

MASTER DECLARATION OF
RESTRICTIONS AND BYLAWS
FOR WELK RESORTS PLATINUM PROGRAM

WELK RESORT GROUP, INC.
MAY 1, 2006

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**MASTER DECLARATION OF
RESTRICTIONS AND BYLAWS
FOR WELK RESORTS PLATINUM PROGRAM**

This Master Declaration of Restrictions and Bylaws for Welk Resorts Platinum Program ("Declaration") is made this 1st day of May, 2006, by Welk Resort Group, Inc., a California corporation ("Declarant") with reference to the following facts and circumstances, and is as follows:

RECITALS

A. Declarant is the founder of a multi-location vacation ownership program known as Welk Resorts Platinum Program (the "Program"), which Program establishes a uniform plan for the development, ownership, use and enjoyment of specified resort accommodations for the benefit of its owners.

B. Declarant is the owner of certain real property interests described on Exhibit "A" attached hereto and made a part hereof by this reference which interests will be subjected to this Declaration and will be dedicated to the Program upon the recording, in the real estate records of the applicable county, of a Declaration of Dedication in the form of Exhibit "B" hereto, thereby creating the "Initial Resort Accommodations" in the Program.

C. In addition to the Initial Resort Accommodations, Declarant intends from time to time to dedicate other resort accommodations ("Resort Accommodations") to the Program, which Resort Accommodations may be either within the projects described on Exhibit "A" ("Existing Projects") or within other qualified locations selected by Declarant ("Future Projects"). These Resort Accommodations, when dedicated in accordance with the provisions of this Declaration, shall become known as "Dedicated Resort Accommodations". "Existing Projects" and "Future Projects", to the extent Resort Accommodations therein have been dedicated to the Program, are hereinafter collectively referred to as "Projects".

D. Declarant has the exclusive right to dedicate Resort Accommodations to the Program, and to offer "Ownerships" in the Program to members of the general public pursuant to a Development Agreement dated May 1, 2006 between Declarant and Welk Resorts Platinum Owners Association, a California nonprofit, mutual benefit corporation ("Association"), as the governing body for the Program.

E. As Ownerships are created within the Program by the dedication of Resort Accommodations, the Association issues Certificates of Title in exchange for title to or use rights to the

Resort Accommodations, which Certificates of Title Declarant may then sell to members of the general public. Each member of the general public who purchases an Ownership, and Declarant with respect to Ownerships it owns, are considered "Owners" and will have the right, as an Owner, to use and occupy dwelling units and the appurtenant common areas and amenities at the Projects, subject to the terms of this Declaration.

NOW, THEREFORE, in furtherance of such intent, Declarant hereby declares that the Dedicated Resort Accommodations shall be held, conveyed, hypothecated, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the following easements, covenants, conditions and restrictions set forth in this Declaration as this Declaration may be amended from time to time, and subject to the rules and regulations of the Association, all of which easements, covenants, conditions and restrictions and rules are declared to be in furtherance of a plan established for the purpose of enhancing and perfecting the value, desirability and enjoyment of the Projects, the Dedicated Resort Accommodations, and the Ownerships. To the fullest extent permitted by law, all such easements, covenants, conditions and restrictions and rules shall constitute covenants running with the Dedicated Resort Accommodations and equitable servitudes and liens, and shall be binding upon and for the benefit of Association, Declarant, and each Ownership conveyed, and shall be binding upon and for the benefit of all parties having or acquiring any right, title, interest or estate in the Dedicated Resort Accommodations, including but not limited to the heirs, executors, administrators and assigns of any such parties and all subsequent owners of the Dedicated Resort Accommodations and the Ownerships.

ARTICLE I

DEFINITIONS

As used herein, the following terms shall have the following meanings:

1.1 "Annual Report" means a report to Owners comprising (a) a balance sheet of Association as of the last day of a Fiscal Year, (b) an operating statement for such Fiscal Year, (c) a statement of net changes in financial position for such Fiscal Year, (d) any information required to be reported under applicable law relating to nonprofit, mutual benefit corporations, and (e) a list of the names, mailing addresses and telephone numbers of the members of the Board of Directors.

1.2 "Articles" means the Articles of Incorporation of the Association which are, or shall be, filed in the office of the California Secretary of State, as said Articles may be amended from

time to time.

1.3 "Assessments" means, collectively, the Basic Assessment and Special Assessment.

1.4 "Assigned Unit" means any Unit within a Project, the occupancy of which has been assigned to an Owner in accordance with the Rules and Regulations of the Program and of the Underlying Association.

1.5 "Association" means the Welk Resorts Platinum Owners Association, a California nonprofit, mutual benefit corporation.

1.6 "Association Maintained Areas" means any Units and any Common Furnishings, Common Facilities or Common Areas for which the Association is responsible for maintenance and operation, either pursuant to an Underlying Plan or otherwise.

1.7 "Basic Assessment" means, for each Point each Fiscal Year, an assessment levied by the Association against each Ownership in an amount determined by the Board for such Fiscal Year in accordance with the provisions hereof.

1.8 "Basic Expenses" means the estimated aggregate amount of expenses, as set forth in the Budget, to be incurred by the Association during the applicable Fiscal Year:

(a) To the extent not covered by an Underlying Association, to operate, manage, maintain, improve and repair the Resort Accommodations supporting the Ownerships, the Association Maintained Areas and the Common Furnishings of the Projects;

(b) To provide for the collection of funds on an annual basis over the useful life of components for which the Association is responsible pursuant to an Underlying Plan or other instrument in an amount sufficient to meet reserve expenses;

(c) To provide for the payment of assessments levied by an Underlying Association against the Dedicated Resort Accommodations;

(d) To provide for a contingency fund in the event that some Assessments may not be paid on a current basis; and

(e) To provide for the payment of the fees of the Managing Agent selected by the Association.

Without limiting the generality of the foregoing, Basic Expenses shall include:

(1) All charges, costs and expenses whatsoever incurred

by the Association for or in connection with the administration and operation of the Program, the Ownerships, the Common Furnishings, and the Association Maintained Areas;

(2) To the extent not individually assessed to individual Owners by the applicable taxing authority, taxes assessed against the Dedicated Resort Accommodations, the Ownerships, the Common Furnishings, or the Association Maintained Areas;

(3) Assessments and other similar governmental charges levied on or attributable to the Program, including any hotel or transient occupancy tax or any governmental charge levied in lieu of such hotel or transient occupancy tax, except to the extent paid or payable by the users and guests of the Projects;

(4) Insurance obtained pursuant to the Declaration;

(5) Any liability whatsoever for loss or damage arising out of or in connection with the Program or any fire, accident, or nuisance within the Projects to the extent such insurance is not maintained by an Underlying Association or by Declarant;

(6) Cost of repair, reinstatement, rebuilding and replacement of all or any portion of the Association Maintained Areas or the Common Furnishings therein;

(7) The cost of all basic utility services, including water, electricity, natural gas, garbage disposal, telephone and any other similar service attributable to the Ownerships and the Association Maintained Areas to the extent not included in the assessments levied by an Underlying Association;

(8) The unpaid share of any Assessment levied during the previous Fiscal Year against any Ownership for which a default in payment thereof has occurred, to the extent that the same becomes uncollectible; and

(9) Wages, accounting and legal fees, management fees, assessment servicing and collection fees, maid service, and cleaning fees, and other necessary expenses of upkeep, maintenance, management and operation actually incurred with respect to the Program;

(10) The costs of qualification for any Exchange Program; and

(11) Such other and further costs and expenses as the Association may deem to be in the best interest of Owners to be incurred by Association in providing quality resort services to Owners.

Basic Expenses shall not include any expense constituting a Personal Charge.

1.9 "Basic Use" means an Owner's basic entitlement to use and occupy an Assigned Unit during such Owner's Use Period, together with the non-exclusive right to use and enjoy the Common Facilities and the Common Furnishings, the duration of which is based on the number of unexpired Points owned, which shall be credited to such Owner in each Use Term and may be applied by such Owner to reserve Use Periods in accordance with the Point Valuation Schedule.

1.10 "Board" means the Board of Directors of the Association.

1.11 "Bonus Time" means unoccupied space in the Projects that may be used and occupied by an Owner, subject to availability and certain advance reservation requirements, as determined by the Underlying Association, and for which a rental charge applies.

1.12 "Budget" means a pro forma operating statement setting forth the Basic Expenses and the capital reserve funding of the Association for a particular Fiscal Year.

1.13 "Certificate of Title" means a certificate issued by Association to an Owner, evidencing the Owner's Ownership in the Program until transferred or terminated in accordance with the terms of this Declaration.

1.14 "Check-In Time" and "Check-Out Time" means the time designated as such for each Project in the then-current Rules and Regulations, or in the rules and regulations of the Underlying Association.

1.15 "Program" means the timeshare use program established under this Declaration.

1.16 "Common Areas" means all portions of the Projects other than the interiors of the Units and, where applicable, patio or balcony areas appurtenant thereto.

1.17 "Common Facilities" means all swimming pools, beach facilities and other recreational and use amenities located at a Project for which the Owners have exclusive or non-exclusive use and enjoyment.

1.18 "Common Furnishings" means all furniture, furnishings, appliances, telephone system and other personal property from time to time owned, leased or held for use by Owners in common by the Association or an Underlying Association and which are located within the Resort Accommodations or within a Project.

1.19 "Declarant" means Welk Resort Group, Inc., a California corporation, or any successor in interest to Welk Resort Group, Inc. by express assignment of the development rights under the Development Agreement.

1.20 "Declarant Ownerships" means all Ownerships or unsold Points owned by Declarant from time to time.

1.21 "Declaration" means this Master Declaration of Restrictions and Bylaws for Welk Resorts Platinum Program, as the same may be amended or restated from time to time in the manner herein provided.

1.22 "Declaration of Dedication" means a Declaration of Dedication in the form of Exhibit "B" hereto identifying the Resort Accommodations to be subjected to this Declaration, which Declaration of Dedication is filed with the Secretary of the Association and, as to Projects in which Declarant intends to convey to the Trustee a deeded timeshare estate, recorded in the applicable County Records Office, in the manner and containing the information required pursuant to Section 4.2(a) hereof.

1.23 "Dedicated Resort Accommodations" means Resort Accommodations which have been dedicated to the Program under the provisions of Section 4.2 hereof.

1.24 "Development Agreement" means the agreement between Declarant and Association dated May 1, 2006, as the same may be amended from time to time, pursuant to which the Association has granted to Declarant the exclusive right to sell Ownerships in the Program, and the exclusive right to cause additional Ownerships to be created by the dedication of Resort Accommodations pursuant to the terms of this Declaration.

1.25 "Exchange Program" means a service provided by an organization whereby Owners in the Program and owners of time periods in other vacation ownership programs may exchange Points, Use Periods, or the right to reserve Use Periods, in the Projects for time periods at projects in other locations, or whereby Owners in the Program may obtain rights to make reservations in another vacation ownership project in exchange for the right of such other persons to make reservations, on a space-available basis, to occupy Units in the Projects through the Program's reservation system. Such exchange programs may provide for such features as may be approved by the Board which do not unreasonably interfere with the rights of Owners, and may authorize various fees for some or all of the features permitted by the exchange agreement.

1.26 "Exchange User" means an owner of a time period or points in another vacation ownership program who occupies the Dedicated Resort Accommodations through the Program reservations

system pursuant to an Exchange Program.

1.27 "Fiscal Year" means the one (1) year period commencing on first day of January of each year, which shall be the fiscal year of the Association; provided, however, that the Fiscal Year shall be subject to change by resolution of the Board.

1.28 "Governing Instruments" means this Declaration, the Articles of Incorporation for the Association, and the Rules and Regulations, together with the governing instruments for any Underlying Association.

1.29 "Majority of Owners" means the vote or written assent of more than fifty percent (50%) of the voting power of all Owners entitled to vote or so assent represented and who exercise such voting entitlement, and the vote or written assent of a Majority of Non-Declarant Owners.

1.30 "Majority of Non-Declarant Owners" means the vote or written assent of more than fifty percent (50%) of the voting power of all Non-Declarant Owners entitled to vote or so assent represented and who exercise such voting entitlement.

1.31 "Management Agreement" means an agreement between the Association and the Managing Agent to manage the Program and the Dedicated Resort Accommodations.

1.32 "Managing Agent" means the agent engaged by the Board pursuant to paragraph 4.3 below.

1.33 "Non-Declarant Owners" means all Owners other than Declarant.

1.34 "Owner" means (a) the owner of an Ownership named in each Certificate of Title or such person's successors in interest if ownership of such Ownership is transferred in accordance with the provisions of this Declaration and such successor is named in the Roster of Owners on file with the Secretary of Association, and (b) Declarant with respect to each Declarant Ownership or Declarant-owned Points.

1.35 "Ownership" means an ownership in the Program as evidenced by a Certificate of Title, which Ownership entitles the Owner thereof to use rights to a Project or Dedicated Resort Accommodations therein, which Ownership may be for a term of years, or in perpetuity, as established in the Certificate of Title. In each case, Ownership includes use rights to occupy Units within the Projects, which use rights are evidenced by a predetermined fixed number of Points, which Points such Owners are permitted to redeem during each Use Term for room/nights of stay in an Assigned Unit, together with use of the Common Facilities at any Project during

each Use Period, according to the Point Valuation Schedule as administered pursuant to the Rules and Regulations. Owners of a "Fixed Ownership" are Owners who elect, at the time of their purchase, to have a preferential right to reserve a particular Unit, Unit type or week at a specified Welk Resort, during the times and pursuant to the requirements of the Rules and Regulations. All other Owners shall own a "Flex Ownership", which carries with it the right to reserve, on a floating unit, floating week basis, any Units not reserved by the Owner of a Fixed Ownership. Ownerships may be either Annual Ownerships (which have use rights every year) or Biennial Ownerships (which have use rights only every other year). Biennial Ownerships shall permit use either during odd-numbered years only, or even-numbered years only, as specified in the Certificate of Title. The Declarant reserves the right to create additional Ownership Types in the future.

1.36 "Permitted User" means any person, other than an Exchange User, who occupies an Assigned Unit with the permission of the Owner to whom the Unit was assigned, including, without limitation, members of such Owner's family, his guests, licensees or invitees, in accordance with the provisions of this Declaration and the Rules and Regulations.

1.37 "Personal Charges" means (i) any expense resulting from the act or omission of any Owner, Permitted User or Exchange User, including, without limitation: the cost of long distance telephone charges or telephone message unit charges and other special services or supplies attributable to the occupancy of a Unit during such Owner's Use Period; the cost to repair any damage to any portion of a Project or to repair or replace any Common Furnishings on account of loss or damage caused by such Owner or his Permitted User(s); (ii) the cost to satisfy any expense to any other Owner(s) or to the Association due to any intentional or negligent act or omission of such Owner or Permitted User, or resulting from the breach by such Owner or Permitted User of any provisions of the Governing Instruments; and (iii) any transient occupancy tax validly levied pursuant to applicable law and payable by any Owner which the Association is or shall be required or entitled to collect on behalf of the levying authority. In amplification of the foregoing, the act or negligence of a Permitted User shall be deemed to be the act or negligence of the Owner who permits such Permitted User to use and occupy any portion of a Project.

1.38 "Points" means the symbolic units of measurement of the rights of an Owner to enjoy the use rights to the Projects utilizing the Program's reservation system, which Points shall be credited to each Owner at the beginning of each Use Term, and which expire at the end of each Use Term if not redeemed, and which Points may be applied by each Owner to reserve Use Periods in accordance with the Point Valuation Schedule.

1.39 "Point Allocation System" is a system by which the Association allocates a number of Points to each Dedicated Resort Accommodation and determines how many Points need to be redeemed for each room/night of usage for each unit type, season, and day of the week at each Project, determined in accordance with Section 2.4 hereof.

1.40 "Point Valuation Schedule" means the schedule established by the Board from time to time establishing the number of Points needed to reserve a Unit at each Project through the Program's reservations system for each unit type, season, and day of the week.

1.41 "Project" shall have the meaning attributed thereto in the Recitals.

1.42 "Resort Accommodations" means the continuous or periodic use rights, for a term of years or in perpetuity, whether or not accompanied by fee title, leasehold, interval interest, points, or otherwise, to occupy a Unit, together with the right to use any appurtenant common areas or common facilities.

1.43 "Roster of Owners" means that certain roster of Owners which shall be maintained by the Secretary of the Association pursuant to subsection 4.2(t) hereof, which shall show the name of each Owner, the type of each Ownership, and the number of Points for each such Owner.

1.44 "Rules and Regulations" means the rules and regulations adopted by the Board relating to the possession, use and enjoyment of the Ownerships, the Dedicated Resort Accommodations, the Common Facilities and the Projects.

1.45 "Service Period" means, (a) with respect to each Unit not maintained by an Underlying Association, (i) a period of time determined at the discretion of the Association which shall be reserved by the Association for the cleaning, maintenance and repair thereof and the Common Furnishings therein, provided, however, that no such period of time shall have been duly reserved by an Owner, (ii) the periods of time between Check-Out and Check-In, and (b) the period(s) of time, outside of those described in clauses (i) and (ii), during which any maintenance or repair thereof or of the Common Furnishings in such Unit which is requested by an occupant or is reasonably necessary is performed by or on behalf of the Association. The Association shall determine which days and nights will comprise the Service Period described in clause (a) for each Unit, which days and nights need not be consecutive or the same from year to year.

1.46 "Special Assessment" means an assessment levied against an Ownership to provide funds to the Association in the event the

Basic Assessment proves inadequate, in an aggregate amount sufficient to provide for such inadequacy.

1.47 "Subsidy Agreement" means a written agreement, if one exists, between the Association and Declarant by which such Declarant undertakes to subsidize the cost of operating the Program, or maintaining a Project or certain Dedicated Resort Accommodations in lieu of payment of assessments on Declarant-owned Points.

1.48 "Super-Majority of Owners" means the vote or written assent of Owners entitled to vote or so assent, and who collectively own more than 75 percent of the total voting power vested in all Owners, and the vote or written assent of Non-Declarant Owners entitled to vote or so assent, and who collectively own more than 75 percent of the total voting power vested in the Non-Declarant Owners.

1.49 "Support Areas" shall mean Common Areas of the Projects to which Owners do not have common access, such as service and maintenance areas, registration and front desk areas, storage and office space, and other space which the Association or any Underlying Association has determined to be restricted from general access.

1.50 "Trust Agreement" means any agreement pursuant to which a bank or other institution or the Association holds title to a Project or to Dedicated Resort Accommodations or interests therein for the benefit of the Association, its Owners, and any other beneficiaries.

1.51 "Trustee" means the trustee under a Trust Agreement.

1.52 "Underlying Association" means an incorporated or unincorporated association of owners of subdivision interests within a Project, which association is responsible, pursuant to the provisions of an Underlying Plan, to operate, maintain, manage and control the Common Areas and/or Common Facilities of the Projects within which such subdivision interests are located.

1.53 "Underlying Plan" means (a) a declaration of horizontal property regime, condominium plan, or subdivision map recorded in the official records of the jurisdiction in which a Project is located which establishes or creates a plan for the subdivision of such real property and provides for the creation of separate dwelling units and common areas and for the operation and maintenance thereof; or (b) a declaration of covenants, conditions and restrictions recorded in the official records of the jurisdiction in which a Project is located, which provides a common scheme and plan for the management, operation, use and enjoyment of such Project by the common owners thereof and which establishes

benefits and burdens running with such Project and/or equitable servitudes upon such Project; (c) a Trust Agreement providing for the maintenance, operation and use of a Project pursuant to which title to such Project is held by a Trustee for the benefit of the owner(s) of the Project and all owners of interests therein, including Association, or (d) any other written plan providing for the maintenance, operation and use of a Project.

1.54 "Unit" means a separate dwelling unit at a Project to which Owners have use rights hereunder and under the terms of any Underlying Plan, consisting of a room, suite, apartment, house, condominium, vessel, trailer, recreational vehicle, or some physically divided portion thereof, physically capable (as opposed to legally capable) of separate occupancy by two or more persons for residential or resort use.

1.55 "Use Period" means the time period(s) during which each Owner has reserved the use and occupancy of a Unit in accordance with the provisions of this Declaration and the Rules and Regulations, whether for Basic Use or Bonus Time.

1.56 "Use Term" means, (a) as to Annual Ownerships, that twelve (12) month period commencing on the first day of January each year, and ending on the last day of December, and (b) as to Biennial Ownerships, that twelve (12) month period commencing on the first day of January and ending on the last day of December during either odd-numbered years only, or even-numbered years only, as specified in the Owner's Certificate of Title.

ARTICLE II

USE RIGHTS AND RESTRICTIONS

2.1 Basic Use. Subject to all the terms and conditions contained elsewhere in this Declaration, the Program shall be and operate as a multi-location vacation ownership project in which each Owner shall have the right (and in the case of Declarant, during all periods not timely reserved by other Owners) to use and occupy, pursuant to a first-requested, first-reserved priority system, (i) a Unit with the number of Points owned by the Owner as determined by reference to the allocation of Points among different nights and unit types set forth in the Point Valuation Schedule set by the Association, and (ii) the Common Furnishings contained within such Unit, and the non-exclusive right to use and enjoy the Common Areas and Common Facilities for the Use Period during such Owner's Use Term; provided, however, that such Owner shall have reserved such use and occupancy in accordance with the requirements and procedures for the making of reservations set forth in the then current Rules and Regulations. At the commencement of every Use Term, each Owner will be credited with the number of Points to

which he/she is entitled pursuant to his/her Ownership. The Points credited may be applied by each Owner to reserve one or more Use Periods in a Unit, subject to a maximum advance reservation period as determined by the Board and by the Underlying Associations, and further subject to the rules regarding reservations and the use and expiration of Points set forth in the Rules and Regulations and in any Underlying Plan. The requirements and procedures governing reservation rights may be subject to change by the Board of Directors in their discretion. No use or occupancy by any Owner will be permitted if such Owner is delinquent in the payment of any amounts owed to the Association. Unutilized Points will be forfeited on the last day of each Owner's Use Term, unless the Owner has complied with the requirements under the Rules and Regulations for "Points Borrowing" or "Points Accrual".

2.2 Bonus Time. Owners shall have the additional right, called Bonus Time, to use and occupy one or more Assigned Units, and the non-exclusive right to use and enjoy the Common Facilities, in excess of an Owner's Basic Use entitlement, provided that such Owner shall have reserved such use and occupancy in accordance with the procedures for the making of reservations set forth in the then-current Rules and Regulations of the Program and of the Underlying Association at the Projects.

2.3 Day Use. Use of Common Facilities during the day by Owners while not checked in as guests at the Project ("Day Use") may be permitted at certain of the Projects, at the discretion of the Board and the governing body of any Underlying Association, subject to the Rules and Regulations of the Underlying Association and of the Association, as such Rules and Regulations may be amended from time to time.

2.4 Point Valuation Schedule. All Owners requesting Basic Use must use the reservation system for the Program by redeeming some or all of their allocation of Points as specified in their Certificate of Title and as determined in accordance with this section. The Association has the power to create a Point Allocation System, in order to determine the number of Points required for use of each Unit and for each day of the week, holiday, or season within each Project, which number may vary according to the perceived relative demand for each day of the week, season, unit type, and Project. The original allocation of Points to each Ownership shall be stated as stated on Exhibit "A" with respect to the Initial Resort Accommodations, and in the Declaration of Dedication with respect to all Resort Accommodations which are dedicated in the future.

(a) Future Allocation of Points. For each of the Resort Accommodations dedicated to the Program in the future, the Declarant shall determine the Point Valuation Schedule for each such Resort Accommodations, which Point Valuation Schedule need not

conform to the point redemption values fixed by any Underlying Plan, in those cases where the Underlying Plan also contains a point system of reservations. The Declarant's determination shall be set forth in the Declaration of Dedication for each of the Resort Accommodations. In exercising its discretion to allocate Points to Dedicated Resort Accommodations, including those within Future Projects, the Declarant shall consider the following criteria:

(i) The quality, size and desirability of the Resort Accommodations within such Project when compared with other Projects then subject to the Program;

(ii) The availability of both on-site and off-site amenities likely to be used by Owners at such Project;

(iii) The actual and anticipated seasonal use patterns of occupants of the Project;

(iv) The duration of the term of any interest in the Resort Accommodations acquired at any Project;

(v) The geographic location of the Project, both with respect to desirability and proximity to other Projects within the Program;

(vi) The cost of construction, development, acquisition and operation of the Project;

(vii) The physical condition of the Resort Accommodations to be dedicated, and the commitment on the part of Declarant or any Underlying Association to repair, maintain and refurbish such Resort Accommodations and the related Project and to make contributions to long-term repair and replacement reserves sufficient to pay for the repair and replacement of the components of the Resort Accommodations and the Project for which long term reserves are appropriate; and

(viii) Any other factors which the Declarant, exercising its reasonable judgment, determines to be in the best interests of the Program.

(b) Changes in Point Allocation by Association. The Association may, through its Board, revise upward or downward the number of Points assigned to any particular Resort Accommodations which have been dedicated to the Program, or within any such Resort Accommodations as to any particular unit type, day of the week or season, subject to the following limitations:

(i) Any increase in the number of Points for any particular Resort Accommodations or season must be offset by a

decrease in the number of Points for some other Resort Accommodations or season, so that the total number of Points available in the Program remains the same immediately before and after such reallocation;

(ii) No single change to the value of a day, unit type or season may result in an increase or decrease of the Point valuation for that item of greater than ten percent (10%);

(iii) The Association may not change the Point Valuation Schedule more than one time for each Fiscal Year of the Association; and

(iv) No changes in Point valuation shall affect any pending reservations at the time the reallocation is made.

2.5 Occupancy. No Owner shall occupy any Unit or exercise any other rights of ownership with respect to any Unit, the Projects, the Common Areas, and the Common Facilities, other than the rights provided to him in this Article II. Each Owner shall keep his Assigned Unit occupied by him, the Common Furnishings therein, and the Common Facilities in good condition and repair during his Use Period(s), vacate the Assigned Unit at the expiration of his Use Period(s), remove all persons and property therefrom, excluding only the Common Furnishings, leave the Assigned Unit and the Common Furnishings therein in good and sanitary condition and repair and otherwise comply with such check-out and other procedures and regulations as may from time to time be contained in the Rules and Regulations or adopted by the Board. Any Owner may permit his Assigned Unit to be occupied by other persons (not in excess of the number of occupants permitted by the Rules and Regulations) for the purposes permitted by this Declaration during his Use Period(s), but such Owner shall be responsible for any loss, damage, destruction or violation of this Declaration, or the Rules and Regulations (except on the part of an Exchange User) which occurs during such occupancy as if such Owner were occupying the Assigned Unit.

2.6 Failure to Vacate. Any person who fails to vacate the Assigned Unit at Check-Out Time on the date of scheduled departure shall (a) be subject to immediate removal, eviction or ejection from the Unit wrongfully used or occupied; (b) be deemed to have waived any notice required by law with respect to any legal proceedings regarding removal, eviction or ejection (to the extent that such notices may be waived under applicable law); (c) reimburse the Association for all costs and expenses incurred by it as a result of such conduct, including, but not limited to, costs of alternate accommodations, travel costs, court costs and reasonable attorneys' fees incurred in connection with removing, evicting or ejecting said holdover user from such Unit, and costs (including reasonable attorneys' fees) incurred in collecting such

reimbursement(s); and (d) pay to the person entitled to use and occupy the Unit during such wrongful occupancy, as liquidated damages [in addition to the costs and expenses set forth in subparagraph 2.6(c), above], a sum equal to two hundred percent (200%) of the fair rental value per day of the Unit for each day or portion thereof, including the day of surrender, during which the holdover user prevents use and occupancy of the Unit; provided, however, that if the holdover user is an Exchange User, the Owner whose Use Period was used by the Exchange User shall have no liability pursuant to the provisions of clauses (c) and (d) above, such liability being that of the Exchange User or the Association. The Association shall be responsible for determining the fair rental value of a Unit. The Association shall use reasonable efforts to attempt to remove such holdover user from the Unit, and/or to assist the persons dispossessed in finding alternate accommodations during such holdover period and to secure, at the expense of the Association, alternate accommodations for dispossessed person which alternate accommodations shall be as near in value to the Assigned Unit as possible and the cost thereof shall be assessed to the holdover user (unless the dispossessed person was an Exchange User) as a Personal Charge. In the event that the Association, in its sole discretion, deems it necessary to contract for a period greater than the actual period for which the use is prevented in order to secure alternate accommodations as set forth above, the cost of the entire period shall be assessed to the holdover user as a Personal Charge. By accepting any assignment or transfer of an Ownership, each Owner agrees that, in the event of a wrongful occupancy or use by him or his Permitted User, damages would be impracticable or extremely difficult to ascertain and that the measure of liquidated damages provided for herein constitutes fair compensation to those who are deprived of occupancy. If an Owner or his Permitted User, by intentional or negligent act renders a Unit uninhabitable for all or any portion of any Use Period, then (i) such Owner shall be deemed a holdover user, (ii) the foregoing provisions of this paragraph 2.6 shall apply and (iii) such Owner shall be liable to the Owner(s) and/or Permitted User(s) entitled to occupy such Unit during such subsequent Use Period(s) just as if such Owner had refused to vacate the Unit at the end of his Use Period(s). For the purposes of this paragraph 2.6, the act or negligence of a Permitted User shall be deemed to be the act of the Owner.

2.7 Use Restrictions. No reservation, use or occupancy by any Owner will be permitted if such Owner is delinquent in the payment of any amounts owed to the Association. The maximum occupancy of any Unit shall be as provided in the Rules and Regulations. Except as required to prevent damage or injury to persons or property in an emergency, no Owner shall make or authorize any alterations, additions or improvements to the Projects, or any portion thereof, including, but not limited to, the Common Areas, the Common Furnishings and the improvements,

landscaping, or any personal property thereon, or paint, repaint, tile, paper or otherwise refinish or redecorate the inner surfaces of the walls, ceilings, floors, windows or doors bounding any Unit which such Owner may from time to time occupy, or remove, alter or replace any portion of the Common Furnishings without the prior written consent of the Association and, if applicable, the Underlying Association. The right to perform all of the foregoing acts has been delegated to the Association by this Declaration, except as reserved to the Underlying Associations in the Underlying Plans. The foregoing prohibitions, however, shall not modify or affect the obligation of each Owner for the prudent care and ordinary maintenance and upkeep of all property subject to his use. Each Owner, by accepting the assignment or transfer of an Ownership, hereby covenants and agrees to abide by the Rules and Regulations. Use and occupancy of the Projects is limited to private, residential use, and non-residential and/or commercial use of the Projects by any Owner is prohibited except as to the right of (a) Declarant or Declarant's lessee to use Declarant-owned Ownerships as part of the resort operations and (b) of Declarant, any Owner or the Association to use Ownerships for such rental purpose as expressly provided in Section 2.12.

2.8 Transfer of Interest. No Owner shall sell, assign transfer, hypothecate or encumber less than all of his interest in his Ownership; provided, however, that nothing herein contained shall restrict the manner in which title to the Ownership may lawfully be held under applicable law (e.g. joint tenants, tenants-in-common, or the like). Any sale, assignment, transfer, hypothecation or encumbrance by any Owner of less than all of his interest in his Ownership shall be null, void and of no effect. Nothing contained herein shall prohibit an Owner from surrendering his Certificate of Title to the Association in exchange for two or more Certificates of Title and thereby creating one new Ownership for each such Certificate, each of which shall have at least the minimum number of Points which may be set by the Board from time to time for any one Ownership. The transfer of any Ownership shall operate to transfer to the new owner of the Ownership the interest of the prior Owner in all funds in the hands of the Association even though not expressly mentioned or described in the instrument of transfer and without further instrument of transfer. Association shall not recognize for the purpose of any obligation of an Owner under the Declaration, any transfer unless and until the Association receives notice of such transfer as provided in Section 8.4, below. Association may charge a fee for processing any such transfer in an amount set by the Board.

2.9 Separate Encumbrances. Each Owner shall have the right to encumber or grant a security interest in all, but not less than all, of his Ownership. Subject to the provisions of this Declaration, including Section 6.3 hereof, any such encumbrance or security interest shall be subordinate to all of the provisions of

this Declaration and any Underlying Plan, and in the event of foreclosure, the provisions of this Declaration and any Underlying Plan shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure or otherwise.

2.10 Partition and Subordination of Tenancy-in-Common Attributes. It is intended that, subject to the provisions of any Underlying Plan, this Declaration alone shall govern all rights with respect to the use, possession, enjoyment, management and disposition of the Ownerships and the Resort Accommodations which become dedicated hereunder.

(a) Accordingly, all rights with respect to the use, possession, enjoyment, management or disposition of any dedicated Resort Accommodations or Project which an Owner might otherwise have as a tenant-in-common (including, but not limited to, any common law or statutory right jointly to use, possess or manage commonly owned property) are hereby unconditionally and irrevocably subordinated to this Declaration for so long as this Declaration shall remain in effect; provided, however, that in the event that an election to terminate this Declaration is made pursuant to paragraph 8.2, an Owner shall have the rights specified in paragraph 8.2; and

(b) Except as provided in paragraph 8.2, no Owner or other person or entity acquiring any right, lien or interest in any Resort Accommodations shall seek or obtain, through any legal procedures, judicial partition of the Resort Accommodations or the sale thereof in lieu of partition. If, however, any Ownership is owned by two or more persons as tenants-in-common or as joint tenants or as community property, nothing herein contained shall prohibit a judicial sale of the Ownership in lieu of partition as between such co-tenants or joint tenants.

2.11 Protection of Interest. Except as provided in paragraph 2.9, no Owner shall permit his Ownership or any Resort Accommodations or Project to be subject to any lien (other than the liens of current real property taxes), claim or charge, the enforcement of which may result in a sale or threatened sale of the Ownership or any interest in the Resort Accommodations or Projects held by any other Owner or any part thereof, or in any interference in the use or enjoyment thereof by any other Owner. In the event of a threatened sale of any Resort Accommodations or any part thereof, or should the use and enjoyment of any portion thereof by any Owner be threatened by reason of any lien, claim or charge against the Resort Accommodations of any other Owner, or should proceedings be instituted to effect any such sale or interference, any Owner acting on his own behalf or through the Association or the Association acting on behalf of any one or more Owners (if promptly indemnified to his or its satisfaction) may, but shall not

be required to, pay or compromise the lien, claim or charge without inquiry into the proper amount or validity thereof and, in such event, the Owner whose interest was subjected to such lien, claim or charge shall forthwith pay the amount so paid or extended to the Owner or the Association, whosoever shall have paid or compromised the lien, claim or charge, together with such reasonable attorneys' fees and related costs as he or it may have incurred. No Owner shall permit his interest in any funds from time to time in possession of the Association to be subjected to any attachment, lien, claim or charge or other legal process and each Owner shall promptly restore any funds held by the Association with respect to his Ownership to the extent depleted by the reason of the assertion of any such attachment, lien, claim, charge or other legal process and shall reimburse the Association for all reasonable attorneys' fees or other costs incurred in respect thereof.

2.12 Easements. Subject to the terms of any Underlying Plan, the following easements are reserved in and to each Project and the Dedicated Resort Accommodations.

(a) Easement for Sales, Resales, Customer Service and Related Purposes - Declarant, for itself, its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves until the later of five (5) years from the date of recordation of the first conveyance of any interest in any Resort Accommodations, or one (1) year from the sale of the last Declarant-owned Points, a non-exclusive easement in gross in, over and through each Project and each of the Resort Accommodations for the purposes of:

(i) marketing and selling Ownerships;

(ii) maintaining customer relations and providing post-sales service to Owners;

(iii) displaying signs and erecting, maintaining and operating, for sales and administrative purposes, model units and a customer relations, customer service and sales office complex in any Project;

(iv) showing any or all of the Resort Accommodations of each Project; and

(v) reserving during time periods not reserved by Owners, the Resort Accommodations for occupancy by prospective buyers of Ownerships or by resort guests; provided, however, that use of such easement shall be in such a manner that will minimize any adverse impact upon the use and enjoyment of the Ownerships by any Owner occupying it and shall not (A) unreasonably interfere with or diminish the rights of Owners to use and occupy the Dedicated Resort Accommodations and the Common Facilities or (B)

interfere with the use and occupancy of the Resort Accommodations or the Common Facilities by the Association or the Underlying Association, as the case may be, as reasonably required to administer the Program or for proper purposes of the Underlying Association, all as provided in the Governing Instruments.

Upon expiration of the easement provided for in this Section 2.12(a), Declarant or its assignee shall have the right to lease at prevailing market rates all or a portion of the Common Facilities under Association control previously used as a sales office or models, and shall have the continuing right to conduct sales and leasing activities from any Declarant-owned Units. Any such lease may contain the following provisions:

(i) The lessee shall be permitted to sell timeshares, Ownerships, and travel-related products, and conduct a rental office in the leased space so long as lessee's activities are no more burdensome on the Owners or the Project than the activities conducted from the foregoing easement area;

(ii) The lease shall obligate the lessee to maintain any leased space and to pay as rent a minimum amount which constitutes an equitable allocation of the total costs of operation of the Project attributable to the lessee's activities, which allocation shall be based on the square footage of the leased space in relation to the square footage of all Common Facilities structures;

(iii) The lessee must pay all utilities and services attributable to the leased space;

(iv) The lessee must provide liability insurance naming the Association as additional insured for personal injury arising out of lessee's use of the leased space; and

(v) The lessee must maintain separate books and records with respect to its activities related to the leased space.

(b) Association Easements for Maintenance and Use -

(i) The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors, and other authorized personnel, shall have the right and is hereby granted, subject to any Underlying Plan, for so long as the Association or its successors and assigns shall be required hereunder to manage and maintain Dedicated Resort Accommodations situated within each Project, an exclusive easement-in-gross in, over and through such Project for the repair and maintenance of the Dedicated Resort Accommodations and the Common Facilities during Service Periods; provided, however, that use of such easement shall not (1) unreasonably interfere with or diminish

the rights of Owners, Permitted Users, Exchange Users or Declarant to occupy the Resort Accommodations or Common Facilities, (2) interfere with the occupancy of non-dedicated Resort Accommodations at the Project or with the use of the Common Facilities by the Declarant or by the owner(s) of non-dedicated Units, by such owner's guests, licensees, invitees or renters, or by the Underlying Association as may reasonably be required to maintain and repair the Project in accordance with the Underlying Plan. In amplification and not limitation thereof, the Association and its successors and assigns shall have the right, during Service Periods and upon giving reasonable notice if a Unit is occupied, to enter such Unit for the purpose of cleaning, maid service, painting, maintenance and repair, and at any reasonably necessary time, whether or not in the presence of an Owner, to enter upon any Unit for the purpose of (A) making emergency repairs therein, (B) abating any nuisance or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Unit, (C) protecting property rights and welfare of any Owner, Permitted User or Exchange User, or (D) for any other purpose reasonably related to the performance by the Association of its duties and obligations under the terms of this Declaration. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the rightful occupant of such Unit and shall be preceded by reasonable notice to such occupant whenever the circumstances permit;

(ii) The Association, for itself, its successors and assigns, and its and their agents, employees, contractors, subcontractors and other authorized personnel, shall have the right and is hereby granted, for so long as the Association or its successors and assigns shall be required hereunder to manage and maintain any Project, a non-exclusive easement in, over and through each such Project for the purpose of providing accommodations to owners of timeshare interests in other timeshare projects with which the Association may contract, which contract will permit such other timeshare owners to make reservations in such Project, and will permit Owners hereunder to make similar reservations in such other projects. In amplification and not in limitation thereof, the use of such easement shall not (1) interfere with Basic Use reserved by Owners in accordance with this Declaration and the Rules and Regulations, or (2) interfere with the Association's use of the Project as necessary to perform its duties and obligations hereunder and pursuant to the Rules and Regulations.

(c) Easement for Improvements - Declarant, for itself and its successors, assigns, agents, employees, contractors, subcontractors and other authorized personnel, reserves an exclusive easement in, over and through each Project for the renovation, rehabilitation, remodeling, refurbishment and construction of such Project and the Units and the improvements

thereon.

(d) Easement for Rental by Declarant - Declarant, for itself, its successors, assigns, agents, employees, contractors, and other authorized personnel reserves an exclusive easement in gross in, over and through each Project for the purpose of conducting rental activities as hereinafter permitted under Section 2.17. The use of such easement shall not unreasonably interfere with the Association's use of said areas as necessary to perform its duties and obligations pursuant to this Declaration and the Rules and Regulations.

(e) Rental of Units by Association - The Association reserves an easement in, over and through each Project in the event it elects, either directly or through the Managing Agent, to provide for rental of any Dedicated Resort Accommodations not timely reserved by Owners or by Declarant pursuant to (d), in which case the rental revenues derived therefrom shall be for the benefit of the Association.

(f) Easements for Use - In order to permit the use and occupancy of Units in the Projects to which Owners have access pursuant to this Declaration and any Underlying Plan, and in accordance with the provisions of this Declaration and the Rules and Regulations, each Certificate of Title by incorporation of this Declaration, shall include a reservation of an easement for the benefit of each other Owner for the use and occupancy of all other Units in said Project, subject to all other provisions of this Declaration and the Rules and Regulations.

2.13 Animals. No animals, livestock, birds, fish or poultry of any kind shall kept in or upon any Unit by any Owner, Exchange User, Permitted User or employee or staff of Association, except for certified service animals.

2.14 Offensive Activity. No noxious or offensive activity on conduct shall be carried on within any portion of a Project nor shall anything be done therein or thereon which may or would become an annoyance or nuisance to other Owners or occupants. No Unit nor any portion of a Project shall be used for any trade, business or other commercial activity or solicitation except as expressly permitted by this Declaration. Except as provided in any Underlying Plan, no Owner other than Declarant shall cause or permit the display of any sign or advertising matter within any Unit or any other portion of a Project.

2.15 Compliance With Laws. No Owner, Permitted User or Exchange User shall permit anything to be done or kept in his Assigned Unit or within any other portion of a Project which violates any law, ordinance, statute, rules or regulations of any local, county, state or federal government or agency thereof.

2.16 No Increased Insurance. Nothing shall be done or kept in any Unit or within any other portion of a Project which will increase the rate of insurance on the Project without the prior written consent of the Board. No Owner shall permit anything to be done or kept in his Assigned Unit, or do or place anything within any Project, which could result in the cancellation of insurance for the Project, or any portion thereof, or which could cause Association to be subject to the discipline of an Underlying Association pursuant to an Underlying Plan.

2.17 Rentals

(a) By Declarant of Declarant-Owned Units. Declarant shall have the exclusive right to occupy any non-dedicated Units or Resort Accommodations, or any interests therein, owned by Declarant at the Projects and to rent such Units or Resort Accommodations to the general public. Any rentals received by Declarant shall inure to the benefit of Declarant. Declarant shall manage its rental operation involving non-dedicated Units and Resort Accommodations as independently as is practically and economically feasible; provided, however, that this requirement does not prohibit or restrict the use of personnel regularly furnishing materials and services to Declarant-owned Units and Resort Accommodations in furnishing the same or similar services to the Association. Declarant shall keep separate books and records for its rental operation.

(b) Easement for Rental of Unreserved Units by Declarant - Declarant may also reserve up to 95% of all room/nights of Dedicated Resort Accommodations not reserved by an Owner within sixty (60) days or less prior to check-in for the purpose of renting it to the public, or for use in connection with any exchange program, sampler program or short term product offered by Declarant or any affiliate of Declarant.

(c) By Association. The Association may provide for rental of any Dedicated Resort Accommodations not reserved by an Owner for the purpose of renting it to the public, in which case the rental revenues derived therefrom shall be for the benefit of the Association. The Association's rental rights hereunder shall be limited to room/nights of Resort Accommodations represented by the number of Points owned by Owners who are 30 days or more delinquent in the payment of their Assessments.

2.18 Declarant's Right of First Refusal. In the event an Owner wishes to sell or transfer his Ownership, Declarant shall have the option to purchase said Ownership upon the same terms and conditions as are offered by the Owner to a third person. Any attempt to sell said Ownership without waiver of the right of first refusal by the Declarant shall be wholly null and void, and shall

confer no ownership upon any such purchaser. Should an Owner wish to sell or transfer his Ownership, he shall deliver to the Declarant a written notice containing a copy of the executed purchase agreement between buyer and seller, which agreement shall be expressly subject to the Declarant's waiver of its right of first refusal and consent to the sale or transfer. The Owner shall also submit to Declarant, within five (5) days from receipt of any request by Declarant, any supplemental information relating to such pending sale as may be required by the Declarant. Declarant, within ten (10) days after receiving such notice and such supplemental information as is requested by Declarant, shall either consent to the transaction specified in said notice, or by written notice to be delivered to the Owner's last known address (or mailed to the place designated by the Owner in his notice), designate the Declarant, or one or more persons, who are willing to purchase upon the same terms as those specified in the Owner's notice. Declarant's failure to deliver such notice shall be deemed Declarant's waiver of its right of first refusal. Upon exercise of its right of first refusal, the Declarant or his stated designee shall have the greater of fourteen (14) days or the escrow period specified in the purchase agreement from the date of the notice sent by Declarant within which to purchase the Ownership.

ARTICLE III

THE ASSOCIATION

3.1 Principal Office. The principal office of the Association shall be in Escondido, California, U.S.A., or at such other place as may be designated by the Board. The Board may open Program offices at other locations within the United States as it deems prudent and advisable.

3.2 Membership and Voting Rights.

(a) Qualifications. Each owner of an Ownership shall be a member of the Association. If an Ownership is owned by more than one person all such owners shall be members of the Association; provided, however, that for the purposes of the representation of such Ownership with regard to the affairs of the Association and the voting of the members of the Association, such Ownership, except as provided in Sections 3.2(b) and (c) hereof, shall be represented by and entitled to only the number of votes appurtenant to such Ownership as provided in Section 3.2(b), which votes shall be exercised and cast in accordance with the provisions of this Section 3.2.

(b) Voting Rights. The Association shall have one class of voting members. All Owners shall be voting members, including Declarant. Owners who are current in payment of their

Assessments shall be entitled to one vote for each 1000 Points (rounded down to the nearest whole 1000), except that holders of Biennial Ownerships shall be entitled to vote one-half (1/2) vote for each 1000 Points. Declarant shall have that number of votes equal to the number of unsold Points as of the record date of each vote, divided by 1000, rounded down to the nearest 1000. Except as provided in subsection 3.2(c), when more than one person or entity is the owner of an Ownership, the vote or votes for such Ownership shall be exercised as they among themselves determine.

The vote attributable to any Resort Accommodations in any Underlying Association, if applicable, shall be cast as the Board believes to be in the best interests of the Association.

Whenever this Declaration or the Articles require the vote, assent or presence of a stated number of Owners entitled to vote on a matter or at a meeting with regard to taking of any action or any other matter whatsoever, the provisions of this subsection 3.2(b) shall govern as to the total number of available votes, the number of votes an Owner is entitled to cast at the meeting, and the manner in which the vote attributable to an Ownership having more than one owner shall be cast.

(c) Joint Owner Disputes. The vote, or votes, for each Ownership may be cast only as a unit, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner cast(s) a vote or votes representing a certain Ownership, it will thereafter be conclusively presumed for all purposes that such Owner(s) was (were) acting with the authority and consent of all other owners of the same Ownership.

(d) Owners' Rights and Duties. Each Owner shall have the rights, duties and obligation set forth in this Declaration and the Articles, as the same may be amended from time to time.

(e) No Cumulative Voting. No cumulative voting shall be permitted in any election of Board members.

3.3 Ownership Rights and Privileges.

(a) Rights and Privileges of Owners. No Owner shall have the right, without the prior approval of the Board, to exercise any of the powers or to perform any of the acts delegated to the Board by this Declaration. Each Owner shall have all of the rights and privileges granted to the Owners by this Declaration subject to such limitations as may be imposed in accordance therewith.

(b) Rules and Regulations. The Board may establish

such rules, regulations and prerequisite conditions to the use of the Projects and the Resort Accommodations and Common Facilities therein which are not inconsistent with the governing documents of any Underlying Association as it, in its sole discretion, deems appropriate, so long only as such rules, regulations and conditions do not materially abridge the rights of Owners set forth in this Declaration. The Board may establish rules, regulations, fees for and prerequisite conditions to the use of the Projects and facilities thereon by persons who are not Owners or Owners' guests. Upon notice and hearing, the Board may determine whether admission and/or other fees shall be charged for the use of any Common Facility. Any such admission or other fees (as distinguished from assessments) shall apply equally to all Owners (but need not be the same as such fees for persons who are not Owners) and shall be used first by the Association for the expenses of maintenance, repair and by the Association for expenses of maintenance, repair and operation of any recreation facility the use of which is subject to an admission or other fee set by the Board, until all monies derived from such admissions and fees have been expended therefor. All rules and regulations adopted pursuant to this subsection shall herein be referred to as the "Rules and Regulations".

(c) Suspension of Voting Rights; Imposition of Monetary Penalties. The Board may suspend the rights of use rights and voting rights of any Owner or Owners for the period during which any Assessment owed by such Owner remains unpaid and delinquent. The Board shall also have the right to impose monetary penalties against such Owner as provided in Article VI.

3.4 Meeting of Owners.

(a) Place of Meeting. All meetings of the Owners shall be held in the State of California, or at such other location (state or country) where at least 5% of the Owners reside, as set by the Board and as set forth in the notice to Owners of such meeting.

(b) Annual Meetings of Owners. The annual meetings of Owners shall be held each year on a date set by the Board during the same month each year. At each annual meeting there shall be elected, by secret written ballot of the Owners, a Board of Directors in accordance with the requirements of this Declaration. The Owners may also transact such other business of the Association as may properly come before them at such annual meeting.

Written notice of each annual meeting shall be given to each Owner by the Secretary in the manner hereinafter provided. All such notices of any annual meeting shall be sent to each Owner not less than 30 days and not more than 90 days before such meeting, and shall specify the place, the day and the hour of such meeting. Such notice shall specify those matters which the Board, at the

time of mailing of the notice, intends to present for action by the Owners, but any proper matter may be presented for action at such meeting. The notice of any meeting at which directors are to be elected shall include the names, addresses and brief biographical sketches of those who are nominees at the time the notice is sent to Owners.

(c) Special Meetings. Special meetings of Owners, for any purpose or purposes whatsoever, may be called at any time by a majority of the Board or by Owners representing five percent or more of the total voting power of all Owners other than Declarant. Except in special cases where other express provision is made by statute or this Declaration, notice of such meeting shall be given in the same manner as for annual meetings and may be given by any person or persons entitled to call such meeting. Notices of any special meetings shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted (and no other business may be transacted).

If a special meeting is called by Owners, the request shall be submitted by such Owners in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any vice-president or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Owners entitled to vote, that a meeting will be held, and the date for such meeting, which date shall be not less than 30 nor more than 90 days following the receipt of the request. If the notice is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice.

(d) Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Owner action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board by the Owners;
- (iii) Amending the Articles;
- (iv) Approving a contract or transaction in which a director has a material financial interest;
- (v) Approving a plan of distribution of assets, other than cash, in liquidation when the Association has more than one type of membership

outstanding.

(e) Manner of Giving Notice. Notice of any meeting of the Owners shall be given either personally or by first class mail, telegraphic or other written communication (including e-mail), charges prepaid, addressed to each Owner at the address given by the Owner to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Owner by first-class mail or telegraphic or other written communication (including e-mail) to the Association's principal executive office, or (ii) notice is published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram, e-mail or other means of giving any notice of Owners' meeting may be executed by the Secretary, Assistant Secretary, or any other agent of the Association giving the notice, and if so executed, shall be filed and maintained in the minute book of the Association.

(f) Adjourned Meetings and Notices Thereof. Any membership meeting, organizational, annual or special, whether or not a quorum is present may be adjourned from time to time by the affirmative vote of a majority of the votes entitled to be cast and represented at such meeting in person or by proxy, but in the absence of a quorum, no other business may be transacted at any such meeting and the presiding officer shall adjourn the meeting *sine die* (without assigning a day for a further meeting).

When any membership meeting, either organizational, annual or special, is adjourned for 30 days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of the original meeting so adjourned. Except as aforesaid, it shall not be necessary to give notice of an adjournment or of the business to be transacted at any adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

(g) Quorum.

(i) Definitions. For purpose of this subsection 3.4(g), the following terms shall have the following meanings:

(A) "Net Total Votes" means that number of votes which is equal to the difference between the total number of votes in the Association and the number of votes as to which voting rights are suspended at the time of the subject meeting in accordance with this Declaration.

(B) "Non-Declarant Net Total Votes" means that number of votes which is equal to the difference between the total

number of votes in the Association of Non-Declarant Owners and the number of votes of Non-Declarant Owners as to which voting rights are suspended at the time of the subject meeting in accordance with this Declaration.

(ii) Quorum. The presence either in person or by proxy at a members' meeting of Owners other than Declarant representing and entitled to cast at least ten percent of the Non-Declarant Net Total Votes shall constitute a quorum for any action by the Owners, unless a different requirement is imposed herein or by the Articles. A majority of the Net Total Votes present at a meeting at which a quorum is present shall prevail at such meetings, unless a different percentage is required herein or by the Articles. Subject to the provisions of subsection 3.4(d) and unless otherwise expressly authorized, all action required or permitted to be taken by the Owners may be taken only at a duly called and properly noticed organization, annual or special meeting at which a quorum is present. The Owners present at a duly called or held meeting at which a quorum is present at the commencement of the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough Owners so that less than a quorum is present if any action taken (other than adjournment) is approved by at least a majority of the votes of Owners which would have been required to constitute a quorum. If any meeting cannot be held because of a quorum is not present, the presiding officer may adjourn the meeting *sine die*, and no other business may be transacted at such meeting.

(h) Consent of Absentees. The transaction of any meeting of Owners, either organizational, annual or special however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Owners entitled to vote and not present in person or by proxy, signs a written waiver of notice, or a consent of the holding of such meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of Owners, except that if action is taken or proposed to be taken for approval of any of the matters specified in subsection 3.4(d), the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(i) Waiver by Attendance. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of business due to the inadequacy or illegality of the notice. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the

notice of the meeting, if that objection is expressly made at the meeting.

(j) Action Without Meeting. Any action, other than the election of the directors, which under the provisions of California law relating to nonprofit corporations may be taken at a meeting of the Owners, may be taken without a meeting and without prior notice if (a) the written ballot is distributed to every Owner entitled to vote, which ballot provided an opportunity to specify approval or disapproval of each order of business proposed to be acted upon by the Association, (b) the required number of signed approvals in writing, setting forth the action so taken, is received, (c) the number of ballots cast within the time period specified equals or exceed the quorum required to be present at a meeting authorizing the action, and (d) the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of ballots cast.

Ballots shall be solicited in a manner consistent with the requirements of California law relating to nonprofit corporations. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted and that a ballot received within the specified time will be cast in accordance with the choice(s) specified by the Owner casting the ballot.

Subject to the applicable provisions of California nonprofit corporations law, any Owner casting a ballot, or the proxy holders of a Owner or a transferee of an Ownership or a personal representative of the Owner or their respective proxy holders, may revoke the ballot, or substitute another, by a writing received by the Association prior to the time specified in the solicitation pursuant to the preceding paragraph, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary of the Association.

(k) Record Date. The Board may fix a date in the future as a record date for the determination of the Owners entitled to notice of and to vote at any meeting of Owners. The record date so fixed shall not be more than 60 days prior to any other action. When a record date is so fixed, only Owners of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of Certificates of Title on the books of Association after the record date.

If no record date is fixed in accordance with the provisions

of the preceding paragraph, the record date for determining those Owners entitled to receive notice of, or to vote at, a meeting of Owners shall be the next business day preceding the day on which notice is given, or, if notice is waived, the next business day preceding the day on which the meeting is held. The record date for determining those Owners entitled to vote by ballot on corporate action without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action. For purposes of this paragraph and the preceding paragraph, a person holding a Certificate of Title as of the close of business on the record date shall be deemed the Owner of record.

(l) Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Association prior to the commencement of the meeting at which the proxy is to be exercised. A form of proxy distributed to each Owner by the Association to afford him or her the opportunity to vote in absentia at a meeting of Owners must (a) afford an opportunity for the Owner to specify a choice between approval and disapproval of each order of business proposed to be acted upon by the Association at such meeting, (b) provide that the vote of the Owner shall be cast in accordance with the choice specified, and (c) include the name or names of Owners who expect to be in attendance in person at the meeting to whom the proxy is to be given for the purpose of casting the vote to reflect the absent Owner's vote as specified in the form of proxy. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the Owner executing it, before the vote cast pursuant to that proxy, by a writing delivered to Association stating that the proxy is revoked by a subsequent proxy executed by such Owner, or (ii) if written notice of the death or incapacity of the maker of the proxy is received by Association before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of 11 months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of applicable law. In any election of directors, any form of proxy that is marked by a Owner "withhold", or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director. Failure to comply with this paragraph shall not invalidate any corporation election taken, but may be the basis for challenging the proxy at a meeting.

(m) Inspectors of Election. In advance of any meeting

of Owners, the Board may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election be not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any such meeting may, and on the request of any Owner or Owner's proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more Owners or proxies, the majority of Owners represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

The duties of such inspectors shall include: determining the number of Ownerships outstanding and the number of votes authorized to be cast on behalf of each Ownership; determining the number of votes represented at the meeting; determining the existence of a quorum; determining the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all Owners. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

3.5 Directors.

(a) Number, Qualifications, Term of Office. The affairs of the Association shall be managed by a Board of five directors, each of whom must be an Owner (or, if the Owner is not a natural person, the Owner's duly authorized representative) of Association entitled to vote at the time of such Owner's election, or a representative of Declarant. The first Board shall consist of three (3) directors appointed by the Declarant, who shall serve until the first meeting of the Association. At the first Owners meeting, the Owners shall elect five directors, three of whom shall hold office for three years; and two of whom shall hold office for two years. At each annual meeting of the Owners commencing with the third annual meeting, the Owners shall elect a new director to fill each vacancy created by the expiration of a prior director's term of office. Such new directors shall serve for a term of two years or until the later election of their successors. From and after the first election of the Board by the Owners, at least one of the members of the Board shall be elected solely by the votes of the Non-Declarant Owners. Any Owner entitled to vote at the meeting pursuant to the provisions of this Declaration shall be eligible as a candidate for the position of director. Nominations shall be made as set forth in subsection 3.5(b);

At the first annual meeting of Owners, the vote for election

of directors shall be counted in two phases. First, the votes of all Owners other than Declarant shall be counted to determine which of the nominees shall be elected solely by the vote of Owners other than Declarant. The nominee receiving the highest vote total in this phase of the election shall be elected (for purposes of this Declaration, such director shall be referred to as the "Non-Declarant Director"). Second, once the Non-Declarant Director has been elected, the votes of all Owners, including Declarant, shall be counted and the remaining positions on the Board shall be filled by those nominees (excluding the Non-Declarant Director) receiving the highest number of votes. The three directors receiving the highest number of votes among the directors elected shall each serve an initial term of three years. The remaining two directors shall each serve a two year term.

At each subsequent annual election at which the Non-Declarant Director shall stand for re-election or such position shall be vacant, the procedure set forth in the preceding paragraph shall be used to elect the directors to be elected at such meeting. At all other annual elections (at which the position of Non-Declarant Director is not up for election), Directors shall be elected in accordance with the vote of all Owners, including Declarant.

The number of directors may be increased or decreased from time to time (but in no event shall be less than three) by an amendment to this Declaration by the Owners as hereinafter provided.

(b) Nominating Committee. The President of the Association shall appoint a committee to select qualified candidates for election to the Board, which nominations shall be concluded at least 95 days preceding the first day of the month in which such election shall be held. The Secretary shall forward to each Owner, with the notice of meeting required by subsection 3.4(b), a list of candidates nominated.

Any Owner may nominate one or more candidates for the position of director at any time before the fiftieth day preceding the first day of the month in which such election shall be held. On timely receipt of a petition delivered to an officer of Association signed within 11 months preceding the election by Owners representing votes equal to at least five percent (5%) of the voting power (but not less than 100 votes), the Secretary shall cause the names of the candidates named on it to be placed on the ballot along with those candidates named by the nominating committee. At the meeting to elect directors, any Owner present at the meeting, in person or by proxy, may place names in nomination.

(c) Removal and Vacancies. The entire Board or any individual director may be removed from office, with or without cause, at any duly called, noticed and held annual or special

meeting of the Owners at which a quorum is present, by a majority of the total votes present at such meeting either in person or by proxy, and entitled to vote, provided, however that unless the entire Board is removed from office by vote of the Owners, no individual director shall be removed prior to the expiration of his term of office if at least 20% of the voting power casts its votes against removal or does not consent in writing to such removal. Any Non-Declarant Director may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power represented at a meeting residing in Non-Declarant Owners. A vacancy in the Board created by the removal or resignation of a director may be filled for the balance of the term by a majority of the remaining directors at a meeting of the Board. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director, or if the Owners shall increase the authorized number of directors but shall fail at the meeting at which such increase is authorized or any adjournment thereof to elect the additional director so provided for, or in case the Owners fail at any time to elect the full number of authorized directors. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board shall have the power to elect a successor to take office when the resignation shall become effective.

In the event that any member of the Board shall be absent from four consecutive regular meetings of the Board of Directors, the Board may, by action taken at the meeting during which said fourth absence occurs, declare the office of said absent director to be vacant.

(d) Place of Meeting. All meetings of the Board shall be held at a place within California, or at such other place as may be designated at any time by resolution of the Board or by written consent of a majority of the members of the Board.

(e) Organizational Meeting of the Board. Following the each annual meeting of the Owners, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

(f) Other Regular Meetings. Other regular meetings of the Board shall be held at a time and at such place as may be designated by the Board from time to time. Notice of the time and place of such meeting shall be communicated to each director not less than 30 days prior to the meeting. Regular meetings of the Board shall be held at least once every three months.

(g) Special Meetings. Special meetings of the Board for any purpose or purposes may be called by written notice at any time by the President, or if he is absent or unable or refuses to act, by any Vice President or by any two directors.

Notice of the time and place of special meetings and of the nature of any special business to be considered shall be given to each director by written notice given by first-class mail or e-mail at least 15 days prior to the scheduled time of such meeting.

Whenever any director has been absent from any special meeting of the Board and notice of such meeting has been duly given to such director, an entry in the minutes to the effect that notice has been duly given shall be made. Minutes of a special meeting shall be communicated in the same manner as an action without a meeting.

(h) Meetings by Telephone. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, and any member of the Board may participate by conference telephone or similar communications equipment in a meeting at which other members of the Board are physically present, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting. The results of a telephonic meeting shall be published in the same manner as an action without meeting. Such meetings shall be open to all Owners who request to attend by communication equipment at the expense of the Owner requesting same, provided, however, that Owners who are not members of the Board may not participate in any deliberation or discussion unless expressly so authorized by the Board.

(i) Quorum Requirement, Waiver of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be as valid as though made at a meeting duly held after regular call and notice, if a quorum is present, unless a quorum is expressly not required pursuant to this Declaration, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

(j) Action Without Meeting. Any action required or permitted to be taken by the Board by law, according to the Articles or according to the provisions hereof may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and shall have the same force and effect as a unanimous vote of such directors.

(k) Quorum. A majority of the Board shall constitute a quorum thereof. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum

is present, in person or by telephone, shall be regarded as the act of the Board, unless the provisions herein or in the Articles [especially those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of directors] shall require or permit the particular action involved to be taken by the Board under other circumstances.

(l) Adjournment. A quorum of the directors may adjourn any directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at the directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

(m) Open Meetings.

(i) Regular and special meetings of the Board shall be open to all members of the Association provided, however, that Owners who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

(ii) The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, matters that relate to the formation of contracts with third parties and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session and shall be generally noted in the minutes.

(n) Compensation. No Director of the Association shall receive any salary or other compensation for services rendered as a director or officer of the Association unless approved by the Board. However, directors and officers shall be reimbursed for expenses incurred in connection with the business of the Association and authorized by the Board. Nothing herein shall preclude any director from serving the Association in any capacity other than as an officer or a director and receiving compensation therefor as authorized and approved by the Board. Any director receiving any special compensation for services in such other capacity shall be excluded from deliberations and voting by the Board relative to the authorization thereof and fixing compensation

with regard thereto.

(o) Committees. The Board shall have the power to appoint an Executive Committee and other committees and to delegate to such committees any of the powers and authority of the Board in the management of the business and affairs of the Association except the power to:

(i) adopt, amend or repeal the Articles of Incorporation;

(ii) fill vacancies on the Board or in any committee;

(iii) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

(iv) appoint any other committees of the Board or the members of these committees; and

(v) approve any transaction (A) to which the Association is a party and one or more directors have a material financial interest or (B) between the Association and one or more of its directors or (C) between the Association and any entity in which one or more of its directors have a material financial interest or (D) between Association and Declarant.

Each Committee shall be composed of two or more directors (one member of the Executive Committee shall be the President) and shall keep regular written minutes of the proceedings and report the same to the Board.

(p) Powers and Duties. Subject to the limitations of the Articles and the provisions herein and applicable law as to action required to be taken, authorized or approved by the members of the Association, or a portion or percentage thereof, all Association powers and duties including those set forth in this Declaration shall be exercised by, or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board.

(q) Minutes of Meetings. A copy of the written minutes of any meeting of the Board, or a summary thereof, (except for executive sessions) shall be provided to all Owners within 30 days after the adjournment of such meeting to any Owner making a written request for same.

3.6 Officers.

(a) Enumeration of Officers. The officers of the Association shall be a President, Vice President, a Secretary, a

Chief Financial Officer and such other officers as the Board may deem necessary. Any person may hold more than one office, provided that neither the Secretary nor the Chief Financial Officer may serve concurrently as the President. The officers need not be members of the Board, and the President and Chief Financial Officer need not be Owners. Each other officer must be a member of the Association (or its duly authorized representative, if such member is not a natural person) or a representative of Declarant designated by Declarant.

(b) Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified herein or determined from time to time by the Board.

(c) Election. The officers shall be chosen by a majority vote of the directors at the organizational meeting of the Board, and thereafter, officers shall be removed or chosen at any subsequent meeting of the Board by a majority vote of the total number of directors on the Board.

(d) Term. All officers shall hold office at the pleasure of the Board.

(e) Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

(f) President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the Owners and at all meetings of the Board. He or she shall be ex-officio a member of all standing committees, including the Executive Committee, if in existence, and shall have the general powers and duties of management usually vested in the office of President of a California non-profit, mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by the provisions herein.

(g) Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all powers of, and be subject to all the restrictions upon, the President. The Vice

President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or by the provisions herein.

(h) Secretary. The Secretary shall keep or cause to be kept, a book of minutes at the principal office of the Association or such other place as the Board may order, of all meetings of directors and Owners, with the time and place of notice thereof given, the names of those persons present at the directors' meetings, the number of Owners present or represented at Owners' meetings and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the Owners and of the Board required herein or by law to be given, except that notice of the organizational meeting may be given by the Declarant, and the Secretary shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by this Declaration.

The Secretary shall keep or cause to be kept at the principal executive office, as determined by resolution of the Board, a Roster of Owners, showing the names of all Owners, their addresses, and the class of membership held by each.

(i) Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept or maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the provisions herein. The Board may delegate the performance of the foregoing duties, subject to supervision by the Chief Financial Officer, to a professional manager retained by the Association.

3.7 Indemnification of Directors, Officers, Employees, and other Agents.

(a) Definitions. For purposes of this Section:

(i) "agent" means any person who is or was a director (including any ex officio director), officer, employee, or

other agent of this Association, or is or was serving at the request of this Association as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise;

(ii) "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative or investigative; and

(iii) "expenses" includes, without limitation, all attorneys' fees, costs, and any other expenses incurred in the defense of any claims or proceedings against an agent by reason of his position or relationship as agent and all attorneys' fees, costs, and other expenses incurred in establishing a right to indemnification under this Section 3.7.

(b) Successful Defense By Agent. To the extent that an agent of Association has been successful on the merits in the defense of any proceeding referred to in this Section 3.7, or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him, then the provisions of subsections 3.7(c), (d) and (e) shall determine whether the agent is entitled to indemnification.

(c) Actions Brought By Persons Other Than the Association. Subject to the required findings to be made pursuant to subsection 3.7(e), below, Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding other than an action brought by, or on behalf of, Association, or by an officer or director on the grounds that the defendant director was or is engaging in self dealing, by reason of the fact that such person is or was an agent of Association, for all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceedings.

(d) Action Brought By or On Behalf of Association.

(i) Claims Settled Out of Court. If any agent settles or otherwise disposes of threatened or pending action brought against such agent by or on behalf of Association, with or without approval of the Association, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defending against the proceeding.

(ii) Claims and Suits Awarded Against Agent. Association shall indemnify any person who was or is a party or is threatened to made a party to any threatened, pending, or completed

action brought by or on behalf of Association by reason of the fact that the person is or was an agent of Association, and for all expenses actually and reasonably incurred in connection with the defense of that action, provided that both of the following are met:

(A) The determination of good faith conduct required by subsection 3.7(e), below must be made in the manner provided for in that section; and

(B) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the agent should be entitled to indemnity for the expenses incurred (whether or not such indemnity obligation is founded upon a contract). If the agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

(e) Determination of Agent Good Faith Conduct. The indemnification granted to an agent in subsections 3.7(c) and (d), above is conditioned on the following:

(i) Required Standard of Conduct. The agent seeking reimbursement must be found, in the manner provided below, to have acted in good faith, in a manner he believed to be in the best interest of Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in the best interest of Association or that he had reasonable cause to believe that his conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that his conduct was unlawful.

(ii) Manner of Determination of Good Faith Conduct. The determination that the agent did act in a manner complying with paragraph 3.7(e)(i), above shall be made by any one of:

(A) the Board by a majority vote of a quorum consisting of directors who are not parties to the proceeding; or

(B) the affirmative vote or written ballot of a majority of the votes of the Owners represented and voting at duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum), with the persons to be indemnified not being entitled to vote thereon; or

(C) the court in which the proceeding is or was pending.

Such determination may be made on application brought by Association, or the agent, the attorney or other person rendering a defense to the agent, whether or not the application by the agent, attorney or other person is opposed by Association.

(f) Limitations. No indemnification or advance shall be made under this Section 3.7, except as provided in subsection 3.7(b) or paragraph 3.7(e)(ii)(C), in any circumstances when it appears:

(i) that the indemnification or advance would be inconsistent with a provision of the Articles, a resolution of the Owners, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(ii) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(g) Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by Association before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance if it is determined ultimately that the agent is not entitled to be indemnified as authorized in this Section 3.7.

(h) Contractual Rights of Nondirectors and Nonofficers. Nothing contained in this Section 3.7 shall affect any right to indemnification to which persons other than directors and officers of Association, or any subsidiary hereof, may be entitled by contract or otherwise.

(i) Insurance. The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not Association would have the power to indemnify the agent against that liability under the provisions of this Section 3.7.

3.8 Miscellaneous.

(a) Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to Association, shall be signed or endorsed by such person or persons and in such

manner as, from time to time, shall be determined by resolution of the Board.

(b) Contracts, Etc., How Executed. The Board, except as otherwise provided herein, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument (except an instrument under which said officer has a conflict of interest) in the name and on behalf of Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind Association by a contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

(c) Inspection of Declaration. Association shall keep in its principal office the original or a copy of this Declaration, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Owners at all reasonable times during office hours.

(d) Fiscal Year. The fiscal year of the Association shall terminate on December 31 of each year; provided, however, that the Fiscal Year shall be subject to change by resolution of the Board.

(e) Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of the Owners, and of the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal executive office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board, other than executive session, shall be available to Owners within 30 days of the meeting. The minutes and accounting books and records shall be open to inspection on the written demand of any Owner, at any reasonable time during usual business hours, for purpose reasonably related to the Owner's interests as an Owner. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. Owners shall be notified in writing at the time of mailing of the annual budget or at the time of any general mailing to the entire membership of their right to have copies of the minutes of the meetings of the Board and how and where those minutes may be obtained.

The Board shall establish reasonable rules with respect to:

(i) Notice to be given to the custodian of records by the Owner desiring to make the inspection;

(ii) Hours and days of the week when such an inspection may be made; and

(iii) Payment of the cost of reproducing copies of documents requested by an Owner.

Each director shall have the absolute right at any time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

(f) Annual Report to Owners. Nothing in this Declaration shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the Owners as they consider appropriate. However, the Association shall provide to the Directors and to the Owners the financial reports referred to in this Declaration.

ARTICLE IV

MANAGEMENT

4.1 Powers and Duties Generally. Administration of the Program and, except to the extent controlled by an Underlying Association, the operation, maintenance, repair and restoration of the Dedicated Resort Accommodations and Units, the Common Furnishings therein, and the Association Maintained Areas and any alterations and additions thereto, shall be vested in the Association. The Association, acting alone (through the Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Governing Instruments, exercise any and all rights and powers herein enumerated and, except as specifically limited herein, all the rights and powers of a nonprofit, mutual benefit corporation under the laws of the State of California.

4.2 Specific Powers and Duties of the Association. Except as controlled by an Underlying Association, the management and operation of the Program, the acquisition (by purchase or lease), maintenance, repair and replacement of the Common Furnishings and the administration of the affairs of Owners, the reservation, use and occupancy of the Dedicated Resort Accommodations in accordance with the provisions of any Underlying Plan or this Declaration and payment, as agent, of expenses and costs enumerated in this Declaration shall be under the direction and control of the Association. Except as controlled by an Underlying Association,

the Association shall have the duty to maintain and repair the Association Maintained Areas, to acquire (by lease or purchase), maintain, repair and replace Common Furnishings, as needed, to administer the Program as provided herein and to levy, collect and enforce the Assessments and Personal Charges enumerated in this Declaration. Except as controlled by an Underlying Association, the Association shall have the exclusive possession of each Unit during the Service Periods for the performance of maintenance and repairs on such Unit. The Association shall have the power to do all things that are required to be done by it pursuant to this Declaration. In amplification and not limitation of the foregoing powers and duties, the Association is authorized, on behalf of the Owners, to do any or all of the following:

(a) Dedication of Resort Accommodations. Accept from Declarant, or its successors and assigns, pursuant to the Development Agreement, title to, use rights to, or dedication of Resort Accommodations, in exchange for the creation of Ownerships and the issuance by Association of Certificates of Title, subject to the terms of this subsection.

The Association may issue Certificates of Title for the Points associated with the dedication of the Dedicated Resort Accommodations within the Program with a sufficient number of appurtenant Points to entitle the owners of such Certificates of Title to reserve not greater than the number of Use Periods per year of the unit type and season represented by such Dedicated Resort Accommodations. For each such Resort Accommodation which is a whole Unit which is not subject to an Underlying Plan which reserves an adequate maintenance period for maintenance and repairs, the Association shall not issue Points which, if fully consumed each Use Term, would leave the Association with insufficient unbooked vacancy to perform necessary repairs and maintenance.

Upon the filing of a Declaration of Dedication with the Secretary of the Association and, where applicable, recording with the applicable County Recorder's Office, coupled with the transfer of title or use rights to such Resort Accommodations to a trustee under a Trust Agreement, the Dedicated Resort Accommodations shall thereafter be subject to the scheme of this Declaration.

Each Declaration of Dedication shall contain the following information:

(i) a legal description of the Resort Accommodations(s) to be dedicated and a description of the use rights for any such interests which include less than year-round, perpetual occupancy of a whole Unit;

(ii) a statement that the interests have been

dedicated to the Program by being subjected to this Declaration, supporting the creation of Ownerships, and assigning to the Program any assessment obligations, insurance and condemnation proceeds, voting rights, use rights and points associated with such Resort Accommodations through any Underlying Association;

(iii) a statement setting forth the number and type of Ownerships the Association may issue corresponding to the Resort Accommodations, including the number of Points attributable to all of the Ownerships created thereby;

(iv) a statement setting forth the number of bedrooms and seasons (if any) attributable to each such Resort Accommodations; and

(v) any other information that the Declarant, in it's judgment, determines to be appropriate.

(b) Deannexation of Resort Accommodations. To deannex Resort Accommodations from the Program and to thereafter sell the deannexed Resort Accommodations, upon the filing and, where applicable, the recordation of a Declaration of Deannexation containing all of the information applicable as if such Resort Accommodations were being annexed, including a statement that the Resort Accommodations are no longer subject to this Declaration. Deannexation may only occur under the following circumstances:

(i) material destruction or condemnation of the Resort Accommodations followed by the decision of the Board or the Underlying Association not to rebuild the destroyed Resort Accommodations;

(ii) material decline in the quality of the Resort Accommodations, or material failure of the Underlying Association to perform required maintenance and repairs;

(iii) loss by the Resort Accommodations of their affiliation or status with a major Exchange Program caused by a material decline in the quality of the Resort Accommodations;

(iv) inability of the Declarant to register the Resort Accommodations as a component site of the Program with any applicable government agency having jurisdiction over the sales and marketing of timeshare interests; or

(v) deannexation by Declarant, or by a lender which has taken a collateral assignment of the Declarant's rights hereunder and has foreclosed on those rights, in order to remove surplus Resort Accommodations from the Program that are not needed to support issued and outstanding Points.

The Association shall, as to any deannexed Resort Accommodations vested in its name and held under the Trust Agreement, have the authority to convey such deannexed Resort Accommodations to Declarant or its assignee.

No deannexation shall occur as to Resort Accommodations which are not either vested in the Association or as to which title can be acquired, nor shall any deannexation occur which would cause the number of Points outstanding to exceed the maximum permissible number of Points under the terms hereof, unless and until the Association has acquired or created such additional Resort Accommodations or canceled a sufficient number of Ownerships to bring the inventory of Points into balance with the number of authorized Points appurtenant to the Ownerships outstanding. The Association may not cancel the Ownership of any Owner who is current in payment of his Assessments and other obligations under this Declaration in order to achieve such a Points balance.

(c) Substitution of Ownerships. To substitute Ownerships, through the annexation of newly dedicated Resort Accommodations, and either (i) the deannexation of previously dedicated Resort Accommodations, or (ii) the expiration of the use terms of Resort Accommodations whose terms are for less than perpetuity, as the Board may determine to be in the best interest of the Association, so long as the balance of Ownerships and Points outstanding is maintained before and after such substitution. The Association shall not be obligated to dedicate substitute Resort Accommodations to the extent it holds sufficient nonissued Points which it then cancels to make up for the loss of any Resort Accommodations which are either deannexed or for which the applicable use terms, if less than perpetuity, have expired.

(d) Bank Accounts - To deposit all funds collected by the Association in connection with its rights and duties hereunder as follows:

(i) All funds shall be deposited in the Association's general account at a federally insured financial institution. Funds deposited in the general account may be used by the Association only for the purposes for which such funds have been collected;

(ii) Except to the extent reserves are a component of an assessment levied by and paid to an Underlying Association, as soon as practicable after the end of each month, all monies deposited in the general account representing the reserves portion of assessments collected shall be transferred and deposited in the reserve account. Funds deposited in the reserve account shall be held in trust and may be used by the Association only for the specific purposes for which such funds have been collected. Interest, if any, earned on reserve account funds may be

accumulated therein and used for payment of reserve expenses and any taxes incurred by Association as a result of the earning of such interest, or may be deposited in the general account and used in the discretion of the Board in accordance with the Budget to defray Basic Expenses.

(e) Cleaning and Maid Service - Except to the extent performed by an Underlying Association, to provide for cleaning and maid service upon the departure of each Owner, Permitted User or Exchange User from each Unit and at such other times as determined by the Board in the Rules and Regulations so that the Dedicated Resort Accommodations are maintained in good order and repair;

(f) Collection of Damages - If any loss, damage or destruction to the Association Maintained Areas or Common Furnishings, other than by ordinary wear and tear, is caused by an intentional or negligent act or omission to act of any Exchange User, to use reasonable efforts to collect from such Exchange User the cost of the repair, restoration or replacement of the same to the extent such loss, damage or destruction is not covered by insurance proceeds paid to the Association;

(g) Compensating Use - If the Association or Managing Agent shall make an error which results in the unavailability of a Unit during a Owner's Use Period, to compensate such Owner, at the Association's expense and discretion, by either paying to such Owner a sum equal to one hundred percent (100%) of the fair rental value of a Unit of the reserved unit type during his Use Period, or procuring alternate accommodations reasonably acceptable to such Owner for the time period constituting his Use Period;

(h) Underlying Association Voting - To exercise the vote that each of the Dedicated Resort Accommodations subject to this Declaration is entitled to exercise in any Underlying Association, as provided in this subparagraph. In connection with the exercise of such vote, the Association shall be entitled to exercise the vote for all Owners in the manner it deems to be in the best interest of the Association. Each Owner shall be deemed to have authorized the Association to act for him and to have irrevocably granted his proxy to Association at any such meeting of the Underlying Association.

(i) Delegation - To delegate the authority and responsibilities of the Association hereunder to one or more agents, including, without limitation, the Managing Agent provided for in paragraph 4.3 below;

(j) Exchange Program - To enter into agreements with organizations to provide for participation by Owners in one or more Exchange Programs;

(k) Financial Statements - To cause to be regularly prepared financial statements for the Association and to cause copies of annual financial statements to be distributed to all Owners as follows:

(1) A Budget shall be distributed to Owners not less than forty-five (45) days nor more than sixty (60) days before the beginning of each Fiscal Year. The Budget shall contain all of the following:

(a) The estimated revenue and expenses on an accrual basis;

(b) A summary of the Association's reserves for repair and replacement of major components for which the Association is responsible, based upon the most recent review or study, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component;

(ii) As of the end of the Fiscal Year for which the study is prepared:

(A) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components; and

(B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components;

(iii) The percentage that the amount determined for purposes of subsection (b)(ii)(B) above is of the amount determined for purposes of subsection (b)(ii)(A) above.

(c) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the cost of future repair, replacement or additions to those major components that the Association is obligated to maintain.

(2) An Annual Report shall be distributed, within 120 days after the end of each Fiscal Year. The Annual Report

shall be prepared in accordance with generally accepted accounting principles and reviewed by a licensee of the California State Board of Accountancy.

Mailing of the foregoing reports may be combined where appropriate.

In lieu of the distribution of the Budget and Annual Report, the Board may elect to distribute a summary of the Budget and the Annual Report to each Owner with a written notice, in 10 point bold print type on the front page of the summary, that the Budget and Annual Report are available at the business office of the Association and that copies will be provided upon a Owner's request at the expense of the Association. Any such summary requested shall be mailed to the requesting Owner by first-class United States Mail or e-mail at the expense of the Association.

(1) Insurance - Unless otherwise provided by an Underlying Association, to obtain and pay the cost of:

(i) Insurance against loss or damage to the Projects, including the Dedicated Resort Accommodations, the Association Maintained Areas, and the Common Furnishings, together with any of the contents thereof, and machinery used in the service of the Dedicated Resort Accommodations, by fire and other risks and hazards customarily covered by an insurance policy written on an all-risk basis. The stipulated amount of such insurance shall be based on the full replacement cost thereof at the time and place of loss, and either such stipulated amount shall be updated annually by the Association to reflect the then-current estimated full replacement cost thereof, or an endorsement which provides for full reimbursement for the actual cost of repair or replacement thereof, without deduction for depreciation, shall be procured and maintained by the Association. The Association shall be named as an insured on all such policies;

(ii) Insurance covering the Common Furnishings and, to the extent available at a reasonable cost, the personal property in the Units owned by any Owner, Permitted User or Exchange User or in the possession of the Association, its agents or employees against hazards such as burglary and theft, which policy shall name the Association as an insured;

(iii) To the extent available at a reasonable cost, insurance against loss of earnings, continuing charges and expenses, and such other risks and hazards customarily covered by business interruption insurance policies. Such business interruption insurance shall be combined with insurance against loss due to extra expenses arising out of operating the Program and the cost of temporary quarters for Owners, Permitted Users and Exchange Users due to damage to the Dedicated Resort Accommodations and the Common Furnishings and such other risks and hazards

customarily covered by such extra expense insurance policies;

(iv) Comprehensive general liability insurance for death, bodily injury and property damage resulting from use of the Projects by Owners, Permitted Users and Exchange Users with combined single limit liability with regard thereto of not less than \$1,000,000.00 per occurrence; and

(v) To the extent available at a reasonable cost, directors' and officers' liability insurance, Workers' Compensation Insurance and any other insurance deemed necessary or desirable by the Association. Such other policies of insurance shall cover such risks, be written by such insurers, and be in such amounts as the Association shall deem necessary and proper under the circumstances. The Association shall cause to be covered by a fidelity bond or insurance providing for a blanket crime endorsement, any employee or agent of the Managing Agent or the Association who may have charge of funds of any Owner, Permitted User, Exchange User or of the Association.

All insurance policies obtained by the Association hereunder shall name all Owners (as a class) as additional insureds. Liability insurance shall contain appropriate waivers of subrogation against any Owner or member of such Owner's household, and a provision that no act or omission by a Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or operate as a condition to recovery by any other person under such policy.

Provided that the Association has entered into a lease for the rental of Common Furnishings which so provides, the lessor of such Common Furnishings shall be given prior notification of alteration or cancellation of, and shall be named as an additional insured under any insurance policies maintained by the Association pursuant to subparagraph 4.2(1)(1), 4.2(1)(2) and 4.2(1)(4).

(m) Legal and Accounting - To obtain and pay the cost of legal and accounting services necessary or proper in the operation, maintenance and repair of the Association Maintained Areas and the enforcement of this Declaration and the Rules and Regulations;

(n) Levy and Collection of Assessments - To levy, collect and enforce Assessments against the Owners in the manner provided in Articles V and VI hereof in order to pay the expenses of the Program operation including assessments payable to the Underlying Associations and the fee of the Managing Agent; and to do all things necessary to enforce each Owner's obligations hereunder;

(o) Maintenance and Repair - Repair, maintain, repaint, furnish or refurnish the Association Maintained Areas or any part thereof; establish reserves for anticipated costs, including the costs of acquisition and replacement of Common Furnishings; and to acquire and pay for materials, supplies, furniture, furnishings, labor or services which the Association deems necessary or proper for the operation, maintenance and repair of the Association Maintained Areas and the Common Furnishings;

(p) Minutes, Agenda and Policies - To provide each Owner with (1) upon request, a copy of the minutes of Board meetings within 60 days following the date of such meeting, (2) a list of the orders of business to be considered at the annual meeting of Owners not later than 30 days prior to the date for such meeting, which list shall contain the name, address and a brief biographical sketch (if available) of each Owner nominated to stand for election to the Board, and (3) within 60 days prior to the beginning of each Fiscal Year, a statement of the Association's policies and practices relative to the enforcement of its remedies against Owners for defaults in the payment of any amounts due to the Association, including, without limitation, the recording and foreclosing of liens against Owner's interests in the Ownership or the Resort Accommodations;

(q) Other Necessary Acts - To do all other things or acts deemed by the Association to be necessary, desirable or appropriate for the operation and maintenance of the Program;

(r) Rental of Units - Subject to the provisions of subsection 2.12, above, the power to rent Resort Accommodations to the general public.

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

(t) Roster of Owners - To compile and periodically update a Roster of Owners containing the names, addresses and telephone numbers of all Owners which the Association shall make available for inspection and copying by any Owner - or by his duly appointed representative - at any reasonable time for a non-commercial purpose reasonably related to membership in the Association. Upon the written request of an Owner, and subject to the requirements and protections of California Corporations Code §8330, the Association shall furnish such requester with a copy of the Roster of Owners and may charge a reasonable fee for the costs of copying the Roster of Owners. Each Owner who requests and receives a copy of the Roster of Owners may be required to sign a written agreement by which he agrees not to make any commercial use of the Roster of Owners or for other purposes not reasonably related to Association business and the Owner's interest in the Association, or to distribute a copy of the Roster of Owners to any person who is not an Owner or for any purpose unrelated to the Owner's interest as an Owner. Each Owner agrees to indemnify and defend Association, the Board and the Managing Agent against and to hold Association harmless from any and all claims arising from or related to such Owner's use of the Roster of Owners;

(u) Rules and Regulations - To adopt, publish and enforce, from time to time, rules and regulations relating to the possession, use and enjoyment of the Dedicated Resort Accommodations and the Projects which Rules and Regulations shall be consistent with the provisions of this Declaration and any Underlying Declaration;

(v) Statements of Status; Project Documents -

(i) Within thirty (30) days of the mailing or delivery of a request by any Owner, mortgagee, prospective mortgagee, purchaser or other prospective transferee of an Ownership, to issue a statement of status, reflecting the amount of any delinquent assessments or other charges relating to such Ownership owed to Association and the use entitlement for the balance of the year attributable to such Ownership. Such statement of status shall be binding upon the Association in favor of any person who may rely thereon in good faith;

(ii) Within thirty (30) days of the mailing or delivery of a request by any Owner, to provide such Owner with a copy of the Declaration and the Articles; and

(iii) The Association may charge a fee for providing the statement of status or the requested documents, which fee shall not exceed the reasonable cost of reproduction and delivery thereof.

(w) Taxes and Assessments - To the extent not paid by the Underlying Association, to pay all taxes and assessments and other costs affecting or relating to the Ownerships and the Projects or the Common Furnishings and to discharge, contest or protest liens or charges affecting the Projects;

(x) Utilities - To the extent not provided by the Underlying Association, to obtain and pay the costs of water, electrical, telephone, cable television, gas, refuse pick-up, garbage disposal and other utility services for the Dedicated Resort Accommodations, which costs, to the extent not directly attributable to and payable by an Owner, shall be included in Basic Expenses; and

(y) Points Valuation Schedule. - To maintain and administer the Points Valuation Schedule in accordance with the provisions hereof and any changes thereto set by the Board from time to time.

4.3 Authority and Duty to Engage Managing Agent. The Association shall have the authority and duty to engage and maintain one or more reputable firms as Managing Agents for the Program pursuant to a Management Agreement. The Management Agreement shall delegate authority to the Managing Agent to carry out some or all of the duties and obligations of the Association to the Owners, and may authorize the Managing Agent to employ subagents.

(a) The terms of the Management Agreement may provide for an initial term which shall expire five (5) years from the effective date thereof, and for automatic renewals for additional three-year terms prior to its expiration, unless either party, not then in default, shall give to the other party written notice of non-renewal at least ninety (90) days prior to the expiration of the term of the Management Agreement, or any automatic renewals thereof. Any such notice of non-renewal by the Association shall require the authorization by vote or written consent of a Majority of the Owners;

(b) The Management Agreement shall permit termination for cause by the Association. In the event that the Managing Agent disputes termination for cause by the Association, the dispute shall be subjected to arbitration in accordance with commercial rules of the American Arbitration Association;

(c) The terms of the Management Agreement shall provide that the resignation of the Managing Agent shall require all of the following:

(i) That the Managing Agent give at least ninety (90) days prior written notice to the Association of its intent to

resign;

(ii) That prior to the expiration of the period of said notice, the Association shall have entered into a Management Agreement with another management firm, or shall have made a determination to discharge the duties delegated to the Managing Agent under this Declaration to its own personnel; provided, however, that if the Association shall fail to make reasonable efforts to meet the foregoing requirements, the Managing Agent's resignation shall be effective at the end of such ninety (90) day notice period; and

(iii) That on or before the effective date of the Managing Agent's resignation, termination, or expiration of the Management Agreement, the Managing Agent shall turn over all books and records related to the management and operation of the Program to the Association or if so directed by the Association, to the successor Managing Agent.

(d) The terms of the Management Agreement shall provide that the Managing Agent shall procure and maintain an employee fidelity bond for theft and misappropriation of property and/or other malfeasance by the Managing Agent and/or any of its directors, officers, or employees, and it shall name the Association as insured in an amount determined by the Board;

(e) The Management Agreement shall further provide for the enumeration of the powers and duties of the Managing Agent in the operation of the program and the maintenance of the Dedicated Resort Accommodations, shall establish the compensation to be paid to the Managing Agent, the records to be maintained by the Managing Agent, and shall provide for periodic reports and other information to be communicated to the Association and/or Owners by the Managing Agent; and

(f) The Management Agreement shall describe the delineation of the authority of the Managing Agent and persons authorized by the managing agent to enter into Units for the purpose of cleaning, maid service, maintenance and repair including emergency repairs and for the purpose of abating a nuisance or dangerous, unlawful or prohibited activity being conducted in the Unit, and for delineation of the authority, or an express statement in negation of any authority, of the Managing Agent with respect to the administration of any Exchange Program.

4.4 Limitation on Powers of the Managing Agent. The Managing Agent shall not enter into a contract with a third person or entity whereby such person or entity will furnish goods or services for the Projects or the Program for a term longer than one year unless authorized by the Board.

4.5 Limited Liability. Neither the Association nor the Managing Agent shall be responsible for the acts, omissions or conduct of any Owner, Permitted User or Exchange User, or for the breach of any of the obligations of any Owner, Permitted User or Exchange User.

ARTICLE V

ASSESSMENTS AND PERSONAL CHARGES

5.1 Creation of Personal Obligations for Assessments. For purposes of this Article V, Declarant shall be considered to be the owner of that number of Points equal to the difference between the total number of Points attributable to all Resort Accommodations dedicated to Program pursuant to this Declaration and the number of Points conveyed to third parties under outstanding Certificates of Title from time to time; provided, however, that said number is subject to change as provided by Article VIII below. Declarant, for each Point owned by it, hereby covenants, and person accepting the conveyance of Points shall be deemed to have covenanted and agreed for each Point owned, to pay to the Association all Basic Assessments and Special Assessments (collectively, the "Assessments") which shall be established, made and collected as hereinafter provided. The Assessments, together with interest, costs and reasonable attorneys' fees, shall be the personal obligation of each Owner at the time the Assessment becomes due and payable and shall be a lien and charge upon the Points and Ownership against which the Assessment is made. The personal obligation for delinquent Assessments shall not pass to successors-in-title unless expressly assumed by them; provided however, all liens, which have been perfected by the recordation of a notice of assessment in accordance with the provisions of Paragraph 6.2 (b), shall be liens on the interest of successive owners of the Ownership and the Points subject thereto. No Owner may waive or otherwise avoid liability for the Assessments by non-use of his Points or any part thereof or any abandonment thereof.

The Association may enter into an agreement with Declarant (the "Subsidy Agreement") which in general terms provides that Declarant shall pay, on a periodic basis, the difference between (a) the cumulative total amount of expenses related to Ownerships in the Program which are paid by the Association (less Reserve Expenses) including unbudgeted maintenance and operation expenses, and (b) the cumulative total amount of Basic Assessments and other income for such period payable to the Association by Owners other than Declarant (exclusive of payments for Reserve Expenses). In addition, said Subsidy Agreement shall require Declarant to pay, for each Point it owns, that portion of the Basic Assessment allocable to Reserve Expenses according to the applicable Fiscal Year Budget.

5.2 Purpose of Assessments. Assessments shall be used exclusively to promote the recreation, health, safety and welfare of the Program and the Owners, to operate, maintain and improve the Dedicated Resort Accommodations, and to pay for the administration of the Program and reimbursement of expenses incurred by the Association and other expenditures incurred in the performance of the duties of the Association as set forth in this Declaration.

5.3 Allocation of Basic Assessments to Owners. On a Fiscal Year basis, the Basic Assessment shall be determined by calculating a base fee for each Ownership relating to costs which do not vary significantly from one Ownership to another (the "Base Fee"), plus an added amount for each Point owned relating to costs which vary between Ownerships with different Point values (the "Variable Fee"). The Basic Assessment for each Ownership is determined by taking the Base Fee and adding the Variable Fee multiplied by the number of Points owned by such Owner. The Basic Assessment shall be assessed at the beginning of each Fiscal Year, except that the Basic Assessment related to Biennial Ownerships shall only be assessed at the beginning of the Owner's Use Term.

Basic Assessments for any applicable Fiscal Year subsequent to the first Fiscal Year shall not exceed one-hundred twenty percent (120%) of Basic Assessments for the preceding Fiscal Year unless Owners representing a majority of the voting power of the Association, excluding Declarant, shall consent thereto by vote or written assent. Such increase shall be calculated without regard to any increase in Basic Assessments attributable to an increase in real property taxes based upon a change in the method of assessment by the county assessor.

5.4 Payment of Basic Assessment. Basic Assessments shall commence on the first day of the month following the closing of the first sale of an Ownership or the date of commencement of the first Owner's occupancy rights, whichever is later. The Basic Assessment shall be paid as follows:

A. For the first Fiscal Year in which an Owner becomes such, as provided in the purchase agreement between such Owner and Declarant.

B. For each Fiscal Year thereafter, the Basic Assessment shall be payable on a quarterly basis initially, which billing cycle can be revised by the Board to such other periodic installments as the Board shall elect, but not more frequently than monthly.

C. Except as to Reserve Expenses allocable to Points owned by Declarant and covered under the Subsidy Agreement, the Declarant shall not be required to pay Basic Assessments, as

defined herein, provided that Declarant complies with all terms and provisions of the Subsidy Agreement, including, without limitation, the payment to the Association of all amounts due thereunder.

D. Except to the extent payable to an Underlying Association as part of its dues, that portion of the Basic Assessment which is attributable to Reserve Expenses shall be deposited in the Reserve Account provided for in Subparagraph 4.2(o) and 5.7.

5.5 Special Assessments. If the Basic Assessment allocable to all Points is, or will become, inadequate to meet all expenses incurred by the Association hereunder (other than for items constituting Personal Charges) for any reason, including nonpayment by any Owner of Assessments on a current basis, the Association shall immediately determine the approximate amount of such inadequacy, prepare and distribute a supplemental budget and levy a special assessment (the "Special Assessment") upon the same basis as prescribed under Paragraph 5.4 for the levying of the Basic Assessments, in an amount sufficient to provide for such inadequacy; provided, however, that without the vote or written assent of a majority of the voting power of the Association residing in Owners other than the Declarant, Special Assessments shall not, in the aggregate, exceed: (1) five percent (5%) of Basic Expenses for the applicable Fiscal Year or (2) for a special assessment for repair or rebuilding of dwelling unit(s), ten percent (10%) of the Basic Expenses. Any Special Assessment shall be payable in one lump sum or periodically, as determined by the Association and shall be payable within fifteen (15) days after receipt of a statement therefor. Nothing in this Paragraph 5.6 shall be construed to affect or impair Declarant's obligation to pay "Deficiencies", as set forth in the Subsidy Agreement.

5.6 Personal Charges.

(a) Personal Charges are not Assessments and the remedies available to the Association against any Owner for nonpayment of such Owner's Personal Charges are those remedies provided in paragraph 6.1 and subparagraph 6.2(a), below; and

(b) Personal Charges shall be paid by each Owner, to the extent the Association is able to determine the amount of such Personal Charges, at Check-Out Time (for example, Personal Charges constituting long distance telephone charges, optional maid service, transient occupancy tax, etc.). Personal Charges which are not ascertainable at the time of termination of an Owner's Use Period shall be payable as determined by the Association.

5.7 Reserves. A portion of the Basic Assessments set by the Board in conjunction with its preparation and approval of the

annual Budget (and in co-ordination with such reserve study(s) as the Board in it's discretion may cause to be prepared) shall be deposited into one or more separate interest bearing reserve fund accounts or invested in certificates of deposit issued by a federally insured financial institution for the purpose of creating reserves to ensure payment when due of the cost of repair and replacement of the major components of the Projects for which the Association is responsible. The Association shall not be deemed to be responsible for posting reserves for repair and replacement of major components of a Project for which an Underlying Association has that responsibility under its governing documents or under applicable law.

(a) Reserve Expenditures. The Board shall not expend funds designated as reserve funds for any Project or for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement or maintenance of such major components which the Association is obligated to repair, restore, replace or maintain and for the Project for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided that the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within three years of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Project, delay the restoration. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this section, and subject to the limitations of section 5.5 hereof.

(b) Reserve Study. To the extent the Association is required to maintain reserves, at least once every three years the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements, if any, of the Program to be conducted if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget of the Association (excluding reserve account contributions) for any Fiscal Year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study

required by this section shall at a minimum include:

(1) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years;

(2) Identification of the probable remaining useful life of the components identified in subsection (1) as of the date of the study;

(3) An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in subsection (1) during and at the end of its useful life; and

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

(c) Reserve Withdrawals. Any withdrawal of funds from the Association's reserve account shall require the signatures of either (i) two members of the Board or (ii) one member of the Board and an officer of the Association who is not a member of the Board.

ARTICLE VI

ENFORCEMENT OF RESTRICTIONS

6.1 In General. In the event that any Owner or his Permitted User(s) should fail to comply with any of the provisions of the Governing Instruments, the Association or any other Owner(s) shall have full power and authority to enforce compliance with the Governing Instruments in any manner provided for herein, by law or in equity, including, without limitation, the right to enforce the Governing Instruments by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Governing Instruments, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Ownership of any Owner in any lawful manner. In the event the Association or any Owner(s) shall employ an attorney to enforce the provisions of the Governing Instruments against any Owner, Exchange User or Permitted User, the party engaging the attorney shall be entitled to recover from the party violating any such provisions reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by an Owner which become delinquent

shall bear interest, at the option of the Board, at the lesser of eighteen percent (18%) or the maximum rate permitted by law from the due date, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in the Declaration, commencing ten (10) days after repayment is requested. Each Owner who becomes delinquent more than 10 days in the payment of any amount due the Association shall pay to the Association a late charge as set by the Board. All enforcement powers of the Association shall be cumulative. Each Owner accepting the conveyance an Ownership shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this Article VI and elsewhere in this Declaration.

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

(a) Suspension of Privileges; Monetary Penalties - If any Owner or his Permitted User shall be in breach of the Governing Instruments, including but not limited to the failure of such Owner to pay any Assessment or Personal Charges on or before the due date therefor, subject to the limitations hereinafter set forth in this subparagraph 6.2(a), the Association may suspend the rights of such Owner to reserve or occupy any Unit and the right of such Owner to participate in any vote or other determination provided for herein and may assess monetary penalties as may be reasonably established by the Board. No such suspension, except a suspension of privileges for the failure of such Owner, Exchange User or Permitted User to pay any Assessments or Personal Charges, any portion thereof or any other amount(s) due hereunder on or before the due date therefor, or imposition of monetary penalties shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in Article III for the noticing, calling and holding of a meeting of the Board. Written notice of such meeting, the purpose thereof, including the reasons for the suspension sought or the monetary penalties sought to be imposed, and whether the Owner, Exchange User or Permitted User's defense shall be oral or written, shall be given to the Owner, Exchange User or Permitted User against whom such activity is to be taken at least fifteen (15) days prior to the holding of such meeting. Such notice shall be given as provided in section 8.3 hereof. Such Owner, Exchange User or Permitted User shall be entitled to appear at such meeting and present his case, either orally or in writing as designated by the Board, as to why his privileges should not be suspended or monetary penalties imposed. The decision as to whether such privileges should be suspended or monetary penalties imposed shall be made by a majority of the members of the Board present at such meeting. Written notice of suspension or monetary penalties

imposed, the reasons therefor and the length or amount thereof shall be given to the affected Owner, Exchange User or Permitted User and the suspension or penalties shall become effective on the date such notice is given, which date shall be not less than five (5) days after the date of such meeting. If such suspension of privileges or imposition of monetary penalties is based on the failure of an Owner to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspended privileges of such Owner shall be reinstated automatically at such time as the Owner shall have paid to the Association, in cash or by cashier's or certified check, all amounts past-due as of the date of such reinstatement together with accrued and unpaid interest and any late charges or other monetary penalties imposed. If such suspension of privileges or imposition of monetary penalties is based on any act or omission other than the failure of an Owner to pay Assessments, Personal Charges or any other amount(s) due hereunder when due, the suspended privileges shall be automatically reinstated upon the expiration of the period stated in the suspension notice or upon payment of the monetary penalties imposed;

(b) Creation of Lien - There is hereby created a claim of lien, with power of sale in accordance with the provisions of Article IX of the Uniform Commercial Code or in accordance with other applicable law, on each and every Ownership, which lien is to secure the prompt and faithful performance of each Owner's obligations under the Governing Instruments for the payment to the Association of any and all Assessments levied against such Ownership under this Declaration, together with interest thereon at the lesser of eighteen percent (18%) or the maximum rate permitted by law from the date of delinquency, and all late charges and costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorney's fees. Each Owner, by acceptance of an Ownership, grants to the Association a security interest in such Ownership as collateral for the payment of all assessments, charges and costs against such Owner.

(c) Enforcement of Lien. In the event of an Owner's failure to perform any obligation referenced in subparagraph (b) above, the Association may issue to such Owner, by U.S. First Class Mail, a "Notice of Default" containing substantially the following information:

(i) The name of the defaulting Owner as reflected in the records of the Association;

(ii) The event of default and the total amount of delinquency, whether resulting from unpaid assessments, interest thereon, late charges, collection costs and reasonable attorney's fees, each separately stated;

(iii) The Ownership number, the Ownership Type, and the number of Points associated therewith;

(iv) A statement that a lien is claimed and that such lien will be foreclosed against the Ownership if the default is not cured within 30 days;

(v) A statement that the Claim of Lien and Notice of Default are made and issued by the Association pursuant to this Declaration; and

(vi) The signature of the person authorized by the Association to issue the Notice of Default.

If the Owner to whom the Notice of Default was sent does not object in writing within twenty days after receipt of said Notice, the Owner shall be deemed to have consented to the retention by the Association of the Ownership in satisfaction of the secured obligation, and shall further be deemed to have consented that (i) such Owner has had the opportunity to either cure the default or to re-sell the Ownership to a third party, and (ii) such forfeiture constitutes a disposition of the Ownership in a commercially reasonable manner. Not less than 30 calendar days following the Association's mailing of the Notice of Default, the Association may, at its sole and absolute discretion, and without further notice to the Owner, enforce the lien created hereunder by accepting the forfeiture of all of the defaulting Owner's rights and privileges pertaining to the Ownership and the repossession of the Points evidenced thereby in lieu of pursuing any deficiency against the defaulting Owner.

(d) Power of Sale; Other Remedies. The Association is hereby granted a power of sale as to each and every lien on an Ownership for the purpose of collecting delinquent assessments and enforcing other Owner obligations. In addition to the remedy granted to the Association under subsection (c) hereof, all liens, assessments and charges provided for herein may be enforceable by (i) exercise of this power of sale in any commercially reasonable manner, (ii) any other collection remedy provided for under Article IX of the Uniform Commercial Code, (iii) suit at law, or (iv) any other manner authorized by law. The Association's election to pursue one form of remedy shall not affect its rights to pursue other forms of actions or remedies against the same Owner; provided, however, that the Association shall not bring a suit for any deficiency following repossession of the Ownership under subsection (c), or following exercise of the power of sale.

(e) Proceeds of Sale; Deficiency. The proceeds of any foreclosure or judgment sale provided for in this Declaration shall first be paid to discharge court costs, court reporter charges, reasonable attorneys' fees, and costs of the sale, and all other

expenses of the proceedings and sale, and the balance of the proceeds, after satisfaction of such charges, monetary penalties, unpaid Assessments hereunder, Personal Charges or any liens, and subject to the rights of any mortgagee, shall be paid to the defaulting Owner. The purchaser at any such sale shall obtain title to the Ownership free from the sums or performance claimed (except as stated in this subparagraph and in Section 6.3) but otherwise subject to the provisions of this Declaration; and no such sale or transfer shall relieve such Ownership or the purchaser thereof from liability for any Assessments, other payments or performance thereafter becoming due or from the lien therefor as provided for in this subparagraph. All sums assessed hereunder but still unpaid shall remain the obligation of and shall be payable by the Owner foreclosed upon; but if such sum should prove uncollectible, then it shall be deemed to be a Basic Expense, collectable from all of the other Owners, including the purchaser thereof at foreclosure, and shall be shared among such Owners in the same manner as other Basic Expenses are shared.

(f) Release of Lien Upon Payment. Upon the timely curing of any default for which a lien was claimed by the Association, the officers of Association are hereby authorized and instructed to file and, where applicable, record an appropriate release of such lien in accordance with the provisions of applicable law.

(g) Request for Notice of Default. Any holder of a security interest in an Ownership may request that he be notified of the Owner's default in payment of assessment obligations. Requests must be addressed to the Association in writing, and must be presented along with evidence of the holder's security interest. The Association shall confirm, in writing, its receipt of a holder's request, and shall have no obligation to provide notice to any holder who has not received written confirmation of the Association's receipt.

6.3 Subordination to Certain Encumbrances. The lien provided for herein shall be prior to any encumbrances made by an Owner or imposed by legal process upon any Owner except that the lien provided for herein shall be subordinate (except as hereinafter provided in this Section) to the lien of any first purchase money security interest of which Association has prior written notice and to liens for taxes, bonds, assessments and other levies which by law are prior thereto, whether the notice of lien is filed prior or subsequent to any such encumbrance. The sale or transfer of any Ownership shall not defeat or affect the lien provided for herein; provided, however, that the sale or transfer of any Ownership which is subject to any first purchase money mortgage of which Association has prior written notice, pursuant to a foreclosure under such first mortgage shall extinguish the lien provided for herein as to payments, up to a maximum of one year's Assessments,

which became due prior to such sale or transfer. No such sale or transfer shall relieve such Ownership or the purchaser thereof from liability for any Assessments(s) past due in excess of one year from the date Association notified such mortgagee of the Owner's default in the payment of Assessments, or from Assessments thereafter becoming due, or from the lien thereof.

ARTICLE VII

DAMAGE, DESTRUCTION OR CONDEMNATION

7.1 Underlying Plan Controls. With respect to any Project subject to an Underlying Plan which contemplates the event of partial or total destruction or condemnation thereof, such provisions shall govern the procedures by which the Underlying Association shall elect to repair such damage or not to repair such damage. In the event the Underlying Association elects to repair such damage, if the damage is not covered by insurance proceeds or condemnation award or if the insurance proceeds or condemnation award are insufficient to cover such expense, and if the Underlying Association elects to levy an assessment against the Ownerships, Association shall levy a Special Assessment determined in accordance with the method for calculating assessments generally against each Owner in an amount sufficient to pay the assessment levied by the Underlying Association.

7.2 Damage or Destruction if No Underlying Association. In the event of any damage or destruction to the Association Maintained Areas or Common Furnishings, whether resulting from an insured or an uninsured casualty, other than by ordinary wear and tear, the Association shall forthwith cause such damage to be repaired and shall use any available insurance proceeds for such purposes. If the loss, damage or destruction was caused by the intentional or negligent act or omission to act of any Owner or his Permitted User(s), the cost of such repair shall be a Personal Charge of, and be paid by, such Owner as provided in paragraph 5.6, above, to the extent such loss, damage or destruction is not covered by insurance. If the loss, damage or destruction was caused by an intentional or negligent act or omission to act of any Exchange User, the Association shall use reasonable efforts to collect from such Exchange User the cost of such repair to the extent such loss, damage or destruction is not covered by insurance.

To the extent that any loss, damage or destruction to any portion of the Common Furnishings is covered by insurance, the Association and the Owners shall have no claim or cause of action for such loss, damage or destruction against any Owner or Permitted User. To the extent that any loss, damage or destruction to the property of any Owner or Permitted User is covered by insurance

procured by such Owner or Permitted User, such Owner or Permitted User shall have no claim or cause of action for such loss, damage or destruction against the Board, the Managing Agent, any Owner, Permitted User or Exchange User, or the Association. All policies of insurance referred to in this paragraph shall contain appropriate waivers of subrogation.

7.3 Insurance or Condemnation Proceeds. Any insurance or condemnation proceeds available to the Association as a result of such proceeds not being utilized or required for the repair or restoration of the Ownerships, or the Common Furnishings, or any part thereof, shall be applied by the Association first towards the acquisition of replacement Resort Accommodations, at least to the extent required to bring the available room/nights of dedicated Resort Accommodations in balance with the use rights of all Points then issued and outstanding. In the event a surplus remains after such acquisitions, the Board may, in its discretion, retain such surplus or distribute such surplus to all Owners on a pro rata basis in accordance with the method for determining the Basic Assessment; provided, however, that there shall be deducted from the amount due each Owner the amount, if any, due to the Association by such Owner.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Amendment. This Declaration may be amended as follows:

(a) By 25% of Non-Declarant Owners, except for sections 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, and 3.8 hereof, which may be amended by 10% of the Non-Declarant Owners, and except for paragraph 8.2, which may not be amended except by a Super-Majority of Owners; or

(b) By Declarant, at any time, (i) in order to conform this Declaration to the requirements of the California Department of Real Estate, in order to facilitate the issuance of a California Timeshare Public Report for the Program, and the addition of any Future Projects; or (ii) to make such changes as Declarant may desire which do not materially and adversely affect the use rights or the voting rights of existing Owners.

The percentage of the voting power necessary to amend a specific clause or provision in the Declaration shall not be less than the prescribed percentage of affirmative votes or written assents required for action to be taken under that clause. Any amendment shall be binding upon every Owner whether the burdens thereon are increased or decreased. Any amendment authorized hereby shall be evidenced by an instrument in writing, signed and acknowledged, (i) in the event of an amendment pursuant to clause

(b) by Declarant or (ii) in the event of an amendment pursuant to clause (a) by an officer of the Association, which amendment shall be effective upon filing with the Secretary of the Association.

8.2 Termination.

(a) Term of Declaration - Subject to the provisions of subparagraph 8.2(b) below, this Declaration shall remain in effect perpetually from the date of filing hereof with the Secretary of the Association.

(b) Termination by Super-Majority - This Declaration may be terminated at any time after fifty (50) years from the date of execution of this Declaration by a Super-Majority of Owners electing to terminate the Declaration and authorizing the Association, as trustee for all Owners, to sell all Ownerships subject to the rights of any first mortgagees of such Ownerships. In such event, this Declaration shall terminate upon the consummation of such sale. Notwithstanding the termination of this Declaration as hereinabove provided and the termination thereby of all of the covenants, conditions, restrictions, rules and regulations, liens and equitable servitudes created by this Declaration, the existence of Association shall continue for so long as reasonably required to provide for the collection and disbursement of the proceeds from the sale, conveyance or transfer of the Ownerships.

(c) Petition for Court Order - In the event that no conveyance, sale or transfer of the Ownerships shall have been effected by the Association within nine (9) months after determination of a Super-Majority of Owners as provided in subsection 8.2(b), any Owner, including Declarant, shall have the right to petition a court of competent jurisdiction for the sale of the Ownerships in lieu of partition. Such court shall recognize and give effect to any agreement, document or instrument made or entered into by the Association within said nine (9) month period, and pursuant to which any Resort Accommodations shall be conveyed, sold or transferred;

(d) Distribution of Proceeds - The proceeds from a sale of the Ownerships (i) by the Association pursuant to the power of sale conferred upon the Association as set forth in subparagraph 8.2(b), or (ii) by a referee appointed to do so pursuant to a court decree obtained pursuant to subparagraph 8.2(c) above, shall be distributed by the Association as trustee to each Owner, including Declarant, with respect to each Ownership owned (subject to the rights of each Owner's first mortgagee) in accordance with the method for determining the Basic Assessment; provided, however, that there shall be deducted from the amount due any Owner the amount, if any, of all sums due to the Association from such Owner.

8.3 Notices. Notices provided for in this Declaration shall be in writing and shall be deemed sufficiently given either when transmitted by fax or e-mail transmission, or when delivered personally at the appropriate address set forth (in which event, such notice shall be deemed effective only upon such delivery) or forty-eight (48) hours after deposit of same in any United States post office box in the state to which the notice is addressed or seventy-two (72) hours after deposit of same in any such post office box other than in the state to which the notice is addressed, postage prepaid, addressed as set forth below. Any notice to an Owner required under this Declaration shall be addressed to the Owner at the last address for such Owner appearing in the records of the Association. Notices to the Association shall only be deemed effective and sufficiently given upon actual receipt by the Association and shall be addressed to Welk Resorts Platinum Owners Association, 100 E. San Marcos Boulevard, Suite 100, San Marcos, CA 92069. Notices to the Managing Agent and to Declarant shall be addressed to the address designated by the Managing Agent by written notice to the Association. The addresses for purposes of this paragraph 8.3 may be changed by giving notice of such change in the manner herein provided for giving notice. Unless and until such notice is received, the last address and address as stated by notice or as provided herein, if no notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

8.4 Notification of Sale of Ownership. No later than thirty (30) days prior to the sale or transfer of any Ownership under circumstances whereby the transferee becomes the owner thereof, the transferor or transferee shall furnish the Association in writing (a) the name and address of the transferee and transferor, (b) the date on which such sale or transfer is to be consummated, (c) a statement executed by the transferee that the transferee has received from the Owner, and acknowledges receipt of, a copy of the Governing Instruments, (d) a statement executed by the transferee that the transferee has received a copy of the then effective Association Budget and a statement from the Association as to the amount of assessments, late charges, interest and costs which are or may become a lien on the Ownership being transferred, (e) a statement executed by the transferee that the transferee agrees to be bound by all of the provisions of the Governing Instruments, (f) the name and address of any mortgagee of such transferor or transferee and executed by the transferee that such other information as may then be required by law has been furnished by the transferor. Any outstanding and unpaid Assessments and Personal Charges shall be paid to the Association prior to the transfer of such Ownership. Unless and until such notice is given and any unpaid Assessments and Personal Charges have been paid to the Association on behalf of the transferor, the Association shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by

the Association. Prior to (a) receipt of any such notification by the Association or the Managing Agent or (b) the payment of Assessments and Personal Charges by the transferor, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

8.5 Severability. If any provision of this Declaration, or any section, sentence, clause, phrase or word or the application thereof in any circumstance 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 circumstance shall not be affected thereby.

8.6 Successors. The provisions of this Declaration shall be binding upon all parties having or acquiring any Ownership or any right, title or interest therein, and shall be for the benefit of each Owner and his heirs, successors and assigns. Each Owner (including Declarant) shall be fully discharged and relieved of liability on the covenants herein insofar as such covenants relate to each Ownership upon ceasing to own such Ownership and paying all sums and performing all obligations hereunder insofar as the same relate to each Ownership up to the time his Ownership is terminated.

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

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

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

8.10 Governing Law. The provisions of this Declaration shall be governed by and interpreted under the laws of the State of California.

8.11 Lender Protection. The Board shall not have the power to file a voluntary petition under federal bankruptcy laws without the affirmative vote of 100% of the Owners. The Board shall not have the power to mortgage or encumber Association-owned real property, except that the Association may encumber Common Furnishings

purchased or replaced in the ordinary course of business.

8.12 Restrictions on Use of Name. Pursuant to, and subject to the terms and conditions set forth in the Management Agreement, the Association has acquired a non-exclusive, revocable sublicense to use the name "Welk" or any form thereof in connection with the operation and promotion of the Program. As contemplated in the Management Agreement, any rights of the Association to use or exploit the name "Welk" or any form thereof shall automatically be revoked upon the termination of the Management Agreement and may, at the discretion of the Managing Agent, be terminated upon the occurrence of any other material change in the Program, including any deterioration in the physical appearance or state of repair of any Project dedicated to the Program or any material change in the activities contemplated by this Declaration to be conducted as part of the Program. In the event that the sublicense granted pursuant to the Management Agreement is terminated for any reason, the Association shall promptly give notice of such termination to each Owner and the Association and each Owner shall immediately:

(a) Remove all signs containing the name "Welk" or any form thereof from any materials relating to the Program, and from any on-site or off-site location to the extent the sign refers to the Program contemplated herein;

(b) Destroy all stationery, descriptive literature or printed or written matter bearing the name "Welk" or any form thereof other than books and records of the Association;

(c) Cease and desist from using the name "Welk" or any other form thereof orally or in writing in referring to the Association or the Program contemplated by this Declaration; and

(d) Take immediate action to effect changes to the names of the documents of the Association reflecting the name "Welk" or any form thereof to eliminate the use of such name.

The provisions of this Paragraph may be enforced by any remedy at law or equity, including mandatory and/or prohibitory injunctions, and by accepting a deed in which this Declaration is deemed to be incorporated, each Owner acknowledges that in the event of non-performance of any of the above-described restrictions, Managing Agent's remedies at law shall be deemed inadequate to enforce the terms of this Paragraph. The Welk Group, Inc., a California corporation, is intended by Declarant, the Association and each Owner, and is hereby declared to be a third party beneficiary of the covenants set forth in this Paragraph, and shall have each and every right set forth hereunder to enforce them.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed as of the day and year first above written.

"DECLARANT"

Welk Resort Group, Inc.,
a California corporation

By:

A handwritten signature in blue ink, appearing to read "Jonathan P. Fredricks", written over a horizontal line.

Jonathan P. Fredricks, President

INITIAL RESORT ACCOMMODATIONS

Lawrence Welk Resort Villas

<u>Quantity</u>	<u>Timeshare Interests</u>	<u>Points ea.</u>	<u>Total Points</u>
256	2-bedroom/Fixed Week	240,000	61,440,000

Lawrence Welk Villas on the Green

<u>Quantity</u>	<u>Timeshare Interests</u>	<u>Points ea.</u>	<u>Total Points</u>
5	2-bedroom Deluxe	300,000	1,500,000
5	1-bedroom Villa	180,000	900,000
4	1-bedroom Suite	120,000	480,000
TOTAL			64,320,000

EXHIBIT "A"

Recording Requested By
and When Recorded Return to:

Welk Resort Group
100 E. San Marcos Blvd #100
San Marcos, CA 92069

DECLARATION OF DEDICATION
WELK RESORTS PLATINUM PROGRAM
PHASE I - _____ RESORT

This Declaration of Dedication is made this _____ day of _____, 20__ by Welk Resort Group, Inc., a California corporation ("Declarant") with reference to the following facts:

WHEREAS, Declarant is the owner of certain real property, together with all improvements which have been or will be constructed thereon and all appurtenances thereto, described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Subject Resort Accommodations") located in the County of _____, State of _____, which consists of _____ (__) separate dwelling units/intervals/points (each of which is herein called a "Unit"), which Subject Resort Accommodations are part of a subdivision known as _____ (the "Underlying Plan"); and

WHEREAS, the Underlying Plan was created by and is subject to a Declaration of Covenants, Conditions, and Restrictions for _____ recorded on _____, _____ in the Official Records of _____ County, _____ as Instrument No. _____ (the "Underlying Declaration"); and

WHEREAS, the Subject Resort Accommodations have been subjected to the Underlying Declaration pursuant to a Declaration of Dedication for the Underlying Plan ("Underlying Declaration of Dedication") recorded of even date herewith. The Unit locations and identifying numbers are shown and described on Exhibit "___" to the Underlying Declaration, as the same may be amended from time to time; and

WHEREAS, Declarant is the sponsor of a multi-location vacation ownership program known as "Welk Resorts Platinum Program" which was created pursuant to a Master Declaration of Restrictions and Bylaws for Welk Resorts Platinum Program dated _____, 20__ (the "Master Declaration"), a copy of which [is attached hereto as Exhibit "B"]

EXHIBIT "B"
to Master Declaration

[was attached as Exhibit "B" to that certain Instrument previously recorded in the Office of the County Recorder of _____ County, _____, as Instrument No. _____]; and

WHEREAS, the Master Declaration establishes a uniform plan for the development and ownership of Resort Accommodations (as defined in the Master Declaration) by imposing upon said Resort Accommodations mutual and beneficial restrictions, covenants, conditions, obligations, and easements to apply uniformly to the use, enjoyment, repair, maintenance, restoration, improvement, transfer, and encumbrance of all Resort Accommodations which become dedicated under the Master Declaration from time to time, for the mutual enjoyment, convenience, protection, and benefit of all Resort Accommodations dedicated thereto, and for the creation of vacation ownership interests known as "Ownerships", which Ownerships are sold by Declarant to members of the general public; and

WHEREAS, Declarant now wishes to incorporate the Master Declaration into this Declaration and to apply all of the terms thereof to the Subject Resort Accommodations by the dedication of the Subject Resort Accommodations to the plan and scheme of the Master Declaration in accordance with Section 4.2(a) of the Master Declaration.

NOW THEREFORE, in furtherance of such intent, Declarant hereby declares as follows:

1. The Subject Resort Accommodations, together with all improvements thereon and all appurtenances thereto, are hereby dedicated to the Program pursuant to the Master Declaration, and shall hereafter be held, sold, conveyed, encumbered, leased, occupied, improved, and used subject to the covenants, conditions, reservations, restrictions, easements, and limitations of record contained in the Master Declaration, which is hereby incorporated herein by this reference, as the same may be lawfully amended and/or supplemented from time to time, all of which are established, declared, and agreed to be for the purpose of enhancing and protecting the value, desirability, and enjoyment of the Subject Resort Accommodations and any Ownerships therein. All of such covenants, conditions, reservations, restrictions, easements, and limitations shall constitute equitable servitudes upon the Subject Resort Accommodations, shall perpetually run with the land, shall be binding upon and inure to the benefit of the Declarant, the Welk Resorts Platinum Owners Association and all members thereof, and any other persons having or acquiring any right, title, or interest therein and thereto, and each of their respective heirs, legal representatives, successors, and assigns, and all other persons who are present within or use the Subject Resort Accommodations for any purpose whatsoever.

2. Each of the Subject Resort Accommodations is capable of year-round occupancy in accordance with the Underlying Declaration.

3. The Subject Resort Accommodations shall support the creation by the Association of Ownerships of any type described in the Master Declaration, together with the initial issuance by the Association of "Points" (as defined in the Declaration) in the following amounts:

<u>Unit #</u>	<u>Unit Type and Season (if any)</u>	<u>Description of Intervals or Points in Underlying Plan</u>	<u>Points</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. Declarant hereby assigns to Association any and all assessment obligations and voting rights in the Underlying Association, use rights to the Resort Accommodations, any rights to notices and mailings from the Underlying Association, any insurance proceeds or condemnation awards, and any vacation ownership points (if applicable) which are appurtenant to the Resort Accommodations pursuant to the Underlying Declaration.

5. The dedication of the above-referenced Resort Accommodations shall be effective upon the recordation of this Declaration of Dedication or, if not recorded, the filing hereof with the Secretary of the Association, and shall continue until such time as the Resort Accommodations are deannexed or substituted in accordance with the provisions of the Master Declaration, or the Master Declaration shall be terminated in accordance with the terms and provisions contained therein.

IN WITNESS WHEREOF, Declarant has hereunto caused this Declaration of Dedication to be executed as of the day and year first written above.

"DECLARANT"

Welk Resort Group, Inc.,
a California corporation

By: _____