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**DECLARATION OF RESTRICTIONS
FOR
FAIRFIELD TAHOE AT SOUTH SHORE**

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Prepared by and Return to:
Fairfield Resorts, Inc.
ATT: Julie Duffy
8427 SouthPark Circle, Suite 500
Orlando, FL 32819

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**DECLARATION OF RESTRICTIONS
FOR
FAIRFIELD TAHOE AT SOUTH SHORE**

Fairfield Resorts, Inc., a Delaware corporation ("**Developer**"), declares as follows:

1. **Location of the Project.** This Declaration pertains to certain condominium units contained within an existing condominium project (the "Condominium Project") located at 180 Elks Point Road, Zephyr Cove, Douglas County, Nevada, which condominium units have been acquired by the Developer, and which units are more particularly described in Exhibit "A" hereto (the "Subject Units"). The Developer currently intends that the Subject Units, together with any additional condominium units in the Condominium Project that the Developer may acquire in the future for dedication hereunder, will be a timeshare project (the "Resort Facility"). This Declaration provides the mechanisms and procedures for the Resort Facility and its operation, as well as the use thereof by Owners and Occupants.

2. **Definitions and Terms of Reference Used in this Declaration.** The following words and phrases are used in this Declaration (unless the context should clearly reflect another meaning) to assist in the understanding of this document:

2.1 "**Annual Budget**" means the estimated operating budget of the Association prepared and adopted by the Timeshare Board for a particular fiscal year. The Annual Budget states the anticipated expenses of the Association for the current year, which include management costs and expenses, Taxes applicable to the VOI Units and the Resort Facility, maintenance and repair costs for the Resort Facility and its improvements, dues payable to the Condominium Association, and operation of the Reservation System.

2.2 "**Annual Ownership Interest**" means a VOI owned by an "**Annual Owner**" (an Owner who has the right to occupy a VOI Unit in each Resort Year by using their annually allocated "**Points**" (the currency by which occupancy rights and the ability to make a reservation are determined under the Plan)).

2.3 "**Assessment**" means the amounts levied against the Owners by the Association to fund the operation of the Resort Facility and the Plan. There are two types of Assessments:

(a) a "**Special Assessment**" - a share of funds required to pay Plan Expenses which may be levied against an Owner in addition to the Timeshare Plan Assessment; and

(b) "**Timeshare Plan Assessment**" - a share of the costs and expenses pertaining to the management, use and occupancy of the Resort Facility including, without limitation, an allocated portion of the Common Assessments.

2.4 "**Association**" means the Tahoe at South Shore Vacation Owners Association, Inc., a Nevada nonprofit corporation. The Association is governed through its "**Articles**" (the Articles of Incorporation of the Association, the document organizing the Association, and its "**By-Laws**"). The Association is governed by the "**Timeshare Board**" (consisting of the Association's directors), which may pass "**Rules and Regulations**" concerning the operation and use of the Resort Facility.

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2.5 "**Biennial Ownership Interest**" means a VOI owned by an "**Biennial Owner**" (an Owner who has the right to occupy a VOI Unit in every other Resort Year – either an "**Odd Numbered Year**" (a year ending with the number 1, 3, 5, 7 or 9) or an "**Even Numbered Year**" (a year ending with the number 2, 4, 6, 8 or 0).

2.6 "**Common Assessment**" shall have the meaning described in the Condominium Declaration.

2.7 "**Common Elements**" shall have the meaning described in the Condominium Declaration.

2.8 "**Common Element Furnishings**" shall mean and furniture, fixtures and equipment owned by the Condominium Association and located within the Common Elements.

2.9 "**Condominium Association**" means the association of condominium Units owners under the Condominium Declaration.

2.10 "**Condominium**" or "**Condominium Project**" means the condominium project known as South Shore Condominium, as described in the Condominium Declaration.

2.11 "**Condominium Declaration**" shall mean that certain Declaration of Condominium – South Shore recorded December 5, 2002 In Book 1202 at Page 02182 as Instrument No 0559873, Official Records of Douglas County, Nevada, as the same may be amended from time to time.

2.12 "**Contract Number**" means the number assigned to an Owner's VOI by the Developer upon conveyance to such Owner.

2.13 "**Declaration**" means this document, as may be amended from time to time, together with the exhibits hereto. The Declaration is the timeshare instrument creating and governing the Resort Facility, including the Plan.

2.14 "**Declaration of Dedication**" means a Declaration of Dedication meeting the requirements of Section 3.1 hereof, identifying the VOI Units to be subjected to this Declaration, which Declaration of Dedication is filed with the Secretary of the Association and recorded in the Douglas County Records Office, in the manner prescribed herein.

2.15 "**Deed**" means the Grant, Bargain and Sale Deed that conveys title to a VOI to an Owner.

2.16 "**Developer**" means Fairfield Resorts, Inc., a Delaware corporation, and its grantees, successors and assigns.

2.17 "**Governing Documents**", as used herein, means both (i) the documents that create the Plan and govern the operation of the Association, including, but not limited to, the Declaration, Articles, By-Laws and Rules and Regulations, and (ii) the "Governing Documents", as such term is defined in the Condominium Declaration.

2.18 "**Holdover Occupant**" means an Occupant of a VOI Unit who fails to vacate a VOI Unit at the conclusion of the Timeshare Period or at such earlier time as may be fixed by the Rules and Regulations.

2.19 "**Management Agreement**" means a contract between the Association and a "**Management Firm**" to provide some or all of the management services for the Resort Facility and the Plan.

2.20 "**Management Firm**" means the person or entity responsible for operating and maintaining the Resort Facility and the Plan.

2.21 "**Occupant**" means any person occupying or permitted to occupy a VOI Unit, including, but not limited to (a) the Owner, (b) members of the Owner's family, (c) the Owner's guests, tenants, licensees, invitees, and (d) any renters or exchange program participants, and their respective family members, guests, tenants, licensees and invitees.

2.22 "**Owner**" means a person who owns record title to a VOI, and its heirs, successors and assigns.

2.23 "**Plan**" or "**Vacation Ownership Plan**" means the timeshare plan established for the Resort Facility by this Declaration pursuant to the Timeshare Act. The Plan consists solely of "**Timeshare Estates**" (a right to occupy a timeshare unit coupled with a freehold estate). Under the Plan, a VOI is the Timeshare Estate.

2.24 "**Plan Expenses**" means the costs incurred in the operation of the Resort Facility, including Taxes.

2.25 "**Points**" shall mean the symbolic units of measurement of the Usage Rights of an Owner of a VOI, as set forth in the Reservation System Rules and Regulations.

2.26 "**Preferred Mortgagee**" means a bank, a federal or state savings and loan association, an insurance company, a mortgage company, a real estate investment or business trust, a pension fund, an agency of the United States government, any other lender generally recognized as an institutional type lender owning and holding a mortgage encumbering a VOI or a VOI Unit. The Developer or its assigns is a Preferred Mortgagee with respect to mortgages which it holds encumbering a VOI.

2.27 "**Property**" shall have the meaning given to said term in the Condominium Declaration.

2.28 "**Purchase Contract**" means the contract by which an Owner purchases and Developer sells a VOI.

2.29 "**Reservation System**" means the method provided by the Association to enable the use of Points to secure a reservation by a VOI Owner in a VOI Unit, as detailed in the "**Reservation System Rules and Regulations for the Plan**" established to govern the operation of the Plan.

2.30 "**Resort Facility**" means the Fairfield Tahoe at South Shore timeshare project created by this Declaration.

2.31 "**Resort Year**" means the twelve month period during which a VOI Owner can secure a right of occupancy, subject to the Reservation System Rules and Regulations for the Plan.

2.32 "**Rules and Regulations**" means, collectively, any Rules and Regulations adopted by the Timeshare Board for the use of the Resort Facility (which may incorporate by reference any Rules and Regulations adopted by the Condominium Association under the Condominium Declaration), together with any Reservation System Rules and Regulations adopted by the Timeshare Board.

2.33 "**Service Period**" means the period of time between check-out and check-in which is to be used by the Association to clean, service and maintain a VOI Unit.

2.34 "**Subject Units**" shall be the Units described on Exhibit "A" hereto, which shall be the initial VOI Units hereunder.

2.35 "**Taxes**" means any applicable ad valorem real estate taxes and special assessments levied by Douglas County or by any other governmental taxing authority against the VOI Units or the VOI Unit Furnishings.

2.36 "**Timeshare Act**" means Chapter 119A, Nevada Revised Statutes, the statutes existing of the effective date of this Declaration which regulate the Plan.

2.37 "**Timeshare Period**" means a VOI Owner's period of occupancy in a VOI Unit which is reserved in accordance with the Reservation System Rules and Regulations for the Plan.

2.38 "**Unit**" shall have the meaning described in the Condominium Declaration.

2.39 "**VOI Unit Type**" means the different types of Units in the Resort Facility. There are five VOI Unit Types: (a) a "**One Bedroom VOI Unit**," which contains 1 bedroom, 1 bathroom and approximately 846-906 square feet; (b) a "**Two Bedroom VOI Unit**," which contains 2 bedrooms, 1.75 bathrooms and approximately 1004-1037 square feet; (c) a "**Two Bedroom Presidential Unit**" which is a Two Bedroom VOI Unit with a premium VOI Unit Furnishings package; (d) a "**Three Bedroom VOI Unit**," which contains 3 bedrooms, 2 bathrooms and approximately 1239-1270 square feet, and (e) a "**Three Bedroom Presidential Unit**" which is a Three Bedroom VOI Unit with a premium VOI Unit Furnishings package.

2.40 "**Usage Right**" means the right of each VOI Owner to reserve, on a first come, first served basis, a Timeshare Period in a VOI Unit in any VOI Unit Type, through the redemption of Points, and subject to the Reservation System Rules and Regulations for the Plan.

2.41 "**Vacation Ownership Interest**" or "**VOI**" means an undivided interest as a tenant in common with other Owners in a VOI Unit or group of VOI Units submitted to the Plan. A VOI is expressed as a fraction that may relate to the number of Points allocated to the Owner for occupancy under the Plan (to be used pursuant to the Reservation System Rules and Regulations of the Plan).

2.42 "**VOI Unit**" means a Unit which has become dedicated to the Plan pursuant to the terms of this Declaration, and in which VOIs have been created.

2.43 "**VOI Unit Furnishings**" means the items contained within a VOI Unit for use of the Occupants thereof, including, but not limited to, furniture, fixtures, appliances,

carpeting and utensils. VOI Unit Furnishings also include all finished interior surfaces within the VOI Unit.

3. **Submission of Units to the Declaration.** The Developer is the owner of the Subject Units legally described in Exhibit "A" hereto. That Subject Units are hereby (i) submitted by the Developer to this Declaration as VOI Units and (ii) dedicated to timeshare ownership, without the recordation of a Declaration of Dedication. The Developer reserves the right to dedicate additional Units under this Declaration by the recording of a Declaration of Dedication as discussed in Section 3.1 below.

3.1 **When a Unit Becomes Part of the Plan; When a VOI Unit can be Withdrawn from the Plan.** Timeshare Estates will or may be created with respect to Units in the Condominium Project. With the exception of the Subject Units, which are dedicated to timeshare ownership by the recordation of this Declaration, a Unit is not a part of the Plan until a Declaration of Dedication is recorded by the Developer with respect to said Unit. At such time, the Unit becomes a VOI Unit and is deemed to be submitted to the Plan. The Developer can create VOI in one or more VOI Units in amounts specified by the Developer in the Declaration of Dedication, as the Developer may decide in Developer's sole discretion.

Each VOI Unit shall have an ownership interest in the Common Elements and shall be responsible for an allocated share of the Common Expenses of the Condominium Project calculated in accordance with the formulas set forth in the Condominium Declaration.

Developer may withdraw VOI Units from the Plan upon the recordation of a Declaration of Withdrawal containing all of the information applicable as if such Unit were being dedicated, including a statement that the Unit is no longer subject to this Declaration. At such time, the VOI Unit becomes a Unit and is thereafter deemed to be removed from the Plan. No such removal shall occur unless Developer owns all the Timeshare Estates in said VOI Unit.

3.2 **Description and Mechanisms of the Plan and its Components and Processes.**

3.2.1 **General Information Pertaining to VOIs.** The Developer is solely responsible for creating, offering for sale and conveying title (by Deed) to a VOI. The Developer, as it deems appropriate, may create a VOI in one or more VOI Units. When a VOI is purchased, it includes certain Usage Rights described herein. The VOI is expressed as a fraction which is related to the Points allocated to the Owner for occupancy under the Plan (to be used pursuant to the Reservation System Rules and Regulations of the Plan). The Developer will allocate Points to one or more VOI Units in order to allow VOIs to be created. With respect to the Subject Units, this allocation is contained in Exhibit "B" hereto. With respect to any additional Units which may be dedicated under this Plan in the future, the allocation must be contained in the Declaration of Dedication for such VOI Units. The Developer will set a maximum total number of Points for each VOI Unit(s). This will allow reservations to be made for 52 weeks of occupancy in the VOI Unit(s) (subject to Service Periods and periodic maintenance) each Resort Year.

3.2.2 **Method of Calculation of VOIs.** There are 2 types of VOIs – Annual Ownership Interests and Biennial Ownership Interests.

(a) **Annual Ownership Interest.** An Annual Ownership Interest is calculated by the following formula:

Points Allocated Annually with the VOI Purchased

Total Number of Points Allocated to the VOI Units in which the VOI is located

Each Annual Owner can use their Points during each Resort Year, subject, however, to the Plan and the Reservation System Rules and Regulations for the Plan. The Points assigned to an Annual Owner expire at the end of each Resort Year and renew at the beginning of the next Resort Year.

(b) **Biennial Ownership Interest.** A Biennial Ownership Interest is calculated by the following formula:

$\frac{1}{2}$ x Points Allocated Biennially with the VOI Purchased

Total Number of Points Allocated to the VOI Units in which the VOI is located

A Biennial Owner will have occupancy rights only every other Resort Year, and it is only during that year that the Biennial Owner can use his Points, subject to the Plan and the Reservation System Rules and Regulations for the Plan. A Biennial Owner for an Even Numbered Year may occupy a VOI Unit during an Even Numbered Year but not during an Odd Numbered Year. Likewise, a Biennial Owner for an Odd Numbered Year cannot occupy a VOI Unit during an Even Numbered Year. Under the Plan, there are no Points for use in the year in which a Biennial Owner does not have occupancy rights. A Biennial Owner has voting rights and other rights as an Owner and member of the Association every year, and has Assessment obligations and other rights measured by Points that are $\frac{1}{2}$ of those of an Annual Owners who have the same number of Points that a Biennial Owner has in his or her occupancy year. A Biennial Owner will have Points allocated for reserving occupancy, and can only use Points, every other year.

3.2.3 VOI Usage Rights. Each Owner has "floating" Usage Rights, whereby a VOI Owner can reserve occupancy during any portion of the Resort Year in any VOI Unit Type, subject to the level of Points needed for certain accommodations, space availability, and the Reservation System Rules and Regulations for the Plan (there is no guarantee that a particular Timeshare Period will be available).

3.2.4 Creation of Annual Ownership Interests and Biennial Ownership Interests. The Deed conveying a VOI in a VOI Unit or group of VOI Units will indicate whether the conveyance of an interest in that VOI Unit(s) is intended to be an Annual Ownership Interest or a Biennial Ownership Interest. If no reference is made in the Deed, Annual Ownership Interests shall be deemed to have been created in such VOI Unit(s); provided, however, that if the Owner's contract with the Developer contemplates that the Owner should have received a Biennial Ownership Interest, then the Developer may require the Owner to re-convey the VOI, and upon such re-conveyance the Developer will convey the contemplated Biennial Ownership Interest. Until the VOI Owner re-conveys the VOI to Developer, the VOI Owner shall have no occupancy rights under the Plan. The Developer cannot allocate Points to VOIs in one or more VOI Units which exceed 100% of the total number of Points originally allocated to VOIs in such VOI Unit(s).

3.2.5 Contents of the Deed to the VOI. The Deed will (a) contain the Contract Number assigned by the Developer; (b) express the Owner's VOI as a fraction; (c) contain the number of Points allocated to the Owner at the time of purchase of the VOI; (d) indicate whether an Annual Ownership Interest or a Biennial Ownership Interest is being

conveyed; and (e) specify the Usage Right associated with the VOI. All future deeds, mortgages and other recorded documents pertaining to the VOI must include the Contract Number and the Points allocated.

3.2.6 Effect of Purchase of Additional VOI. If an Owner purchases an additional VOI, there will be a separate Deed, containing a separate Contract Number and Points allocation, and there will be no consolidation of VOIs. However, an Owner can utilize the Points from multiple VOIs together to secure a reservation subject to the Reservation System Rules and Regulations for the Plan.

3.2.7 Effect of Reacquisition of a VOI by Developer. If the Developer reacquires title to a VOI (whether by deed, foreclosure or otherwise), the Contract Number originally assigned to the VOI will no longer exist, and the Developer will have the rights to those Points. The Developer can then reallocate the Points when the VOI is sold (at which time a new Contract Number will be assigned).

3.2.8 Developer Reserved Rights for Modifications. Subject to applicable law, the Developer may reconfigure, by design, size or number, the VOI Units or bedrooms, floors and the Points corresponding to one or more VOI Units without the consent or approval of the Owners.

3.3 Expenses of the Plan. The Annual Budget allocates Timeshare Plan Assessments which are to be paid by the Owners of VOIs. These amounts are allocated based upon Points allocated for use. Annual Owners having the same level of VOI ownership and allocated Points will pay equal Timeshare Plan Assessments. Biennial Owners who have the same number of Points (as an Annual Owner) allocated every other year will pay each year 1/2 of the amount paid by Annual Owners. All of these charges will be charged on the basis of 1,000 Points (or portion thereof) allocated to such Owner. For example, if an Annual Owner is required to pay \$2.92 per 1,000 Points assigned to such Owner's VOI, a Biennial Owner that is biennially allocated the same number of Points in the year of occupancy as an Annual Owner will pay \$1.46 per 1,000 Points allocated to the Biennial Owner during the Resort Year in which the Biennial Owner has occupancy rights through the Plan. The fees referenced above are only examples and are subject to change from time to time.

3.4 Reservation System of the Plan. The Timeshare Board will establish the Reservation System to allow VOI Owners to secure occupancy of VOI Units. If a VOI Owner is delinquent in the payment of Assessments, he cannot reserve occupancy in any VOI Unit or use a previously-reserved VOI Unit (he will not be allowed to check in).

The Developer has created the initial Reservation System Rules and Regulations for the Plan, and the Developer may unilaterally change them from time to time until the Developer has transferred control of the Association to the Owners other than the Developer. Afterwards, the affirmative vote of (a) 4/5 of the members of the Timeshare Board and (b) the Developer is required to amend the Reservation System Rules and Regulations for the Plan.

An Owner may use another reservation or exchange system which may be provided by the Association or otherwise made available to the Owner from time to time. However, such use is subject to this Declaration and the Owner will still be required to pay for the costs of the Reservation System through the Timeshare Plan Assessment.

3.5 Periodic Maintenance of VOI Units. An Owner's right to occupy a VOI Unit is subject to the need for periodic maintenance. The Management Firm may reserve such time periods as are necessary from time to time in each VOI Unit for such maintenance, and has a priority right to reserve the period of time to conduct maintenance activities. Maintenance of each VOI Unit does not have to occur at the same time.

The Association is responsible for all service and maintenance of a VOI Unit, but can assign that duty to the Management Firm pursuant to the Management Agreement. Maintenance of the VOI Units will occur when needed. Maintenance may involve repairs, cleaning and painting, as well as anything else that the Association determines is necessary and appropriate for the VOI Unit.

3.6 Service Periods. Separate from annual maintenance activities, each VOI Unit will receive routine housekeeping service (meaning changing of linens and towels, vacuuming and dusting, and other cleaning services) and minor maintenance, if necessary, during the Service Period. The Management Firm may provide, for a fee, housekeeping services for an Owner during periods of occupancy.

3.7 Condominium Declaration Controls. The Condominium Declaration shall control to the extent of any conflict between the provisions of the Condominium Declaration and the provisions of this Declaration where such provisions relate to the Property, the Condominium Project or the distribution of condemnation or insurance proceeds.

This Declaration shall control the operation of the Association, the Resort Facility, the Plan, and the VOI Units, the VOI Unit Furnishings, and the Usage Rights.

4. The Association.

4.1 Organizational Structure. The Association, a non-profit Nevada corporation, is the governing body for the operation of the Resort Facility. The Timeshare Board and its officers follow this Declaration, the Articles and the By-laws in governing the Association. The Timeshare Board may take the actions necessary for the operation of the Association, unless the Governing Documents otherwise specifically require a vote of the Owners on a particular matter.

4.2 Composition of the Timeshare Board of Directors. The initial Timeshare Board shall consist of three people appointed by the Developer. At the first annual meeting of VOI Owners, the Timeshare Board shall be expanded to five directors. Neither the officers nor the directors of the Association shall be required to be Owners. Election of Directors shall be in accordance with the By-Laws.

4.3 Membership in the Association.

4.3.1 Qualifications. All Owners are members of the Association, including the Developer.

4.3.2 Transfer of Membership. Membership in the Association goes with the ownership of a VOI, and cannot be separated from such ownership. Membership can only be transferred in conjunction with the sale of a VOI, and the transfer can only go to the new Owner. Any other attempt to transfer membership in the Association is automatically void and

has no effect. The transfer of record title to a VOI serves to automatically transfer membership rights to the new Owner.

4.3.3 Voting Rights. Each Annual Owner will have 1 vote for each VOI owned by such Annual Owner, and each Biennial Owner will have 1/2 vote for each VOI owned by such Biennial Owner, regardless of the number of Points owned. The Developer will have 1 vote for every 77,000 Points that have not been allocated to non-Developer Owners. These voting rights are further explained and clarified in the Articles and By-Laws. Voting will only occur where required to occur by the Timeshare Act or otherwise stated in this Declaration, the Articles or the By-Laws.

4.4 Powers and Duties of the Association.

4.4.1 Maintenance and Management of the Resort Facility. The Association is responsible for the maintenance, repair and replacement of the interiors of the VOI Units and the VOI Unit Furnishings, and for the operation and management of the Plan (including, but not limited to, the Reservation System). The Association shall enter into an agreement with a Management Firm to provide necessary services and maintenance for the Owners, and the Management Firm may hire other firms or companies as it may determine to provide services which are in the best interest of the Association according to the Management Firm.

The Association's duties include the following:

(a) **Interior Color Modifications.** The Association shall determine the interior color scheme, decor for the VOI Unit Furnishings, and the time when it is proper to redecorate and replace the VOI Unit Furnishings. The Association shall maintain all VOI Unit Furnishings, when necessary, with furniture, fixtures and the like that are consistent with the quality and nature initially provided by the Developer. The Association shall maintain and replace, when necessary, the VOI Unit Furnishings in the Two Bedroom Presidential Units and the Three Bedroom Presidential Units with items of a premium quality consistent with the quality and nature initially provided by the Developer in those Presidential Units.

(b) **Utility Services.** To the extent not provided by the Condominium Association, the Association will acquire water, sewer, garbage disposal, electrical, telephone, gas, cable television and other necessary utility services for the Resort Facility.

(c) **Insurance.** To the extent not provided by the Condominium Association, the Association will obtain, maintain and enforce the policies of insurance as required herein.

(d) **Rules and Regulations.** The Association, through the Timeshare Board in its sole discretion, may make, establish, modify and repeal Rules and Regulations for the use and enjoyment of the VOI Units. Any such Rules and Regulations must be consistent with any rules and regulations adopted by the Condominium Association.

(e) **Reservation System Rules and Regulations for the Plan.** The Association will oversee the Reservation System Rules and Regulations for the Plan.

(f) **Assessments.** The Association will collect Assessments from the Owners in accordance with the Timeshare Act and all applicable laws.

(g) **Enforcement of Restrictions and Rules.** The Association will undertake all necessary actions to enforce the provisions of this Declaration, the Articles, the By-Laws or the Rules and Regulations.

(h) **Compliance with the Act – Miscellaneous Duties.** The Association will undertake and perform all duties of a managing entity as required by the Act. The Management Firm has a fiduciary duty to the Owners (meaning a duty to act for the benefit of the Owners, and is a high standard of care). In this regard, some of the duties of the Association in this regard are the following:

(i) The duty to provide, each year, to all Owners an itemized Annual Budget which shows all receipts and expenditures, (provision of all Annual Budgets and other operating statements and financial documentation shall be mailed to each Owner);

(ii) The duty to maintain the books and records concerning the Resort Facility. All Owners or their authorized agents may inspect the books and records, subject to reasonable availability.

(iii) The duty to maintain a complete list of the names and addresses of all Owners of VOIs. This list shall be updated at least quarterly, and the list may not be published or provided to any person or entity, except as may be approved by the Timeshare Board in connection with lawful business of the Association;

(iv) The duty to arrange for an annual audit of the financial statements of the Plan in accordance with the Act and any applicable administrative rules. The Association will forward a copy to the directors and officers of the Association;

(v) The duty to provide and operate the Reservation System;

(vi) The duty to maintain and replace the VOI Unit Furnishings; and

(vii) The duty to perform all other functions and duties which are necessary and proper to manage, maintain and operate the Resort Facility and the Plan.

(i) **Compliance with Exclusive Marketing Rights.** The Association is required to comply with all exclusive marketing rights which exist for the Resort Facility.

(j) **Powers and Authorities of the Association.** The Association has all of the lawful powers and abilities of a non-profit Nevada corporation, as well as the specific powers provided in this Declaration, the Articles, or the By-Laws. This includes the following:

(i) **Assessments.** To levy Assessments against the Owners and to enforce payment.

(ii) **Right of Entry and Enforcement.** To enter upon any portion of the Resort Facility as may be necessary to enforce or comply with this Declaration.

(iii) **Employment of Agents.** To employ, in the Association's reasonable exercise of its discretion, (a) any person or entity to serve as the Management Firm, or (b) other persons or entities to handle the business, duties and obligations of the Association and to enter into contracts as may be necessary. Such agents shall have the right to access any portions of the Resort Facility as are necessary to do their jobs.

(iv) **Right to Engage Professional Management.** To hire professional management to maintain, manage and operate the accommodations and facilities of the Resort Facility. Any Management Firm or its successor(s) that is hired may employ sub-agents. The Management Agreement may contain provisions permitting the Management Firm to assign or subcontract any or all of the Management Firm's obligations to third parties. Any agreement for professional management shall be for a term not to exceed five years, and shall be automatically renewed for successive annual periods after expiration of the initial term unless the Owners vote to discharge such Management Firm.

(v) **Employment of Professional Advisors.** To hire professional advisors (accountants, lawyers, architects, planners, recreation experts and other professionals needed for the Plan) and receive advice from them.

(vi) **Specialized Services and Facilities.** To create, in its sole discretion, specialized services and facilities and to charge accordingly.

(vii) **Fines.** To review all complaints, grievances or claims of violations of the Governing Documents and to levy fines for violations which will be in accordance with applicable law. The Association will establish a uniform process for determining whether a violation has occurred and whether a fine should be levied. No fines will be levied until the Association promulgates rules and regulations in accordance with this Section, which must include the following at a minimum:

(A) The party against whom the fine is sought to be levied shall have the opportunity for a hearing after reasonable notice. The notice shall include:

(1) a statement of the date, time and place of the hearing;

(2) a statement of what provision of the Governing Documents has allegedly been violated; and,

(3) a short and plain statement of the Association's belief of the violation.

(B) The party against whom the fine may be levied shall have an opportunity to respond, to present evidence and to provide written and oral argument on all issues involved and shall have an opportunity at the hearing to review, challenge and respond to any material considered by the Association. The hearing shall be governed by a person other than the Owner or a member or officer of the Timeshare Board.

(C) This rule shall apply to all Owners and Occupants. All Owners and Occupants are deemed to agree with this Section and that their occupancy is subject to the Declaration, the Articles, By-Laws, the Act and the Rules and Regulations.

(viii) **Agreement to Sell or Rent VOIs.** To enter into an agreement with the Developer to sell and/or rent the occupancy rights associated with VOIs that the Association acquires from Owners through enforcement of nonpayment of Assessments or that the Association otherwise has the right to use.

(ix) **Annual Financial Statement.** To have prepared and furnished to proper parties the annual financial statement and report of the Association, which is to be prepared by a certified public accountant designated by the Association and will include a detailed statement of annual carrying charges or income collected and operating expenses;

(x) **Owner's List and Mailings to Owners.** The Association will maintain a list of the names and mailing addresses of all current Owners. If an Owner wishes to communicate with other Owners on subjects reasonably related to voting rights or membership rights, the Association will mail the communication to all Owners at the requesting Owner's sole expense. The Association has the right to edit the communication to ensure that the contents thereof are accurate and non offensive;

(xi) **Condominium Association Voting.** Subject to the Condominium Bylaws and the Condominium Declaration, each Owner has the right to cast the vote attributable to his respective VOI Unit or Units in the Condominium Association. Otherwise, the Timeshare Board has the power to represent the Owners in dealing with the Condominium Association as each such Owner's representative and attorney-in-fact as the Timeshare Board believes to be in the best interests of the Owners and the Resort Facility, including the right to receive from the Condominium Association on behalf of each such Owner all notices, assessment bills, delinquency statements, reports, budgets and all other information as may be required by the Governing Documents; and

(xii) **Miscellaneous.** To sue and be sued; pay taxes; make and enter into contracts; insure, enter into leases or concessions for and to pass good and marketable title to the VOI Unit Furnishings; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; insure its own liability for claims against it and against its officers, directors, employees and contractors.

4.5 Personal Liability of Developer, Association, Officers, Directors, Employees and Management Firm. No officer, director or agent of the Association, the Developer or the Management Firm will be personally liable to any Owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, Developer or Management Firm, provided that such person, firm or entity has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

4.6 **Indemnification**. The Association covenants and agrees that it will indemnify and save harmless the Developer and the Management Firm from and against any and all claims, suits, actions, damages and/or causes of action arising from any personal injury, death and/or damage to property sustained on the Condominium Project or the Resort Facility. The scope of this indemnification includes (a) all court costs, litigation expenses and attorneys' fees in connection with any such claim, (b) the costs of investigating the claim, and (c) the costs of satisfying any monetary or other judgments or orders of the court resulting from the claim. If the Developer is required to commence a lawsuit in order to enforce its rights under this Section or this Declaration or to compel specific enforcement of the provisions of the Governing Documents to be performed by the Association and its members, then the Association will reimburse all of the costs which the Developer expended.

4.7 **Fiduciary Obligation of the Association**. The officers and directors of the Association have a fiduciary relationship to the Owners and are obligated to fulfill the duties and functions set forth herein and to pursue with due diligence the remedies provided pursuant to the Plan and to enforce the Governing Documents.

5. **Assessments – Timeshare Plan Assessments**

5.1 **Owners Agree to Pay Timeshare Plan Assessments**. Each Owner, by purchasing a VOI, agrees to pay the Timeshare Plan Assessments levied by the Association. Each Owner recognizes that the payment is needed for the Association to perform its duties and obligations under the Governing Documents. The obligation to pay the Assessment for Plan Expenses is an affirmative covenant. There are consequences to not paying the Assessment for Plan Expenses, which could include loss of the VOI.

5.2 **Common Assessments**. The Annual Budget as passed by the Timeshare Board will state the Plan Expenses for the operation, management and maintenance of the Resort Facility, including the Common Assessment levied against the VOI Units by the Condominium Association, which will be collected as part of the Assessments. The Annual Budget shall state the amount of the Common Assessment and the basis for calculating each Owner's share.

5.3 **Special Assessments**. Separate from the Timeshare Plan Assessment, the Association may levy and collect Special Assessments for Plan Expenses not covered by the Annual Budget. Examples of what would require a Special Assessment include, but are not limited to: (a) extraordinary items of expense; (b) capital expenditures which will not repeat in subsequent years; (c) an unbudgeted increase in the Common Assessment; (d) the failure or refusal of other Owners to pay their Assessments (which could leave the Association short of money to pay its obligations); (e) the costs of repairing or replacing VOI Unit Furnishings as damaged by an Owner or Occupant; (f) the costs required to correct an improper improvement or modification to a VOI Unit or the other Common Elements which violates the Governing Documents or the Condominium Declaration; or (g) such other reason or basis determined by the Timeshare Board in its sole discretion. If a Special Assessment is levied, the Association will issue a notice of Special Assessment to each Owner, which will include the method and timing of payment.

5.4 **Reserve Funds**. The Timeshare Plan Assessment shall include the cost to establish adequate reserve funds for replacement and/or capital refurbishment and/or capital improvements of all or any portion of the Resort Facility or VOI Unit Furnishings as determined by the Timeshare Board.

5.5 Compliance with Regulations of Public Bodies. The Timeshare Plan Assessment shall include the costs to take such actions as may be lawfully required by any public body having jurisdiction over the same in order to comply with sanitary requirements, fire hazard requirements, zoning requirements, set-back requirements, drainage requirements and other similar requirements designed to protect the public.

The Timeshare Plan Assessment will include, among other items, (a) costs of repair and upkeep of the VOI Unit; (b) expenses for leasing, purchasing, repairing and/or replacing the VOI Unit Furnishings (including reserves that may be collected) (c) costs involved with occupancy of the VOI Unit (such as housekeeping services); (d) casualty insurance on the VOI Unit Furnishings and any other contents of a VOI Unit; (e) utility costs for the VOI Units (to the extent separately billed and attributable solely to the VOI Units); (f) various fees pertaining to contracts entered into by the Association for the benefit of the Owners; (g) expenses for operating and maintaining the Reservation System; (h) any other Plan expenses that are not attributable to an individual Owner of a VOI; (i) all costs and expenses of the Management Firm which are not a part of the management fee and which are applicable to the VOI Units, as specifically described in or pursuant to the Management Agreement; and (j) all Common Assessments levied by the Condominium Association against the VOI Units.

5.6 Consent to Lien for Nonpayment. Each Owner, by purchasing a VOI, having agreed to pay the Assessments, consents to a lien against the VOI to enforce nonpayment of such monies. The lien may be enforced through foreclosure (legal) proceedings under Nevada law. The Association, and the Management Firm as its agent, will enforce the lien. The Association may arrange with a third party to collect funds from Owners in advance, which would include Assessment payments which would be paid when due. This third party would be obligated to pay the Assessment payments to the Association if the Owner has made the advanced payments to such entity.

5.7 Assessments are a Personal Obligation of the Owner. Payment of Assessments, together with any late charge, interest, collection costs, and reasonable attorneys' fees, is a personal obligation of the Owner when due. If a VOI is owned by more than one person, each such Owner is jointly and severally liable for the full amount of the Assessments. An Owner cannot avoid payment of Assessments by not using the Resort Facility or by not making a reservation for occupancy in a VOI Unit.

Subject to the Timeshare Act, a VOI Owner, regardless of how his VOI is obtained, including a purchaser at a judicial sale, is personally liable for all Assessments which come due while he is the Owner of such VOI.

5.8 Approval of Annual Budget by the Timeshare Board; Notice of Assessments. The Timeshare Board will approve the Annual Budget (which establishes the Assessments) pursuant to the Governing Documents. After approval of the Annual Budget, the Timeshare Board will send a notice to each Owner which will indicate the amount of the Timeshare Plan Assessment.

5.9 Unpaid Assessments Secured by a Lien. Any Assessments which remain unpaid either 60 days from the date of the notice described in Section 5.10 or for the period of time determined by the Timeshare Board pursuant to rule will bear interest at the highest rate allowed by Nevada law not constituting usury from the due date until paid. The Timeshare

Board in its sole discretion may also impose a late charge as a result of nonpayment. The Timeshare Board may increase, decrease or eliminate any late charge in its sole discretion.

The Association has a lien on each VOI for unpaid Assessments, together with (a) any late charges, (b) interest as discussed above, (c) reasonable costs and attorneys' fees necessary for enforcement and collection, and (d) any monies sums advanced and paid by the Association for Taxes and payments on mortgages and liens which are required to be advanced by the Association in order to preserve and protect its lien(s). Such lien is deemed perfected upon recording of a Claim of Lien in the public records of Douglas County. The Claim of Lien must recite the amounts secured by the lien. The Timeshare Board may take action as necessary to collect Assessments, either by personal action, non-judicial foreclosure as may be permitted by Florida law, or judicial foreclosure of its lien. The Timeshare Board can settle and compromise its lien if in the Association's best interest. The lien in favor of the Association against a VOI in one or more VOI Units is limited to that VOI and does not impact the other VOIs in the VOI Unit(s).

The Association can bid at any foreclosure sale and apply as a credit against its bid all sums due and covered by the lien to be enforced. If a foreclosure action or personal action begins against an Owner of a VOI for nonpayment of Assessments, the Owner is required to pay a reasonable rental to occupy a VOI Unit, together with any Assessments attributable to such VOI Unit for the period of time the VOI Unit is occupied by that Owner or his assigns, family members or guests. A receiver may be appointed to collect such rent.

5.10 Inability to Make a Reservation if Delinquent in Payment of Assessments. An Owner's failure to pay Assessments as required means the Owner is delinquent in payment. Under the Reservation System Rules and Regulations for the Plan, a VOI Owner who is delinquent in the payment of any Assessments will not be allowed to reserve a period of occupancy in a VOI Unit. If a reservation was made prior to the Assessments becoming delinquent, the VOI Owner will have his/her reservation canceled or blocked. If canceled or blocked, the Association may, but does not have to, rent out the reserved VOI Unit and set off the rent collected (net of expenses, including commissions) against the delinquent VOI Owner's account.

5.11 Priority of the Lien. The lien for unpaid Assessments is effective only from and after the date of recording of the Claim of Lien described in Section 5.11 hereof. Once payment of the delinquent amounts occurs or the Association settles for partial payment as it is permitted to do, the Owner making payment is entitled to a recordable satisfaction of the Claim of Lien.

5.12 Assessments Levied Against Biennial Owners. Biennial Owners are liable for the payment of Assessments in the amount of $\frac{1}{2}$ of the amount paid by Annual Owners who have the same number of Points that a Biennial Owner has in their occupancy year. This is a proportional result since a Biennial Owner has biennially-recurring Points that are equal to the Points allocated each year to a comparable Annual Owner's. Thus, the Biennial Owner is liable for Assessments every year and any Special Assessments whenever levied, although the Points allocated to such Owner for reserving a Timeshare Period are available only every other year.

6. Remedies of Enforcement

6.1 Enforcement in General. The Association may enforce the provisions of the Governing Documents in any proceeding, judicial, non-judicial or administrative, seeking any relief recognizable at law or in equity, including damages, injunction, and other mandatory relief against any person, persons, firm or entity violating or attempting to violate any provision of the Governing Documents. If the Association fails to enforce any provision of the Governing Documents, it shall not be considered to be a waiver of the right to do so later.

6.2 Award of Attorneys' Fees to the Prevailing Party. The prevailing party in any enforcement action is entitled to its reasonable attorneys' fees and court costs, including costs and fees at all trial and appellate levels.

6.3 Remedies are Cumulative. All rights, remedies or relief under the Governing Documents in favor of the Developer or the Association are cumulative and non-exclusive, and none shall exclude, jointly or severally, any other right, remedy or relief permitted by law or otherwise available to the Association.

6.4 Levy of a Charge Not Subject to a Lien. In addition to any other remedies which the Association may have, in the event an Owner shall be in default of any of the provisions of the Governing Documents, the Association may levy a charge against such Owner which shall continue until such default shall be remedied by the defaulting Owner, which may be enforced in accordance with applicable law. This charge is not subject to the lien described in Section 5.11 hereof.

6.5 Enforcement of Lien Rights and Other Remedies in the Event of Non-Payment of Assessments.

6.5.1 Nature of Remedies. Upon failure of a delinquent Owner to resolve a filed Claim of Lien for unpaid Assessments, the Association may file an action at law to collect the Assessments plus interest at the highest rate allowed by law, plus court costs and reasonable attorneys' fees. The Association may also proceed with judicial or non-judicial foreclosure of its Lien in any manner allowed by Nevada law. The remedies provided herein are non-exclusive and cumulative and do not exclude any other remedy available to the Association by this Declaration or otherwise.

6.5.2 Late Charge for Nonpayment. In addition to other remedies, the Timeshare Board, in its sole discretion, may impose a late charge against an Owner in default.

6.5.3 Rental Fee. If the Owner remains in possession of a VOI Unit and a Claim of Lien is foreclosed against such Owner thus depriving the Owner of occupancy rights, the Owner will pay a reasonable rental fee for the period of occupancy and the Association is entitled to the appointment of a receiver to collect the rent.

6.6 Failure of Occupant to Vacate a VOI Unit. The Association shall take all necessary steps to remove a Holdover Occupant from a VOI Unit. The Association will use its best efforts to assist the person who is entitled to occupy that VOI Unit for a subsequent Timeshare Period to find alternative accommodations during the holdover period. Those accommodations are to be as close as possible in value to the VOI Unit reserved for the Timeshare Period that is unavailable for use. The Holdover Occupant will be charged for the cost of the alternative accommodations and any other costs incurred due to his failure to vacate,

as well as a \$200.00 per day (or such other amount as adopted by the Timeshare Board) administrative fee during the period of holding over. If the Association has to contract for a period greater than the actual period of holding over in order to secure alternative accommodations, the total costs, whether or not used, will be the Holdover Occupant's responsibility, although the \$200.00 per day (or such other amount as adopted by the Timeshare Board) administrative fee will cease upon actual vacating by the Holdover Occupant.

The Association will deliver a bill to the Holdover Occupant for the costs described in this Section. If the Holdover Occupant is an Owner or an Occupant who occupies a VOI Unit through the Owner and the Owner fails to pay same within 10 days of the date of same, the Holdover Owner shall be charged for such amounts by any means available to the Association. If the Holdover Occupant is not an Owner or occupying the VOI Unit through the Owner, then, in addition, the Association shall have the right to take all action against the Holdover Occupant provided at law or in equity, including, but not limited to, ejectment proceedings.

The foregoing provisions will not limit the Association's ability to take such other action as is provided by law or equity.

7. Subsidization by Developer. The Developer may enter into a subsidy agreement with the Association in lieu of paying the Assessments allocated to the unsold VOI owned by the Developer, subject to any bonding requirements imposed by Nevada law.

8. Insurance.

8.1 Liability Insurance. The Timeshare Board shall obtain liability insurance with such coverage and in such amounts as it may determine from time to time for the purpose of providing liability insurance coverage for the Resort Facility and the operations of the Timeshare Board, the officers, the Management Firm and others as may be deemed appropriate by the Timeshare Board. Premiums for such insurance shall be part of the Plan Expenses, except that insurance premiums specifically attributable to the Plan shall be collected through the Timeshare Plan Assessment process. Such insurance shall also include director and officer liability, public liability, workmen's compensation and hired automobile coverage. In all appropriate cases and where available, such liability insurance shall contain a cross liability endorsement to cover potential liabilities of the Owners and Occupants as a group to each individual Owner and Occupant.

8.2 Casualty Insurance and Destruction of Improvements. To the extent not provided by the Condominium Association, the Association shall obtain casualty insurance with such coverage and in such amounts as it may determine from time to time for the purpose of providing casualty insurance coverage for the Resort Facility and the VOI Unit Furnishings, including fire and extended coverage insurance, vandalism and malicious mischief insurance and flood insurance sponsored by the federal government, all of which insurance shall insure all of the insurable improvements on and within the Resort Facility, including the VOI Unit Furnishings and any personal property owned by the Association, in and for the interest of the Association, all Owners and Preferred Mortgagees, as their interest may appear, from a company acceptable to the standards set by the Timeshare Board in an amount equal to the maximum insurable replacement value as determined annually by the Timeshare Board. The premiums for such coverage and other expenses in connection with such insurance shall be paid by the Association and charged to Owners as part of the Timeshare Plan Assessments. The company or companies with which the Association shall place its insurance coverage, as provided in this Plan, and the insurance agent or agents placing such insurance must be

authorized to do business in the State of Nevada. All insurance policies purchased by the Association shall provide that all proceeds shall be paid to the Timeshare Board as insurance trustee. The duty of the insurance trustee shall be to receive such proceeds as are paid, to make distribution of such proceeds, and prior to distribution to hold such proceeds in trust for the benefit of those entitled thereto.

8.3 All policies of insurance purchased by the Association shall be deposited with the Timeshare Board and the policies and any proceeds thereof will be held in accordance with the terms hereof. Said policies shall provide that all insurance proceeds payable on account of loss or damage shall be payable to the Timeshare Board. The Timeshare Board is hereby irrevocably appointed agent for each Owner to adjust all claims arising under insurance policies purchased by the Association in which Owners have or may have an interest.

8.4 In the event of any damage to the Resort Facility, no Preferred Mortgagee shall have any right to participate in the determination of whether the Resort Facility is to be rebuilt; nor shall any Preferred Mortgagee have the right to apply insurance proceeds received by the Timeshare Board to the repayment of its loan, unless such proceeds are distributed to Owners and/or their respective Preferred Mortgagees.

8.5 Except as otherwise provided in the Condominium Declaration, the duty of the Timeshare Board shall be to receive any and all proceeds from the insurance policies held by it as insurance trustee and to hold such proceeds in trust for the Association, Owners and Preferred Mortgagees under the following terms:

8.5.1 Loss Less Than "Very Substantial": Where a loss or damage occurs to any of the VOI Unit Furnishings, but said loss is less than "very substantial" (as hereinafter defined), it shall be obligatory upon the Association to repair or restore the damage caused by said loss. Where such loss or damage is less than "very substantial":

- (a) The Timeshare Board shall promptly obtain reliable and detailed estimates of the cost of repairing and restoration.
- (b) If the damage or loss is limited to the VOI Unit Furnishings with no or inconsequential damage or loss, and if such damage or loss is less than \$10,000.00, the Association shall promptly contract for the repair or replacement of the damaged VOI Unit Furnishings.
- (c) The Timeshare Board shall have the right and obligation to negotiate and contract for the repair and restoration of the premises.
- (d) If the net proceeds of the insurance are insufficient to pay for the estimated cost of repair or replacement of the VOI Unit Furnishings, the Association may levy a Special Assessment against all Owners for the deficiency. The Special Assessment shall be added, by the Timeshare Board, to the insurance proceeds available for the repair and restoration of the Resort Facility or VOI Unit Furnishings.
- (e) In the event the insurance proceeds are sufficient to pay for the cost of restoration and repair, or in the event the insurance proceeds are insufficient but additional funds are raised by Special Assessment within one hundred twenty (120) days after the casualty, so that sufficient funds are on hand to fully pay for such restoration and repair, then no Preferred Mortgagees shall have the right to require the application of insurance

proceeds as to the payment of its loan; provided, however, this provision may be waived by the Timeshare Board in favor of any Preferred Mortgagee upon request therefore at any time. To the extent that any insurance proceeds are required to be paid over to such Preferred Mortgagee, the Owner shall be obliged to replenish the funds so paid over, and said Owner and his VOI shall be subject to Special Assessment for such sum.

8.5.2 "Very Substantial Damage": As used in this Declaration, the term "very substantial damage" shall mean loss or damage whereby three-fourths (3/4) or more of the Resort Facility is rendered untenable, or loss or damage whereby seventy-five percent (75%) or more of the total amount of insurance coverage on the the Resort Facility becomes payable. Should such "very substantial damage" occur, then except as otherwise provided in the Condominium Declaration:

(a) The Timeshare Board shall obtain detailed estimates or bids for the cost of repair or replacement of such damaged property for the purpose of determining whether such insurance proceeds are sufficient to pay for the same.

(b) In the event the insurance proceeds are sufficient to rebuild and reconstruct all of such damaged improvements or if the insurance proceeds together with the funds allocated by the Association for such purpose, then such damaged improvements shall be completely repaired and restored. The Timeshare Board shall negotiate for the repair and restoration of such damaged improvements, and the Association shall negotiate and enter into a contract with a contractor to do the work on a fixed price basis or on any other reasonable terms acceptable to the Timeshare Board. The Timeshare Board shall disburse the insurance proceeds and other applicable funds held in trust in accordance with a provision for progress payments to be contained in such construction contract; provided, however, prior to any payment of such funds, the payees of such funds shall deliver to the Timeshare Board any paid bills, waivers of liens under any lien laws and executed affidavits required by law, the Association or any respective Preferred Mortgagees.

(c) In the event the insurance proceeds are insufficient to repair and replace all of the damaged improvements, the Timeshare Board shall hold a special meeting to determine a Special Assessment against all of the Owners to obtain any necessary funds to repair and to restore such damaged improvements. Upon the determination by the Timeshare Board of the amount of such Special Assessment, the Timeshare Board shall immediately levy such Special Assessment against an Owner's VOI, setting forth the date or dates of payment of the same, and any and all funds received from the Owners pursuant to such Special Assessment shall be delivered to the Timeshare Board and disbursed as provided herein. In the event three-fourths (3/4) of the Owners advise the Timeshare Board in writing on or before the date for the first payment thereof that they are opposed to a Special Assessment, then the Timeshare Board shall call a special meeting of the members of the Association to either ratify or reject the Special Assessment. The affirmative vote in person or by proxy of sixty percent (60%) of the voting interests of all the members shall decide the issue. If the Special Assessment is not ratified, then the Timeshare Board shall divide the net insurance proceeds in the same proportion as Assessments are determined and then shall promptly pay each share of such proceeds to the Owners and Preferred Mortgagees of record as their interests may appear ("Insurance Proceeds Distribution"). In making an Insurance Proceeds Distribution to the Owners and the Preferred Mortgagees, the Timeshare Board may rely upon a certificate of an abstract company as to the names of the then

Owners and their respective Preferred Mortgagees. The failure of the members of the Association to ratify the Special Assessment shall be also deemed to be an affirmative vote of the members to terminate this Declaration and the Plan, and the Timeshare Board shall promptly set about the task of winding down the functions of the Association in accordance with this Declaration and applicable law.

(d) In the event any dispute shall arise as to whether or not "very substantial damage" has occurred, the finding made by the Timeshare Board shall be binding upon all Owners.

8.5.3 In the event that after the completion of and payment for the repair and reconstruction of the damage to the Resort Facility or VOI Unit Furnishings, any excess insurance proceeds remain in the hands of the Timeshare Board, then, except as otherwise provided in the Condominium Declaration, such excess shall be disbursed in the manner of the Insurance Proceeds Distribution. However, in the event such repairs and replacements were paid for by any Special Assessment as well as by the insurance proceeds, then it shall be presumed that the monies disbursed in payment of any repair, replacement or reconstruction were first disbursed from insurance proceeds and any remaining funds held by the Timeshare Board shall be distributed to the Owners in proportion to their contributions by way of Special Assessment.

8.5.4 In the event the Timeshare Board has on hand, except as otherwise provided in the Condominium Declaration, within ninety (90) days after any casualty or loss, insurance proceeds and, if necessary, funds from any Special Assessment sufficient to pay fully for any required restoration and repair with respect to such casualty or loss, then no Preferred Mortgagee shall have the right to require the application of any insurance proceeds or Special Assessment to the payment of its loan. Any provision contained herein for the benefit of any Preferred Mortgagee may be enforced by a Preferred Mortgagee.

8.5.5 Except as otherwise provided in the Condominium Declaration, any repair, rebuilding or reconstruction of damaged property shall be substantially in accordance with the plans and specifications for (a) the originally constructed Resort Facility, (b) reconstructed Resort Facility, or (c) new plans and specifications approved by the Timeshare Board; provided, however, any material or substantial change in new plans and specifications approved by the Timeshare Board from the plans and specifications of previously constructed property shall require approval by the Preferred Mortgagee holding the highest dollar indebtedness encumbering the Resort Facility.

8.6 Notwithstanding anything contained herein to the contrary, in the event a loss occurs which is determined to have been attributable to a particular Occupant of a VOI Unit at the Resort Facility and such loss causes damage to the VOI Unit or the VOI Unit Furnishings, then the such Occupant to which the loss is attributable shall be assessed the entire expense of the insured's policy deductible, if any. The Association or the Management Firm may institute a procedure by which every Occupant upon check-in provides a deposit or credit card authorization for the purpose of collecting this charge.

9. Condemnation

9.1 **Deposit of Awards with Timeshare Board.** The taking of a portion of the Resort Facility by condemnation (where the government takes land it deems necessary in exchange for compensation) will be a casualty. Except as otherwise provided in the

Condominium Declaration, any condemnation award will be deemed to be proceeds from insurance on account of the casualty and shall be deposited with the Timeshare Board. Even though awards may be payable to Owners, in the event of failure to do so, in the discretion of the Timeshare Board, a Special Assessment shall be made against a defaulting Owner in the amount of his award, or the amount of that award shall be set off against the sums hereafter made payable to that Owner.

9.2 Determination Whether to Continue the Plan. Whether the Plan will continue to exist after condemnation will be determined in the manner provided for determining whether damaged property will be reconstructed and repaired after casualty. For this purpose, the taking by condemnation shall be deemed to be a casualty.

9.3 Disbursement of Funds. If the Plan is terminated after condemnation, except as otherwise provided in the Condominium Declaration, the proceeds of the awards and Special Assessments will be deemed to be common property of the Owners and shall be owned and distributed in the manner of the Insurance Proceeds Distributions. If the Plan is not terminated after condemnation but the condemnation resulted in the size of the Resort Facility being reduced, the Owners shall receive the portion of the award made for such property in proportion to their respective fractional interest. Also, in the manner provided below, the Association will use the rest of the award for the purpose of restoring the integrity and usefulness of the remaining property. The proceeds of the awards and Special Assessments shall be used for these purposes.

9.4 Payment of Award. The Timeshare Board shall determine the quantity of Points by which the total Points allocated to the entire Resort Facility must be reduced so that the new total number of Points allocated to the remaining portion of Resort Facility will be sufficient to enable the Owners thereof to reserve collectively fifty-two (52) weeks of occupancy (subject to Service Periods and periodic maintenance) each Resort Year in each of the VOI Units of that remaining property. All Owners within the affected VOI Unit will be notified and given the chance to voluntarily withdraw from the Plan. If that process does not reduce the Points sufficiently, then the Timeshare Board will by lottery select additional Owners who will be obligated to withdraw from the Plan. The condemnation award received regarding the taking will then be first used to restore the integrity and usefulness of the remaining property in the manner approved by the Timeshare Board and the balance distributed proportionately on the basis of Points among the Owners withdrawing from the Plan. Such payments shall be made jointly to such Owners and their respective mortgagees of record.

9.5 Special Assessments. If the amount of the award for the taking is not sufficient to pay the market value of the VOIs withdrawn from the Plan, the additional funds required for those purposes shall be raised by Special Assessments against all of the Owners who will continue as Owners after the changes in the Resort Facility affected by the taking. The Special Assessments shall be made in proportion to the VOI of those Owners in the Resort Facility after the changes affected by the taking. In connection with the determination of market value, the Timeshare Board shall seek and receive professional advice.

9.6 Arbitration. If the market value of a VOI to be withdrawn from the Plan cannot be determined by agreement between the respective Owner and his mortgagee and the Association within thirty (30) days after the Timeshare Board has first identified the proposed market value, then upon notice by either party given to the other, the market value shall be determined by arbitration in accordance with the existing rules of the American Arbitration Association, except that the arbitrators shall be two (2) appraisers appointed by the American

Arbitration Association who shall base their determination upon an average of their appraisals of the subject VOIs. A judgment of specific performance upon the decision rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of arbitration proceedings shall be assessed equally between the Association which shall be a Common Expense and the Owners involved in the arbitration. If more than one Owner is involved, such Owners shall share their half of the expense in proportion to the market values that were determined by the arbitration procedure.

9.7 **Amendment of Plan.** The changes in the VOI Units and in the VOIs of each Owner affected by these proceeding provisions shall be evidenced by an amendment to this Declaration setting forth the relevant facts and results and executed by the President or Vice President and attested to by the Secretary or Assistant Secretary of the Association. Such amendment does not need the consent or approval of any other party (except as otherwise may be required by the Condominium Act) but must be recorded in the public records of Douglas County.

10. **Easements, Reserved Rights, and License and Service Agreements.**

10.1 **Easement for Use and Occupancy.** The Developer reserves unto itself and grants unto the Owners, Occupants and Association and Management Firm, and the Owners hereby grant to each other and the Occupants and the Developer, and the Association hereby grants to the Developer, the Owners and the Occupants, a perpetual, non-exclusive easements for access to and from and for the use of the VOI Units and the VOI Unit Furnishings for the purpose of achieving the use and occupancy of such facilities and furnishings for the residential timeshare purposes of the Plan. Notwithstanding the foregoing, the use and occupancy of a VOI Unit and the VOI Unit Furnishings therein by each Occupant during the Timeshare Period reserved shall be exclusive as to other Occupants.

10.2 **Easement for Operation, Management and Maintenance.** The Developer reserves unto itself and grants unto the Owners, the Association and the Management Firm perpetual, non-exclusive easements in, over, across and through the VOI Units and VOI Unit Furnishings for the purpose of operating, managing and maintaining such elements of the Resort Facility and the Plan pursuant to the Governing Documents.

10.3 **Reservation of Easement and Rights by the Developer.** To the extent not prohibited under the Condominium Declaration, unless otherwise agreed in writing by the Condominium Association or the Declarant, as applicable, Developer reserves the right and a specific perpetual easement to use the Resort Facility and one or more of the VOI Units during unreserved Timeshare Periods, (i) as executive, administrative and/or sales space or offices, and marketing center; (ii) to establish models, employ sales personnel, conduct sales and sales-related activities such as marketing tours, sales presentations, closing and the like; (iii) to conduct a rental program alone or in conjunction with one or more other facilities; and (iv) to erect, post and maintain signs, notices, advertisements, and other promotional information anywhere within the Resort Facility. These rights and easements apply regardless whether Developer's activities concern the marketing and sale or lease of VOIs or similar activities regarding other Developer-owned properties (whether real or personal) or products and whether or not affiliated with the Resort Facility and/or the Plan in any fashion. The Developer further reserves the right to exclusively conduct (i) on-site sales of VOI and other properties and products as contemplated above to Owners and Occupants, and (ii) on-site resales for Owners of VOIs. The provisions hereof may not be suspended, superseded or modified in any manner except by amendment to the Declaration approved in writing by the Developer. The rights of

use and transaction of business set forth herein and any other rights reserved in the Declaration may be assigned in writing by the Developer in whole or in part. All rights reserved hereunder by the Developer shall be exclusive to the Developer and its assigns.

10.4 Rights Reserved Unto Preferred Mortgagees.

10.4.1 **Right to Financial Reports and Notices.** So long as any Preferred Mortgagee shall hold any mortgage upon, or shall own, any VOI, the Preferred Mortgagee is entitled to be furnished, if requested in writing, with:

- (a) a copy of the annual financial statement and report of the Association, may take action to have the following rights: (to be delivered within 90 days of the end of the Association's fiscal year)
- (b) notice by the Association of any meeting called to consider amendments to the Governing Documents; and
- (c) notice of default by any Owner of a VOI or VOI Unit encumbered by a mortgage held by such Preferred Mortgagee (the notice is to be in writing and sent to the Preferred Mortgagee as requested).

10.4.2 **Delivery of Notices and Reports.** All written demands for notices and reports under Section 10.4.1 herein shall be sent by registered or certified mail, addressed to the Association and sent to its address, which written notice shall identify the VOI or VOI Unit through which the Preferred Mortgagee claims the right to information and the mortgage interest they hold. In order to be effective, the demand must also state the place to which notices are to be sent.

10.4.3 **Effect of Nonpayment of Insurance by the Association.** If the Association fails to pay any premium for insurance required for the Resort Facility, or should the Association fail to comply with other insurance requirements imposed by the Preferred Mortgagee owning and holding the highest dollar indebtedness against VOIs in the Resort Facility, then said Preferred Mortgagee shall have the right, at its option, to order and advance such sums as are required to maintain or procure such insurance and to the extent of the monies so advanced, plus interest thereon, at the highest rate allowed by law, said Preferred Mortgagee shall be subrogated to the lien rights of the Association against individual VOIs for the payment of such items of Common Expense.

10.4.4 **Exercise of Rights Between Two or More Preferred Mortgagees.** If two or more Preferred Mortgagees hold any mortgage upon a VOI, the Preferred Mortgagee holding the highest dollar indebtedness against the VOI or VOI Unit shall be entitled to the rights of this Section 10.4.

10.4.5 **Preferred Mortgagee Rights Apply Only to the Property that is Encumbered.** The rights of any Preferred Mortgagee apply only with respect to the VOI encumbered by such mortgage and will not affect any other VOI.

10.5 **Agents and Employees of the Association.** The agents of the Association and any contractor or workman authorized by the Association may enter any VOI Unit at any reasonable hour of the day for any purpose permitted under the Governing Documents. Except in case of emergency, entry will be made by prearrangement with the respective Occupant.

11. Use Restrictions.

11.1 Specific Use Restrictions. The VOI Units and VOIs are specifically subject to the Rules and Regulations, as well as the following restrictions, to the extent applicable:

11.1.1 Private Use. The VOI Units are not for the use and enjoyment of the public, but are expressly reserved for the private use and enjoyment of the Developer, the Association, the Management Firm, and the Owners and Occupants in accordance with this Declaration and the Plan.

11.1.2 Right to Occupy VOI Unit during Timeshare Period. Each Occupant of a VOI Unit shall have the exclusive right to occupy a VOI Unit during the Timeshare Period, and, only during such occupancy shall the Occupant have the right to utilize the VOI Unit and VOI Unit Furnishings. No occupancy of a VOI Unit or use of the VOI Unit Furnishings is permitted except during the Timeshare Period.

11.1.3 Duties of Proper Care of the Occupant. Each Occupant of a VOI Unit shall keep the VOI Unit and the VOI Unit Furnishings in good condition and repair during his reserved Timeshare Period, vacate the VOI Unit and remove all personal items at the end of the Timeshare Period, leave the VOI Unit and VOI Unit Furnishings in good and sanitary condition and repair, and otherwise comply with the Governing Documents.

11.1.4 Residential Use Only. An Occupant shall occupy and use a VOI Unit only for residential purposes. This does not mean that an Occupant cannot lease or exchange a VOI or lease a VOI Unit, and this restriction does not inhibit or prohibit Developer's reserved rights under this Declaration. No person may (occupy a VOI Unit for more than 30 consecutive days, or use a VOI Unit as such person's full-time, primary residence.

11.1.5 Nuisance or Improper Activities. An Occupant may not do anything that will increase insurance costs, or which will interfere with other Occupants' rights to enjoy the Resort Facility, or which constitutes a nuisance. Occupants shall not play any musical instrument, television, radio and similar items on the Property in any manner which would disturb or annoy other Occupants. All Occupants shall lower the volume of the foregoing at 11:00 P.M. each day. An Occupant shall not conduct, or permit to be conducted, vocal or instrumental instruction at any time.

11.1.6 No Obstruction of Common Elements. The Common Elements, including sidewalks, walkways, elevators and entrances, must not be obstructed or encumbered or used for any purpose (excluding patios, decks and balconies) other than ingress and egress to and from a VOI Unit. No item such as a stroller, bicycle, wagon, shopping cart, chair, bench, table, or any other object of a similar nature may be left on the Common Elements except as placed there by the Association, the Condominium Association or the Developer.

11.1.7 Storage of Personal Property within the VOI Unit. The personal property of an Owner or Occupant shall be stored within the VOI Unit, and not left in the balconies, hallways or walkways outside the VOI Unit. No Occupant shall undertake any action to impair, either directly or indirectly, the safety of other Occupants.

11.1.8 **Safety Considerations.** An Occupant shall not allow anything whatsoever to fall or hang from the windows, patios, decks, balconies, entryways or doors, nor shall an Occupant sweep or throw from a VOI Unit any dirt or other substances.

11.1.9 **Placement of Garbage.** Refuse and bagged garbage shall be deposited only in the areas designated by the Association, and at such time and in such manner as the Association may direct.

11.1.10 **Access of Association or Management Employees.** Employees of the Association or the Management Firm may not be sent off the premises by any Occupant at any time for any purpose. An Occupant shall not direct, supervise, or in any manner attempt to assert control over the employees of the Management Firm or the Association.

11.1.11 **Parking Facilities and Vehicles on the Common Elements.** Use of the parking facilities which are a part of the Common Elements may be governed by the Rules and Regulations of the Condominium Association, and each Occupant must comply with those rules and this Section. No vehicle which cannot operate on its own power shall remain upon or within the vicinity of the Property for more than 24 hours, and no repair of vehicles shall be made at the Property. An Occupant may not store or leave boats, trailers, mobile homes or recreation vehicles on any part of the Common Elements, except in areas so designated.

11.1.12 **Radio and Television.** No radio or television installation, or other wiring, shall be made without the written consent of the Management Firm. Any antenna or aerial erected or installed on the exterior walls of a VOI Unit or upon the Common Elements, without the consent of the Management Firm, in writing, shall be subject to removal without notice and at the cost of the Occupant for whose benefit the installation was made.

11.1.13 **Signs.** No sign, advertisement, notice or other lettering may be placed upon the Property in a visible manner without the written permission of the Management Firm.

11.1.14 **Awnings, Canopies, Shutters and Windows.** No awning, canopy, shutter or other projection shall be attached to or placed upon the outside walls, doors, roof, deck or patio of a VOI Unit or the Common Elements without the written consent of the Management Firm. Such consent may be given with regard to certain VOI Units and not given with regard to others.

11.1.15 **Dangerous Chemicals.** No flammable, combustible, or explosive fluid, chemical or substance shall be kept in or upon the Property, except as required for normal household use.

11.1.16 **Payment of Monies to the Association.** Payment of Assessments shall be made at the office of the Management Firm or such other place as the Management Firm may determine. Payments made in the form of checks shall be made to the order of such party as the Management Firm designates. Payments of Assessments are due as provided in the By-Laws, and if such payments are late, are subject to the late fees and other charges provided in the Declaration.

11.1.17 **Pets.** No pets of any type or nature are allowed upon the Common Elements or in any VOI Unit, except for pets assisting the handicapped, such as seeing eye dogs.

11.1.18 **Clotheslines and Hanging of Clothes and Towels.** No clothesline or similar device shall be permitted on any portion of the Property, nor shall clothes or towels be hung anywhere except in areas designated by the Management Firm.

11.1.19 **Offensive, Immoral or Improper Use.** No offensive, immoral or unlawful use shall be made by an Occupant on or about the Resort Facility. The discharge of firearms within the Resort Facility is prohibited. The term "firearms" includes "B-B" guns, paintball guns, pellet guns, and other firearms of all types, regardless of size.

11.1.20 **No Soliciting.** No solicitation of any kind (whether commercial, religious, educational or otherwise) by any person is permitted on any portion of the Property unless specifically authorized by the Timeshare Board. This prohibition shall not apply to the commercial activities of the Developer in conjunction with the sales, resales and marketing of VOIs and other property and products, operation of a resort or other commercial activity of Developer or as otherwise permitted in the Governing Documents.

11.1.21 **Recreational Facilities.** Use of any recreational facilities which may be constructed on the Property is permitted only during the posted hours of operation.

11.1.22 **Skateboard, Roller Skates and Roller Blades.** Skateboards, roller skates, roller blades and the like are prohibited on all sidewalks, swimming pool decks, bridges, boardwalks, seawalls, gazebos, stairwells or entryways of or within a VOI Unit or upon the Common Elements.

11.1.23 **Maximum Occupancy of VOI Unit.** The maximum occupancy limitation of the assigned VOI Unit, including use of the Common Elements, shall be observed at all times.

11.1.24 **Food and Beverage.** Food and beverage may not be prepared or consumed on the Common Elements except in accordance with the Rules and Regulations.

11.2 **Rules and Regulations.** In addition to the use restrictions, the Association or the Condominium Association may create Rules and Regulations regulating the use and enjoyment of the Units and the Common Elements. Such Rules and Regulations shall be adopted by the Timeshare Board and in all respects shall be consistent with the use covenants set forth in the Declaration and with the architectural and beautification concept presently existing. The Timeshare Board may modify, alter, amend and rescind the Rules and Regulations, provided such modifications, alterations, amendments and rescissions are consistent with the use restrictions contained herein.

11.3 **Provisions for Alterations of VOI Units by the Developer.** The Developer reserves the right to alter the interior design of the VOI Units in which Developer still owns all of the VOIs, but no such alteration may modify any portion of the Common Elements in any material fashion without the approval of the Condominium Association.

12. Amendments.

12.1 Amendment by Owners. Unless otherwise provided or limited by the Timeshare Act, this Declaration may be amended upon the affirmative vote of more than 50% of the total number of votes cast by the Owners entitled to vote thereon in person or by proxy at a meeting of the Association having a quorum and called for such purpose. No amendment affecting the rights, privileges or interests of the Developer shall be effected without the Developer's prior written consent. Such amendment shall be effective upon the recordation of an instrument executed with the formalities of a deed in the public records of Douglas County.

12.2 Amendment by Developer. In addition to the Developer's reserved rights contained in this Declaration, the Developer may unilaterally amend this Declaration as follows:

12.2.1 Validity; Compliance with Laws. The Developer reserves the right to amend or supplement this Declaration in any manner necessary to establish the validity or enforceability of this Declaration, the ability to register the Plan with the Nevada Real Estate Division or other similar governmental bodies of other states, or to bring this Declaration into compliance with the Timeshare Act, Nevada law or the laws of any other state or any common law principle or judicial decision which may affect the validity or, enforceability of this Declaration.

12.2.2 Amendment for Operation of the Resort Facility and the Plan. Unless otherwise stated, for as long as the Developer owns any VOIs or Unit(s) which have not been subjected to the Plan, the Developer reserves the right at any time to unilaterally amend this Declaration as it deems appropriate, in its sole discretion, to:

- (a) carry out the purposes of the Plan;
- (b) correct an error or omission;
- (c) expand or enhance the Plan;
- (d) address any matter required by any lending institution, public body or title insurance company
- (e) make any modifications as needed to conform this Declaration to the requirements of applicable law; or
- (f) facilitate the operation and management of the Resort Facility or the sale of VOIs.

Such an amendment may be made unilaterally, without the approval of any other party and is effective once recorded in the public records of Douglas County. The above is limited by the fact that no amendment to this Declaration may change the configuration or size of any VOI Unit in any material fashion, materially alter or modify the appurtenances to a VOI Unit or change the proportion or percentage by which an Owner shares the Plan Expenses, unless such amendment is also approved by at least a majority of the total voting interests of the Association. No amendment may affect Developer's rights with respect to the amendment process, including this sentence, unless such amendment is approved in writing by Developer and such approval is recorded with the document making such amendment.

12.3 Unilateral Developer Amendments Under Reserved Rights. Any amendment to this Declaration made pursuant to the Developer's reserved rights shall be effective without the consent or approval of the Association or the Owners.

12.4 **Amendments to the Plan by the Owners.** Except for a Developer's amendment, (a) the Plan can be amended only upon the consent of the Owners who have been allocated a majority of the total Points allocated to all VOI Units then subjected to the Plan, and (b) no amendment of the Plan may change the configuration or size of any VOI Unit in any material fashion or materially alter or modify the appurtenances to such VOI Unit or change the proportionate interest in the Common Elements. The vote of the Owners regarding any such amendment shall be taken at a meeting of the Association, a certificate of amendment shall be recorded in the public records of the Douglas County to evidence the amendment. The consent of the qualified Preferred Mortgagee shall affixed to the amendment or by separate writing.

13. **Termination.**

13.1 **Requirements for Termination.** This Declaration and the Plan may be terminated only by (a) the consent of the Owners who have been allocated 80% of the total Points in the Plan, (b) the written consent of all Preferred Mortgagees encumbering VOIs, and (c) two-thirds approval of the members of the Timeshare Board. The vote of the Owners regarding any such termination amendment shall be taken at a special Association meeting, and a certificate of amendment stating the termination and the votes taken must be recorded in the public records of Douglas County. The consent of the qualified Preferred Mortgagees shall be affixed to the amendment or by separate writing.

13.2 **What Happens if Termination Occurs.** If this Declaration and the Plan are terminated, the VOI Units are removed from the provisions of the Timeshare Act and will be owned in common by the Owners of VOIs. All lien rights contained in the Governing Documents shall continue to run with the real property designated herein as the Property and shall encumber the respective undivided shares of the Owners as tenants in common. The Owners will remain responsible for their proportional share of Assessments.

13.3 **Involvement of a Vacation Club with the VOIs.** The Developer has the right, but not the obligation, to create a vacation club in accordance with the Timeshare Act which would include (a) any VOI Unit in which a VOI has not been previously sold, or (b) any VOIs owned by the Developer in the vacation club. The sale of club memberships may include the sale of leasehold interests in VOI Units with the Developer or some other entity retaining a reversionary interest. The sale and use of VOIs as part of the vacation club is not a prohibited commercial use of the property under the Declaration and is specifically authorized hereby.

14. **General Provisions.**

14.1 **Acknowledgement of Common Plan of Ownership.** The Developer, the Association and the Owners and their grantees, successors or assigns, by acceptance of their instrument of conveyance of a VOI, all acknowledge that the Resort Facility has been developed under a common plan as set forth herein, and that the easement rights, use covenants and obligations to pay Assessments are an integral part of the common plan of development and are required to provide the operation, management and maintenance of the Resort Facility.

14.2 **Lawful Use of Land.** The Association agrees that it will conform to and observe all ordinances, rules, laws and regulations of Douglas County, the State of Nevada, and the United States of America and all public authorities and boards of officers relating to the Common Elements or improvements upon the Property or use thereof and will not during such time permit the same to be used for any illegal or immoral purpose, business or occupation.

14.3 Severability and the Rule Against Perpetuities. 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 such provision, sentence, clause, phrase or word under any other circumstances shall not be affected thereby. If any provision of this Declaration would violate the Rule Against Perpetuities or any other limitation on the duration of the provisions contained herein imposed by law, then such provisions shall be deemed to remain in effect only for the maximum permissible period permitted by law or until twenty-one (21) years after the death of the last survivor of the now living descendants of former President George Bush and of former President Lyndon B. Johnson, whichever is later.

14.4 Waiver. No provisions contained in this Declaration will be deemed to have been waived by reason of any failure to enforce the same, without regard to the number of violations or breaches which may occur.

14.5 Ratification. Each Owner is deemed to have acknowledged and agreed that all of the provisions of the Governing Documents are fair and reasonable in all material respects.

14.6 Gender; Plurality. For convenience and ease of reference, the third person singular impersonal form of pronoun "it" has been used herein without regard to the proper grammatical person or gender of the party being referred to. All such references shall be deemed to include the singular or plural person and the masculine, feminine or neuter gender, as required by the context.

14.7 Captions. The captions in the Governing Documents are inserted for ease of reference and convenience and in do not define or limit the scope of the particular document or any provision thereof.

14.8 Interpretation. The Timeshare Board will interpret the Governing Documents. Any interpretation is binding on all parties unless wholly unreasonable. An opinion of legal counsel to the Association, or the legal counsel having drafted this Declaration, that any interpretation adopted by the Association is not unreasonable shall conclusively establish the validity of such interpretation.

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EXHIBIT A
Legal Description of the Subject Units

Condominium Units Numbers 7101, 7102, 7103, 7201, 7202, 7203, 7301, 7302, 7303, 8101, 8102, 8103, 8201, 8202, 8203, 8301, 8302, 8303, 9101, 9102, 9103, 9104, 9201, 9203, 9204, 10101, 10102, 10103, 10104, 10201, 10202, 10203, 10204, 10301, 10302, 10303 and 10304 contained within South Shore, a Nevada condominium project, as identified and established in the Condominium Plat of South Shore, a Commercial Subdivision recorded on December 5, 2002 in Book 1202, at Page 2181 as Document No. 559872 in the office of the County Recorder for Douglas County, State of Nevada, as further described in the Declaration of Condominium – South Shore recorded on December 5, 2002 in Book 1202, at Page 2182 as Document No. 559873 (the “Condominium Declaration”), together with the undivided interest in the Common Elements appurtenant to each said Unit in accordance with the Condominium Declaration.

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EXHIBIT "B"
POINTS ALLOCATED TO SUBJECT UNITS

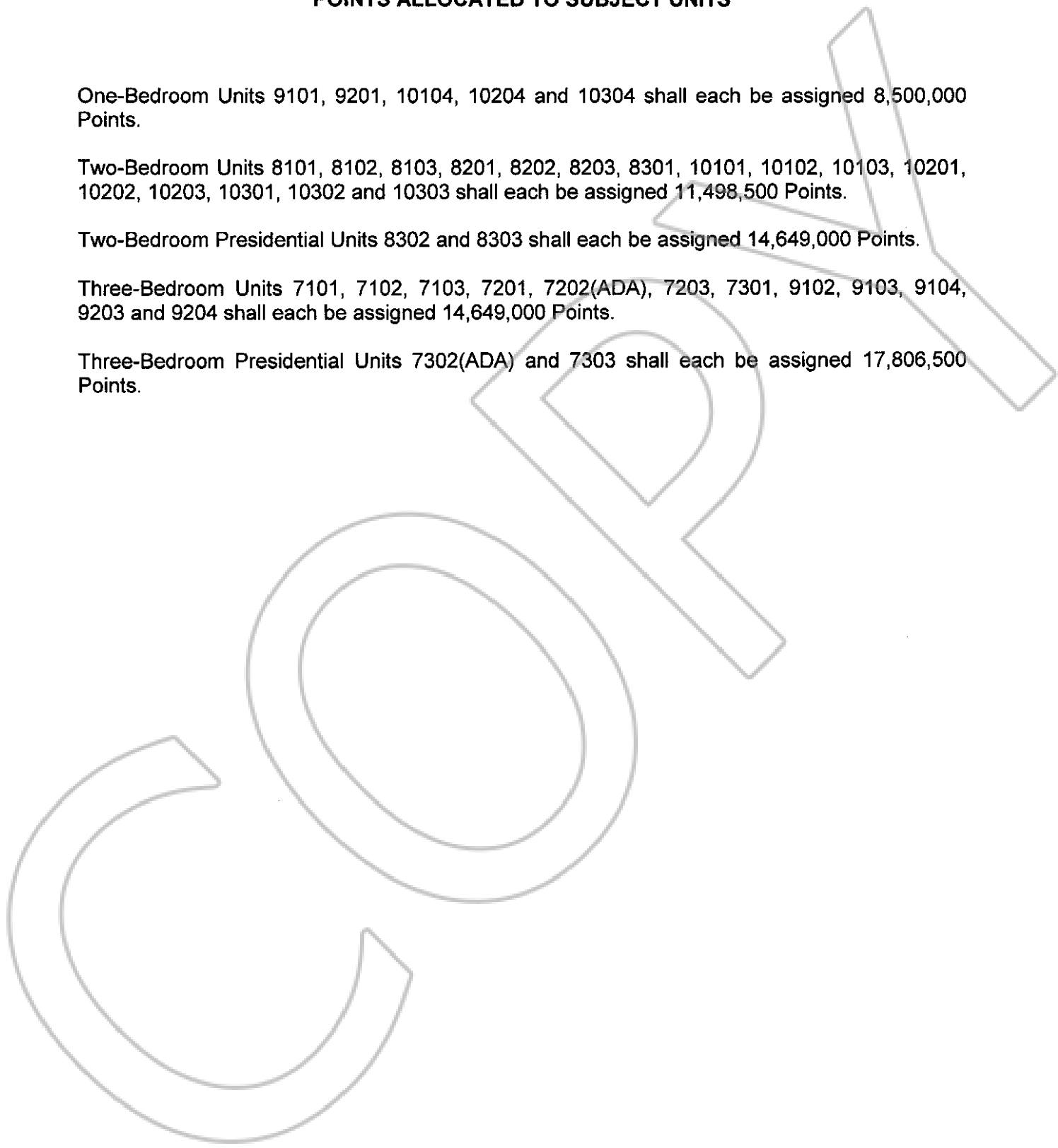
One-Bedroom Units 9101, 9201, 10104, 10204 and 10304 shall each be assigned 8,500,000 Points.

Two-Bedroom Units 8101, 8102, 8103, 8201, 8202, 8203, 8301, 10101, 10102, 10103, 10201, 10202, 10203, 10301, 10302 and 10303 shall each be assigned 11,498,500 Points.

Two-Bedroom Presidential Units 8302 and 8303 shall each be assigned 14,649,000 Points.

Three-Bedroom Units 7101, 7102, 7103, 7201, 7202(ADA), 7203, 7301, 9102, 9103, 9104, 9203 and 9204 shall each be assigned 14,649,000 Points.

Three-Bedroom Presidential Units 7302(ADA) and 7303 shall each be assigned 17,806,500 Points.



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