

WHEN RECORDED MAIL TO:

Donald C. Hill, Esq.  
P.O. Box 10350  
Zephyr Cove, Nevada 89448

IRREVOCABLE ESCROW INSTRUCTIONS  
AND  
LIEN AGREEMENT

AGREEMENT effective the 15th day of June, 1991, by and between the undersigned parties.

W I T N E S S E T H

WHEREAS, Capri Resorts, Inc., dba Kingsbury Crossing hereinafter "Capri", owes Donald C. Hill the negotiated and agreed sum of \$60,436.00, for attorneys fees, costs, previous salary, employment incentives and expenses related to the preparation of this agreement; and,

WHEREAS, Sterling Financial Corporation, a New Jersey corporation, Mr. George T. Leverett, President, (hereinafter collectively referred to as "Sterling") has purchased 100% of the outstanding stock of Capri, and as such on behalf of Capri and Sterling, wishes to reaffirm and assume the previous agreements between Mr. Hill and Capri which agreements are secured by liens on the real and personal property of Capri/Sterling located in Douglas County, Nevada, which property is more fully described in Exhibit "A", attached hereto and made a part hereof, (hereinafter the "Property"); and which lien agreements have been recorded as Document No. 172070, Book 288, Page 722, Official Records, Douglas County, Nevada, on February 5, 1988; Document No. 181796, Book 788, Page 1024, Official Records, Douglas County, Nevada, on July 11, 1988, respectively, and reaffirmed periodically by the filing of Partial Releases of said liens with the Douglas County Recorder's Office, and,

WHEREAS, this document shall constitute a new lien on the property in addition to those liens and contractual obligations created by the prior agreements between the parties hereto, and further, this document shall not alter or amend, and shall be in addition to any liens and contractual obligations created by the prior agreements and applicable to properties other than the property set forth in Exhibit "A" hereto, and

NOW, THEREFORE, in consideration of the covenants and conditions set forth herein it is agreed by the undersigned parties as follows:

1. The principle sum of \$75,436.00 (\$60,436.00.00 plus \$15,000.00 pursuant to the agreed re-purchase of three high-season timeshare units, paragraph 3, infra) shall bear interest at the rate of 1% per month on the unpaid balance, beginning June 15, 1991, which interest shall compound monthly on the unpaid balance of principle and interest.

2. The principle and accrued interest thereon shall be paid by the undersigned to the order of Mr. Hill as follows: The minimum amount of \$200.00 for each timeshare unit sold, payment to be made by the title/escrow company directly to Mr. Hill from the escrow closing until the unpaid principle balance and accrued interest is paid in full. The balance shall be due and payable on or before January 1, 1992, with no pre-payment penalty. Notice of demand and presentment are waived by the undersigned. Mr. Hill will provide the title/escrow company with periodic statements of the balance due. The title/escrow company shall forward copies of all executed Partial Releases together with the agreed \$200.00 per unit closing to Mr. Hill. The close of escrow of any Capri timeshare unit subsequent to June 12, 1991, shall constitute the parties acceptance of the terms hereof.

3. The undersigned, exclusive of Mr. Hill, agree to re-purchase three high-season timeshare units for \$5,000.00 per unit, two of which were previously transferred to Donald C. Hill and one to Jack I. McAuliffe pursuant to agreement of June 23, 1988, as partial credit against amounts then owed by Capri to Mr. Hill. The re-purchase of Mr. McAuliffe's unit is subject to his continuing consent which he gave to Mr. Hill via telephone on June 12, 1991. Following the execution of this agreement, the undersigned anticipates that the first closing of escrow (concurrently with Sterling's purchase of 100% of Capri's outstanding stock) will be for the sale of approximately 100 timeshare units. The first \$15,000.00 of the approximate \$20,000.00 to be generated (at \$200.00 per unit for 100 units) shall be paid as follows: The first \$5,000.00 to Mr. Jack I. McAuliffe for Capri's re-purchase of his timeshare unit and the next \$10,000.00 to Mr. Donald C. Hill for the re-purchase of Mr. Hill's two timeshare units at \$5,000.00 each. The balance due Mr. Hill shall be reduced by the total amount paid to Mr. McAuliffe and Mr. Hill. The deeds and any other documents required to return title of the three units from Mr. McAuliffe and Mr. Hill to Sterling/Capri shall be prepared by the title/escrow company. Should Mr. McAuliffe not sell his timeshare unit back to Capri/Sterling, then the amount due Mr. Hill shall be reduced by \$5,000.00. The closing of the re-sale of either two or three units as set forth in this paragraph shall be contemporaneous with the close of this transaction. All costs of escrow, document preparation and transfer are to be paid by the undersigned with no

costs, fees or any other expense relative to these timeshare units to be paid by Mr. McAuliffe or Mr. Hill. The undersigned reaffirm the prior agreement that Mr. Hill and Mr. McAuliffe are not responsible for the payment of any prior homeowners dues, use fees or any other expenses relative to their ownership of the three timeshare units.

4. All payments due to Mr. Hill shall be made to him personally or to his office directly by title/escrow company check addressed to P.O. Box 10350, Zephyr Cove, Nevada 89448. The payment to Mr. McAuliffe shall be made to an address specified by Mr. McAuliffe whose office is at One East Liberty Street, Suite 412, Reno, Nevada 89501.

5. Mr. Hill agrees to execute Partial Releases of this and prior liens for each timeshare unit sold so long as the undersigned are not in default of the terms and conditions of this agreement. Mr. Hill agrees to supply to title/escrow company with Releases for 50 timeshare units as advised by the title/escrow company. All Partial Releases must be signed and acknowledged by Mr. Hill, Sterling and Mr. Leverett.

6. This agreement and any Partial Releases executed by Mr. Hill hereunder do not constitute a waiver of the terms and conditions of this or any prior agreement between the undersigned parties. Upon default by the undersigned parties of any of the terms of this or any prior agreements referred to herein, Mr. Hill may revoke or withhold Partial Releases by giving notice to Stewart Title of Douglas County, which revocation may be filed with the Douglas County Recorder's Office or any other County Recorder's Office without liability to Mr. Hill therefore.

7. Stewart Title of Douglas County or any other title/escrow entity shall not close any sale, assignment or any other transfer of Capri or Sterling stock or of any of their timeshare units without first obtaining a Partial Release therefore from Mr. Hill during the term of this agreement. Failure to obtain written permission from Mr. Hill for any stock transfer of Capri or Sterling stock shall render such transfer null and void. Mr. Hill's consent to the transfer of stock shall not be unreasonably withheld. Mr. George T. Leverett III, is the President and Chief Operating Officer of Sterling and Capri. Mr. Leverett hereby personally guarantees the terms of this agreement and the amounts due Mr. Hill herein. Further, in the event of default or breach of the terms herein, Mr. George T. Leverett, III, Capri Resorts, Inc., and Sterling Financial Corporation hereby stipulate: (1) Judgement in the amount then due Mr. Hill hereunder; and, (2) Judicial foreclosure of the real and personal property set forth in Exhibit "A" which is attached hereto and made a part hereof.

8. Mr. George T. Leverett III has executed this agreement personally and on behalf of the named corporations and entities as their agents authorized to bind the named corporations herein by appropriate resolution, vote and any other required action to have been taken by the corporate Boards of Directors, past and present shareholders, corporate By-laws and corporate resolutions. Mr. Carl Morrison has executed this agreement as the authorized agent of the respective corporate entities.

9. Mr. George T. Leverett, Capri and Sterling, their shareholders and counsel, have reviewed Mr. Hill's prior work and agreements in addition to the charges and wages due therefore at Mr. Hill's request and are satisfied that all work, charges and prior agreements are proper and reasonable. Further, the undersigned represent that Mr. Hill has never performed any work nor rendered any legal nor tax opinions for, or on behalf of, any shareholder, or principal of the undersigned corporations. In this regard, the undersigned hereby release Mr. Donald C. Hill, Esq., and D. C. Hill, Ltd., their agents, employees, representatives and assigns from any and all ethical claims, damages, liability and causes of action known or unknown, which it may have against Mr. Hill or D. C. Hill, Ltd. The undersigned further agree to indemnify, hold harmless and defend Mr. Hill and D. C. Hill, Ltd., from any liability, damage and/or suit arising from their relationship with Capri, Kingsbury Crossing Homeowners' Association or such entities' principals, shareholders, directors, employees, agents, assigns or other representatives, without limitation. Said indemnity, hold harmless and promise to defend shall extend to the payment of all damages, costs and fees which might be incurred in defending against any claims related to their representation of Capri Resorts, Inc., Kingsbury Crossing Homeowners Association, Inc., and any other related person, business or entity.

10. Should Capri, Sterling or Mr. George T. Leverett breach any of the terms of this agreement, declare bankruptcy, make an assignment of any interest for the benefit of any creditor, sell, hypothecate or transfer any interest in it's property outside the terms of this agreement, other than timeshare mortgage receivables assigned or transferred through Stewart Title of Douglas County, Nevada, in the normal course of business; or should the parties transfer any interest in it's or their stock in Capri/Sterling, or should any person or entity begin foreclosure of any interest in Capri, Sterling and/or the timeshare project or the property, or should title to the property or the pledged Sterling stock held by Mr. Turner be otherwise encumbered in any manner, exclusive of GEICO Financial Corporation, then all amounts due hereunder shall become immediately due and payable.

11. The terms of this agreement have been freely negotiated by the parties who specifically warrant and represent that each has been fully advised as to the effect of the terms and conditions of this agreement and who have otherwise been represented herein by



legal counsel of their own selection. Further, that each party is fully familiar with all of the facts, documents and circumstances surrounding the matters which are the subject of this agreement and that the contents hereof are fully known, understood and that the same has been signed freely and voluntarily upon the advice of counsel; Sterling and Mr. Leverett having been represented by Mr. Gary Duhon, Esq., 50 West Liberty Street, Suite 1100, Valley Bank Plaza, Reno, Nevada 89501, (702) 788-8688; Capri having been represented by Mr. Kelly Turner, Esq., One East Liberty Street, Suite 305, Reno, Nevada 89501, (702) 786-1788.

12. In the event that it should become necessary to take action to enforce the terms of this agreement or to any agreement to which it refers, then the losing party shall pay all the costs, reasonable attorneys fees and other expenses incurred by the prevailing party. It is agreed that jurisdiction and venue of this agreement and any agreement to which it refers and any action brought hereunder shall be solely in Los Angeles Superior Court, Torrance, California.

13. Mr. Hill and his immediate family shall have the right to unrestricted use of a developer's unit at Capri and Schooner Landing, Newport, Oregon, at any and all times without cost during the term of this agreement and shall have executive, developer exchange privileges with other timeshare developments, without restriction to the three weeks being re-purchased herein, both through RCI or by direct exchange, and further, that Mr. Hill shall have all other developer use privileges both at Kingsbury Crossing and at Schooner Landing in Newport, Oregon.

14. The terms of this agreement are contractual and not a mere recital. The parties hereto agree to execute all documents necessary to effectuate the intention of the parties as set forth herein. Further, this agreement shall be acknowledged and placed on file with the Douglas County Recorder's Office and copies hereof may be filed with any other Recorder's Office without liability to the recording party.

15. The fees and costs of this transactions, including but not limited to, escrow fees, filing fees, attorneys fees, postage, notary, FAX, and any other expenses which may be incurred by the parties or as may be incurred or required by the terms of this agreement or any other agreement referred to herein, shall be born by Capri, Sterling and/or Mr. Leverett with no expense to be paid by Mr. Donald C. Hill or D. C. Hill, Ltd.

16. This agreement contains all the terms of the parties' agreement. Prior agreements, including those between Mr. Hill and Capri Resorts, Inc., of Oregon, and Coastal Development Inc., are

not waived, merged, amended or novated by the terms of this agreement. The terms of said prior written agreements are hereby ratified, confirmed and remain in full force and effect co-existent with this agreement.

17. This agreement may not be amended except in writing signed by the parties hereto and acknowledged by a qualified Notary Public.

18. Notice to the parties as set forth herein shall be made in writing, by Federal Express priority overnight delivery only, addressed as follows:

- a. George T. Leverett III  
Sterling Financial Corporation  
Capri Resorts, Inc. (Nevada)  
133 Deer Run Court  
Stateline, Nevada 89449
- b. Capri Resorts, Inc. (Oregon)  
Coastal Development, Inc.  
c/o Willamette Valley Title Company  
126 W. Olive Street  
Newport, Oregon 97365
- c. Donald C. Hill  
P.O. Box 10350  
252 McFaul Court  
Zephyr Cove, Nevada 89448

19. This agreement shall not be valid nor used for any purpose until signed by all parties hereto. A copy of a prior original agreement signed by Mr. Hill on July 12, 1991, was FAXED to Mr. Leverett at Stewart Title of Douglas County to aid in the parties obtaining a letter to operate from the Nevada Division of Real Estate. The use therefore by the parties constitutes acceptance of, and agreement to, all the terms and conditions of this agreement which is then enforceable by Mr. Hill as of July 12, 1991, the date of the issuance of the letter to operate which was confirmed by Mr. Leverett by long distance telephone call the evening of July 12, 1991. Mr. Leverett agrees, that upon receipt of this agreement being sent to Mr. Leverett and the other parties by Federal Express this 13th day of July, 1991, express bill no. 0572473300, to forward a copy of the Nevada Division of Real Estate letter and/or license to operate and sell timeshare units at Capri/Kingsbury Crossing, Douglas County, Nevada, to Mr. Hill.

IN WITNESS WHEREOF, the parties have set their hands on the dates indicated by the acknowledgements attached hereto and made a part hereof.

CAPRI RESORTS, INC. (Nevada)  
dba Kingsbury Crossing

BY: George T. Leverett  
GEORGE T. LEVERETT, President  
and authorized agent

Donald C. Hill  
DONALD C. HILL, ESQ.

STERLING FINANCIAL CORPORATION  
a New Jersey corporation

BY: George T. Leverett  
GEORGE T. LEVERETT, President  
and authorized agent

CAPRI RESORTS, INC., (Oregon)  
dba Schooner Landing

BY: \_\_\_\_\_  
CARL A. MORRISON, President  
and authorized agent

COASTAL DEVELOPMENT, INC.  
dba Schooner Landing

George T. Leverett  
GEORGE T. LEVERETT, Individually

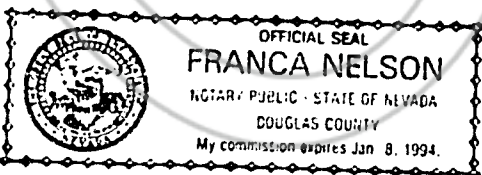
BY: \_\_\_\_\_  
CARL A. MORRISON, President  
and authorized agent

State of Nevada )  
County of Douglas )

ss. ACKNOWLEDGEMENT

On July 15, 1991, before me, the undersigned, a Notary Public in and for the State of Nevada, appeared before me George T. Leverett, personally known to me to be the person who executed the within instrument as Capri Resort, Inc's., President on behalf of Capri Resorts, Inc., a Nevada Corporation, the corporation therein named, and who acknowledged to me that such corporation executed the within ten page instrument pursuant to it's Bylaws or a Resolution of it's Board of Directors.

WITNESS my hand and official seal.

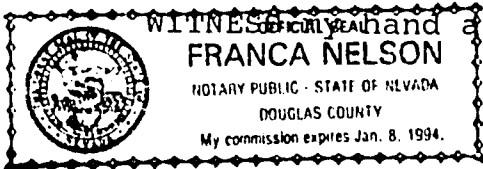


Franca Nelson  
NOTARY PUBLIC

State of Nevada )  
 ) ss. ACKNOWLEDGEMENT  
County of Douglas )

On July 15, 1991, before me, the undersigned, a Notary Public in and for the State of Nevada, appeared before me George T. Leverett, personally known to me to be the person who executed the within instrument as Sterling Financial Corporation's President on behalf of Sterling Financial Corporation, a New Jersey Corporation, the corporation therein named, and who acknowledged to me that such corporation executed the within ten page instrument pursuant to it's Bylaws or a Resolution of it's Board of Directors.

WITNESS my hand and official seal.

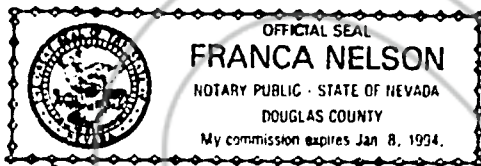


Franca Nelson  
NOTARY PUBLIC

State of Nevada )  
 ) ss. ACKNOWLEDGEMENT  
County of Douglas )

On July 15, 1991 before me, the undersigned, a Notary Public in and for the State of Nevada, personally appeared George T. Leverett known to me to be the person whose name is subscribed to the within ten page instrument and acknowledged to me that he executed the same.

WITNESS my hand and official seal.



Franca Nelson  
NOTARY PUBLIC

State of Nevada )  
 ) ss. ACKNOWLEDGEMENT  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 1991, before me, the undersigned, a Notary Public in and for the State of Nevada, appeared before me Carl A. Morrison, personally known to me to be the person who executed the within instrument as Coastal Development, Inc.'s, authorized agent on behalf of Coastal Development, Inc., the corporation therein named, and acknowledged to me that such corporation executed the within ten page instrument pursuant to its Bylaws or a Resolution of it's Board of Directors.

WITNESS my hand and official seal.

\_\_\_\_\_  
NOTARY PUBLIC



State of Nevada )  
 )  
County of \_\_\_\_\_ ) ss. ACKNOWLEDGEMENT

On \_\_\_\_\_, 1991, before me, the undersigned, a Notary Public in and for the State of Nevada, appeared before me Carl A. Morrison, personally known to me to be the person who executed the within instrument as Capri Resort, Inc's., President on behalf of Capri Resorts, Inc., an Oregon Corporation, the corporation therein named, and acknowledged to me that such corporation executed the within ten page instrument pursuant to its Bylaws or a Resolution of it's Board of Directors.

WITNESS my hand and official seal.

\_\_\_\_\_  
NOTARY PUBLIC

State of California )  
 )  
County of Los Angeles ) ss. ACKNOWLEDGEMENT

On 13 July, 1991 before me, the undersigned, a Notary Public in and for the State of California, personally appeared Donald C. Hill known to me to be the person whose name is subscribed to the within ten page instrument and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

Barbara Bicksler  
NOTARY PUBLIC

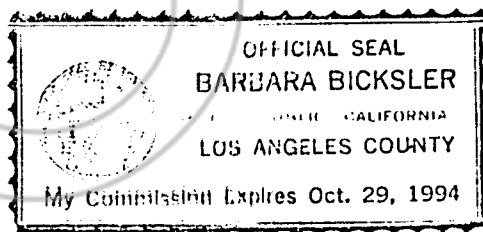


EXHIBIT A

The land situated in the State of Nevada, County of Douglas and described as follows:

A portion of the North one-half of the Northwest one-quarter of Section 26, Township 13 North, Range 18 East, MDB&M, described as follows: Parcel 3, as shown on that amended Parcel Map for John E. Michelsen and Walter Cox recorded February 3, 1981, in Book 281 of Official Records at page 172, Douglas County, Nevada, as Document No. 53178, said map being an amended map of Parcels 3 and 4 as shown on that certain map for John E. Michelsen and Walter Cox, recorded February 10, 1978, in Book 278, of Official Records at page 591, Douglas County, Nevada, as Document No. 17578.

Excepting therefrom, those interval ownerships previously purchased by third parties from Capri Resorts, Inc., which are of record as of May 31, 1991.

REQUESTED BY  
**STEWART TITLE of DOUGLAS COUNTY**  
IN OFFICIAL RECORDS OF  
DOUGLAS CO., NEVADA

91 JUL 16 P1:22

SUZANNE BEAUREAU  
RECORDER

255370

\$14<sup>00</sup> PAID *KD* DEPUTY