

Vaquero

THE VAQUERO CLUB, INC.

MEMBERSHIP PLAN

MEMBERSHIP PLAN OVERVIEW

MEMBERSHIP OPPORTUNITY

This Membership Plan and its exhibits offer you an opportunity to become an equity member in The Vaquero Club, Inc., a Texas nonprofit corporation (the "Club"). The Club is a private equity membership club, located in the Vaquero residential community in Westlake, Texas featuring exceptional golf, tennis, fitness and social facilities.

MEMBERSHIP CATEGORIES AND PRIVILEGES

Each Equity Member has an ownership interest in the Club and is entitled to vote on matters affecting the Club in accordance with this Membership Plan. Each Equity Member is entitled to use the Club Facilities in accordance with the privileges granted by his or her category of membership. The Club is offering Golf and Social Memberships.

The use privileges associated with each category of membership are more fully described in this Membership Plan.

SPECIAL MEMBERSHIP BENEFITS

In addition to exceptional Club Facilities and an extensive array of programs and activities for members and their families, membership in the Club currently offers a number of attractive benefits, including:

- **Refundable Membership Contribution.** Equity members are entitled to a refund of their membership contribution upon resignation and reissuance of the membership, as provided for in the Membership Plan and the Membership Purchase Agreement.
- **Resigned Memberships Reissued Prior to Membership Sell-Out.** Resigned members do not have to wait until all new memberships in the Club have been issued before their membership is reissued and they receive their refund, as provided for in this Membership Plan.
- **Transferability of Memberships.** Memberships are transferable through the Club to the subsequent purchaser of a member's residence or homesite in the Vaquero Community.
- **Immediate Family Privileges.** A member, his or her spouse and their unmarried children, under the age of 23 who are living at home, attending school on a full-time basis or serving in the military are entitled to membership privileges without having to pay additional membership dues.

- **Extended Family Privileges.** The parents, adult children who do not fall under the definition of immediate family, grandparents and grandchildren of the member and spouse and the spouses of such family members are also entitled to use the Club Facilities upon payment of reduced greens fees and any applicable user fees.
- **Club Newsletter.** Members will receive a regular newsletter containing information about events and activities at the Club and other items of interest.

CAREFULLY REVIEW ALL DOCUMENTS

This Membership Plan is a summary of the membership opportunities offered by the Club and is qualified by the definitive information set forth in the attached or referenced exhibits. Every person who desires to obtain a membership, or owns or purchases a residence or homesite within the Vaquero Community, should carefully read this Membership Plan and all of the attached or referenced exhibits and should seek professional advice to evaluate these documents. Please refer to the By-Laws and the Club Transfer Agreement for the meanings of terms that are not defined in this Membership Plan.

RELY ONLY ON WRITTEN INFORMATION PROVIDED

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS MEMBERSHIP PLAN AND THE REFERENCED DOCUMENTS AND, IF GIVEN OR MADE, SUCH INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CLUB. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS OF MEMBERSHIP CONTAINED IN THE MEMBERSHIP PLAN, RULES AND REGULATIONS AND MEMBERSHIP PURCHASE AGREEMENTS WITH OTHER PRINTED MATERIALS, THE MEMBERSHIP PLAN, RULES AND REGULATIONS AND MEMBERSHIP PURCHASE AGREEMENTS SHALL GOVERN.

MEMBERSHIPS OFFERED ONLY FOR RECREATIONAL PURPOSES

MEMBERSHIPS AT THE CLUB ARE BEING OFFERED EXCLUSIVELY FOR THE PURPOSE OF PERMITTING PERSONS 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 AT THE CLUB.

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

APPLICATION PROCEDURES

Each person who desires to become a member must mail or deliver to the Membership Director a fully completed and signed Membership Application and Membership

Purchase Agreement, along with a check for the required membership contribution. In the event the agreement is not acted upon favorably, the membership contribution will be fully refunded, without interest.

MEMBERSHIP DIRECTOR AVAILABLE TO ANSWER INQUIRIES

Should you have any questions concerning the membership opportunities available at the Club or this Membership Plan, please contact the Membership Director at the Club.

The hours of operation of the Membership Office will be as determined by the Club from time to time.

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EXHIBIT B Articles of Incorporation..... **B-1**
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EXHIBIT D Rules and Regulations..... **D-1**

January 2001

MEMBERSHIP FEATURES AND FACILITIES

INTRODUCTION

This Membership Plan and its exhibits set forth the rights and privileges of membership in the Club.

CLUB FACILITIES

Members, their families and guests will enjoy the following Club Facilities:

- 18-hole championship golf course designed by Tom Fazio;
- Driving range, practice chipping green, and practice putting green;
- Clubhouse of approximately 25,000 square feet featuring a dining room, mixed grille, lounge, fitness facilities, complete pro shop and men's and women's locker rooms;
- Two tennis courts; and
- Golf course maintenance facility.

ADDITIONAL CLUB FACILITIES

The Club may, in its sole discretion, expand the Club Facilities, or add additional facilities either on or off-site as it determines appropriate from time to time, including additional golf facilities.

CONSTRUCTION OF CLUB FACILITIES

The golf course is anticipated to be completed and open in Fall/Winter 2001. The clubhouse is anticipated to be completed and ready for use in 2003. The construction of the Club Facilities will be subject to obtaining the necessary approvals and permits. Neither the Club nor its affiliates shall have any liability whatsoever to the members in the event the Club Facilities are not constructed, other than the return of the member's membership contribution, without interest.

OWNERSHIP OF CLUB FACILITIES

WB Texas Resort Communities, L.P., a Texas limited partnership (the "Company"), has arranged for the Club to acquire the Company's interest in the Club Facilities. As a result, the Club now owns or will own the Company's interest in the Club Facilities which will be constructed. In consideration for the transfer of the Company's interest in the Club Facilities, the Company will receive a portion of the Equity Memberships to be issued in the Club. Control of the operation of the Club will initially be retained by the Company and will ultimately be turned over to the Equity Members on the Turnover Date, as hereinafter provided.

MEMBERSHIP CATEGORIES AND PRIVILEGES

CATEGORIES OF MEMBERSHIP

In order to provide availability of facilities and services to members, the Club is offering a limited number of Golf Memberships and Social Memberships. The Club may offer certain other memberships and use privileges as described in the "Other Memberships and Use Privileges" provision in this Membership Plan.

GOLF MEMBERSHIP

Each person who acquires a Golf Membership will be entitled to use all of the golf, tennis, fitness and social facilities of the Club. Golf Members will not be required to pay greens fees or court fees for use of the golf and tennis facilities, but will be required to pay for golf cart fees and other goods and services as applicable.

SOCIAL MEMBERSHIP

Each person who acquires a Social Membership will be entitled to use all of the tennis, fitness, and social facilities of the Club. Social Members will not be required to pay court fees for use of the tennis facilities, but will be required to pay for other goods and services as applicable. Social Members are not entitled to use the golf facilities of the Club, except as a guest of a member.

RULES AND POLICIES

To enhance the recreational and social pleasure of members and their guests, the Club reserves the right to establish or modify rules, regulations, policies, guidelines, or systems governing access or reservation of the Club Facilities.

NO ADVANCE SIGN-UP PRIVILEGE

It is the intention of the Club to have no tee time reservation policy. Members will be welcome to play without having to make a tee time. However, in the event the Club finds it necessary in order to provide for the utmost playing pleasure for all our members, the Club reserves the right to establish tee time policies in its sole discretion.

EQUITY MEMBERSHIP VOTING RIGHTS

On all matters to be voted upon by the members of the Club, Golf Members are entitled to two votes per membership and Social Members are entitled to one vote per membership. The Company is not entitled to vote unissued Equity Memberships which it holds for sale on matters submitted to the vote of the members, except it may vote those Equity Memberships which it has purchased from the Club, as provided herein. The Board of Directors will have the final authority to determine which categories of Equity Members are entitled to vote on matters put to a vote of the members.

EXCHANGE OF MEMBERSHIP PRIVILEGES

Equity Members who do not desire to retain their full membership privileges may arrange through the Club to exchange their membership privileges and respective dues obligations with those of another Equity Member in a different membership category, upon obtaining the approval of the Club, in its sole discretion. The right to exchange membership privileges will be on a membership year basis and will not affect the exchanging members' rights or obligations to their underlying membership other than the payment of dues for the Membership Year in which the exchange occurs. There is no guarantee Equity Members will be able to exchange their membership privileges with another Equity Member.

UPGRADE OF MEMBERSHIP

Equity Members may upgrade to a higher category of membership, in the sole discretion of the Club, if the higher category of membership is then available and not reserved. In order to upgrade, the member shall pay to the Club the difference between the membership contribution previously paid by the member for the lower category of membership and the membership contribution then charged for the higher category of membership.

NUMBER OF MEMBERSHIPS

LIMIT ON NUMBER OF MEMBERSHIPS

The maximum number of memberships permitted in each category will be as follows:

<u>Membership Category</u>	<u>Number of Memberships</u>
Golf Membership	385
Social Membership	Limited to the number of Vaquero property owners who do not acquire a Golf Membership

The Club may, in its sole discretion, further limit the number of memberships available in any category of membership as the Club determines appropriate from time to time. In addition, the Club may issue non-equity memberships as set forth in this Membership Plan.

FAMILY AND GUEST PRIVILEGES

IMMEDIATE FAMILY PRIVILEGES

A member's immediate family will be entitled to use the Club Facilities on the same basis as the member. A member's immediate family will include the member's spouse and their unmarried children under the age of 23 who are living at home, attending school on a full-time basis or serving in the military.

An unmarried member living together with another individual in the same household as a family unit may designate the other individual on a membership year basis, to use the Club Facilities as an immediate family member, subject to the approval of the Club, in its sole discretion. The member shall be responsible for the payment of all charges and fees incurred by the designated user. The Club reserves the right to establish such fees and other rules it deems appropriate.

EXTENDED FAMILY PRIVILEGES

The Club reserves the right from time to time, to permit the extended family of a member to use the membership privileges when accompanied by the member and upon payment of such fees as may be established by the Club. The extended family shall include the parents, adult children who do not fall within the definition of immediate family, grandparents and grandchildren of the member and spouse, and the spouses of such family members. The Club may modify or terminate this privilege and establish such rules with respect thereto as it may determine from time to time.

GUEST PRIVILEGES

Members may have accompanied guests use the Club Facilities in accordance with the member's category of membership and the Rules and Regulations of the Club. The Club may limit the number of guests and the number of times a particular guest may use the Club Facilities during each membership year. The member will be responsible for the payment of charges incurred but not paid by his or her guests including any applicable daily guest fees established by the Club from time to time. Members will also be responsible for the deportment of their guests.

PRIMARY PLAYING TIMES

Although each membership has family and guest privileges, the Club may establish primary playing times during which children and/or guest play may be restricted, in accordance with this Membership Plan and the Rules and Regulations, to better handle golf play during primary playing times. The Club may designate times when only members and their spouses may play or when guests or children may not play golf, notwithstanding any provision herein. Members of the immediate family will have the same golf privileges as the member during all times except primary playing times.

OFFERING OF MEMBERSHIPS

OFFERING OF MEMBERSHIPS

Equity Memberships will be offered to initial purchasers of a residence or homesite in the Vaquero residential community (the "Vaquero Community"), and other such persons as the Club or Company determines appropriate from time to time. Social Memberships may be issued only to owners of homes or homesites in the Vaquero Community.

UNSOLD MEMBERSHIPS RESERVED

All of the unsold Equity Memberships in the Club will be reserved by the Company and the Club and will not be considered to be available memberships in the Club. The Club or the Company may not be compelled to sell a reserved membership. The Club may issue a membership to any person which the Company and the Club, in their sole discretion, determines appropriate from time to time, including persons who do not own a residence or homesite in the Vaquero Community.

INITIAL PURCHASERS OF RESIDENCES OR HOMESITES

Each initial purchaser of a residence or homesite in the Vaquero Community may at any time within 30 days from the date of his or her real estate contract, apply for a membership in the Club, provided the Club has a membership for sale. Any initial purchaser who does not apply for a membership within 30 days from the date of his or her real estate contract may apply for a membership at a later date only if one is available and not otherwise reserved, and only upon payment of the membership contribution which is in effect at the time the membership is acquired. OWNERSHIP OF A RESIDENCE OR HOMESITE DOES NOT GIVE ANY VESTED RIGHT OR EASEMENT, PRESCRIPTIVE OR OTHERWISE, TO USE THE CLUB FACILITIES, OR TO ACQUIRE A MEMBERSHIP IN THE CLUB AND DOES NOT GRANT ANY OWNERSHIP OR MEMBERSHIP INTEREST IN THE CLUB OR THE CLUB FACILITIES.

MEMBERSHIP SUBJECT TO AVAILABILITY

IF A PERSON OWNS OR ACQUIRES A RESIDENCE OR HOMESITE IN THE VAQUERO COMMUNITY AND DOES NOT ACQUIRE A GOLF MEMBERSHIP IN THE CLUB WHEN IT IS INITIALLY OFFERED, IT IS UNLIKELY THAT THE PERSON OR THE SUBSEQUENT PURCHASER OF THE PERSON'S RESIDENCE OR HOMESITE IN THE VAQUERO COMMUNITY WILL BE ABLE TO ACQUIRE AN UNISSUED GOLF MEMBERSHIP AT A LATER DATE. ACCORDINGLY, EACH PERSON'S RIGHT TO ACQUIRE A GOLF MEMBERSHIP WILL AT ALL TIMES BE SUBJECT TO AVAILABILITY.

AVAILABILITY OF MEMBERSHIP AFTER OFFERING PERIOD

If a property owner does not apply for an Equity Membership during the 30-day initial offering period, neither the Club nor the Company is obligated to later make a Golf or a Social Membership available to such property owner. If Equity Memberships are thereafter made available, the Club or the Company may sell the Equity Memberships to whomever it determines in its discretion.

MEMBERSHIP PRIVILEGES PRIOR TO CLOSING

The Club may, in its sole discretion, allow the initial purchaser of a residence or homesite in the Vaquero Community to use the Club Facilities as a member prior to the closing on his or her residence or homesite. The person will be required to pay the applicable membership contribution, dues, fees and other charges established by the Club from time to time. In the event the purchaser does not close on the residence or homesite, the Club may terminate the membership privileges by returning to the person the membership contribution and the unused portion of any dues, fees and charges paid by the person in advance for the remainder of the membership year. In this event, a membership will thereafter be made available to the person only in the discretion of the Club. In the event the purchaser does not close on the residence or homesite and the membership is recalled, the membership will be considered to be an unissued membership.

OWNERSHIP OF MULTIPLE RESIDENCES OR HOMESITES

If a person acquires two or more residences or homesites in the Vaquero Community, the purchaser should acquire a membership for each residence or homesite for which membership privileges are desired. If the person does not acquire a membership for each residence or homesite, the Club will not guarantee that a membership will be available for the residence or homesite at a later date. Persons who acquire two or more contiguous lots but who construct only one residence may desire only one membership. If a membership is not acquired for the contiguous lot and the contiguous lot is subsequently sold, then the purchaser of the contiguous lot must acquire a membership if the purchaser is to be permitted to use the Club Facilities. The purchaser of the contiguous lot will be able to acquire a membership only if one is available and not reserved and the purchaser has been approved for membership.

MULTIPLE OWNERS OF PROPERTY

In the event a residence or homesite is owned by more than one person (other than spouses), only one owner is eligible to obtain a Golf Membership.

TITLE OF MEMBERSHIP

Memberships in the Club are generally issued in the name of an individual or family. The Club highly discourages the issuance of a membership in the name of a company, partnership, trust or other form of business entity or multiple ownership, but as an exception to the general rule may allow so for certain circumstances, in its sole

discretion. The membership will be issued in the name of the owner(s) who will be permitted to designate one individual or family who will have the right to use the Club Facilities as the beneficial user upon approval by the Board of Directors. The right to designate users is subject to the rules and regulations established by the Club from time to time. Changes in the designation of the individual or family are discouraged and may be permitted only in the Club's sole and absolute discretion. Other individuals using the Club Facilities during the same time period as the beneficial user may do so as guests, subject to the rules and regulations and By-Laws of the Club, upon payment of the applicable guest charges.

MEMBERSHIP CONTRIBUTION

MEMBERSHIP CONTRIBUTION REQUIRED TO ACQUIRE MEMBERSHIP

Persons desiring to be equity members of the Club must pay the membership contribution established for memberships on the date of application for a membership. However, a purchaser who acquires memberships in connection with the purchase of a residence or homesite in the Vaquero Community may pay the membership contribution in effect on the date of the contract to purchase the residence or homesite if he or she applies within the 30-day availability period.

SETTING OF MEMBERSHIP CONTRIBUTION

The membership contribution for all memberships in the Club will be fixed by the Company from time to time at any level it deems appropriate in its sole discretion, until the initial issuance of all of the Equity Memberships. The membership contribution for memberships which are available for reissuance by the Club will be equal to the membership contribution set by the Company for unissued memberships. After the initial sale of all of the Equity Memberships, the membership contribution will be set by the Board of Directors of the Club as determined from time to time.

To be considered an Equity Member of the Club, the member must pay the membership contribution, in full, within the time period listed in his or her Membership Purchase Agreement. If the member does not pay the membership contribution when due, the member will not be entitled to any use privileges. In addition, the membership of such person can be terminated, without refund of any membership contribution previously paid. In the event a membership is terminated due to non-payment of the membership contribution, the membership will revert to the Company and not the Club, and the Company may issue the membership to any applicant approved by the Company, in its sole discretion.

REFUND OF MEMBERSHIP CONTRIBUTION UPON TRANSFER OF MEMBERSHIP

A resigning Equity Member is entitled to be paid within 30 days after the reissuance of the membership, an amount equal to 80% of the membership contribution then charged for the resigning member's category of membership. The difference between the

membership contribution paid by the successor member and the amount repaid to the resigning member will be retained by the Club.

DEDUCTION OF AMOUNTS OWED TO CLUB

The Club will deduct from any amount to be repaid to the member any amount which the member owes the Club or the Company.

MEMBERSHIP CONTRIBUTIONS INITIALLY HELD IN ESCROW

Until the golf course is completed and open for play or "adequate assurance of completion of the golf course" is made, the membership contributions received from the issuance of Golf Memberships, will be deposited in an interest earning escrow account at a local financial institution. "Adequate assurance of completion" includes a letter of credit, performance completion bond or other guarantee of completion from a party with financial resources sufficient to complete the facility. Once the golf course is completed and open for play or adequate assurance of completion is made, three-fourths of the membership contributions held in escrow from the issuance of Golf Memberships, including all interest earned thereon, shall be released to the Company, with respect to Equity Memberships that were previously held by the Company, and to the Club, with respect to other Equity Memberships.

All membership contributions received from the issuance of Social Memberships will be held in an escrow account at a local financial institution until a certificate of occupancy has been issued for the clubhouse or adequate assurance of completion of the clubhouse has been made. Once the certificate of occupancy has been issued for the clubhouse or adequate assurance of completion of the clubhouse has been made, all membership contributions held in escrow from the issuance of Social Memberships and the balance of the membership contributions held in escrow from the issuance of Golf Memberships, including all interest earned thereon, shall be released to the Company, with respect to Equity Memberships that were previously held by the Company, and to the Club, with respect to other Equity Memberships.

TRANSFER OF MEMBERSHIP

TRANSFER OF MEMBERSHIP TO CLUB

A member may transfer his or her membership only to the Club by resigning the membership and arranging for the Club to reissue the membership. Should a member desire to resign from the Club, the member shall be required to give written notice to the Club. Resignation of a member is irrevocable, unless otherwise determined by the Club.

TRANSFER UPON SALE OF RESIDENCE OR HOMESITE

A member who resigns from the Club upon the sale of his or her residence or homesite in the Vaquero Community may arrange for the Club to reissue his or her membership

to the subsequent purchaser of his or her residence or homesite in the Vaquero Community, regardless of whether all of the memberships in that category have been issued and regardless of whether there are any resigned memberships on the waiting list. The subsequent purchaser desiring the resigned membership will be required to submit a Membership Application and a Membership Purchase Agreement, will be subject to the approval of the Club and will be required to pay the membership contribution which is then in effect. The subsequent purchaser must acquire the membership within 30 days of the real estate closing.

In the event a member transfers the residence or homesite in the Vaquero Community to his or her adult child over the age of 18, the member may also transfer his or her membership in the Club to that adult child with no additional membership contribution. The transfer will be subject to the approval of the Club and to such transfer fee determined by the Club from time to time. The membership will not be subject to any waiting lists.

TRANSFER THROUGH WAITING LIST

A resigned membership will be placed on a waiting list and will be reissued on a first-resigned, first-reissued basis as follows, unless the member arranges for the subsequent purchaser of his or her residence or homesite in the Vaquero Community to acquire his or her membership:

- (a) Prior to the initial sale of all memberships within a membership category, every fifth membership issued in that category (1 in 5) will be a resigned membership from the waiting list, provided there is a resigned membership on the waiting list. The other four memberships sold will be from the Club's unissued memberships. This procedure allows the reissuance of resigned memberships and payment of the refund to the resigned member prior to the issuance of all memberships in the Club.
- (b) After the initial sale of all memberships within a membership category, each membership sold in that category will be a resigned membership from the waiting list.

TRANSFER TO NEW PROPERTY WITHIN COMMUNITY

If a member who is a property owner in the Vaquero Community purchases another residence or homesite from the Company or its approved builders in the Vaquero Community, the membership can be transferred to the new residence or homesite. Additionally, the purchaser of the member's property in the Vaquero Community can then acquire a reserved membership for the then-current membership contribution from the Club, if one is available and the purchaser is approved for membership.

REPURCHASE OF MEMBERSHIPS UNDER OTHER CIRCUMSTANCES

The Company may, until the initial sale of all of the residences or homesites in the Vaquero Community, purchase a resigned membership which is not being transferred

to the subsequent purchaser of the resigning member's residence or homesite in the Vaquero Community. The Company will pay the then-current membership contribution, dues and assessments on any memberships which it purchases. Any membership so purchased shall be added to the Company's reserved memberships. The Company is not obligated to repurchase a membership under any circumstances, but the Company may do so in its sole and absolute discretion.

TRANSFER UPON DEATH OF MEMBER

Upon the death of a member, the membership will be transferred to the member's surviving spouse, if any. If the deceased member is not survived by a spouse, then the legatee or heir of the membership certificate, if eligible for membership in the Club and approved by the Board of Directors, shall have the right to acquire the deceased member's membership without the payment of any additional membership contribution. In this event, the legatee or heir of such membership certificate shall be required to notify the Club in writing of his or her desire to acquire the deceased member's membership in the Club. However, the legatee or heir must make application no later than ninety (90) days after acquiring the right to possession of the membership certificate, and pay all debts and assessments for the intervening period between the date of the member's death and the date of the application, in addition to dues and all other applicable charges. If the legatee or heir does not apply for a membership within ninety (90) days after acquiring the right to possession of the membership certificate, the membership shall automatically without further act of the Club be deemed to be surrendered to the Club, and thereafter, the Club may reissue the membership certificate, whereupon the Club shall pay the estate of the deceased member, upon payment of the membership contribution in full by the successor member, an amount equal to 80% of the membership contribution then charged for the resigning member's category of membership.

LEGAL SEPARATION OR DIVORCE OF MARRIED MEMBERS

In the event of the divorce or separation of spouses having membership privileges, the membership, including all of its rights and benefits, will vest in the spouse awarded the membership by an agreement of separation or a decree of divorce. Until the award of the membership and written notice thereof is provided to the Club, both spouses will be jointly and severally liable for all dues and charges and may both continue to enjoy membership privileges so long as such amounts are timely paid. 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. In the case of divorce, if the Club has been unable to determine which spouse is legally entitled to the membership within six months after the date of the divorce decree, the membership shall automatically be deemed resigned.

DUES AND ASSESSMENTS

MEMBERSHIP YEAR

The Club's membership year will constitute the 12-month period commencing January 1 and ending December 31, unless otherwise established by the Club from time to time.

DUES, FEES AND CHARGES

Dues shall be payable on an annual basis, unless otherwise determined by the Club from time to time. Prior to the Turnover Date, dues will be reasonable in comparison to comparable clubs nationwide. After the Turnover Date, the Board of Directors may set the amount of dues at any level deemed appropriate. The current dues, fees and charges for use of the Club Facilities are indicated on the Schedule of Dues, Fees and Charges. The amount of dues, fees and other charges is subject to change from time to time by the Club.

OPERATING ASSESSMENTS

Members of the Club will not be assessed for operating deficits prior to the Turnover Date. Members will only pay membership dues, fees and other charges established from time to time. After the Turnover Date, the Board of Directors of the Club may find it necessary to make assessments, in addition to dues, to cover any operating deficits which may occur. Any assessments to cover operating deficits will be prorated among Equity Members of the Club, based on the amount of dues charged each member during the year in which the deficit occurs.

CAPITAL ASSESSMENTS

There will be no assessments for capital expenditures unless approved by a majority of the outstanding votes of the Equity Members entitled to vote, except that assessments required to pay "extraordinary repairs or replacements" do not require member approval and may be imposed by the Board of Directors. Assessments for capital improvements made prior to the Turnover Date shall be subject to the approval of the Company, in its sole discretion. "Extraordinary repairs or replacements" shall mean repairs or replacements that are necessary for the continued operation of any of the Club Facilities or material part thereof, which result from acts of God, natural disasters, pestilence, weather, fires, the need to replace turf and landscaping due to disease or other unanticipated cause, requirements imposed by governmental authorities after the date hereof and any events beyond the reasonable control of the Company or the Club.

Any assessment for capital expenditures which must be voted on by the Equity Members shall be voted on and paid as follows:

- Assessments for capital expenditures to the golf course and practice facilities shall be voted on by and prorated among all of the Golf Members.

- Assessments for capital expenditures to any other Club Facilities, including the clubhouse and tennis facilities, shall be voted on by and prorated equally among all Equity Members.

MEMBERSHIPS HELD BY COMPANY ARE NOT SUBJECT TO ASSESSMENTS OR DUES

The Club will not make any capital or operating assessments or impose any dues or other charges on any Equity Membership during the period while the Equity Membership is held for sale by the Company, except for resigned Equity Memberships which the Company purchases from the Club. A member acquiring an Equity Membership from the Company shall not be subject to payment of any capital or operating assessment imposed or incurred prior to becoming a member.

PAYMENT OF DUES BY RESIGNED MEMBER

A resigned member shall be obligated to continue to pay dues, fees and other charges associated with the resigned membership until the reissuance of the membership by the Club. A resigned member shall be permitted to use the Club Facilities as long as the dues, fees and other charges continue to be paid by the resigned member. In the event that there are any amounts owing to the Club by a resigned member which are past due, the Club reserves the right to move the resigned membership to the bottom of the reissuance waiting list until such amounts have been paid in full.

PRORATED DUES AND FEES UPON REISSUANCE OF MEMBERSHIP

If a membership is reissued during a membership year, the resigned member shall be entitled to a refund of a pro rata portion of any dues and other fees paid in advance for which services have yet to be rendered.

MEMBERSHIP AGREEMENT

APPLICATION PROCEDURE

Each person who desires to become a member must mail or deliver to the Membership Director a fully completed and signed Membership Application, Membership Purchase Agreement, and a check for the required membership contribution.

REVIEW OF APPLICATION

After the Club has received the required materials, a determination will be made whether the applicant has satisfied the relevant conditions of membership. The determination of whether an applicant is approved for membership is made by the Company for all applicants for memberships being sold by the Company, and all applicants acquiring a membership from the Club must be approved by the Board of Directors. If the application is not acted upon favorably, the applicant will receive a

refund of any amount previously paid, without interest. The Club is under no obligation to give any reason for denying an application.

RIGHTS GOVERNED BY THE MEMBERSHIP DOCUMENTS

Members of the Club agree to be bound by the terms and conditions of this Membership Plan and exhibits thereto, as amended from time to time, and irrevocably agree to fully substitute the membership privileges acquired pursuant to this Membership Plan for any present or prior rights or privileges in or to use the Club Facilities.

OTHER MEMBERSHIP PRIVILEGES AND USE PRIVILEGES

In addition to the Equity Memberships, the Club may offer the following additional membership and use privileges:

ANNUAL OR SEASONAL NON-EQUITY MEMBERSHIPS

The Club has the right to issue recallable, non-proprietary annual or seasonal non-equity memberships, in the discretion of the Board of Directors, and to permit others to use the Club Facilities, on such terms and conditions as determined from time to time by the Board of Directors. Such memberships will entitle use of the Club Facilities designated by the Board of Directors and may be offered to persons who do not own property in the Vaquero Community. The number of recallable, non-proprietary annual or seasonal non-equity memberships shall not exceed the number of reserved or unissued Golf Memberships in the Club.

HONORARY MEMBERSHIPS

A total of five Honorary Memberships may be issued to persons designated by the Club from time to time. These Honorary Memberships are in addition to all other memberships permitted to be issued in the Club, shall not count toward the Equity Membership cap, and will be available on such terms and conditions as determined by the Club from time to time. Honorary Members will not pay any membership contribution or membership dues, but shall be required to pay food and beverage charges and all other fees and charges incurred at the Club. Honorary Members will not pay any greens fees or court fees for their use of the golf and tennis facilities, but shall be required to pay cart fees and all other fees and charges incurred at the Club. Honorary Memberships will not be assignable or transferable by the Honorary Members and will terminate and be surrendered to the Club upon receipt of written notice from the Club. Any Honorary Membership recalled by the Club may be reissued to another person as designated by the Club from time to time.

CHARTER MEMBERSHIPS

The Company shall be permitted to issue up to 12 Charter Memberships in the Club to specifically named individuals designated by the Company in accordance with the terms of the Club Transfer Agreement. Charter Memberships shall be in addition to

Equity Memberships and shall not count toward the Equity Membership cap. A Charter Membership entitles the member to use all of the golf, tennis, fitness, and social facilities of the Club. Charter Members will not be charged green fees or cart fees or court fees for use of the golf and tennis facilities. Charter Members will not be required to pay any membership contributions or operating or capital assessments. Charter Members will not be required to pay dues prior to the Turnover Date, and will pay 25% of Golf Member dues after the Turnover Date. Charter Members will be required to pay food and beverage charges and for personal services and treatments. Charter Members shall not have voting privileges. Charter Memberships do not entitle the holder thereof to any equity or ownership interest in the Club or the Club Facilities. The Charter Memberships shall not be assignable or transferable, except for a one-time transfer through the Club to the member's spouse or adult child, during the life of the member or after the death of the member as indicated in a writing of the member, without payment of any membership contribution. In the absence of a writing from the Charter Member directing the Club to transfer to the spouse or an adult child, the Charter Membership shall transfer after the death of the member through the Club to the member's spouse, and if there is no spouse or the spouse does not desire the membership, to an adult child indicated in a writing signed by the spouse or by all of the member's adult children. The Charter Membership shall terminate and be surrendered to the Club upon the death or resignation of the member's spouse or child, or if the Charter Membership is not so transferred to a spouse or child, upon the death or resignation of the member. The rights of the Charter Memberships may not be rescinded, amended or terminated, by the Club, its successors or assigns.

COMPANY'S RIGHT TO DESIGNATE INDIVIDUALS TO USE CLUB FACILITIES

The Company and its designees shall have the right to designate persons to use any or all of the Club Facilities, prior to the sale of all Equity Memberships to be issued in the Club, for any purpose and upon such terms and conditions as are determined from time to time by the Company. The persons designated by the Company shall include, without limitation, persons who are employees of the Club or the Company, persons who are prospective members in the Club, and persons who are involved in special events held at the Club. The individuals designated by the Company are subject solely to approval by the Company. After the Turnover Date, the Company and its designees shall have the right to use any or all of the Club Facilities, upon payment of the then-current applicable fees and charges.

The Company may at any time promote and refer to the Club in advertisements and promotional materials by making reference to the Club and the availability of memberships in the Club.

VAQUERO HOMEOWNERS ASSOCIATION, INC.

The Club is a member of the Vaquero Homeowners Association, Inc. (the "Association"). The Association is responsible for maintaining portions of the common areas in the Vaquero Community and property adjacent to the Club, including the entranceways

and parking facilities. As a member of the Association, the Club will be entitled to the rights and privileges, for its members and their guests, and will be subject to the obligations as are further described in the Association documents. The Club shall pay an assessment to the Association equal to ten times the assessment levied against one lot. Copies of the Association documents are available for review at the Membership Office.

CLUB TRANSFER AGREEMENT

TRANSFER OF CLUB FACILITIES TO CLUB

The Company has transferred or will transfer to the Club all of its right, title and interest in the Club Facilities, including the land upon which the Club Facilities will be constructed, in accordance with the terms and conditions of the Club Transfer Agreement, a copy of which is attached hereto as Exhibit A.

CONSIDERATION FOR CLUB FACILITIES

In consideration for the transfer of the Club Facilities, the Club has transferred to the Company a portion of the Equity Memberships to be issued in the Club. In addition to these memberships, the Club will pay to the Company on the Turnover Date, the book value of all supplies, inventories and other items held for resale on hand as of the Turnover Date. All membership contributions received from the initial sale of all Equity Memberships transferred to the Company will belong to the Company and may be used by the Company in any manner whatsoever in its sole and absolute discretion.

CLUB FACILITIES MAINTAINED IN GOOD WORKING ORDER

The Club Facilities will be maintained by the Club until the Turnover Date in good working order, ordinary wear and tear excepted. The members of the Club are responsible for the costs of any capital improvements which they vote to make, and for any extraordinary repairs and replacements, as provided herein.

RESERVES FOR CAPITAL REPLACEMENTS

A reserve of three percent (3%) of gross operating revenues will be established by the Club each year for property and equipment replacements to the Club Facilities. For purposes hereof, the gross operating revenues shall not include any proceeds from the sale or resale of memberships. Any reserve not used during a membership year may be used by the Club for property and equipment replacements in subsequent years. Neither the Club nor the Company shall have any obligation to cause the actual funding of the reserve account, provided that such amounts are spent for property and equipment replacement. On the Turnover Date, the Company shall fund any amounts of the reserves which were not actually spent on property and equipment replacements. The Company has no responsibility or liability for investment of the reserves and makes no representations regarding the amount thereof on the Turnover Date.

INDEPENDENT INSPECTION OF CLUB FACILITIES

As each of the Club Facilities is completed, the Company will have the Club Facilities inspected to determine if the facilities were built in substantial compliance with the plans and specifications as modified by any change orders and applicable governmental regulations. The inspectors will be selected in the sole discretion of the Company and will be independent inspectors, architects or engineers licensed by the State of Texas. The Company at its sole cost and expense will make or cause to be made those repairs indicated in the inspection reports which the Company in its sole discretion deems appropriate and shall cause these repairs to be completed with due diligence and in a good and workmanlike manner. The inspection reports will be available for review in the Membership Office.

INSPECTION PRIOR TO TURNOVER

Immediately prior to the Turnover Date, a second inspection will be conducted to determine whether the Club Facilities are in good working order, ordinary wear and tear excepted. The inspectors will be selected in the sole discretion of the Company and will be independent inspectors, architects or engineers licensed by the State of Texas. Any material deficiency, as determined by the Company, will be repaired at the Company's sole expense.

CLUB ACCEPTS CLUB FACILITIES AS IS

The Club Facilities were and will be acquired in their "where is, as is" condition, subject to the Company's obligation to make repairs under the inspection provision in this Membership Plan. The Company and the Club make no representations concerning the final design, fitness, condition, construction, accuracy, completeness, location, date of completion, adequacy of the size or capacity in relation to the utilization or the future economic performance of, or the materials, furniture or equipment which are or will be used in, the Club Facilities, except as specifically set forth in the Membership Plan.

OPERATION OF CLUB

BOARD OF DIRECTORS

The Club is governed by a Board of Directors in accordance with the Club Transfer Agreement and the Club's Articles of Incorporation, By-Laws and Rules and Regulations attached hereto as Exhibits A, B, C and D respectively.

DESIGNATION OF DIRECTORS

Until the Turnover Date, the Company will appoint all members of the Board of Directors. Decisions made by the directors appointed by the Company shall be in good faith and in a manner reasonably believed to be in the best interest of the Club, its members and the development and marketing of the Vaquero Community. After the

Turnover Date, all members of the Board of Directors will be elected by the Equity Members.

TURNOVER DATE

The Turnover Date will be 60 days after the earlier of: (i) the initial sale of all of the Equity Golf Memberships permitted to be issued in the Club, or (ii) any earlier date determined by the Company in its discretion, provided the Club's accounting firm has reviewed the operating results of the Club and confirmed that the Club operated during the 12 month period preceding such earlier date without an operating deficit.

Prior to the Turnover Date, the Company will fund all operating deficits and be entitled to retain any operating profits of the Club.

LIABILITY OF COMPANY AND ITS DESIGNEES

The Company and the directors, officers, employees, and agents designated by the Company (collectively, the "Indemnified Partners") shall not be liable to the Club, its facilities or its operations, and the Club shall indemnify and hold harmless the Indemnified Parties from and against any and all actions, claims, damages and costs arising out of or resulting from any actions taken or decisions made by the Indemnified Parties; provided, however, the Indemnified Parties act in good faith and in a manner which they believe to be in the best interests of the Club, its members and the development and marketing of the Vaquero Community. The Club may not be operated in contravention of the terms and conditions of this Membership Plan and applicable law.

BOARD OF GOVERNORS

An advisory Board of Governors will be established to serve as a liaison between the management of the Club and the members. The Board of Governors will meet with Club management on a regular basis to discuss the operation of the Club Facilities. The Company will designate all of the members of the Board of Governors. The Board of Governors will have no duty or power to negotiate or otherwise act on behalf of the members of the Club and shall serve only in an advisory capacity until the Turnover Date.

MODIFICATION OF MEMBERSHIP PLAN

RESCISSION OF MEMBERSHIP PLAN

In the event there are less than 100 members in the Club, then the Company shall have the right, but not the obligation, in its sole discretion, to rescind the Membership Plan. In such event, all rights granted to the members in the Membership Plan will be terminated and all membership contributions paid will be returned to the then-current members.

BEFORE TURNOVER DATE

The Company reserves the right prior to the Turnover Date to waive or modify the terms of this Membership Plan as long as the waivers and modifications are not materially adverse to the rights of the Equity Members. Any waiver or modification which is materially adverse must be approved by a majority of the votes cast at a meeting by the Equity Members.

AFTER TURNOVER DATE

After the Turnover Date and until the sale of all of the Equity Memberships and the initial sale of all the residences or homesites now or hereafter included within the Vaquero Community, the Membership Plan, the Articles of Incorporation and By-Laws of the Club may not be changed without the Company's written consent, which may be withheld by the Company for any reason whatsoever.

After the Turnover Date, the Club Transfer Agreement may be changed only upon obtaining the Company's written consent, which may be withheld by the Company for any reason whatsoever.

DISPUTE RESOLUTION

Any dispute between the Club and the Company or relating to the turnover of the Club may be submitted to arbitration in accordance with the Club Transfer Agreement. Any dispute between a member and the Club or Company shall be submitted to binding arbitration in accordance with the By-Laws.

GENERAL PROVISIONS

MEMBERSHIP DIRECTOR AVAILABLE TO ANSWER INQUIRIES

Should you have any questions concerning this Membership Plan or the membership opportunities available at the Club, please contact the Membership Director at the Club.