

SHARE SALE PROPOSAL FOR ANNUAL MEETING

BACKGROUND:

Currently, the Board of Governors (BOG) has the right of first refusal for all shares that members wish to sell. Over the past years, this right has occasionally been invoked, but many times has not. When the Club has refused to repurchase a share, the member is free to sell it on their own as long as they do not make a profit on the transaction. The result has been widely varying share prices to new members. A new share sold by the Club has been \$15,450, whereas member shares sold directly by them have sold for as little as \$7,000.

Earlier this year, a proposal was circulated to the membership that would require all member shares to be repurchased by the Club and that all new members would purchase a new share at full price---\$15,450. Feedback was mixed with no clear direction as to the desire of the majority of members. There were several advantages to this proposal, primarily that it would give the Club an on-going infusion of capital which is lacking today. The negative feedback on the proposal was focused primarily on restricting the ability of members to sell their share on their own.

As a compromise, to eliminate many of the problems with the current process and accommodating the members' ability to sell their shares, the current proposal is offered for member consideration at the Annual Meeting.

Proposal

First, reduce the shares that can be sold by the Club to 100, which is the current number outstanding. As a result, new members can only join when an existing member wishes to sell their share. Second, a wait list of new members will be maintained. As a member share becomes available, a bid process coordinated by the BOG will sell the share to the highest bidder. The old member will receive an amount equal to the cost basis of their share (in essence, what they paid for it) and any amount over this will be retained by the Club. The bid process will allow the "market" to establish the value of a Club share. With a restricted supply, over time, it would be expected that share prices would increase, resulting in more capital infusion to the Club.

This proposal will require changes to the existing Bylaws.

Share Repurchase Bylaw Changes

Change #1 (limiting shares to 100)

Current:

2-101 NUMBER OF MEMBERS. The number of shareholding memberships is limited to 150. Other, non-voting classes of membership may be established by the Board of Governors with the approval of a majority of the shareholding members, but shall have no ownership interest in the Club assets.

Proposed:

2-101 NUMBER OF MEMBERS. The number of shareholding memberships is limited to 100. Other, non-ownership classes of membership may be established by the Board of Governors with the approval of a majority vote at a membership meeting.

Change #2 (Sale of Shares using Bid Process)

Current:

2-200 TRANSFER OF MEMBERSHIP. Each share issued by the club shall be fully transferable provided the holder of the share has fully met all financial obligations to the Club including the payment of dues, assessments and charges for goods and services at the time of transfer. No transfer of a share of stock shall be entitled to any rights and privileges of the Club memberships until all such obligations have been fully met, but may rely without need for further inquiry upon representations of the Club Treasurer made as provided in Sec. 5 404 below. Prior to any transfer, each share must first be offered to the Club for repurchase for an amount of money equal to the initiation fee plus any Special Assessments paid by the shareholding member, less any remaining obligations to the Club at the time of transfer including payment of dues, assessments, charges for goods and services, and accrued interest. If the share is acquired by the Club it must then offer it first to the proposed transferee at a sum of money equal to the then current initiation fee. Memberships are not transferable for profit. A share which transfers by inheritance or by gift of whole or part interest to spouse, child or children, sibling or siblings, child or children of siblings is not subject to the Club's right of first refusal to repurchase. Transfers may be made to family trusts but trusts may not be used to expand the aforesaid exceptions. Prior to transferring share ownership on the books of the Club, the Board of Governors may request any documentation necessary to determine whether the right of first refusal applies to the transfer. The liability of the

shareholding member shall continue until the transfers have been approved and all such transferees shall be deemed liable for past due assessments

Proposed:

2-200. MEMBER SHARE SALE. Membership shares are offered to the New Member Wait List on a bid basis. The share is sold to the highest bidder. If there is no New Member Wait List, the Board of Governors may elect to purchase the share or the share goes on a Share For Sale Wait List. A member may not realize a profit from the sale of their share. Proceeds to the selling member will be less any outstanding amounts owed the Club or Contractor. Any excess of sale price over current share value is retained by the Club.

2-202. Transfer or Inheritance of a share which transfers by inheritance or by gift of whole or part interest to spouse, child or children, sibling or siblings, child or children of siblings is not subject to Section 2-200. Transfers may be made to family trusts but trusts may not be used to expand the aforesaid exceptions. Prior to transferring share ownership on the books of the Club, the Board of Governors may request any documentation necessary to determine whether the transfer conforms to this paragraph. The liability of the shareholding member shall continue until the transfers have been approved and all such transferees shall be deemed liable for past due assessments.