 23 who are living at home or attending school on a full-time basis. In addition, certain other persons with familial relations that are not members of the Immediate Family (such as parents, married children, mother or father in-laws, and grandchildren) of a Golf Member having family privileges may be permitted to play golf as a guest of a Golf Member on a limited and, perhaps, discounted basis, if accompanied by a Golf Member, and subject to the policies, fees, and other procedures established in the Rules and Regulations of the Club.

Single Privileges. A Golf Member may elect to pay the single level of dues. If the Golf Member elects this option, his or her children and spouse may use the Golf Facilities only as a guest on a limited basis if accompanied by the Golf Member in accordance with the Rules and Regulations of the Club.

ASSOCIATION MEMBERSHIPS

Each Association Member and the Immediate Family of the Association Member is entitled to use the Association Facilities only and is not entitled to use the Golf Facilities unless otherwise established by the Club or unless the Association Member has elected to obtain a Golf Membership or Unit Membership. In the case of Association Memberships allocated to Common Interest Developments, the Club reserves the right to establish policies and procedures for identifying the Unit Owner/Guest and the members of their Immediate Family that are entitled to exercise the privileges of Association Membership.

UNIT MEMBERSHIPS

Each Designated Unit Golf Member and the Immediate Family of the Designated Unit Golf Member is entitled to use all of the Club Facilities subject to the limitation imposed by the Membership Plan and subject to the Rules and Regulations.

GUEST PRIVILEGES

GUESTS OF GOLF AND ASSOCIATION MEMBERS

Guests of Golf Members and Association Members will be entitled to use the Club Facilities in accordance with the applicable membership category and the Rules and Regulations of the Club. The Club may limit the number of times and circumstances under which a guest may use the Club Facilities. The member will be responsible for the conduct of his or her guests and for all charges incurred by his or her guests that are not paid within the customary billing and collection procedures of the Club.

GUESTS OF UNIT MEMBERS

Each Designated Unit Golf Member also may designate up to three (3) individuals (each a "Permitted Unit User") as guests of the Designated Unit Golf Member so long as the Permitted Unit User is occupying the same unit as the Designated Unit Golf Member under common vacation or occupancy plans (such as, for example, a "guys only," "girls only," or "mixed couple" vacation). The Club reserves the right to charge Permitted Unit Users a fee for their use of the Club Facilities. Permitted Unit Users designated by the Designated Unit Golf Member are entitled to use the Club Facilities in accordance with the Unit Member category of membership. Each Designated Unit Golf Member will be responsible for the conduct of all Permitted Unit Users designated by the Designated Unit Golf Member. Designation of an individual as a Permitted Unit User will be applicable only during the term of the individuals stay at the Community, and the time during which

any person may remain a Permitted Unit User may not exceed one (1) month unless otherwise approved by the Club.

OFFERING OF MEMBERSHIPS

IN GENERAL

The Club anticipates that the number of residential lots and dwelling units developed in the Community will exceed the number of Golf Membership and Unit Memberships made available by the Club. The Club will offer Golf and Unit Memberships, as applicable, to purchasers of residential lots within the Community and to purchasers/developers of any condominium, cooperative, rental, resort, time share, casita, or similar dwelling unit in a Common Interest Development, subject to acceptance of a membership application and compliance with the other requirements of this Membership Plan. The Club also may offer memberships to such other persons as the Club determines appropriate from time to time.

AVAILABLE AND RESERVED MEMBERSHIPS

All of the non-issued memberships will be reserved by the Club. Memberships reserved by the Club will include all of those memberships initially available within the Community together with all memberships that are resigned from time to time. The Club may issue a reserved membership to any person that the Club, in its sole discretion, determines appropriate. Without limitation of the previous sentence, the Club may issue a reserve membership to any person who does not own a residential unit or lot in the Community in those instances where the Club deems it appropriate (such as when the Club believes that there are not sufficient levels of Golf or Unit Members). The Club may not be compelled to issue reserved memberships.

INITIAL PURCHASERS OF RESIDENTIAL LOTS

Each Single Family Owner will become an Association Member and, additionally, may apply for a Golf Membership in the Club. The availability of a Golf Membership is not guaranteed because the number of residential lots in the Community is anticipated to be greater than the number of Golf Memberships. Except in those instances where a Golf Membership is issued to a non-resident of the Community, final approval for Golf Membership is contingent upon the closing of the real estate contract. Any person who becomes a Single Family Owner through the purchase of a lot from the developer of the Community or any designated builder within the Community may apply for a Golf Membership within 60 days from the effective date of his or her real estate contract and, if an application for Golf Membership is received within this sixty (60) day time period, the application will be entitled to priority issuance from the memberships reserved to the Club upon the payment of the golf membership initiation fee in effect as of the date of the application. Any Association Member may apply for a Golf Membership at a later date (i.e., after the sixty (60) day period described above) and may acquire a Golf Membership only if one is available and then only upon payment of the golf membership initiation fee

in effect as of the date of the issuance of the Golf Membership (in addition to the satisfaction of all other application requirements as specified in the Membership Plan).

UNIT MEMBERSHIP AVAILABILITY

One (1) Association Membership will be allocated for each dwelling unit located within a Common Interest Development. Unit Memberships will be available only to Dwelling Unit Owners within a Common Interest Development and will be allocated within and between the applicable Common Interest Developments as determined by the Club and the developer of the Community. Availability of Unit Memberships for each dwelling unit within a Common Interest Development is not guaranteed and is subject to availability. Unit Membership, if available, must be allocated to a Common Interest Development no later than the date of sale of the Common Interest Development to the developer/builder.

USE OF MEMBERSHIP PRIVILEGES PRIOR TO CLOSING

The Club may allow the initial purchaser of a residential lot in the Community to use the Association Facilities as a member of the Club prior to the closing of the purchase. If the initial purchaser elects to acquire a Golf Membership, the purchaser also may use the Golf Facilities prior to closing. Prior to using the Club Facilities, the person will be required to pay the applicable membership initiation fee, transfer fee, and all other dues, fees, and charges established by the Club from time to time. If the purchaser does not close its purchase within a reasonable period of time as determined by the Club, the Club may charge a reasonable administrative fee and terminate the membership privileges by returning to the person the membership initiation fee and the unused portion of any dues, fees, and other charges paid by the person in advance for the remainder of the membership year, less the administrative fee. This “pre-closing” use of membership privileges does not apply to Unit Membership.

PURCHASER OF TWO OR MORE RESIDENTIAL UNITS OR LOTS

If a person acquires two or more residential lots in the Community, the purchaser may acquire a Golf Membership for each residential lot for which membership privileges are desired, subject to availability. If the person does not acquire a Golf Membership for each residential lot at the time of the initial purchase of the lot from the developer of the Community or any designated builder within the Community, the availability of a Golf Membership will not be guaranteed for the purchaser of the residential lot to which a Golf Membership is not associated.

MEMBERS WHO MOVE OUTSIDE OF COMMUNITY

If a Golf Member sells his or her residential lot in the Community, the Golf Member may retain his or her Golf Membership in the Club, subject to recall by the Club at any time on a “last-in, first-out” criteria or any other criteria established by the Club for recall of memberships. Golf Members that are not owners of a lot within the Community may be required to pay additional monthly dues to adjust for any base level of fees paid to the Club by the Association (that the Golf Member does not pay since he or she moved out of the Community).

MEMBERS WHO ACQUIRE ANOTHER RESIDENTIAL UNIT OR LOT WITHIN COMMUNITY

If a Golf Member acquires another residential lot in the Community, the Golf Member may associate his or her Golf Membership with the newly acquired residential lot, subject to submitting the proper forms required by the Club.

UPGRADE OF MEMBERSHIP

Any Single Family Owner that holds an Association Membership in the Club may upgrade at any time to a Golf Membership, so long as a Golf Membership is available, by paying the golf membership initiation fee in effect as of the date of issuance of the Golf Membership.

BUYERS' WAITING LIST

If a person desires to acquire a Golf Membership or Unit Membership and one is not available either through the Club or from the seller of the residential lot or dwelling unit, the person will be placed on a waiting list. The Club will establish a separate waiting list for each particular category of membership. Resigned Unit Memberships will be made available only to Dwelling Unit Owners within a Common Interest Development according to a seniority waiting list. Resigned Golf Memberships (other than resigned memberships that are reissued to the subsequent purchaser of a resigned member's residential lot or unit in the Community) will be offered to persons on the waiting list in accordance with the following order of priorities:

First, to person that has or will become a Single Family Owner through the purchase of a lot from the developer of the Community or any designated builder within the Community and that has applied for membership within sixty (60) days from the effective date of his or her real estate contract.

Second, to Association Members of the Club that own property who desire to upgrade to a higher category of membership;

Third, to Invitational Members (if any) of the Club so long as the Invitational Member owns a residential lot or unit in the Community;

Fourth, to previous Golf Members who have resigned and wish to rejoin the Club so long as the previous Golf Members are property owners in the Community at the time they wish to rejoin; and

Fifth, to all other persons who desire a Golf Membership in the Club and otherwise qualify for Golf Membership.

MEMBERSHIP MAY BE HELD IN NAME OF LEGAL ENTITY

For the convenience of members, a membership may be held in the name of a partnership, corporation, limited liability company, trust or other form of multiple ownership (collectively, an “entity”). The entity must designate one individual who will have the right to use the membership. The designated user must submit an Application for Membership and will be subject to the approval of the Club. The designated user must be a bona fide director, officer, member, trustee, principal, or employee of the entity and pay the required dues, fees, and charges. The designated user may be changed only once every three years unless otherwise agreed to by the Club. At the time a designated user is changed, the entity must pay to the Club, the amount, if any, by which the membership initiation fee in effect at the time of the requested change exceeds the membership initiation fee previously paid by the entity, unless the Club otherwise waives this provision on a case-by-case basis. No person other than the designated user and his or her Immediate Family will be entitled to simultaneously use the membership. The Club may establish from time to time the rules governing the designated user of a membership.

APPLICATION FOR MEMBERSHIP

APPLICATION FOR MEMBERSHIP REQUIRED

Each person who desires a membership in the Club must mail or deliver to the Club a fully completed and signed Application for Membership. The required membership initiation fee must be received by the Club concurrent with Application for Membership.

REVIEW OF APPLICATION FOR MEMBERSHIP

Each person who applies for a membership in the Club will be subject to the approval of the Club. After receiving the Application for Membership, the Club will determine whether the applicant has satisfied the relevant conditions of membership. If the Application for Membership is not acted upon favorably, the applicant will receive a refund, without interest, of any membership initiation fee the applicant paid to the Club, and all of the applicant’s rights and privileges to use the Club Facilities will cease immediately.

MEMBERSHIP INITIATION FEE

MEMBERSHIP INITIATION FEE REQUIRED TO ACQUIRE MEMBERSHIP

Each person who desires to acquire a membership in the Club must pay a membership initiation fee to the Club in the amount determined by the Club from time to time.

REFUND OF MEMBERSHIP INITIATION FEE

Each person who acquires a Golf Membership or Unit Membership in the Club will not be entitled to be repaid his or her membership initiation fee. Membership initiation fees paid for Association Memberships also are non-refundable.

ESCROW OF MEMBERSHIP INITIATION FEES

All membership initiation fees for Golf and Unit Members will be held in a separate account with a financial institution until the golf course is completed and open for play and a certificate of occupancy has been issued for the members' clubhouse. One-third (1/3) of the membership fees paid by Golf and Unit Members will be released from the separate account and disbursed to the Club when 9 holes of the golf course are completed and open for play. Another one-third (1/3) of the membership initiation fees paid by Golf Members and Unit Members will be released and disbursed to the Club when the golf course has been completed and open for play. The remaining one-third (1/3) of the membership initiation fees paid by Golf Members and Unit Members will be disbursed to the Club when a certificate of occupancy has been issued for the first phase of the members' clubhouse. The membership initiation fees paid by Association Members will be paid directly to the Club and will not be placed in a financial institution.

TRANSFER OF MEMBERSHIP

TRANSFER OF MEMBERSHIP UPON SALE OF RESIDENTIAL UNIT OR LOT

A Golf or Unit Member who resigns from the Club upon the sale of his or her residential lot or dwelling unit in the Community may arrange for the Club to reissue his or her resigned Golf or Unit Membership to the purchaser. The re-issuance of any Golf or Unit Membership to the subsequent purchaser of the resigning member's residential lot or dwelling unit is not subject to any waiting lists. The purchaser of the residential lot or dwelling unit who desires to acquire the resigned Golf or Unit Membership, as applicable, will be required to submit an Application for Membership, will be subject to the approval of the Club, will be required to pay the membership initiation fees and any applicable transfer fees that are in effect at the time the membership is acquired, and will be required to activate the membership within 30 days after the close of escrow.

REPURCHASE OF MEMBERSHIP UNDER OTHER CIRCUMSTANCES

The Club, in its sole and absolute discretion, may repurchase a Golf or Unit Membership under any other circumstances which the Club, in its sole discretion, determines appropriate.

PAYMENT OF DUES BY RESIGNED MEMBER

A Golf or Unit Member who resigns from the Club will be obligated to continue to pay dues until the earlier of the date his or her resigned Golf or Unit Membership is reissued to the purchaser of his or her residential lot or dwelling unit Club or four (4) months after resignation. A resigned member will be permitted to use the Club Facilities during that time as long as the resigned member is obligated and continues to pay dues. Resignation of a membership is irrevocable.

PRORATION OF DUES AND OTHER FEES UPON REISSUANCE OF MEMBERSHIP

If a resigned membership is reissued by the Club during a membership year, the resigned member will be entitled to a refund of the unused portion of any dues, fees and charges paid in advance.

TRANSFER OF MEMBERSHIP UPON MEMBER'S DEATH

Upon the death of a member, the membership will be transferred to the member's surviving spouse without the payment of any additional membership initiation fee (but with the payment of a transfer fee). If there is no surviving spouse or the surviving spouse does not desire to continue a Golf or Unit Member level of membership, the Golf or Unit Membership, as applicable, will be deemed to have been resigned, with no further obligation for dues, fees, or other charges, and will be reissued by the Club on the same basis as any other resigned membership.

LEGAL SEPARATION OR DIVORCE OF MARRIED MEMBERS

If married members are legally separated or divorced, title to the membership will vest in the spouse awarded the membership or, if the separation is pursuant to a separation agreement, title to the membership will vest in the spouse awarded the membership in the separation agreement. The Club reserves the right not to transfer the membership to either spouse if the Club, in its sole discretion, is unable to determine the person who is lawfully entitled to receive the membership. Until written notice has been received by the Club, both spouses will be jointly and severally responsible for the payment of all dues, fees, and other charges incurred, and both spouses will be eligible to use and enjoy the Club Facilities in accordance with the membership category so long as they are both required to pay dues on the membership.

TRANSFER FEES

Except in the case of initial sales by the developer, declarant, or any designated builders within the Community or in the case of a transfer resulting from a foreclosure, trustee's sale, or deed in lieu of foreclosure, a transfer fee in an amount determined from time to time by the Club (initially a \$1,000 transfer fee per lot or unit) will be charged upon the sale or transfer of ownership to each residential lot or dwelling unit within the Community. The transfer fee will be payable by the purchaser of the residential lot or dwelling unit. In the case of the sale of multiple lots or dwelling units, the transfer fee will apply to each lot or dwelling unit sold or transferred.

ACKNOWLEDGMENT OF MEMBERSHIP RIGHTS

IN GENERAL

Membership in the Club permits the member to use the Club Facilities in accordance with this Membership Plan. Membership in the Club is not an investment in the Club or the Club Facilities and does not provide the member with an equity or ownership interest (or any vested or prescriptive right or easement) in or to use the Club or the Club Facilities. Members will not be entitled to vote or participate in the management of the Club. Each member agrees by applying for and accepting a membership to be bound by the terms and conditions of this Membership Plan and irrevocably agrees to fully substitute the membership privileges acquired pursuant to this Membership Plan, as the same may be amended from time to time, for any present or prior rights in or to use the Club Facilities. The Club reserves the right, in its sole discretion, to reserve memberships, to terminate or modify this Membership Plan, to discontinue operation of any or all of the Club Facilities, to issue or terminate any membership, to convert the Club into a member-owned club, to sell the Club Facilities on such terms as the Club determines in its discretion, and to make any other changes in the terms and conditions of the membership or the Club Facilities available for use by members. If the Club's operations were permanently closed, the Club would refund the membership initiation fees without interest to current Golf or Unit Members.

NO OPERATING OR CAPITAL ASSESSMENTS

Members will not be subject to any liability or assessment for the costs of operating the Club Facilities. In addition, members will not be subject to any capital assessment for the costs of constructing or maintaining the Club Facilities. The Company will be responsible for all deficits, and will be entitled to retain all profits, from the operation of the Club.

ADDITIONAL RULES REGARDING USE OF CLUB FACILITIES

In order to match the changing needs and desires of the membership of the Club, the Club reserves the right, in its sole discretion, to modify, change, or add to the Rules and Regulations of the Club, the membership categories (including additional membership categories), the advance sign-up privileges, guest privileges, and reservation systems with respect to the Golf Facilities and other Club Facilities.

DUES AND CHARGES

MEMBERSHIP YEAR

The Club's membership year will constitute the twelve month period commencing January 1 and ending on December 31 of the same year, unless otherwise established by the Club from time to time.

DUES, FEES, AND CHARGES

From time to time during each membership year, the Club will determine the amount of dues, fees, and other charges to be charged by the Club. Dues will be payable in advance on a pro rata basis, on or before the first day of each month, unless otherwise established by the Club from time to time. The current dues, fees, and charges of the Club are described on the Schedule of Dues, Fees, and Charges. The amount of the dues, fees, and charges is subject to change at the sole discretion of the Club. So long as the golf course has been completed, a member's obligation to pay dues commences after approval of the member's Application for Membership upon the earlier of the member's commencement of use of any of the Club Facilities or the closing of the member's purchase of a residential unit or lot within the Community.

DUES INCREASE LIMIT

The dues for each membership year may not be increased by more than the greater of (i) eight percent per year, or (ii) the percentage increase in the Consumer Price Index from the prior year. For purposes of this Membership Plan, the "Consumer Price Index" means the Consumer Price Index for Urban Wage Earners and Clerical Workers, United States city average, all items (1982-84 = 100), or any successor, as promulgated by the Bureau of Labor Statistics of the United States Department of Labor. If this Consumer Price Index (or successor index) is not available, a comparable and reliable governmental or other non-partisan publication evaluating information similar to that used in determining the Consumer Price Index will be used. This limitation on the dues increase for each membership year does not apply to the amounts charged by the Club for membership initiation fees or transfer fees.

FINANCIAL RESPONSIBILITY FOR MEMBERSHIP

Each member is legally and financially responsible for his or her acts or omissions as well as those acts or omissions of his or her Immediate Family and guests, including all amounts owed to the Club for dues, food, and beverage or any other services provided by the Club. The Club will establish procedures in the Rules and Regulations of the Club for billing, payment, and remedies available to the Club if any member fails to comply with the Rules and Regulations. If a membership is issued in the name of more than one person, each person will be jointly and severally liable for the membership initiation fee and all other dues, fees, and charges associated with the membership.

OTHER MEMBERSHIPS IN CLUB

INVITATIONAL MEMBERSHIPS

In order to introduce the Club to prospective members, the Club, in its sole discretion, may offer membership on an annual, seasonal, recallable, or other basis (“Invitational Memberships”). Invitational Members will be entitled to use the Club Facilities on those terms and conditions as determined by the Club from time to time. Invitational Memberships will not be available to persons who own a residential unit or lot in the Community. The total number of Invitational Memberships that may be issued in the Club at the end of any membership year will be limited to 390, less the number of Golf and Unit Memberships outstanding in the Club as of 90 days before the end of the membership year. Invitational Memberships will be recalled at the end of each membership year as necessary, on a last-issued, first-recalled basis.

HONORARY MEMBERSHIPS

The Club may issue up to 20 Honorary Memberships in the Club to those persons that the Club determines appropriate from time to time. These Honorary Memberships will be in addition to all other memberships and will be available on those terms and conditions as the Club determines appropriate from time to time. These terms and conditions may include reduced or waived membership deposits and dues.

When and if an additional golf course is developed within the Community, the number of Honorary Memberships will increase by 10 for each 9-holes actually built.

RECIPROCAL PRIVILEGES AND OTHER ARRANGEMENTS

The Club, in its sole discretion, may enter into reciprocal use privileges and arrangements with other clubs, as the Club determines appropriate from time to time.

CLUB OPERATIONS

MANAGEMENT AND CONTROL OF CLUB

The Company or its affiliates will manage the Club Facilities in any manner it determines necessary to maximize the use of the Club Facilities and will have the exclusive authority to accept members, set dues, fees, and charges, establish rules and regulations, and control the management and affairs of the Club. A management company may be engaged to manage the operation of the Club Facilities, in the sole discretion of the Club.

USE OF CLUB FACILITIES FOR PROMOTIONAL PURPOSES

The Club and its affiliates may allow prospective purchasers of residential units or lots in the Community or prospective memberships in the Club or any other person that the Club determines appropriate from time to time to use the Club Facilities. Further, outside play may be allowed on a fee basis to members of the general public during early stages of operation of the Club. Access to tee times by outside play will be subordinate to Golf Members, Unit Members, and, if applicable, Association Members.

Outside play will be curtailed when the total number of Golf and Unit Membership reaches 300 and Association Membership in the Club reaches 750, unless commitment to build additional golf facilities has been given. If an additional nine holes are committed to be built, then outside play may be allowed until the total number of Golf and Unit Membership reaches 450 and Association Membership in the Club reaches 1,200. If the final nine holes of a second course has been committed to be built, then outside play may be allowed until the total number of Golf and Unit Membership reaches 600 and Association Membership reaches 1,500.

The Club, in its sole discretion, may restrict or otherwise reserve the Club Facilities for maintenance, tournament, or group play and other special events from time to time.

ADVISORY COMMITTEE

An Advisory Committee composed of members of the Club will be established by the Club to act as a liaison between the members and the management of the Club. The Advisory Committee will provide the members with input into the programs, plans, activities, and policies of the Club. Members serving on the Advisory Committee will be selected periodically by the Club. The Advisory Committee will serve only in an advisory capacity and will have no duty or power to negotiate for or otherwise act on behalf of the members or the Club. The management of the Club will meet with the Advisory Committee on a regular basis to discuss the operation of the Club Facilities. The management of the Club will have the final authority on all matters concerning the Club, its facilities, and its members. The Club anticipates that there will be no other committees except a membership committee that, if formed by the Club, would be

composed of individuals selected periodically by the Club and would serve only in an advisory capacity to the Club.

TAX CONSEQUENCES OF ACQUIRING MEMBERSHIP IN CLUB

The Club makes no representations and expresses no opinions regarding the federal, state, or local income tax consequences of acquiring a membership or with respect to any membership deposits paid to the Club. All persons acquire their membership subject to all applicable tax laws, as the same may be amended from time to time. Certain provisions of the Internal Revenue Code may impute interest income to a lender with respect to a non-interest bearing loan. If the membership deposits paid to the Club are determined by the Internal Revenue Service to be a loan, the Internal Revenue Service may apply the imputed interest rules to the membership deposits. Accordingly, members should consult with their own tax advisers with respect to the tax consequences of any membership deposits paid to the Club.

TORREON GOLF CLUB

MEMBERSHIP PLAN

JULY 31, 1998

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