

THIRD AMENDED AND RESTATED  
DECLARATION OF TIME SHARE COVENANTS,  
CONDITIONS AND RESTRICTIONS FOR  
DAVID WALLEY'S RESORT

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**THIRD AMENDED AND RESTATED  
DECLARATION OF TIME SHARE COVENANTS,  
CONDITIONS AND RESTRICTIONS FOR  
DAVID WALLEY'S RESORT**

THIS THIRD AMENDED AND RESTATED DECLARATION, made this 10th day of April, 2000, by WALLEY'S PARTNERS LIMITED PARTNERSHIP (hereinafter referred to as "Declarant"), pursuant to the requirements of the California Department of Real Estate, is made with reference to the following Recitals and is as follows:

RECITALS

A. Declarant is the owner of certain real property located in the county of Douglas, state of Nevada, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"); and the real property located in the County of Douglas, State of Nevada, more particularly described in Exhibit "B" (the "Exhibit "B" Property") attached hereto and incorporated herein by this reference, both parcels being part of the property commonly known as DAVID WALLEY'S RESORT.

B. The Declarant has imposed the herein described Covenants, Conditions and Restrictions on the Property, together with any and all buildings and improvements to be constructed thereon or to be constructed on property annexed under this Declaration, in order to create a uniform system of development and use.

C. The Declarant proposes to convey by grant, bargain, and sale deed undivided interests in the Property, providing in each deed that the grantee(s) named therein shall have certain defined rights to occupy a Unit of a specific Unit Type within the Property and to use the Common Areas of the Property as hereinafter defined during certain specified time periods and reserving to Declarant and its respective successors and assigns certain easements and the exclusive rights to occupy the Property and to use the Common Areas as hereinafter defined during all other periods of time, subject to the declarations, limitations, covenants, conditions, and restrictions set forth in this Declaration, together with a non-exclusive easement for utilities, parking, ingress, egress and support over and through a portion of the Exhibit "B" Property as described in Paragraph 2.8 hereof.

D. California Department of Real Estate has required certain amendments for licensing the project for sale which are herein embodied.

NOW, THEREFORE, in furtherance of such intent, Declarant hereby declares that the Property is and shall be held, conveyed, hypothecated, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the declarations, limitations, covenants, conditions and restrictions set forth in this Declaration, as this Declaration may from time to time be amended, and to such other rules and regulations as are instituted pursuant to the provisions of this Declaration, and all of which declarations, limitations, covenants, conditions and restrictions are declared to be in furtherance of a

plan established for the purpose of enhancing and perfecting the value, desirability and enjoyment of the Property and the interest or interests therein to be conveyed or reserved. Declarant does hereby subject and commit all of the Property, the buildings and improvements constructed thereon or to be constructed thereon, to the provisions of this Declaration and the requirements and regime of NRS Chapter 119A, as amended, so as to create, through this Declaration, a time share ownership project. All such declarations, limitations, covenants, conditions and restrictions shall constitute easements and covenants running with the Property, and equitable servitudes and liens, and shall be binding upon and for the benefit of Declarant and each Interest conveyed, as that term is herein defined, and upon and for the benefit of all parties having or acquiring any right, title or estate in the Property, including without limitation the heirs, executors, administrators, successors and assigns of any such parties and all subsequent owners and lessees of all or any part of the Property.

## ARTICLE I

### DEFINITIONS

In addition to other definitions provided for herein, as used herein, the following terms shall have the following meanings:

1.1 "Alternate Year Time Share" means a "Time Share," as defined below, as to which the exclusive right to use and occupy a Time Share Unit of a specified Unit Type for a properly reserved Use Period may be exercised only in alternate years, beginning with the Use Year indicated in each Alternate Year Time Share Owner's Deed. Except where otherwise specifically provided in this Declaration, the Bylaws and the Rules and Regulations, all references to Time Share(s) shall be deemed to apply also to Alternate Year Time Share(s).

1.2 "Alternate Year Time Share Owner" means an "Owner" as defined below, whose Interest is in an Alternate Year Time Share. Except where otherwise specifically provided, all references in this Declaration, the Bylaws and the Rules and Regulations to Owner(s) shall be deemed to apply also to Alternate Year Time Share Owner(s).

1.3 "Association" means Walley's Property Owners Association, a Nevada non-profit corporation.

1.4 "Check-In Time" and "Check-Out Time" mean the times designated as such in the then current Rules and Regulations.

1.5 "Common Area" means that portion of the Property which is not within the boundaries of any Unit, excepting Exclusive Common Area.

1.6 "Common Furnishings" means all furniture, furnishings, appliances, fixtures and equipment and all other personal property from time to time owned, leased or held for use by the Association and which are located in or upon the Property.

1.7 "Declaration" means this instrument, as this instrument may be amended from time to time in the manner herein provided.

1.8 "Declarant" means WALLEY'S PARTNERS LIMITED PARTNERSHIP and any successors in title (whether by voluntary transfer, foreclosure or otherwise) to all of the interest then owned by it; provided, however, that if at the time of the transfer in question Declarant owns only one (1) Timeshare, the transferee of such Timeshare shall not be deemed a Declarant.

1.9 "Deed" means each grant, bargain, and sale deed recorded after the date hereof by which Declarant conveys a Timeshare.

1.10 "Exchange Program" means a service provided by an organization such as Interval International whereby Owners and owners of Interests in other timesharing or similar programs may exchange Use Periods in the Property for use periods in projects in other locations.

1.11 "Exchange User" means an owner of an interest in another timesharing program or an individual using an Owner's Time Share Unit who occupies a Time Share Unit and uses the Common Areas pursuant to an Exchange Program.

1.12 "Exclusive Common Area" means that portion of the Property not within the boundaries of any Unit which is space not generally occupied in improvements of this type by the public for reasons of health or safety or for the convenience of maintenance and management of the Property, as determined by the Board of Directors from time to time.

1.13 "Fiscal Year" means that period beginning with the first day of January of each year and ending with the last day of December of the year, or as otherwise determined by the Board of Directors from time to time.

1.14 "Interest" means an Owner's ownership interest in a Time Share.

1.15 "Inventory Control System" means the system adopted by the title company initially recording deeds for Declarant sales to identify the specific interests sold.

1.16 "Manager" or "Managing Agent" means the agent engaged by the Board of Directors of the Association pursuant to and in the manner provided in Paragraph 4.3 hereof.

1.17 "Member" means any person who is an Owner and has the right to vote in the Association or any group of persons who are Owners and may cast a vote collectively as provided in this Declaration.

1.18 "Mortgagee" means (a) the beneficiary of a recorded deed of trust or the holder of a recorded mortgage encumbering any Time Share or (b) the successor(s) to each person named in clause (a).

1.19 "Mortgage" means a mortgage, deed of trust, or other security instrument.

1.20 "Owner" means any person who has accepted a Deed to a Time Share Unit or any successor to any such person and includes as to each Time Share: (a) the grantee collectively named in the Deed; or (b) the successor(s) to each person described in clauses (a) or (b) hereof.

1.21 "Permitted User" means any agent, guest, tenant or other occupant of an Owner's Unit occupying such Unit pursuant to a reservation made by an Owner, other than an Exchange User.

1.22 "Project" means the Property and all properties annexed which are made subject to the terms and conditions of this Declaration, all of the buildings and other improvements constructed or to be constructed thereon and all of the Common Furnishings.

1.23 "Purchase Agreement" means a contract of sale between Declarant, and other person(s) or entity(ies) named therein as "Buyer" (Purchaser) for the purchase and sale of an Interest which culminates in the conveyance of such Interest by Deed.

1.24 "Recreational Facilities" means a facility located in a portion of the Common Area for members' recreational use or facilities which may be used by members pursuant to an arrangement entered into by the Association.

1.25 "Rules and Regulations" means the rules and regulations adopted and promulgated from time to time pursuant to subparagraph 4.2(d) of this Declaration relating to the possession, use and enjoyment of the Interests in the Project.

1.26 "Split Unit" means a reservation for a one-bedroom portion of the Timeshare Unit that can be locked off from the balance of the Unit.

1.27 "Split Week" means a reservation for a three (3) or four (4) day period, including a Friday and Saturday night usage and a three (3) or four (4) day period of usage which cannot include a Friday or Saturday usage.

1.28 "Starting Date" means the date on which the first Purchase Agreement is accepted by Declarant.

1.29 "Time Share" means a 1/1071 or 1/2142 undivided interest in the Property, together with the right to make use of any and all easements appurtenant thereto, the non-exclusive right to use the Common Area, and the exclusive right to use and occupy any Time Share Unit of the Unit Type designated in the Purchase Agreement and the Common Furnishings therein for a Use Period for which such rights to use have been properly reserved, subject to the provisions of this Declaration, Bylaws and the Rules and Regulations as amended from time to time. Time Share includes a non-exclusive right to use of any and all easements appurtenant to the Property, and a non-exclusive right to use the Common Area in the Property during a Use Period which has been properly reserved. Time Share does not include the right to use or occupancy of any property with which this Project is affiliated,



except under a valid Exchange Program. Time Share does not include the right to exclusive use or occupancy of a Time Share Unit of a different Unit Type than designated in the Purchase Agreement or other than in the property described in Exhibit "A," unless specifically provided in the Declaration of Annexation of any other Time Share Units.

1.30 "Time Share Owner" means an "Owner."

1.31 "Time Share Unit" means the area encompassed by the boundaries, which are the interior surfaces of the twenty-one (21) living spaces on the Property and specifically, the perimeter walls, floors, ceilings, windows and doors thereof, and the Unit includes both the portions of the buildings so described and the airspace so encompassed. The following are not part of the Unit: bearing walls, columns, floors, roofs, foundations, elevator equipment and shafts, central heating, central refrigeration and central air conditioning equipment, reservoirs, tanks, pumps and other central services, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located within the Unit. In interpreting deeds and plans the existing physical boundaries of the Unit or of a Unit reconstructed in substantial accordance with the original plans thereof, shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in the deed or plan, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries shown on the plan and those of the building.

1.32 "Unit" means a Time Share Unit.

1.33 "Unit Type" means one of the following two designations:

(a) "Deluxe Unit" or "Deluxe" means one of eighteen (18) Two Bedroom Units not a "Premium Unit" or "Premium";

(b) "Premium Unit" or "Premium" means one of three (3) Two Bedroom Units one (1) on each floor of the building being the middle room on the floor which room shall contain a minimum of 1290 square feet and shall be furnished with a jacuzzi/whirlpool bath.

1.34 "Use Period" means the time period or periods during which an Owner has reserved the use of a Time Share Unit in accordance with the reservation procedures set forth in this Declaration.

1.35 "Use Year" means each one (1) year period beginning on the last Friday or Saturday of December each and every year as determined by the Manager.

## ARTICLE II

### RESERVATION RIGHTS, USE RIGHTS AND USE RESTRICTIONS

2.1 Reservation and Use Rights of Owners. Subject to all of the terms and conditions contained elsewhere in this Declaration, an Owner shall have the right, for each Time Share owned,

during each Use Year or each alternate Use Year, as the case may be, to use and occupy a Unit of the Unit Type purchased on the Property for seven (7) nights; provided that such Owner shall have reserved such use and occupancy in accordance with the procedures for the making of reservations.

The Rules and Regulations shall describe procedures for reserving Use Periods consistent herewith, which use periods shall commence on a Friday or Saturday (except as provided below for split week reservations), which procedures shall include at least the following provisions:

- (a) Requests for reservations shall be grouped according to the following priorities:
  - (1) multiple week Owners;
  - (2) single week Owners.

Priorities within a class of Owners shall be given as follows:

- (1) consecutive week Requests;
- (2) single week Requests;
- (3) Split Unit Requests;
- (4) Split Week Requests.

(b) All requests shall be delivered in a manner as directed by the Association from time to time and shall state three (3) choices for reservations, in order of preference, and shall be mailed as provided in the Rules and Regulations.

(c) All Split Week usage will include a three (3) or four (4) day period, including a Friday and Saturday night usage and a three (3) or four (4) day period of usage which cannot include a Friday or Saturday usage.

(d) Requests for reservations by Declarant shall be submitted no sooner than thirty (30) days after the reservations may be first obtained by the Owners.

(e) The Association shall respond to each reservation request within thirty (30) days after receipt thereof.

(f) A servicing fee may be charged by management for extra services requested by an Owner such as reservation cancellations, reservation changes, Split Unit or Split Week reservations.

(g) Reservation requests may be honored up to twenty-three (23), twenty-two (22) and twenty-one (21) months prior for Multiple Week, Single Week and Split Unit or Split Week requests, respectively, to the month in which the Owner seeks to reserve use.

2.2 Use and Occupancy. Each Owner shall have the exclusive right to occupy and use a Time Share Unit of the Unit Type purchased and the Common Furnishings contained within such Time Share Unit and the non-exclusive right to use and enjoy the Common Areas during such Use

Period or Use Periods as shall have been properly reserved by the Owner pursuant to the foregoing provisions of the Bylaws and Rules and Regulations. IT IS SPECIFICALLY ACKNOWLEDGED THAT AN OWNER MAY NOT ACTUALLY OCCUPY DURING A USE PERIOD ANY SPECIFIC TIME SHARE UNIT OF THE DESIGNATED UNIT TYPE. No Owner shall occupy a Time Share Unit nor exercise any other rights of ownership with respect to a Time Share Unit, other than the rights provided to Owners in this Article II, during any period other than the Owner's Use Period(s) unless expressly authorized by the Owner entitled to occupy the Time Share Unit during such time. Each Owner shall keep the Time Share Unit occupied by the Owner and the Common Furnishings therein in good condition and repair during the Owner's Use Period(s); vacate the Time Share Unit at the expiration of the Owner's Use Period(s); remove all persons and such Owner's personal property therefrom; leave the Time Share Unit and the Common Furnishings therein in good and sanitary condition and repair and otherwise comply with such reasonable check-out and other procedures and regulations as may from time to time be contained in the Rules and Regulations. Subject to the Rules and Regulations, any Owner may permit a Time Share Unit reserved by Owner to be occupied by other persons (Permitted Users) for the purposes permitted by this Declaration during the Owner's Use Period, but such Owner shall be responsible for any loss, damage, destruction or violation of this Declaration which occurs during such occupancy by a Permitted User as if such Owner was actually occupying the Time Share Unit.

If, as a result of an error in the administration of the reservation system by the Association or the Managing Agent, an Owner can reserve no designated Unit Type or Use Period during the Use Year, such Owner shall be entitled to compensation from the Association or the Managing Agent in an amount equal to the cost of the rental of comparable accommodations in the vicinity of the Project during the Use Year in question.

2.3 Alternate Reservation System. DECLARANT, WITH APPROVAL OF THE BOARD, RESERVES THE RIGHT TO AMEND THIS DECLARATION TO PROVIDE AN ALTERNATE RESERVATION SYSTEM, FOR EXAMPLE, A POINT BASED SYSTEM, SO LONG AS OWNERS ARE ENTITLED TO SEVEN (7) NIGHTS USE FOR EACH TIME SHARE OR ALTERNATE TIME SHARE IN THE DESIGNATED UNIT TYPE ON A FIRST COME/FIRST SERVE BASIS.

2.4 Failure to Vacate. If any Owner, or any Exchange User or Permitted User fails to vacate a Time Share Unit at the end of the Use Period, or otherwise uses or occupies a Time Share Unit during a period other than the Use Period, or prevents another Owner, Exchange User or Permitted User (the "Detained Owner" or "Detained User") from using or occupying a Time Share Unit during such Detaining Owner's Use Period, such Owner, Exchange User or Permitted User (the "Detaining Owner") shall be subject to any or all of the following remedies at the sole discretion of the Association:

(a) the Association may terminate utility services to the Time Share Unit; (b) be subject to immediate removal, eviction or ejection from the Time Share Unit wrongfully occupied; (c) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notices may be waived under Nevada law); (d) reimburse the Association and the Detained Owner for all costs and expenses incurred as a result of such conduct, including but not limited to costs of alternate accommodations, travel costs, court costs and reasonable attorneys' fees

incurred in connection with removing, evicting or ejecting the Detaining Owner from such Time Share Unit, and costs (including reasonable attorneys' fees) incurred in collecting such reimbursement(s), all of which costs may be assessed against the Detaining Owner as a "Personal Charge" (as hereinafter defined in Paragraph 5.8 below); and (e) pay to the Detained Owner entitled to use the Time Share Unit during such wrongful occupancy, as liquidated damages (in addition to the costs and expenses set forth in subparagraph 2.4(d), above), a sum equal to two hundred percent (200%) of the fair market value per day of the Time Share Unit for each day or portion thereof, including the day of surrender, during which the Detaining Owner prevents occupancy of the Time Share Unit; (f) prohibit the Detaining Owner from subsequent use until all damages incurred are paid in full. The Association shall be responsible for determining the "fair rental value" of the Time Share Unit. "Fair rental value" for the Time Share Unit shall be based upon the costs of renting comparable accommodations located within the vicinity of the Project. By accepting any conveyance of a Time Share, each Owner agrees that, in the event of a failure to vacate by the Owner, the Owner's Exchange Users, or the Owner's Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy. The Association shall use reasonable efforts to attempt to remove such Detaining Owner from the Time Share Unit, and/or to assist the Detained Owner in finding alternate accommodations during such hold-over period; to secure, at the expense of the Association, alternate accommodations for any Detained Owner. The Association may, in its sole discretion, deem it necessary to contract for a period greater than the actual period for which the use is prevented in order to secure alternate accommodations as set forth above. If an Owner, Exchange User or a Permitted User, by intentional or negligent act, renders a Time Share Unit uninhabitable for the successive Use Period(s), such Owner, Exchange User or Permitted User shall be deemed a Detaining Owner, the foregoing provisions of this Paragraph 2.4 shall apply and such Time Share Owner, Exchange User and/or Permitted User(s) of successive Use Period(s) just as if such Owner, Exchange User or Permitted User had refused to vacate the Time Share Unit at the end of the Use Period. For the purposes of this Paragraph 2.4, the act or negligence of a Permitted User, or Exchange User shall be deemed to be the act of the Owner; provided, however, that such Owner shall be responsible for the payment of amounts to the extent the same are not reimbursed by insurance. The Association may enforce obligations due under this Paragraph 2.4 by suspending the Detaining Owner's privileges with respect to use and occupancy of the Project.

2.5 Use Restrictions. A Time Share Unit shall not be occupied by more than six (6) persons. No Owner shall make or authorize any alterations, additions or improvements to a Time Share Unit or the Common Furnishings; paint, repaint, tile, paper or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Time Share Unit which such Owner may from time to time occupy; or remove, alter or replace any portion of the Common Furnishings. The right to perform all of the foregoing acts has been delegated to the Association by this Declaration. The foregoing prohibitions, however, shall not modify or affect the obligation of each Owner for the prudent care and ordinary maintenance and upkeep of all property subject to the Owner's use. No animals or household pets of any kind shall be allowed or kept in or upon the Project, except as may be approved by the Board of Directors in the Rules and Regulations. The Board of Directors may designate smoking and non-smoking Units.

No Owner, specifically excluding Declarant, shall further parcel, subdivide or time share the Interest conveyed to the Owner which is the subject of this Declaration.

**2.6 Rental of Units by Declarant.** Declarant hereby reserves the exclusive right to occupy and to rent to the general public each Time Share Unit during all times not included in any Use Period, subject to the conditions of this paragraph. Any rentals received by Declarant shall inure to Declarant's benefit. The cost of repair or replacement incurred by reason of damage or destruction to a Time Share Unit, and/or the Common Furnishings therein, which damage or destruction occurs during the rental of such Unit pursuant to this Paragraph 2.6 shall be the responsibility of Declarant. Notwithstanding the foregoing provisions of this Paragraph 2.6, in the event Declarant: (a) becomes in excess of sixty (60) days delinquent with respect to any Assessment or subsidy agreement payment owed by Declarant under the provisions of this Declaration; and (b) thereafter fails to pay any such delinquent Assessment or subsidy agreement payment within ten (10) business days following receipt from the Association of written notice to pay, the Association shall thereafter, and until all delinquent Assessments owed by Declarant are paid in full, have the right to rent during all times not included in any Use Period, Time Shares to the general public and all rentals therefrom shall inure to the Association's benefit. No rental (whether by Declarant or the Association) shall interfere with or diminish the rights of Owners to use and occupy Units in accordance with this Declaration and the Rules and Regulations.

At the earlier of: (i) the annual meeting of the Association following the date on which there have been sold Time Shares representing at least sixty-six and two-thirds percent (66%) of the total number of Time Shares authorized for sale in the Project; or (ii) the annual meeting immediately preceding the expiration date of the Management Agreement provided for by Paragraph 4.3, an annual special vote of Owners, other than Declarant, shall be held on the question of whether to permit Declarant to continue the rental of Time Shares not owned by Declarant to members of the general public. Thereafter, the vote on this question shall be conducted annually for so long as Declarant is conducting its program of rental of Time Shares to the general public as herein provided. The rental program provided for in this Paragraph 2.6 shall be terminated if a majority of the Owners (other than Declarant) voting on such question vote to terminate the rental program for non-Declarant owned Time Shares provided for in this Paragraph 2.6. Except for the rights and easements reserved to Declarant and the Association as provided in this Paragraph 2.6, no third party, including, but not limited to the Association, the Managing Agent, and anyone acting on their behalf shall have any right to rent any Time Share Units or the occupancy of any Time Share Units to members of the general public; provided, however, that the foregoing shall not be construed as preventing an Owner from renting such Owner's Time Share Unit in the Owner's Use Period to a member of the general public for such Owner's own account or as preventing Declarant from renting Time Shares owned by Declarant to members of the general public for Declarant's own account. Declarant shall submit annually to the Association not less than thirty (30) days prior to the annual report, a report for the preceding fiscal year setting forth the amount of revenues derived by the Declarant from the commercial rental of unreserved occupancy periods and the amount of expenses incurred or allocated in connection with said revenue.

In addition to the foregoing, the right of Declarant to rent Time Shares or Time Share Units whether owned by Declarant or non-Declarant owned to the general public shall be exercised subject to the following limitations:

(i) Declarant shall make no request for reservation of a Time Share Unit owned by Declarant until thirty (30) days after the date reservations may first be obtained by the Owners for the month in which the reservation is desired; and

(ii) As to non-Declarant owned weeks, Declarant shall not make a reservation sooner than forty-five (45) days prior to the occupancy date sought to be reserved.

(iii) An Owner's untimely request for a reservation shall be honored, unless every Time Share Unit of the designated Unit Type in the Project has been reserved by another Owner, or has been rented to a member of the public, for the requested Use Period prior to receipt of that Owner's untimely request.

2.7 Repair and Maintenance Easements. Declarant hereby grants the Association a non-exclusive easement across the Exhibit "B" Property for reasonable maintenance and repair of improvements placed on the Property to be exercised with reasonable notice to Declarant and in cooperation with said Declarant's use of the Exhibit "B" Property.

2.8 Common Area Use/Easements. Every Owner shall, together with their respective guests, lessees and invitees, during Owner's properly reserved Use Period have a perpetual non-exclusive easement of use and enjoyment in, to and throughout the Common Area and a perpetual non-exclusive easement for parking and pedestrian and vehicular access, ingress, egress and support over and through that certain portion of the Exhibit "B" Property in the areas more particularly described in Exhibit "C" attached hereto and incorporated herein by this specific reference (the "Access Easement Area"). By this Declaration, Declarant hereby grants and conveys to the Property and to the Association, for the benefit of the Owners and their guests, lessees and invitees, a permanent and perpetual non-exclusive easement (the "Access Easement") for utilities, parking and pedestrian and vehicular access, ingress, egress and support on, over, along, across, through and above the Access Easement Area. Declarant reserves for itself and its designees, a perpetual non-exclusive easement for utilities, parking and pedestrian and vehicular access, ingress, egress, and support on, over, along, across, through and above the Access Easement Area and the Project. All such non-exclusive easements, specifically including the Access Easement, shall run with the land, shall be appurtenant to and pass with title to each Time Share, shall burden the Exhibit "B" Property, shall be easements in gross benefiting all present and future Owners in perpetuity, and shall be subject to the following rights and restrictions.

(a) Declarant's right to improve the Exhibit "B" Property and to change and relocate any established easement or right of way of utilities, parking, access, ingress, egress or support from time to time. Any change or relocation shall be subject to the consent of the Board of Directors of the Association which shall not be unreasonably withheld, so long as the Owners and their guests,

lessees and invitees continue to enjoy the Access Easement granted pursuant Paragraph 2.8 above without interruption or material interference.

(b) The right of the Board of Directors of the Association to adopt, amend and enforce the Rules and Regulations.

(c) The right of the Board of Directors of the Association to limit the number of guests.

(d) The right of the Association to suspend the right of an Owner to use the Recreational Facilities or other Common Area facilities for any period during which any assessment against the Owner remains unpaid.

(e) The right of the Association to borrow money to improve, repair or maintain the Property.

(f) The right of the Association to assign, rent, license or otherwise designate and control use of Common Area.

2.9 Easement for Construction, Sales, Resales, Customer Service and Related Purposes. Declarant, on behalf of itself, its agents, employees, contractors, subcontractors, invitees, successors, assigns and other authorized personnel reserves unto itself, for a period within three (3) years of the last timeshare phase offered, but no more than fifteen (15) years from the date of the first interval sale, an exclusive easement in, over and through the Units, Recreation Facilities, and the Common Areas for the purposes of: (1) completing the development of the Project; (2) marketing, selling and reselling the Time Shares; (3) maintaining customer relations and providing post-sale service to Owners; (4) displaying signs and erecting, maintaining and operating, for leasing, sales, construction and administrative purposes, model Units and a customer relations, customer service and sales office complex in the Project; (5) showing the Units and Common Area and arranging for the use of any Recreational Facilities within the Common Areas by prospective purchasers; and (6) conducting the rental operations described in Paragraph 2.5, above.

2.10 Transfer of Interest. No person other than the Declarant owning an interest in a Time Share shall sell, convey, hypothecate or encumber less than all of the Owner's interest in such Time Share. Any sale, conveyance, hypothecation or encumbrance by any such person of less than all of an Interest in any singular Time Share shall be null, void and of no effect.

2.11 Separate Mortgages. Upon receipt of a Deed, each Owner shall have the right to mortgage or otherwise encumber all, but not less than all, of the Owner's Time Share. Any mortgage shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure, the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure, assignment in lieu of foreclosure or otherwise. Notwithstanding any other provision of this Declaration, no breach of the provisions herein contained, nor the enforcement of any lien created pursuant to the provisions hereof shall defeat or render invalid the lien of any mortgage of any Interest

if such mortgage is recorded in the Office of the County Recorder of Douglas County, Nevada, and is bona fide, given in good faith and for value. A Mortgagee, however, with respect to any Time Share, shall only be obligated to pay assessments upon delivery of title to the Time Share to Mortgagee.

**2.12 Partition and Subordination of Tenancy-in-Common Attributes.**

(a) It is intended that this Declaration alone shall govern all rights with respect to the use, possession, enjoyment, management and disposition of the Interests originally conveyed by deed in the Property. Accordingly, all rights with respect to the use, possession, enjoyment, management or disposition of a Time Share in the Property which an Owner might otherwise have as a tenant-in-common (including but not limited to any common law or statutory right jointly to use, possess or manage commonly owned property), are hereby unconditionally and irrevocably subordinated to this Declaration for so long as this Declaration shall remain in effect; provided, however, that, in the event that an election to terminate this Declaration is made pursuant to Paragraph 9.2, an Owner shall have the rights specified in Paragraph 9.2.

(b) Except as provided in subparagraph 2.12(a) above and Paragraph 9.2 below, no Owner or other person or entity acquiring any right, lien or interest in any of the property shall seek or obtain, through any legal procedures, judicial partition of the property. If, however, any Interest is owned by two (2) or more persons as tenants-in-common or as joint tenants or as community property, nothing herein contained shall prohibit a judicial sale of that Interest in lieu of partition as between such co-tenants or joint tenants.

**2.13 Protection of Interest.** Except as provided in Paragraph 2.12, no Owner shall permit the Owner's Interest to be subject to any lien, claim or charge, the enforcement of which may result in a sale or threatened sale of the Interest of any other Owner or any part thereof, or should the use and enjoyment of any portion thereof by any Owner be threatened by reason of any lien, claim or charge against the Interest of any other Owner, or should proceedings be instituted to effect any such sale or interference, any Owner acting on the Owner's own behalf or through the Association or the Association acting on behalf of any one (1) or more Owners (unless promptly indemnified to the Owner's or its satisfaction) may, but shall not be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Owner whose Interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or expended to the Owner or the Association, whomsoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as the Owner or it may have incurred.

**2.14 Inventory Control.** Declarant shall work with a title company prior to the first sale of a Time Share to establish an inventory control system which assigns a permanent inventory number to each Time Share which permanently identifies the Time Share and identifies the Time Share Phase, Unit Type, as an annual or alternate year interest and whether the alternate year use is for odd or even numbered years. The inventory number shall be an eight character figure. The first two numbers represent the phase number. The next three numbers indicate the unit within the project; unit designations of 007, 014 and 021 indicate Premium Unit type; all other unit designations indicate Deluxe



Unit Type; the last two numbers indicate which of the 51 weeks has been assigned to the Interest. The last character indicates whether the use is annual use (A), odd year use (B) or even year use(C).

### ARTICLE III

#### THE ASSOCIATION

3.1 Association. Walley's Property Owners Association, a Nevada non-profit corporation, shall be the Association.

3.2 Membership in Association. Each Owner of an Interest (including Declarant as to all Interests not the subject of a Purchase Agreement or conveyed by Deed) shall be a member of the Association (the "Member") and shall remain a Member thereof until the Owner ceases to own an Interest in the Property.

3.3 Transfer of Membership. The membership of each Owner in the Association is appurtenant to and inseparable from the ownership of an Interest and shall be automatically transferred upon any authorized transfer or conveyance of the ownership of the Interest to any transferee or grantee and except as provided herein, said membership shall be non-transferable whether by gift, bequest, assignment or otherwise.

3.4 Voting. In accordance with the provisions of the Bylaws, the Association shall have but two (2) classes of voting membership. The voting rights and privileges of each class of Members of the Association shall be as follows:

Class A Members. Class A Members shall be all Owners excepting Declarant and shall be entitled to one (1) vote for each Time Share owned, or to one-half (½) vote for each Alternate Year Time Share owned. When there is more than one (1) Owner of a Time Share or an Alternate Year Time Share, the vote for such Time Share or Alternate Year Time Share shall be exercised as those Owners among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Time Share, nor more than one-half (½) vote be cast with respect to any Alternate Year Time Share.

Class B Members. The Class B Member shall be Declarant. The Class B Member shall be entitled to one (1) vote for each Time Share owned, or to one-half (½) vote for each Alternate Year Time Share owned. The Class B membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs earlier: (a) when seventy-five percent (75%) of the Time Share Interests have been sold to Owners other than Declarant; or (b) seven (7) years from the first sale of a Time Share to an Owner other than Declarant.

3.5 Majority Requirements. In order to approve any Association action for which a vote of the membership is required by this Declaration, the vote or written assent of the prescribed percentage or if no higher percentage is prescribed of a majority of the total voting power of all classes of Members in the Association shall be required.

3.6 Board of Directors. The initial Board of Directors (the "Board") of the Association shall be the persons named in the Articles of Incorporation of the Association. At the time of the first annual meeting of the Members, the Members (including Declarant) shall elect, in accordance with the Bylaws, a five (5) member Board replacing the Board defined in the preceding sentence. At least one (1) board member elected at the first annual meeting shall be elected by the voting power of members other than the Declarant and may not be removed except by a majority vote of the voting power of the members other than the Declarant, except as is provided in the Bylaws. Any board member elected by the voting powers of the members other than the Declarant who is removed as provided in the Bylaws shall be replaced with a non-Declarant member. Directors' terms shall be as set forth in the Bylaws but not in excess of three (3) years. Board members may be reimbursed reasonable transportation expenses and paid reasonable per diem for attending Board meetings. The Board of Directors shall meet as frequently as the business of the Association justifies, but in no event less than every six (6) months.

3.7 Members Meetings. A majority of the Board or five percent (5%) of the voting power of the Association, other than Declarant, may in writing request a special meeting of the Association. Notice of general or special meetings shall be given by first class mail not less than thirty (30) days nor more than ninety (90) days before the meeting date. The notice shall specify the date, time and place of the meeting and a brief statement of the matters to be presented or expected to be presented for action.

3.8 Inspection and Copying of the Association's Books and Records.

Within ninety (90) days of the sale of the first Time Shares, or annexation of additional property with respect to such annexed property, Declarant shall deliver to the Association the following documents:

- (a) The recorded map or maps for the project.
- (b) The recorded condominium plan, if any, and all amendments thereto.
- (c) The deeds and easements executed by the Declarant conveying any common area or other interest to the Association, to the extent applicable.
- (d) The recorded Declaration, including all amendments and annexations thereto.
- (e) The Association's filed articles of incorporation and all amendments thereto.
- (f) The Association's bylaws and all amendments thereto.
- (g) All rules regulating the use of an owner's interest in the subdivision or use of the common area which have been promulgated by the Association.

(h) The plans approved by the local agency or county where the subdivision is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.

(i) All notice of completion certificates issued for common area improvements.

(j) Any bond or other security device in which the Association is the beneficiary.

(k) Any written warranty being transferred to the Association for common area equipment, fixtures or improvements.

(l) Any insurance policy procured for the benefit of the Association, its Board of Directors or the common area.

(m) Any lease or contract to which the Association is a party.

(n) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the members, of the governing body and of committees of the governing body of the Association.

Thereafter, Members shall have access to Association's books and records as follows:

(i) The books and records of the Association shall be made available for inspection.

(ii) The Association may, as a condition to permitting a Member to inspect the membership register or to its furnishing information from the register, require that the Member agree in writing not to use, or allow the use of, information from the membership register for commercial or other purposes not reasonably related to the regular business of the Association and the Member's interest in the Association.

(iii) The Board shall establish reasonable rules with respect to:

(1) Notice to be given to the Managing Agent or other custodian of the records by the Member desiring to make the inspection or to obtain copies;

(2) Hours and days of the week when a personal inspection of the records may be made; and

(3) Payment of the cost of reproducing copies of records requested by a Member.

(iv) Every Board member shall have the absolute right at any time to inspect all books, records and documents of the Association and all real and personal properties owned or controlled by the Association. This right of inspection shall include the right to make abstracts and copies of records subject only to the provisions of subparagraph (b) hereof.

## ARTICLE IV

### MANAGEMENT

4.1 Powers and Duties Generally. Administration of the Time Share program, operation, maintenance, repair and restoration of the Project, and the Common Furnishings, and any alterations and additions thereto, shall be the responsibility of the Association. The Association, acting alone (through its Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Association's Articles of Incorporation, the Bylaws, Rules and Regulations and this Declaration, exercise any and all rights and powers hereinafter enumerated and, except as specifically limited herein, all the rights and powers of a non-stock, non-profit cooperative corporation under the laws of the state of Nevada.

4.2 Specific Powers and Duties of the Association. The management, maintenance and repair of the Project, the acquisition (by purchase or lease), maintenance, repair and replacement of the Common Furnishings and the administration of the affairs of Owners in the use and occupancy of the Time Share Units and payment, as agent, of expenses and costs enumerated in this Declaration shall be under the direction and control of the Association. The Association shall have the duty to levy, collect and enforce the assessments enumerated in this Declaration. The Association shall have the exclusive possession of each Time Share Unit during the period designated by the Association (herein sometimes referred to as the "service period(s)") for the performance of maintenance and repairs on such Time Share Unit. The Association shall annually compile a roster of the names and addresses of each of the Time Share Owners (the "Roster"). Upon the written request of a Time Share Owner, the Association shall furnish such Time Share Owner with a copy of the Roster and may charge such Time Share Owner a reasonable fee therefor. Each Time Share Owner who requests and receives a copy of the Roster hereby agrees that the Owner will not make any commercial use of the same and will not distribute a copy of the Roster to any third party. The Board of Directors may adopt Rules and Regulations to enforce these provisions. The Association shall have the power to do all things that are required to be done by it pursuant to this Declaration. Without limitation of the foregoing powers and duties, the Association is expressly authorized in its discretion and on behalf of the Owners to do any or all of the following:

(a) Repair and Maintenance. To repair, maintain, repaint, furnish or refurnish the Project or any part thereof, to establish reserves for anticipated costs, including the costs of acquisition and replacement of Common Furnishings; to acquire and pay for materials, supplies, furniture, furnishings, labor and services which the Association deems necessary or proper for the maintenance and operation of the Project; to maintain and repair the non-exclusive easements granted in paragraph 2.8 in the event Declarant fails to do so.

(b) Taxes and Assessments. To pay all taxes and assessments, and other costs affecting or relating to the Project or Common Furnishings; and similarly to discharge, contest or protest liens or charges affecting the Project.

(c) Utilities. To obtain and pay the costs of electrical, telephone, gas, sewer, garbage and other utility services for the Project. To pay any assessments levied by Douglas County for costs related to serving the Project incurred by Douglas County in connection with the operation, maintenance or repair of any sewage treatment facility serving the Project, if there is a default by the owner or operator thereof requiring the County to intervene.

(d) Rules and Regulations. To adopt, amend, publish and enforce, from time to time, Rules and Regulations relating to the possession, use and enjoyment of the Project and easements appurtenant thereto, which Rules and Regulations shall be consistent with the provisions of this Declaration.

(e) Legal and Accounting. To obtain and pay the cost of legal and accounting services necessary or proper in the maintenance and operation of the Project and the enforcement of this Declaration, the Bylaws and the Rules and Regulations.

(f) Insurance. To obtain and pay the cost of, and at all times maintain in effect:

(1) insurance covering the Project and the Common Furnishings therein against loss or damage by fire and other hazards customarily covered by fire insurance policies written with extended coverage, the amount of such insurance to be not less than one hundred percent (100%) of the aggregate replacement value and which insurance policy shall name the Association as a co-insured, for itself and as agent for each Owner as their interests appear;

(2) general comprehensive public liability insurance against claims for personal or bodily injury, death or property damage arising from the use and maintenance of the Project with limits of not less than (A) One Million and No/100 Dollars (\$1,000,000.00) per person and Two Million and No/100 Dollars (\$2,000,000.00) per occurrence with respect to injury or death and (B) One Hundred Thousand and No/100 Dollars (\$100,000.00) per occurrence with respect to property damage. Such liability insurance shall name all Owners, as a class, as additional insureds and contain appropriate waivers of subrogation against any Owner or member of such Owner's household, and a provision that no act or omission by an Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or operate as a condition to recovery by any other person under such policy; and

(3) any other insurance, including, but not limited to, Workers' Compensation Insurance, deemed necessary or desirable by the Association.

The policies of insurance shall name Declarant, the Owners and the Association as insureds, as their respective interests appear, cover such risks, be written by such insurers, and, subject

to the limits set forth in clauses (i) and (ii) above, be in such amounts as the Association shall deem proper under the circumstances.

Additionally, the Association may cause, at its cost, the Managing Agent and any employee of either the Managing Agent or the Association who has charge of the Owners' funds, to be bonded in an amount equal to the amount of funds handled.

(g) Levy and Collection of Assessments. To levy, collect and enforce Assessments against the Owners in the manner provided in Articles V and VI hereof in order to pay the expenses of the Project, maintain reserves and pay the fee of the Manager, and to do all things necessary to enforce each Owner's obligations hereunder.

(h) Financial Statements and Other Information. The following shall be regularly prepared, disseminated and available for inspection by all Owners and Declarant:

(1) A pro forma operating statement (the "Budget") of "Maintenance Expenses" (as that term is defined in subparagraph 5.3, below) for the Project for each fiscal year which operating statement shall be disseminated to Owners and Declarant not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of each fiscal year containing at least the following:

- (A) Estimated revenue and expenses on an accrual basis; and
- (B) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies; and
- (C) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair, replacement or additions to, major components of the common areas and facilities for which the Association is responsible; and
- (D) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(2) An annual report shall be distributed within one hundred twenty (120) days of the end of the fiscal year, consisting of the following: (a) a balance sheet as of the last day of each fiscal year; (b) an operating statement for such fiscal year; (c) a statement of net changes in financial position of the project during the fiscal year; and (d) for any fiscal year in which the gross income to the Association exceeds \$75,000.00, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the Nevada or California State Board of Accountancy; and (e) a list of the names, mailing addresses and telephone numbers of the current members of the Board of Directors. The annual report shall be prepared by an independent accountant for any calendar year in which the gross income to the Association exceeds \$75,000.00. If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate

of authorized officer of the Association that the statements were prepared without audit from books and records of the Association.

(3) Minutes of Board meetings shall be made available within thirty (30) days after a meeting upon request and payment of reasonable copying costs.

(4) A list of the orders of business to be considered at each annual meeting of Members shall be distributed not less than thirty (30) days prior to the meeting date. The list shall include the name, address and a brief biographical sketch, if available, of each person who has announced his or her intention to stand for election to the Board.

(5) Annually within sixty (60) days prior to the beginning of the fiscal year, a Statement of the Association policies and practices for enforcing its remedies against Members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against Members' interests in projects.

(i) Bank Accounts. To deposit all funds collected from Owners and Declarant pursuant to Article V hereof and all other amounts collected by the Association in connection with its duties provided herein as follows:

(1) All funds shall be deposited in a separate bank account or accounts (the "General Account") as determined by the Board of Directors. Funds deposited in the General Account(s) may be used by the Association for the general purposes for which such funds have been collected.

(2) Funds which the Association shall collect for "Reserve Expenses" (as defined in subparagraph 5.3(ii)) pursuant to the provisions of subparagraph 5.3(ii) shall, within ten (10) days after deposit in the General Account, be deposited in an interest bearing account(s) selected by the Board of Directors, all herein collectively referred to as the "Reserve Account(s)", and the Association shall keep accurate books and records reflecting the amount in the Reserve Accounts.

(3) The Board of Directors shall deposit or invest Association funds with such companies or financial institutions as is appropriate for a fiduciary of this type taking into consideration the Association's needs for liquidity, returns and the levels of risk.

(j) Statements of Status. Upon the request of any Owner, Mortgagee, prospective mortgagee, purchaser or other prospective transferee of an Interest, to issue a written statement setting forth any amounts unpaid with respect to such Interest, the use entitlement for the remainder of the Use Year and the reservation status respecting a Time Share. Such statement, for which a reasonable fee may be charged, shall be binding upon the Association in favor of any person who may rely thereon in good faith.

(k) Cleaning and Maid Service. To provide for cleaning and maid service, and for maintenance and repairs upon the check-out of each Time Share Owner or other occupant of a Time

Share Unit and during service periods so that the Time Share Units are maintained in good order and repair. In addition to cleaning and maid service that is normally provided to each Time Share Unit, the Manager may, at the Time Share Owners' or Exchange User's or Permitted User's cost, provide such cleaning and maid services as shall reasonably be requested by a Time Share Owner or other occupant.

The Association shall charge for such special cleaning and maid service and such charges shall be a Personal Charge, payable by the Time Share Owner or Exchange User or Permitted User when the Owner checks out of the Time Share Unit. This extra cleaning and maid service shall be subject to the Association's or Manager's availability of staff.

(l) Right of Entry. During service periods and at any other reasonable time, upon giving reasonable notice if such Unit is occupied, to enter the Unit for the purpose of cleaning, maid service, and if unoccupied for the purpose of painting, maintenance, and repair, and to enter upon and within any Unit, at any reasonable time, whether or not during a service period and whether or not in the presence of an Owner, for the purpose of (1) making emergency repairs therein, (2) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Unit, (3) protecting property rights and the welfare of the other Owners, or (4) for any other purpose reasonably related to the performance by the Association of its responsibilities under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and/or enjoyment by the occupant of such Unit and shall be preceded by reasonable notice to the Owner or occupant thereof whenever the circumstances permit.

(m) Other Necessary Acts. To do all other things or acts deemed by the Association to be necessary, desirable or appropriate for the operation and maintenance of the Project.

(n) Delegation. To delegate the authority and responsibility of the Association hereunder to one or more agents, including, without limitation, the Manager provided for in Paragraph 4.3, below.

(o) Execution of Leases. To enter into leases of portions of the Common Areas. These leases shall in all cases require that the lessee defray its proportionate share of the maintenance costs of the Common Areas.

4.3 Authority and Duty to Engage Manager or Managing Agent. The Association has engaged Quintus Vacation Management, LLC to initially manage the Project. As to any subsequent manager, the Association shall have the authority to engage and the obligation to use its best efforts to engage and maintain a Manager for the Project contemplated hereby pursuant to a written agreement (the "Management Agreement") meeting the requirements of this Paragraph 4.3. Each Management Agreement shall:

(a) Authorize and obligate the Manager to perform all the duties and obligations of the Association specified in Paragraph 4.2, above, provided, however, that the Manager may, with Board of Director approval, delegate its authority and responsibilities to one (1) or more sub-agents for



such periods and upon such terms as the Manager deems proper, subject to the limitations set forth in Paragraph 4.4, below.

(b) Provide for a term of not more than three (3) years, except that the Management Agreement may provide that the term will be automatically renewed for successive one (1) year terms unless notice of non-renewal is given no later than ninety (90) days prior to the end of any three (3) year term or one (1) year term by either party, provided, however, that the Association may not give notice of non-renewal unless approved by a majority of Owners other than the Declarant.

(c) Provide for a termination for cause by the Board at any time, and provide further that should the Manager dispute such termination for cause, the dispute shall be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(d) Provide that the Manager may resign only upon compliance with the following conditions:

(1) The Manager shall have given at least ninety (90) days prior written notice to the Association.

(2) Prior to or at the expiration of the period of such a notice (not less than ninety (90) days but not beyond one hundred eighty (180) days after such notice is given, the Association shall have entered into a Management Agreement with another management firm meeting the requirements of this Paragraph 4.3 or shall have made a determination to discharge the duties delegated to the Manager with its own personnel. If, at the end of the period specified in such notice, the Association, despite reasonable efforts to do so, has not entered into such a Management Agreement or determined to discharge the duties previously delegated to the Manager with its own personnel, the resignation of the Manager shall not be effective until such a new Management Agreement is entered into between the Association and a new management firm or the Association makes the determination called for in the preceding sentence.

(3) On or before the effective date of the Manager's resignation or termination, the Manager shall turn over all books and records relating to the management and operation of the Project to the Association.

(e) Provide for compensation to be paid to the Manager not to exceed ten percent (10%) of expenses incurred by the Association during the applicable fiscal year, exclusive of management fees. Such compensation may be increased if authorized by a majority of Owners other than the Declarant or, if, despite the failure to obtain a majority of Owners after requesting the same, the Association is unable to procure a Manager without increasing such compensation.

(f) Enumerate the powers and duties of the Managing Agent in the operation and maintenance of the Project.

(g) Specify the records to be maintained by the Managing Agent.

(h) Specify the periodic reports and other information to be provided to the Association and Owners by the Managing Agent.

(i) Require fidelity bonding and errors and omissions insurance for the Managing Agent, if available.

(j) Limit the Manager's authority to enter into contracts with third parties to furnish goods or services on behalf of the Association for the furnishing of goods or services for the Project for term longer than one (1) year without the vote of a majority of the Class A Members except as follows:

(1) A contract with a public utility company if the rates charged for the materials or services are regulated by a public utilities commission in which case the term of the contract shall not exceed the shortest term for which the utility company will contract at the regulated rate.

(2) Prepaid casualty and/or liability insurance policies provided however that a policy shall not be for a term of more than three years and must permit short rate cancellation by the insured.

(3) The following types of contracts if not to exceed five years duration and if the lessor or provider is not an entity in which the sponsor of the managing agent has a direct or indirect interest of 10% or more.

(A) Leases of furnishings of units in the project.

(B) Lease agreements for laundry room fixtures and equipment.

(C) Agreements for cable television services and equipment or satellite dish equipment and services.

(D) Agreements for burglar alarm services and equipment.

(k) Delegate to the Managing Agent the authority to exercise the Association's right to enter Units, as described in subparagraph 4.2(1), above.

(l) Delineate the authority of the Managing Agent to administer the participation of the Time Share Project in any Exchange Program.

The first Manager shall be QUINTUS VACATION MANAGEMENT, LLC.

4.4 Limited Liability. Neither the Association nor the Manager shall be responsible for the acts, omissions or conduct of any of the Members or for the breach of any of the obligations of any of the Members.

4.5 Facility Use Agreement. The Association shall enter into an agreement with Declarant allowing members to use amenities on the Spa Property adjacent to the Property on terms acceptable to the Association (Facility Use Agreement). The Facility Use Agreement may not be terminated, nor placed in voluntary default by the Association without the vote of seventy-five percent (75%) of the Owners.

The Association's Board of Directors shall have the right to act on behalf of the Association in enforcing and complying with the provisions of the Facility Use Agreement, including but not limited to any provisions related to any increase in costs to the Association under the Agreement.

## ARTICLE V

### ASSESSMENTS

#### 5.1 Creation of Personal Obligations for Assessments.

(a) Each Owner holds one (1) fractional undivided interest in the Project for each Time Share owned and the Declarant shall be deemed to be the holder of all fractional interests in Time Shares other than those held by Owners. Declarant, for each fractional interest held by it, hereby covenants, and each Owner by entering into a Purchase Agreement or accepting the conveyance of a Time Share, whether or not it shall be so expressed in the Purchase Agreement or Deed, shall be deemed to have covenanted and agreed, for each Interest held, to pay to the Association the Maintenance Assessment, all special assessments and personal charges, including those described in Paragraphs 5.5, 5.6, 5.7 and 5.8, respectively (all of which are sometimes herein individually and collectively referred to as "Assessment(s)"), which shall be established, made and collected as hereinafter provided.

(b) The Assessments, together with interest, costs and reasonable attorneys' fees shall be the personal obligation of each Owner at the time the assessment becomes due and payable and shall be a lien and charge upon the Interest against which the assessment is made upon its delinquency and notice to the Owner of the delinquency. No Owner may waive or otherwise avoid liability for the assessments by non-use of the Owner's Interest or any part thereof or any abandonment thereof.

(c) Maintenance Assessments shall commence at the earlier of (i) the date an Owner's occupancy rights commence; or (ii) six (6) months after the date of the closing of the first sale of a Time Share to someone other than Declarant.

5.2 Purpose of Assessments. Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Members, the improvement, operation and maintenance of the Project and all property annexed thereto and all easements appurtenant thereto, and to pay for the administration of the Association's operations, reimbursement of expenses incurred by the Association, and other expenditures incurred in the performance of the duties of the Association as set forth in this Declaration.

5.3 Maintenance Expenses. As used herein, "Maintenance Expenses" means the aggregate amount of expenses, as set forth in the Budget, incurred by the Association during the applicable fiscal year: (i) to operate, manage, maintain and repair the Project and the Common Furnishings, and to administer the Association's operation on the Property; (ii) to provide for reserves to ensure payment when due of the cost of capital expenditures relating to the repair of the Project and the repair and replacement of Common Furnishings and capital equipment, and for such other purposes as are required by good business practice (the "Reserve Expenses"); (iii) to provide for the possibility that some assessments to it may not be paid on a current basis; (iv) to provide for the payment of amounts due under the Facilities Use Agreement; (v) to provide for the payment of amounts due to maintain and repair any easement rights appurtenant to the Project; and (vi) to provide for the payment of the fee of the Manager. Without limiting the generality of the foregoing, Maintenance Expenses shall include: all charges, costs, and expenses whatsoever incurred by the Association for or in connection with the administration and operation of this Project; real property taxes and other taxes assessed against the Property; or the Common Furnishings or any other interests of the Owners (except as and to the extent that such taxes are separately assessed to the individual Owners) in this Project; assessments and other similar governmental charges levied on or attributable to the Property; insurance, including fire and other casualty and liability insurance obtained pursuant to this Declaration; any liability whatsoever for loss or damage arising out of or in connection with the Property or any fire, accident, or nuisance therein; cost of repair, reinstatement, rebuilding and replacement of the Property or the Common Furnishings therein; the cost of all basic utility services, including water, electricity, refuse removal, telephone and any other similar service attributable to the Project; the unpaid share of any assessment levied during the previous calendar year against any Owner who has defaulted in payment thereof to the extent that the same becomes uncollectible; wages, accounting and legal fees, management fees, maid service, and cleaning fees, and other necessary expenses of upkeep, maintenance, management and operation actually incurred with respect to the Property. Maintenance expenses for any applicable Fiscal Year shall not exceed the actual increase in costs or a maximum one hundred twenty percent (120%) of maintenance expenses for the preceding Fiscal Year or any increase in Maintenance Expenses attributable to an increase in real property taxes based upon a change in the method of assessment by the county assessor, unless a majority of Members other than Declarant shall consent thereto by vote or written assent. The Reserve Expenses portion of the Budget may consist of specific items and amounts for which such Reserve Expenses are being collected.

5.4 Budget Surplus. At the end of any Fiscal Year, any sums held by the Association which are paid to it as Maintenance Assessments and which were not expended by the Association, shall be applied to reduce the following year's Maintenance Assessment.

5.5 Maintenance Assessment. On a Fiscal Year basis, an assessment ("Maintenance Assessments") for each Time Share Unit shall be determined as follows:

(a) For each Deluxe Time Share, by dividing the total budgeted amount of Maintenance Expenses by 1086.3; in calculating the total number of Time Shares for this purpose, each Alternate Year Time Share shall be counted as equivalent to one-half (1/2) of a Time Share.

(b) For each Premium Time Share, by multiplying the figure derived for a Deluxe Time Share by 1.10.

(c) For each Alternate Year Time Share, by dividing the Maintenance Assessment for each Time Share of the designated Unit Type (as determined according to subparagraph (a) and (b) immediately above) by two (2).

5.6 Payment of Maintenance Assessment. The Maintenance Assessment shall be paid as follows:

(a) For any fiscal year in which an Owner purchases a Time Share from the Declarant, as provided in that Owner's Purchase Agreement.

(b) For any other fiscal year, the Maintenance Assessment shall be payable with respect to each Time Share other than those owned by Declarant in one lump sum due on or before a date set by the Association, or if the Association shall elect, in installments. Alternate Year Owners' payment shall be payable in the fiscal year in which the Owner's Use Period falls or one-half annually, as determined by the Association.

(c) For any fiscal year in which there is a subsidy agreement between the Association and Declarant which has been approved by the California Department of Real Estate, Declarant's Maintenance Assessment obligation shall be deemed discharged if the terms of such agreement are fulfilled. Association may assign delinquent accounts to Declarant as a term of the subsidy agreement.

(d) For any fiscal year in which there is no subsidy agreement between Declarant and the Association, Declarant's Maintenance Assessment shall be paid by Declarant in cash as mutually agreed by the Board of Directors and Declarant.

5.7 Special Assessments. If the Maintenance Assessments are, or will become, inadequate to meet all expenses incurred by the Association hereunder for any reason, including nonpayment by any Owner of Assessments on a current basis, the Board of Directors shall promptly determine the approximate amount of such inadequacy, prepare and distribute a supplemental budget and levy against each Member and Declarant, as to Interests deemed owned by them, a special assessment (the "Special Assessment") in an amount sufficient to provide for such inadequacy; provided, however, that without the vote or written assent of a majority of Members, Special Assessments shall not, in the aggregate, exceed five percent (5%) of budgeted gross Maintenance Expenses for the applicable fiscal year. Any Special Assessment shall be due and payable in one lump sum or periodically, as determined by the Board of Directors, and shall be due and payable within fifteen (15) days after receipt of a statement therefor.

The Board may also make Special Assessments as follows without the vote or written assent of the Association:

(i) A special assessment for the repair or rebuilding of a dwelling unit(s) which does not exceed ten percent (10%) of the budgeted gross expenses of the Association for the fiscal year in which the assessment is levied.

(ii) Special assessments against an owner or owners for the purpose of reimbursing the Association for costs incurred in bringing the owner(s) into compliance with provisions of the governing instruments for the project.

5.8 Personal Charge(s). The term "Personal Charge(s)" means any expense resulting from the act or omission of any Owner or Exchange User or Permitted User occupying a Time Share during the Use Period of an Owner, including, without limitation, the cost of long distance telephone charges or telephone message unit charges, food, beverages, sports supplies, optional maid service and other special services or supplies attributable to the occupancy of a Time Share during such Owner's Use Period. Personal Charges also means the cost (to the extent not reimbursed by insurance proceeds): (1) to repair any damage to the Time Share Unit, or the Common Areas; or (2) to repair or replace any Common Furnishings located therein on account of loss or damage occurring during such Owner's Use Period; or (3) the cost to satisfy any expense to any of the other Owners or their Permitted Users, Exchange Users or to the Association due to: (a) any intentional or negligent act or omission of such Owner, Exchange User or Permitted User; or (b) resulting from the breach by such Owner, Exchange User or Permitted User of any provisions of this Declaration, the Bylaws or the Rules and Regulations. Such Personal Charges shall be payable by the Owner as follows:

(a) If the Association is able to determine the amount of Personal Charges at Check-Out Time, such Personal Charges shall be payable at Check-Out Time; and

(b) Personal Charges which are not ascertainable as provided in subparagraph 5.8(a), above, shall be payable upon receipt of a statement therefor.

## ARTICLE VI

### ENFORCEMENT OF RESTRICTIONS

6.1 In General. In the event that any Owner or Permitted User(s) or Exchange User should fail to comply with any of the provisions of this Declaration, the Bylaws and the Rules and Regulations, the Association or any other Owner(s) shall have full power and authority to enforce compliance with this Declaration, the Bylaws and the Rules and Regulations in any manner provided for herein by law or in equity, including, without limitation, bringing (a) an action for damages, (b) an action to enjoin any violation or specifically enforce the provisions of this Declaration, the Bylaws and the Rules and Regulations, and (c) an action to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Interest of any Owner. In the event the Association or any Owner(s) shall employ an attorney to enforce any provision(s) of this Declaration, the Bylaws or the Rules and Regulations against any Owner, the party engaging the attorney shall be entitled to recover from the Owner violating any such provision(s) reasonable attorneys' fees and costs in addition to any

other amounts as provided for herein. All sums payable hereunder by an Owner shall bear interest at eighteen percent (18%) per annum from the due date, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in this Declaration, commencing ten (10) days after repayment is requested. All enforcement powers of the Association shall be cumulative. Each Owner by entering into a Purchase Agreement or accepting a Deed shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this Article VI and elsewhere in this Declaration.

6.2 Certain Specific Enforcement Powers. In amplification of, and not in limitation of, the general powers specified in Paragraph 6.1, above, the Association shall have the following rights and powers:

(a) Suspension of Privileges. If any Owner or Permitted User or Exchange User shall be in breach of this Declaration, the Bylaws or the Rules and Regulations, the Purchase Agreement, or Mortgage with a Mortgagee, including, but not limited to, the failure of such Owner to pay any Assessment on or before the due date thereof, subject to the limitations hereinafter in this subparagraph 6.2(a) set forth, the Association may suspend the right of such Owner, Exchange User or Permitted User(s): (1) to reserve and/or occupy any Time Share Unit; and (2) the right of such Owner to participate in any vote or other determination provided for herein. If such suspension of privileges is based on the failure of an Owner to pay Assessments or mortgage payments or any other amount(s) due hereunder when due, the suspended privileges of such Owner shall be reinstated automatically at such time as the Owner shall have paid to the Association or Mortgagee, in cash or by cashier's or certified check, all amounts past due as of the date of such reinstatement. If such suspension of privileges is based on any act or omission other than the failure of an Owner to pay assessments or any other amount(s) due hereunder when due, no such suspension shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a special meeting of the Board. Written notice of such meeting and the purpose thereof, including the reasons for the suspension sought, shall be given to the Owner whose privileges are being sought to be suspended at least fifteen (15) days prior to the holding of such meeting. Such notice shall be given as provided at Paragraph 9.3, below. Such Owner shall be entitled to appear at such meeting and present a case in writing or orally as to why the privileges should not be suspended. The decision as to whether such privileges should be suspended shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension and the reasons therefor shall be given to the suspended Owner and the suspension shall become effective on the date such notice is given but not earlier than the fifth (5th) day following the date of such decision.

(b) Enforcement by Lien. The Association shall have a secured lien, in the nature of a Mortgage or Deed of Trust with power of sale, on each Interest as security for the prompt and faithful performance of the Owner of such Interest's assessment obligations under this Declaration, the Bylaws and the Rules and Regulations, together with the payment of interest, costs of enforcement, including reasonable attorneys' fees, in connection therewith. Such lien may be enforced by sale by the Association, its agent or attorney after failure of the Owner to make the secured payment provided such sale is conducted in accordance with the provisions of 119A of Nevada Revised Statutes. The purchaser

at any foreclosure sale shall obtain title subject to the provisions of this Declaration. The Association may bid at the foreclosure sale and may hold, lease, mortgage or convey any Interest acquired at such sale.

6.3 Subordination to Certain Mortgages. The lien provided for herein shall be prior to all encumbrances made by an Owner or imposed by legal process upon any Owner except taxes, bonds, assessments and other levies, which by law, are prior thereto, whether the notice of default and claim of lien is recorded prior or subsequent to any such encumbrances. However, the lien provided for herein shall be subordinate to the lien of any first mortgage or other first encumbrance made in good faith and for value and recorded in the Office of the County Recorder of Douglas County, Nevada, prior to the recordation of a notice of default and claim of lien hereunder (the "Prior Mortgage"). The sale or transfer of any Interest shall not defeat or affect the lien provided for herein; provided, however, that the sale or transfer of any Interest subject to Prior Mortgage pursuant to a judicial foreclosure or exercise of a power of sale under such Prior Mortgage pursuant to a proceeding diligently pursued within twenty-four (24) months of delinquency under the secured obligation or by deed in lieu, only if the deed in lieu is recorded within ninety (90) days of its execution by the Grantor, shall extinguish the lien provided for herein as to payments which became due prior to such sale or transfer. No such sale or transfer shall relieve such Interest, or the purchaser thereof, from liability for any subsequent liability or performance thereafter becoming due or from the lien thereof.

6.4 Information Exchange with Mortgagee. The Association and a Mortgagee may exchange phone, address and account status information on Members.

## ARTICLE VII

### DAMAGE, DESTRUCTION, CONDEMNATION

7.1 In General. In the event of any damage or destruction, whether resulting from an insured casualty, uninsured casualty or a partial taking in eminent domain proceedings of the Time Share Property or the Common Furnishings other than by ordinary wear and tear, the Association shall, subject to the provisions of Paragraphs 7.2 and 7.3, forthwith cause such damage or destruction to be repaired and shall use any available insurance or condemnation proceeds for such purpose. If the damage is not covered by condemnation proceeds or by insurance proceeds, or if the available insurance or condemnation proceeds are insufficient, the Association shall, subject to the provisions of Paragraphs 7.2 and 7.3, and the next succeeding sentence, levy a Special Assessment ratably against all Owners and against Declarant for the amount required to meet the cost of such repair or restoration. In the event the damage or destruction was caused by the intentional or negligent act or omission of an Owner, Exchange User or Permitted User the cost of such repair or the amount of such deficiency shall be a Personal Charge and payable by such Owner as provided in Paragraph 5.8 above.

7.2 Extensive Damage or Destruction. In the event the amount of the Special Assessment which is required to be levied pursuant to Paragraph 7.1 above, shall exceed twenty percent (20%) or more of the budgeted gross expenses for the year, such Special Assessment shall not be levied unless both a majority of Owners and Declarant shall approve such Special Assessment. If such Special



Assessment is not so approved within one hundred eighty (180) days following the date of such damage or destruction, this Declaration shall be terminated effective upon the recordation of a Certificate of Termination executed by the President or a Vice President and the Secretary or Treasurer of the Association stating that the Declaration has been terminated in accordance with the provisions of Paragraph 9.2 of the Declaration and the Association or any Owner shall thereafter have the right to maintain an action for sale in lieu of partition as to the Project and any proceeds or condemnation proceeds received as a result of such damage or destruction, shall be distributed according to the priorities set forth in Paragraph 9.2 below.

7.3 Minor Damage or Destruction. If the damage or destruction is such in the discretion of the Board of Directors as not to significantly affect the operations of the Project as a whole, the Board of Directors may take such other action as it deems appropriate under the circumstances including no action.

7.4 Excess Insurance Proceeds. Any excess insurance or condemnation proceeds over the cost of repair or restoration or any insurance or condemnation proceeds available in the event the Time Share Project and Common Furnishings are not rebuilt, restored, repaired or replaced pursuant to the provisions of this Declaration, shall be distributed in accordance with the distribution formula set forth in Paragraph 9.2.

## ARTICLE VIII

### ANNEXATION

8.1 Annexation by Association. Upon approval in writing of the Association, pursuant to the affirmative vote or written consent of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of the Members other than Declarant, the Owner of any property who desires to add it to the plan of this Declaration and to subject it to the jurisdiction of the Association, may cause the same to be done as hereafter provided in this Article VIII, or in any other manner permitted by laws.

8.2 Annexation by Declarant. An additional one hundred twenty-nine (129) units, may be annexed by Declarant, its successors or assigns, without the consent of the Association or Members within five (5) years after the date of issuance by the Nevada Department of Real Estate of the most recent subdivision sales permit for the Project.

Annexation by Declarant shall be only on the following conditions the occurrence of which shall be certified by Declarant in the Declaration of Annexation:

(a) The real property which may be annexed shall be all or a portion of the real property described in Exhibit "B" attached hereto and incorporated herein by this reference and shall be pursuant to and in substantial conformance with the Site Plan/Plot Plan (Plan of Phased Development) (the "Plan of Phased Development") attached hereto as Exhibit "D" and incorporated herein by this specific reference. With respect to the location of the planned future phases, they shall conform substantially with the attached Plan of Phased Development or as nearly so as reasonably feasible based

upon soil testing and other locational compatibility factors, and the units in such planned future phases will be of similar quality to the existing Units in the Property; and

(b) If there has been a rental program at the annexed property for at least one (1) year prior to the date of annexation, Declarant will commit in writing concurrent with the annexation to pay into the Association at close of the first sale of an Interest in the annexed property an appropriate amount for reserves for replacement or deferred maintenance of common area improvements in the annexed phase necessitated by the use and occupancy under the rental program; and

(c) Any annexation allowed under this Declaration will not result in overburdening of common facilities; and

(d) Any annexation allowed under this Declaration will not cause a substantial increase in assessments against existing Owners; and

(e) All annexed units shall be substantially the same type, size and quality of construction as existing units and with substantially similar common areas, or will be varied upon the discretion of the Declarant, limited as set forth in subpart (f) below, based on trends in marketing timeshare interests and with the express intention to sustain and enhance the overall viability of the Project and of all owners' interests therein, and the Declarant shall so certify in any such Declaration of Annexation; and

(f) If any variance as described in subpart (e) above should occur, such that there is a material difference between the annexed units and the existing units, then (1) maintenance assessments for annexed units shall be calculated for proportionality with existing unit types pursuant to fair and equitable standards such that fixed costs shall be allocated per unit and variable costs shall be allocated by appropriate use factors, (2) for purposes of use by timeshare owners, timeshare owners of annexed units will have no right to make reservations to use a unit in the existing phase and would be limited to reserving time in units in the annexed phase such that the annexed phase would constitute a separate "type" of unit for reservation and exchange purposes, (3) the average size of the annexed units will be within 30% of the average size of the existing units; and

(g) There shall be no more than six (6) phases of annexation and no phase shall contain more than fifty (50) units.

8.3 Procedure. Any annexation authorized hereunder shall be made by the owner of the property to be annexed by recording a Declaration of Annexation with respect to the property to be annexed, which shall extend the plan of this Declaration to the property to be annexed. Such Declaration of Annexation may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the development of the annexed property and as are not inconsistent with the overall plan of this Declaration and approved by the Board of Directors. In no event, however, shall any such supplementary Declaration revoke, modify or add to the covenants, conditions and restrictions established by this Declaration for the twenty-one (21) units comprising the first phase of the Project. Any such Declaration of Annexation may be amended by Declarant without consent of the members of

the Association so long as Declarant owns more than fifty percent (50%) of the Time Shares or Condominiums subject to said Declaration of Annexation.

## ARTICLE IX

### MISCELLANEOUS PROVISIONS

#### 9.1 Amendment.

(a) Amendment by the Members. Except as provided below, a bare majority of the members, other than the Declarant, may amend this Declaration so long as Declarant consents in writing. Any amendment to this Declaration pursuant to this provision shall become effective when it has received the required approvals and a majority of the Board has executed, acknowledged and recorded in the Office of the County Recorder of Douglas County an instrument expressing the amendment and certifying that the required approvals were received.

(b) Amendment Required to Register Project. Declarant may unilaterally amend this Declaration as required by any governmental entity authorized to license the sale of time shares in the jurisdiction of that entity. Any amendment pursuant to this provision is effective upon recordation.

9.2 Termination. Subject to the provisions of the next following sentence and Paragraph 7.2, this Declaration shall remain in effect for a period of fifty (50) years from the date of recordation hereof and thereafter shall remain in effect for successive periods of ten (10) years each unless, after the expiration of the original term, an election to terminate is made by the vote or written assent of a majority of the Owners. Following such election, the Association shall cause the Project to be sold and each Owner and Declarant if still existent hereby grants to the Association a special power of attorney coupled with an interest to execute, deliver and complete all documents, papers and instruments made in connection with or necessary for the consummation of such sale. The Association, subject to the rights of the holder(s) of any existing encumbrances relating to any of the Units, shall distribute the proceeds from the sale of the Project and Common Furnishings located thereon shall be distributed to both the Owners (and Declarant as to any Interests owned by the Declarant) pro rata.

9.3 Notices. Notices provided for in this Declaration shall be in writing and shall be deemed sufficiently given when: (1) delivered personally at the appropriate address set forth below (in which event, such notice shall be deemed effective only upon such delivery); or (2) (a) three (3) days after deposit of same in any United States post office in the state to which the notice is addressed, or (b) five (5) days after deposit of same in any such post office box other than in the state to which the notice is addressed, both postage prepaid and addressed as set forth below. Notice shall be deemed given to all addressees to whom notice must be sent when notice has been deemed given under the preceding sentence. Any notice to an Owner required under this Declaration shall be addressed to the Owner at the last known address for such Owner appearing in the records of the Association or, if there be none, at the address of the Project. Notices to the Association shall be addressed to the address designated by the Association by written notice to all Owners. Notices to Declarant shall be addressed to WALLEY'S PARTNERS LIMITED PARTNERSHIP, 2001 Foothill Road, Genoa, Nevada 89411. The addresses

and addressees for purposes of this Paragraph 9.3 may be changed by giving written notice of such change in the manner herein provided for giving notice. Unless and until such written notice is received, the last address and addressee as stated by written notice or as provided herein, if no written notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

9.4 Notification of Sale of Time Share. No later than fifteen (15) days after the voluntary or involuntary sale or transfer of any Interest (except by Declarant or by deed of trust or mortgage foreclosure), the transferor shall provide notification to the Association and to the Mortgagee, if any, in writing and in whatever form, if any, required by the Association, of such sale or transfer and evidence of notice to Mortgagee. Such notice shall contain: (a) a copy of the conveyancing instrument; (b) the name and address of the transferee and transferor; (c) the date of the sale or transfer and proof by transferee of the fact that all documents relating to the Interests have been provided to the transferee and with respect to the Association; and (d) the transfer fee due the Association for the change of ownership records. In the absence of such notice, the Association shall not be required to recognize the transferee for any purpose, and any action taken, prior to the giving of such notice, by the transferee as an Owner may not be recognized by the Association. Prior to receipt of any such notification by the Association or the Managing Agent, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

9.5 Severability. If any provision of this Declaration, or any section, sentence, clause, phrase or word of the application thereof in any circumstances, shall be held invalid, the validity of the remainder of this Declaration and of the application of the provision, sentence, clause, phrase or word under any other circumstances shall not be effected thereby.

9.6 Successors. The provisions of this Declaration shall be binding upon all parties having or acquiring a Time Share or any right, title or interest therein and shall be for the benefit of each Owner and Declarant and their respective heirs, successors and assigns. Each Owner and Declarant shall be fully discharged and relieved of liability for the covenants herein as such covenants relate to each Interest: (1) upon ceasing to own such Interest, and/or (2) upon paying all sums and performing all obligations hereunder relating to each Interest.

9.7 Violation or Nuisance. Every act or omission whereby any provision of this Declaration, the Bylaws or the Rules and Regulations is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated whether or not the relief sought is for negative or affirmative action, by Declarant, the Association or any Owner.

9.8 Interpretation. The captions of the articles, paragraphs and subparagraphs hereof are for convenience only and shall not be considered to expand, modify or aid in the interpretation, construction or meaning of this Declaration. As used herein the singular shall include the plural and the masculine shall include the feminine and neuter as the context so requires.

9.9 No Waiver. The failure to enforce any provision of this Declaration shall not constitute a waiver thereof or of the right to enforce such provision thereafter.

9.10 Douglas County Assurances. Declarant acknowledges that the Project is subject to Douglas County's right to assess for costs related to serving the Project incurred by Douglas County in connection with the operation, maintenance and repair of any sewage treatment facility serving the Project, if there is a default by the owner or operator thereof requiring the County to intervene.

9.11 Douglas County Statement of Policy. Douglas County has declared it a policy to protect and encourage agricultural operations. If your property is located near an agricultural operation, you may at some time be subject to inconvenience or discomfort arising from agricultural operations. If conducted in a manner consistent with proper and accepted standards, these inconveniences and discomforts do not constitute a nuisance for purposes of the Douglas County Code.

9.12 Declarant Notices.

(a) The Declarant shall, within thirty (30) days after the end of each quarter of the Association's fiscal year, furnish to each member of the governing body of the Association at his or her residence address a statement containing the following information when applicable.

(1) A status report covering each improvement included in the offering which was scheduled for completion during the quarter according to the Planned Construction Statement for the project and each still-uncompleted improvement that was scheduled for completion during an earlier quarter.

(2) The number of time-share interests in the project owned by the Declarant as of the first and last day of the quarter.

(3) The total regular and special assessments which the Declarant became obligated to pay during the quarter as an owner of time-share interests.

(4) The total regular and special assessments paid by the Declarant to the Association during the quarter.

(5) The amount of any delinquency of the Declarant in the payment of regular and special assessments that has not been cured as of the date of the report to the governing body members.

(6) An itemized report of funds, goods and services furnished, or caused to be furnished, to the Association under a subsidization program including monetary contributions to the reserves of the Association for replacement or major repairs of common facilities in the project and an itemized monetary valuation of goods and services furnished.

(b) If the statement of the Declarant referred to in subdivision (a) is not received by the governing body members within forty-five (45) days after the end of a quarter, or if the statement as received evidences a failure by the Declarant to fulfill an obligation to the Association to

complete improvements, pay assessments as an owner time-share interests in the project or to subsidize the costs of operating the program and maintaining the project, the governing body shall meet specially, together or by conference telephone call, to discuss and to vote on the question of initiating action against the Declarant and/or the Declarant's surety to enforce the Declarant's unfulfilled obligations.

(c) The director of the Association elected solely by the votes of members of the Association other than the Declarant shall be empowered to initiate an action in the name of the Association and at the Association's expense to enforce the Declarant's unfulfilled obligation if the governing body fails to meet to consider and vote on the question of enforcing the Declarant's obligation within seventy-five (75) days after the end of the quarter or if the governing body refuses to initiate such action after having met for that purpose. If the director elected solely by the votes of members other than the Declarant determines that it is in the best interest of the members of the Association to initiate an action under the special authority, he or she shall do so in the name of the Association within ninety (90) days after the end of the quarter and the governing body shall thereafter take such steps as are necessary and appropriate in furtherance of the purpose of the action.

(d) Until satisfaction of the Developer's obligation to pay Annual Fees under the Golf Club at Genoa Lakes Benefits Agreement ("Benefits Agreement"), the surety bond securing Developer's obligation will be held by the Escrow Holder, Stewart Title Guaranty Company. Satisfaction of the Developer's obligations will be evidenced by a certified copy of a resolution of the governing body of the Association adopted not more than thirty (30) days prior to its receipt, stating that Developer has faithfully performed all of the Developer's obligations pursuant to the Benefits Agreement. If the Developer fails to perform its obligation under the Benefits Agreement, the Association shall have the right, whether through enforcement of a claim against the Surety Bond, demand upon funds drawn thereunder held by the Escrow Holder, or otherwise, to receive such sums as may be required to satisfy the Developer's obligation. In the event of a dispute between the Association and the Developer with respect to the question of satisfaction of the conditions for exoneration or release of the security, the issue or issues shall, at the request of either party, be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(e) Any disagreement or controversy between the Declarant and the Association with respect to the question of the fulfillment of the Declarant's obligations to complete and pay for improvements included in the offering, to pay for regular and special assessments as an owner of time-share interest in the project or to pay the costs of operating a time-share program and maintaining the project under a subsidization agreement shall, at the request of either party, be submitted to arbitration.

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## DESCRIPTION

All that real property situate in the County of Douglas, State of Nevada, described as follows:

A parcel of land located within a portion of the West one-half of the Northeast one-quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$ ) of Section 22, Township 13 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Commencing at the one-quarter corner common to Sections 15 and 22, T.13N., R.19E., M.D.M., a found 1985 BLM brass cap as shown on the Record of Survey prepared by David D. Winchell and recorded September 28, 1989 in the office of Recorder, Douglas County, Nevada as Document No. 211937;

thence South ~~57°32'32"~~ East, 640.57 feet to the POINT OF BEGINNING;

thence North 80°00'00" East, 93.93 feet;

thence North 35°00'00" East, 22.55 feet;

thence North 10°00'00" West, 92.59 feet;

thence North 80°00'00" East, 72.46 feet;

thence South 10°00'00" East, 181.00 feet;

thence South 80°00'00" West, 182.33 feet;

thence North 10°00'00" West, 72.46 feet to the POINT OF BEGINNING, containing 0.49 acres, more or less.

The Basis of Bearing of this description is North 00°05'30" East, the center of Section 22 to the center of Section 15, T.13N., R.19E., M.D.M. per Record of Survey prepared by David D. Winchell recorded September 28, 1989 as Document No. 211937.

The bearings of Winchell's map are rotated 00°13'08" (clockwise) to the found monuments at said center Sections.

Prepared By: R.O. ANDERSON ENGINEERING, INC.  
P.O. Box 2294  
Minden, Nevada 89423

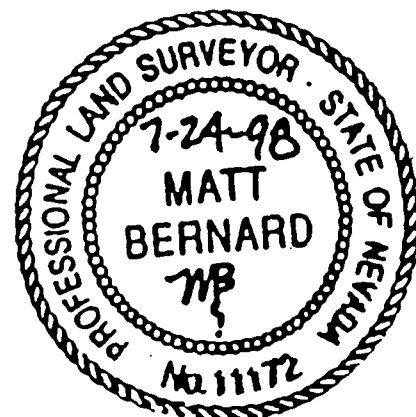


EXHIBIT "A"

0489957

BK0400PG2637



DESCRIPTION

All that real property situate in the County of Douglas, State of Nevada, described as follows:

A parcel of land located within a portion of the West one-half of the Southeast one-quarter (W $\frac{1}{2}$ SE $\frac{1}{4}$ ) of Section 15 and the West one-half of the Northeast one-quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$ ) of Section 22, Township 13 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Commencing at the one-quarter corner common to Sections 15 and 22, T.13N., R.19E., M.D.M., a found 1985 BLM brass cap as shown on the Record of Survey prepared by David D. Winchell and recorded September 28, 1989 in the office of Recorder, Douglas County, Nevada as Document No. 211937;

thence along the north-south centerline of said Section 15, North 00°03'48" West, 1322.57 feet to a found 2" iron pipe, no tag;

thence North 86°52'39" East, 249.87 feet to a point on the easterly right-of-way of Foothill Road, the northwest corner of Parcel E as shown on the Record of Survey for Walley's Hot Springs, Inc. recorded May 14, 1998 in the office of Recorder, Douglas County, Nevada as Document No. 439613, the POINT OF BEGINNING;

thence along the boundary of said Parcel E the following courses:

thence continuing North 86°52'39" East, 4.38 feet to a found fence post, no tag, per Deed recorded February 28, 1977 in the office of Recorder, Douglas County, Nevada in Book 277, at Page 1249;

thence South 89°20'43" East, 1064.63 feet;

thence South 00°04'09" West, 2621.92 feet to a point on the north-south 1/16 line of the Northeast one-quarter of said Section 22;

thence South 89°11'10" West, 1178.84 feet to a found  $\frac{1}{2}$ " rebar, no tag, a point on said easterly right-of-way of Foothill Road;

thence along said easterly right-of-way along the arc of a curve to the left, nontangent to the preceding course, having a radius of 1240.00 feet, central angle of 02°22'15", arc length of 51.31 feet, chord bearing North 05°40'39" East, and chord distance of 51.31 feet;

EXHIBIT "B"

0489957

BK0400PG2638

thence North 04°29'31" East, 313.93 feet;  
thence along the arc of a curve to the right having a radius of 1160.00 feet, central angle of 24°21'00", arc length of 492.99 feet, chord bearing North 16°40'01" East, and chord distance of 489.28 feet;

thence North 28°50'31" East, 265.21 feet;  
thence along the arc of a curve to the left having a radius of 1240.00 feet, central angle of 54°31'00", arc length of 1179.85 feet, chord bearing North 01°35'01" East, and chord distance of 1135.85 feet;

thence North 25°40'29" West, 499.42 feet to the POINT OF BEGINNING, containing 56.32 acres, more or less.

EXCEPTING THEREFROM THE FOLLOWING:

DESCRIPTION  
Adjusted Parcel F

All that, real property situate in the County of Douglas, State of Nevada, described as follows:

A parcel of land located within a portion of the West one-half of the Northeast one-quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$ ) of Section 22, Township 13 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Commencing at the one-quarter corner common to Sections 15 and 22, T.13N., R.19E., M.D.M., a found 1985 BLM brass cap as shown on the Record of Survey prepared by David D. Winchell and recorded September 28, 1989 in the office of Recorder, Douglas County, Nevada as Document No. 211937;

thence South 57°32'32" East, 640.57 feet to the POINT OF BEGINNING;

thence North 80°00'00" East, 93.93 feet;

thence North 35°00'00" East, 22.55 feet;

thence North 10°00'00" West, 92.59 feet;

thence North 80°00'00" East, 72.46 feet;

thence South 10°00'00" East, 181.00 feet;

thence South 80°00'00" West, 182.33 feet;

thence North 10°00'00" West, 72.46 feet to the POINT OF BEGINNING, containing 0.49 acres, more or less.

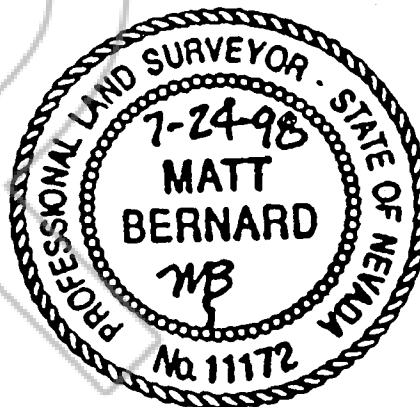
EXHIBIT "B"

0489957  
BK0400PG2639

THE TOTAL AREA OF THE SUBJECT PARCEL IS 55.83 ACRES, MORE OR LESS.

the Basis of Bearing of this description is North 00°05'30" East, the center of Section 22 to the center of Section 15, T.13N., R.19E., M.D.M. per Record of Survey prepared by David D. Winchell recorded September 28, 1989 as Document No. 211937. The bearings of Winchell's map are rotated 00°13'08" (clockwise) to the found monuments at said center Sections.

Prepared By: R.O. ANDERSON ENGINEERING, INC.  
P.O. Box 2294  
Minden, Nevada 89423



**Description**  
**Access Easement and Parking Area Easement**

All that real property situate in the County of Douglas, State of Nevada, described as follows:

A fifty foot wide strip of land for access purposes located within a portion of the West one-half of the Northeast one-quarter ( $W\frac{1}{2}NE\frac{1}{4}$ ) of Section 22, Township 13 North, Range 19 East, Mount Diablo Meridian, the centerline of which is more particularly described as follows:

Commencing at the  $\frac{1}{4}$  corner common to Sections 15 and 22, T.13N., R.19E., M.D.M., a found 1985 BLM brass cap as shown on the Record of Survey to Support a Boundary Line Adjustment for Wally's Partners Ltd. Partnership recorded September 17, 1998 in the office of Recorder, Douglas County, Nevada as Document No. 449576;

thence South  $48^{\circ}18'41''$  East, 512.42 feet to a point on the easterly right-of-way of Foothill Road, THE POINT OF BEGINNING;

thence South  $61^{\circ}29'04''$  East, 11.24 feet;

thence along the arc of a curve to the right having a radius of 53.50 feet, central angle of  $45^{\circ}00'00''$ , arc length of 42.02 feet, and chord bearing and distance of South  $38^{\circ}59'04''$  East, 40.95 feet;

thence South  $16^{\circ}29'04''$  East, 31.42 feet;

thence along the arc of a curve to the left having a radius of 36.50 feet, central angle of  $45^{\circ}00'00''$ , arc length of 28.67 feet, and chord bearing and distance of South  $38^{\circ}59'04''$  East, 27.94 feet;

thence South  $61^{\circ}29'04''$  East, 27.65 feet;

thence North  $28^{\circ}30'56''$  East, 49.73 feet;

thence along the arc of a curve to the left having a radius of 168.00 feet, central angle of  $45^{\circ}58'31''$ , arc length of 134.81 feet, and chord bearing and distance of North  $05^{\circ}31'41''$  East, 131.22 feet;

thence North  $17^{\circ}27'35''$  West, 2.90 feet;

thence along the arc of a curve to the right having a radius of 134.50 feet, central angle of  $41^{\circ}29'33''$ , arc length of 97.40 feet, and chord bearing and distance of North  $03^{\circ}17'12''$  East, 95.29 feet;

thence along the arc of a curve to the left having a radius of 1275.00 feet, central angle of  $00^{\circ}07'52''$ , arc length of 2.92 feet, and chord bearing and distance of North  $23^{\circ}58'02''$  East, 2.92 feet to the TERMINUS of this description, containing 21,437 square feet more or less.

**EXHIBIT "C"**

0489957

BK0400PG2641

Together with a parcel of land for parking area purposes located within a portion of the West one-half of the Northeast one-quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$ ) of Section 22, Township 13 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Commencing at the  $\frac{1}{4}$  corner common to Sections 15 and 22, T.13N., R.19E., M.D.M., a found 1985 BLM brass cap as shown on the Record of Survey to Support a Boundary Line Adjustment for Walley's Partners Ltd. Partnership recorded September 17, 1998 in the office of Recorder, Douglas County, Nevada as Document No. 449576;

thence South 57°32'32" East, 640.57 feet to the northwesterly corner of Adjusted Parcel F as shown on said Record of Survey, the POINT OF BEGINNING;  
thence along the boundary of said Adjusted Parcel F, South 10°00'00" East, 72.46 feet;  
thence South 80°00'00" West, 45.36 feet;  
thence North 28°30'56" East, 13.36 feet;  
thence along the arc of a curve to the left having a radius of 193.00 feet, central angle of 45°58'31", arc length of 81.87 feet, and chord bearing and distance of North 05°31'41" East, 150.75 feet;  
thence North 17°27'35" West, 2.90 feet;  
thence along the arc of a curve to the right having a radius of 109.50 feet, central angle of 41°29'33", arc length of 79.30 feet, and chord bearing and distance of North 03°17'12" East, 77.58 feet;  
thence along the arc of a compound curve to the right having a radius of 1300.00 feet, central angle of 00°07'52", arc length of 2.97 feet, and chord bearing and distance of North 23°58'02" East, 2.98 feet;

thence South 66°05'54" East, 52.36 feet;  
thence South 22°26'20" West, 2.05 feet;  
thence South 67°33'40" East, 43.50 feet;  
thence South 22°26'20" West, 4.36 feet;  
thence South 67°33'40" East, 12.70 feet;  
thence along the boundary of said Adjusted Parcel F, South 10°00'00" East, 83.38 feet;  
thence continuing along said boundary, South 35°00'00" West, 22.55 feet;  
thence continuing along said boundary, South 80°00'00" West, 93.93 feet to the POINT OF BEGINNING, containing 15,950 square feet, more or less.

Note: Refer this description to your title company before incorporating into any legal document.

Prepared By: R.O. ANDERSON ENGINEERING, INC.  
P.O. Box 2294  
Minden, Nevada 89423

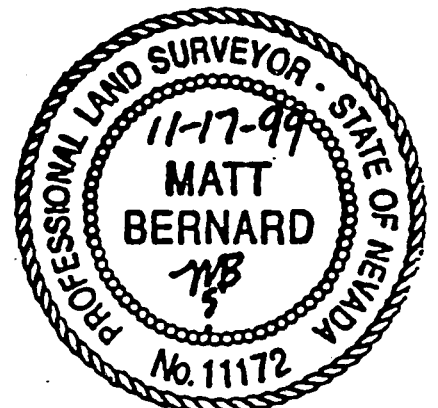
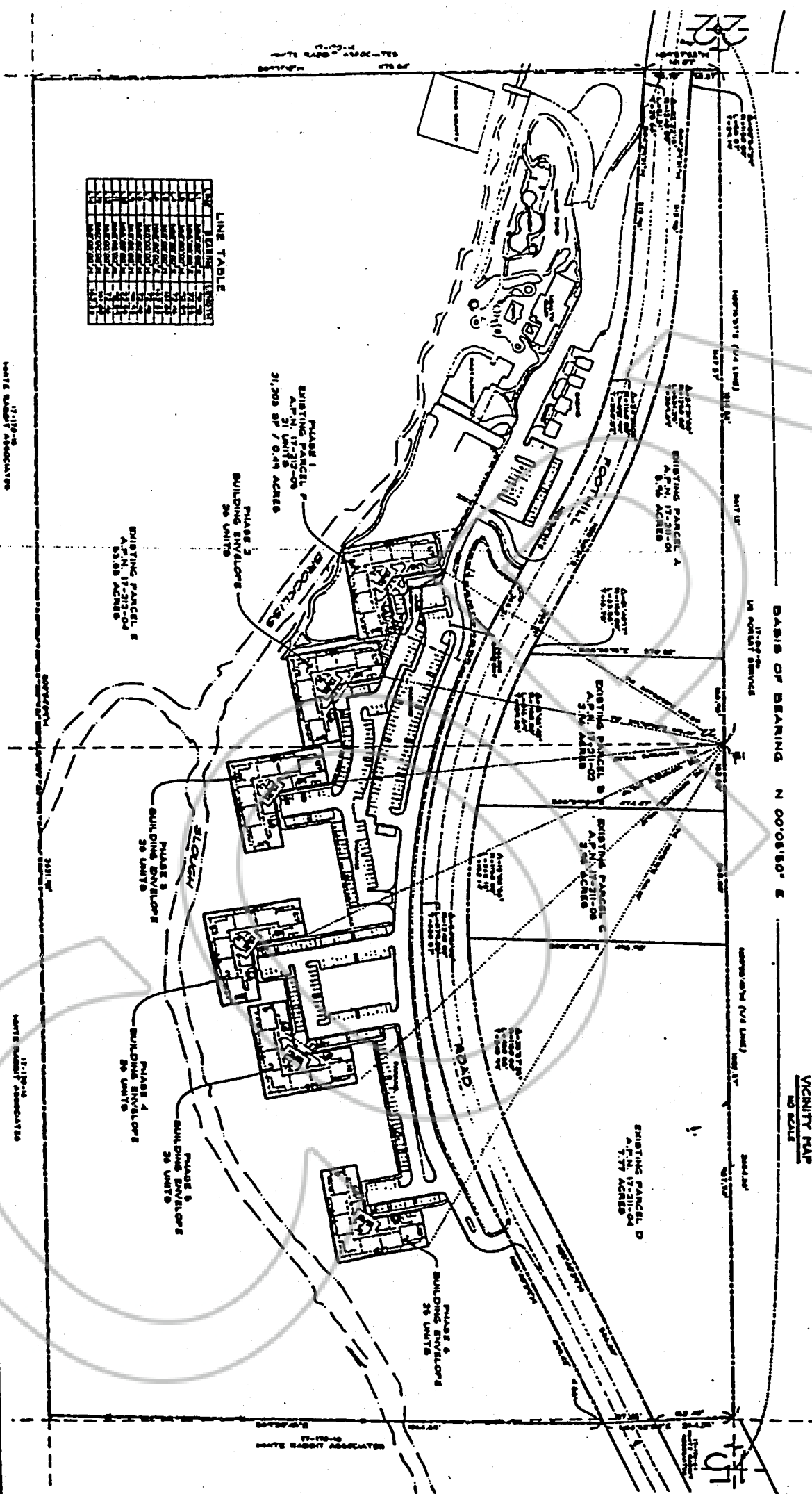


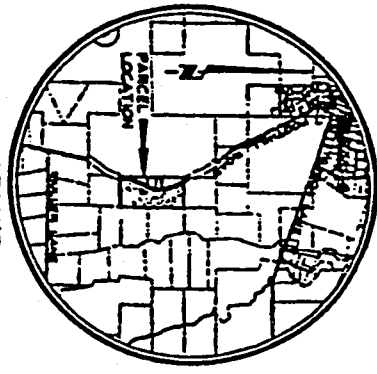
EXHIBIT "C" 0489957  
BK0400PG2642





LINE TABLE

NO.	DESCRIPTION	LENGTH
1	EXISTING PARCEL A	1.20 ACRES
2	EXISTING PARCEL B	1.20 ACRES
3	EXISTING PARCEL C	1.20 ACRES
4	EXISTING PARCEL D	1.20 ACRES
5	EXISTING PARCEL E	1.20 ACRES
6	EXISTING PARCEL F	1.20 ACRES
7	EXISTING PARCEL G	1.20 ACRES
8	EXISTING PARCEL H	1.20 ACRES
9	EXISTING PARCEL I	1.20 ACRES
10	EXISTING PARCEL J	1.20 ACRES
11	EXISTING PARCEL K	1.20 ACRES
12	EXISTING PARCEL L	1.20 ACRES
13	EXISTING PARCEL M	1.20 ACRES
14	EXISTING PARCEL N	1.20 ACRES
15	EXISTING PARCEL O	1.20 ACRES
16	EXISTING PARCEL P	1.20 ACRES
17	EXISTING PARCEL Q	1.20 ACRES
18	EXISTING PARCEL R	1.20 ACRES
19	EXISTING PARCEL S	1.20 ACRES
20	EXISTING PARCEL T	1.20 ACRES
21	EXISTING PARCEL U	1.20 ACRES
22	EXISTING PARCEL V	1.20 ACRES
23	EXISTING PARCEL W	1.20 ACRES
24	EXISTING PARCEL X	1.20 ACRES
25	EXISTING PARCEL Y	1.20 ACRES
26	EXISTING PARCEL Z	1.20 ACRES



<p><b>DAVID WALLEY'S RESORT</b> A COMMERCIAL SUBDIVISION</p> <p><b>Anderson</b> ENGINEERING, INC.</p> <p>12-11-2014 WALTER SABBAT ASSOCIATES</p>	<p><b>SITE PLAN/PLOT PLAN</b> PLAN OF PHASED DEVELOPMENT</p> <p>12-11-2014 WALTER SABBAT ASSOCIATES</p>	<p>DATE: 12-11-2014 DRAWN BY: [Name] CHECKED BY: [Name] SCALE: 1" = 100'</p>
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EXHIBIT "D"

0489957  
BK0400PG2644

COPY

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

2000 APR 14 PM 3: 15

LINDA SLATER  
RECORDER

\$54<sup>00</sup> PAID *ka* DEPUTY

0489957

BK0400PG2645